

Annex 3 - Action Fiche for Ukraine

1. IDENTIFICATION

Title/Number	Community Based Approach to Local Development (CBA) Phase II. <i>CRIS n. 2010/021-850</i>		
Total cost	European Union contribution €17 million UNDP parallel co-financing €0.5 million Beneficiary parallel co-financing €3.5 million in the form of cost sharing for community micro-projects from local authorities and local communities, financially or in kind estimation.		
Aid method / Method of implementation	Project approach – <i>Joint Management/ Contribution Agreement with UNDP</i>		
DAC-code	<i>15150</i>	Sector	<i>Democratic participation and civil society</i>

2. RATIONALE

2.1 Sector context

The level of income and the quality of public service delivery has been relatively poor in rural Ukraine. With the current global/national financial crisis this situation has worsened. The crisis has badly affected the living conditions of the people in rural Ukraine related to energy, health, water supply and environment (waste management, sanitation etc.). Moreover, the current budgetary system of revenue generation and resource distribution creates disparity between investments on large infrastructures versus communal infrastructures and between prosperous areas versus remote territories.

During the last decade, several programmes have been launched to overcome the legacy of the Soviet Union of a highly centralised system of policy, planning, budgeting and decision-making that is not geared towards accommodating the needs and priorities as perceived by citizens and local authorities. These programmes tried to actively involve citizens in local development. The responsibility for delivery of energy-related services and addressing local development problems has been given to self-governing local bodies in the spirit of the European Charter on Local Self-government. But lack of human and financial resources within these local authorities, especially those in remote/rural areas, makes it difficult to implement this new approach.

Ukraine meets about 50% of energy requirements from its own sources, half of which come from nuclear power plants. For the energy in deficit, it depends on Russia and other countries. The use of energy in Ukraine is not efficient due to old, worn out inefficient energy related communal infrastructures and inefficient behaviour of energy consumers. It is estimated that about one third of energy is lost annually due to this inefficiency. Thus, energy efficiency and ensuring sustainability of energy resources has been recognized as a top priority of state development policy in recent years.

The Community Based Approach to Local Development, Phase I (CBA I) clearly showed that many project proposals from the communities (55%) tackled energy efficiency. Energy efficiency issues are a major concern of the communities and should therefore be given special attention in Phase II of the Community Based Approach to Local Development (CBA II) project.

CBA II will make a critical contribution towards consolidating the process of participatory governance, bottom-up planning, sustainable local development which was initiated with CBA I and will ensure wider dissemination of the knowledge of community based approach.

Moreover, it will contribute to Eastern Partnership priorities such as governance, energy security and energy efficiency and to Association Agenda priorities, namely 1) Cooperation in Energy through the

promotion of energy efficiency on the community level, 2) Rural development by offering activities on development of rural communities and awareness raising in local authorities on modern community development models; 3) Regional development through facilitation of the dialogue between the regions, promotion of community development and decreasing the imbalance in development of the regions.

2.2 Lessons learnt

CBA I is under implementation since September 2007 and already showing positive impact and responses. The Annual Report (2009) of CBA I indicates that 1,089 community based civil society organisations have emerged: 262,480 households from 207 districts across the country are involved. These village level organisations have gained the logistic and legal capacity to manage the development of their communities. 1011 community development plans have been included in the development plans of the respective local authorities through joint decision-making. All district and regional authorities have established support structures at their level to allow for joint decisions (local communities, NGOs, private sector) concerning local development issues.

Through CBA I a favourable environment has been created to achieve (a) better health through improved health services and availability of clean water; (b) energy savings of 30-80% through the repair of heating systems, window insulation, roof repair etc.; (c) creation of employment opportunities at local level; and (d) improved education quality through school transportation and reduction of diseases caused by cold class rooms. Because of increasing ownership of the citizens of local development decisions, a general acceptance towards sustaining the service delivery through users' fees (or service charges) is also emerging. Change in attitude of authorities towards people's participation in development and confidence among citizens to open dialogue with authorities has been clearly demonstrated albeit this process needs continuation in order to achieve a long term behavioural change.

The latest (August 2009) Monitoring Report underlines that CBA I has received support by local communities and many regional/local authorities. Authorities of some oblasts are keen to incorporate the concept of community based approach as an important element of a local governance policy and system. This positive potential is expected to increase further through CBA II. During CBA II, the territorial scope will be widened to more communities and capacity building support will be intensified countrywide. The experience gained will help to further disseminate and consolidate local governance approaches and practices.

2.3 Complementary actions

EU Actions

CBA II, as presently CBA I, complements actions implemented on the national level through top-down approach by the Support to Sustainable Regional Development project and actions on the level of municipalities and regions by the Support to Sustainable Local development project.

Moreover, close liaison with activities foreseen in the Autonomous Republic of Crimea (ARC) and Sevastopol will be established in order to avoid overlap.

CBA II also complements other EU activities in the energy efficiency area on national level, namely -

a) Sector Policy support programme (EU contribution €70 million including TA)

CBA II would complement the Sector Support with small-scale actions on the local level and enhance building capacity of local communities and local authorities in energy planning and efficient energy use.

b) Support to the East European Energy Efficiency and Environment Partnership Fund (EU Contribution € 10 million)

The CBA II actions and grants on a grass-root community level will also complement the larger scale investment actions foreseen under the Support to the East European Energy Efficiency and Environment Partnership to improve energy efficiency in district heating.

Other Donors' actions

International donors such as United States Agency for International Development (USAID), Canadian International Development Agency (CIDA), Swedish International Development Cooperation Agency (SIDA) have been supporting community based development activities on a low scale in terms of geographical coverage. For example, the CIDA Regional Governance and Development Project (€3.3 million) works at both national and regional levels and assists the two pilot oblasts of Zaporizhzhia and Zakarpattia to plan and implement regional plans which represent citizen's views and needs.

2.4 Donor coordination

The Ukrainian Ministry of Regional Development jointly with the EU Delegation lead in the Donor Coordination Subgroup A 4 on regional development.

Activities of CBA I are reflected in a donor mapping study prepared by the EU funded Sustainable Regional Development Project, which aims to provide information to donors to reduce duplication, determine sector gaps, promote better synchronisation and facilitate partnership building between international donors and IFI(s) in support of Ukrainian Government's strategy. This mapping makes it very clear that CBA II, as presently CBA I, does not duplicate other donors' activities as none of the donors have a similar community development initiative.

Concerning ARC and Sevastopol, a region-specific UNDP led donor coordination instrument has been initiated to align donors' present and future actions in Crimea. Moreover, regular meetings with member States participating in the Joint Cooperation Initiative in Crimea (JCIC) ensure close coordination on all activities under it.

3. DESCRIPTION

3.1 Objectives

The overall objective is 'to promote sustainable socio-economic development at local level by strengthening participatory governance and community-based initiatives throughout Ukraine.'

This objective will be achieved by pursuing the following two purposes (specific objectives):

- ***Specific objective 1.*** Enable citizens on local level to take actively part in decision making concerning their communities through
 - integrating participatory and decentralised local development management mechanisms/structures for service delivery;
 - strengthening knowledge and institutional capacity of local communities, local authorities, civil societies, academia and other stakeholders;
 - supporting community-based self-help initiatives for sustainable rehabilitation, management and operation of basic social and communal infrastructure
- ***Specific objective 2.*** Enhance energy efficiency at local level through
 - building capacity of local communities and local authorities in energy planning and efficient energy use;
 - supporting community-based self-help initiatives for energy saving actions and rehabilitation of alternative energy sources;
 - raising public awareness on efficient energy based on practical experience at the grassroots

3.2 Expected results and main activities

CBA II will create a positive environment for partnership with stakeholders based on the principle of competition, joint decision-making and cost sharing. It will mobilise target communities and local authorities for collective and joint action. Appropriate support structures will be developed at community, district and regional level for this purpose. Capacity will be built at each level to enable target communities and local authorities to practice the norms of participatory governance and realisation of better service delivery in priority sectors. Priority sectors will be determined at the

beginning of project implementation but would ideally include the following areas: energy efficiency, medical services, water supply, local transportation, environment, economic development.

3.2.1 Expected results of Specific Objective 1

- Support structures for collective action and joint decision-making created/strengthened. This would be achieved through social mobilisation process - citizens of selected communities will be organised into community organisations, which will be trained and registered to serve as capable legal entity to participate in the local development process. The selected district authorities will be motivated to establish fora (or strengthen existing fora) for joint decision-making and resource mobilisation with participation of community organisations, village/city councils, local NGOs and private businesses.
- Environment created for sustainability of CBA principles and methodology. The partner regional and district authorities will establish/strengthen community resource centres, which will function with the support of government staff. To extend the scope of CBA experience and ensure the dissemination beyond the territory of local/regional partners, a centre will be established for collection, documentation and dissemination of community based development experience. Similarly, to instil CBA experience among civil servants and future generations, selected training centres and universities will be supported with training, curriculum development and other technical support.
- Enhanced skills and capacity among (community based) civil society organisations and local authorities. Various forms of skills enhancing activities including training, study visits, roundtables will be carried out focusing on decentralised planning, good governance and sustainable development.
- Improved delivery of basic communal services at local level including in the area of health, water supply and environment. Training and seed grants will be provided to community organisations to implement their priorities with community cost sharing and resource support from the local budget, CBA and private sector.

3.2.2. Expected results of Specific Objective 2.

- Increased capacity and awareness at local level on energy saving options and crosscutting issues. Capacity building using different tools. Crosscutting issues to be addressed are e.g. consumer awareness, gender, good governance. Synergy will be established with the ongoing EU/UNDP-supported projects on these cross-cutting issues. Their experience will be systematised and disseminated to the CBA partners at local level through various forms of information dissemination.
- Reduced energy loss and introduction of alternative energy sources ensured through trainings and seed grants that will be provided to selected community organisations for implementing community projects related with energy saving/alternative energy sources.
- Public awareness raised on efficient energy use and participatory governance. Policy recommendations produced based on practical experience at the grassroots' level will allow to spread energy saving/energy efficiency methods outside the initial coverage area of the project, drawing on competences developed in the communities themselves. During CBA II national debates, information dissemination and lobbying will be intensified.

3.2.3 Main Activities

Following activities are envisaged:

- Roundtables at regional and local level to familiarise with CBA II, its modality and terms of partnership;
- Selection of target areas (rayon, village/city councils, communities);
- Establishment of partnerships with local/regional stakeholders;

- Social mobilisation for creation of support structures (community organisations, local development forums (LDFs));
- Training/study visits and other support for institutional capacity building;
- Participatory planning and mainstreaming of community plans;
- Micro-project proposal preparation, appraisal, approval and funding of community projects (seed grant) in the agreed priority sectors (see 3.2.);
- Implementation and handover of community projects;
- Documentation on best experiences and policy recommendation;
- Establishment of knowledge management centre and institutionalisation of experience through curriculum;
- Raising public awareness on cross-cutting issues;
- Development of an exit strategy.

3.3 Risks and assumptions

Assumptions:

- Ukraine pursues its development objective in line with the spirit of the European Charter on Local Self-government;
- The Government continues cooperation with the European Union in order to improve energy efficiency

Risks:

- Stakeholders are not open to adopt CBA methodologies;
- Political instability weakens the support of local authorities;
- Global/national financial crisis makes co-financing impossible

Mitigation of risks can be achieved through:

- sharing of information about success stories of CBA I and promotion of direct contacts between communities (highlighting the CBA I success cases), peer-peer learning through study visits, ensuring effective functioning of LDFs and Oblast Coordination Councils (OCCs)
- intensive cooperation with local authorities on oblast level as well as involvement of members of the Steering Committee representing central structures on national level.
- possible revision of co-financing percentage for micro-grants

Sustainability:

Sustainability of CBA II is ensured if the communities and local governments continue to use a participatory approach in their decision making.

Communities will have been trained to actively participate in local decision making. Local authorities will have experienced the advantages of active involvement of their communities. During implementation of CBA I local governments and community organisations have repeatedly expressed their interest in continuing with this approach. Best practices are spread and create new demands. Many oblasts and community organisations intend to apply CBA methodologies independently or incorporate them in their development programmes in the future, when CBA I is over. The same result is expected for CBA II.

3.4 Crosscutting Issues

The following cross-cutting issues are directly targeted by the proposed action: poverty reduction, good governance, democracy and human rights, environment, climate change. The proposed action will also have a significant though indirect impact on the following cross-cutting issues: gender and integration into the world economy.

3.5 Stakeholders

The key stakeholders will be community based non-government organisations, local authorities (village/city/district/regional councils), state authorities at all level and implementing agencies, though indirectly, the community of donors. The project intervention will impact first and foremost on local communities and institutions (local/regional councils, district/regional state administration) involved in local development. A constant preoccupation will be the coherence between planning and local budget execution and control. CBA II will foster further development of community based organisations (NGO) and establishment of joint decision making mechanism at sub-national level. CBA I has demonstrated that local communities and local authorities appreciate and develop ownership for these structures. In general, institutional capacity building support will be required to enable the stakeholders to recognise and adopt methodology and principles promoted by CBA II.

4. IMPLEMENTATION ISSUES

4.1 Method of implementation

Joint management through the signature of a contribution agreement with UNDP.

UNDP is party to the Financial and Administrative Framework Agreement (FAFA) between the European Union and the United Nations. The Commission has ensured, on the basis of the prior audit conclusions as foreseen in article 53 d) of Council Regulation (EC, Euratom) No 1605/2002, that the management system set up by UNDP offers guarantees equivalent to internationally accepted standards in their accounting, audit, internal control and procurement procedures. Consequently, joint management with UNDP can be envisaged.

4.2 Procurement and grant award procedures

All contracts implementing the action are awarded and implemented in accordance with the procedures and standard documents laid down and published by UNDP.

4.3 Budget and calendar

Total cost of the Project will be €17.5 million. The estimated duration will be 48 months from the signature of the contribution agreement.

The financial contribution of the European Commission will constitute €17 million including €150,000 for evaluation, while €0.5 million will be co-financed by UNDP. Additionally, Ukrainian beneficiaries will contribute financially or in kind, as a part of their commitment and political support. It is estimated that communities will contribute at least 5% and local/regional authorities will contribute at least 25% of the cost on community projects. Besides, all the regional and district authorities will provide office premises and human resources to complement the project cost. This support is expected from 25 regions and 200 district offices of the country. Total (cash + non-cash) contribution from the local communities and local authorities is estimated to amount to about €3.5 million.

4.4 Performance monitoring

The monitoring of the day to day implementation will be carried out by UNDP under its standard procedures, based on benchmarks to be agreed with the project beneficiaries. It includes periodic assessment of progress and delivery of specified project results towards achievement of project objectives. Key indicators for performance monitoring will include such items as number of partnerships signed, community organisations formed, projects implemented.

4.5 Evaluation and audit

Mid-term and final evaluation of the project implementation will be commissioned by the European Commission (€150,000). Independent Project audits will be carried out by UNDP twice (once by year 2 and the other upon completion of the Project i.e. in the year 5 based on its standard operational procedure). Moreover, the project can – in agreement with UNDP – be proposed for internal audits.

4.6 Communication and visibility

Communication and visibility activities will be carried out under the framework of Joint Visibility Guidelines for EU-UN Actions in the Field and the EU Visibility & Communications Manual. The project will aim for a widespread dissemination of project achievements and results. On starting activities a communication and visibility plan will be prepared and submitted to the EU Delegation for approval, as per the EU Visibility & Communications Manual. Any events organised as part of or related to the project must include the participation of the contracting authority.