

THIRD-PARTY COST-SHARING AGREEMENT



The

**United Nations Development Programme (UNDP)
One United Nations Plaza
New York, NY 10017
USA**

- hereinafter referred to as "UNDP" or "the Recipient"-

and

**Deutsche Gesellschaft für
Internationale Zusammenarbeit (GIZ) GmbH
Dag-Hammarskjöld-Weg 1 - 5
65760 Eschborn
Federal Republic of Germany**

- hereinafter referred to as the 'GIZ: –

hereinafter both referred to as 'Parties'

Herewith enter into the following Third-Party Costs-Sharing Agreement (hereinafter referred to as the 'Agreement') for the GIZ project:

**Utilization and Implementation of the Association Agreement
between the EU and Ukraine in the field of trade**
Country: Ukraine

Communication details (Please quote in all correspondence)

Agreement number: 81292125

Project processing number: 18.2197.4-002.00

Unit responsible for the budget

Organisational unit: 3900
Responsible officer: armin.hofmann@giz.de

Procurement and Contracting

Organisational unit: E2B0
Responsible officer: sari.max@giz.de

Financial processing of the contract

Organisational unit: 5720
Responsible officer: Janine.kopidakis@giz.de

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Chairperson of the Supervisory Board
Jochen Flasbarth, State Secretary

Management Board
Thorsten Schäfer-Gümbel (Chair)
Ingrid-Gabriela Hoven

Commerzbank AG Frankfurt am Main
BIC (SWIFT): COBADEFFXX
IBAN: DE45 5004 0000 0588 9555 00

The basis for the Grant for **UNDP** is the commission from Federal Ministry for Economic Cooperation and Development (hereinafter referred to as 'Commissioning Party') dated 12.02.2020. GIZ shall provide the Grant pursuant to this Agreement exclusively on behalf of and for the account of the Commissioning Party.

Article I. Amount and Purpose of the Grant

1. GIZ shall make available to UNDP a Grant of

up to EUR 11,850,000.00
inclusive of standard 8 per cent General Management Support costs
and inclusive **1 per cent coordination levy** (hereinafter to as the 'Grant' or the 'Contribution')
2. a) UNDP shall request the disbursement in EUR to the amount of the financial requirement for the entire term of the Agreement (including EUR 117,326.73 1 per cent coordination levy). The call for this disbursement shall be submitted as a signed original or as a digitally signed copy and must include the project number and the Agreement number. UNDP shall submit a receipt of the amount that has been credited in USD for the funds disbursed by GIZ.

b) The transfer of each installment will be made within two weeks upon receipt by the GIZ of a written payment request by UNDP with e-mail confirmation to UNDP when the contribution is paid at the following address: contributions@undp.org.
3. All financial accounts and statements shall be expressed in USD. The value of the payment, if made in a currency other than 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 GIZ with a view to determining whether any further financing could be provided by GIZ. Should such further financing not be agreed upon by the parties, the assistance to be provided to the project/programme may be reduced, suspended or terminated by UNDP.
4. The schedule of financial requirements mentioned in Article 2 takes into account the requirement of the project/programme and shall be made in advance of the implementation of planned activities. The schedule may be amended to be consistent with the progress of project/ programme delivery.
5. UNDP shall use the Grant exclusively for actual costs to be incurred within the scope of the Project described in Article II and in the Project Proposal, attached hereto as **Annex 1** and as attributed to the GIZ Grant according to the Project Budget which sets out details of the Project expenditures, attached hereto as Annex 2. The Project Proposal and the Project Budget form an integral part of the Agreement.
6. The Grant is made available for the period of **15.12.2022** to **30.11.2023**. Only actual costs incurred during this period and relating to activities carried out during this period may be financed from this Grant. Otherwise written approval of the GIZ is required.
7. Standard Coordination levy
a) Pursuant to paragraph 10(a) of United Nations General Assembly Resolution 72/279 of 31 May 2018, GIZ agrees that an amount corresponding to 1% of the Contribution to UNDP shall be paid to fund the United Nations Resident Coordinator System. This amount, hereinafter referred to

as the 'coordination levy or levy' will be held in trust by UNDP until transfer to the United Nations Secretariat for deposit into the United Nations Special Purpose Trust Fund for the reinvigorated Resident Coordinator system, which has been established to fund the UN Resident Coordinator System and is managed by the United Nations Secretariat.

b) GIZ acknowledges that once the coordination levy has been transferred by the Recipient to the United Nations Secretariat, UNDP is not responsible for the use of the coordination levy and does not assume any liability. The fiduciary responsibility lies with the United Nations Secretariat as the manager of the Resident Coordinator System.

c) The coordination levy does not form part of the UNDP's cost recovery and is additional to the costs of UNDP to implement the activity or activities covered by the Contribution. Accordingly, there is no normal obligation for UNDP to refund the levy, in part or in full, even where the activities covered by the Contribution are not carried out in full by UNDP. As deemed necessary by GIZ - and especially where the scale of the resources concerned or reputational risk justify the refund transaction costs – GIZ can submit a request for refund to the United Nations Secretariat directly or through the United Nations entity. The responsibility to refund the levy lies with the United Nations Secretariat, and not with the concerned entity of the United Nations.

d) The levy is calculated at the time a new agreement is signed and will not be revised up or down, when the Agreement is subsequently amended except where that amendment exceeds 20% of the initially agreed budget on which the original levy calculation was made. In the event that the downward revision of the Agreement exceeds 20% of the initially agreed budget on which the original levy calculation was made and provided that the coordination levy has been paid in full, the United Nations Secretariat will refund the exceeding portion of the levy directly to GIZ. In case of upward revision exceeding 20%, within this agreement the levy has to be adapted in writing and UNDP will collect the additional levy from the GIZ and transfer it to the United Nations Secretariat. These conditions do not preclude any other circumstances where the GIZ may choose to submit a request for refund to UNDP.

e) The coordination levy for this Agreement is up to **EUR 117,326.73**. The payment schedule, refer to Article I (2), provides the breakdown of the disbursements of the coordination levy and the payments of the Contribution.

Article II. Utilization of the Contribution

1. The primary aim of the Support to Rapid Economic Recovery of Ukrainian Municipalities (SRER) (hereinafter referred to as the 'Project') financed by the Grant is to support the competitiveness of small and medium-sized enterprises in Ukraine by improving institutional and regulatory framework conditions on national and local level.

Details are laid down in the Project Proposal in **Annex 1**.

2. UNDP shall be entitled to spend up to 20% more than the budget item amount specified in Annex 2 for any budget item (except for GMS costs and coordination levy if these items are contractually agreed) provided that the actual costs are reduced by the same amount in one or more of the other budget items (except for GMS costs and coordination levy if these items are contractually agreed).

3. The implementation of the responsibilities of UNDP pursuant to this Agreement and the Project Proposal shall be dependent on receipt by UNDP of the Contribution in accordance with the schedule of payment as set out in Article I, paragraph 2, above, and shall be carried out in accordance with UNDP regulations and rules for managing a project/programme.
4. 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 GIZ on a timely basis a supplementary estimate showing the further financing that will be necessary. The GIZ will decide whether the amount of the Grant will be increased accordingly.
5. If the payments referred to in Article I, paragraph 2, above are not received in accordance with the payment schedule, or if the additional financing required in accordance with paragraph 5 above is not forthcoming from the GIZ or other sources, the assistance to be provided to the project under this Agreement may be reduced, suspended or terminated by UNDP.
6. Any interest income attributable to the contribution shall be managed in accordance with UNDP's Financial Regulations and Rules.
7. GIZ shall be invited to the Project Board discussions to participate in the project decisions.
8. The GIZ Grant may be used only for expenditures not already financed under subsidies or long-term loans (either from GIZ or from other donors). Subject to the foregoing, GIZ acknowledges and agrees that the Project may be financed by multiple donors, including GIZ.

Article III. Administration and reporting

1. Project management and expenditures shall be governed by the regulations, rules, policies and procedures of UNDP as well as by the annexed project document, and where applicable, the regulations, rules and policies of the Executing Entity/Implementing Partner.
2. UNDP headquarters and country office shall provide to the GIZ all of the following reports prepared in accordance with UNDP accounting and reporting procedures. Reporting from the country office (see below) shall include information on the use of the project budget; the expenditures shall be broken down according to the expenditure categories or measures as specified in the annexed project document.
3. UNDP shall provide to GIZ all the following reports prepared in accordance with the UNDP's accounting and reporting procedures:
 - a. A semi-annual **interim narrative progress report** and an annual **financial statement of account** including the approved budget by main budget/expenditure classification, related expenditures and unused budget balances, not later than two (2) months after the reporting period.
 - b. Upon completion of the Project, but not later than six (6) months after the completion of the Project, UNDP shall submit to the GIZ:
 - A final narrative report describing the implementation and results of Project in the light of the aims set out in the Project Proposal and
 - a final financial statement in accordance with the UNDP's Financial Regulations and Rules, policies and procedures. Any funds remaining from the Grant, shall be returned to the GIZ in USD at the United Nations operational rate of exchange.

4. UNDP shall keep for seven years after submission of the final financial statement all books, records and the originals of the supporting documents, clearly identifying all actual costs for the services and supplies for the Project and those services and supplies as well as sub-grants financed from the Grant, or up to the date of the limitation period of any claim pursuant to the applicable law governing the Agreement and any procurement contracts or sub-grants concluded, if the latter lasts longer.
5. In any publication on the Project, UNDP shall acknowledge in an appropriate manner and in accordance with the rules and policies applicable to UNDP that it is conducting or has conducted its activities within the framework of a project financed or cofinanced by the GIZ commissioned by the Government of the Federal Republic of Germany and with funding provided by the third-party funder (if applicable).
6. All rights in the work, including ownership of the original work and copyright thereof, shall be vested in UNDP. UNDP hereby grants the GIZ and the Federal Republic of Germany a royalty-free, non-exclusive license to use and reproduce the work for the GIZ's educational, scientific, research or project purposes, including the right of publication thereof, subject to an appropriate acknowledgement of UNDP's copyright unless UNDP indicates that it does not wish to be associated with any such publication. Should UNDP, in exceptional cases and due to third party agreements, not be entitled to grant to GIZ and the Federal Republic of Germany the above - mentioned rights of use to the full extent, UNDP will inform GIZ in written form about any restrictions regarding the right to use the work.
7. If special circumstances so warrant, UNDP may provide more frequent reporting at the expense of GIZ. The specific nature and frequency of this reporting shall be specified in a supplement of the Agreement.
8. The Contribution shall be subject exclusively to the internal and external auditing procedures provided for in the financial regulations, rules and directives of UNDP. Should an Audit Report of the Board of Auditors of UNDP to its governing body contain observations/information relevant to the contributions, such information shall be made available to the GIZ.

Article IV. Administrative and support services

1. In accordance with the decisions and directives of UNDP's Executive Board reflected in its Policy on Cost Recovery from Other Resources, the Contribution shall be subject to cost recovery for indirect costs incurred by UNDP headquarters and country office structures in providing General Management Support (GMS) services. To cover these GMS costs, the contribution actually utilized for the implementation of the Project shall be charged a fee equal to **8%**. All direct costs as well as the GMS fee (if applicable), shall be identified in the project budget.
2. The aggregate of the amounts budgeted for the programme/project, together with the estimated costs of reimbursement of related support services, shall not exceed the total resources available to the programme/project under this Agreement as well as funds which may be available to the programme/project for project/programme costs and for support costs under other sources of financing. The contribution made available according to Article I shall not be exceeded and shall, therefore, include all costs and fees under Article IV.

Article V. Purchasing of Goods and Services

1. Procurement of supplies and services shall be made according to the UNDP's internal rules and regulations for procurement and contracts, including international competitive bidding when applicable. Written documentation shall be kept of all decisions regarding invitations to tender and placement of order. UNDP shall upon request assist in providing GIZ with information within the limit of the United Nations privileges and immunities, the United Nations Single Audit Principle and the UNDP Regulations and Rules.
2. Ownership of equipment, supplies and other properties financed from the contribution shall vest in UNDP. Matters relating to the transfer of ownership by UNDP shall be determined in accordance with the relevant policies and procedures of UNDP.

Article VI. Sub-grants to the final recipients

1. UNDP is entitled to forward parts of the grant as sub-grants to third parties ('final recipients') if this procedure is foreseen by the Project Proposal and Estimated Budget (**Annexes 1 and 2**).
2. Prior to any forwarding of funds, however, UNDP shall perform appropriate due diligence processes to assess the integrity and capacity of each final recipient, while taking into account the non-profit objective of the Project and select each final recipient based on a positive assessment of that final recipient's capacity to carry out the measure that is being assigned to it.
3. In cases where goods, construction works or services are purchased by the final recipient using grant funds, Article V shall apply.

Article VII. Evaluation

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

UNDP will promptly make available the evaluation reports to the GIZ.

Article VIII. Data protection

1. GIZ shall process personal data in connection with this Agreement exclusively in accordance with the General Data Protection Regulation of the European Union (GDPR). Such data shall be processed solely for the purpose of implementing, managing and monitoring this Agreement. The Parties acknowledge and agree that the GDPR will not be applicable to UNDP.

2. UNDP shall ensure an appropriate protection of personal data in accordance with its applicable rules and procedures. Personal data shall be:
 - a. processed fairly, for legitimate purposes and in a transparent manner in relation to the data subject;
 - b. collected for specified, explicit and legitimate purposes and not further processed in a manner that is incompatible with those purposes;
 - c. adequate, relevant and limited to what is necessary in relation to the purposes for which they are processed;
 - d. accurate and, where necessary, kept up to date;
 - e. kept in a form which permits identification of data subjects for no longer than is necessary for the purposes for which the personal data are processed; and
 - f. processed in a manner that ensures appropriate security of the personal data.

Article IX. Completion of the Agreement

1. UNDP shall notify the GIZ when all activities covered by this agreement have been completed.
2. Notwithstanding the completion of the project/programme, UNDP shall continue to hold unutilized payments to the extent and until all commitments and liabilities incurred in the implementation of the project/programme have been satisfied and project activities brought to an orderly conclusion.
3. If the unutilized payments prove insufficient to meet such commitments and liabilities, UNDP shall notify the GIZ and consult with the GIZ on the manner in which such commitments and liabilities may be satisfied.
4. Any balance that remains unexpended after such commitments and liabilities have been satisfied shall be returned to the GIZ upon a request from GIZ providing bank account details for reimbursement. UNDP shall inform GIZ promptly about any remaining balances.

Article X. Sanction list

1. Sanction List
 - (1) The Recipient (UNDP) represents that it does not maintain any business relationship or has not engaged in any other activity (i) with or in favour of persons, organisations or entities which are listed on a sanctions list issued by the United Nations Security Council ("**Sanctions Lists**"), or (ii) which would constitute a breach of embargoes regulating foreign trade or of so-called financial sanctions issued by the aforementioned institution (together "**Sanctions**").
 - (2) The Recipient will not enter into or continue any business relationship with persons, organisations or entities listed on any of the Sanctions Lists and will not engage in any other activity that would constitute a breach of Sanctions.
 - (3) The Recipient will inform GIZ, promptly and of its own accord, of the occurrence of any event which results in (i) the Recipient, (ii) any member of its management bodies or (iii) other governing bodies or any of its shareholders, being listed on a Sanctions Lists.
 - (4) With regard to sanctions obligations the Recipient will, subject to and in accordance with the status, privileges and immunities of the United Nations and its applicable rules, policies and procedures, provide GIZ, as soon as the respective relevant information is available, with a list detailing the partners who will receive funds in connection with the implementation of the Project

(the "GIZ List") and with a funding schedule listing the amounts of contributions. The GIZ list contains the following information: Name of the contractor/supplier/implementing partner and country of registration. The recipient will notify GIZ of any changes to the GIZ list without undue delay. To the extent required by GIZ, and subject to and in accordance with the status, privileges and immunities of the United Nations and its applicable rules, policies and procedures, the Recipient will make reasonable endeavours to provide additional details in order to assist GIZ to establish the identity of specific contractors/suppliers/implementing partners on the GIZ List. If, from the perspective of GIZ, an entry in the GIZ List presents any concerns, GIZ will inform the Recipient accordingly. In this case, GIZ will inform the Recipient accordingly and, in that event, GIZ will not issue a Non-Objection Letter to the contract award (with GIZ funding) to that specific contractor/supplier/implementing partner. However, considering the Recipient as the ultimate and final procurement authority in the procurement process, the Recipient will be free to proceed under its own responsibility with the award with funding from other source (donors) and not GIZ funding.

Article XI. Suspension of Disbursements and Repayment, Termination of the Agreement

1. After consultation with UNDP and the opportunity to remedy the specific circumstance cited below, GIZ shall be entitled to either suspend disbursements or terminate this Agreement in part or in full, if:
 - a) UNDP is not able to furnish evidence (according to Article III) proving the use of the Grant for the purposes stipulated in this Agreement;
 - b) goods purchased by UNDP for the project and financed from the Grant are not used for the purpose of the Agreement;
 - c) UNDP has engaged in material breach of any other provision of this Agreement;
 - d) before conclusion of the Agreement or during its execution, UNDP has given false information or withheld relevant information affecting the allocation or disbursement of the Grant;
 - e) any extraordinary circumstances have arisen which preclude or seriously jeopardize the purpose of the Grant, the implementation of the Project or the performance of the obligations assumed by UNDP under this Agreement, or
 - f) the Government of the Federal Republic of Germany or the third-party funder (if applicable) terminates, suspends or modifies the relevant contract with the GIZ which is the basis for this Agreement.

2. GIZ shall be entitled to demand repayment of all or part of the Grant, if any of the circumstances referred to in Article XI 1. (a) to (f) arise. This includes any unused or reflowed funds, for which no further disbursements, liabilities or costs are due to be made or paid in the implementation of the project.

When the circumstances referred to in Article XI a) to d) apply, repayment can only be demanded if the circumstances have not been remedied within a period to be agreed upon by GIZ and UNDP, which shall, however, be not less than 30 days. Repayment will be limited to (a) the amounts that UNDP manages to recover and (b) the unspent amounts. Where Article XI 2. (a) applies, only those amounts shall be repaid for which UNDP is unable to furnish evidence of the use for the purpose stipulated in this Agreement. Where Article XI 2. (b) applies, only the amounts recovered from those amounts relating to the goods concerned shall be repaid.

In the event that the total amount demanded by GIZ is not recovered, UNDP and GIZ will enter into a dialogue to arrive to a mutually agreed solution.

3. Any disbursed amount of the financial Contribution that has neither been used nor committed by the Recipient for the stipulated purpose under Article 2 until the end of the Implementation Period as stipulated in Article 1 shall be repaid to GIZ within ninety (90) days of the final report, unless otherwise agreed in writing between the Parties.
4. UNDP shall, consistent with the internal regulations, rules, policies and procedures, attempt to recover any funds found to be misused. UNDP shall, in consultation with GIZ, credit any funds so recovered to the Project Budget or, in case the Project was completed or terminated, shall dispose of such funds as agreed with GIZ.

Article XII. Force Majeure

1. 'Force majeure' is an unavoidable event (e.g. natural disaster, outbreak of diseases and epidemics, serious un-rest, war or terrorism) which is unforeseeable by human judgement and experience, cannot be avoided or rendered harmless by reasonable economic means and under application of the utmost care, and which prevents one of the Parties' from fulfilling any of their obligations under this Agreement. If an event originates from the sphere of responsibility of one of the Parties', this shall not constitute an event of force majeure.
2. Neither Party to this Agreement shall be held liable for a breach of its obligations under this Agreement if it is prevented from fulfilling such obligations by reason of Force Majeure, provided that the Party affected by such an event has taken all reasonable precautions, due care and sought out reasonable alternative measures with the objective of carrying out the terms and conditions of this Agreement as applicable.
3. A Party affected by an event of Force Majeure shall notify the other Party of this as soon as possible and no later than fifteen (15) days upon becoming aware of the implications of the occurrence of the event on the project measure, providing evidence of the nature and cause of the event, which shall include information about the possibility of returning to normal conditions as soon as possible.

Article XIII. Conflict of Interest

1. UNDP shall avoid conflicts of interest in connection with this Agreement. A conflict of interest may arise in particular from economic interests, political affinities or national ties, family or friendships or other ties or interests
2. In connection with the implementation of the Project UNDP must not conclude any contract in which a conflict of interest is to be expected due to the nature of the contract or due to personal or financial connections of UNDP to a third party.
3. UNDP undertakes to notify GIZ without delay of any facts that constitute a conflict of interest or could lead to such a conflict. The further procedure shall be coordinated with GIZ.

Article XIV. Final Provisions

1. Arbitration Clause :

1.1 Amicable Settlement

The Parties shall use their best efforts to settle amicably any dispute, controversy or claim arising out of, or relating to this Agreement or the breach, termination or invalidity thereof. Where the Parties wish to seek such an amicable settlement through conciliation, the conciliation shall take place in accordance with the UNCITRAL Conciliation Rules then in force, or according to such other procedure as may be agreed between the parties.

1.2 Arbitration

Unless, any such dispute, controversy or claim between the Parties arising out of or relating to this Agreement or the breach, termination or invalidity thereof is settled amicably under the preceding paragraph of this Article within sixty (60) days after receipt by one Party of the other Party's request for such amicable settlement, such dispute, controversy or claim shall be referred by either Party to arbitration in accordance with the UNCITRAL Arbitration Rules then in force. The arbitral tribunal shall have no authority to award punitive damages. The Parties shall be bound by any arbitration award rendered as a result of such arbitration as the final adjudication of any such controversy, claim or dispute.

1.3 This Agreement shall be governed by general principles of law to the exclusion of any national system of law. Such general principles of law are deemed to be reflected in the UNIDROIT Principles of International Commercial Contracts 2004, in addition to general principles of international law.

2. Nothing in this Agreement or in any document relating thereto shall be deemed a waiver, express or implied, of the privileges and immunities of UNDP.
3. In accordance with the UNDP's Staff Regulations and Rules, UNDP will require that its staff will not accept any honour, decoration, favour, gift or remuneration from any third parties if such acceptance is incompatible with his or her status as an UN staff. Similarly, UNDP will require that its staff and will not at any time and in any way use information known to them by reason of their official position, to their private advantage and that they will not accept, hold or engage in any office or occupation which is incompatible with the proper discharge of their duties with UNDP.
4. UNDP shall make reasonable efforts to ensure that the persons it entrusts with the preparation and implementation of the Project and the awarding of contracts for the provision of materials and services to be financed under this Agreement do not demand, accept, provide, grant, promise or accept promises for illegal payments or any other unfair advantages in connection with these tasks.
5. UNDP shall promote the respect of human rights and respect applicable environmental legislation including applicable multilateral environmental agreements, as well as applicable internationally agreed core labour standards. UNDP shall not support activities that contribute to money laundering, terrorism financing, tax avoidance, tax fraud or tax evasion.
6. In the event a provision of this Agreement is established to be invalid, this shall not affect the validity of the remaining provisions. Any deficiency in consequence thereof shall be remedied by a provision consistent with the purpose and intent of this Agreement.

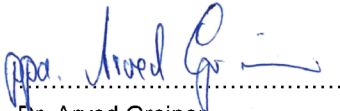
7. In the event that provision of this Agreement does not support the efficient achievement of the objective defined in Articles I and II above and corresponding major changes of the planning are necessary, GIZ and UNDP may adjust or amend these provisions by mutual consent at any stage during the implementation of the Project. Amendments and changes to this Agreement must be made in writing to be valid.
'Major change' means any substantial change of the scope, structure, design, or objectives of the Project that substantially alters the purpose or benefit of the Project.
Amendments and changes to this Agreement as well as any statements and notices which shall be made under this Agreement shall only be valid in writing.
8. The Agreement shall be signed in duplicate and enter into force on the date it is signed by the authorized representatives of the Parties hereto.

Article XV Annexes

Annex 1: Project Proposal of 12.2022
Annex 2: Project Budget of 12.2022

Eschborn, date: 13.12.2022

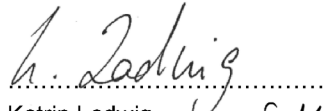
Deutsche Gesellschaft für
Internationale Zusammenarbeit
(GIZ) GmbH
Contract Management/Financing



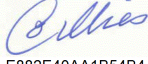
Dr. Arved Greiner
Director of Division
Procurement and Contracting, E200

New York, date:

United Nations Development
Programme



Katrin Ladwig
Head of Section E2B0 *SaM*

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Mr. Jaco Cilliers
Resident Representative a.i.
UNDP in Ukraine

PROJECT DOCUMENT

Empowered lives.
Resilient nations.

Project Title: Support to Rapid Economic Recovery of Ukrainian Municipalities (SRER)

Implementing Partner: United Nations Development Programme (UNDP)

Brief Description

The Project aims at ensuring that municipalities/local authorities have the resources required to effectively assume their responsibility for handling war-generated crises impacting the population and businesses, driving sustainable local economic recovery and further development, and engagement of citizens in decision-making processes.

The key recovery challenges currently faced by the war-affected country relate, principally, to the social and economic consequences of massive malicious attacks on its critical infrastructure, including but not limited to energy, water, heating supply, and telecommunication channels in almost all regions, considerable destructions of public infrastructures and housing stock in territories directly impacted by the war, as well as an exodus of the population and businesses towards the western regions of Ukraine. All this has resulted in a shut-down or significant slow-down of enterprises' operations and, hence, a large number of jobless women and men, and the obligation for MSMEs, in order to survive, to suspend their activities or relocate to new localities and adapt to new demand and supply chains.

MSMEs are very susceptible to the shocks caused by the war. Any major downsizing of activities practically means the cessation of operations for MSMEs as they have a limited ability to diversify their economic activities and thus face more challenges with transformation and adaptation.

Municipalities must play a convening and enabling role in dealing with crisis management and quick economic recovery needs. Ukraine's successful decentralization reform has resulted in a significant increase in the administrative and service delivery responsibilities of municipalities, as well as an expansion of their revenue sources. Yet, there is still the need to support them in partnership building and strengthen their needs-based planning, budgeting and implementation capacities.

Drawing from UNDP large crisis management and quick local economic recovery and sustainable development experience in Ukraine and at international level, the Project will:

- a) strengthen the capacities of municipalities to form partnerships with the private sector and to design inclusive and gender-sensitive initiatives in the prioritized areas
- b) support the selected municipalities in the implementation of their local recovery efforts
- c) engage non-governmental actors (CSOs, BMOs), including women's groups, in these sustainable local development processes and establishing cross-sectoral partnerships
- d) support communities' mobilization and awareness raising for better visibility and sustainability of achieved results

With the rehabilitation of essential infrastructure for the local businesses, the Project will thus contribute to the re-establishment of businesses' disrupted value chains as well as promote their ability to provide sustainable income opportunities in the targeted regions.

I. SITUATION ANALYSIS

I.1. Full scale invasion and impact on people, infrastructure and businesses

The Russian armed forces invaded the country on 24 February 2022 after tensions between the Russian Federation and the West over Ukraine had reached new heights from late 2021. As of 30 November 2022 (UNHCR data) 7,86 million refugees have fled Ukraine and 6,5 million (IOM data) have been displaced within Ukraine. Some 13 million people are estimated to be stranded in affected areas or unable to leave due to heightened security risks, destruction of bridges and roads, as well as lack of resources or information on where to find safety and accommodation.

There has been considerable destruction of public infrastructure and housing throughout the country. Starting from October 10, 2022, the Russian Federation conducted a series of massive barrage of strikes on critical infrastructure in Kyiv, Kharkiv, Lviv and other cities of Ukraine. By the end of November, these attacks had seriously damaged over 40% of Ukraine's entire energy infrastructure¹, including 30% of all electricity generating stations, according to Ukrainian President Volodymyr Zelensky². In particular, strikes hit thermal power plants, combined heat and power plants, and hydroelectric power plants. Ukraine's electric utility, Ukrenergo, warned that the country's energy system has suffered more attacks, since the escalation began, in October than in the previous eight months of the war. Strikes have also led to regular mobile communication interruptions throughout the country.

As result, millions of people and thousands of enterprises across Ukraine have been hit by power restrictions that Ukraine's energy companies have been forced to impose because of damage to infrastructure caused by the bombing campaign. The provision of water supply services has also been partially limited for many households and enterprises across Ukraine.

These war-related destructions have led to a massive exodus of the population living in regularly hit regions and cities towards western regions or abroad, as well as grave concerns on the ability for the remaining population to sustain cold temperatures during the winter months. The reconstruction of infrastructure in war-torn localities and ensuring that the latter are safe (de-mined) for internally displaced persons (IDPs) and businesses returning home will take time. This suggests that about 35 percent of IDPs will likely stay in the hosting communities even after the war is over.

Russia's constant shelling of Ukraine's infrastructure has negative consequences for the country's economy. GDP continues to fall. According to investment company Dragon Capital³, the economy is expected to fall by 5% next year. The National Bank of Ukraine has predicted a fall in GDP in 2022 of approximately 32%. Growth in the coming years will be insignificant (4-5%). Against this background, unemployment is likely to increase and, combined to severe winter conditions imposed on people, lead to additional population exodus at least until spring 2023. Yet, the banking system in Ukraine continues to operate in a stable manner.

According to a Rapid Assessment of the war's impact on micro, small and medium enterprises in Ukraine⁴, carried out in May 2022, the **MSME sector** is a major contributor to the Ukrainian economy. Before the war it accounted for 73 percent of the country's employment and generated 63 percent of gross sales in 2020. Almost two-thirds of Ukrainian MSMEs were located in the regions which were or are still exposed to active land warfare (front line regions⁵). Manufacturing was a dominant sector in all these oblasts (except for Kharkiv oblast), followed by retail and wholesale trade, agriculture, and construction.

As of mid-April 2022, results of surveys⁶ conducted among Ukrainian MSMEs show that about 50 percent of enterprises have been operating at only 10-60 percent capacity of the pre-war level. They also confirm that MSMEs (including women-led enterprises⁷) are more susceptible to the shocks caused by the war than large enterprises (only 14 percent of MSMEs operated at full capacity versus 41 percent of large enterprises as of mid-April 2022). Any major downsizing of activities practically means the cessation of operations for MSMEs

¹ <https://www.president.gov.ua/en/news/volodimir-zelenskij-zustriv-sya-z-yevrokomisarom-z-pitan-ener-78841>

² <https://twitter.com/ZelenskyyUa/status/1582285715970613248>

³ https://www.kyivpost.com/uk/war-uk/ekonomichnyj-blekaut-yak-rosijski-obstrily-vplyvayut-na-ukrayinu.html#pll_switcher

⁴ developed by the PricewaterhouseCoopers Advisory LLC under the Swiss-Ukrainian Project "Strengthening MSME Business Membership Organizations in Ukraine," implemented by the United Nations Development Programme (UNDP) in Ukraine in cooperation with the Ministry of Economy of Ukraine and with the support of Switzerland.

⁵ IOM - Impact of war assessment (cf. note 3)

⁶ UNDP/Swiss Confederation Rapid Assessment of war impacts on MSME in Ukraine (cf. note 4)

⁷ 40% of Enterprises located in the East are women-led and are facing the biggest operational challenges, UNDP Rapid Assessment of War's impact on MSME in Ukraine.

as they have a limited ability to diversify their economic activities and thus face more challenges with transformation and adaptation.

Key disrupting factors for MSME operations include security risks, destruction of assets and infrastructures (65 percent of MSMEs are in the territories where active warfare is taking place and the recent attacks on the critical infrastructure disrupted economic activities in all regions). Moreover, regular electricity outages⁸ mean lost income and the inability to plan ahead. Many businesses are being forced to splurge on accessories such as generators or to make expensive concessions to retain customers. Those lacking financial "safety cushions", or that are unable to secure favourable lines of credit in Ukraine's war-ravaged economy, could suspend operations or close altogether. Both access to financing and affordability of lending resources have become a top issue for MSMEs since the war started. Commercial banks have practically stopped active lending to MSMEs, and credit resources for working capital and project financing are now available only via state government programmes.

Although the damage caused by the war is not fully assessed due to ongoing hostilities, the losses are likely to be substantial, including in terms of transport and storage infrastructure, commercial and residential property, a drop in consumer demand, breaks in supply chains and difficulties with logistics. The latter two factors also drive the margins downwards due to increased cost of input materials and services. Due to the regular strikes and the destructions, they have caused and are still causing, Ukraine's logistical system has been significantly damaged both in terms of infrastructure and transportation capacities. In the north-eastern regions of Ukraine, liberated by the Ukrainian armed forces in early April, a large number of important transport facilities were physically destroyed, creating significant problems with supply chains to these regions. The naval blockade of the Ukrainian sea ports has inflicted a significant blow to Ukrainian exports. Railroad remains the backbone for cargo exports and passenger transportation in the country. Breaks in supply chains and the shrinking demand for goods and services on the domestic market has increased the need for companies to search even more actively for new business partners and clients and to explore opportunities in foreign markets.

In this context, a large share of MSMEs have had either to relocate to safer territories in Ukraine or to undergo some transformation. More than half of MSMEs planned, initiated or completed the transformation of their business to revive their operations. Around one-third of MSMEs surveyed by Gradus Research Company fully relocated, are in the process of relocation or plan to relocate production facilities to relatively safer regions⁹.

1.2. Impact of the war on Ukrainian municipalities and decentralisation reforms

As millions of Ukrainians have fled their homes to avoid violence, host municipalities and territorial communities continue to face new and complex challenges to meet the needs of their enlarged populations as well as those of their business communities. As mentioned in I.1. recent Russian air strikes carried out throughout Ukraine have led to significant damages of municipalities' physical infrastructures, such as power and water supply plants, transport and communication networks as well as public and business infrastructures. With up to an estimated average of 40% of generating capacities unavailable due to the intensification of shelling, Ukrainian municipalities, including the capital, are facing regular emergency or planned blackouts¹⁰ to avoid accidents. According to the Kyiv Post¹¹, most of the businesses stop working during power outages, forced (for the smallest) to take an unplanned day off and remain without income. Overall, compared to September, MSMEs' earnings could fall by approximately 40-50% due to shelling.

The war has made the whole process of decentralization more complex, since the current situation of local communities diverges a lot depending on how far away they are from the frontline and how much they were affected by military operations.

Beginning in 2014, Ukraine launched an ambitious multi-year *territorial reform* process, resulting in the creation of 1 469 municipalities (down from over 10 000 local councils). This was accomplished through a voluntary amalgamation process that was combined with a strong decentralization reform and resulted in a significant increase in the administrative and service delivery responsibilities of municipalities, as well as an expansion of their revenue sources. Initial findings from an OECD survey in 2021 highlighted that prior to the war, Ukraine had made considerable progress in addressing certain territorial disparities – 79% of the 741

⁸ <https://www.reuters.com/world/europe/blackouts-hit-ukraines-small-businesses-wider-economy-hard-2022-11-18/>

⁹ UNDP Rapid Assessment of the War's impact on MSMEs in Ukraine

¹⁰ Kyiv Independent 5 December 2022 - Power outages in at least six oblasts, including Odesa, Mykolaiv, Zhytomyr, Sumy, Dnipropetrovsk, and Cherkasy

¹¹ https://www.kyivpost.com/uk/war-uk/ekonomichnyj-blekaut-yak-rosijski-obstrily-vplyvayut-na-ukrayinu.html#pll_switcher

municipalities surveyed reported improved quality of administrative service delivery post-2014, and 71% reported an increase in the quality of social service delivery. Improvements in the quality of services related to housing, energy and support for small and medium-sized enterprises were, however, more limited.

At the beginning of 2022 (prior to the start of the Russian invasion), according to the Centre of Expertise For Good Governance of the Council of Europe¹², a number of shortcomings related to local self-government and public administration in general still needed to be clarified, among them the clear separation in terms of powers, responsibilities and resources between the elected local self-governments and the territorial state administration (deconcentrated bodies of the central government); the administrative supervisory function meant to ensure legality of local acts; public service in local self-government; status and liability of local elected representatives, etc.

However, there is a broad consensus among Ukrainian practitioners that the reforms implemented in the previous years, by giving local decision-makers more responsibilities and resources, contributed to the increased resilience of local communities under difficult circumstances, especially in their new functions of providing supplies to the Ukrainian Army (Territorial defense forces) and accommodation to IDPs, but also for continuing to provide essential services to residents in municipalities severely affected by the conflict. Despite the present difficult context caused by the war, the Ukrainian authorities have reiterated their determination to continue the reforms with an update of the administrative-territorial set-up (at local and sub-regional levels), and at the same time address the issues mentioned above which were still pending at the beginning of 2022.

Russia's large-scale war of aggression against Ukraine has also halted the implementation of many on-going national level *public governance and rule of law related reforms* in Ukraine. At national level, since 2016, Ukraine has developed and implemented reforms in public administration to ensure its alignment with OECD and EU standards – The Principles of Public Administration – as part of the wider European integration process. Worth noting that according to the OECD¹³, the Public Administration Reform Strategy through 2021 and its Action Plan had demonstrated good implementation, achieving 57% of the performance targets set and finalizing 87% of planned actions by the end of 2021.

The implementation of the new Public Administration Reform Strategy 2022-2025 and its Action Plan has been planned around three key priorities – delivering high-quality public services to citizens and businesses, building a professional and politically neutral public service, and building effective and accountable public institutions. It took into account the unimplemented recommendations of the 2018 OECD/SIGMA Baseline Measurement. The strategic framework of public administration was complemented by the new Public Financial Management Strategy and Action Plan 2022-2025, also built around the Principles of Public Administration. Ukraine has established a basic legal framework for strategic planning, policy development and co-ordination.

I.3. War time government support to businesses

Since the start of the war, the President of Ukraine and the government have taken several measures to address the impact of the war on citizens' life and businesses, and plan early recovery and post-war restoration.

At central level

- Several legislative changes and state programmes were introduced to ease doing business and to support Ukrainian enterprises in this difficult time. This includes financial support, simplifications in tax and customs regimes and removal of certain regulations, licensing, moratorium on state inspections for example. The state authorities provide information and consultation support to business, keeping them informed about legislative changes. Such support is provided thorough various tools, such as: hotlines (e.g. the Diia Business virtual centre), chat bots (e.g., chat bots of the State Tax Inspection and the Ministry of Economy), etc.
- The government has also launched the State Programme to support business relocation to nine western oblasts: Chernivtsi, Ivano-Frankivsk, Khmelnytsky, Lviv, Ternopil, Vinnytsia and Zakarpattia and the southern parts of Rivne and Volyn oblasts. Over 500 enterprises have already completed the relocation. The programme covers all enterprises including small businesses employing from 10 to 20

¹²http://www.slg-coe.org.ua/wp-content/uploads/2022/07/CEGG-PAD-on-Ukraine-Recovery-Strategy-in-LSG-area_ENG_FINAL.pdf

¹³ Public governance in Ukraine: Implications of Russia's war July 2022 - <https://www.oecd-ilibrary.org/docserver/c8cbf0f4-en.pdf?expires=1668593191&id=id&accname=guest&checksum=5E435C37A2C4C680F8F9DC7B0E75F213>

people. Priority is given to strategic enterprises and companies producing necessity goods (e.g. food, clothes). Applicants can file their requests at <https://auction.e-tender.ua/#/register>. Applications are handled by the Ministry of Economy (ME). Transportation services are provided by JSC Ukrposhta and JSC Ukrainian Railways. Local government administrations in the designated nine oblasts provide further support with finding suitable production premises, connection to utilities, housing for relocated employees or finding new personnel.

According to IOM, this relocation program has been a moderate success. Since the start of the relocation program in April 2022, 692 companies¹⁴ have moved to a new location, of which 484 have started working. The largest share of companies (24.6%) moved from regions of active hostilities to Lviv Oblast. Businesses also moved to Zakarpattia (16.1%), Chernivtsi (11.4%), Ternopil (7.6%), Dnipropetrovsk (7.4%) and Ivano-Frankivsk (7.3%) oblasts. Among the relocated enterprises that have already resumed their activities, the largest share is companies involved in wholesale and retail trade, repair of motor vehicles and motorcycles (39% of the total number), processing industry (33%), information and telecommunications (6%), professional, scientific and technical activities (5%). According to IOM¹⁵ small and micro enterprises demonstrate little to no interest in the available relocation opportunities, which can either suggest the failure of state-backed information campaigns or highlight the difficulties of production shifting for predominantly service-oriented small and micro enterprises in Ukraine.

- In addition, on 1 April 2022, the Parliament introduced changes to the Law on Leasing of State and Municipal Property which provides a discounted preferential lease rate (UAH 1 per sq. meter) on state or municipal property for relocated businesses during the first six months.

Oblast state administrations and city councils are also developing initiatives which are complementary to central government programmes. Local initiatives are mainly focused on the revival and support of business activity, including support for business relocation, employment, and investment opportunities. Some oblasts even provide additional incentives in the form of financial support, requiring obligatory re-registration of an enterprise on the territory of the oblast and/ or creation of jobs. There are good examples of individual initiatives of state administrations in Dnipropetrovsk, Ivano-Frankivsk, Kharkiv, Kyiv, Lviv, Ternopil, Vinnytsia and Zakarpattia oblasts.

I.4. Donor support

Since the start of the war, new initiatives have been launched by international donor organisations aimed at supporting Ukrainian MSMEs, either within already existing programmes or as new projects developed specifically to mitigate the negative consequences of the war. Such initiatives can be grouped into two major categories: (i) grants and (ii) integrated support.

Grants support

Key projects include:

- The IOM announced a grant programme within the Project “*SME Boost: Economic Integration of Internally Displaced People and Business Recovery*” funded by KfW Development Bank on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ). Grants of up to EUR 4,500 are provided to operational micro-enterprises which have recently relocated to Chernihiv, Kyiv (excluding Kyiv City), Lviv, Sumy and Zakarpattia oblasts operating in the following sectors: hospitality, restaurants, and catering; information and telecommunications; textile, apparel and footwear; transport and logistics; production of foodstuffs by private farms; small-scale commodity production; and related industries.
- The “*EU4Business: SME Competitiveness and Internationalisation*” programme co-financed by the EU and German Government and implemented by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) have supported about 300 war-affected micro- and small enterprises. The microgrants worth EUR 4,000 in hryvnia equivalent were distributed on 13 May 2022 via Diia platform. Grants were provided to enterprises registered in Chernihiv, Donetsk, Kharkiv, Kherson, Kyiv, Luhansk, Mykolaiv, Sumy and Zaporizhzhia oblasts, in accordance with the current legislation of Ukraine, as of 31 December 2021 at the latest. The programme covered enterprises that continued business operations and those that needed to fully restart their activities after relocating.

¹⁴ Ministry of Economy of Ukraine - <https://www.me.gov.ua/News/Detail?lang=en-GB&id=ae99c22c-7338-40a4-8eb0-88da6e381f00&title=Almost700-EnterprisesMovedToSafeRegionsAsPartOfTheRelocationProgram>

¹⁵ https://ukraine.iom.int/sites/g/files/tmzbd11861/files/sme_assessment_presentation.pdf

- The Ukrainian-Danish Youth House has launched a EUR150,000 *fast-track grant programme to support Ukrainian youth*, including youth organizations, civil society organizations working with youth, artists and others³⁶. Individual applicants from Ukraine must be registered as individual entrepreneurs (sole proprietors) and be 15-35 years old.
- USAID “*Dream and Act*” programme with the support of International Research and Exchanges Board (IREX) launched a grant programme for Ukrainian youth businesses. Participants will receive grants of US\$ 10,000 for the realization of business goals. Preferences will be provided to social enterprises and businesses operations which fulfil the immediate social needs of Ukrainians (e.g. food, cloth, housing, medical and rehabilitation services) under conditions of war and in the post-war period.
- The Ukrainian Social Venture Fund, in partnership with European Venture Philanthropy Association (EVPA) and with support of the EU Directorate-General for Neighbourhood and Enlargement Negotiations (DG NEAR), launched the *Social Enterprises for Emergency Call smart grants programme*. The Programme offered smart grants in amounts ranging from UAH100,000 to UAH 300,000 per one social enterprise. Grants will be aimed at: production/provision of existing goods/services; the launch of new goods or services that meet the needs of war time and address the needs of civilians affected by conflict; and the provision of goods and services for vulnerable groups, enabling them to survive war and to continue their activities.

Integrated support

Key projects include:

- The “*EU4Business: SME Competitiveness and Internationalization*” Programme, introduced an initiative to support SMEs through business associations in the form of clusters, chambers of commerce and industry, and NGOs in local communities. The goals of the programme are saving jobs and supporting the Ukrainian economy; integrating internally displaced persons and women into local value chains and business networks; helping SMEs to diversify their business models and considering digital delivery of products and services; and involving the Ukrainian diaspora in helping Ukrainian businesses. In addition to the microgrant programme, the programme provides consultancy support to businesses aiming at business processes reorientation and at strengthening their resilience. It also includes the component of equipment procurement to programme partners, including SMEs, to provide resources for their daily operations and for relaunching production.
- The *Mayors for Economic Growth Facility*, a joint initiative of the EU & UNDP is a follow-up of the Mayors for Economic Growth (M4EG) initiative, launched and funded by the European Union (EU) in 2017 to support Mayors and municipalities of the Eastern Partnership (EaP) countries. The project is being implemented by UNDP starting from 2021 in Armenia, Azerbaijan, Georgia, Moldova and Ukraine. The purpose of this facility is to strengthen the capabilities of local governments in designing for & financing regional development and strengthening the learning network (exchange of best practices) - engaging the existing networks of the M4EG programme of about 400 municipalities in the above-mentioned countries. In Ukraine, more than 140 Local Authorities across the country re-confirmed their membership in the M4EG network after its launch in the summer of 2021. 11 member cities in Ukraine were selected in the first cohort of ‘deep’ engagement under the M4EG with mentoring and seed funds. The M4EG membership has increased in 2022, now counting 178 local authorities in Ukraine. A proposed additional support under the Crisis Response component of the M4EG intends to offer direct support to city and town authorities and their partners where the needs are the most pressing.
- “*Support to inclusive economic development in Ukraine by linking export strategy with regional development and SDGs*” funded by GIZ and implemented by UNDP in Ukraine. The overall goal of the Project is to promote sustainable development of Ukraine to the extent possible in the current crisis settings by strengthening the response capacities of the public and private sector including national and regional authorities. The Project’s specific objectives are: (i) to strengthen the institutional capacities of the public and private sector in facilitating crisis response measures to support the sustainable recovery of Ukrainian economy and exports; (ii) to support local authorities in the hosting regions with resetting of the institutional infrastructure for business support and export promotion. The project is targeting the national level (Ministry of Economy, UCCI), and five Western oblasts hosting the relocated businesses: Chernivetska, Ivano-Frankivska, Lvivska, Rivnenska, Zakarpatska. The total budget for the action is EUR 300,000. The project ends in March 2023.
- USAID Competitive Economy Program through the NGO ITFC launched the Project “*Business Support During the War and in the Post-War Period*”. The project aims to resume/launch SMEs,

including the businesses of women entrepreneurs, and to form a clear vision of the current situation and of prospects for business development.

- The International Labour Organization Project “*Inclusive Labour Markets for Job Creation in Ukraine*” financed by the Ministry of Foreign Affairs of Denmark (DANIDA) launched a new initiative “Support Ukrainian People and Business”. The initiative is implemented by the Federation of Employers of Ukraine. The main goal is supporting Ukrainians through domestic production. The initiative will provide support to domestic food producers through placement of orders for food packages, which then will be supplied to Ukrainian regions suffering the most from Russian military aggression. Astarta-Kyiv and “Believe in Yourself” Foundation already joined this initiative.
- The Project “*Fostering Economic Participation of Vulnerable Groups, including IDPs in the Sea of Azov Region*”, commissioned by BMZ and implemented by GIZ, prolonged its operation in Ukraine to support small businesses in the war period and broadened its target region from the Sea of Azov region to Ukraine’s entire territory. The support is provided through an expert consulting service in all spheres of business activities, including tax and legal consulting, management consulting, advisory services on business certification, accounting and marketing consulting, IT-consulting and foreign trade consulting.

Gesellschaft für Internationale Zusammenarbeit (GIZ) specific support

In the scope of the Programme “Utilisation and Implementation of the Association Agreement between European Union and Ukraine in the field of Trade” (“EU4Business: SME Competitiveness and Internationalization” Programme mentioned above), GIZ is promoting **Ukrainian municipalities** with technical assistance and grant support. The Programme focuses on supporting its partner municipalities in their role for local economic development as well as projects in areas such as innovation support, the attraction of remittances, and internationalization.

II. STRATEGY

In war-impacted Ukraine, the key challenges that the Project ultimately intends to address are those currently faced by enterprises, in particular Micro, Small and Medium enterprises (MSME). These challenges severely constrain their economic activities and lead to a deterioration of local population's employability and standards of living. Challenges differ, depending on whether enterprises have remained in their original location which has been severely damaged by the war or whether they have relocated or planning to do so:

a) For enterprises in significantly damaged areas

- the need to rehabilitate the basic infrastructure, in particular, that relating to electricity, gas and water supply as well as other basic utilities
- the need for restoration or provision of telecommunication services and internet access
- the need to demine areas for business activities. Demining takes place depending on the capabilities of the relevant public services, business is not able to influence this process.
- lack of financing for the recovery of business activities, including the restoration of destroyed enterprises infrastructure and replacement of lost (destroyed and stolen) equipment and inventories.
- limited or no access to workforce since many employees have been mobilized into the Armed Forces or have moved to relatively safer regions of Ukraine.

b) For relocated enterprises

The key challenges of these enterprises relate to:

- limited or lack of transportation. In many cases it is difficult for businesses to relocate due to high costs of transportation services or damaged transport communications (roads, bridges).
- limited or lack of available production area. Finding a suitable production space is a difficult task since each business has its own specifics and needs.
- issues linked to the relocation and housing of workers. The resettlement of workers is the biggest problem when moving a company since there is a shortage of housing due to the active influx of internally displaced people.
- lack of financing. A significant number of businesses wishing to relocate do not have sufficient reserves of financial resources to start production after moving.
- difficulty to search for new contractors.

These challenges need to be addressed rapidly and effectively to ensure the country's continued economic stability in war time and its full recovery and further growth once the war has ended. Because of their responsibilities for local economic and business recovery and development, municipalities together with business support structures (business membership organisations, BMOs) are the key actors in all efforts to address these challenges.

II.1 Scope and strategic principles of the Project

In the context described above, the scope of the Project is defined by the need to ensure that **municipalities/local authorities** have the resources and capacities required to effectively assume their responsibility for handling war generated crises impacting the population and businesses, for driving sustainable local economic development interventions, SDGs integration, and engagement of citizens in decision-making processes.

In order to create conditions for quick recovery of local production and restart of local economies, urgent investments are needed in the repair and provision of better access to basic and business infrastructure, which is critical for economic activities, in particular, for the survival of MSMEs.

Under this project, Ukrainian municipalities (not limited to specific regions of Ukraine), in close cooperation with the local business community represented by business membership organizations (BMOs) and NGOs, will be able apply for support of up to EUR 800,000 per location for the implementation of initiatives aimed at rehabilitation and renewal of basic and business support infrastructures.

Local initiatives are to be supported in the following **priority areas**:

- restoration or provision of electricity, gas, water, or other basic utilities supply for the business zones of the municipality
- restoration or provision of telecommunication and internet access for the business areas
- refurbishing communal premises for hosting local and relocated SMEs, and equipping the business infrastructure facilities (business centers, co-workings, community workshops, etc.)

The projects which meet these minimum requirements will be then evaluated by the Selection Committee which will make a final selection of the winning proposals.

The guiding principles for the implementation of the selected initiatives are inclusion, gender responsiveness and “do-no-harm”, along with due social and environmental risk assessment. It is envisaged that the supported projects will eventually enhance economic opportunities for women and men, youth, and vulnerable groups. The 3B principle (“building back better”) will be applied which is aimed at reducing risk from the immediate hazard but also which will be utilized as an opportunity to upgrade the services of the existing buildings and infrastructure to meet current requirements. Standards for required repairs will be adopted as the standard providing a uniform approach for the design and repair of existing infrastructures/buildings. Hazardous construction materials will be avoided, and environmentally friendly furnishings and equipment will be promoted.

The support is to be provided both in the form of grants allocated to the local authorities or their implementing partners (not-for-profit entities with relevant project management capacities) and/or in-kind – by procuring and transferring goods, works and services to the local institutions (balance holders) responsible for proper maintenance and use of the rehabilitated infrastructure and facilities. The level of commitment and the quality of support required will be the decision-making factor for a successful application of local authority together with its partners. It is envisaged that after the first Call for Proposals, the major share of the funds (80%) will be allocated for the selected initiatives, with the possibility of a second Call or a top-up extension for the projects with the best performance and scalability.

The local initiatives will directly benefit a significant number of SMEs. Larger firms can be among the beneficiaries where adequate (e.g., might also benefit from infrastructure repair), however, a maximum of 20% of grant or in-kind support can be awarded to them. The supported initiatives will also benefit a large number of the residents of local communities (both women and men), including hosted IDPs, who will get better access to economic opportunities and new jobs. The initiatives’ final beneficiaries and key stakeholders (including local authorities, municipal and private enterprises, NGOs, business associations, etc.) need to be co-owners of the proposals, i.e., their buy-in has to be demonstrated clearly in the proposal, ideally by signing an MoU on cross-sectoral partnership with their clearly defined commitments. Business intermediary organizations, such as Diia.Business Centers, business associations, clusters, or the regional Chambers of Commerce should be considered as potential project partners by the municipalities. The system of the Chambers of Commerce could also be involved in the cost assessment of damages from the warfare actions to the business infrastructure to be restored with the project funding.

This Project is principally framed by the Government actions and measures mentioned in I.3. as well as the following strategic documents:

1. The *State Strategy for Regional Development 2021-2027*¹⁶, still relevant in the country’s war time context, outlines the sectoral and territorial priorities for the development of Ukraine’s regions. Competitive market and investment potentials are, as asserted in the strategy, overshadowed by insufficient capacity of local (and central) executive bodies, local self-government bodies and regional development institutions to effectively implement reforms, provide high-quality services to the population leaving no one behind and solve problems related to the socio-economic development of territories and communities. The key root factors defining the current status-quo are analysed and outlined in the State Strategy, as follows:

- Decline in human capital (including the large population outflow currently caused by war activities, increasing inequalities, including gender inequalities, and impact on health)
- Non-productive economy (including destroyed and/or obsolete structure, uneven distribution, and existing pay gaps)
- Outdated or destroyed infrastructure, which does not meet the needs of the population and the economy
- Weakness of public institutions (especially at the local level, where new decentralised governance structures need capacity development and support)
- Climate change, worsening of the environmental situation

2. The recent *Government of Ukraine National Recovery and Development Plan (July 2022)* has three key strategic priorities:

- a) Resilience - Provide economic, social and environmental resilience in a war context
- b) Recovery - Find efficient solutions for the rapid recovery of crucial economic and social processes, and natural ecosystems

¹⁶ <https://zakon.rada.gov.ua/laws/show/695-2020-n#Text>

- c) Modernization and growth - Develop a modernization plan to ensure sustainable economic growth and wellbeing of the people.

The UN system is supporting the implementation of this Plan through its Cooperation Framework.

3. With its *Resilience Building and Recovery Programme for Ukraine* and its three key directions/outcomes, UNDP is pivoting its programming in support of maintaining and building the resilience of Ukrainian society:

- *Outcome 1* - Government at all levels continues to function effectively, with reinforced capacities to lead crisis response, sustain public service provision, and coordinate the delivery of assistance and recovery efforts that leave no-one behind.
- *Outcome 2* - Ukraine's high human capital, productive capacities and natural resources are leveraged to meet immediate humanitarian needs of diverse groups and strengthen social and economic recovery
- *Outcome 3* - Ukrainian institutions and civil society have the capacity and resources to maintain and strengthen the social fabric, uphold human rights for all people, and ensure the inclusion, protection and empowerment of all, including population groups with intersecting and multiple vulnerabilities.

The project is also directly aligned with key priorities enshrined in the *Government of Ukraine – United Nations Partnership Framework 2018-2022* (UNPF) as well as the UNDP *Ukraine Country Programme Document 2018-2022* (CPD). More precisely, the project falls under Thematic Pillar 1: Sustainable economic growth, environment and employment.

The project directly responds to UNDP CPD Output 2.1 National and subnational institutions are better able to develop and implement policies and measures that generate sustainable jobs and livelihoods, and Output 2.2. Public institutions and private entities effectively cooperate to improve the business environment.

II.2. Project theory of change

The Project's **theory of change** is based on a combination of steps to deliver on the expected results, and can be summarized as follows:

If Ukrainian municipalities/local governments are empowered to form effective partnerships with enterprises, CSOs and BMOs

If the formed public private partnerships develop and find financing for inclusive, gender-responsive, and innovative initiatives aimed at the quick recovery of local production and restart of local economies,

then MSMEs can restart and/or develop their activities in existing or new localities, and women, men and children (including IDPs) in these localities enjoy a gradual recovery and improvement of their standards of living through improved labour and economic opportunities,

because the capacities of local government entities and of BMOs are at a sufficient level to work together and develop effective gender-responsive crisis response and development interventions.

Drivers of change that inform this intervention logic revolve around the capacity of local governments/municipalities to reach out to stakeholders, the mobilization of partners as well as of funding to generate gender-responsive needs-based solutions, and an enabling institutional environment that favor quick and sustainable recovery and development of communities and regions.

The success of the intervention will depend on the following **assumptions**:

- There is no further escalation and widening of the conflict not only in the east and south but in the whole territory.
- The number of destructive ad hoc missile attacks does not increase in other regions and municipalities considered as "safe"
- Local, regional and national institutions (Ministries, LAs, LSGBs, service providers) are able to function effectively
- Local authorities and their partners are able to secure co-financing resources for their development initiatives
- There are no severe disruptions in electricity and internet supplies at local, regional or national levels
- The level of commitment to promote the inclusive and sustainable development of communities, as envisaged by the project design and throughout its implementation, is sustained among targeted local authorities as well as other local key stakeholders and partners.

II.3. Project implementation approach

Based on the above theory of change, the Project will be applying an **integrated Project implementation approach** aimed at:

- A. Strengthening the capacities of municipalities (with population size 60,000–500,000 inhabitants) to form partnerships with the private sector and to design inclusive and gender-sensitive initiatives in the prioritized areas
- B. Supporting the selected municipalities in the implementation of their local initiatives
- C. Engaging non-governmental actors (CSOs, BMOs), including women’s groups, in these sustainable local development processes and establishing cross-sectoral partnerships
- D. Supporting communities’ mobilization and awareness raising for better visibility and sustainability of achieved results

A Selection Committee will be formed to assess the submitted proposals and to provide specific recommendations for financial support, legal support, etc. The Selection Committee will include delegated representatives of UNDP, GIZ, the Ministry of Economy of Ukraine, the Ministry for Digital Transformation of Ukraine, the Ministry for Development of Communities and Territories of Ukraine, a relevant association of local authorities (e.g. the Association of Ukrainian cities), and the business community (e.g., the Ukrainian Chamber of Commerce and Industry).

The project team will support the selection process by carrying out a technical assessment of the proposals for eligibility. The projects which meet the minimum requirements will be then evaluated by the Selection Committee. The **selection criteria** will include:

- i. relevance to the priority areas (listed in section II.1 above)
- ii. feasibility of the proposed action
- iii. expected impact and cost-effectiveness
- iv. commitment and ownership of the applicant
- v. sustainability of results
- vi. inclusivity, gender-sensitivity, and environmental impact.

Throughout this project, UNDP will tap on its **international and nation-wide experience in the areas of crisis management, good governance and area-based development**.

- a) The network of municipalities (Eastern Partnership) formed through the EU-UNDP Mayors for Economic Growth (M4EG) project will be a relevant and useful international platform to promote exchange of information on best practices and solutions to mitigate the impacts of the war and boost recovery potential among the new municipalities supported by the proposed Project.
- b) Capacity development targeting municipalities/local authorities and staff in key functions will be inclusive, gender-responsive and seek a wide territorial coverage, building on best-practices, modules, and digital training formats that have been successfully tested in the eastern regions of Ukraine within the United Nations Recovery and Peacebuilding Programme (UN RPP).
- c) Through its Empowered Partnership for Sustainable Recovery (EPSR and EPSR II) projects (SIDA funded) as well as the COVID-19 response, UNDP has established frameworks, partnerships, and programmatic approaches that in the war context have come to serve as effective platforms for supporting crisis response.
- d) UNDP’s experience in supporting regional and local authorities in assessing and addressing the socio-economic impact of COVID-19 (Local Socio-Economic Recovery Engagement Facility (LSER)) will be drawn upon to improve capacity of regional and local authorities of target oblasts to plan and implement crisis response and post-crisis recovery measures and secure progress towards SDGs.
- e) Good practices emerging from the pre-war “Strengthening the Community Resilience in Kherson Oblast” (SCR) project will also be used to help improve access to quality public services for the most vulnerable groups, as well as build accurate and effective communications between service providers and the population.

Through this project, UNDP will continue implementing the **UN Human Rights Due Diligence Policy (HRDDP)** to manage and address human rights risks when working with the non-UN security sector in the context of armed violence. A human rights-based approach will be taken, promoting conflict-sensitive

programming and compliance with do no harm principles. Adopting a conflict-sensitive approach to programming minimizes the risk that an intervention will exacerbate tensions and will inform all three pillars of humanitarian-development-peace nexus working.

Finally, **transparency and integrity** are cross-cutting themes for UNDP Ukraine. The project will follow UNDP-wide principles for ethical, corruption-free operations and include corporate safeguards against internal misuse of funds or unethical behaviour. General principles of accountable, transparent and corruption-free governance will be advanced within all project activities.

II.4. Lessons learnt

Novel and integrated approaches to local governance, socio-economic recovery and development merit consideration and application across Ukraine, turning the backlash caused by the war into an agile leap forward, leaving no one behind. To address the needs of the local and vulnerable segments of the society, key results can be attained through innovative solutions, partnerships and financing modalities.

Within the first phase of the EPSD project mentioned above implemented over the period 2018-2021, UNDP developed and piloted a programmatic concept that has proven highly relevant to trigger collaborations that spearhead such principles. Among key lessons learned is that *challenge-driven partnership*, as a results-based modality, comprises an effective approach to nurture sustainable local development. More specifically, the *Final Evaluation of the EPSD-I* conducted over October 2021-January 2022 concluded that:

- a) there is a need to continue fostering inclusion of vulnerable groups in project activities as well as that of the private sector companies in order to develop adapted and sustainable solutions for local challenges;
- b) it is key to develop the capacity of local authorities in applying a holistic, comprehensive and systemic approach to local development
- c) it is important to create a Community of Practice among partnership stakeholders to foster knowledge and experience sharing inter and intra sectors.

The Evaluation also stressed the importance to differentiate the level of financing based on the financial affordability of TCs. Setting a threshold of co-financing, which is accessible for smaller size TCs, will enable the project team to ensure that “no one is left behind”.

II.5 Coordination with other projects and programmes

The project will coordinate and build on the innovative solutions and results obtained from the ongoing private sector development projects and initiatives carried out by UNDP at the global and national level, in particular:

- Phase II of the Empowered Partnership for Sustainable Recovery (EPSR II) financed by SIDA, aimed at strengthening local capabilities to effectively integrate sustainable development solutions in crisis response and further recovery planning, implementation of local initiatives to improve economic opportunities for war-affected populations, and public service provisioning, as well as employ the challenge-driven partnership approach that was successfully implemented to address social and economic development issues faced by local communities across Ukraine in the previous years.
- The SDG Accelerator aiming to streamline business solutions with the SDGs is a global UNDP programme pre-tested in Ukraine within the “Private Sector Engagement for SDGs” and “Building Forward Better: Post-COVID Recovery of Ukraine’s MSMEs towards Resilience and Sustainability” projects. Proposed project activities to engage and empower MSMEs for contributing to achieving SDGs at local level will catalyze social financing and create an enabling environment for SDG entrepreneurship. These actions will build on the results achieved, tools applied, and partnerships created by the “Strengthening MSME Business Membership Organizations in Ukraine” and other private sector development projects implemented by UNDP in Ukraine (cf. below).
- The Support to Economic Recovery of eastern Ukraine project which has been operating to improve employability of IDPs by creating e-learning opportunities on the basis of the Centre for Vocational Education of the State Employment Service of Ukraine.
- The Promoting Entrepreneurship among the conflict-affected population in Ukraine (phase 2) project, which aims to contribute to the sustainable recovery of living standards among the conflict-affected population by promoting entrepreneurship, supporting business skills development, providing grants for starting micro-enterprise and expanding business support services
- The M4EG Project mentioned earlier, and its selected Local Initiatives aimed at response, recovery and renewal of local economies of cities and communities impacted by the war.

- The EU funded project ECHO4SCHOOLS-UA: Repair/Retrofitting of schools in war-affected regions. This Action, to start towards end 2022, will support the light repair of war-damaged school facilities and equipment. Based on a Damage Needs Assessment (DNA) carried out by the Government of Ukraine, support will be provided to damaged schools in 13 municipalities (including Zhytomyr, Transcarpathian, Zakarpattia, Kirovograd, Mykolaiv, Poltava, Rivne, Sumy, Ternopil, Cherkasy, and Chernihiv).
- The EU funded project Support to Early Recovery in War-affected Areas in Ukraine. In response to the development challenges identified, and as part of the UNDP Resilience Building and Recovery Offer, the project will support resilience building and green recovery through a) support to debris removal, containing explosive ordnance, b) Identification, mapping and neutralization of urgent environmental threats, c) restoration of critical utility services (e.g., power, water and sanitation, district heating and communications). Activities will be implemented initially in areas to the north-west of Kyiv, including Bucha, Hostamel and Irpin, where UNDP-supported work is already underway in respect of debris and EO clearance.

Fundamentally, the Project will complement UNDP's ongoing actions supported by the **German Government**, including:

- The "Support to inclusive economic development in Ukraine by linking export strategy with regional development and SDGs" project funded via GIZ and implemented by UNDP in Ukraine. The overall goal of the Project is to promote sustainable development of Ukraine to the extent possible in the current crisis settings by strengthening the response capacities of the public and private sector including national and regional authorities

The Project will also seek cooperation and coordinate its activities with other German Federal Ministry for Economic Cooperation and Development (BMZ) funded projects in Ukraine, as well as other international TA programmes and projects to ensure that its various elements and interventions are not duplicating the efforts of other donors.

Generally, UNDP intends to implement the Project on its own responsibility. GIZ has no entitlement to performance by UNDP as part of this financial contribution.

III. OUTCOMES AND PARTNERSHIPS

III.1. Expected Outcomes

In the context of this Project implementation, UNDP will seek to deliver the following **Outcome**:

Through the repair of basic and business support infrastructure, conditions are created for a quick recovery of local production and service capacities and the restart of sustainable local economies in Ukrainian municipalities.

The Project will have **four interlinked Outputs**:

Output 1: Ukrainian municipalities with effective partnerships in place are committed and have well-designed inclusive and gender-sensitive quick recovery initiatives in the priority areas

Output 2: Business communities in the selected municipalities are mobilized and enabled to support basic and business support infrastructure repairs

Output 3 Selected local initiatives are awarded funding and are implemented effectively and efficiently

Output 4: Strengthened municipalities networking and raised local communities' awareness for better visibility and sustainability of achieved results

Each of these outputs will be achieved through the implementation of the following **Activities**:

Output 1: *Ukrainian municipalities with effective partnerships in place are committed and have well-designed inclusive and gender-sensitive quick recovery initiatives in the priority areas*

Activity 1.1 – The Project will develop a *Grant Application and Selection Process Guideline*. A package of grant application documentation will be developed at the initial stage of the Project implementation, which will include:

- a) a definition of the partnerships to be formed and by which the grant or in-kind support can be obtained,
- b) a description of the support to be provided by the Project, either in the form of grants (with details on the possible grant disbursement modalities) or as in-kind support
- c) the application form,
- d) the structure and key components of project proposals,
- e) a list of accepted equipment eligible for grant or in-kind support
- f) a description of the selection process, including selection criteria, and of the monitoring requirements of the funded projects

The Call for local initiatives will be widely announced by the Project with clear reference to the developed documentation package.

Activity 1.2 – The Project will organize and conduct an Information Campaign among Ukrainian municipalities and national and regional business representatives to present and explain the Project, its Grant and in-kind support facility, key objectives, application, procurement and disbursement processes, and monitoring requirements. The Information Campaign will be organized as a series of online and offline events (information sessions) conducted by the Project team. To reach a broader audience the potential applicants will be invited through pre-established UNDP's and partners' information channels (official websites, social media, etc.). It is expected that at least 50% of municipalities eligible to apply for support will delegate their representatives to participate in the information sessions and express their will to prepare and submit applications.

Activity 1.3 –The Project will provide consultancy support to municipalities which will have expressed their interest to apply to the Support and Grant Facility. Consultancy support will be delivered by the Project, in parallel with the application process, to prepare municipalities and business representatives in:

- a) forming effective and sustainable partnerships with the NGOs and private sector,
- b) developing inclusive and gender responsive project proposals,
- c) developing innovative, green, and technologically resilient solutions,
- d) project budgeting and project management (including budgetary control),
- e) carrying out environmental impact assessments, etc.

Highly professional local experts with relevant expertise (e.g. engineers, ICT/digital solutions experts, architects, and other municipal development practitioners, etc.) will be engaged to support preparation of engineering designs and technical solutions for the suggested local initiatives, who will also closely monitor their implementation and provide technical advice to the Project and the local partners.

Output 2: *Business communities in the selected municipalities are mobilized and enabled to support basic and business support infrastructure repairs*

Activity 2.1 – The Project will support the mobilization of the local business communities represented by business membership and support organizations (BMOs) to act as stakeholders in the local infrastructure repair planning process. The Project will coordinate this activity with the UNDP/GIZ project¹⁷ which provides support to Ukrainian local authorities across Ukrainian regions with the resetting of the institutional infrastructure for business support. Information events/seminars will be organised and carried out for these BMOs, during which the role of business memberships and support organisations to represent businesses (including MSMEs) in the local emergency and recovery decision making process will be explained, discussed and defined.

Activity 2.2 – The Project will facilitate local business communities’ needs assessments and infrastructure damage assessments for repairs prioritization. These assessments are crucial for municipalities and their partnerships to design meaningful, needs-based quick recovery initiatives. The Project will promote and facilitate BMOs’ cooperation with the Ukrainian Chamber of Commerce and Industry, relevant regional Chambers, and other bigger organizations. It will also provide training and advisory support to these organisations on how to conduct needs and infrastructure damage assessments.

Activity 2.3 – The Project will involve local business membership and support organizations in infrastructure repairs planning and monitoring. In close coordination with the above-mentioned UNDP/GIZ project, qualified experts will be engaged to work together with the selected BMOs to ensure that proper methodology and guidelines are applied for planning and monitoring activities. In order to ensure sufficient capacity of the local business community organizations to engage in and support planning and monitoring of the infrastructure repairs a tailored training programme targeting them will be launched and delivered by the Project.

Output 3: *Selected local initiatives are awarded funding and are implemented effectively and efficiently*

Activity 3.1 – In order to ensure a fair and transparent funding disbursement process for the fast rehabilitation of war damaged infrastructure (Call for local initiatives 1 and 2), the role of a well design Selection Committee is crucial. The Project will provide support to the set up such a committee which will comprise representatives of at least:

- UNDP and GIZ,
- the Ministry of Economy,
- the Ministry for Development of Communities and Territories of Ukraine,
- the Ministry for Digital Transformation of Ukraine,
- the Association of Ukrainian Municipalities,
- and the Ukrainian Chamber of Commerce and Industry.

The Project will provide support to draw up the Terms of Reference of the Selection Committee.

Activity 3.2 – The Project will support the Selection Committee to undertake a transparent selection process through:

- a) carrying out a technical assessment of submitted proposals to check their eligibility and whether they meet formal requirements
- b) organising the selection meetings with pre-selected partnerships to assess their commitment and capacity to implement their local initiatives,
- c) the wide publication of the awarded initiatives and their partnerships on, at least, government, municipal sites, GIZ and UNDP internet sites.

Activity 3.3 – The Project will sign the Grant and In-Kind Support Agreements (for a total of up to 80% of available funding for Call 1 and 20% for Call 2) with selected implementation partners. Depending on the requirements expressed in the awarded local initiatives, the financial support will take two forms:

- a) Allocation of funds will be carried out according to the most suitable and rapid UNDP’s disbursement modality (Low Value Grant, Responsible Party Agreement, or Letter of Agreement).
- b) For local initiatives supported in-kind, the Project will develop Procurement Plans, ensuring their rapid execution.

¹⁷ “Support to inclusive economic development in Ukraine by linking export strategy with regional development and SDGs”

In addition, the Project team will carry out regular in-field monitoring, data collection, and timely reporting on the progress achieved and will provide the collected data to GIZ for its own monitoring.

Activity 3.4 – The Project will provide on-going management, technical and technological support to awarded municipalities and their partners in project implementation. It will make available to the awarded local partnerships specialists who will accompany them throughout the Project cycle. These specialists will include (but not be limited to): engineers, ICT experts, business development experts, project management, budget handling and monitoring experts, etc.

Output 4: Strengthened municipalities networking and raised local communities' awareness for better visibility and sustainability of achieved results

Activity 4.1 – In order to promote exchange of experience and identification of best practices, the Project will set up a mechanism for the supported municipalities to get in touch with each other and share their experience on a regular basis. This will be done ensuring that this experience sharing is also extended to municipalities and their partnerships involved in other internationally funded programmes. Depending on the general security context prevailing in the country, or in a given region, the Project will support the organization of study visits in up to 3 Project's awarded municipalities presenting particularly innovative solutions for the benefit of other awarded municipalities and their partnerships as well as municipalities' partnerships supported by other international programmes.

Activity 4.2 – In order to raise awareness of the Project's objectives and key results, the Project team will organize information sessions (at local and/or regional level) for the population, CSOs and the business sector of the Project's awarded municipalities and their partnerships on the support received, its purpose, the project's implementers, the impact of the project's results on local MSMEs, on public services and on the derived economic opportunities for the local population.

Activity 4.3 – The Project will ensure that national stakeholders are regularly informed on the results achieved by the Project, their general impact on local MSMEs, on public services and on economic opportunities for the local population. The Project team will also support national stakeholders in clearly identifying local initiatives 'sustainability over time, and their scaling up and replication potential.

III.2. Resources required to achieve expected outcomes

The project will rely on several types of resources required to achieve its intended results. **Human resources** will be mobilized by UNDP in the form of a project implementation team and external consultants, as well as through dedicated team of specialists from the supported local counterparts and project partners who will contribute to the project implementation process. The Project will also rely on the resources embodied by cooperation and information exchange between development partners working on crisis management, regional/local recovery measures and development, as well as priorities embodied in Agenda 2030.

Financial resources required for successful project implementation will primarily come from the project budget under the form of *grants* allocated to the local authorities or their implementing partners (not-for-profit entities with relevant project management capacities) as well as *in-kind contributions*, i.e. procuring and transferring goods, works and services to the local institutions (balance holders) responsible for proper maintenance and use of the rehabilitated infrastructure and facilities.

The project will also operate based on an extensive use of **knowledge resources**, and good practices/lessons learned will be adapted to the Ukrainian context.

III.3. Partnerships

The Project will benefit from the existing and long-term partnerships established by UNDP Ukraine throughout the country with national, regional and local authorities, civil society actors, business membership and business support organizations, and community resource centres, among others, in particular:

- The Ministry for Communities and Territories Development
- The Ministry of Economy Ukraine
- The Ministry for Digital Transformation of Ukraine
- The Association of Ukrainian Cities
- The Chamber of Commerce and Industry of Ukraine
- Regional Chambers of Commerce and Industry
- Business associations and BMOs
- Local civil society organisations

III.4. Digital solutions

The project will use digital technologies and solutions to improve the target beneficiaries and partners' experiences and solve the development challenge(s) identified. New mechanisms for knowledge collection, storage and sharing, as underpinned by the UNDP "Future Forward" Digital Strategy will be deployed to make sure that experiences and results achieved are meaningfully disseminated.

III.6. PR and publications

A strategic communications element is central to the implementation and will serve as a vehicle to raise the visibility of project stakeholders, strengthened and improved services, and related achievements in the targeted municipalities. To deliver on this purpose, the project will develop a Communication Plan, which will be further implemented in compliance with principles of gender-responsive and conflict-sensitive communications and on basis of an operational- and human resource structure that will be well equipped to manage also other communications activities of this project.

The project will ensure effective PR and visibility, including the visibility of GIZ and German funding, by developing and disseminating high-quality audio-visual materials through traditional press and social media (Facebook, YouTube, etc.), press-releases and articles on progress and achievements with related human stories. Multiple knowledge products will be produced within the project, including reports, training materials, and supported local initiatives descriptions for communications campaigns. Reports and communication materials will be shared with partners and key public stakeholders and partners. UNDP will promote the support received from the GIZ through all project publications and visibility materials in accordance with GIZ visibility guidelines.

III.7. Risks

The main risks to effective project implementation, described in more details in Annex 1. They are primarily related to the war in Ukraine and include:

- Continued missile attacks indiscriminately targeting regions and/or municipalities, including those considered as 'safe' now
- Increased population flows outside Ukraine, leading to depleted work force among state institutions and the private sector
- Inability of national and local institutions (Ministries, LAs, LSGBs, service providers) to function effectively due to volatility in state financing and local budgets cuts, leaving no resources for development.
- Severe disruptions in electricity and internet supplies
- Critical macroeconomic turbulence.

III.8. Stakeholder Engagement

In the context of this project, one of the key prerequisites for financial support to Ukrainian municipalities and their partnerships is the need for them to be co-owners of their proposals. Their buy-in must be demonstrated clearly in their project proposals, ideally showing a signed MoU on cross-sectoral partnership specifying their individual and common commitments.

In parallel, UNDP will also pursue two distinct approaches for stakeholder engagement to maintain the relevance of the project and ensure that project results are well communicated to the stakeholders:

- a) Since the main target group of the project are municipalities/local governments directly involved in recovery and development processes (including recovery and development planning, implementation, funding, etc.), UNDP will work through its already well-established communication channels for information-sharing, dialogue and partnership establishment. These channels include, but are not limited, to dedicated meetings and consultation sessions with oblast-level authorities, official or unofficial working groups, official and unofficial correspondence, internal round-table discussions, pitches and presentations.
- b) Moreover, UNDP will also use its three thematic portfolios and projects therein to share relevant information, work with the civil society and consult vulnerable groups of women and men, as appropriate.

III.9. Knowledge

Multiple knowledge products will be produced within the project, including reports, training materials, best practices, and piloted solutions descriptions for communications campaigns. Reports and communication materials will be shared with partners and key stakeholders within the Government and discussed with partners outside of Government. Dissemination of the training materials and best practice documents will be organised within the capacity-building project activities. New mechanisms for knowledge collection, storage and sharing, as underpinned by the UNDP “Future Forward” Digital Strategy will be deployed to make sure that experiences received in Ukraine on rapid economic recovery, SDG mainstreaming, monitoring and funding, are meaningfully adapted and used worldwide as global knowledge and lessons learned are taken into account in the Ukrainian context.

III.10. Ownership, Sustainability and Scaling Up

With emphasis on achieving sustainable results and impact, UNDP considers the project as a dynamic platform for capacity development and promotion of tools and frameworks (focusing on early and post recovery and SDGs) that stimulate local authorities and key stakeholders to assume, as mentioned in III.7, a high degree of ownership already at initial stages of implementation. Investment in human *and* institutional resources is considered an enabler towards such delivery and comprises an integral facet of all the outputs and activities.

The project’s focus on partnerships formation, MSMEs and creation of sustainable economic opportunities is offering significant potential for visibility and opportunity to showcase best practices for further scaling up and replication.

IV. PROJECT MANAGEMENT

IV.1. Cost Efficiency and Effectiveness

Through its focus on procurement and repair/refurbishing of business infrastructure, using the BBB approach, the Project promotes the principle of adherence to cost-effectiveness and cost-efficiency. Through adequate competitive processes, municipalities and their partners will carefully check the value of their outcomes compared to the expenditures engaged as well as the use of available resources to supply goods and services.

Moreover, being part of the UNDP project portfolio, the Project will be implemented in a cost-efficient and effective manner.

From a cost-efficiency point of view:

- the Project will share office premises already established in several regions of Ukraine
- it will be able to use UNDP's office cars, thus avoiding any significant acquisition and disposal costs, whilst responding to UN transportation security requirements
- all procurement procedures will be conducted, as required by UNDP procurement regulations, based on the best value for money principle.

From an effectiveness point of view:

- the Project will have immediate access to the UNDP knowledge base as well as to UNDP's pre-established partnership (with governmental and non-governmental institutions/organizations) at territorial, regional and national levels
- being an integral part of the Inclusive Development Recovery and Peace Building (IDRPB) Portfolio, it will be able to easily and regularly cooperate and coordinate activities with other projects in an effective manner.

IV.2. Project Management

The project will be delivered by UNDP Ukraine, which has extensive experience in providing support in crisis management, community development, sustainable recovery and peacebuilding and serves as the SDG integrator for the UN family of agencies. The project will benefit from the institutional structure of the UNDP office and UNDP financial, operations, and procurement systems. The project shall be subject to the internal and external auditing procedures laid down in the Financial Regulations, Rules and directives of UNDP.

The project will be being fully integrated into the UNDP Resilience Building and Recovery Programme for Ukraine, making sure that the project benefits from coordination and experience exchange with other initiatives on regional and local development, promoting SDGs, human rights, civil society and expertise in transparency and integrity.

The Project's staff will be based both in Kyiv and in the regions of Ukraine (the Project's regional coordinators – Community Development Associates – will be based in UNDP's regional hubs). The project's targeted communities across these regions will be clustered based on optimal logistical considerations and effectively covered from the above-mentioned regional hubs.

V. RESULTS FRAMEWORK¹⁸

<p>Intended Outcome as stated in the United Nations Sustainable Development Cooperation Framework (UNSDCF)/Country Programme Results and Resource Framework:</p> <p>UNSDCF Thematic Pillar 1: Sustainable economic growth, environment, and employment</p> <p><i>Outcome 4.1.</i> By 2022, all women and men, especially young people, equally benefit from an enabling environment that includes labour market, access to decent jobs and economic opportunities</p> <p>Outcome indicators as stated in the Country Programme Results and Resources Framework (CPD 2018-2022), including baseline and targets:</p> <p><i>Outcome indicator 2.1.</i> Employment rate of population aged 15-70, by sex and age [IRRF 1.1]. Baseline (2016): 24.4% (women 15-24), 51.6% (women total), 61.6% (men total) Target (2020): 27% (women 15- 24), 31% (men 15-24), 54% (women total), 63% (men total)</p> <p><i>Output 2.1:</i> National and subnational institutions are better able to develop and implement policies and measures that generate sustainable jobs and livelihoods</p> <p><i>Output indicator 2.1.1:</i> Number of new jobs and other livelihoods generated [IRRF 1.1.1] Baseline (2016): 0 Target (2022): 90,000 (men), 130,000 (women), 30,000 (youth) Source: Annual assessment by UNDP based on project databases and reviews.</p> <p><i>Output indicator 2.1.2:</i> Extent to which policies, systems and/or institutional measures are in place and scaled up at the national and subnational levels to generate and strengthen employment and livelihoods [IRRF 1.1.2] Baseline (2016): 1 Target (2022): 3 Source: Annual assessment based on project databases and reviews</p> <p><i>Output 2.2.</i> Public institutions and private entities effectively cooperate to improve the business environment</p> <p><i>Indicator 2.2.1:</i> Share of members of UNDP-supported business membership organizations satisfied with the business environment Baseline (2016): pending baseline survey (October 2017) Target (2022): pending baseline survey. Source: Business association reports/enterprise surveys</p> <p><i>Indicator 2.2.2:</i> Number of businesses that benefit from scaled-up advisory support Baseline (2016): 0 Target (2022): 30 (total); 10 (women-led). Source: Business Associations/Chamber of Commerce reports</p> <p>Applicable Output(s) from the UNDP Strategic Plan:</p> <p><i>Output 1.2.1.</i> Capacities at national and sub-national levels strengthened to promote inclusive local economic development and deliver basic services including HIV and related services</p> <p><i>Indicator 1.2.1.1.</i> Number of countries where national and sub-national governments have improved capacities to plan, budget, manage and monitor basic services</p> <p><i>Indicator 1.2.1.2.</i> Number of countries with inclusive local economic development (LED) strategies and plans in place:</p> <ol style="list-style-type: none"> With institutional frameworks for implementation in local and regional governments With public-private partnerships at scale for accelerating catalytic LED initiatives With urban development plans and strategies in line with the New Urban Agenda under implementation <p><i>Output 1.2.2</i> Enabling environment strengthened to expand public and private financing for the achievement of the SDGs</p> <p><i>Indicator 1.2.2.1.</i> Number of countries with an enabling environment in place leveraging additional resources from public and private sources for the SDGs:</p> <ol style="list-style-type: none"> Policy, legal and regulatory frameworks Institutional mechanisms <p><i>Indicator 1.2.2.2.</i> Volume of additional resources leveraged through public and private financing for the SDGs with UNDP support: a) At national level (a1 Public, a2 Private), b) At sub-national level (b1 Public b2 Private)</p>

¹⁸ 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.

Support to Rapid Economic Recovery of Ukrainian Municipalities						
Project title and Atlas Project Number:	EXPECTED OUTCOME AND OUTPUTS	OUTCOME AND OUTPUT INDICATORS	DATA SOURCE	BASELINE		DATA COLLECTION METHODS & RISKS
				Value	Year	
Outcome - Through the repair of basic and business support infrastructure, conditions are created for a quick recovery of local production and service capacities and the restart of sustainable local economies in Ukrainian municipalities	1. Number of existing or relocated MSMEs which have benefited from the rehabilitation of basic or business infrastructure or improved access to services 2. Number of war-affected women and men employed at the existing or relocated MSMEs which have benefited from the Project support	Regional and municipal data Regional Chambers of Commerce records Project records	0	2022	700	Data will be collected on the basis of Project's surveys results as well as field visits and stakeholders' consultations
			0	2022	14,000	
Output 1 - Ukrainian municipalities with effective partnerships in place and well-designed inclusive and gender-sensitive quick recovery initiatives in the priority areas	1.1. Number of municipalities and business representatives trained and able to apply to Project Support and Grant Facility	Municipalities and Project records	0	2022	50	Data will be collected on the basis of Project's training records and training evaluations
	1.2. Number of MoUs signed by municipal partnerships	Municipalities and Project records	0	2022	12	Data will be collected on the basis of Project's records, cross-checked with Partnerships' records
	1.3 Number of local initiatives submitted to Project Support and Grant Facility	Selection Committee records Project records	0	2022	24	Data will be collected on the basis of Project's records cross-checked with those of the Selection Committee
Output 2 - Business communities in the selected municipalities mobilized and enabled to support basic and business support infrastructure repairs	2.1. Number of Needs and infrastructure damage assessments carried out by the local business membership and support organizations	Business membership and support organisations' and Projects' records	0	2022	12	Data will be collected on the basis of Project's records
	2.2. Number of business membership and support organisations mobilised for involvement in projects planning and implementation	Project records	0	2022	12	Data will be collected on the basis of Project's records and field visits

	2.3. Number of business membership and support organisations' representatives trained and able to plan and monitor local initiatives	Project records Surveys	0	2022	24	Data will be collected on the basis of Project's records, corroborated with Project surveys results
Output 3 - Selected local initiatives awarded funding and implemented effectively and efficiently	3.1 Number of local initiatives supported by the Project	Project records	0	2022	12	Data will be collected on the basis of Project records
	3.2 Number of local initiatives provided with top-up extension as best performers	Project records	0	2022	2	
	3.3. Percentage of awarded local initiatives with completed implementation	Project records	0	2022	100%	
Output 4 - Strengthened municipalities networking and raised local communities' awareness for better visibility and sustainability of achieved results	4.1. Number of awarded municipalities which have formed a network or joined an existing one	Project records	0	2022	6	Data collected on the basis of Project records as well as evidence of network(s)
	4.2. Percentage of municipalities' population aware of the supported local initiative	Project Survey	0%	2022	50%	Data will be collected on the basis of the Project survey results
	4.3. Number of local initiatives earmarked by national and regional stakeholders as recommended for scaling-up and/or replication	Municipalities and Project records	0	2022	2	Data will be collected on the basis of municipalities and Project records, corroborated with stakeholders' consultations

VI. MONITORING AND EVALUATION

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

Monitoring Plan

Monitoring Activity	Purpose	Frequency	Expected Action	Partners (if joint)	Cost (if any)
Track progress	Regular meetings between the GIZ M&E unit and the Project (at least once in two months) will be held in order to track the project implementation and take corrective measures, if necessary. Progress data against the results indicators in the RRF will be collected, entered in UNDP Ukraine internal monitoring platform (IMRP), and analysed to assess the progress of the project in achieving the agreed outputs.	Regular meetings: Once in two months Progress data against planned results: In the frequency required for each indicator	Slower than expected progress will be addressed by project management.		
Monitor and Manage Risk	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.	Once in two months	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.		
Learn	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.	Once in two months	Relevant lessons are captured by the project team and used to inform management decisions.		
Project Quality Assurance	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.	Design and Appraisal QA (at the project inception) Implementation QA (annually); Closure QA (at operational closure of the project)	Areas of strength and weakness will be reviewed by project management and used to inform decisions to improve project performance.		

Review and Make Course Corrections	Internal review of data and evidence from all monitoring actions to inform decision making.	The reviews are to be held as needed	Performance data, risks, lessons and quality will be discussed by the project board and used to make course corrections.	
Project Report	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 analysis along with mitigation measures, and any evaluation or review reports prepared over the period.	Annually or at the end of the project (final report)		
Project Review (Project Board)	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 socialize project results and lessons learned with relevant audiences.	Annually or at the end of the project. Additional reviews to be held as needed.	Any quality concerns or slower than expected progress should be discussed by the project board and management actions agreed to address the issues identified.	

Surveys, Evaluation and Audit Plan

Surveys	2 opinion surveys (one baseline survey and one end of project survey) will be carried out among key Project's stakeholders and local population of given municipalities	At Project's start and 1.5 month prior to its end	Surveying risks (including risks related to reaching out to interviewees in a difficult war impacted context) will be reviewed by the Project and key stakeholders and courses of action will be taken to mitigate them	
External evaluation	An external evaluation will be carried out to capture performance against the updated OECD-DAC evaluation criteria (Relevance, Coherence, Effectiveness, Efficiency, Impact, Sustainability) in line with UNDP Evaluation Guidelines.	Within 1.5 month of project's closure		
Financial Audit	According to UNDP policies, all DIM projects that have an annual budget of \$2.5 million or more or, that have a total budget of \$10 million or more should anticipate that they are subject to internal audit. The project budgets must always maintain the 0.4% audit budget line.	At project's end		

VII. WORK PLAN¹⁹

EXPECTED OUTPUTS	PLANNED ACTIVITIES
<p>Output 1: Ukrainian municipalities with effective partnerships in place are committed and have well-designed inclusive and gender-sensitive quick recovery initiatives in the priority areas</p> <p><i>Gender marker : GEN2</i></p>	<p>Activity 1.1 – To develop a Grant Application and Selection Process Guideline</p>
	<p>Activity 1.2 – To organize and conduct an Information Campaign among Ukrainian municipalities and national and regional business representatives</p>
	<p>Activity 1.3 – To provide consultancy support to municipalities which will have expressed their interest to apply to the Support and Grant Facility.</p>

¹⁹ 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

<p>Total Output 1</p> <p>Output 2: Business communities in the selected municipalities are mobilized and enabled to support basic and business support infrastructure repairs</p> <p><i>Gender marker: GEN2</i></p>	<p>Activity 2.1. To mobilize the local business communities represented by business membership and support organizations to act as stakeholders in the local infrastructure repair planning process</p> <p>Activity 2.1 - To facilitate local business communities' needs assessments and infrastructure damage assessments for repairs prioritization through the involvement of the regional Chambers of Commerce</p> <p>Activity 2.3 - To develop the capacity of business membership and support organizations to engage in infrastructure repairs planning and monitoring</p>
<p>Total Output 2</p> <p>Output 3: Selected local initiatives are awarded funding and are implemented effectively and efficiently</p> <p><i>Gender marker: GEN2</i></p>	<p>Activity 3.1 – To organize and set up a Selection Committee</p> <p>Activity 3.2 – To support the selection process with technical review and evaluations</p>

	<p>Activity 3.3 – To sign the Grant Agreements, allocate funds, develop and implement Procurement Plans and to carry out in-field monitoring, data collection, and timely reporting</p>
	<p>Activity 3.4 – To provide management, technical and technological support to awarded municipalities and their partners in project implementation</p>
<p>Total Output 3</p>	
<p>Output 4: Strengthened municipalities networking and raised local communities' awareness for better visibility and sustainability of achieved results <i>Gender marker: GEN2</i></p>	<p>Activity 4.1 – To set up a mechanism for the supported municipalities to get in touch with each other and share their experience on a regular basis</p>

<p>Activity 4.2 – To organize information sessions (at local and/or regional level) for the population, CSOs and the business sector of the Project’s awarded municipalities and their partnerships</p>	
<p>Activity 4.3 – To inform national stakeholders on the results achieved by the Project</p>	
<p>Total Output 4</p>	
<p>Media outreach campaigns</p>	
<p>Project monitoring and communications</p>	
<p>Output 5 - Gender-sensitive communications, monitoring and evaluation <i>Gender marker: GEN2</i></p>	

	External evaluation and Audit
	Surveys
Output 6 - Project management and administration	

VIII. GOVERNANCE AND MANAGEMENT ARRANGEMENTS

This project will be implemented by UNDP in Ukraine under the **Direct Implementation Modality (DIM)**. Direct Implementation (DIM) is the modality whereby UNDP takes on the role of Implementing Partner. In DIM modality, UNDP has the technical and administrative capacity to assume the responsibility for mobilizing and effectively applying the required inputs in order to reach the expected outputs. UNDP assumes overall management responsibility and accountability for project implementation. Accordingly, UNDP must follow all policies and procedures established for its own operations.

Project implementation will be governed by provisions of the Project Document, its annexes, UNDP Programme & Operations Policy & Procedures (POPP). The Ministry for Communities and Territories Development will be the Project's Implementing Partner. As part of the management arrangement to ensure the implementation of the Project, a Project Board will be established to oversee the project performance (the role and responsibility of the Project Board are standard as per UNDP POPP, whereas composition, the frequency of the board meetings and other relevant aspects are described will be addressed during the project's inception stage). Governance of the Project will be supported through annual work planning based on the results framework. Annual work plans will be implemented upon their endorsement by the Project Board.

GIZ will establish its own M&E unit for purpose of accompanying the implementation of the described intervention. UNDP in its turn will ensure in-field monitoring, data collection, and timely reporting. Regular meetings (at least once in two months) will be held in order to track the project implementation and take corrective measures, if necessary.

IX. RISK MANAGEMENT WITHIN THE PROJECT IMPLEMENTATION

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 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/qa_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 the 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. In the implementation of the activities under this Project Document, UNDP as the Implementing Partner will handle any sexual exploitation and abuse (“SEA”) and sexual harassment (“SH”) allegations in accordance with its regulations, rules, policies and procedures.
6. 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.
7. 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 [*for 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, taking into account 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. In the performance of the activities under this Project, UNDP as the Implementing Partner shall ensure, with respect to the activities of any of its responsible parties, sub-recipients and other entities engaged under the Project, either as contractors or subcontractors, their personnel and any individuals performing services for them, that those entities have in place adequate and proper procedures, processes and policies to prevent and/or address SEA and SH.
 - d. 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.
 - e. 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.

- f. If 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 an investigation. Should there be a limitation in meeting this obligation, UNDP shall consult with it to find a solution.
- g. 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 notify 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.
- h. UNDP will be entitled to a refund from the responsible party, subcontractor or sub-recipient of any funds provided that have been misused, 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.
- i. 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.
- j. 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 competent 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.
- k. 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.

X. ANNEXES

ANNEX 1. PROJECT RISK REGISTER

Project Title: Support to Rapid Economic Recovery of Ukrainian Municipalities							Date: 22 November 2022		
#	Description	Date Identified	Type	Impact & Probability	Countermeasures / Mgmt. response	Owner	Submitted, updated by	Last Update	Status
1	Continued missile attacks on regions and/or municipalities across Ukraine including those considered as 'safe'	22.11.2022	Safety and Security (8.1. Armed conflict and 8.2. Terrorism)	<p>Effect: Such attacks would lead to additional casualties, further destruction of public infrastructure (in particular that relating to electricity and water supply) and private housing (including that of already rehabilitated objects), disruptions in public services and mass exodus from missile hit areas</p> <p>Likelihood: 4 Impact: 4 Risk level: Substantial</p>	There is very limited scope for manoeuvre for the project, should such types of attacks occur. To maximise the practical utility of the project in such events, the project team would offer the Board to further re-orient the Project to develop response scenarios that would be pertinent to address immediate recovery needs	UNDP Regional Development Programme Manager/Project Coordinator			
2	Increased population outflow	22.11.2022	Social and Environmental (1.8. Displacement and resettlement)	<p>As a consequence of the above mentioned risk, the country could be faced with a significantly depletion of its work force, with impacts on operations of state institutions, service providers and the private sector</p> <p>Likelihood: 3 Impact: 3 Risk level: Moderate</p>	To maximise the practical utility of the project in such a situation, the project team would offer the Board to further re-orient the Project to develop response scenarios that would be pertinent to address this type of labour issues in the target regions/municipalities	UNDP Regional Development Programme Manager/Project Coordinator			

3	Volatility of state financing and local budgets cuts leave no resources for development	22.11.2022	Strategic (7.3. Capacities of the partners)	<p>Effect: Such a situation would lead to the inability of national and local institutions (Ministries, LAs, LSGBs, service providers) to function effectively and to fully engage in sustainable recovery and development actions</p> <p>Likelihood: 3 Impact: 4 Risk level: Moderate</p>	To maximise the practical utility of the project in such a situation, the project team would offer the Board to further re-orient the Project to develop response scenarios that would be pertinent to address this type of issues	UNDP Regional Development Programme Manager/Project Coordinator		
4	Severe disruptions in electricity and internet supplies due to war impacts	22.11.2022	Infrastructure	<p>Effect: Such occurrences would have a strong impact on population comfort, on institutions and enterprises to be able to function, as well as on communications and Project activities.</p> <p>Likelihood: 4 Impact: 4 Risk level: Substantial</p>	In such a situation, the Project will provide added support to local partnership-based projects aimed at alternate and clean energy solutions. (e.g., electricity generators, solar energy and wind energy, biomass) (SDG 7) and will its own offices/regional hubs with electricity generators	UNDP Regional Development Programme Manager/Project Coordinator		
5	Critical macroeconomic turbulence	21.05.2022	Economic	<p>Effect: This would lead to higher prices for commodities such as energy will push up inflation further, in turn eroding the value of incomes and weighing on demand. Trade, supply chains and remittances would be disrupted leading to a possible surge in refugee flows.</p> <p>Likelihood: 3 Impact: 4 Risk level: Substantial</p>	The Project will monitor the situation on an on-going basis at national, regional and municipal levels and could adjust its activities to address issues related to MSMEs and their value chains.	UNDP Regional Development Programme Manager/Project Coordinator		

ANNEX 2. PROJECT BOARD TERMS OF REFERENCE

Background

As the country entered its fifth wave of COVID-19, the Russian armed forces invaded the country on 24 February 2022 after tensions between the Russian Federation and the West over Ukraine had reached new heights from late 2021.

As of 25 October 2022 (UNHCR data) 7,7 million refugees have fled Ukraine and 6,24 million (IOM data) have been displaced within Ukraine. Some 13 million people are estimated to be stranded in affected areas or unable to leave due to heightened security risks, destruction of bridges and roads, as well as lack of resources or information on where to find safety and accommodation.

Since the start of the war, and since October 2022, there has been massive destruction of public infrastructure and housing throughout the country. These war related destructions have led to a massive exodus of the population living in these cities towards western regions or abroad. The reconstruction of infrastructures in war-torn localities and ensuring that the latter are safe (de-mined) for internally displaced persons (IDPs) returning home will take time. This suggests that about 35 percent of IDPs will likely stay in the hosting communities even after the war is over

Ukraine's logistical system has been significantly damaged both in terms of infrastructure and transportation capacities. In the north-eastern regions of Ukraine, liberated by the Ukrainian armed forces in early April, many important transport facilities were physically destroyed, creating significant problems with supply chains to these regions. The naval blockade of the Ukrainian sea ports has inflicted a significant blow to Ukrainian exports. Railroad remains the backbone for cargo exports and passenger transportation in the country.

According to a Rapid Assessment of the war's impact on micro, small and medium enterprises (MSMEs) in Ukraine, carried out in May 2022, this sector is a major contributor to the Ukrainian economy. Yet, as of mid-April 2022, results of surveys conducted among Ukrainian MSMEs show that about 50 percent of enterprises have been operating at only 10-60 percent capacity of the pre-war level. They also confirm that MSMEs are more susceptible to the shocks caused by the war than large enterprises (only 14 percent of MSMEs operated at full capacity versus 41 percent of large enterprises as of mid-April 2022). Any major downsizing of activities practically means the cessation of operations for MSMEs as they have a limited ability to diversify their economic activities and thus face more challenges with transformation and adaptation.

Key disrupting factors for MSME operations include security risks, destruction of assets and infrastructures (65 percent of MSMEs are in the territories where active warfare is taking place. Although the damage caused by the war is not fully assessed due to ongoing hostilities, the losses are likely to be substantial, including in terms of transport and storage infrastructure, commercial and residential property), a drop in consumer demand, breaks in supply chains and difficulties with logistics. The latter two factors also drive the margins downwards due to increased cost of input materials and services. With the drop in sales and underutilized production capacities, businesses have been unable to avoid massive staff redundancies, which peaked to 33 percent among MSMEs in April 2022. At the same time, there was and still is a mismatch between demand and the labour supply in certain industries (especially in such labour-intensive sectors as agriculture and textiles, apparel, and footwear) and across all geographical regions due to the massive displacement of people and relocation of enterprises.

Breaks in supply chains and the shrinking demand for goods and services on the domestic market has increased the need for companies to search even more actively for new business partners and clients and to explore opportunities in foreign markets. Both access to financing and affordability of lending resources have become a top issue for MSMEs since the war started. Commercial banks have practically stopped active lending to MSMEs, and credit resources for working capital and project financing are now available only via state government programmes.

Municipalities must play a convening and enabling role in dealing with crisis management and quick economic recovery needs. Ukraine's successful decentralization reform has resulted in a significant increase in the administrative and service delivery responsibilities of municipalities, as well as an expansion of their revenue sources. Yet, there is still the need to support them in partnership building and strengthen their needs-based planning, budgeting and implementation capacities.

Given the above-described context, the Project's interventions will be specifically aimed at ensuring that municipalities/local authorities have the resources required to effectively assume their responsibility for handling war generated crises impacting the population and businesses, for driving sustainable local economic development interventions, SDGs integration, and engagement of citizens in decision-making processes.

The Project will be managed under the supervision and advice of a Project Board.

Project Board Composition

Representatives from the following organisations shall comprise the Project Board:

- One delegated high-level representative of the Ministry of Economy of Ukraine²⁰ (voting);
- One representative of the Embassy of Germany (voting);
- One senior representative of GIZ and UNDP Ukraine (voting);
- Secretary of the Board – UNDP Regional Development Programme Manager/Project Coordinator (non-voting).

Representatives of other government partners, civil society, academia or business-circles may be invited to Board meetings as non-voting participants, presenters or observers.

Functions of the project board

1. Offer overall policy and technical guidance and direction towards the implementation of the project, ensuring it remains within any specified constraints;
2. Provide input into work plans, budgets and implementation schedules to guide the achievement of project objectives;
3. Approve project implementation schedule, annual work plan (AWP) and indicative project budget at the commencement of each project year within its remit;
4. Provide guidance and agree on possible countermeasures/management actions to address specific project risks;
5. Address project issues as raised by the Regional Development Programme Manager/Project Coordinator;
6. Agree on Regional Development Programme Manager/Project Coordinator tolerances as required, and provide ad-hoc direction and advice for situations when tolerances are exceeded;
7. Review and endorse changes in project work plans, budgets and schedules as necessary;
8. Monitor project implementation and provide direction and recommendations to ensure that the agreed deliverables are produced satisfactorily according to plans;
9. Arbitrate, where essential, and decide on any alterations to the project;
10. Endorse an overall project evaluation and monitoring function for the duration of the project through a mechanism agreeable to all Project Board parties;
11. Review and approve Project Annual or ad hoc reports;
12. Provide necessary oversight to ensure the sustainability of the Project.
13. Review the themes and amounts of grant funding under the Project.

Meetings

The Project Board will meet at least once a year, at a time and place convenient to all members but, as a rule, after the SAPR and APR become available for consideration and approval. Representatives from all four institutions that have voting right have to be present for the Board Meeting to be considered as having the quorum. The Project Board decisions should be made per standards that shall ensure the best value to money, fairness, integrity, transparency and effective international competition.

Chairperson and Secretary

The Project Board shall have no Chair as the decisions will be adopted by consensus of four voting members. The Secretary to the Board, while not having voting rights, will serve as moderator and timekeeper for the Board Meeting discussions. (S)he will make sure that there is an accurate record of discussions and decisions of each meeting is prepared and forwarded to all members and that there is an adequate follow-up on the undertakings of the members of the Project Board. The UNDP Regional Development Programme Manager/Project Coordinator shall serve as the Board's Secretary.

²⁰ Alternatively the Ministry for Communities and Territories Development of Ukraine.

Communication

Documentation presented for review at any meeting of the Project Board will, as far as possible, be distributed one week before the meeting. The preparation of the records of all official meetings of the Project Board will be the responsibility of the secretary. These records must be forwarded to Project Board members no later than two weeks after its conclusion.

Duration

The Project Board will exist for the duration of the project.

Funding for the Project Board activities

UNDP Ukraine will provide in-kind resources to support the participation of country representatives and other members as required.

Meeting location

Meetings of the Project Board will be held at locations agreeable to all members or virtually (Zoom, MS Teams), as war related mobility restrictions stipulate.

Annex 1: Estimated Budget

Date: 12.2022

Name of the Recipient: UNDP

Description	Quantity	Unit (e.g. months, days, trainings, unit, ...)	Eligible up to in EUR	Total GIZ Contribution in EUR (up to)	Own Funds / Third party financing in EUR (up to)	TOTAL in EUR (up to)
1. Staff /Personnel (Job Title)				668.016,27 €		668.016,27 €
Project Manager	12	months	70.319,11	70.319,11 €		70.319,11 €
Project Associate	12	months	34.817,04	34.817,04 €		34.817,04 €
Grant Management Analyst	12	months	51.512,89	51.512,89 €		51.512,89 €
Infrastructure Development Analyst	12	months	51.512,89	51.512,89 €		51.512,89 €
Business Engagement Analyst	12	months	51.512,89	51.512,89 €		51.512,89 €
Community Development Associate	12	months	34.817,04	34.817,04 €		34.817,04 €
Procurement Analyst (pat-time, 50%)	12	months	20.901,89	20.901,89 €		20.901,89 €
Finance Analyst (part-time, 25%)	12	months	10.450,94	10.450,94 €		10.450,94 €
Communications Analyst (part-time, 25%)	12	months	12.878,22	12.878,22 €		12.878,22 €
Monitoring and Reporting Analyst (part-time, 25%)	12	months	12.878,22	12.878,22 €		12.878,22 €
Cost-shared staff at CO: HR, ICT, procurement, finance, oversight.	12	months	316.415,14	316.415,14 €		316.415,14 €
2. External Experts / Consultant (Job Title)				415.655,00 €		415.655,00 €
Municipal/Urban Development Experts	400	days	100.000,00	100.000,00 €		100.000,00 €
Engineering/Technical Design Experts	424	days	106.000,00	106.000,00 €		106.000,00 €
Business Development Experts	252	days	63.000,00	63.000,00 €		63.000,00 €
IT/Digitalization Experts	64	days	16.000,00	16.000,00 €		16.000,00 €
Media Outreach/PR Experts	140	days	35.000,00	35.000,00 €		35.000,00 €
Research Experts	80	days	20.000,00	20.000,00 €		20.000,00 €
Evaluation/Audit Experts	2	evaluations	75.655,00	75.655,00 €		75.655,00 €
3. Transportation / Travel Costs				59.000,00 €		59.000,00 €
Transportation and business trips	600	days	59.000,00 €	59.000,00 €		59.000,00 €
4. Training costs/Workshop				88.000,00 €		88.000,00 €
Training, workshops and conferences	350	days	88.000,00 €	88.000,00 €		88.000,00 €
5. Procurement of Goods/Service				55.000,00 €		55.000,00 €
Computer equipment and software	10	sets	55.000,00 €	55.000,00 €		55.000,00 €
6. Other costs / Consumables				327.915,09 €		327.915,09 €
Communications	12	months	9.000,00 €	9.000,00 €		9.000,00 €
Audio Visual and Print Production	28	products	33.000,00 €	33.000,00 €		33.000,00 €
Offices Rental and Maintenance	12	months	40.000,00 €	40.000,00 €		40.000,00 €
Consumables	12	months	39.107,82 €	39.107,82 €		39.107,82 €
Security costs	12	months	206.807,28 €	206.807,28 €		206.807,28 €
7. Sub-grants to final recipients				9.250.000,00 €		9.250.000,00 €
Grants and in-kind support to municipalities	12	grant	9.250.000,00 €	9.250.000,00 €		9.250.000,00 €
Subtotal - direct costs				10.863.586,36 €		10.863.586,36 €
8. Administration costs				986.413,64 €		986.413,64 €

Indirect Support Costs (GMS 8%)	12	months	869.086,91 €	869.086,91 €		869.086,91 €	
UN Coordination Levy (1%)	12	months	117.326,73 €	117.326,73 €		117.326,73 €	
Total UNDP				11.850.000,00 €		11.850.000,00 €	
Own Funds / Third party financing						0,00 €	
Own Funds / Third party financing							0,00 €
Grand Total (up to)				11.850.000,00 €	-	11.850.000,00 €	