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## PROJECT DOCUMENT

### Project Title: **Promoting Entrepreneurship among the Conflict-affected Population in Ukraine, Phase III**

<b>Country:</b>	Ukraine
<b>Project title:</b>	Promoting entrepreneurship among the conflict-affected population in Ukraine, Phase III
<b>Project Objectives:</b>	<p>The project aims to boost the current support for entrepreneurship development, jobs creation, business skills advancement and access to markets in the challenging conflict-affected environment, thus helping to improve the resilience of local populations and IDPs and preventing further deterioration of the economic situation in Donetsk and Luhansk oblasts of Ukraine.</p> <p>This project is a logical continuation of the project phase I and phase II and will contribute to sustainable recovery of living conditions of the conflict-affected population as a part of the broader economic recovery effort. The project will be implemented under Component 1 “Economic recovery and restoration of critical infrastructure” of the UNDP Recovery and Peacebuilding Programme and will follow the objectives articulated in the State Target Programme on Recovery and Peacebuilding in the Eastern Regions of Ukraine and the Regional Development Strategies of Donetsk and Luhansk Oblasts.</p>
<b>Related SDGs Goal</b>	1, 5, 8, 9, 10, 11, 16
<b>Proposed budget:</b>	1,300,000 USD
<b>Implementation period:</b>	18 months (March 2019 – August 2020)
<b>Implementing Agency:</b>	United Nations Development Program (UNDP) in Ukraine
UN Agencies:	UNDP
Other Agencies:	Regional and local authorities of Donetsk and Luhansk oblasts (GCA)
<b>Project Locations:</b>	Government Controlled Areas (GCAs) of Donetsk and Luhansk oblasts
<b>Beneficiaries:</b>	IDPs and local population, oblast, rayon and municipal authorities of the target regions
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## List of Abbreviations

GCA	Government Controlled Areas
EUR	Euro currency
FAO	Food and Agriculture Organization
IDPs	Internally Displaced Persons
IOM	International Organization for Migration
MSMEs	Micro, Small and Medium Enterprises
NGCA	Non-Government Controlled Areas
NGO	Non-Governmental Organization
RPP	Recovery and Peacebuilding Programme
UAH	Ukrainian hryvnia (Ukrainian currency)
UN	United Nations
UNDP	United Nations Development Programme
USD	United States dollars

## I. BACKGROUND. DEVELOPMENT CHALLENGE

### 1.1. Situation analysis

#### *The aftermath of the conflict in eastern Ukraine: regional dimensions*

The on-going armed conflict in eastern Ukraine has caused tremendous local economic collapse (along with significant national economic damage) and societal meltdown affecting the lives of millions in, or close to, the conflict area. Donetsk and Luhansk oblasts have been most affected due to the direct impacts related to the loss of territorial control, infrastructure, markets and resources. Additionally, there are indirect effects through negative structural changes and significant reductions in household welfare. In fact, starting from 2014, the region has experienced a continuous deterioration in the overall socio-economic situation as the conflict has caused serious economic decline. The decline is due to enterprise closures, breakdowns of economic ties, high inflation, severe physical destruction of critical infrastructure, economic blockades and a dramatic increase in unemployment.

Since late summer 2014, Luhansk and Donetsk oblasts have remained divided by the so-called “contact line” into two areas – Government Controlled Areas (GCAs) and Non-Government Controlled Areas (NGCAs), with now roughly one-third of the region, mostly urban and industrial areas, outside of government control. This alone had a negative impact on the overall socio-economic situation and has affected the functionality of the regions’ complex infrastructures, including communication, transportation, electricity, heating and water supply systems, healthcare, education and public facilities.

Economic activity in government-controlled areas has been severely affected: if before the conflict, Donetsk oblast was above the national average in terms of the major economic indicators, by 2015 Donetsk oblast (GCA) dropped below the respective national average, while Luhansk oblast (GCA) has fallen even further and is now among Ukraine’s poorest regions.

An estimated, 78% of the industrial capacity and 66% of all jobs in Donetsk oblast, and even higher in Luhansk oblast (about 84% and 81% respectively), have been left outside of the GCAs.<sup>1</sup> As most of the Micro, Small and Medium Enterprises (MSMEs), which are defined in Ukraine as firms employing from 1 to 49 workers, in Donetsk and Luhansk oblasts were engaged in downstream or upstream linkages with the major industrial enterprises, they have also experienced a serious decline in their activity in the conflict-affected areas.

The conflict has led to the loss of at least 1.6 million jobs in the two oblasts, mainly in heavy industry sectors and in services. In 2016, industrial production in government-controlled areas of Donetsk oblast amounted to only 47% of its 2013 (pre-conflict) volumes, and only 27% of 2013 volumes in government-controlled areas of Luhansk oblast.<sup>2</sup>

In 2017, the unemployment rate in the Donbas region amounted to 15.1% in Donetsk oblast and 17.6% in Luhansk oblast. This is the highest level since 2008, compared to an all-Ukrainian 10.1% and a pre-conflict 8.2% and 6.7% in 2013 respectively. According to the UN Humanitarian response plan for 2018 there are over 360,000 unemployed in the region that are unable to cover their



<sup>1</sup> Ukraine Recovery and Peacebuilding Assessment: Analysis of crisis impacts and needs in eastern Ukraine, Volume II (March 2015) [http://www.un.org.ua/images/documents/3738/UkraineRecoveryPeace\\_A4\\_Vol2\\_Eng\\_rev4.pdf](http://www.un.org.ua/images/documents/3738/UkraineRecoveryPeace_A4_Vol2_Eng_rev4.pdf)

<sup>2</sup> OECD data

essential basic needs.<sup>3</sup> Improved access to income generating opportunities is therefore one of the priority needs of Internally Displaced Persons (IDPs) and conflict-affected populations in general.

The situation is much worse in the 15km wide “buffer zone” (unofficially called the “grey zone” as shown in the picture above) established by the Minsk Protocol follow-up memorandum along each side of the 457 kilometre contact line between Ukrainian forces and armed groups, as the fragile ceasefire is pierced almost daily by violations. All basic services in the “grey zone” have suffered from major deterioration, including disrupted health, education and market networks. A recent assessment of the “buffer zone” has estimated up to 200,000 people living in the 5 km zone along the ‘contact line’ in the GCA, including registered IDPs and returnees,<sup>4</sup> reportedly experiencing systematic shelling on a daily, weekly or monthly basis.

#### *The aftermath of the conflict in eastern Ukraine: human dimensions*

Since the beginning of the conflict, over 10,000 people were killed, about 24,000 wounded, and over 1.7 million people displaced. In total, about two thirds (4.4 million) of the estimated 6.6 million people residing in Donetsk and Luhansk oblasts have been directly affected by the conflict, including 3.4 million still requiring humanitarian assistance and protection.<sup>5</sup>

Over 1.5 million people or about 1,237,000 families were registered as IDPs by the end of June 2018.<sup>6</sup> Estimated 0.8 million of IDPs reside permanently in government-controlled areas, while the rest only periodically enter government-controlled territories to claim pension and social assistance. Over 75% of the IDPs are registered close to their homes, including over 40% in the GCAs of their origin.

According to the most recent IOM monitoring survey,<sup>7</sup> the employment situation of IDPs has worsened slightly as of June 2018. The share of employed IDPs amounted to 42%, which is a 6% decrease compared to March 2018. Among the total population of Ukraine, the level of employment remained stable, with employment in the 1st quarter of 2018 amounting to 56% of the population aged 15–70 years.

Among IDPs, unemployment is generally considered the second most important problem (reported by 22% of IDPs), following the issue of living conditions. The employment picture of IDPs as of June 2018 was as follows: 40% were employed, 2% were self-employed, 11% were actively seeking employment, 19% were pensioners, 17% were doing various housework, 6% were persons with disabilities, 3% were students and 2% were unemployed but not seeking employment. Among those 11% of IDPs who were actively seeking employment, 78% were women and 22% were men. Over half (57%) of IDPs who were actively seeking employment had been unemployed for over a year, while 36% had been unemployed for more than three years and 5% had never worked before. 89% percent of IDPs who were actively seeking employment reported facing difficulties. The most frequently mentioned barriers were low salary for proposed vacancies (54%) and lack of vacancies in general (51%), lack of vacancies corresponding to a person’s qualifications (24%), vacancies with unsuitable work schedules (18%), as well as difficulties combining work and family responsibilities (18%).

The wellbeing of IDPs has also worsened, as demonstrated by a decrease in the average monthly income per IDP household member. The income amounted to 2,090 UAH in June, compared to 2,239 UAH in March 2018. These data reflect the general economic insecurity of IDP households, as the average monthly income per IDP household member is 43% lower compared to average Ukrainian households (UAH 2,090 and UAH 3,640, respectively), and represents only about 63% of the official subsistence level calculated by the Ministry of Social Policy of Ukraine (UAH 3,327). IDPs

<sup>3</sup>UN OCHA: Ukraine: 2018 Humanitarian Response Plan (January-December 2018)

[https://www.humanitarianresponse.info/sites/www.humanitarianresponse.info/files/documents/files/ukraine\\_humanitarian\\_response\\_plan\\_2018.pdf](https://www.humanitarianresponse.info/sites/www.humanitarianresponse.info/files/documents/files/ukraine_humanitarian_response_plan_2018.pdf)

<sup>4</sup> REACH, Area based assessment, 2017

<sup>5</sup> UN OCHA: Ukraine: 2018 Humanitarian Response Plan (January-December 2018)

<sup>6</sup> Information of the Ministry of social policy of Ukraine which is a primary source of statistical data on IDPs in Ukraine <https://www.msp.gov.ua>

<sup>7</sup> National Monitoring System Report on the situation of internally displaced persons, IOM, June 2018

[http://www.iom.org.ua/sites/default/files/nms\\_round\\_10\\_eng\\_press.pdf](http://www.iom.org.ua/sites/default/files/nms_round_10_eng_press.pdf)

continue to heavily rely on government support, which is the most frequently mentioned source of income.

### *Current situation of Micro, Small and Medium Enterprises in Donetsk and Luhansk oblasts (GCA)*

Before the start of the conflict, MSMEs in Luhansk and Donetsk oblasts accounted for 13% of sales by Ukrainian MSMEs in 2013. In 2015, the share of sales by MSMEs in the government-controlled part of the region dropped to 3%. Many MSMEs shut down or relocated to other parts of Ukraine. Still, over 60,000 private entrepreneurs, including so-called self-employed individuals or individual entrepreneurs, and corporate MSMEs (including 10,450 MSMEs in Donetsk oblast and 3,408 MSMEs in Luhansk oblast<sup>8</sup>) continue to operate in the region. The remaining MSMEs account for 4% of employment in Ukraine, which is 3 times less than the 12.6% share in MSMEs employment observed for Donetsk and Luhansk oblasts in 2013, the last pre-conflict year.

## **1.2. Key Challenges to be addressed by the Project**

Four years into the conflict in Eastern Ukraine, the need to support recovery of livelihoods and income generation among IDPs and the local population remains imperative. Promoting job creation is a challenge even in an otherwise favourable environment, and far more so in the post-conflict one 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 illegal trade and contracts. 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.

Moreover, when displaced persons and host communities can no longer rely on known ways of generating income, they have difficulty to adjust to new markets, learn new skills and integrate fully into the changed environment. This is especially true for Luhansk and Donetsk oblasts, considering the region’s former industrial renown when large plants and enterprises offered sustainable employment opportunities. The current situation, wherein a majority of industrial facilities remain located outside government-controlled territories, there is no return to the business-as-usual mode and few jobs exist. Similarly, self-employment/entrepreneurship in the region has become a necessity for survival, rather than a pathway to prosperity.

While the economic recovery response which is implemented in 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.

## **1.3. Assistance mechanism**

Following a Recovery and Peacebuilding Assessment conducted in late 2014 by the European Union, the United Nations and the World Bank Group, and endorsed by the Government of Ukraine on 5 August 2015, UNDP Ukraine responded to the identified challenges by setting up a coordinated system for recovery and peacebuilding interventions in the conflict area. In early 2016, the existing portfolio and related projects have been integrated into a comprehensive and cohesive Recovery and Peacebuilding Programme (RPP) covering five oblasts in Eastern Ukraine (Donetsk, Luhansk, Dnipro, Kharkiv and Zaporizhzhia). It serves as a unifying framework for a total of 16 projects funded by 11 international partners since 2015, including the Government of Poland. The RPP is comprised of three components: (1) Economic Recovery and Restoration of Critical Infrastructure; (2) Local Governance and Decentralization Reform; and (3) Community Security and Social Cohesion. The RPP is designed in such a way that it seeks to combine efforts across several areas for maximizing the overall impact of recovery interventions. One of the priorities of the RPP is to support economic recovery in conflict-affected areas by boosting business development and helping IDPs find employment.

## **1.4. Available experience of Polish-Ukrainian development cooperation**

There is a wealth of development assistance experience within UNDP-led programmes and projects alone, including the UNDP Ukraine projects of economic and social rehabilitation of the Chernobyl affected territories, financed by the Government of Poland. Thus, the "Mainstreaming environment in the local strategies in Chernobyl affected areas" (2012-2013), funded by the Government of the

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<sup>8</sup> Data for 2017, State Statistics Service of Ukraine. <https://ukrstat.org>

Republic of Poland, successfully supported the sustainable development of Chernobyl-affected territories through improved awareness, effective planning and managing of social and economic recovery of the area. Within another 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”, capacity-building of SMEs and micro-business development was implemented by UNDP in Ukraine in collaboration with the Polish Agency for Enterprise Development in 2014-2015. Overcoming stigma in Chernobyl-affected communities has been addressed and could be replicated to help IDPs start to take control of their lives and play an active role in finding durable solutions, as the displacement is likely to become long-term.

Using that experience, with the development assistance from the Government of Poland in November 2015 UNDP launched a 14 months project “Promoting Entrepreneurship among the Conflict-affected population in Ukraine.” The project is aimed at sustainable recovery of living standards among the conflict-affected population by promoting entrepreneurship, supporting business skills development and providing grants for starting micro-enterprises and expanding business support services. In light of the remarkable results yielded within a relatively short period of the project implementation, and in response to the growing needs of the people affected by conflict in Eastern Ukraine, the Ministry of Foreign Affairs of the Republic of Poland, jointly with UNDP, designed a 18 months follow-up action for the established partnership and financed the “Promoting Entrepreneurship Among the Conflict-affected Population in Ukraine, Phase II”.

The Promoting Entrepreneurship Phase I project implemented during November 2015 – December 2016 (with a total budget of USD 730,000) and the project follow-up Phase II implemented during July 2017-December 2018 (with a total budget of USD 1,060,000) have produced the following key results summarized in the table below:

Project results indicators	Phase I	Phase II	TOTAL
Number of <b>Training sessions</b> on leadership, business ideas and models, market niches, business planning, marketing strategy, and business management delivered	8	13	21
Number of <b>IDPs</b> and representatives of host communities <b>provided with new professions/skills</b> through trainings	195	292	487
Number of <b>MSMEs started-up, re-started or extended</b> their business activities	100	44	144
Number of <b>jobs created</b> within new businesses or existing businesses that expanded operations	323	180	503
Number of target groups representatives <b>reached by</b> partnership building/ <b>motivation campaign</b>	350,000	200,000	550,000
Number of <b>national level promotional events</b> conducted for local entrepreneurs (e.g. business expos)	0	2	2
Number of <b>local businesses promoted</b> through business expos	0	185	185
Number of <b>MSME owners</b> and managers from project’s target regions <b>learned best Polish experience</b> of business development	n/a	80	80
Number of <b>local experts trained</b> on practical aspects of joint purchases business model	n/a	25	25

The Project also had a catalytic effect for implementing durable livelihood solutions for the conflict-affected population. Notably, following the first tranche of the Polish contribution (USD 230,000 followed by an additional tranche of USD 500,000 under the Project Phase I, and USD 1,060,000

under the Project Phase 2), UNDP managed to mobilize additional funding from the governments of the Czech Republic (USD 340,000) and the United Kingdom (USD 1 million). This integrated, multi-donor funding along with the funding from the government of Japan provided earlier increased the scope and number of opportunities and, as a result, helped a larger number of conflict-affected people and had a greater impact on overcoming the consequences of the conflict in eastern Ukraine. In total since 2015, 78 training courses that improved business skills capacities of 2,003 IDPs and conflict-affected populations have been conducted and some 630 start-ups supported under the joint donors' contribution. Effective solutions developed under the projects funded by the Government of Poland helped further mobilize 25 million EUR funding from the EU for the UNDP Recovery and Peacebuilding Programme. The new Action titled "EU Support to the East of Ukraine – Recovery, Peacebuilding and Governance" is addressing issues related to economic development and employment under its 8.2 million EUR component on "Economic recovery and MSME development" jointly implemented by FAO and UNDP. The activities planned for 2018-2022 include assistance to develop MSMEs through demand-driven business development services and professional skills training, as well as restoration and strengthening of the institutional and educational infrastructure needed for effective functioning of agriculture and non-agricultural sectors of the regional economy.

Overall, the entrepreneurship support and self-employment promotion activities carried out during the Project Phase I and Phase II in 2015-2018 have had a very strong positive effect in supporting the local conflict-affected population willing to start up, renew or expand their businesses. Given the benefits of the sustained partnership allowing for continuous development action among the conflict-affected population, the Ministry of Foreign Affairs of the Republic and Poland and the UNDP in Ukraine have planned for the Project Phase III further described in this Project Document.

Moreover, as long as the conflict and overall situation remains unresolved and the economic situation continues to stagnate, launching and starting the operation of one's own business is far from enough to secure a steady income. An intensified effort to protect initial economic recovery gains is now crucial to protect the most vulnerable through engaging in skills development and further reviving MSMEs and ensuring opportunities for growth. Therefore, the Project Phase III is deemed necessary based on the existing strategies and the implementation arrangements in place, built upon on the results achieved and the lessons learned.



## II Strategy

### 2.1. Rationale

Economic development is a critical component of peacebuilding and recovery in conflict-affected areas. Along with rebuilding critical infrastructure, reviving institutions and restoring security, strengthening local business capacity and supporting homegrown entrepreneurs are among the first priorities. They are the most powerful instruments for laying a sustainable foundation for the future of affected regions.

MSMEs are at the forefront of livelihood recovery in the conflict-affected areas; whether firms or individual entrepreneurs, local MSMEs are the engine of local growth and underpin effective recovery efforts by providing income-generating opportunities directly via employment and indirectly via demand for goods and services. Therefore, empowering entrepreneurs and creating employment in the conflict-affected areas – even while the conflict is still on-going along the contact line – is to recover living standards among the conflict-affected population, contribute to the faster economic rehabilitation of the region and help improve the level of security. The sooner local MSMEs step in as economic agents of community recovery the better are the prospects of achieving sustainable post-conflict recovery. Additionally, MSMEs can further be instrumental for finding innovative solutions for critical problems in the conflict-affected regions.

The recovery and further development of a healthy MSMEs sector depends on a combination of factors to create enabling environment for private sector development while allowing the effectiveness of direct interventions – in particular availability of finance and skills development.

A number of insights from the completed and on-going initiatives suggest that the economic and social effects of supporting businesses in conflict-affected zones greatly depend on the intensity, continuance and multi-vector nature of the assistance provided, as analyzed below.

### 2.2. Lessons Learned

The obstacles faced by MSMEs all over Ukraine are basically the same, but the challenges existing in Donetsk and Luhansk oblasts are exacerbated by diminished infrastructure, specific social setting, serious financial barriers and isolation from business networks. Also, additional specific constraints of the local business environment in this conflict-affected setting, such as corruption, lost access to oblast centres on the other side of the contact line, lack of security and capacity, must be taken into account. Customers in other regions of Ukraine are often reluctant to do business with Donetsk and Luhansk oblasts-based companies. Obtaining a bank loan is extremely difficult for MSMEs, both due to the risks involved and legal prohibitions on repossessing collateral.<sup>9</sup> A significant drain of entrepreneurial talent has been observed as many business-minded IDPs moved out of Donetsk and Luhansk oblasts, which in turn considerably reduced the numbers of potential start-ups.

Entrepreneurs in conflict-affected and post-conflict areas typically lack business knowledge and skills. Lessons learned from the early stages of the response phase in eastern Ukraine showed that most of the local newcomer entrepreneurs often lack even elementary understanding of business.

There is a high demand among the local population to participate in the training sessions due to the proved high quality and good visibility of past training activities in the region. The number of people trained during the Project Phase II is almost 50% more than planned, while the total number of applications received is 3 times greater. Many residents of the 15 km “buffer zone” along the contact line in the GCA also expressed interest in participate in the training courses on business skills development. The settlements in this area are among the most affected by the armed conflict and require the presence of businesses in the field of services, repairs, catering and processing of agricultural products. Therefore, additional trainings on micro-business basics are necessary, including for the people living in the “grey zone”.

Several cases have been identified when the participants of the training courses opened successful businesses without grant support from UNDP. This reflects both the quality of the training activities provided and the relevance of the business plan development training extension and scale-up that

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<sup>9</sup> Small and medium businesses in the Donbas: development and support policy. UNDP, 2017  
[http://www.ua.undp.org/content/dam/ukraine/docs/Donbas/RPP/Donbas%20SME\\_ENG.pdf](http://www.ua.undp.org/content/dam/ukraine/docs/Donbas/RPP/Donbas%20SME_ENG.pdf)



can raise the chances of successful self-employment and facilitate obtaining startup financing from different international organizations or through existing regional support programs.

An extremely high demand has been observed during the latest small grant contest, which resulted in the submission of 948 applications and 44 grants awarded. Additionally, a “waiting list” of 120 solid business plans was compiled, under which up to 386 new jobs can be created if additional funding is provided by the Donor community.

On top of this, the necessity-driven “survival” entrepreneurship pattern is observed among IDPs in particular, making them vulnerable to the political and economic volatility in the conflict-affected region, as they usually either lack necessary knowledge to properly operate businesses or have no intention / see no opportunities for growth. They are typically very small “one man” businesses keeping business afloat while living on the profits from one day to the next, and only seldom grow into larger firms. They are also often concentrated in low entry-threshold activities and face difficulties in shifting to more advanced and profitable business fields. They can survive for quite a long time, however, very little long-term operational income and profit can be generated in a shaky conflict-affected context if only limited skills and tools are applied. Based on the Project Phase II observations and recommendations, periodic monitoring, within 6-9 months from the date of the grant reception, is advisable to identify additional training and consulting needs, and individual barriers, to one’s business development. Results of such monitoring, where relevant, should be translated into additional coaching and ‘advanced’ training sessions on business development, marketing, technological innovations and networking.

Another issue in Eastern Ukraine is the lack of so-called entrepreneurial energy, which is a necessary catalyst for change. The majority of individual entrepreneurs are in business merely to earn a living, as they have no other job opportunity, and consequently they have little entrepreneurial enthusiasm and growth aspirations normally driven by the competitive nature of business. However, entrepreneurial spirit is extremely important and can be acquired, as it helps to ‘see opportunities and pursue them’. Moreover, when properly maintained, an entrepreneurial spirit gives entrepreneurs motivation to learn, experiment, apply, risk, share and partner.

In general, beginner entrepreneurs, including those who have received funding from UNDP, need additional support and coaching for turning their business into a sustainable source of income. The key issues to be particularly addressed while helping entrepreneurs gain confidence and business maturity include: i) weak entrepreneurial competences and skills, ii) lack of financial resources, iii) weak contacts between entrepreneurs, iv) narrow local market.

Therefore, involving MSMEs as catalysts of local socio-economic recovery requires focusing on the right mix of support measures providing MSMEs with the necessary knowledge- social and finance capital for business start-up or continuity. Following the previous interventions, the Project Phase III will be composed of four key types of support activities: (1) improving access to information, (2) improving access to skills and networks, (3) providing small-scale access to financial resources, and (4) facilitating access to markets. In addressing the aforementioned, entrepreneurs in Donetsk and Luhansk oblasts can acquire all the necessary types of capital for success.

On top of this, as entrepreneurship promotion program in conflict-affected areas must be inclusive, especially toward the most vulnerable” As such, the needs of the population within the 15 km “grey zone” along the ‘contact line’ in the GCA will be additionally addressed by the Project Phase III activities.

### **2.3. Project Objective**

Taking into account the success of the previous actions, the project aims to boost the current support for entrepreneurship development, jobs creation, business skills advancement and accessing markets in the challenging conflict-affected environment. This helps improve the resilience of IDPs and of the local population and prevents further deterioration of the economic situation in Donetsk and Luhansk oblasts of Ukraine (GCA).

### **2.4. Approach**

The experience gained within the Project Phase I and Phase II clearly shows that the approach of addressing the needs of IDPs and other groups of the conflict-affected population by giving them opportunities to startup and sustain their own businesses works well. Recent assessment of the

Small Grants Programme conducted by independent evaluators also confirmed that the assistance provided within the project is both effective and highly relevant to the existing situation.

In order for fragile conflict-affected regions to further recover and potentially achieve sustainable and scalable economic growth, the same approach will be applied during the Project Phase III to tackle major obstacles faced by MSMEs and entrepreneurs: access to information, access to skills and networks, access to finance, and access to markets.

#### ACCESS TO INFORMATION

Entrepreneurship requires information resources both to start business activities and to grow. As a business develops, the challenges it faces also tend to grow. The owner of a growing business is likely to be looking for different types of information than someone having business in the startup stage or only thinking to launch one. More information sharing among interested actors would benefit all parties engaged in MSMEs development in conflict-affected areas. It would be practical if information could be shared on a web-based platform, as the Internet is now the primary way through which people get information, communicate and learn.

#### ACCESS TO SKILLS

Investing in skills development is among the primary policy tools for attracting people into business and helping businesses remain sustainable. Given the already identified needs of MSMEs in Donetsk and Luhansk oblasts, business-skills trainings will be tailored to the varied skill levels and needs of entrepreneurs. Those lacking basic business knowledge will be taught business plan development, financial recordkeeping, and identification of market opportunities to increase their ability to launch and operate a business. For already established MSMEs, trainings will be focused on more formal skills necessary for accessing grants and loans; business management skills to survive in challenging environments; skills to assess business opportunities in rural areas, including those aimed at servicing rural communities; understanding of online business basics, online marketing, growth and scaling-up opportunities.

#### ACCESS TO FINANCE

Access to finance is generally among the greatest challenges for MSMEs development and growth. In Donetsk and Luhansk oblasts the weak governance system, high level of credit risk and a lack of formal mechanisms to force repayment in case of default in combination with collateral requirements, lack of business track records, all beneath the umbrella of political uncertainty, make financing practically inaccessible. Consequently, attracting initial/additional resources for launching/expanding businesses is vital. According to UNDP cumulative experience in different political and economic settings, microfinance (e.g. grants) linked to sustainable income-generating activities has been found to be most effective in supporting a transition between the initial response stage and medium-term economic recovery. Therefore, small-scale financing will be made available for providing MSMEs with necessary capital for business launch or continuity.

#### ACCESS TO NETWORKS

Entrepreneurs thrive in regions where they can effectively cooperate with each other. Networking with others is carried out mostly with the purpose to support entrepreneurial success, which depends on many factors, including on information, knowledge, physical resources, technology, peer learning opportunities, business alliances, etc. As entrepreneurial networks can be beneficial both for well-established entrepreneurs and for beginners, and serve as an effective means of relevant information and connections, developing and maintaining high entrepreneurial spirit, and of reaching out to the public and of influencing government policy, the project will support both formal and informal local entrepreneurial networks.

#### ACCESS TO MARKETS

Access to markets is a strategic instrument for MSMEs competitiveness and their further development. Operating in a limited area of conflict-affected oblasts presents a unique challenge to entrepreneurs. Finding opportunities to better serve local markets and to get access to the domestic market at minimum, is among the top priorities for MSMEs located in Donetsk and Luhansk oblasts. In addressing this priority, larger and new niches, possibilities to exploit scale and technological advantages, upgrading of technological capability, and, in many cases, affording improved access to finance, can be achieved. The project therefore will help organize national and international level

promotional activities, interactive meetings, and support the enhancement of knowledge among MSMEs in the target region.

Promoting Entrepreneurship among the Conflict-affected Population in Ukraine, Phase III

## III Results and Partnerships

### 3.1. Expected Results

The expected results of the Project Phase III are:

- An online training platform is operational with at least 7 tailored online courses for entrepreneurs available;
- At least 1000 users received new knowledge and skills on business development through an online training platform for entrepreneurs;
- A pool of at least 20 local business trainers (incl. 10 trainers in Donetsk oblast and 10 trainers in Luhansk oblast) is formed through selection and training;
- At least 400 people (including a minimum of 200 women) improved their skills through participation in business development trainings;
- At least 70 local MSMEs started or expanded their operations;
- At least 200 new jobs were created for IDPs and the local conflict-affected population;
- At least 150 entrepreneurs improved their access to foreign markets (e.g. Poland) through information sharing, capacity building and networking;
- At least 2 promotional activities (business fairs, conferences, etc) for entrepreneurs from Donetsk and Luhansk oblasts were conducted;
- At least 140 businesses took part in promotional activities and received access to new outreach and networking opportunities (by oblast).
- At least 3 local entrepreneurial networks strengthened their institutional capacities and have been enabled to provide better services to their members.

### 3.2. Project activities

The Project has four inter-related activities:

- 1) Supporting access to information and business skills development among IDPs and the local conflict-affected population;
- 2) Provision of seed grants for MSMEs to start or expand their operations;
- 3) Strengthening business development services and entrepreneurial networks;
- 4) Facilitating access to domestic and international markets for MSMEs from Donetsk and Luhansk oblasts.

#### Activity 1: Supporting access to information and business skills development

This activity envisages provision of relevant information and organization of training sessions on entrepreneurship for those who are running or willing to run a business. This capacity building support will be targeted to provide participants with the skills that would subsequently enable them to develop new businesses or expand the existing ones and pursue their future financial independence.

The provided trainings and services will:

- Enable IDPs and conflict-affected individuals start, renew or expand their businesses;
- Provide information on starting a business (registration, accounting, legal procedures);
- Strengthen business organizational, management and marketing skills;
- Help IDPs and the local population acquire advanced business skills;
- Help acquire formal skills needed to access grants and loans;
- Provide information and support in the development of business start-up proposals (business plans) to apply for small grants support that will be made available under the Project Activity 2.

**Sub-activity 1.1.** Organization of in-person trainings for those who are running or willing to run a business. Including, but not limited to, the following topics:

- Creating a vision for one's business
- Creating product/service offering and evaluating one's uniqueness

- Writing a business plan
- Developing a business strategy
- Creating one's marketing, promotion, pricing, and social media strategy
- Evaluating funding options
- Planning one's growth and scaling strategy

**Sub-activity 1.2.** Development and launch of online courses for (soon-to-be) entrepreneurs based on the existing in-person trainings' curricula using a dedicated website platform.

The project will promote its activities through a website associated with a YouTube channel with short instructional videos about a number of topics, such as an introduction to business, how to become an entrepreneur, a step-by-step guide to filling out necessary forms, etc. Additionally, a calendar of all the networking and training events will be provided, as well as modules of business training and downloadable course materials. Answers to most common questions will be available as well.

**Sub-activity 1.3.** Analytical research to help identify new opportunities for local entrepreneurs

Obtaining market data is a necessary first step to "size up a new market" through helping to determine optimal business strategies. Entrepreneurs do not have enough marketing information to adjust or introduce new services and/or new products. The project will address this barrier and include research activities to fill the information gaps through analyzing existing statistical data, open data of public sector bodies, industry specific reports, etc.

## **Activity 2: Provision of seed grants for small-scale business startup and expansion**

**Sub-activity 2.1.** Announce a call for applications using the previously developed grant mechanism criteria. Assess business plans developed and submitted by the potential entrepreneurs and make recommendations for financial support, legal support or specific training needs, etc.

**Sub-activity 2.2.** Provide small-scale financing (grants up to 10,000 USD targeted for specific purposes against a competitive business plan provision) to local entrepreneurs for launching/expanding business and facilitate their linking to financial institutions for further financial support.

It is envisaged that the business projects within this small grants programme will accommodate the following business activities:

- 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 a franchise under a commercial concession (franchising) agreement with respective equipment;
- Training, etc.

The Mechanism of Grants for micro, small and medium-sized businesses/enterprises to start-up, re-start, or extend business activities is described in Annex 1 here below.

**Sub-activity 2.3.** Provision of remote and face-to-face consultations and in legal, accounting and marketing issues to eligible beneficiaries during the grant lifecycle.

Consulting services will be provided in the following areas:

- Legal issues (including registration, re-registration, obtaining permits, certificates, etc.)
- Accounting and taxation (including auditing, reporting, etc.)
- Marketing (including business and product promotion among customers, using social media, cooperation with mass media, developing new markets, etc.)

## **Activity 3: Strengthening business development services and entrepreneurial networks**

**Sub-activity 3.1.** Building a pool of local business trainers through targeted selection and Training of Trainers.

As the expertise and experiences of trainers are crucial to the success of the business skills development exercise, this sub-activity aims to identify, select and train the top available business

trainers/industry professionals, who are familiar with all the procedures entrepreneurship entails in the local market, to have experience in different sectors and know the local area and administration really well. The selected trainers/professionals will be additionally trained to equip them with the imperative skills like Training Delivery, Facilitation practices, Development of a training program, Coaching tools and techniques, Leading and coordinating services, etc.

Certain eligibility criteria will be developed to select local professionals for the Training of Trainers, including but not limited to the following:

- Masters equivalent or professionals having relevant qualifications in a relevant domain/ function/ sector.
- The applicant should have delivered training sessions of at least 150 hrs of training.

**Sub-activity 3.2.** Coaching services are made available via partnerships and networking with domestic and foreign entrepreneurs.

This sub-activity is aimed to help the region-based MSMEs establish relevant partnerships and networks with domestic and foreign entrepreneurs and business experts/coaches. In particular, top Ukrainian and Polish experts / business coaches will be engaged to specifically address the issues that will come up in visioning, planning, resourcing, launching, funding, and scaling a business from scratch in a conflict-affected context.

**Sub-activity 3.3.** Providing support to existing formal and informal local entrepreneurial networks aimed at increasing their effectiveness in assisting the members' business activity.

In Ukraine, typical examples of entrepreneurial networks are chambers of commerce, associations of business owners, rotary clubs, community-based business clubs, industry associations, investment clubs, informal social networks, etc. Regardless of their exact organizational type, they have one basic thing in common – their members are either in business or wish to be in business and/or are interested in fostering a healthy and favourable business environment. Soft support (through trainings and other capacity building activities) will be provided to help them improve their service provision capacity to MSMEs and become useful sources of information regarding regulatory and sectoral matters that impact business, technical developments within the field, effective methods of communication, sales and administration, and others.

#### **Activity 4: Facilitating advocacy and access to domestic and international markets for the region-based MSMEs**

**Sub-activity 4.1.** Facilitating the advancement of entrepreneurship in the conflict-affected region.

Since conflict-affected peoples are often skeptical about starting new activities, additional advocacy and opinion-making activities are necessary to foster entrepreneurship in the conflict-affected communities. Under this sub-activity, more informed and purposeful communication and awareness-raising activities will be implemented among the target audience through:

- Online presence and visibility;
- Local events and use of entrepreneurial networks;
- Communication campaign; and
- Reaching out by using role models.

The above will include communication activities on all forms of social media (Facebook, Twitter, etc.), dialog establishment, grass root events such as festivals, fairs or markets, to disseminate information about existing services and opportunities, and to meet potential beneficiaries. Project experts, including trainers, will be encouraged to appear on local TV or on the radio (being interviewed or shown on short TV news reports about the services and support offered by the RPP and its counterparts). These will be combined with a communication campaign, conducted through different media such as events, newspapers and newsletters, TV and radio, as well as social media. Practical case studies, video motivating and "success stories" from existing IDP entrepreneurs will be associated to the campaign to inspire potential entrepreneurs. Having an example of an IDP entrepreneur who has been part of a project support scheme and successfully set up a business as a result, can be very encouraging to someone else from the same community. By showcasing the entrepreneurial and professional talent of IDPs, the project will additionally contribute to the change of perception of IDPs by host communities and the greater population, thus helping to improve dialogue and enable a better understanding of IDPs' needs.



**Sub-activity 4.2.** Conduct promotional activities.

The research on barriers to MSMEs development in eastern Ukraine demonstrates an urgent need in reaching out and accessing new markets. Apart from new markets expansion, MSMEs need to get access to new technologies, modern loan instruments and purchase energy-efficient business equipment, which would increase their market competitiveness. As access to a market essentially refers to the ease with which MSMEs can supply the market, under this sub-activity the project will support the region-based MSMEs in removing existing barriers, including through various promotional activities, reputation marketing and partnerships facilitation.

**Sub-activity 4.3.** Provide support for entrepreneurs to access international market information, understand and overcome legal obstacles and find potential business partners across Europe (e.g. in Poland).

The EU market is one of the largest and most perspective, however MSMEs in eastern Ukraine have little information on the available business niches and experience in partners search in the EU. The Polish experience is considered to be the most relevant for local business in eastern Ukraine, as Poland has similar economic structure and successful experience in exporting its products to the EU market. Under this sub-activity the project will provide local MSMEs with remote and live consultations with the top national and Polish experts on access to the EU market and business cooperation specifics, organize seminars and study tours to Poland for local entrepreneurs and encourage cooperation.

**3.3. Resources Required to Achieve the Expected Results**

The project budget is estimated at USD 1,300,000, to be received in 2 tranches within 1,5 years of the project implementation period: the first tranche of funding (USD 520,000) within 1 months from the project start date and the second tranche (USD 780,000) no later than 6 months prior to the project end: The total budget of USD 1,300,000 includes UNDP General Management Support costs (GMS) at 8%.

Project Activities	Government of Poland Funding, Tranche 1, USD	Government of Poland Funding, Tranche 2, USD	Total
Activity 1	120,00	80,000	200,000
Activity 2	257,500	517,500	775,000
Activity 3	30,000	40,000	70,000
Activity 4	48,000	77,000	125,000
Project Management	64,500	65,500	130,000
<b>Grand Total</b>	<b>520,000</b>	<b>780,000</b>	<b>1,300,000</b>

**3.4. Partnerships**

In order to achieve its expected outcome and results, the Project will benefit from the existing and long-term partnerships, established by UNDP through its numerous projects, with regional and local authorities in the target locations, business membership and business support organizations, foreign experts and business support organizations.

At both regional and local levels, the Project will maintain partnerships with regional administrations, local self-governing bodies, centers for administrative services (TsNAPs), business membership organizations (including chambers of commerce, associations of business owners, rotary clubs, community based business clubs, industry associations, investment clubs), business support organizations, CSOs, colleges and universities, and community resource centers.

In addition to the above-mentioned partnerships, the Project wishes to develop and maintain “expert partnerships” and networks with its Polish counterparts. It will identify and pursue opportunities for

the engagement of experts from Poland, Polish business support networks and the Polish-Ukrainian Chambers of Commerce under the project's Activity 3 and possibly under the project's Activity 4.

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

### **3.5. Risks and Assumptions**

#### **Assumptions**

To work towards the establishment of subsistence-level incomes and the region's entrepreneurial resilience, the theory of change is based on a number of external assumptions:

- There is sustained political willingness to seek solutions in the conflict-affected area.
- Ukraine's political leadership is committed to national reforms, conducive for economic recovery and regional development.
- Including the private sector as one of the key actors in the recovery and consolidation of peace is one of the most successful models for recovery and peacebuilding, though no standard models exists.
- Private business is a strong recovery force as it is vitally interested in stability, free movement, uninhibited access to technology, financing, know-how and new markets; and thus should be prioritized in the economic recovery approach.
- Inclusive local governance under government decentralization policies is developed and seen as legitimate by communities.
- Sustained financial resources and endorsement by the international community and governments are available in a timely and consistent manner.

#### **Risks**

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

- Significant escalation of conflict, which could undermine the willingness and opportunities to do business in the region and would require returning to providing emergency aid.
- Worsening of the macroeconomic situation in Ukraine (high rates of inflation, volatile currency, limited access to credit resources, etc.) which generates uncertainty within the business environment, especially evident in the conflict-affected context, and provokes a fear to start/expand business or invest, particularly limiting immobile capital investments (in production facilities, real estate and land).
- Late receipt of funds may cause delays in project implementation and distribution of grants. Continuous communication with the donor will help to ensure coordination and avoid such situations in the future.
- Inefficient coordination with new donors, development actors and other UN agencies can lead to duplication of activities and a lack of synergy between different partners in the region.
- Political instability and politicization of the reform process at the national level can potentially affect development priorities of Donetsk and Luhansk oblasts and modalities of their cooperation with UNDP.

Detailed description of the above risks is provided in the Risk Log attached herewith as Annex 2.

### **3.6. Stakeholder Engagement**

The following stakeholders have been identified as being important for successful implementation and for enabling national ownership of the project deliverables:

- Regional administrations of Donetsk and Luhansk oblasts;
- Local governments at municipal and community (hromada) levels;
- MSMEs;
- Business Membership Organizations, including chambers of commerce, associations of business owners, rotary clubs, community-based business clubs, industry associations, investment clubs, at national and regional levels;
- Institutions/individuals involved in the provision of business trainings and business skills development;

- Input suppliers and various service providers (machinery, business development, laboratories and so on);
- Regional and local media.

**Target Groups:** The intended beneficiaries of the project are IDPs and members of hosting communities in Luhansk and Donetsk oblasts (GCA), including residents within the 15km “grey zone” along the ‘contact line’.

### 3.7. Knowledge

The project will generate different types of knowledge products to support the private sector capacity building interventions implemented within the project framework. Most of the knowledge products will focus on the private sector engagement in skills development and/or include the element of success stories/best practices/case studies to support entrepreneurship advocacy. The knowledge products will mainly target IDPs and host communities in the conflict-affected regions of Ukraine, with some exceptions (analytical papers) targeting governmental and development practitioners and the donor community as their main audience.

The project will develop the following knowledge products:

- No less than 7 online video-courses for existing and/or soon-to-be entrepreneurs based on the existing in-person trainings’ curricula.
- No less than 6 short videos featuring the real-life stories of people who had won the UNDP Business Grants Contest and became successful entrepreneurs.
- Briefing paper on the needs, challenges and opportunities of doing (micro) business in the conflict-affected regions of Ukraine.
- Thematic leaflets and case studies/best practices to help maximize information outreach to the ultimate beneficiaries.

The following tools will be used to create visibility for knowledge and lessons learned generated by the project:

- Media advisories, press releases, interviews and media opportunities – to provide media coverage of key events, milestones and success stories;
- Public information materials, such as factsheets, posters and infographics;
- Press conferences and press statements by key stakeholders and institutional partners;
- Facebook account and twitter;
- Banners and display boards;
- Photo brochures and video stories, and possibly Public Service Announcement when communicating key messages related to entrepreneurship advocacy.

### 3.8. Fostering innovation and green growth

The project will provide support and, where relevant, capacity building for MSMEs’ innovation in terms of products, procedures, marketing and management, with the focus on development and commercialization of highly applicable products and services. The importance of e-commerce platforms as the pathway to increasing sales will be emphasized, and best practices in appropriate new (green) technologies adoption among MSMEs will be promoted through entrepreneurial networks and targeted advocacy.

The project will also boost exchanges and cooperation in green supply chains development and expansion among Ukrainian entrepreneurs and will support green procurement practices by MSMEs. MSMEs rarely support any environmental activities that go beyond the formal compliance with environmental laws and regulations, and generally assume that their business activities have a negligible impact on the environment. The project will encourage involvement of MSMEs in environmental practices and socially responsible activities, including implementation of related international environmental standards. These issues will be addressed through informational support, training, advocacy and networking, including via capable BMOs involvement.

### 3.9. Donor visibility

There will be numerous multimedia outputs, both online and offline, which will mention the Polish Government funding of the programme and that can be used to raise the visibility of the Polish Aid. Each output, namely online training courses, press releases, brochures, posters, publications, outdoor banners, broadcast and shared video stories will note the project funding by the Government of the Republic of Poland (Polish Aid). Additionally, training materials will have the Polish Aid logo

and note that funding was provided by the Government of the Republic of Poland. Seminars, training sessions and conferences that are held during the project will have banners displaying project and funding information at their venues.

Representatives of the Donor and the Embassy of the Republic of Poland to Ukraine will be invited to participate in all major project events and activities.

### **3.10. Sustainability and Scaling Up**

The key focus of the project strategy lies in involvement, skills development, promotion and sustainability. A combined offer of training and advice, social capital, and facilitated access to business funding are best suited to support IDP entrepreneurs in a cost-effective way and to help their businesses to thrive. The project will strive to ensure that the gains made through the project continue once the funding ends. This will be achieved through:

- development of strong ownership at different levels (individual, local and regional) combined with intensified capacity building (competences and skills development);
- provision of social capital through access to networks;
- a comprehensive information and awareness raising campaign to promote entrepreneurship among the conflict-affected population;
- stimulating development of viable/feasible/bankable business concepts and plans and careful selection of businesses to be supported via grants;
- periodic monitoring (within 6-9 months from the date of the grant reception) to identify additional training and consulting needs, and coaching;
- creating visibility and awareness of the existing support programmes (e.g. UNDP RPP);
- compiling lessons learned and recommendations for follow-up activities.

The impact dimension will also be a part of the project sustainability and monitoring plan as a cross-sectional element to assess the results and sustainability of project interventions. By gathering extensive information about its impact, the project will ensure its good practices dissemination and showcasing the results to a large audience of donors and various support services providers. The minimum indicators will include:

- The number of businesses created (including as a proportion of participants);
- The number of employees and the existence of a growth strategy, employment of other IDPs;
- The extent to which these businesses have grown (i.e. by hiring new staff or increasing profit);
- Whether and How business creating facilitated the integration of IDPs;
- Other possible socio-economic spill-overs.

#### **Financial sustainability**

Financing of follow-up activities and scaling up of the project interventions can be ensured through attraction of additional funding from the Donor community to the RPP Economic recovery component, and/or changes in public budgets to support the implementation of the Strategy for Small and Medium-sized Enterprise Development in Ukraine until 2020 and other relevant regional economic recovery and development strategies. The latter will be pursued by UNDP through cooperation with relevant authorities, including the Ministry of Economy and Trade of Ukraine and regional authorities of Donetsk and Luhansk oblasts.

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## **IV. PROJECT MANAGEMENT**

### **4.1. Cost Efficiency and Effectiveness**

The project is integrated, and operates, within the existing Recovery and Peacebuilding Programme (RPP) structure set by UNDP in response to the consequences of the conflict in eastern Ukraine, and thus is a part of the broader recovery support package. As such, where relevant, cost efficiency and effectiveness of the project interventions will be ensured through 'joint operations' with other recovery support projects implemented by the UNDP Recovery and Peacebuilding Programme. Implementation under the umbrella of the RPP also means that the project benefits from established and well-respected relationships and capacities.

Specifically, the following will contribute to the efficient cost management and effective project interventions:

- Physical presence of the RPP in the areas where IDPs, which makes it easier to reach out to them.
- Resource pooling under the RPP comes with the key asset of generating economies of scale.
- The Project will share office premises in two field offices established by UNDP in Kramatorsk and Severodonetsk – temporary administrative centers of Donetsk and Luhansk oblast since the start of the conflict. Through office sharing, it will be easier to cooperate and coordinate activities more regularly with other projects integrated into the RPP portfolio.
- Major procurements, grants and financing arrangements will be launched and implemented by the RPP management team directly in accordance with financial regulations, rules, practices and procedures of UNDP to ensure best value for money, fairness, integrity, transparency, and effective competition.
- Under the project Activity 2, an experienced Small Grants Programme Administrator will be involved to facilitate the efficient, transparent and equal selection process and to ensure a unified approach and cumulative effect from current and previous rounds of the Small Grants Programme.
- The Project will have immediate access to the UNDP knowledge base as well as to UNDP's partners (government and civil society) at territorial, regional and national levels.
- When necessary, the project will utilize office cars (including armored vehicles), thus avoiding any significant acquisition and disposal costs, whilst responding to UN transportation security requirements in areas close to the contact line.

### **4.2. Project Management**

Project management will be performed by UNDP through the Recovery and Peacebuilding Programme structure. The overall management of the project will be performed by the RPP Programme Manager – Head of the project office based in Kramatorsk.

A National UNDP Recovery and Peacebuilding Programme Coordinator on Economic Recovery and Restoration of Critical Infrastructure will be assigned to lead the Project Management role for implementing the project. He will be responsible for day-to-day management of the project and supervision of the project teams in Kramatorsk, Severodonetsk and Mariupol, coordination and monitoring of project activities with project stakeholders, including target beneficiaries, government counterparts and implementing partners and/or contractors. Business Development Specialist and Entrepreneurship Promotion Specialist and three Local Coordinators (in Kramatorsk, Mariupol and Severodonetsk) will form the core of the implementing team, which will support the implementation of the project's activities. UNDP will leverage and consolidate an optimal configuration of its current field-based project teams to expedite programming, management, coordination and joint monitoring of project results and activities, as well as ensure value-for-money and economy of scale for maximizing efficiency and complementarity with other programmatic components and projects that are currently being planned or implemented through its Field Offices in Donetsk and Luhansk oblasts.

## Promoting Entrepreneurship among the Conflict-affected Population in Ukraine, Phase III

**V. RESULTS FRAMEWORK<sup>10</sup>****Intended Outcome as stated in the UNDAF/Country [or Global/Regional] Programme Results and Resource Framework:**

**UNDAF OUTCOME:** Outcome 4. By 2022, communities, including vulnerable people and IDPs, are more resilient and equitably benefit from greater social cohesion, quality services and recovery support

**Outcome indicators as stated in the Country Programme [or Global/Regional] Results and Resources Framework, including baseline and targets:**

Indicator 4.2. Unemployment rate of population aged 15-70 in Eastern Ukraine, disaggregated by sex

Baseline (2016): 9.9% (women), 11.4% (men)

Target (2022): 7.9% (women), 9.4% (men)

**Applicable Output(s) from the UNDP Strategic Plan:** 1.1.2. Marginalized groups, particularly the poor, women, and people with disabilities and displaced are empowered to gain universal access to basic services financial and non-financial assets to build productive capacities and benefit from sustainable livelihoods and jobs

**Project title and Atlas Project Number:**

EXPECTED OUTPUTS	OUTPUT INDICATORS	BASELINE		TARGETS (by frequency of data collection)			DATA COLLECTION METHODS & RISKS
		Value	Year	2019	2020	FINAL	
<b>Output 1</b> Economic recovery supported and living conditions of vulnerable groups improved by the creation of new opportunities for employment and business development for IDPs and local conflict-affected populations of Donetsk and Luhansk oblasts.	<i>1.1 Number of users, who received new knowledge and skills on business development through an online training platform for entrepreneurs</i>	0	2018	300	700	1000	<i>Online training feedback forms. Automatically-generated online platform reports. No risks.</i>
	<i>1.2 Number of men and women with increased knowledge and skills on starting and improving businesses</i>	0	2018	200 (100 women)	200 (100 women)	400 (200 women)	<i>Training feedback and registration forms. Post-training survey and monitoring. No risks.</i>

<sup>10</sup> UNDP publishes its project information (indicators, baselines, targets and results) to meet the International Aid Transparency Initiative (IATI) standards. Make sure that indicators are S.M.A.R.T. (Specific, Measurable, Attainable, Relevant and Time-bound), provide accurate baselines and targets underpinned by reliable evidence and data, and avoid acronyms so that external audience clearly understand the results of the project.



## Promoting Entrepreneurship among the Conflict-affected Population in Ukraine, Phase III

EXPECTED OUTPUTS	OUTPUT INDICATORS	BASELINE		TARGETS (by frequency of data collection)			DATA COLLECTION METHODS & RISKS
		Value	Year	2019	2020	FINAL	
	<b>1.3</b> Number of micro, small and medium-sized businesses which started or expanded their operations (disaggregated by sex of business owner/manager)	0	2018	20 (10 women-led businesses)	50 (25 women-led businesses)	70 (35 women-led businesses)	Project records. Monitoring visits. Reports from the grantees and the Grants Administrator. No risks.
	<b>1.4</b> Number of MSMEs provided with business consulting services and technical assistance (disaggregated by sex of business owner/manager)	0	2018	20 (10 women-led businesses)	50 (25 women-led businesses)	70 (35 women-led businesses)	Project records. Monitoring visits. Reports from the grantees and the Grants Administrator. No risks.
	<b>1.5</b> Number of new jobs created for IDPs and local the conflict-affected population (disaggregated by sex)	0	2018	60 (30 women)	140 (70 women)	200 (100 women)	Project records. Monitoring visits. Reports from the grantees and the Grants Administrator. No risks.
	<b>1.6</b> Number of local entrepreneurial networks with strengthened institutional capacities that are able to provide better services to their members	0	2018	2	1	3	Training feedback and registration forms. Contractor's reports. Post-training survey. Minimal risks.
	<b>1.7</b> Number of local professionals with required knowledge, skills and experience, who are able to provide training and capacity-building assistance on business development (disaggregated by sex)	0	2018	20 (10 women)	0	20 (10 women)	Training feedback forms. Contractor's reports. Post-training survey. No risks.
	<b>1.8</b> Number of businesses that improved their access to foreign markets through information sharing, capacity building and networking (disaggregated by sex of business owner/manager)	0	2018	0	150 (75 women-led businesses)	150 (75 women-led businesses)	Feedback forms. Contractor's reports. Follow-up survey of businesses. No risks.
	<b>1.9</b> Number of businesses that received new outreach and networking opportunities at the national level promotional events (disaggregated by oblast)	0	2018	70	70	140	Event feedback forms. Project records. Follow-up survey of the participants and partners. No risks.

## VI. MONITORING AND EVALUATION

In accordance with UNDP's programming policies and procedures, the project will be monitored through the following monitoring and evaluation plan:

### Monitoring Plan

Monitoring Activity	Purpose	Frequency	Expected Action	Partners (if joint)	Cost (if any)
<b>Track results progress</b>	<p>Progress data against the results indicators in the RRF will be collected and analysed to assess the progress of the project in achieving the agreed outputs.</p> <p>Six follow-up surveys will be conducted to estimate the sustainability of the achieved results in the medium-term.</p> <p>Regular monitoring and spot-check visits to the grantees will be conducted by UNDP Local Coordinators and representatives of Grants Administrator, in order to ensure continuous data collection and information exchange.</p>	Quarterly, or in the frequency required for each indicator.	<p>Slower than expected progress will be addressed by project management.</p> <p>The results of the surveys will be used for project's monitoring and evaluation.</p>		
<b>Monitor and Manage Risk</b>	<p>Identify specific risks that may threaten achievement of intended results. Identify and monitor risk management actions using a risk log. This includes monitoring measures and plans that may have been required as per UNDP's Social and Environmental Standards. Audits will be conducted in accordance with UNDP's audit policy to manage financial risk.</p>	Quarterly	<p>Risks are identified by project management and actions are taken to manage risk. The risk log is actively maintained to keep track of identified risks and actions taken.</p>		
<b>Learn</b>	<p>Knowledge, good practices and lessons will be captured regularly, as well as actively sourced from other projects and partners and integrated back into the project.</p>	At least annually	<p>Relevant lessons are captured by the project team and used to inform management decisions.</p>		

## Promoting Entrepreneurship among the Conflict-affected Population in Ukraine, Phase III

<b>Annual Project Quality Assurance</b>	The quality of the project will be assessed against UNDP's quality standards to identify project strengths and weaknesses and to inform management decision making to improve the project.	Annually	Areas of strength and weakness will be reviewed by project management and used to inform decisions to improve project performance.		
<b>Review and Make Course Corrections</b>	Internal review of data and evidence from all monitoring actions to inform decision making.	At least annually	Performance data, risks, lessons and quality will be discussed by the project board and used to make course corrections.		
<b>Project Report</b>	A progress report will be presented to the Project Board and key stakeholders, consisting of progress data showing the results achieved against pre-defined annual targets at the output level, the annual project quality rating summary, an updated risk long with mitigation measures, and any evaluation or review reports prepared over the period.	Annually, and at the end of the project (final report)			
<b>Project Review (Project Board)</b>	The project's governance mechanism (i.e., project board) will hold regular project reviews to assess the performance of the project and review the Multi-Year Work Plan to ensure realistic budgeting over the life of the project. In the project's final year, the Project Board shall hold an end-of project review to capture lessons learned and discuss opportunities for scaling up and to communicate project results and lessons learned to the relevant audiences.	At least bi-annually	Any quality concerns or slower than expected progress should be discussed by the project board and management actions agreed to address the issues identified.		

**VII. MULTI-YEAR WORK PLAN** <sup>1112</sup>

EXPECTED OUTPUTS	PLANNED ACTIVITIES	Planned Budget by Year		RESPONSIBLE PARTY	PLANNED BUDGET		
		Year 1	Year 2		Funding Source	Budget Description	Amount
<b>Output 1:</b> Durable solutions to economic issues of conflict-affected population of Luhansk and Donetsk oblasts implemented  <i>Gender marker: GEN1</i> <b>Activity 1:</b> Supporting access to information and business skills development	<b>Activity 1.1.</b> Organization of in-person trainings for those who are running or willing to run business.  <b>Activity 1.2.</b> Development and launch of online courses for (soon-to-be) entrepreneurs based on the existing in-person trainings' curricula.  <b>Activity 1.3.</b> Analytical research to help identify new opportunities for local entrepreneurs	10,000	10,000	UNDP	Government of Poland	71300 - Local Consultants	20,000
		25,000	25,000	UNDP	Government of Poland	71400 - Contractual Services - Individuals	50,000
		2,495	998	UNDP	Government of Poland	71600 – Travel	3,493
		20,000	20,000	UNDP	Government of Poland	72100 - Contractual Services-Companies	40,000
		9,000	5,000	UNDP	Government of Poland	74200 - Audio Visual & Printing Production Costs	14,000
		4,616	3,076	UNDP	Government of Poland	74000 - Miscellaneous (DPC 4%)	7,692
		8,889	5,926	UNDP	Government of Poland	75100 - Facilities & Administration (GMS 8%)	14,815
		40,000	10,000	UNDP	Government of Poland	75700 - Training, Workshop & Conference	50,000
	<b>Sub-Total for Activity 1</b>	120,000	80,000				200,000
<b>Activity 2:</b> Provision of seed grants for small-scale business startup and expansion	<b>Activity 2.1.</b> Launching the call for applications using the previously developed grant mechanism criteria. Assess business plans developed and submitted by potential entrepreneurs and make recommendations for	27,000	27,000	UNDP	Government of Poland	71400 - Contractual Services - Individuals	54,000
		2,756	4,238	UNDP	Government of Poland	71600 – Travel	6,994
		16,500	46,500	UNDP	Government of Poland	72100 - Contractual Services-Companies	63,000

<sup>11</sup> Cost definitions and classifications for programme and development effectiveness costs to be charged to the project are defined in the Executive Board decision DP/2010/32

<sup>12</sup> Changes to a project budget affecting the scope (outputs), completion date, or total estimated project costs require a formal budget revision that must be signed by the project board. In other cases, the UNDP programme manager alone may sign the revision provided the other signatories have no objection. This procedure may be applied for example when the purpose of the revision is only to re-phase activities among years.

## Promoting Entrepreneurship among the Conflict-affected Population in Ukraine, Phase III

EXPECTED OUTPUTS	PLANNED ACTIVITIES	Planned Budget by Year		RESPONSIBLE PARTY	PLANNED BUDGET		
		Year 1	Year 2		Funding Source	Budget Description	Amount
	financial support, legal support or specific training needs, etc. <b>Activity 2.2.</b> Provision of small-scale financing to local entrepreneurs for launching/expending business. <b>Activity 2.3.</b> Provision of remote and face-to-face consultations and in legal, accounting and marketing issues to eligible beneficiaries during the grant ...	183,000	383,000	UNDP	Government of Poland	72600 - Grants	566,000
		9,170	18,429	UNDP	Government of Poland	74000 - Miscellaneous (DPC 4%)	27,599
		19,074	38,333	UNDP	Government of Poland	75100 - Facilities & Administration (GMS 8%)	57,407
	<b>Sub-Total for Activity 2</b>	257,500	517,500				775,000
<b>Activity 3:</b> Strengthening business development services and entrepreneurial networks	<b>Activity 3.1.</b> Building a pool of local business trainers through targeted selection and Training of Trainers.	3,000	7,000	UNDP	Government of Poland	71300 - Local Consultants	10,000
	<b>Activity 3.2.</b> Coaching services are made available via partnerships and networking with domestic and foreign entrepreneurs.	3,624	3,499	UNDP	Government of Poland	71600 - Travel	7,123
	<b>Activity 3.3.</b> Providing support to existing formal and informal local entrepreneurial networks aimed at increasing their effectiveness in assisting the members' business activity.	5,000	10,000	UNDP	Government of Poland	72100 - Contractual Services-Companies	15,000
		1,154	1,538	UNDP	Government of Poland	74000 - Miscellaneous (DPC 4%)	2,692
		2,222	2,963	UNDP	Government of Poland	75100 - Facilities & Administration (GMS 8%)	5,185
		15,000	15,000	UNDP	Government of Poland	75700 - Training, Workshop & Conference	30,000
	<b>Sub-Total for Activity 3</b>	30,000	40,000				70,000
<b>Activity 4:</b> Facilitating advocacy and access to domestic and international markets for the region-based MSMEs	<b>Activity 4.1.</b> Facilitating the advancement of entrepreneurship in the conflict-affected region.	5,000	5,000	UNDP	Government of Poland	71300 - Local Consultants	10,000
	<b>Activity 4.2.</b> Organization of promotional activities.	17,000	18,000	UNDP	Government of Poland	71400 - Contractual Services - Individuals	35,000
	<b>Activity 4.3</b> Supporting access to international markets	1,598	2,334	UNDP	Government of Poland	71600 - Travel	3,932
		9,000	13,000	UNDP	Government of Poland	74200 - Audio Visual & Printing Production Costs	22,000

## Promoting Entrepreneurship among the Conflict-affected Population in Ukraine, Phase III

EXPECTED OUTPUTS	PLANNED ACTIVITIES	Planned Budget by Year		RESPONSIBLE PARTY	PLANNED BUDGET		
		Year 1	Year 2		Funding Source	Budget Description	Amount
		1,846	2,962	UNDP	Government of Poland	74000 - Miscellaneous (DPC 4%)	4,808
		3,556	5,704	UNDP	Government of Poland	75100 - Facilities & Administration (GMS 8%)	9,260
		10,000	30,000	UNDP	Government of Poland	75700 - Training, Workshop & Conference	40,000
	<b>Sub-Total for Activity 4</b>	48,000	77,000				125,000
<b>Activity 5. Project management</b>	5.1. Project staff	5,000	5,000	UNDP	Government of Poland	71300 - Local Consultants	10,000
	5.2. Monitoring & evaluation activities	32,500	32,500	UNDP	Government of Poland	71400 - Contractual Services - Individuals	65,000
	5.3. Project Premises	3,156	5,156	UNDP	Government of Poland	71600 - Travel	8,312
	5.4. Office supplies	6,586	5,472	UNDP	Government of Poland	72500 - Supplies	12,058
		10,000	10,000	UNDP	Government of Poland	73100 – Rental & Maintenance of premises	20,000
		2,480	2,520	UNDP	Government of Poland	74000 - Miscellaneous (DPC 4%)	5,000
		4,778	4,852	UNDP	Government of Poland	75100 - Facilities & Administration (GMS 8%)	9,630
	<b>Sub-Total for Activity 5</b>	64,500	65,500				130,000
<b>TOTAL</b>		<b>520,000</b>	<b>780,000</b>				<b>1,300,000</b>



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## VIII. GOVERNANCE AND MANAGEMENT ARRANGEMENTS

This project will be implemented under the Recovery and Peacebuilding Programme (RPP) of UNDP using Direct Implementation Modality (DIM).

Project implementation will be governed by provisions of the present Project Document, its annexes and UNDP Programme & Operations Policy & Procedures (POPP). Governance of the Project will be supported through annual work planning on the basis of the results framework. Annual work plans will be implemented upon their endorsement by the RPP Programme Board.

**The RPP board** is the governing body of the project; it consists of participating donors, representatives of participating United Nations agencies and Luhansk and Donetsk oblast administrations. The board is responsible for governing the RPP, including approval of integrated work plans, monitoring, financial and performance reports.

**RPP's management team** reports directly to the board on delivery.

A designated RPP Programme Manager, supervising dedicated programme component leads, will be responsible for the overall implementation of this project.

**Project team leader** role will be performed by the RPP Programme Coordinator on Economic Recovery and Restoration of Critical Infrastructure (RPP Component 2), who is responsible for day-to-day management of the project including timely and efficient delivery of the project technical, operational, financial and administrative outputs and substantive project inputs specifically linked with the economic recovery and MSME development; regular outreach and coordination with the project beneficiaries, coordination and quality assurance of expert inputs and products; regular coordination among project partners to ensure coherence and complementarity.

**Project support** role will be performed by the RPP Programme Associate on Economic Recovery and Restoration of Critical Infrastructure who is responsible for performing administrative duties related to the implementation of the project activities, assisting with organizing administrative processes for project needs and providing support to office maintenance, including administering the project documentation and performing other finance related and administrative tasks.

### **Dedicated Project Team**

Business Development Specialist (2 persons) are responsible for implementation of activities aimed at fostering economic revitalization in Eastern Ukraine and, specifically, stimulating employment and economic growth by providing support and assistance to Micro, Small and Medium Enterprises.

Entrepreneurship Promotion Specialist is responsible for the coordination, planning and management of the targeted motivation campaign for the promotion of entrepreneurship and training activities in target regions.

Local Coordinators (3 persons based in Severodonetsk, Kramatorsk and Mariupol) are responsible for day-to-day facilitation and support of activities linked to enhancing employment and income generating opportunities, creation enterprise and entrepreneurship development opportunities and strengthening of capacity of local authorities for creating employment and business opportunities.

The standard approach for all grants, procurements and financing agreements will be launched, managed and monitored by the RPP procurement unit directly. Monitoring will be facilitated by the RPP management services. The project deliverables will be monitored on an on-going basis and will be reported on a semi-annual and annual basis. Based on regular tracking of the project's indicators included in the Results Framework, semi-annual and annual reporting will review the achievement of project's outputs and will provide an analysis of the extent to which project targets are being achieved, as well as summarize key lessons learnt and describe risks and constraints management. The Project Team Leader will be responsible for the reports preparation, and the RPP Programme Manager will bear responsibility for the timely submission and quality of the semi-annual and annual reporting.

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## IX. LEGAL CONTEXT

This project document shall be the instrument referred to as such in Article 1 of the Standard Basic Assistance Agreement between the Government of Ukraine and UNDP, signed on 18.06.1993. All references in the SBAA to “Executing Agency” shall be deemed to refer to “Implementing Partner.”

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

This Project Document allows for amendments signed solely by the UNDP Country Director/Deputy Country Director, once he/she makes sure that the Signatories to this Project Document have no objections regarding the changes proposed. Amendments allowed are as follows:

- (i) Revision of, or addition to, any of the annexes to the Project Document;
- (ii) Revisions which do not involve significant changes in the immediate objectives, outputs or activities of the project, but are caused by the rearrangement of the inputs already agreed to or by cost increased due to inflation;
- (iii) Mandatory annual revisions which re-phase the delivery of agreed project inputs or increased expert or other costs due to inflation or take into account agency expenditure flexibility; and
- (iv) Inclusion of additional annexes and attachments only as set out here in this Project Document.

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## X. RISK MANAGEMENT STANDARD CLAUSES

1. UNDP as the Implementing Partner will comply with the policies, procedures and practices of the United Nations Security Management System (UNSMS).
2. UNDP as the Implementing Partner will undertake all reasonable efforts to ensure that none of the [project funds]<sup>13</sup> [UNDP funds received pursuant to the Project Document]<sup>14</sup> are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNDP hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list can be accessed via [http://www.un.org/sc/committees/1267/aq\\_sanctions\\_list.shtml](http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml). This provision must be included in all sub-contracts or sub-agreements entered into under this Project Document.
3. Social and environmental sustainability will be enhanced through application of the UNDP Social and Environmental Standards (<http://www.undp.org/ses>) and related Accountability Mechanism (<http://www.undp.org/secu-srm>).
4. UNDP as the Implementing Partner will: (a) conduct project and programme-related activities in a manner consistent with the UNDP Social and Environmental Standards, (b) implement any management or mitigation plan prepared for the project or programme to comply with such standards, and (c) engage in a constructive and timely manner to address any concerns and complaints raised through the Accountability Mechanism. UNDP will seek to ensure that communities and other project stakeholders are informed of and have access to the Accountability Mechanism.
5. All signatories to the Project Document shall cooperate in good faith with any exercise to evaluate any programme or project-related commitments or compliance with the UNDP Social and Environmental Standards. This includes providing access to project sites, relevant personnel, information, and documentation.

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<sup>13</sup> To be used where UNDP is the Implementing Partner

<sup>14</sup> To be used where the UN, a UN fund/programme or a specialized agency is the Implementing Partner

## Promoting Entrepreneurship among the Conflict-affected Population in Ukraine, Phase III

6. UNDP as the Implementing Partner will ensure that the following obligations are binding on each responsible party, subcontractor and sub-recipient:
- a. Consistent with the Article III of the SBAA *[or the Supplemental Provisions to the Project Document]*, the responsibility for the safety and security of each responsible party, subcontractor and sub-recipient and its personnel and property, and of UNDP's property in such responsible party's, subcontractor's and sub-recipient's custody, rests with such responsible party, subcontractor and sub-recipient. To this end, each responsible party, subcontractor and sub-recipient shall:
    - i. put in place an appropriate security plan and maintain the security plan, considering the security situation in the country where the project is being carried;
    - ii. assume all risks and liabilities related to such responsible party's, subcontractor's and sub-recipient's security, and the full implementation of the security plan.
  - b. UNDP reserves the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of the responsible party's, subcontractor's and sub-recipient's obligations under this Project Document.
  - c. Each responsible party, subcontractor and sub-recipient will take appropriate steps to prevent misuse of funds, fraud or corruption, by its officials, consultants, subcontractors and sub-recipients in implementing the project or programme or using the UNDP funds. It will ensure that its financial management, anti-corruption and anti-fraud policies are in place and enforced for all funding received from or through UNDP.
  - d. The requirements of the following documents, then in force at the time of signature of the Project Document, apply to each responsible party, subcontractor and sub-recipient: (a) UNDP Policy on Fraud and other Corrupt Practices and (b) UNDP Office of Audit and Investigations' Investigation Guidelines. Each responsible party, subcontractor and sub-recipient agrees to the requirements of the above documents, which are an integral part of this Project Document and are available online at [www.undp.org](http://www.undp.org).
  - e. In the event that an investigation is required, UNDP will conduct investigations relating to any aspect of UNDP programmes and projects. Each responsible party, subcontractor and sub-recipient will provide its full cooperation, including making available personnel, relevant documentation, and granting access to its (and its consultants', subcontractors' and sub-recipients') premises, for such purposes at reasonable times and on reasonable conditions as may be required for the purpose of an investigation. Should there be a limitation in meeting this obligation, UNDP shall consult with it to find a solution.
  - f. Each responsible party, subcontractor and sub-recipient will promptly inform UNDP as the Implementing Partner in case of any incidence of inappropriate use of funds, or credible allegation of fraud or corruption with due confidentiality.

Where it becomes aware that a UNDP project or activity, in whole or in part, is the focus of investigation for alleged fraud/corruption, each responsible party, subcontractor and sub-recipient will inform the UNDP Resident Representative/Head of Office, who will promptly inform UNDP's Office of Audit and Investigations (OAI). It will provide regular updates to the head of UNDP in the country and OAI of the status of, and actions relating to, such investigation.

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- g. UNDP will be entitled to a refund from the responsible party, subcontractor or sub-recipient of any funds provided that have been used inappropriately, including through fraud or corruption, or otherwise paid other than in accordance with the terms and conditions of this Project Document. Such amount may be deducted by UNDP from any payment due to the responsible party, subcontractor or sub-recipient under this or any other agreement. Recovery of such amount by UNDP shall not diminish or curtail any responsible party's, subcontractor's or sub-recipient's obligations under this Project Document.

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

- h. Each contract issued by the responsible party, subcontractor or sub-recipient in connection with this Project Document shall include a provision representing that no fees, gratuities, rebates, gifts, commissions or other payments, other than those shown in the proposal, have been given, received, or promised in connection with the selection process or in contract execution, and that the recipient of funds from it shall cooperate with any and all investigations and post-payment audits.
- i. Should UNDP refer to the relevant national authorities for appropriate legal action any alleged wrongdoing relating to the project or programme, the Government will ensure that the relevant national authorities shall actively investigate the same and take appropriate legal action against all individuals found to have participated in the wrongdoing, recover and return any recovered funds to UNDP.
- j. Each responsible party, subcontractor and sub-recipient shall ensure that all of its obligations set forth under this section entitled "Risk Management" are passed on to its subcontractors and sub-recipients and that all the clauses under this section entitled "Risk Management Standard Clauses" are adequately reflected, *mutatis mutandis*, in all its sub-contracts or sub-agreements entered into further to this Project Document.

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## XI. SPECIAL CLAUSES

1. The schedule of payments and UNDP bank account details.
2. The value of the payment, if made in a currency other than United States dollars (USD), shall be determined by applying the United Nations operational rate of exchange in effect on the date of payment. Should there be a change in the United Nations operational rate of exchange prior to the full utilization by the UNDP of the payment, the value of the balance of funds still held at that time will be adjusted accordingly. If, in such a case, a loss in the value of the balance of funds is recorded, UNDP shall inform the Government with a view to determining whether any further financing could be provided by the Government. Should such further financing not be available, the assistance to be provided to the project may be reduced, suspended or terminated by UNDP.
3. 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.
4. UNDP shall receive and administer the payment in accordance with the regulations, rules and directives of UNDP.
5. All financial accounts and statements shall be expressed in USD.
6. 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 government on a timely basis a supplementary estimate showing

Promoting Entrepreneurship among the Conflict-affected Population in Ukraine, Phase III

the further financing that will be necessary. The Government shall use its best endeavours to obtain the additional funds required.

7. If the payments referred above are not received in accordance with the payment schedule, or if the additional financing required in accordance with paragraph [6] above is not forthcoming from the Government or other sources, the assistance to be provided to the project under this Agreement may be reduced, suspended or terminated by UNDP.
8. Any interest income attributable to the contribution shall be credited to UNDP Account and shall be utilized in accordance with established UNDP procedures.

In accordance with the decisions and directives of UNDP's Executive Board:

The contribution shall be charged:

- (a) 8% cost recovery for the provision of general management support (GMS) by UNDP headquarters and country offices
  - (b) Direct cost for implementation support services (ISS) provided by UNDP and/or an executing entity/implementing partner.
9. 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.
  10. The contribution shall be subject exclusively to the internal and external auditing procedures provided for in the financial regulations, rules and directives of UNDP.”

## **XI. ANNEXES**

### **ANNEX 1. 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 \$10,000.

**Eligibility / Applications for grants:** Applications will be invited from the IDPs with a valid registration and local community members from 2 targeted oblasts (parts of Luhansk and Donetsk oblasts that are under the Government control).

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 a minimum of 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 and people living in the “grey zone” along the contact line will be particularly welcome. Applications may be made solely or jointly. Grant applications shall have a total budget of up to \$10,000 and to be implemented within 6 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 applications 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

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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 which allow easy monitoring and improving, if need be, of 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 their 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.

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**ANNEX 2.****OFFLINE RISK LOG***(see Deliverable Description for the Risk Log regarding its purpose and use)*

<b>Project Title:</b> Promoting Entrepreneurship among the Conflict-affected Population in Ukraine, Phase III	<b>Award ID:</b>	<b>Date:</b> 07/09/2018
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#	Description	Date Identified	Type	Impact & Probability	Countermeasures / Mngt response	Owner	Submitted, updated by	Last Update	Status
1	Significant escalation of the armed conflict in Donetsk and Luhansk oblasts	07/09/2018	Political	Deterioration of security situation in Donetsk and Luhansk oblasts may preclude minimal security conditions necessary for programming in the “grey zone” and GCAs of Donetsk and Luhansk oblasts.  P = 2 I = 5	<ul style="list-style-type: none"> <li>Conduct regular monitoring of security situation with UNDSS;</li> <li>Discuss security situation with government counterparts and international partners to ensure the safety of programme’s staff;</li> <li>Develop a clear “exit strategy” for shifting programme’s activities to more secure areas in case of potential conflict escalation</li> </ul>	Janthomas Hiemstra	Volodymyr Lyashchenko	07/09/2018	No change
2	Worsening of the macroeconomic situation in Ukraine (high rates of	07/09/2018	Financial	It may generate uncertainty within the business environment, especially evident in the	<ul style="list-style-type: none"> <li>Conduct regular monitoring of the national currency</li> </ul>	Andra Brige	Volodymyr Lyashchenko	07/09/2018	No change



## Promoting Entrepreneurship among the Conflict-affected Population in Ukraine, Phase III

	inflation, volatile currency, limited access to credit resources, etc.)			<p>conflict-affected context, and provoke a fear to start/expand business or invest in production facilities, real estate and land.</p> <p>P = 3 I = 3</p>	<p>exchange rate fluctuation;</p> <ul style="list-style-type: none"> <li>• Keep low balance of the national currency on the local bank account;</li> <li>• Amount of financial support to businesses (in national currency) may be adjusted, based on current exchange rate and economic situation in the country</li> </ul>				
3	Late receipt of funds from the donor	07/09/2018	Financial	<p>It may cause delays in project implementation and provision of grant support.</p> <p>P = 2 I = 1</p>	<ul style="list-style-type: none"> <li>• Continuous communication with the donor will help to ensure coordination and will help to avoid such situations</li> </ul>	Andra Brige	Volodymyr Lyashchenko	07/09/2018	No change
4	Inefficient coordination with new donors, development actors and other UN agencies, operating in Donetsk and Luhansk oblasts	07/09/2018	Strategic	<p>Inefficient coordination can lead to duplication of activities and lack of synergy between partners in the region</p> <p>P = 2 I = 2</p>	<ul style="list-style-type: none"> <li>• Continue regular donor coordination meetings at the oblast level;</li> <li>• Conduct a mapping study to explore the actions of other development and aid organizations</li> </ul>	Victor Munteanu	Volodymyr Lyashchenko	07/09/2018	No change

## Promoting Entrepreneurship among the Conflict-affected Population in Ukraine, Phase III

					<p>in Donetsk and Luhansk oblasts;</p> <ul style="list-style-type: none"> <li>• Ensure productive cooperation with other UN agencies through established mechanisms and tools (UNET, joint programming, etc.)</li> </ul>				
5	Political instability and politicization of the reform process at the national level	07/09/2018	Political	<p>Political instability can potentially affect development priorities of Donetsk and Luhansk oblasts and modalities of their cooperation with UNDP</p> <p>P = 3 I = 2</p>	<ul style="list-style-type: none"> <li>• Conduct regular monitoring of political situation at the local level;</li> <li>• Continue regular donor coordination meetings at the oblast level</li> </ul>	Victor Munteanu	Volodymyr Lyashchenko	07/09/2018	No change