Regional Project Document

Fostering multi-stakeholder partnerships to achieve MDGs in the Western CIS and Caucasus in the framework of UN Global Compact.

The main goal of the project is to harness value-creating assets of the private sector for poverty reduction in the Western CIS and Caucasus through promotion of multistakeholder partnerships in the framework of Global Compact.

The target countries are Armenia, Azerbaijan, Georgia, Belarus, Russia, Ukraine and Moldova. The target beneficiaries are local and foreign investors, local and national governments including national investment promotion agencies, non-governmental organizations, civil society organizations, micro, small and medium sized businesses.

The expected outcomes of the project are:

- Fostering SMEs growth will have positive outcome on employment, jobs creation, political stability and thus positively impact poverty reduction
- Civil society organizations will be strengthened, adding to expansion and strengthening of democracy in the region; also, citizens' access to basic needed services and products will improve, specifically healthcare, education, water, clean energy, microfinance.
- Local municipalities managerial and organizational capacities will be strengthened
- CSR will be promoted and adopted as practical tool for local business that builds their competitiveness on the world market in particularly capacity to compete on the EU markets
- Regional collaboration will be enhanced through developing / implementing regional partnerships (targeting more than one country) – and thus further contributing to stability and peace in the region Foreign direct investment will increase because the approach proposed in the project lowers risk and costs for companies' investments
- Capacity of partners from the three sectors to work in on the ground partnerships will be strengthened
- Collaboration with the European Commission will be strengthened through dialogue and recommendations on effective CSR practices that are aligned with the countries needs and also follow the EC long term strategy for CSR/competitiveness;

SIGNATURE PAGE

Bratislava Regional Center

Regional Project Document

Fostering multi-stakeholder partnerships to achieve MDGs in the Western CIS and Caucasus in the framework of UN Global Compact

Implementing partner: DEX (UNDP, BRC)

Programme Period: RPD 2006-2010

Project ID: _________________

Project Duration: April 06 – Sept 07

Management Arrangement: Regional DEX;

Responsible unit: PSPD/Poverty Practice

Total budget:	USD	1,227,290
Including GMS (7%)	USD	80,290

Agreed by (UNDP):____

Ben Slay, Director

United Nations Development Program
Regional Bureau for Europe and the CIS
Bratislava Regional Center

Regional Project Document

Fostering multi-stakeholder partnerships to achieve MDGs[1] in the Western CIS and Caucasus[2] in the framework of UN Global Compact.

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[1] Millennium Development Goals www.undp.org/mdgs
[2] Map of the region in annex1

United Nations Development Programme
Regional Bureau for Europe & the CIS[3], Regional Centre in Bratislava (BRC)[4]
Poverty Reduction/ Private Sector practice

Fostering multi-stakeholder partnerships to achieve MDGs[5] in the Western CIS and Caucasus[6] in the framework of UN Global Compact.

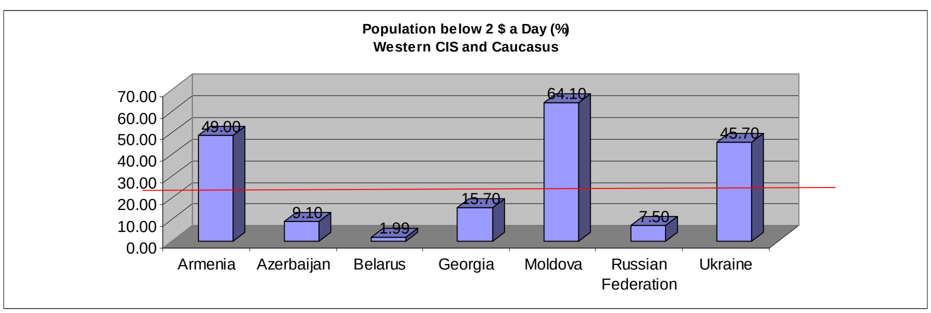
1 Situation Analysis

1.1 Development situation[7]

The challenges of realizing national MDG agendas in many countries in the Western CIS (Ukraine, Belarus, Moldova, Russian Federation)[8] and Caucasus (Armenia, Azerbaijan and Georgia) region have proved to be difficult in light of the developmental trends since 1990. Sharp economic contractions took place in the 1990s as part of a painful transition from planned to market economies, which were compounded by political instability and conflicts around the region.

Despite economic growth experienced by virtually all the countries in the region since 2000, reforms undertaken and increased integration into the world economy, there are still a number of socio-economic issues that need to be addressed urgently in order to meet the MDGs by 2015:

- Economic growth has not automatically resolved such social problems as poverty, exclusion and long-term unemployment.
  - Currently, an average of 30% of the population in the region lives on less than $2/day. The situation is worst in Armenia



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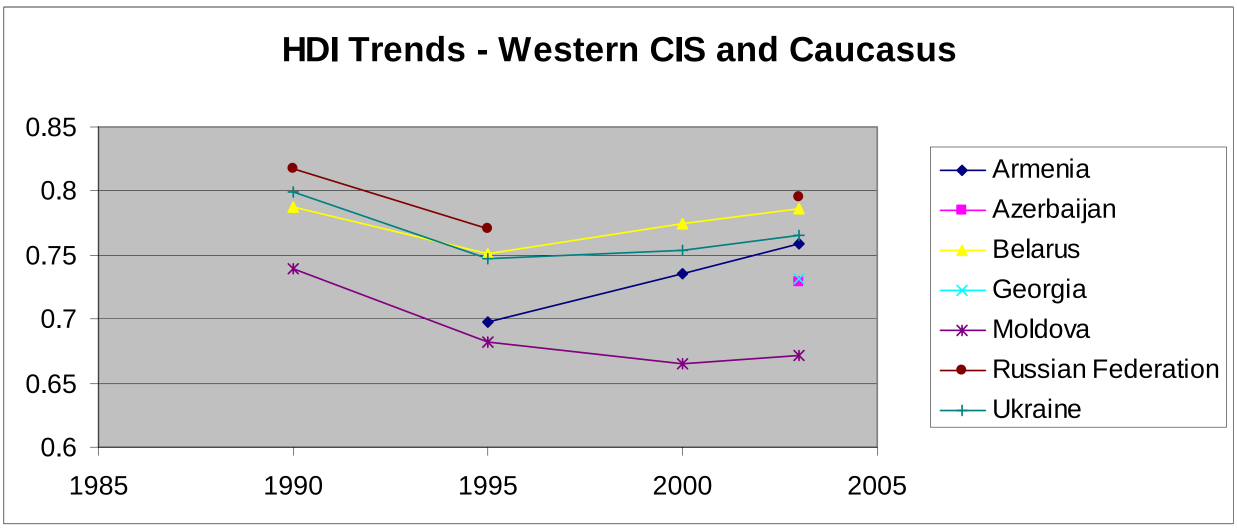
[3] UNDP RBEC – UNDP Regional Centre for Europe and the CIS covers 25 countries from Central and South East Europe and former Soviet Union. For more information, please see http://europeandcis.undp.org/
[4] Bratislava Regional Centre serves as regional expertise, knowledge and information hub for the country offices in the region. It also coordinates regional projects.
[5] Millennium Development Goals www.undp.org/mdgs
[6] Map of the region in annex1
7 Analysis derived from: National Millennium Development Goals: A Framework for Action, The Millennium Development Goals in Central and Eastern Europe and the Commonwealth of Independent States, forthcoming in November 2005. For draft copy, please contact Jacek Cukrowski (Jacek.Cukrowski@undp.org).
[8] Moldova will benefit only from funding towards the Global Compact.

(49%), Ukraine (46%) and Moldova (64%) respectively (the graph illustrates the percentage of population living below $2/day in Western Caucasus and the CIS)

- SME growth has not kept up with unemployment

- GDP levels in most countries have still not recovered to their pre-1989 levels.
- Poor quality governance and corruption, both at local and national levels, still constitute a significant business cost and burden to individuals. Foreign businesses report problems in relation to protection of intellectual property and trademarks, as well as preferential treatment for domestic companies in privatization bids and government contracts.
- Citizens find their access to justice hampered by long processing times, scarce affordable quality legal advice, frequent changes of legislation and, at times, insufficient judicial independence.
- Some serious environmental problems have yet to be fully addressed.

While the Human Development Index for all the countries in the region has risen in recent years, it is still below the 1990 level, as reflected in the graph below.



Source: UNDP HDR, 2004

The table below reflects the socio-economic performance of the 7 countries in the region with regard to Gross Domestic Product (GDP) per capita, unemployment rate, % population living in poverty and the Corruption Perceptions Index (CPI) respectively.

	GDP per capita (USD 2003)	GDP per capita[9] (USD PPP 2003)	Unemployment rate (%) 2002**, 2003, 2004*	% of population below $2 a day	CPI index[10] (Transparency international ranking)
Armenia	918	3671	30	31 (2003)	88
Azerbaijan	867	3617	1,2*	33 (2001)	137
Belarus	1770	6052	2	2 (2000)	107
Georgia	778	2588	17	16 (2001)	130
Russian Federation	3018	9230	8,3*	8 (2002)	126
Ukraine	1024	5491	3.5	--	107
Moldova		1470	6.8	40	88
Source:	*HDR 2005*	*HDR 2005*	*CIA factbook*	*WDI 2005*	www.transparency.org
Notes: the seemingly low unemployment rates in some countries refer to the number of officially registered unemployed, usually there is in addition a much larger number of unregistered and underemployed people.					

1.2 The role of partnerships with business and civil society to achieve the MDGs

To address the above-mentioned challenges, focused efforts will be required to meet the 2015 commitments. Although primary responsibility for achieving the MDGs lies with governments, the ability of government to forge strong partnerships with the private sector, as well as with civil society organizations will be critical to produce positive change and improve living conditions of millions of people in the region in a sustainable manner by 2015.

Today more than ever, large companies are increasingly involved in initiatives that aim to reduce poverty in developing countries. Operationally, for most companies, the entry point for involvement in poverty reduction projects is through various Corporate Social Responsibility (CSR) initiatives[11]. This global trend results from increased pressures from governments and civil society who are demanding more social responsibility and accountability from businesses, in terms of the economic, social, and environmental

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[9] **PPP**
A method of measuring the relative purchasing power of different countries' currencies over the same types of goods and services. Because goods and services may cost more in one country than in another, PPP allows us to make more accurate comparisons of standards of living across countries by adjusting official exchange rates for cost-of-living differences between the countries in question. PPP estimates use price comparisons of comparable items.

[10] **CPI**
The TI Corruption Perceptions Index (CPI) ranks countries in terms of the degree to which corruption is perceived to exist among public officials and politicians. It is a composite index, drawing on corruption-related data in expert surveys carried out by a variety of reputable institutions. It reflects the views of business people and analysts from around the world, including experts who are locals in the countries evaluated. The CPI focuses on corruption in the public sector and defines corruption as the abuse of public office for private gain. The surveys used in compiling the CPI ask questions that relate to the misuse of public power for private benefit, with a focus, for example, on bribe-taking by public officials in public procurement. The sources do not distinguish between administrative and political corruption or between petty and grand corruption.

[11] The private sector's efficiency, creativity, and capacity to mobilize financing have been recognized by the United Nations in a number of ways. Two of the most important are the Secretary General's Global Compact initiative (www.unglobalcompact.org) and the report of the UN Commission on the Private Sector and Development: *Unleashing Entrepreneurship: Making Business Work for the Poor*. The report makes a number of recommendations on better engaging the private sector in addressing the development challenges through public private partnerships.

impact of their activities[12]. Pressure for CSR is currently mostly generated by Western consumers and pressure groups, though increasingly international supply chain practices of largest investors. Notwithstanding, communities in developing/transition countries are also immediately affected because local companies (mostly SMEs) must adhere to higher social and environmental criteria if they want to supply to large companies. In addition, there are business developments that show large companies interest to produce goods and services for lower income consumers in developing/transition countries – as developed markets become slowly saturated with products/services, creative and innovative companies are looking for ways to supply more than 2 billion consumers with annual income below 1500 USD per year.[13]

1.2.1 Private sector a positive contributor to development – lessons from the Central Europe (current new EU member states):

The private sector, large multinational companies (through foreign direct investment) and indigenous SMEs, have contributed immensely towards development of Central Eastern Europe (CEE) – which serves as a role development for most of the countries in the region. This has been reflected through productivity gains, employment creation and investments (large scale with regard to multinational corporations).

Currently the SMEs sector is the largest contributor to GDP, employment generator and safeguard of economic stability in CEE. In addition to the above, the entry of multinational companies have had significant positive impact on the regions' development due to its provision of much needed capital, technology, skills, modern management techniques, reforming largely dysfunctional financial systems, introducing new environmentally –friendly technology systems and offering legitimate international careers for young hi-fliers. All these are essential for national (and global) social and economic welfare.

In particularly, beneficial have been linkages between local small and medium enterprises and large multinational companies through supply chain relationships. MNCs have established local production facilities there to service local and regional demand, while global competition continues to pressure for seeking low production costs. [14] For MNCs this often meant working in conditions of 'capability gaps' that limit local SMEs and other partners to effectively engage with corporations along their supply chains. MNCs addressed these challenges through various approaches, including providing access to technology, skills and managerial knowledge, financial capital. Benefits from these programmes for MNCs included:

- short term CSR gains (enhanced brand and reputation, improved relationship with governments, local communities); and
- long term – commercial returns (reduced costs, increased market access, greater security over raw materials, improved quality and reliability of supply).

SMEs also gained tremendously in the following way: adoption of modern technology and management practices which resulted in productivity gains; access to finance; expanding business; and improved work culture, enhanced. [15] The role of companies in development of CEE is expected to continue, considering

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[12] *The challenge of protecting reputation* by Paul A Argenti, Financial Times, September 30, 2005

[13] Numerous examples of so called 'bottom of the pyramid' business models are contained in, C.K. Prahalad: *The Fortune at the bottom of the pyramid. Eradicating poverty through profits,* Wharton School Publishing, 2004

[14] Detailed account of role of companies in CEE/CIS with concrete case studies can be found in: *How the East was Won: The Impact of Multinational Companies on Eastern Europe and the Former Soviet Union* by Charles Paul Lewis, Palgrave 2005.

[15] For detailed description of SME-MNCs linkages programmes, approaches and benefits, see *Partnerships for Small Enterprise Development,* UNIDO, UNDP and Global Compact, 2004, http://www.undp.org/business/docs/partnershipsdeloitte.pdf

high and growing foreign direct investment stock, which in 2004 (for all new EU member states) reached USD 230 billion (from 45 billion in 1995).[16]

Another target group that significantly gained from close collaboration with companies has been the NGO/CSO sector. Benefits included not just philanthropic activities (in many instances companies were the only source for cash support), but also, important long-term developmental gains like building capacities of NGO/CSOs in critical areas like managerial skills (accounting, planning, monitoring and evaluation among others).
Benefits for companies from this collaboration can be classified as short term - enhanced reputation and good will of people in communities where companies operate - and long term - which is more linked to business opportunities/benefits, namely empowering local NGO/CSOs as long term partners for companies operations. For example, currently multinational companies from extractive industries (oil &gas) in the new EU member states work closely with NGOs in promoting clean energy products.

Public-Private partnerships (PPPs) are increasingly being promoted as the new form of partnership between public sector and business. These ventures are gaining many supporters in the new EU members' states because private sector financing is increasingly more seen as bridge – financing for EU infrastructure and considering heavily budget constraints faced by virtually all the new members, private sector financing is often the only possible option. Private sector not only brings critical financing but also efficient management culture and innovative solutions. These are purely business ventures where companies seek appropriate rate of return; they are usually long – term (usually 15-30 years) and involve complex leasing and managerial contractual arrangements.

Not all investments in the CEE necessarily directly link to positive development outcomes and indeed, many were criticized for wrong doings. However, when these investments followed social and ethical considerations, they usually had a powerful multiplying effect on local economic development and welfare creation for local communities. This also positively impact on the image of companies and their goodwill.

1.3 Partnership with the private sector – experience of UNDP RBEC

The concept of CSR is new in the region and countries have yet to fully come to terms with its importance. However, the results so far have been promising and show growing understanding among the business community in the region that CSR is part of a modern business in a globalized economy which can offer exciting business opportunities (see recent report on CSR activities in CEE and Russia, attached as annex 3).

UNDP RBEC has been supporting corporate social responsibility and promoting the role of business in sustainable development through the UN Global Compact (for detailed information about what is the UN Global Compact, please see annex 2 attached) and Growing Sustainable Business (GSB). The UN Global Compact has served the main entry point for UNDP RBEC activities with the private sector. Through facilitating GC national networks, UNDP country offices in: Bulgaria, Bosnia and Herzegovina, Hungary, Kazakhstan, Latvia, Lithuania, Macedonia, Poland, and Turkey (see Annex 4 for more information about concrete activities in these countries) have been able to:
(a) engage companies in concrete partnerships on development projects;

[16] World Investment Report, 2005, p 86.

(b) provide informed policy advice to governments, particularly in the area of private sector development and about the role of business in society; and
(c) introduce the concept of corporate social responsibility and value based business investments to business and society in transition economies.

Within the framework of Growing Sustainable Business, country offices in Albania, Bosnia and Herzegovina, Serbia and Montenegro, Macedonia, Moldova and Turkey [17] are currently preparing to launch projects that broker multi-stakeholder partnerships which address local development needs and at the same time are financially viable (strong emphasis is on market sustainability of these ventures).

1.4 In line with national priorities

National government increasingly recognize that in order to achieve equitable growth and development, close collaboration with business is critical. In addition, corruption, outdated environmental technologies, poor labour standards, abuse of human rights all hamper investment and growth in countries. Governments, to be effective in attracting investments and accelerating growth, must promote good governance like reflected in these global modern economic standards. Global Compact can help them to achieve that goal.

National governments are also interested in developing concrete public-private partnerships because they concretely show business contribution to society and also address important social and economic issues that governments, facing large budget deficits, would have difficulties in financing, or even have the right knowledge and skills to implement.

[17] GSB in Albania, BiH, Macedonia, Moldova is co-funded by the Austrian Development Agency and country offices. GSB in Turkey and Serbia by Bratislava Regional Centre and country offices. Activities funded under GSB scheme do not include support for development of GC national chapters.

2 STRATEGY

2.1 Primary Goal

The main goal of the project is to harness value-creating assets of the private sector for poverty reduction in the Western CIS and Caucasus through promotion of multistakeholder partnerships in the framework of Global Compact.

2.1.1 Target countries and beneficiaries

The target countries are Armenia, Azerbaijan, Georgia, Belarus, Russia, Ukraine and Moldova.[18] The target beneficiaries are local and foreign investors[19], local and national governments including national investment promotion agencies, non-governmental organizations, civil society organizations, micro, small and medium sized businesses.

2.2 Project components

2.2.1 Establishment of national Global Compact chapters:

Based on collective experiences from facilitating GC national chapters in RBEC, local GC networks need to follow minimum requirements in order to be strong and effective and support companies in deploying their core competencies in resources in ways that contribute to poverty-reduction programmes:

- Initial role of the UNDP as catalyst and facilitator is crucial for networks start up and building their sustainability. Main activities that UNDP assumes within that role include: seeding the idea of the Global Compact and corporate social responsibility among the business community, involving governments, academia, trade unions and NGO/CSOs, facilitating learning and sharing of experiences about CSR and implementation of the GC principles, building active collaboration between participants, identifying the benefits of GC participation and organizing local GC activities for the network, motivating companies to engage in partnerships in support of UN development goals, organizing promotional and launching GC events.
- The core UN agencies and the GC Office possesses extensive knowledge on the core areas of the Compact (related to principles). Leveraging these synergies and complementarities through collaboration is crucial for meeting the objectives. Therefore provision of funds will be available for missions and advisory services to support country offices GC related activities.
- The networks will also collaborate closely with other non–RBEC GC networks to share experiences and information and support through technical cooperation.20
- Networks will accommodate needs and expectations of SMEs. Based on regional experiences, SMEs will participate in the GC networks to enhance capacities to supply to large companies. Networks must offer specific tools tailored to SME demand and this will be done through technical cooperation (there is already a great deal of CSR management instruments on the market offered by EU and other European organizations. It must be coordinated and tailored to local needs if necessary).

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[18] Moldova – will only benefit from GC related support and NOT fostering of partnerships
[19] Potential investors – partners to this project will come mostly from the EU countries as well as domestic large investors
[20] Currently, BRC is developing collaboration with GC networks in Germany, UK, Nordic countries, France.

- Strong collaboration will be developed with the European Commission (DG Enterprise and DG Employment and Social Affairs – two main EC units related to CSR) to deliver – through the GC - standard frameworks that allow companies to be fit to supply to large EU companies and promote the principles of the EU New Social Agenda.
- Networks will also be open and work closely with NGO/CSO and academic sectors – to build dialogue between companies and non-for-profit sector and develop opportunities for partnership activities. Increasingly, business sector cooperation is perceived by local NGO/CSO as an important partner not only as a contributor of cash but also, other critical resources like managerial knowledge and access to networks among others

2.2.2 Promoting multi-stakeholder partnerships for development

- Projects must be embedded in the UN Global Compact principles and closely linked to the national development (PRSP) strategies and MDGs to secure that business profits go hand in hand with achieving of development goals. The entry point for these project will be often 'CSR angle' but will need to project market sustainability in the long term to be supported.
- UNDP will play a role of partner and broker and also safeguard that the right partners (having clear stakes) will be brought to the table, risks and benefits shared accordingly between partners and trust and mutual understanding be developed between partners.
- The supervision function for specific partnerships will be assumed by 'partnership clusters' as part of the Global Compact networks and act as 'board of directors' for the partnerships, and provide channels for identifying partnership projects opportunities, discussing relevance to local development, organizing implementation, measuring and evaluating progress and communicating results to the local population. Within the partnership fora, small, working level investment groups will be created to work/be responsible for specific partnership projects and will bring together actors / specialists that have specific stakes in these projects.

In particular there are two types of projects that will be supported within the framework of the project:

(A) <u>Sharing and coordinating resources and expertise</u>

UNDP partners with business in order to benefit from complementary resources and to coordinate contributions to key development projects. Strategic allocation and sharing of knowledge and technology is of particular importance.

- It is important to note that although these partnerships are not strictly commercial, they cannot be philanthropic. Objectives of the join projects must be tied to companies' bottom line and expectation of returns on in the long term– this is crucial for long term sustainability of these ventures

- Type of activities promoted will emphasize social investments of companies into development of local communities. In particular, partnership projects will be established to address critical public issues: access to basic services by citizens -- healthcare, education, water, energy, finance.

- It is expected that these projects will be developed and implemented closely with local actors: NGOs/CSOs, local governments, universities, media.
  - NGOS/CSOs have potentially a huge role to play in these kinds of partnerships, having local knowledge, being sensitive to local welfare needs, enthusiastic and flexible. However research shows that often they are not empowered and cannot bring enough of

value to the table to catalyze a high value added response from business. Thus, the project activities will strengthen local communities (NGOs/CSOs) through transfer of knowledge and skills, financial assistance from the private sector (for situation of NGO/CSO sector in the Western CIS/Caucasus, please see annex 5 attached)

- Local municipalities will also benefit – it is expected that direct participation in capacity building exercise and implementation of partnership projects will result in municipalities' enhanced managerial /technical capacities and introduction of new management and organizational procedures within municipal systems based on good practices learnt from business operations.

(B) Harnessing markets for development

This comprises of partnerships that aim to both support local development and are commercially attractive (emphasize market sustainability). It is envisaged that these partnerships will deepen and bridge markets (local with regional and global), through facilitating linkages between large multinational/domestic investors and SMEs along supply chains.

- Growth of SME sector in the region has proved to positively contribute to broad-based growth, job creation, economic stability and more flexible economy and thus delivering growth that pulled people out of poverty. However SME formation rate (measured in terms of registered business per 1000 head of population) are still typically less than half of those in the new EU member states[21]. This approach can be more effective than traditional top down SME support programmes imposed by external institutions because it tightly links benefits and growth strategies of investors and SMEs[22].

- Specifically, women-entrepreneurs will be supported through this project scheme

- This project will draw from experience and capitalize on synergies with GSB in RBEC

- Based on UNDP experience, emerging opportunities lie in the following sectors:
    - Agriculture: and specifically diary industry, fair-trade certification, organic production and certification
    - Finance: microfinance, high-risk lending to SMEs
    - ICT: off-shoring for call-centers, data entry, offshore services; improving SME productivity through investment in distribution network to facilitate agricultural export industry

2.3 Activities

2.3.1 Activity 1: Scoping missions

Scoping missions will be undertaken to assess local private sector development landscape, secure buy-in of major stakeholders (including national governments) and draft detailed action plans for each country.

[21] Rates for Western CIS and Caucasus are below 12 (with exception of Russia-58), whereas for new EU members above 20, source IFC 2005

[22] This approach can advance SME sector and have positive effects on poverty reduction through strengthening SME-FDI linkages; for more evidence, see *Promoting SMEs for Development,* OECD, 2004, paper presented at the 2nd OECD Conference of Ministers Responsible for SMEs, Turkey, June 2004.

2.3.2 Activity 2: Recruit local brokers

In this project, UNDP will play the role of a broker and facilitator, in both establishing the Global Compact networks and facilitating partnerships. People with brokerage skills and knowledge will be hired to perform role of brokers. Brokers will be the main agent behind promoting the idea of the GC, mobilizing business community, bringing CSO/NGO, trade unions, and governments together and officially launching the chapters in these countries. In partnerships, broker will be linking large companies, local entrepreneurs, government representatives, civil society organizations, trade unions and other donors. The multi-stakeholder nature of the initiative will reduce the risks and transaction costs of specific investment projects (bringing the right partners at the right time with the right skills and knowledge). UNDP is well positioned to perform this role because of its convening power, development track record in the participating countries, impartiality, reputation, brand, political reach and access to regional and global development networks.

2.3.3 Action 3: Develop Global Compact local chapters

For more information about what is Global Compact please see attachment 2.

Global Compact local chapters will offer three types of activities/services:

- Learning packages about CSR (introduction to CSR - which might be broader than just the GC-, CSR and management requirements, what are current CSR standards on the market that might be useful for local companies, particularly SMEs that want to supply to large global companies). It should be noted that companies in transition economies are interested in adhering to higher social and environmental standards because that makes them 'fit-to-supply' to large companies (brands).
- Policy dialogue – these fora are often the only public platforms where companies collective voice regarding important business environment (regulatory) related issues in the country can be heard. So they provide opportunity to publicly discuss issues of investment climate, tax regime, companies' contributions towards social benefits, labour standards, etc. In this context, the GC fora will organize a PUBLIC POLICY DIALOGUE on pertinent social/business issues in each country (series of conference, focus groups meetings complemented by research which then will be translated into concrete public policies)
- Partnerships - GC fora creates the right dynamics for public-private partnerships to be identified and implemented because i/ they bring like minded organizations that want to collaborate ii/ potential business investors can easily identify local partners that help them to leverage investment plans making them more profitable and successful; iii/ in turn, local partners expect that these investments are aligned with the 10 principles and also contribute to local development, iv/GC principles promote good governance.

Establishing GC networks is a lengthy process and depending on local circumstances – takes between 12 months to 3 years to mature.

2.3.4 Action 4: Brokering and developing partnerships.

Simultaneously to establishing / strengthening Global Compact chapters, partnerships projects will be developed.

In total 24 partnership projects will be created in six countries. Each partnership project will be treated individually – because this will secure efficiency and effectiveness (linking specific demand by investors with supply and crafting solutions to address gaps). For each project, capacity building programme will be developed and tailored to address specific knowledge/skills/information gaps. Feasibility studies will be developed for each project – to illustrate potential returns for investors and development impact on community.

3 Management Arrangements

Project management board will be created. The role of the board will be to review and approve project details, schedule, deliverables, and budget as articulated in Annual Work Plan. It will consist of donor representative, Poverty Practice Leader, regional project coordinator, representatives of country offices (on rotating basis).

This is a regional project that would be implemented by UNDP as implementing partner (DEX), but most of the activities will be implemented at the country level.

The role of the regional office in Bratislava will be to:

- The overall project implementation and oversight.
- Maintaining the project's conceptual clarity and standards
- Knowledge management at regional level: coordination exchange of information, knowledge and good practice, codification of knowledge and support for cooperation between the countries.
- Consultancy and expert support necessary at various phases of the project implementation
- Communication and marketing of the project to business community at regional level,
- Monitoring and coordination of activities at the regional level.

Country offices will be responsible for:

- National level project implementation and support services for the national components
- Maintaining working contacts with the national partners
- Application of the commonly agreed standards and procedures.
- Reporting to BRC, Regional Project Manager on monthly basis according to agreed template. Reflecting the national specifics in all components of the project when appropriate

Such a "division of tasks" between UNDP BRC and the COs reflects the complementarily between the two-level presence of UNDP in the region. This unique combination between regional overview presence and country-level implementation capacities is unique and is one of the major advantages of the strategy proposed.

In addition to the above in accordance with UNDP rules and regulations the following provisions shall apply to the donor contribution:

In accordance with the decisions and directives of UNDP's Executive Board, the contribution shall be charged 7% for the provision of general management support (GMS) as well as direct costs incurred for implementation support services (ISS).

Since the donor contribution is in a currency other than US Dollars, the value of the payment 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 Belgium with a view to determining whether any further financing could be provided by the Donor. Should such further financing not be available, the assistance to be provided to the programme may be reduced, suspended or terminated by UNDP.

The schedule of donor payments takes into account the requirement that the payments shall be made in advance of the implementation of planned activities.

It is agreed that ownership of equipment, supplies and other property 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.

The donor contribution shall be managed by the UNDP in accordance with its financial regulations and other applicable rules and procedures and practices pertaining to Other Resources (non-core). The Contribution shall be subject exclusively to the internal and external auditing procedures provided therein. Should an audit report of the External Auditors of UNDP contain observations relevant to the contribution, a copy of such report and of UNDP's published comments shall be made available to the Government of Belgium.

The donor Contribution would be transferred to UNDP Euro Contributions Account No.: 6008-62722022, Bank of America London, 5 Canada Square, E14 5AQ London, Swift: BOFAGB22, IBAN: GB59BOFA16505062722022. Donor is kindly requested to notify UNDP Bratislava Regional Center (karolina.mzyk@undp.org) on the payments transfer.

UNDP shall provide the Government of Belgium with the following reports: progress report, on the activities and results after the end of the program; an annual certified financial statement certified by the comptroller of UNDP. The second installment will be paid after examination of the progress report.

If any changes occur which impair significantly the approved programme, UNDP and the donor will consult on measures to resolve the problem or to change the course of the activity. In any case, UNDP shall inform Belgium of any significant deviation from agreed plans or budgets.

4 Monitoring and Evaluation

The program will begin by conducting a scoping mission to each country to assess private sector development landscape and opportunities for GC networks launch and development of business partnership projects. The results obtained will be used to create a detailed work plan that will be submitted to the donor by month 3 of the project and subject to consultation with the donor. This will be followed by reports in months 6, 12 and 18 of the program. Reporting to the donor will build on consolidated reporting from country offices. A final report covering the whole project will be produced and submitted to the donor one month after the project's completion.

Monitoring and evaluation will be managed in line with UNDP rules and procedures, at 3 levels: monthly work progress by brokers and regional project coordinator. In addition, the project will be monitored twice a year by in-house UNDP specialist in project evaluation (not a member of a project team) and the project will be evaluated by external evaluation (in consultations with the donor).

5 Legal Context

This regional project document shall be the instrument referred to as such in Article I of the Standard Basic Assistance Agreement (SBAA) between the Governments participating and the United Nations Development Programme.

6 PROJECT RESULTS AND RESOURCES FRAMEWORK

Intended Outcome as stated in the Country Programme Results and Resource Framework:
Significantly increased private sector participation in development projects in the region

Outcome indicators as stated in the Country Programme Results and Resources Framework, including baseline and targets.

1. Number of new development partnership projects with the private sector
2. $ volume of investments reported through the Global Compact
3. Number of companies that report on partnership projects through the Global Compact portal

Applicable MYFF Service Line: Service Line 1.5: Private Sector Development

Partnership Strategy
Using Global Compact to promote multistakeholder partnership (both public private partnership and pro-poor investment)

Project title and ID (ATLAS Award ID):

Intended Outputs	Output Targets	Indicative Activities	Time Frame[23]	Responsible parties	Inputs and budget
Action plans for each country	7 Actions plans produced	- Conduct scoping missions and provide technical assistance to country offices	By end of April 06	BRC	**US$15,000** **(12,390 €)** Includes per diem and travel costs for 2 team members for 6 countries
Skills development training and learning programmes for responsible Country office staff developed and delivered	- 6 brokers recruited and trained - Efficient coordination of project at the regional level	- Recruit and train brokers[24] - Facilitating of systematic exchange of information between brokers and also other relevant UNDP CO project staff in the region	June 06	Country office and BRC	**US$ 552,000, (455,952 €)** Training: US$2,000 per broker; Salary: US$5,000 per month x 18 months x 6 countries **US$ 15,000, (12,390€) –** Knowledge management and monitoring.

[23] Assuming that the cost-sharing agreement is signed by end of February 2006

Global Compact Country Networks established to promote corporate social responsibility and public-private partnerships	- 7 high impact local GC chapters established - 7 CSR training packages developed, building on the GC values - 7 public policy debates on selected issues relevant to creating enabling environment for CSR and business investments - Efficient coordination of project at the regional level	- Promotional events - Bi-lateral meetings - Roundtable discussions - Translation / adaptation of essential GC materials - Adaptation of learning materials to conduct training activities - Publish and distribute materials to follow up events and activities using different media channels - Launch GC events - Knowledge management, eval and monitoring	Preparatory work (May-July) Launching GC in countries (July-Sep) Follow up activities to strengthen and mature the network (Sept06-Aug07)	Country Offices + BRC	**280,000US$ (231,280 €)** US$40, 000 per country x 7 countries[25] Technical assistance (consultancy fee + travel), translation, communication, printing, logistical costs related to organization of promotional events, staff coordination costs. **US$ 15,000, (12,390€) –** Knowledge management, monitoring and evaluation.
Public Private Partnerships (PPPs) for poverty reduction (including pro-poor investment)	- 24 PPPs in six countries	- Set up Steering Committees in 6 countries - Identify potential business opportunities and facilitate linkages between local NGOs/CSOs and multinationals	2 partnership per country in pipeline between April-Oct 06	Country Office and BRC	Technical support by brokers / BRC Technical support of UNDP country office and specifically Resident Representative in chairing Steering Committee groups **US$ 90,000, (74,320€)–** Feasibility/Research costs, assumed cost-sharing with investors

24 Brokering activities are resource consuming and currently UNDP CO cannot spare staff for this task. The brokers recruited will be highly skilled individuals who will also be responsible for launching of GC networks.

[25] Moldova will be supported within this project for activities aiming at creation of the GC local chapter

[26] These feasibility studies are particularly important for commercial partnerships because they greatly contribute to investors taking positive decision re pro-developmental aspects of their investments

	- Efficient coordination of project at the regional level	- Provide capacity building for local partners - Conduct feasibility studies[26] - Monitor progress - Communicate and disseminate information on partnership opportunities - Monitoring, documentation, exchange of information and evaluation			**US$30,000, (24,780 €) -** Outreach events, leaflets, newsletter, websites. It is assumed that it will be cost-shared with costs of establishing the GC networks. **US$ 15,000, (12,390€) –** Knowledge management, monitoring and evaluation
Capacity building of local partners (NGO/CSO, local governments, academic institutions) and potential investors	6 training packages developed Efficient coordination of project at the regional level	- Conduct research on 'skill gaps' - Develop training materials and conduct training[27] - Capacity building for target groups (excluding UNDP), tailored to each partnership project - Knowledge management and evaluation	Sept06-Sept07	Country office and BRC	**US$120,000 (99,120 €)** Technical assistance and consultancy for development and execution of the training programmes. *Project assumes training programmes for 4 partnerships per country at cost of 5,000 USD per each programme* **US$ 15,000, (12,390€) –** Knowledge management and evaluation.

[27] Training schemes will include 'soft skills': stakeholder engagement, communication, negotiation, share learnings and 'hard skills': including tools to manage the legal process, manage risks and measure impact

TOTAL FEES					US$/€
Total (excluding management fee)					US$1,147,000 (947,422 €)
UNDP General Management Fee (according to UNDP global rules, @7%)					US$80,290 (66,319.54 €)
TOTAL BUDGET (USD) **TOTAL BUDEGT (EURO,** according to UNDP exchange rate, €-USD 0,826)					**US$1,227,290** **(1,013,741.54 €)**

7 DEVELOPMENTAL IMPACT OF PROJECT ACTIVITIES[28]

Main outcomes	Indicators	Estimated targets
Fostering SMEs growth will have positive outcome on employment, jobs creation, political stability and thus positively impact poverty reduction;	Number of women – entrepreneurs will increase; Number of new SMEs and new jobs will increase in the area of agriculture, finance, ICT, textile	For Russia and Ukraine: 20 SMEs per country For the remaining (Caucasus and Belarus) 10 per country 50% of these SMEs managed by women
Civil society organizations will be strengthened, adding to expansion and strengthening of democracy in the region; also, citizens' access to basic needed services and products will improve, specifically healthcare, education, water, clean energy, microfinance.	Number of active NGOs/CSOs will increase, number of successful applications to donors for funding will increase, number of social welfare services provision by NGOs/CSOs will increase.	For Russia and Ukraine: 10 new (activated) NGOs per country 5 new welfare services by NGO/CSO per country 10 new successful applications to other donors per country For remaining countries(Caucasus and Belarus): 5 new (activated) NGOs per country 5 new welfare services by NGO/CSO per country 10 new successful applications to other donors
Local municipalities managerial and organizational capacities will be strengthened	Introduction of new management and organizational procedures within municipal systems based on good practices learnt from business operations;	2 new organizational tools in Russia and Ukraine 1 new organizational tool in the remaining countries – per country (Caucasus and Belarus)
CSR will be promoted and adopted as practical tool for local business that builds their competitiveness on the world market in particularly capacity to compete on the EU markets	Number of companies that sign up to the UN Global Compact Number of companies that apply CSR management tools promoted by the EU	40 in Ukraine and Russia (per country) 20 per each remaining country except: 10 in Belarus

[28] Targets will be revised after conducting scoping missions

Regional collaboration will be enhanced through developing / implementing regional partnerships (targeting more than one country) – and thus further contributing to stability and peace in the region	Number of cross boarder partnership projects	4
Foreign direct investment will increase because the approach proposed in the project lowers risk and costs for companies' investments	$ volume of projected investments , assuming 2 short term strictly commercial investment in each country	Average USD 2 million per investment in Russia and Ukraine Average USD 1 million per investment in remaining countries
Capacity of partners from the three sectors to work in on the ground partnerships will be strengthened	Number of requests issued from government to NGOs/CSOs for provision of services	For Russia and Ukraine : 4 new requests per country from government to NGO/CSO community for economic/social research /cooperation For remaining countries: 2 new requests per country from government to NGO/CSO community for economic/social research /cooperation
Collaboration with the European Commission will be strengthened through dialogue and recommendations on effective CSR practices that are aligned with the countries needs and also follow the EC long term strategy for CSR/competitiveness;	Effective collaboration between the national governments and the EU in the context of EU Neighborhood Policy	2 new EU funded projects in Ukraine and Russia , per country 1 new EU funded project in remaining countries, per country