**Mid Term Evaluation**

**Strengthening SME Business Membership Organizations**

**For: UNDP Ukraine**

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#### List of Acronyms

BMO Business Membership Organization

CIPE Center for International Private Enterprise in Ukraine

DCCI Donetsk Chamber of Commerce and Industry

EU European Union

KMBS Kyiv Mohyla Business School

MEDT Ministry of Economic Development and Trade of Ukraine

MSME Micro, Small and Medium Enterprises

RFP Request for Proposals

SCO Swiss Cooperation Office

SECO State Secretariat for Economic Affairs, Switzerland

SME Small and Medium Enterprises

UNDAF United National Development Assistance Framework

UNDP United Nations Development Programme

# Executive Summary

The project, Strengthening Small and Medium Enterprises (SMEs) Business Member Organizations (BMOs), was initiated on 1 April 2015 by the UNDP with a cost sharing agreement with the Government of Switzerland and subsequent signature of the Project Document between UNDP and the Ministry of Economic Development and Trade of Ukraine on 27 August 2015. The project objective is to accelerate the development of the SME sector in Ukraine by strengthening the capacities of the BMOs, thus allowing for more effective operations and the sustainability of these organizations in the medium and long term. The project falls under the United Nations Development Assistance (UNDAF) outcome: sustainable economic growth and poverty reduction with the outcome of creating new economic opportunities particularly for the small and medium business sector as a result of enabling improvements in the business and investment environment, improved skills and better utilization of Ukraine’s scientific and innovation potential. And, the project is originally responsive to the UNDP Country Programme outcome on Reduction of poverty in rural areas through socio-economic development activities.

The midterm review was conducted from December 2016 to January 2017 to help evaluate activity to date and help project revision and planning to expected project termination on September 30th, 2018.

The midterm review was undertaken at a critical time in the project’s lifespan. The project had a delayed start but began full implementation quickly during the last quarter of 2015. The project team followed a methodical approach, per the project document, to select the target BMOs and interventions with those BMOs started soon thereafter. An UNDP-mandated upward salary adjustment has impacted the budget and allocations to project activities that will require future activity budget reallocations or additional budget resources. And, several factors have led to delayed interventions with the component Strengthening Key Governmental Actors. With the progress of the targeted BMOs, assisted by the project interventions, and the feedback from the BMOs and government stakeholders and planned focus of the government on SME development, there is an opportunity to make several mid-course adjustments. These adjustments can help accomplish the project objective that would ultimately help the target BMOs improve sustainability and improve government-private sector SME development efforts.

SME’s play a critical role in terms of private sector development as a major provider of employment, tax revenues, and economic goods and services. It is estimated that the SME sector accounts for 99.98% of the 1.97 million enterprises and entrepreneurs that were registered in 2015 with the remaining 0.02% (423) being large firms. Of the total number of SME’s, 15,510 are considered medium enterprises, 47,555 small companies and 1.9 million individual entrepreneurs.[[1]](#footnote-1)

The number of SMEs was actually reduced in the 2014-15 period given the economic decline and uncertainty caused by the changing governance situation as well as the military and security events in Crimea and Eastern Ukraine. However, the SME sector is a larger proportion of private sector activity compared to regional neighbors and the European Union (EU) average. Despite the importance and the perseverance of the SME sector, there is awareness that a more stable and facilitative business climate and policy environment is needed to help the number of businesses and related employment increase in numbers.

BMOs are a key element of the SME development strategy. BMOs are seen to perform a critical role in the support of SME development in terms of their member support functions for information gathering and dissemination, training, business support, and advocacy. The project was designed to accelerate the development of the SME sector by strengthening the BMOs to be self-sustaining business support service providers to members and to improve dialogue between the private and public sectors at the SME level. The project would implement this design by providing a tailored capacity development programme to selected BMOs to help improve their institutional, organizational, finance and advocacy capacities so as to attract new members, provide better services to members and facilitate a more active, responsive professional and policy-oriented dialogue between the public and private sectors. The end goal is to increase SME sector growth thus positively impacting employment, increasing profit and tax revenue.

The project approach was to target 7 selected BMOs throughout Ukraine and deliver a tailored capacity development programme. The project was broken down into four activities:

* + 1. Strengthening the organizational capacity of BMOs and good governance.
    2. Strengthening the service provision capacity of BMOs.
    3. Strengthening advocacy and intermediary capacity of BMOs.
    4. Strengthening key governmental actors.

The BMO’s were selected in a competitive RFP process that ended on 27 September 2015. The 7 selected BMOs cover different regions in terms of location and coverage with two having national coverage and the remainder regional coverage. There is also a mix of cross cutting and industry-specific BMOs. And, one is for women entrepreneurs and their businesses. The selection was followed by an in-depth assessment of each BMO in late 2015 into early 2016.

The project has made significant progress based on a review of project indicators and activities despite the delayed start date and some organizational issues such as the question regarding classification in the UNDP Country Programme and a mandated project staff salary increase. Project activities have been addressed per the project document’s Results and Resources Framework in a methodical manner in terms of conducting assessments and other necessary steps to plan and conduct the training and advisory services. The selected BMOs have benefited from the interventions to date and current and planned interventions will address gap areas that will further strengthen the BMOs. There is progress on BMO advocacy (Activity 3) to the public sector in terms of building BMO capacities and also conducting or participating in forums for such advocacy to take place. Strengthening key government actors (Activity 4) needs attention because of various factors outside the project’s control. This activity along with Activity 3, can be addressed in a slightly different manner to advance both advocacy and public-private dialogue while building capacity on the two sides of this communication equation.

The following table provides a summary of key conclusions based on the evaluation factors. The conclusions are further substantiated in the recommendations, below.

**Project Achievement Measurement Summary**

|  |  |
| --- | --- |
| **Evaluation Factors** | **Status** |
| Relevance | The project has proven relevant as originally envisioned in the project document. The selected BMOs are active participants and benefitting their own organizations as well as support to member SMEs. Relevance is expected to continue especially as the national government roles out a national SME Development Strategy (expected during the first half of 2017) and there is increased emphasis on SME development. |
| Interim Results | After a delayed start, the project has progressed rapidly since the selection of the 7 BMOs. Activities 1 and 2 are fully implemented with some ongoing activities planned for 2017. Activities 3 and, mainly, 4 need additional attention and probably some consolidation between the two activities. |
| Effectiveness | Key indicators are being achieved on a timely basis. The approach is working and could either be expanded to include other BMOs (if additional funds provided) or a next phase is planned. There could be some adjustments of how services to BMOs are delivered. Increased relationships and effectiveness is needed with government stakeholders- at the national level a government ‘buy-in’ is needed and providing support to the SME Development Strategy Implementation Plan drafting is an avenue to explore. |
| Efficiency | The delivery of services has been timely and procedural once staff and approvals were in place. Budget expenditure has matched activity implementation: Activity 1: 62% budget expenditure and all key activities implemented or ongoing; Activity 2: 42% budget expenditure and all activities implemented or ongoing- member satisfaction survey will add to effectiveness reading; Activity 3: 33% budget expenditure with some implementation but attention needed for remaining time period as planned by project staff; Activity 4: 2% budget expenditure with limited implementation and attention needed to find new avenues with public officials and streamline with other activities, especially Activity 3. |
| Capacity Transfer | Capacity transfer is underway in terms of BMOs receiving professional capacity development via formal classroom, dialogue meetings, teamwork efforts, coaching, etc. Project staff is gaining experience and even service providers are gaining experience and service models to provide to other BMOs and SMEs. |
| Views of Direct Beneficiaries | All 7 BMOs see the support, approach and services of the project as worthwhile and show by actively participating. Government view is positive but can be further improved through practical cooperation. |
| Project Outlook | The project outlook is generally positive. It is necessary to address the budget issue immediately so that the project can be completed in its planned timeframe. Consideration could also be given to expanding the project or viewing it as a pilot phase for additional assistance to SMEs. |

The main recommendations of the study are outlined below. Evaluation findings, lessons learned and conclusions are contained in the main body of the report.

***Project Classification***

UNDP has provided management, administrative and technical support to the project effort that has contributed to project success to this time. Given the preparation of the new UNDAF and UNDP Country Programme documents it is important for the project to have a proper “place” in regards to its role in the UN’s and Ukraine’s development effort as well as to find synergies with other similar interventions.

SME development fits into UNDP’s poverty reduction framework given SMEs key role in enterprise formation, job and wealth creation. And, given the fact that SME’s play a critical role in Ukraine’s economy, even in comparison to neighboring and European countries, the emphasis on poverty reduction can even be enhanced.

There are various entry points for which the project can be integrated in the currently contemplated UNDAF and UNDP Country Programme Frameworks. The main question is: should the project just fit into the contemplated framework or should a new wholesale approach be considered to facilitate SME development? If UNDP is interested in enterprise and entrepreneurial development, the following elements would make up more of a programme approach:

* Women entrepreneurial development in urban and rural areas- concentrating on new business start-ups and facilitating micro enterprises to advance to SME status.
* Innovation and technology transfer- help Ukrainian micro and SME businesses promote technological and business innovations, especially those that facilitate exports, and attract foreign and domestic investments.
* Continued BMO strengthening- to use BMOs as “multipliers” to advance SME and private sector development.
* SME development in crisis and recovery geographical areas- special attention to SME development through BMOs and other multipliers to provide facilitation to business start-ups or existing businesses in recovery areas. The experience of the DCCI can be used and enlarged upon. Other national BMOs and donor efforts can collaborate on such an effort.
* SME Development Strategy Action Plan- support to help the MEDT draft the action plan, along with other donor support, so there is a practical plan that is actionable and can be monitored and periodically evaluated. This effort would also require some input from BMOs to help the government create/improve its own mechanisms for SME development.

Such a programmatic effort would require additional scoping and details, as well as acceptance by the government and collaboration with other donors or entities active in the SME sector. UNDP has the expertise to help make this happen.

***Budget Revision***

The budget issue must be addressed as soon as possible. Failure to address the issue will result in staff having to be reduced since those budget lines are almost exhausted. The bottom-line is that there is a 20% shortfall based on an administrative change, not based on poor project performance or poor budget management. There are 2 main options for UNDP, SECO and MEDT to consider:

1. Specific Budget Reallocation- Reallocate staff time to the delivery of activities. Each activity budget segment has training, coaching advisory and other sub activities. The project staff, namely the Project Manager and 2 activity managers had possessed or have developed competencies where they can undertake more of these roles themselves rather than to contract them out to other services providers. This approach would keep all activities on time and on budget and not reduce project outputs or the timeline.
2. Budget Increase- UNDP, SECO and potential donors may want to consider increasing the project budget given that the change was an administrative requirement. If a budget increase is contemplated it should be done in consideration with the recommendations in Section IV.C, below.

Option 1 should be addressed immediately. There is the possibility to consolidate budget lines and include project staff in the execution of various activities, where applicable, that would have a limited impact on activities and expected results. More detailed scoping and budgeting would be needed than that provided in this midterm evaluation. At the same time, the budget should be increased to cover staff salaries until the end of the project. If additional funds are provided, the adjustments identified below should be considered as well.

***Piecemeal or Wholesale Adjustments?***

Given the progress of the project to date, the project can continue on its present course to most likely a successful completion if the budget issue, addressed above, can be resolved. There are also opportunities to revise the project so that the success to date, achieved in a relatively short period of time, can either be sustained or replicated. The following are the elements that are needed for stakeholder contemplation and some ideas for a way forward.

***Adopt A Menu of Services, Introduce a Small Grant Scheme and Add BMOs***

The project should consider preparing a “menu of services” available to the selected BMOs. The menu would address the competencies needed for member service provision. Each member would identify 1-3 areas where it wants its competence to be strengthened. The project could address these areas in the most cost efficient way: for all if all members selected the same areas: in smaller groups for those competencies that only involve several BMOs and possibly individually if the capacity building could be very targeted and short term. This approach would also allow project staff to provide the more tailored training that may help to resolve the budget issue since they could be delivering the capacity building.

To further address BMO service development, if funding is available and stakeholders are interested, the project could introduce a small grant programme to help BMOs enhance their service capacity. It is not recommended that grants be made for management or administrative functions since the aim would be to improve member services. The grant programme would be targeted and grants would be made on a competitive basis based on proposals for discrete developmental service activities.

The project has made much progress in developing standard methodology and service provider relationships for training and advisory services. Given a smaller investment then the original implementation, it should be considered if 3-5 additional BMOs are added to the project if the budget is increased. Since the training and advisory services have already taken place there will be economies of scale effect. Moreover, a ‘menu of services’ will help to provide a more tailored approach in building the capacity of additional BMOs.

***Advocacy Strengthening on Both Sides of the Equation***

Both sides- the government and the BMOs- of the advocacy communication equation must have the capacity and processes for successful advocacy to take place and so SME concerns, issues and ideas can be integrated into the policy making process. There are two possible ways to help advance both actual advocacy and enhance capacity development:

1. Cluster Advocacy Around Specific Issues- The project has had some success facilitating BMOs and government entities for round table discussions on several topics. After consulting with the selected BMOs, the project staff can identify a few key topics and, with the relevant government counterparts, propose a series of round table discussions on these priority issues. Such an approach will give the BMOs a chance to apply the advocacy training they have developed, allow project staff (or others) to do any coaching, as needed, and provide input to the government policy making process. The government counterparts may also benefit by either realizing their shortcomings and/or gaining experience of dealing with the BMOs in real life circumstances. A selected BMO (or group of BMOs or other partners) can take the lead to organize such discussions.
2. SME Development Strategy Action Plan- There is a current opportunity for the project to be a catalyst for BMO and SME input into the SME Development Strategy Action Plan. Such a step may require a project revision so the activity can be added. Additionally, the project has acquired the necessary knowledge that can contribute information in a realistic way that can make the action plan responsive to SME needs. The UNDP has a comparative advantage in providing monitoring and evaluation system design and implementation for such plans. The MEDT has expressed interest in such support. Any support would have to be made in cooperation with other donors acting in this area.

***Summary: Reconfiguring the Project to Meet Future Needs***

As a result of the above analysis, there is an obvious need for some midterm adjustments. The main issue is the budget resolution followed by how the project will fit into the UNDP’s development efforts in the future- as a single stand-alone private sector development effort or a more programmatic approach with various related activities.

If there is the possibility of additional donor funds to the project to cover the current shortfall (currently estimated at 20%) and possibly additional funds (another 15-20%), the project can be adjusted to have a slightly larger impact and provide more sustainable results in the future. The additional 20% would cover the current budget shortfall so that activities and performance would not be impacted. The additional funding (15-20%) would be to: 1) add 3-5 BMOs to those already being provided services; 2) establish a small grant programme; and 3) provide assistance for sustainable BMO strengthening support services after project ends.

The following is a thumbnail sketch of the elements of the project adjustment.

*Menu of Services*

The project staff should come up with a ‘menu of services’ that the participating BMOs can select from to help support their development activities. The selected services should be limited per BMO and be in line with their capacity development plans and their absorptive capacity. The menu (and support interventions) would then be available to the other BMOs possibly added to the project. To formalize the menu, the MoUs signed with the BMOs can be amended to identify the exact capacity development services to be provided.

*Strengthening the Advocacy Component*

The advocacy related components (Activities 3 and 4) need attention and can be streamlined. This recommendation should be considered even if there is no budget adjustment or a limited budget adjustment. More in-depth discussions are needed with MEDT to elaborate on what type of project support could be provided for SME Development Strategy action plan preparation and implementation. The project’s and UNDP’s experience and practice in monitoring and evaluation of progress in achieving the strategic goals should be an entry point as well as the input and facilitation in strategy implementation that could be provided by the BMOs.

*Introducing a Small Grant Programme*

If additional budget resources are provided (over the 20%), stakeholders should consider that a small grant programme be added to the project.

*Sustainable BMO Strengthening Services*

The project staff has developed relationships with various capacity development providers in Ukraine. The relationship with KMBS is an example as is the potential relationship with the training/advisory service provider on PR and communications for BMOs, national Chamber of Commerce and Industry, and others. One of the objectives for the project’s remaining time would be to work with these entities so that they can provide capacity-building oriented services directly to the BMOs. These would most likely have to be fee-for-service arrangements so that these entities have a non-donor revenue stream to provide these services. The project can facilitate developing such arrangements that would make the capacity development services more market-oriented and more long-term after project completion.

*Adding Selected BMOs*

The initial BMO analysis covered 7 BMOs, while some other BMOs were added on a reserve list. Given the progress made with the 7 BMOs and experience gained so that they are being addressed in a very systematic and procedural way, if additional funds are provided to the project, it should be expected 3-5 new BMOs to be added to the project. These BMOs would go through the same assessment and training efforts already designed by the project, but more efficiently. The new BMOs could also gain from the experience of the current set of BMOs. If additional BMOs are added, the project timeline should be extended by at least 3 months to allow a full cycle of assessment and capacity development activities to take place.

# Introduction

The United Nations Development Programme (UNDP) initiated the project, Strengthening Small and Medium Enterprise (SME) Business Membership Organizations (BMOs), on 1 April 2015 with a cost sharing agreement with the Government of Switzerland.[[2]](#footnote-2) The project objective is to accelerate the development of the SME sector in Ukraine by strengthening the capacities of the BMOs, thus allowing for more effective operations and the sustainability of these organizations in the medium and long terms.[[3]](#footnote-3) The project falls under the United Nations Development Assistance (UNDAF) outcome: sustainable economic growth and poverty reduction with the outcome of creating new economic opportunities particularly for the small and medium business sector as a result of enabling improvements in the business and investment environment, improved skills and better utilization of Ukraine’s scientific and innovation potential. The project fall under the UNDP Country Programme outcome of reduction in poverty in rural areas through socio-economic development activities.

The midterm review was conducted from December 2016 to January 2017 to review activity to date and help project revision and planning to expected project termination on September 30th, 2018. The main objective of the assignment was to conduct the project evaluation with the aim to assess the relevance, effectiveness, efficiency, visibility, potential impact and sustainability of the project and its development approach. The assignment Terms of Reference are provided as Annex A.

The midterm review was undertaken at a critical time in the project lifespan. The project had a delayed start but began full implementation quickly during the last quarter of 2015.[[4]](#footnote-4) The project team followed a methodical approach, per the project document, to select the target BMOs and interventions with those BMOs started soon thereafter. An UNDP-mandated upward salary adjustment has impacted the budget and allocations to project activities that will require future activity budget reallocations or additional budget resources. And, several factors have led to delayed interventions with the component Strengthening Key Governmental Actors. With the progress of the targeted BMOs, assisted by the project interventions, and the feedback from the BMOs and government stakeholders and planned focus of the government on SME development, there is an opportunity to make several mid-course adjustments. These adjustments can help accomplish the project objective that would ultimately help the target BMOs improve sustainability and improve government-private sector SME development efforts.

The context of the project was also impacted, and has had to take into consideration, the regional instability in Eastern Ukraine during project start-up and implementation. The evaluation is also timely as a new UNDAF was being formulated at the time of the review and a new UNDP country programme document was also under formulation.

The primary target audience of the review is UNDP management, SECO, MEDT and the project team. The review is an effort to help these key parties observe the progress of the intervention and what needs to be adjusted so that the time and resources allocated can meet the objective of the intervention. The project team has tracked progress and has identified several mid-course corrections and these corrections were reviewed as part of the midterm review. One of the indirect objectives of this midterm review is to keep those interventions that have been progressing well and adjust others with the ownership and participation of all stakeholders aimed at a successful project completion.

The review was undertaken with a desk study of project-related documents, an in-country visit (11-18 December 2016) for stakeholder interviews and discussion, information and data compilation and analysis, and report preparation. The assignment was facilitated by inputs and discussion with the project team, UNDP Country Office, MEDT, SCO, the BMOs included in the project, and other business support entities in Ukraine. A list of those interviewed is provided as Annex B.

This document contains 4 main parts starting with the introduction. Part II aims to place the project into the context of the development need and the approach and methodology of the review. Part III contains the main findings, lessons learned and conclusions from the information analysis and discussions. Part IV is an attempt to identify the main recommendations that could provide guidance to the key stakeholders to make the necessary adjustments for successful project implementation.

The Evaluator would like to thank the project team for their collaboration and coordination of the assignment. The assignment was implemented in a short time frame but the efforts with the project team to provide the necessary documentation, coordinate meetings, and provide insights helped to make the assignment proceed smoothly, especially for the in-country visit. The Evaluator would also like to thank the UNDP Country Office for their support and insights, including the UNDP Deputy Country Director and the Monitoring and Evaluation unit. The MEDT representative, SCO representative, BMO and other Ukraine-business support representatives were open and frank in their discussions with the Evaluator. The input has proven very helpful not only to provide a base of information but share information to help the project be responsive to the current and medium-term needs of the Ukraine SME community.

# Background

## Development Context and Description of Intervention

SME development must first be placed in the context of Ukraine’s economic development history and current situation. Since gaining the independence, Ukraine’s economic development has been marred by political and, recently, military crisis occurring in 2014 with social and political upheaval and Russian aggression in the Crimea and Eastern Ukraine. Gross Domestic Product fell by 6.6% in 2014 and 9.9% in 2015. Inflation (measured by the Consumer Price Index) increased by 24.9% in 2014 and 43.3% in 2015. Initial indicators for 2016 show a more stable economic environment with increases in capital investment, increased foreign direct investment and a more stable inflation rate. Despite a more stable environment, unemployment remains high at around 10%.

It is estimated that the SME sector accounts for 99.98% of the 1.97 million enterprises and entrepreneurs that were registered in 2015 with the remaining 0.02% (423) being large firms. Of the total number of SME’s, 15,510 are considered medium enterprises, 47,555 small companies and 1.9 million individual entrepreneurs.

SME’s play a critical role in terms of private sector development as a major provider of employment, tax revenues, and economic goods and services. It is estimated that the SME sector accounts for 99.98% of the 1.97 million enterprises and entrepreneurs that were registered in 2015 with the remaining 0.02% (423) being large firms. Of the total number of SME’s, 15,510 are considered medium enterprises, 47,555 small companies and 1.9 million individual entrepreneurs. [[5]](#footnote-5)

The number of SMEs (except for micro-enterprises) was actually reduced in the 2014-15 period given the economic decline and uncertainty caused by the changing governance situation as well as the military and security events in Crimea and Eastern Ukraine. As an example, in 2015 compared to 2013, the number of large businesses declined 36% and medium businesses 19%. Excluding the Donbas region and Crimea, the reduction was 27% for large business and 11% for medium businesses. At the same time, the number of microenterprises grew in 2014 and 2015 resulting in an overall expansion of the SME sector.

The SME sector is a larger proportion of private sector activity compared to regional neighbors and the European Union (EU) average. For example, SMEs make up 99.98% of all business formations compared to 99.80% for Poland and 99.80% for EU average. The proportion for micro enterprises is larger compared to Poland and the EU while the proportion of small and medium enterprises is less than Poland and EU numbers. More significantly, SMEs in Ukraine account for 79.1% of all employment while for Poland and the EU they only account for 67.8% and 66.9%, respectively. The most important difference is the proportion for medium enterprises that employ 32.2% of the workforce compared to 18.2% for Poland and 17.3% for the EU. Business turnover is also higher for Ukraine SMEs with SMEs accounting for 63.0% of business turnover compared to 55.8% for Poland and 47.2% for the EU.

SMEs are disbursed throughout the country except for a disproportionately high amount in Kyiv (the capital) and a reduction in the Donbas region because of the ongoing conflict.

Although there is no gender discrimination in legislation, women account only for 27.4% of all employers and 42.5% of the self-employed. There are no specific policies aimed at female entrepreneurship partly because there is not a perceived gender imbalance although there is an awareness of the need for more opportunities for female entrepreneurship through awareness raising and other efforts such as targeted business development services.

Despite the importance and the perseverance of the SME sector, there is awareness that a more stable and facilitative business climate and policy environment is needed to help businesses and related employment to grow. Ukraine has traditionally had a problematic business operation environment. The situation is indicated by Ukraine’s ranking in the World Bank’s Ease of Doing Business index. The ranking is now 80th in 2016 compared to 152nd in 2012. It is an improvement, but Ukraine is still significantly below its regional peers. There is ample evidence that the business and policy environment can be improved, as indicated in MEDT and donor received feedback from the business community and internal and external surveys.

Some of the key problems are[[6]](#footnote-6):

* access to credit and investment;
* taxation and customs;
* low labour productivity;
* legal/regulatory framework for business formation/entry, business exit, contracts;
* low levels of foreign direct investment attraction and limited development of export-oriented investments;
* budget constraints to facilitate creating the necessary business and policy environment;
* high level of the shadow economy;
* lack of economic diversity; and
* corruption.

In response, the MEDT is planning to taking on a more coordinated approach to SME development with formulation of the SME strategy and accompanying implementation that is currently ongoing. The main elements of the strategy are:

1. Improve the regulatory, institutional and business environment,
2. Improve access to finance,
3. Simplify tax administration,
4. Promote entrepreneurial culture and develop competitive human capital and skills,
5. Promote SME exports, and
6. Facilitate SME competitiveness and innovation.

BMOs are a key element of the strategy. BMOs are seen to perform a critical role in the support of SME development in terms of their member support function for information gathering and dissemination, training, business support, and advocacy. A Chamber of Commerce network exists with a national chamber in Kyiv and 25 affiliates throughout the country. According to the project document, there are a total of 3,902 business advisory organizations and 1,720 public association including BMOs. The project identified 99 BMOs through an open call for expression of interest in 2015. All of them responded to a detailed questionnaire, which helped to identify the strengths and weaknesses of Ukrainian BMOs.

The project was designed to accelerate the development of the SME sector by strengthening the BMOs to be self-sustaining business support service providers to members and to improve dialogue between the private and public sectors. The project would implement this design by providing a tailored capacity development programme to selected BMOs to help improve their institutional, organizational, finance and advocacy capacities so as to attract new members, provide better services to members and facilitate a more active, responsive professional and policy-oriented dialogue between the public and private sectors. The end goal is to increase SME sector growth thus positively impacting employment, wealth generation and tax revenue.

While the draft MEDT SME strategy sets a coordinated vision for the sector, past government-private sector coordination and communication has been weak. While some of this can be attributed to the changing governance environment and civil and military strife, some is because of weak institutions- of both the public and private sectors, or inadequate channels of communication and advocacy. For instance, state “support” of the SME sector is seen as weak. However, it is difficult to exactly define what “support” means. And, the word “support” took on different definitions during the stakeholder interviews. As indicated in the project document and in other documents and discussions, support could simply mean adjusting the legal and regulatory environment so there is a clear, efficient and transparent process for enterprise entry and exit, improvement of competitiveness through a transparent and incentivizing tax regime, facilitative investment and export strategies, and providing access to business finance and investment. In this context, such “support” does not mean subsidizing enterprises (BMOs or commercial enterprises) or providing the finance or investment directly from the public to the private sector. “Support” also doesn’t mean that government is responsible for attracting foreign direct investment or developing sector export strategies though it can create the facilitative framework with the collaboration and input of the private sector.

BMOs are seen as an intermediary between the public and the private sector. As indicated in the project document, BMOs are able to: 1) articulate the problems and wishes of their membership to the government; 2) facilitate self-regulation of their members; and 3) promote SME growth through facilitation or direct provision of selected demand-driven services to entrepreneurs and through advocacy aimed at creating a better business environment.

However, the project document properly defines the weaknesses of BMOs. They include:

* Weak financial sustainability- BMOs may not have enough members or provide sufficient services to be self-sustaining.
* Very low representation- BMOs may not have enough of a cross cutting number of sector, trade or regional members and thus may not be seem as representational.
* Organizational weakness- A BMO may be dependent on one leader or does not adhere to standard business organizational, operational and business practice frameworks that make them challenging to sustain.
* Low government prioritization of SMEs- The national, provincial and local governments have limited capacity and understanding to work with BMOs and, thus, SMEs because of lack of BMO advocacy capacity and lack of government outreach.

At the national level, the MEDT is the main body to deal with SME policies. Within the MEDT, the Entrepreneurship Development and Regulatory Policy Department has overall policy responsibility for SME policy development. Other departments within MEDT are also involved, as are other national entities. The other entities include the State Regulatory Service that reports to the Cabinet of Ministers and various councils that do involve civil society and private sector participation. The councils are mandated to monitor and review legislation, lobby for better policy solutions, and to serve as a platform to consult and interact with the private sector. The most recent SME targeted effort at the national level was the 2012 Law on Development and State Support for SMEs along with the National Programme for SME Entrepreneurship 2014-20.

Donor efforts to facilitate private sector development have included those of the U.S. Agency for International Development, European Bank for Reconstruction and Development, European Union, German GIZ, Swiss Agency for Development Cooperation, Danish Ministry of Foreign Affairs and others. The EU-Ukraine Association Agreement (provisionally applied since November 2014) and its key component, the Deep and Comprehensive Free Trade Area (provisionally applied since January 2016), are key driving forces to help trade liberalization and regulatory harmonization, amongst other market reforms.

The project objective and development focus was indicated in the Introduction, above. The project approach was to target 7 selected BMOs throughout Ukraine and deliver a tailored capacity development programme. The project was broken down into four activities:

1. Strengthening the organizational capacity of BMOs and good governance.
2. Strengthening the service provision capacity of BMOs.
3. Strengthening advocacy and intermediary capacity of BMOs.
4. Strengthening key governmental actors.

The BMO’s were selected in a competitive process that ended on 27 September 2015. A total of 99 applications were received. An initial screening resulted in 82 applications considered technically valid. Key evaluation criteria were established to evaluate the applications. The Evaluation Committee consisted of the MEDT (Director, Department of Entrepreneurship Development and Regulatory Policy), Swiss Cooperation Office of Ukraine, CIPE Director and UNDP.[[7]](#footnote-7)

The BMOs cover different regions in terms of location and coverage with two having national coverage and the remainder regional coverage. There is also a mix of cross cutting and industry-specific BMOs. And, one is for women entrepreneurs and their businesses. The following BMOs were selected:

1. Ukrainian Association of Furniture Manufacturers (Kyiv, covers all Ukraine)
2. Chernihiv City League (Club) of Business and Professional Women (Chernihiv, Northern Ukraine)
3. Association for Promotion of Rural Green Tourism in Ukraine (Kyiv, covers all Ukraine)
4. Interregional Union of Poultry Farmers and Fodder Manufacturers of Ukraine (Kharkiv, Eastern Ukraine)
5. Entrepreneur’s Union “Stina” (Vinnytsia oblast, Central Ukraine)
6. Business Community Club (covers/operates in Western Ukraine)
7. Donetsk Chamber of Commerce and industry (Donetsk oblast, government-controlled area, Eastern Ukraine).

The selection was followed by an in-depth assessment of each BMO in late 2015 into early 2016.[[8]](#footnote-8) A full breakdown of each of the project’s four components by indicative activity, result or status and issues is provided as Annex E. A table of intended outputs and their targets (baseline and current status is provided as Annex D. A table of key project BMO indicators (intervention start compared to December 2016) is provided as Annex F. A table of the status of the project’s logical framework for 18th months is provided as Annex I. Further analysis of project performance is provided in Sections III and IV.

The project has a project office consisting of a project manager, BMO development coordinator, advocacy and government component coordinator and project associate. Consultants and other entities assist the project staff to conduct assessments and provide training as indicated in Annex E and further outlined in Sections III and IV. The project has a budget of $1,053,723 with $980,223 provided by the SECO in three tranches and $73,500 provided by UNDP. The current budget status is provided as Annex G. Possible budget revisions are identified in Sections III and IV.

## Midterm Evaluation Scope and Objectives

The midterm evaluation took place December 2016 to January 2017 to review project performance from inception to December 2016. The main objective of the evaluation is to review the project progress against the initial project document and associated work plans and provide recommendations to adjust project activities, as needed, as well as inform the process of midterm budget revision. All 4 project activities were reviewed. As indicated in the evaluation Terms of Reference, the midterm evaluation should be focused on the following:

* + 1. The continuing relevance of the project (approach, objectives, modalities of implementation, etc.);
    2. The interim results with regard to the indicators of progress;
    3. The effectiveness of the approach being used to produce these results;
    4. The efficiency of project management, including the delivery of inputs in terms of quality, quantity and timeliness; and the monitoring system;
    5. The transfer of capacity to the nationals;
    6. The views of the direct beneficiaries on the preliminary outcomes and on the consultative process taking place for the project.
    7. Outlook on achieving project impact and sustainability of results.

After reviewing project progress and issues, Sections III and IV will provide information on how the project is responding to the 7 criteria indicated above. In addition to the criteria, the Evaluator prepared a list of questions that were asked of each stakeholder. The questions are further discussed in Section II.C. The questions were used to receive comparative information from the main stakeholders.

The target audience for the evaluation are the main contributors to the project: SECO and UNDP, direct stakeholders (MEDT and the 7 BMOs), project management and staff, and other donors either providing support to the SME sector or contemplating providing support. The evaluation can also be used as an input to the draft government SME development strategy.

## Evaluation Approach and Methodology

The midterm evaluation approach and methodology was based on: 1) a review of relevant documents; 2) interviews of the main stakeholders; 3) collection of data on the SME sector in Ukraine and project activity from inception to December 2016; and 4) analysis of the information gathered.

The documents reviewed mainly included a collection of project-related documents to include the project document (and attachments), project quarterly and other reports, project planning and monitoring documents, project outputs (BMO assessment, etc.), terms of reference of contracted-out training and advisory services, and project budgets (original, status and possible revisions). The draft government SME strategy provided a current and relevant description of Ukraine’s SME sector within the current political and economic environment, including the role of BMOs and an indication of the government’s policy interest for future SME sector development. Other donor documents were also reviewed.

The in-country visit (11-18 December 2016) focused mainly on interviews with the 7 BMOs, UNDP, SECO, MEDT, other donor projects and project management and staff. A set of questions was formulated for the discussions with the 7 BMOs so consistent information could be obtained from each and compared. Other key interviews were held with the national Chamber of Commerce and Industry for Ukraine; Kyiv-Mohyla Business School (KMBS), a main provider of training for the BMOs sponsored by the project; and the Commercial Law Center (formerly fully donor supported and currently partially donor supported).

Data collection included relevant project information and indicators regarding project performance as well as BMO performance from project inception to December 2017. The information was collected in the following tables:

* Intended Outputs and Output Targets per the project document (baseline, current and status).
* BMO recommendations incorporated into Ukraine’s reform process (November 2015- December 2016) organized by BMO and description of initiative.
* Progress on the Results and Resource Framework by Project Activity identifying indicative Activity, Result or Status, and Issues.
* Summary data on BMO Organizational Capacity Assessment by BMO with baseline data as of March 2016, compared to data obtained in December 2016-January 2017. The data includes key BMO indicators, financial stability indicators and advocacy indicators. The BMO member satisfaction survey was underway[[9]](#footnote-9) during the evaluation but will not be completed for the midterm evaluation.
* The Status of the Project’s Logical Framework for 18 months.

The tables are either incorporated into the report or provided as annexes. The data was used for the assessment conducted for Sections III and IV. All findings, conclusion, lessons learned and recommendations are based on the data obtained either from the documents reviewed, interviews and/or data collection. Often, these evaluation outputs were verified by more than one source of information so as to provide a solid foundation for any recommendations that have resulted. The project management and staff were helpful in updating the tables to the current time period. The BMOs also contributed by updating their own performance information. This later point is important given their active participation in the project and interest in monitoring their own performance and results of the project interventions.

# Findings and Lessons Learned

## Overview

The purpose of this section is to identify the findings, lessons learned and conclusions based on the data gathered for the evaluation. The findings, lessons learned and conclusions are grouped together per topic or issue so as to fully address the topic or issue. The overall or cross cutting topics or issues are categorized in the “overall” subsection below. That subsection is followed by groupings of findings, lessons learned and conclusions by activity area. The purpose of the grouping is to lead to recommendations in Section IV.

The following table provides a summary of key conclusions based on the evaluation factors formally discussed in Section II.B. The conclusions are further substantiated in this section and in Section IV.

**Table 1: Project Achievement Measurement Summary**

|  |  |
| --- | --- |
| **Evaluation Factors** | **Status** |
| Relevance | The project has proved relevant as originally envisioned in the project document. The selected BMOs are active participants and benefitting their own organization as well as support to member SMEs. Relevance is expected to continue especially as the national government roles out a national SME Development Strategy (expected to be finalized in the first half of 2017) and there is increased emphasis on SME development. |
| Interim Results | After a delayed start, the project has progressed rapidly since the selection of the 7 BMOs. Activities 1 and 2 are fully implemented with some ongoing activities planned for 2017. Activities 3 and, mainly, 4 need additional attention and probably some consolidation between the two activities. |
| Effectiveness | Key indicators are being achieved on a timely basis. The approach is working and could either be expanded to include other BMOs (if additional funds provided) or a next phase is planned. There could be some adjustments of how services to BMOs are delivered. Increased relationships and effectiveness is needed with government stakeholders- at the national level a government ‘buy-in’ is needed and providing support to the SME Development Strategy Implementation Plan drafting is an avenue to explore. |
| Efficiency | The delivery of services has been timely and procedural once staff and approvals were in place. Budget expenditure has matched activity implementation: Activity 1- 62% budget expenditure and all key activities implemented or ongoing; Activity 2: 42% budget expenditure and most activities implemented or ongoing- member satisfaction survey will add to effectiveness reading; Activity 3: 33% budget expenditure with some implementation but attention needed for remaining time period as planned by project staff; Activity 4: 2% budget expenditure with limited implementation and attention needed to find new avenues with public officials and streamline with other activities, especially Activity 3. |
| Capacity Transfer | Capacity transfer is underway in terms of BMOs receiving professional capacity development via formal classroom, dialogue meetings, teamwork efforts, coaching, etc. Project staff and service providers are gaining experience and service models to provide to other BMOs and SMEs. |
| Views of Direct Beneficiaries | All 7 BMOs see the support, approach and services of the project as worthwhile and show by actively participating. Government view is positive but can be further improved through practical cooperation. |
| Project Outlook | The project outlook is generally positive. It is necessary to address the budget issue immediately so that the project can be completed on time. Consideration could also be given to expanding the project or viewing it as a pilot phase for additional assistance to SMEs. |

## Findings, Lessons Learned and Conclusions

### Overall

#### 1. Indicator Measurement and Performance

*Findings*

The project has made significant progress based on a review of project indicators (Annex D, F and I) and activities (Annex E) despite the delayed start date and some organizational issues such as the question regarding classification in the UNDP Country Programme and a mandated project staff salary increase.

According to project indicators (Annex D), even though the project has only engaged with the 7 selected BMOs for about 8 full months, each indicator has shown progress to date. For example, BMO membership has increased by 11.7% for all BMOs with 4 BMOs increasing membership and 3 with decreasing membership. A closer look at the membership numbers by BMO, as shown in Annex F, show that there were fluctuations within each BMO as they cleaned out their database and membership roles and some undertook marketing efforts or membership drives. The project has helped to bring membership costs and servicing to the forefront of their organizational planning and execution. The BMOs have also increased the amount of support they receive from membership fees- the lifeblood of any business organization- by 14% points as paying members increased by 9% points and BMO budgets increased by 15% points. More income is also being generated by the provision of support services to members. Both membership increases and income increases improve organization sustainability.

Services to female entrepreneurs have been addressed by including one women membership organization (Chernihiv City League of Business and Professional Women) and another BMO, DCCI, adding a committee to provide services directed at female entrepreneurs. The Chernihiv City League has increased membership numbers from 55 in March 2016 to 108 in December 2016.

The data relating to the number of BMO members receiving business development services and percentage of BMO members satisfied by the services is not known compared to the baseline data. The BMOs, with project support and survey training provided, is updating the customer satisfaction survey but the results will not be ready for the midterm evaluation. When the data is ready comparisons to the benchmark data obtained from the initial BMO assessments can be made.

Advocacy of SME proposals to government entities has progressed because of a variety of interventions such as training meetings sponsored by the project and awareness raising. 20 proposals were submitted by the BMOs to government entities at the local, provincial and national levels with 7 having a direct impact (40 is end-of-project target). Zero were submitted for women entrepreneurs (target 10) though there has been some advocacy by the Chernihiv City League on at least one relevant issue (child care at the local level). A total of 40 new stories were created (target 50) about BMO development and BMO-government interaction.

The number of national and regional authorities in dialogue with the SME sector has progressed minimally. There were 3 main points of such dialogue (2 national and 7 regional authorities are the targets). There is a recognized weakness in this area for a variety of reasons, as described below. There is opportunity as the BMOs strengthen their knowledge, functions and capacities and more of a government effort is needed to collaborate or consider this private sector input.

*Lessons Learned*

Specific lessons learned per activity are indicated under sections (b), below. In terms of indicators, a customer service satisfaction survey update of BMO members would be helpful to measure the quality of project inputs and their application to the respective BMOs. As mentioned, this survey is currently underway. Any results should be assessed by the BMOs and by project staff.

Any project has an inception phase to be fully implemented. The project had a longer gestation period given changes in government administration and for the hiring of all staff. In terms of overall project performance, a timelier start would have advanced the work by about 6 months. However, the delay did not impact the BMOs since they were not selected at project start.

*Conclusions*

The project did have a methodical and deliberative implementation. There was a progressive timeline that continues at this time with a step-by-step approach that has led to strong building blocks for future activities and steady BMO strengthening. This has included: hiring professional project staff, conducting necessary assessments and initial awareness raising before progressing to more complicated steps, conducting a clearly laid out and transparent BMO selection process, conducting an in-depth BMO assessment that led to detailed findings per BMO as well as baseline indicator information, and what appears to be a responsive training program.

One of the main questions the above discussion raises is the emphasis on the 7 BMOs, their absorptive capacity and addressing a wider audience of BMOs now or in the future. This question is further addressed next.

#### 2. Strengthening BMOs Now and Into the Future

*Findings*

The project’s interventions are proving effective in terms of strengthening the BMOs. The participant BMOs appear to be sustainable and their active participation in project activities show their commitment as well as provide recognition of the value the interventions bring to their respective organizations. While the education, advisory and experience sharing has proven beneficial there is a question of the absorptive capacity of each of the BMOs. Each BMO has limited staff in terms of number and capacity. There is a significant time commitment, such as for the current KMBS training and the upcoming communications and public relations trainings. While this limitation should not be a barrier, it does have to be recognized. Future planned activities have to take into account the time commitment of each BMO or participation and the quality of results may suffer.

The above concern is reflected by comments of some of the participant BMOs. It is also a question regarding how the project was established- to target 7 BMOs. A BMO type organization has several necessary functions as provided in Illustration 1. When the “strengthening” of a BMOs is discussed and acted upon, the end goal is to strengthen the BMO to be a self-sustaining organization to deliver all or at least several of these functions in a successful manner that contributes to SME creation and growth, as is indicated in the project design. The project has made an effort to provide the necessary training and advisory services to advance on several of these areas. Most of the training has been aimed at all 7 BMOs recognizing that this group of 7 BMOs are at different stages of development and each has somewhat different expectations from the project- but all are in agreement on significantly improving their respective organizations. The differences in the BMOs have surfaced during the provision of the training and the advisory services- such an outcome should have been expected. It has helped in a way that the BMOs are learning from the actual experience of one another with informal and formal relationships established to improve their respective organizations. A best practice of one organization can easily be adopted by others. A failure or weakness in one organization can be more easily seen when compared to peers.

**Illustration 1: BMO Hub and Spoke of Functional Areas**

Another set of questions arises from the fact that the project has a fixed term and is addressing only a small number of BMOs. What developmental impact will such an intervention have on Ukraine’s SME sector and overall economic development? Seven strengthened BMOs is a worthwhile endeavor that may spread to other BMOs. There will be more advocacy between the public and private sectors that could positively impact SME creation, growth and employment. Attention is needed regarding if the 1) the project is a pilot project to be further developed to address a wider audience in a future phase; 2) other BMOs should be included (with budget repercussions) to expand the target audience and provide the intervention services in a more “menu of services” approach rather than providing the same services to all; and 3) education and advisory capacities are developed so that non-governmental organizations (nonprofit, educational, business) deliver the services.

*Lessons Learned*

The lessons learned regarding the above discussions are:

* Well-targeted interventions provided to a selected group of interested and committed participants will most likely result in intervention acceptability, active participation and ownership, and positive results. Signed “contract” agreements formalize this relationship.
* Addressing the needs of different organizations at different stages of development could lead to discrepancies or even failure of the more advanced organizations to participate or the least developed organizations to drop out. However, the benefits of the organizations learning from one another or adopting successful activities or practices from others outweighs any negative repercussion. It is up to the project team, trainers and advisors to meld over these differences. For instance, some of the BMOs have certain skills or capacities that they have welcomed sharing with others.
* Time commitments of participants have to be considered given their other responsibilities either managing the BMO and/or their full-time “day jobs” of their respective businesses. They have to see practical return from the time they are investing in project activities- a personal and business cost/benefit analysis.
* The project is transitioning from the general- BMO governance, management, administration to more of the specific- more specific advocacy, membership management and growth, communications, marketing and public relations. An adjusted approach should be considered to recognize and facilitate this transition.

*Conclusions*

There is the possibility to adjust the provision of project interventions so that more of the “menu of services” approach is taken that may include all BMOs or a subset. The project seems to be already transitioning to such an approach as it moves from the general to more specific and tailored interventions. Attention is needed in regards to determining if 1) the project is a pilot project to be further developed to address a wider audience in a future phase; 2) other BMOs should be included (with budget repercussions) to expand the target audience and provide the intervention services in a more “menu of services” approach rather than providing the same services to all; and 3) third party education and advisory capacities are developed so that non-governmental organizations (nonprofit, educational, business) deliver the services after the project end. The answer is probably a combination of all three possibilities. If so, such groundwork should be done over the next few months. This issue is further addressed in Section IV, recommendations.

#### 3. Project Classification within the UNDAF and UNDP Framework

*Findings*

UNDP has provided management, administrative and technical support to the project that has contributed to project success to this time. During the time of the project development, the project was classified within the UNDAF and UNDP Country Programme per the following:

**UNDAF Pillar I (Sustainable economic growth and poverty reduction)**: New economic opportunities created particularly in the small and medium business sector as a result of enabling improvements in the business and investment environment, improved skills, improved reintegration of migrants and better utilization of Ukraine’s scientific and innovation potential

**UNDP Country Programme (Outcome #15)**: Reduction of poverty in rural areas through socio-economic development activities.

In early 2016, as UNDP strengthened its programmatic approach to the recovery and development interventions and introduced an area-based approach to recovery projects, the project was moved to the Recovery and Peace Building programme. As the project work began full implementation and was addressing BMOs countrywide as well as the public sector at all levels, this classification was not seen as a good fit for the project. The UNDP Deputy Country Director for Programmes now supervises the project.

The United Nations system in Ukraine is now preparing a new UNDAF and UNDP is preparing a new Country Programme document. At the time of this midterm evaluation there was discussion about how the project will fit into the UNDAF and Country Programme document. Leaving the project as a stand alone private sector development and advocacy-oriented project can lessen its impact given that, as UNDP has proven in its recovery and development efforts in Ukraine and worldwide, projects are more effective when applying a programmatic approach and addressing several interventions in a similar thematic area. Such an approach increases the attention of stakeholders, such as the government counterparts, other donors especially those providing cost sharing, and attention by UNDP management. It also provides project management and staff clear direction on how they fit into the UNDP and overall UN programme.

*Lessons Learned*

Each project needs a “place” in the overall donor programme. The options are: a linkage of the project with other UN and UNDP project efforts in a cluster approach or a wider programmatic approach for the issue (under the roof of SME, private sector development, public-private cooperation) or related issues being addressed.

*Conclusion*

As the UNDAF and UNDP Country Programme Document is formulated, discussions could take place with project management, stakeholders (MEDT), partners (SECO) and UNDP to determine how the project can fit into a more programmatic approach that may include other related UNDP interventions and/or other donor interventions.

#### 4. Budget Performance and Pay Scale Adjustment Integration

*Findings*

The project staff has adhered to the budget as initially envisioned in the project document. As of December 2016, as shown in Annex G, each activity budget total is within their allocated amount with the amount for Activity 4 significantly under the budgeted amount because of limited execution. A significant exception is the increase in project staff salaries. Those amounts are nearly fully expended.

All project staff were contracted under a UNDP services contract in accordance with UNDP rules and regulations and per the project document. Concerned with rapidly growing inflation in the country, UNDP conducted a salary survey in June 2015 to ensure that service contract remuneration is based upon prevailing conditions found in the local labor market per the UNDP Handbook on Setting Remuneration for Service Contract Personnel. In October 2015 an updated salary scale was approved. This resulted in an average salary increase of 98.6% for all Service Contract holders with the retroactive date of June 1, 2015.

When the salary increase was applied to the project budget for the 4 project staff members, the inclusion led to an estimated nominal deficit of 20% compared with the original project budget. Please see Annex H that shows the impact on the budget’s line items. If the current situation continues without being addressed, the inputs of the project staff would have to be reduced given the reduced time inputs and eventual budget exhaustion resulting in the project terminating at an earlier date and the activities of the project not completed or insufficiently addressed.

**Table 2: Budget Contract Time Versus Time with New Unit Costs Applied**

| **Position** | **Existing Contract Time** | **With New Unit Cost** |
| --- | --- | --- |
| Project Manager | 36 | 33 |
| Project Associate | 36 | 25 |
| Coordinator 1 | 30 | 23 |
| Coordinator 2 | 30 | 15 |

As stated previously, the project has been methodically implemented since full start-up. An early ending can endanger the progress made to date by reducing effective time for delivering capacity development services to BMOs..

*Lessons Learned*

Project management has been proactive in reconfiguring the budget to address the expected shortfall. The issue has been around since October 2015 but not resolved. Leaving such a budget issue in limbo raises concerns about commitment of the donor and reliability of stakeholders and cost sharing partners. It also raises uncertainty with project staff.

*Conclusion*

The budget issue has to be resolved as soon as possible. There are several possible options: 1) reallocate costs from other budget lines to make up for the salary difference and the project staff have the contracted time period to complete project interventions: 2) reallocate staff time to the delivery of activities such as technical assistance, advisory support and coaching to project beneficiaries and attribute costs of payroll to these relevant budget lines where the contribution of project personnel is the most significant; and/or 3) increase project budget (from UNDP, SECO or other donors resources) to make up for the budget deficit. A more complete project revision would be needed for any change including an adjusted Results and Resources Framework.

#### 5. Government SME Strengthening and Advocacy and the SME Development Strategy

*Findings*

Project interventions to address Activity 4: Strengthening Key Governments has had mixed results. Preliminary work has been done to introduce key government entities at the national, provincial and local levels to the project, conduct assessments to determined approaches to strengthen government capacities, and the provision of some sporadic assistance at all government levels working in conjunction with the BMOs or as requested by specific government entities. However, the project team has found it difficult to engage with specific entities on an ongoing basis in a traditional capacity building approach given a variety of reasons to include a lack of focus on SME issues, government management and staff turnover, time availability, etc.

The government strengthening issue is addressed as an overall issue since it impacts the three other components, particularly Activity 3: Strengthening Advocacy and Intermediary Capacity of BMOs. Efforts are being made to improve the ability of BMOs to conduct advocacy to the public sector. One of the claims of government officials is that inputs provided by the private sector are not helpful to engage in dialogue and, thus, improvement in private sector communications is needed. As this is being addressed with the 7 BMOs, it still remains that the public sector recipients have to be welcoming recipients of such information to include considering such information for the policymaking and implementation processes.

The project has considered various avenues to improve implementation of Activity 4. One of the suggestions is to cluster interventions around an issue or set of issues identified by one or more BMOs. This is a possibility and would provide targeted support but may not provide the necessary capacity building of the government counterparts in the medium term.

As stated above, the government has developed a draft SME Development Strategy. The project has provided input and feedback to the strategy, as it relates to BMOs, and the feedback was favorably received. The MEDT has stated that it will most likely need assistance in preparing the implementation plan for the strategy and would welcome support by interested donors, including the project.

*Lessons Learned*

* Continued and persistent contact with public sector counterparts is essential not only for project execution but for advancing SME issues and a BMO’s role to strengthen its own advocacy skills.
* Efforts to strengthen advocacy skills should continue so that there is a supply of private sector positions that are communicated to public sector counterparts at all levels.
* Working with BMOs on specific advocacy efforts at any level is worthwhile, first, as a case study for the BMO and public sector counterpart to gain the experience of such dialogue. And, second, if one party is upgrading skills, it is more incentive for the receiving party to eventually upgrade skills.
* Participation in the development of a public sector strategy, such as the SME Development Strategy, has benefits to develop medium to long-term relationships that can benefit project implementation in areas where there are common interests and enhance government-donor relationships.

*Conclusion*

Continued discussion should take place with MEDT to determine what contribution the project can make to develop the SME Development Strategy implementation plan. The participation should be based on the project providing the necessary capacity support so the MEDT and other public sector entities can prepare and implement the report as well as take into account the interest and capacities of the BMOs involved in the project. This may require a project revision and may relate to issues 3 and 4, above.

### Per Activity

#### 6. Activity 1: Strengthening the organizational capacity of BMOs and good governance.

*Findings*

The delay in signing of the project document (8/15) did impact activity planning and implementation. However, a rapid start-up with inception workshops and scoping meetings with MEDT, BMOs, business associations, donor community, major business schools and others facilitated implementation and led to buy-in and follow-on steps.

The competitive process to select the BMOs was implemented with 99 applicants (84 technically valid). An Evaluation Committee involving key stakeholders selected the 7 BMO candidates. The 7 BMOs selected included 2,100 members at the time. The BMOs represent: 3 sector-wide associations (manufacturing, agriculture, rural green tourism), 3 cover all business sectors, and 1 with all women entrepreneurs. The BMOs are located in 4 regions West- Lviv, Ternopil and Ivano-Frankivsk oblasts), Center- (Vinnytsia oblast), North (Chernihiv oblast), East- Kharkiv oblast and Donbas region).

A MoU was signed with each BMO to illustrate commitment and outline cooperation principles and goals.

From the competitive application process, the project developed a nationwide database of BMOs.

After selection and through a third party consultancy, an in-depth capacity development assessment was undertaken of each selected BMO that involved a self-assessment and an external assessment. The analysis, findings and data were reported in: *Summary Report of Organizational Capacity Assessment of Selected BMOs.* The assessment has provided baseline data for the project. The BMOs were briefed on assessment findings and individual BMO Capacity Development Plans were created.

Workshop, other training and coaching were provided in the following areas: BMO legal structures, organizational documents and taxation, etc. per recently adopted legislation (6 of 7 BMOs did not comply with the law), and governance and internal policies (administrative, financial, membership, human resource development, etc.). As a result of interventions 6 of 7 BMOs improved internal processes and governance, 6 improved by-laws (charters) and 4 introduced new organizational policies (ethics codes, equal opportunities, regulations, membership-related). A detailed list of interventions is provided in Annex E under Activity 1.

The project established a platform for BMOs to cooperate in formal and informal ways: 7 BMOs expanded practical cooperation with other organizations; 9 formal MoUs were signed including with foreign partners; and 3 BMOs expanded cooperation with foreign peer organizations to learn best practices.

Work on membership development occurred with each BMO aimed at cleaning out membership roles and concentrating on membership development. The total number of members in 7 selected BMOs increased by almost 12.9% from 2,434 in March 2016 to 2,749 in December 2016. 6 out of 7 BMOs now survey members periodically to gain a better understanding of members’ perceptions and expectations.

More individualized training has been integrated into the training efforts. A total of 14 strategic planning sessions were held (2 with each of the 7 BMOs) to identify gaps and priorities. Training and coaching on fundraising was organized for all BMOs. As a result, they submitted 27 applications for funding, 7 of which were successful.

The medium-term training program with KMBS for BMO leaders (2-3 participants from each BMO) is at its early stage but positive feedback was received to date.

*Lessons Learned*

* Targeted training and advisory assistance to selected business support service entities like BMOs can have positive repercussions given buy-ins via signed commitments and ongoing discussion of the practical application of project interventions.
* Project staff and BMO management seen more as partners than advisor-client relationship.
* Training has evolved from the larger group training to more specific small group or individualized training or coaching as the differences between the BMOs have become more apparent. While planned in the project design, continued emphasis needs to be on further tailoring training, coaching and advisory services.
* The BMOs must have sufficient staff to participate in project activities. However, each BMO has staffing limitations with several planning to increase staff based on project interventions. Project staff should be cognizant of time commitment of participants so as not to overwhelm BMO management and staff, otherwise the issue of absorptive capacity will become more pronounced in the future.
* Training such as that being provided by KMBS will be monitored closely. There is the possibility of replicating such training to other BMOs especially since it provides training in a variety of ways to include formal classroom training, smaller group efforts and efforts that apply specifically to improving a participating BMO.
* Efforts with and participation of the DCCI has been positive, given the crisis and recovery mode of the Eastern Ukraine region. The organization appears to be a focal point for SME development even after surviving a crisis situation. Leadership and planning have led to the sustainability of the institution to the benefit of businesses in the region.

*Conclusion*

The main conclusion is that effective training and advisory services have benefitted from a selection and vetting process and in depth analysis (the initial BMO assessments) that has led to committed project participants (the 7 BMOs) that see the benefit of project participation to the sustainability and growth of their respective organizations. There is the danger of confronting absorptive capacity constraints but such constraints can be addressed by more tailored training, coaching and advisory services in the future. The transition to more individualized services appears to be underway.

The training currently provided by KMBS should be closely monitored to determine the results and impact on the respective BMOs and to determine if such training can be continued under the auspices of a donor-funded effort or as an education program provided directly by the education institution (without donor support).

Last, if there is a private sector development programme in Eastern Ukraine, the project or other intervention should consider assisting other business associations in the region using DCCI as a model and potential partner.

#### 7. Activity 2: Strengthening the service provision capacity of BMOs

*Findings*

An assessment of BMO business development services was part of the *Summary Report of Organizational Capacity Assessment of Selected BMOs* including a member satisfaction survey of the services provided by each BMO. An update of that survey is currently being conducted. Training has been provided on the development of services, as indicated above under Activity 1, and below. However, the BMO management and staff limitations identified under Activity 1 impact the delivery of such services. Current and future training will help as well as entity growth (based on increases in membership, membership fees and payment for services) so new staff and, thus, services could be added. As well, the project is sponsoring a survey, *Conduct Assessment of Micro, Small and Medium Enterprises’ Demand for Business Development Services in the Ukraine.* A competitive RFP process was completed in December. The survey is underway and completion is expected in March 2017 This exercise will help identify the service niche for BMOs across the country so their services are more demand driven and tailored to the real needs of MSMEs.

The project has partnered on a variety of events related to SME service provision that have not only included the participating BMOs but other SME associations as well. These events have included various sectors and have addressed various topics: export promotion and investment attraction, linkages with foreign associations, women entrepreneurship, membership development and other service development. These conferences, workshops, symposia and other meetings are identified in detail under Activity 2 in Annex E.

From a review of project activities and discussions with participating BMOs, two service activities may warrant additional attention: SME finance and BMO communications and public relations.

For SME finance, a business association in a Western context often has some type of advisory services or linkages within the financial community to help finance SMEs. Often such finance entities are members of the associations themselves. While some training has been provided on business finance, more of an emphasis for the participating BMOs to establish such linkages within their respective communities would help attract members and provide services to existing members. Also, in business finance today, such services should include but look beyond bank credit type facilities to other finance mechanisms to include coventurers (domestic or international), supply agreements, venture capital, private equity, etc.

For BMO communication and public relations, such capacity was seen as a major need by the participating BMOs to help in outreach to members, advocacy to businesses and the public sector, and public relations within their respective communities. There have been some efforts on marketing but it appears that a more wholesale approach is needed to cover BMO marketing, internal communications, external communications and public relations. The project has identified this need and has issued an RFP (due 1/31/17) to *Design and Deliver a Training and Medium Term Coaching Programme to the Selected BMOs in Marketing, Public Relations, and Internal and External Communications.* The delivery of services will take place February to September 2017. Again, there is the concern of BMO absorptive capacity given that the KMBS training will be ongoing at the same time. However, the priority that the BMOs have placed on these capacities should overcome any time or attention constraint. Constant monitoring will be needed to ensure the services are not only delivered but that they have the appropriate impact.

Last, it has been mentioned in project self-assessments that the participating BMOs do have commitment to project participation according to the signed MoUs and their own self-interest to improve their organizations. Sometimes it is questioned if such incentive is sufficient. The BMOs themselves said that while they have a strong willingness to participate, they are often stopped by a lack of financing to implement certain reforms or certain services. A small grant programme has been informally mentioned from time-to-time. Such a programme would require a project revision. And, if one is considered, it should be aimed at providing or strengthening the provision of BMO services to members rather than general management and administration. The aim would be to broaden or improve services so that members directly benefit and the grants lead to SME start-up or growth.

*Lessons Learned*

* BMO services take a different approach then the governance, management and administration of a BMO. While they are intertwined within the organization in terms of staffing, services are what the BMOs provide to make membership worthwhile.
* The delivery of service identification and provision training, coaching and advice can most likely be provided better in small groups rather than addressing all 7 BMOs at once.
* Financial support, education and networking services are an integral part of any business association.
* BMOs must identify their “competitive advantage” in terms of service delivery. Will it provide all services to all members or only a few services in a high-quality manner? The education and training provided through the project should help them to answer such service provision questions.
* Project management is following its implementation strategy it has initiated at project beginning: conducting an in-depth assessment and following-on with targeted interventions. This is illustrated by: 1) the MSME services assessment, that is broader than the 7 participant BMOs, and 2) the capacity building services for marketing, public relations, and internal and external communications.
* While BMO commitment is present, consideration should be given to offering a financial incentive via targeted small grants programme aimed at developing BMO services.

*Conclusion*

BMO services are an essential part of a business association’s sustainability. Without services, they will not be attractive for members to join or to pay a membership or service fees. Too much emphasis on governance, management and administration may result in well-organized and top heavy entities but without any marketable services that will benefit members. The project has made various efforts with the participating BMOs and other business organizations in Ukraine to identify and develop member services. The steps planned will help to strengthen this effort.

The delivery of services strengthening interventions fit more into the more individualized training, coaching and advisory approach. The remarks in Section III.B(a), above (Strengthening BMOs Now and Into the Future*),* are relevant so as to improve the sustainability of the BMOs in the long term and to possibly extend project interventions to other BMOs.

A small grant programme to improve BMO service delivery should be considered. An approach is outlined in Section IV below.

#### 8. Activity 3: Strengthening advocacy and intermediary capacity of BMOs

*Findings*

The advocacy and intermediary function of a BMO is an essential service that a BMO provides to its members as well as to the community in which it operates to advance SMEs and their ability to function, employ people and prosper. Such a service component needs certain capacities to undertake these functions to include human resources, networks amongst members, communications, and linkages with public sector players. Larger business associations are obviously more successful than smaller associations simply because of representational weight and scale. But, a BMO representing SMEs has a niche especially given the reliance of Ukraine’s economy on SMEs and the relative weakness of the SME voice in public discourse.

There have been a variety of interventions implemented by the project. But the success of this activity is not solely dependent on the capacity development of the BMOs and their advocacy actions. It is also dependent on having prepared and capable recipients and/or processes within the public sector (national, provincial and local levels). If one looks at the intended output target- 40 position papers/proposals on policy improvement presented by BMOs are taking into account by the government to improve SME regulatory environment- to date 20 proposals submitted and 7 proposals taken into account. While it can be said that the project is off track to achieve this target, it doesn’t take into consideration how the other 13 proposals fared, for instance, if any of them led to other improvements or raised awareness on an issue that may be addressed in the future. And, it does not take into account the ability of the governments to adequately respond to such proposals. There have been a number of cases where the selected BMOs have protected the interests of their members (5 cases) and numerous opportunities of public/private sector dialogue, events and campaigns. A detailed list of interventions is provided in Annex E under Activity 3.

The training, coaching and advisory services have been provided in a variety of ways: a workshop involving 12 BMOs on lobbying, government relations, and organizational and human resource capacities needed; coaching on issue identification and advocacy campaign preparation; a handbook on advocacy and nonprofit lobbying; public-private round tables on pending policy; individual training on policy analysis and an accompanying handbook; and BMO and SME awareness raising.

The project has also undertaken capacity building for initiating or improving survey capacities. However, those capacities have not been fully tested. The selected BMOs are currently undertaking a membership survey that is not completed to date. The survey will allow the BMOs and the project staff to assess the data compared to the benchmark data collected during the initial capacity assessment. The survey will be telling in terms of the BMO’s survey capacity and the changes in the perception of service delivery by members.

Developing mediation capacities between BMO members and government has been initially addressed with expectations that capacity building would continue in 2017. Mediation was seen as an important part of the advocacy function by the BMO management as well as by project staff. Mediation is a basic building block of advocacy and a detailed work programme would help advance activities to further develop this capacity on both sides of the equations- within the BMOs as well as within the public sector.

A project indicative activity is to establish an SME platform for stakeholders’ consultations and advocacy campaigning. The project staff was proactive in participating in the selection of an organization to which the CIPE-sponsored SME Platform (online platform) was handed over. The project plans to cooperate with this platform to share knowledge and experience on BMO development. The platform provides interactive tools to collect feedback from the BMO community.

Another indicative activity is to train the BMOs to self-regulate specific issues within their competence. As a result of the initial BMO assessment and the interventions, self-regulation is only pertinent to one BMO. It should be considered if this activity should be continued since it is not cross cutting. There are other ways to address self-regulation or standards setting by facilitating linkages with foreign business or trade associations that may have such standards. This applies more to the sector-wide BMOs (UAFM- furniture manufacturers, IUPBFPU- poultry breeder and fodder producers, and Union RGT- rural green tourism).

As with the previous activities, the training, coaching and advisory services will most likely need to be customized to the individual associations. There are still cross cutting themes. And, the previously mentioned training for marketing, public relations and internal and external communications will be an important element to help further develop advocacy capacity.

*Lessons Learned*

* There is awareness by the BMO’s as well as government counterparts that developing advocacy channels is important. The challenge is the ability to improve BMO capacities while at the same time developing or accessing the public sector access points.
* Advocacy capacity building has been effective to date but needs to continue at various levels to include: training for all BMOs at once; individualized training, coaching and advisory services; training and discussion roundtables (including government representatives) around priority SME issues.
* Issue-oriented advocacy may streamline capacity building and offer practical experience to both BMOs and government counterparts.
* Using existing platforms or services, such as is being done with the CIPE-sponsored SME Platform, will save time and budget but also provide an essential service.
* Addressing a priority of all BMOs, mediation, should be done even at the expense of reducing investments in an underutilized indicative activity, such as self-regulatory function development. There are other ways to address self-regulatory capacity that can be intertwined with other project activities.
* BMO survey capacity should be assessed based on the current ongoing membership survey. There could also be a comparison of that data to the data produced by the previously mentioned assessment of MSMEs Demand for Business Development Services.

*Conclusions*

There is an obvious need for BMO advocacy and intermediary services in the context of Ukraine’s development. The project is addressing the issue but the impact could be seen as piecemeal or unsuccessful because of the difficulty measuring actual impact. However, as in any country, even in a well-developed country context, public-private sector dialogue always has a set of challenges.

Advocacy capacity development needs to continue with the selected BMOs as well as possibly broadening such capacity building to other BMOs and associations. Partnerships with other donors or organizations would multiply utility as well as increase awareness with government counterparts. Where possible, government counterparts should be brought into the training or round table discussions so more collaborative working relationships are developed. In addition, interventions could cluster around specific issues. For instance, women-related SME issues could be developed and potentially addressed via a series of round tables at the local and national levels involving key stakeholders. One or more of the BMOs, or other business associations, can coordinate the round table discussions.

Resources within the activity could be prioritized so that they are aimed at what’s working and approached in a streamlined manner. The project, on its own, will not improve advocacy countrywide but could address targeted issues and help to develop processes and entry points to the government for private sector organizations.

#### 9. Activity 4: Strengthening key government actors

*Findings*

Strengthening of key government actors to help SME sector development has been challenging as partially outlined in the discussion regarding Activity 4 and as addressed in the project document. The Ukraine public service and organizational make-up has confronted various challenges caused by political instability, negative economic implications, and a public service that is not oriented toward public-private dialogue or partnerships in the policymaking process. These challenges are identified in the draft SME Development Strategy and recognized by the national government itself.

The project is further challenged since it is also dealing with the capacity building of 7 small to medium sized BMOs that have national as well as local public sector counterparts. This multiplies the number of key government officials to be addressed at three different levels of the government.

The project has attempted to address this activity by providing direct interventions itself by dealing with national bodies, such as the MEDT, helping BMOs access national bodies such as the Public Councils and Councils of Entrepreneurs, and organizing dialogue of public and private sector stakeholders at the national, regional and local levels. The organization of events at the local level has been in the areas where the selected BMOs are located. A detailed list of interventions is provided in Annex E under Activity 4.

One of the challenges frequently mentioned by public officials is that the BMOs, or private sector representatives, are not prepared to provide the necessary substance in terms of analysis and data to support their interests, proposed policies and proposed programmes. Some BMOs see the public sector bodies that are in place as formalities where their interests are not seriously considered.

The efforts being undertaken in Activity 3 are at least attempting to improve the inputs provided by the BMOs. As well, the inputs provided by project staff have helped to increase awareness of BMO and SME input into the public policy making process. An example is the input provided to the draft SME Development Strategy. Such input provides an opening so that further BMO and SME dialogue can continue on strategy implementation and entering key SME development issues on the agenda.

The challenge is to continue to try to develop public sector capacity and avenues for the BMO and SME input. As addressed above, more tailored public-private sector gatherings that are specifically issue-oriented will help. Secondly, developing an avenue into the preparation of the SME Development Strategy implementation plan may be a way to garner more active BMO and SME involvement as well as apply the training received from the project.

*Lessons Learned*

* If given the opportunity, BMOs must be prepared to provide quality information inputs to represent their interests, policies and programmes for which they want to advocate. If communications are poor or not supported, they will not be taken seriously.
* Public sector representatives must be prepared to absorb the information provided by private sector representatives. While it is known that SME development policy, and private sector development policy in general, cannot be made in a vacuum, established entities organized for that purpose should be taken seriously. If government officials think that such entry points are not useful, dialogue with the project staff (and possibly other donors involved in private sector development) should take place to strengthen these entry points.
* Other country examples where public-private sector dialogue is successful (or failed) could enhance training for public sector officials.
* Active dialogue can be pursued by sponsoring initial public-private round table meetings on a set of priority issues of interest to the selected BMOs. This series of discussions will help the BMOs to apply their training, allow networks and practices to be established, and provide experience to public sector representatives. Follow-up can be made with public sector representatives regarding practical application of the information received.
* The SME Development Strategy is an initiative that the project can take advantage of by 1) helping the BMOs provide input to the implementation plan; and 2) providing the project a way to communicate its experience and findings so as to contribute to SME development.

*Conclusions*

The activity is somewhat hindered because of a lack of active government participation. However, the lack of such time commitment should not reduce attention to the activity. The actions taken to date have resulted in the BMOs gaining some experience working with public sector counterparts and has opened some access points to provide inputs to the policy making process. In tandem, the development of BMO advocacy capacities will improve their ability to communicate their interests in a quality manner.

There is opportunity to cluster public-sector dialogue around priority BMO issues. At a more macro level, interaction should take place with MEDT on SME Development Strategy implementation plan formulation. The BMOs can use the effort for dialogue and providing input. The project, given UNDP’s monitoring and evaluation experience, can contribute a monitoring and evaluation framework, in addition to possibly other support. Such interaction will help develop public sector capacities in a more active and practical manner.

# Recommendations and Possible Ways Forward

## Overview

The following are a series of the main recommendations drawn from the previous analysis. These recommendations either synthesize or bring further detail to some of the findings, lessons learned and conclusions drawn above. Several of the recommendations have options while some can be addressed as standalone changes or addressed as a group. Any contemplated changes should consider further discussions by UNDP, SECO, MEDT, project management and staff and, where applicable, the BMOs. It is recommended that any discussions regarding the above or recommendations occur in the next 1-2 months given that the project is already in the second half of its lifespan.

## Administrative Changes- Project Classification and Budget

### Project Classification

UNDP has provided management, administrative and technical support to the project effort that has contributed to project success to this time. Given the preparation of new UNDAF and UNDP Country Programme document it is important for the project to have a proper “place” in regards to its relationship in the UN’s and Ukraine’s development effort as well as to find synergies with other similar efforts. There has been collaboration with other donor SME development efforts and such cooperation, knowledge sharing and activity sharing should continue as the project and other SME development efforts are implemented.

SME development fits into UNDP’s poverty reduction framework given SMEs key role in enterprise formation, employment and wealth creation. And, given the fact that SME’s play a critical role in Ukraine’s economy, even in comparison to neighboring and European countries, the emphasis on poverty reduction can even be enhanced. The simple measurement of how many employees the SMEs have, who are members of the selected BMOs is a case in point: the better managed and administered BMOs that have a beneficial set of support services for SMEs will help strengthen the SME sector and thus create employment and help generate growth. In a development sense, the BMOs can be seen as a “multiplier” to help these private sector and economic development objectives.

There are various entry points for which the project can be attached in the currently contemplated UNDAF and UNDP Country Programme Frameworks. The main question should be: should the project just fit into the contemplated framework or should a new wholesale approach be considered to facilitate SME development? If UNDP were interested in enterprise and entrepreneurial development, the following elements would make up more of a programme approach:

* Women entrepreneurial development in urban and rural areas- concentrating on new business start-ups and facilitating micro enterprises to advance to SME status.
* Innovation and technology transfer- help Ukrainian micro and SME business promote technological innovation, attract technology innovation that contributes to export development, domestic business innovation, and foreign and domestic investment attraction.
* Continued BMO strengthening- as outlined in C, below, to use BMOs as “multipliers” to advance SME and private sector development.
* SME development in crisis and recovery geographical areas- special attention to SME development through BMOs and other multipliers to provide facilitation to business startups or existing businesses in recovery areas. The experience of the DCCI can be used and enlarged upon. Other national BMOs and donor efforts can collaborate on such an effort.
* SME Development Strategy Action Plan- support to help the MEDT draft the action plan, along with other donor support, so there is a practical plan that is actionable and can be monitored and periodically evaluated. Such an effort would also be helpful to have BMOs provide input, as necessary, and help the government develop its own processes for SME input.

Such a programmatic effort would require additional scoping and details as well as acceptance by government and collaboration with other donors or entities active in the SME sector.

### Budget Revision

The budget issue was described in Section III.B(a).4, above. The budget issue must be addressed as soon as possible. Failure to address the issue will result in staff having to be reduced since those budget lines are almost exhausted. The project staff has planned future activities according to the project plan and the BMO capacity development plans. However, they are operating in a questionable framework given budget uncertainty issues. For the project to have successful operations and eventual closure, a resolution is needed. The bottom-line is that there is a 20% shortfall based on an administrative change, not based on poor project performance or weak budget management. To not make any changes could lead to an early end of the project and dissatisfied BMOs, stakeholders and project staff. There are 3 main options for UNDP, SECO and MEDT to consider:

1. General Budget Reallocation- Reallocate funds from budget lines that have not been expended or can be discontinued so that the underfunded budget lines are addressed to the extent possible. Such an approach could result in fully resolving the budget issue by cutting out or reducing various activities as well as reducing the project time period. However, not all project objectives would be achieved.
2. Specific Budget Reallocation- Reallocate staff time to the delivery of activities. Each activity budget segment has training, coaching advisory and other sub activities. The project staff, namely the Project Manager and 2 activity managers had possessed or have developed competencies where they can undertake more of these roles themselves rather than to contract them out to other services providers. This approach would keep all activities on time and on budget and not reduce project outputs or the timeline.
3. Budget Increase- UNDP, SECO and possibly another donor may want to consider increasing the project budget given that the change was an administrative requirement. If a budget increase is contemplated it should be done in consideration with the recommendations in Section IV.C, below.

A combination of options 2 and 3 is recommended. There is the possibility to consolidate budget lines and include project staff in the execution of various activities, where applicable, that would have a limited impact on activities and expected results. More detailed scoping and budgeting would be needed than that provided in this midterm evaluation. At the same time, the budget should be increased to cover staff salaries to project end. If Option 3 is a possibility, it should be considered with the other adjustments provided in this section, most notably, those provided in Section IV.C. The project staff has managed the budget prudently and possesses the competency to help inform the stakeholders so one of the above options can be implemented.

## Possible Project Adjustments- Piecemeal or Wholesale?

### Overview

Given the progress of the project to date, there are various options for its future that could result in a larger impact on SME development in Ukraine. The project can continue on its present course to most likely a successful completion if the budget issue, addressed above, can be resolved. There are also opportunities to revise the project so that the success to date, achieved in a relatively short period of time, can either be continued or replicated. Some of the factors, such as timing, budget activities and next steps are dependent on one another. The following are the elements that are needed for stakeholder contemplation and some ideas for a way forward.

### Menu of Services for Selected and Possibly Other BMOs for Continued BMO Strengthening

The project and the BMOs have developed a positive relationship and skill sets in a relatively short period of time. The existing BMOs have taken interest in their capacity development plans in an active manner as shown by their continued participation. There are three medium term efforts underway that will help: the KMBS training, the communications (marketing, public relations, internal and external communications) training and coaching, and the MSME business development services assessment (along with the selected BMO’s own services satisfaction survey). These training, coaching and assessment inputs are important to support future activities and BMO management, service, and advocacy capacity development.

Given the feedback and the way the selected BMOs have progressed, the project may want to consider preparing a “menu of services” available to the selected BMOs. The menu would address the competencies needed for member service provision as provided in Illustration 1. Each member would identify 1-3 areas where it wants its competency strengthened. The project could address these areas in the most cost efficient way: for all if all BMOs selected the same areas: in smaller groups for those competencies that only involve several BMOs and possibly individually if the capacity building could be very targeted and short term. This approach would also allow project staff to provide the more tailored training that may help to resolve the budget issue since they could be delivering the capacity building.

To further address BMO service development, if funding is available and stakeholders are interested, the project could introduce a small grant programme to help BMOs enhance their service capacity. It is not recommended that grants be made for management or administrative functions since the aim would be to improve member services. The grant programme would be targeted and grants would be made on a competitive basis based on proposals for discrete developmental service activities. The following areas could be considered:

* Membership development services- attracting new members,
* Marketing and Public Relations- BMO advertising material, web site development (not maintenance),
* Education- curriculum development for member training in certain areas and/or ‘train the trainers’ for those BMO staff who would do training, and
* Outreach training or exchanges with other BMOs or associations in or outside of Ukraine related to service development.

The project has made much progress in developing standard methodology and service provider relationships for training and advisory services. Given a smaller investment then the original implementation, it should be considered if 3-5 additional BMOs are added to the project if additional funds are provided to the project. Since the training and advisory services have already taken place there will be economies of scale. And, a ‘menu of services’ will help to provide a more tailored approach.

### Continued Advocacy Strengthening on Both Sides of the Equation

The capacity strengthening of government officials to be able to deal with SME inputs into the policy making process has been a weak point of the project. While efforts have been made, there must be a willing partner to participate but, as previously mentioned, there are various reasons why there is poor performance for this activity. At the same time, the BMOs have been developing their advocacy capacity and more activities are planned for the future. As previously mentioned, both sides- government and the BMOs- must have the capacity and processes for successful advocacy to take place and so SME concerns, issues and ideas can be integrated into the policy making process. There are two possible ways to help advance both actual advocacy and enhance capacity development:

* + 1. Cluster Advocacy Around Specific Issues- The project has had some success facilitating BMOs and government entities for round table discussions on several topics. After consulting with the selected BMOs, the project staff can identify a few key topics and, with the relevant government counterparts, propose a series of round table discussions on these priority issues. Such an approach will give the BMOs a chance to apply the advocacy training they have developed, allow project staff (or others) to do any coaching, as needed, and provide input to the government policy making process. The government counterparts may also benefit by either realizing their shortcomings and/or gaining experience of dealing with the BMOs on a realistic basis. A selected BMO (or group of BMOs or other partners) can take the lead to organize such discussions.
    2. SME Development Strategy Action Plan- As mentioned previously, there is a current opportunity for the project to be a catalyst for BMO and SME input into the SME Development Strategy Action Plan. Such a step may require a project revision so the activity can be included into the project. Plus, the project has developed a base of information that can contribute information in a realistic way that can make the action plan responsive to SME needs. And, the UNDP has a comparative advantage in providing monitoring and evaluation system design and implementation for such plans. The MEDT has expressed interest in such support. And, any support would have to be made with the cooperation of other donors in the sector.

Whatever approach is decided upon needs to take into consideration the other recommendations suggested in this section, most importantly the budget issue.

### Reconfiguring the Project to Meet Future Needs

As a result of the above analysis, there is an obvious need for some midterm adjustments. The main issue is the budget resolution followed by how the project will fit into the UNDP’s development efforts in the future- as a single stand-alone private sector development effort or a more programmatic approach with various related activities.

If there is the possibility of additional donor funds to the project to cover the current shortfall (currently estimated at 20%) and possibly additional funds (another 15-20%), the project can be adjusted to have a slightly larger impact and provide more sustainable results into the future. The additional 20% would cover the current budget shortfall so that activities and performance would not be impacted. The additional funding (15-20%) would be to: 1) add 3-5 BMOs to those already being provided services; 2) provide for a small grant programme; and 3) provide for sustainable BMO strengthening support services after project end.

The following is a thumbnail sketch of the elements of the project adjustment. The elements include those previously recommended and elaborate on them in a more ‘packaged’ approach. More defined scoping and budgeting would be needed for a complete project revision.

*Menu of Services*

The project staff should come up with a ‘menu of services’ that the participating BMOs can select from to help support their development activities. The selected services should be limited per BMO and be in line with their capacity development plans and their absorptive capacity. The menu (and support interventions) would then be available to the other BMOs possibly added to the project. To formalize the menu, the MoUs signed with the BMOs can be amended to identify the exact capacity development services to be provided.

*Strengthening the Advocacy Component*

The advocacy related components (Activities 3 and 4) need attention and can be streamlined. The recommendations presented in IV.C.3 could help the streamlining as well as advance capacities and develop communication and policy input/feedback channels. This recommendation should be considered even if there is no budget adjustment or a limited budget adjustment. More in-depth discussions are needed with MEDT to elaborate on what type of project support could be provided for SME Development Strategy action plan preparation and implementations. The project’s and UNDP’s experience and practice in monitoring and evaluation should be an entry point as well as the input and facilitation that could be provided by the BMOs.

*Introducing a Small Grant Programme*

If additional budget resources are provided (over the 20%), stakeholders should consider that a small grant programme be added to the project. The BMOs could use the funds for discrete service developmental activities (not management, staffing or operational) that will have a direct impact on membership expansion, service provision, training or standards setting.[[10]](#footnote-10) Specific rules would need to be designed. Initial thoughts are that grants would be $1,000-$5,000 with a total of about $50,000 for the programme ($75,000 if additional BMOs are added to the project). The competition could be on a 6-month basis with 5 grants made per six months and a BMO cannot have more than 2 grants for the project duration.

*Sustainable BMO Strengthening Services*

The project staff has developed relationships with various capacity development providers in Ukraine. The relationship with KMBS is as an example as is the potential relationship with the communications assessment and training/advisory service provider, national Chamber of Commerce and Industry, and others. One of the objectives for the project’s remaining time would be to work with these entities so that they can provide services directly to the BMOs that can help them with capacity development. These would most likely have to be fee-for-service arrangements so that these entities have a non-donor revenue stream to provide these services. The project can facilitate developing such arrangements that would make the capacity development services more market-oriented and more long-term after project completion.

*Adding Selected BMOs*

The initial BMO analysis identified the 7 BMOs as well as possibly other BMOs (on a reserve list) that the project could include. Given the progress made with the 7 BMOs and experience gained so that they are being addressed in a very systematic and procedural way, if additional funds are provided to the project, it should be considered if 3-5 BMOs could be added to the project. The BMOs would go through the same assessment and training efforts already designed by the project so these activities could be done more efficiently. The new BMOs could also gain from the experience of the current set of BMOs. If additional BMOs are added, the project timeline should be extended by at least 3 months to allow a fully cycle of assessment and capacity development activities to take place.

# Annex A: Terms of Reference

**Project name:** Strengthening SME Business Membership Organizations, #00094897

**Post title:** International Consultant to conduct Midterm Evaluation of the Strengthening SME Business Membership Organizations project

**Country / Duty Station:** Kyiv, Ukraine

**Expected places of travel (if applicable):** 1 roundtrip travel to Kyiv, Ukraine (7 working days in Kyiv)

**Starting date of assignment:** December 1, 2016

**Duration of assignment / or end date (if applicable):** 22 working days (during December 2016 - January 2017)

**Supervisor’s name and functional post:** Andriy Zayika, Project Manager, Strengthening SME Business Membership Organizations Project

**Payment arrangements:** Lump Sum (payments linked to deliverables)

**Administrative arrangements:** All working arrangements to be provided by the Consultant. The Consultant will receive all required information from UNDP, including prior reports, analytical papers, other documents in electronic or paper format.

**Selection method:** Desk review

1. BACKGROUND

Ukraine is a country with a very challenging business environment, especially for Small and Medium Enterprises (SMEs). There are excessive regulations and inconsistencies in the norms and requirements governing the SMEs. Ukraine has also a negative track record in permits giving and licensing processes which are overall non transparent and prone to corruption practices.

The voice of SMEs asking for a simplification of business regulations and, in general, a better business climate is not heard, partially because of the weak institutional capacity of structures that are called to represent their interests.

Therefore, the Project aims to accelerate the development of the SMEs sector in Ukraine by strengthening the capacities of the Business Membership Organizations (BMOs) that will contribute to the reinforcement of a much needed dialogue between the private and public sectors. To be a strong and reputable representative of the private sector to the public sector, BMOs must be able to advocate member interests and concerns; be strong organizations with proper governance structures; and respond to member needs by delivering high quality and affordable services and information.

The Project is to deliver a tailored capacity development programme to selected SME BMOs in Ukraine to help improve their institutional/organizational/financial capacities to represent interests of the private sector and facilitate a more active, responsive, professional and policy-oriented dialogue between public and private sectors.

The Project is expected to positively impact on the ability of BMOs to attract members, promote constructive cooperation with governmental structures and to contribute to policy development leading to SMEs sector growth. Increased membership of BMOs coupled with higher institutional effectiveness, resulting from the support received from the Project will contribute to the financial sustainability of BMOs and spur mobilization of the entrepreneurs, therefore strengthening the ‘collective voice’ of business.

The Project is implemented through four interconnected components dealing with the BMOs’ organizational capacity and governance, improvement and expansion of services provision, advocacy and effective cooperation with the government at all levels.

Following the selection process, the Project has selected 7 BMOs of different profiles and geographic coverage. The group includes 1 regional chamber of commerce, 3 industry associations and 3 regional universal BMOs. All the BMOs are the established organizations, which have been on the market for considerable period of time and have accumulated valuable experience, but currently face a variety of challenges and barriers to growth and operation.

UNDP is looking to conduct the mid-term review of the project to review the project progress against the initial plans, project document and cost-sharing agreement, provide recommendation on adjustment of project activities and results and resource framework as well as inform the process of mid-term budget revision.

1. MAIN OBJECTIVES OF THE ASSIGNMENT

The main objective of the assignment is to conduct the Mid-Term Review of the Project “Strengthening SME Business Membership Organizations” with the aim to review and assess the relevance, effectiveness, efficiency, visibility, potential impact and sustainability of the Project and its development approach. The Project will be evaluated in accordance with UNDP Evaluation Policy.

A mid-term evaluation should be focused on:

1. The continuing relevance of the project (approach, objectives, modalities of implementation, etc.);
2. The interim results with regard to the indicators of progress;
3. The effectiveness of the approach being used to produce these results;
4. The efficiency of project management, including the delivery of inputs in terms of quality, quantity and timeliness; and the monitoring system;
5. The transfer of capacity to the nationals; and
6. The views of the direct beneficiaries on the preliminary outcomes and on the consultative process taking place for the project.

(g) Outlook on achieving project impact and sustainability of results.

The evaluation aims also at providing recommendations for further development of the project activities. It should identify problems and constraints and propose immediate actions.

The evaluation process must be objective, transparent, operational, gender sensitive, forward looking and independent, thereby giving credibility to its findings and recommendations.

1. DESCRIPTION OF RESPONSIBILITIES / SCOPE OF WORK

Under the guidance of UNDP Ukraine and in close collaboration with its M&E unit, the Consultant will:

1. Review and analyse the documents provided by UNDP to obtain better understanding of the project goals, context and results, including but not limited to project document, project budget sheets, assessments conducted by the project, previous monitoring and evaluation reports, other project related reports.
2. Conduct necessary consultations and interviews with the project staff and project partners to collect data. Find out how the project management and the Government officials assess the project, their concerns and suggestions. Clarify issues that emerge from the preliminary analysis of the project and that require hard and soft data to substantiate their reasoning.
3. Review the project implementation, identifying strengths and weaknesses. Assess the achievement of results and objectives.
4. Draft a first version of the evaluation report. Review the draft report with project management and the UNDP country office to ensure factual accuracy.
5. Discuss findings, recommendations and lessons learned with UNDP Ukraine and in particular with its M&E unit. Finalize the report and send to UNDP in electronic format (MS Word).
6. Final technical report upon delivery of the assignment, including PPT presentation.

**To ensure the delivery of the above tasks, the Consultant will:**

* Liaise and ensure constant communication/coordination with UNDP Ukraine regarding all aspects of the assignment;
* Submit all the deliverables for review, comments and approval to UNDP Ukraine as requested;
* Hold consultations with UNDP Ukraine as requested.

1. Deliverables

The Consultant should provide the following deliverables:

|  |  |
| --- | --- |
| Deliverable | Timeline |
| 1. *Information Gathering and Analysis.*   - Review and analyse the documents provided by UNDP;  - Conduct necessary consultations and interviews with the project staff, project partners and beneficiaries to collect qualitative data (up to 7 working days in Ukraine);  - Review the project implementation, identifying strengths and weaknesses, assess the achievement of results and objectives. | 15 days |
| 1. *Drafting of Report*   Draft a first version of the evaluation report. | 5 days |
| 1. *Project Briefing*   Discuss findings, recommendations and lessons learned with the Project Manager and finalize the report. | 1 day |
| 1. *Report finalization*   Finalize the report taking into account the discussions held | 1 day |

The Consultant shall submit the evaluation report for the Business Membership Organizations project in Ukraine by 10 January 2017.

The structure of the final report should be agreed with UNDP and reflect all key aspects in focus.

Payment will be based upon satisfactory completion of deliverables. 100% of the total amount shall be paid upon completion of the Deliverables 1-5.

1. monitoring/REPORTING requirements

The consultant will interact with UNDP Project and CO staff to receive any clarifications and guidance that may be needed. He/she will also receive all necessary informational and logistical support from UNDP country office and the Project. On a day-to-day basis, consultant’s work will be coordinated with UNDP Project Manager. The satisfactory completion of each of the deliverables shall be subject to endorsement of the UNDP CO M&E Unit.

The Consultant will duly inform UNDP of any problems, issues or delays arising in the course of implementation of assignment and take necessary steps to address them.

The key product expected is a comprehensive evaluation report (*up to 30 pages without annexes, single spacing, Myriad Pro font, size 11*) that includes, but is not limited to the following components:

* Executive summary
* Introduction
* Description of the interventions
* Evaluation scope and objectives
* Evaluation approach and method [[11]](#footnote-11)
* Development context
* Data analysis and key findings and conclusions
* Recommendations and lessons learnt for the future

The evaluation report must be as free as possible of technical jargon in order to ensure accessibility to its wide and diverse audience.

All reports and results are to be submitted to the UNDP in electronic form (\*.docx, \*.xlsx, \*.pptx, and \*.pdf or other formats accepted by UNDP).

The Mid-Term Project Review Report should be prepared in English.

1. EXPERIENCE AND QUALIFICATIONS REQUIREMENTS

• Master’s/Specialist’s degree or equivalent in Economics, Management, Mathematics, Social Sciences, Public Administration, Business Administration or other relevant area;

• Not less than 5 years of experience in design and conducting of development evaluations, providing consultancies and/or monitoring, evaluations based on qualitative and quantitative research;

• Substantive work experience (at least 3 years) in, and knowledge of, the area of SME and/or BMO development;

• Must possess excellent written and oral communication skills with demonstrable experience of analytical reports writing (at least 3 program/project evaluation documents prepared);

• Fluency in English is required. Intermediate or higher proficiency in Ukrainian/Russian would be an asset.

# Annex B: List of Those Interviewed

Union of Green Rural Tourism Development in Ukraine

Volodymyr Vasyliev, the President

Lora Apasova, the Executive Director

Tetyana Shashkova, the PR Director

Ukrainian Association of Furniture Makers

Andriy Zavalnyuk, the President

Volodymyr Patis, the active member (responsible for export)

Volodymyr Ivanov, the active member (responsible for exhibitions)

Union of Entrepreneurs “Stina” (“The Wall”)

Oleksandr Pechalin, the President

Donetsk Chamber of Commerce and Industry

Maksym Anufriyev, the Vice-President

The Ministry of Economic Development and Trade of Ukraine

Oleksandr Palazov, the Director of the Department on SME Development and Regulatory Policy

The Union of Poultry Breeders and Fodder Producers

Vadym Shiyan, the President

The League of Professional and Business Women of Ukraine

Yuliya Zayika, the Executive Director

The Chamber of Commerce and Industry of Ukraine

Gennadiy Chyzhykov, the President

The Kyiv-Mohyla Business School (KMBS)

Eduard Maltsev, Associate Dean, Research and Development

UNDP Ukraine

Vitaliy Kuchynsky, Monitoring and Evaluation Analyst

Blerta Cela, Deputy Country Director (Programme)

Vira Profazi, Programme Analyst, a.i.

Lviv Business Community Club

Mykola Savulyak, the President

Commercial Law Center

Yuriy Yurchenko, Senior Advisor

Swiss Cooperation Office in Ukraine

Viktor Shutkevych, Assistant Director of Cooperation/National Programme Officer

UNDP BMO project team

Andriy Zayika, Project Manager

Vladlen Sysoun, Project Coordinator

Yuliya Golovanova, Advocacy and Government Component Coordinator

Iryna Gerasymenko, Project Associate

# C: List of Supporting Documents Reviewed

*Project Document: Strengthening SME Business Membership Organizations*, UNDP/Ukraine, April 2015.

*Swiss Cooperation Strategy for Ukraine, 2015-18*, Directorate of Political Affairs DP and Swiss Agency for Development and Cooperation of the Federal Department of Foreign Affairs and the Sate Secretariat for Economic Affairs of the Federal Department of Economic Affairs, Education and Research.

*Interim Progress Report, April-December 2015, Strengthening SME Business Membership Organizations*, December 2015

*Annual Project Progress Report, April 2015-June 2016, Strengthening SME Business Membership Organization*, June 2016

*Minutes, Evaluation Committee Meeting, Strengthening SME Business Membership Organizations*, 30 October 2015

*Project Progress Report, April-September 2015, Strengthening SME Business Membership Organizations*, 28 October 2014

*Summary Report of Organizational Capacity Assessment of Selected Business Membership Organizations*, UNDP Ukraine, 14 April 2016

*Issues, Challenges and a Way Forward, Strengthening SME Business Membership Organizations*, 9 March 2016

*Monitoring and Evaluation Plan*, Strengthening SME Business Membership Organizations

*Third Party Cost Sharing Agreement Between the Government of Switzerland, Represented by the State Secretariat for Economic Affairs (SECO or ‘the Donor’), and the United Nations Development Programme*, 26 March 2015

Other project-related documents to include:

* Proposed project budget revision
* Project, Risk and issue logs
* Project log frames
* Budget and budget status reports
* UNDAF Strategic Prioritization Retreat Report
* UNDP Monitoring and Evaluation Tables for Country Programme
* Project issued Terms of Reference

# Annex D: Table: Status of Intended Outputs and Targets

| **Intended Output** | **End-of-Project Output Targets** | **Baseline** | **Current** | **Status** |
| --- | --- | --- | --- | --- |
| 1. Number of BMO members (including organizations representing women entrepreneurs) | Membership of selected BMOs including 1 organization representing women’s entrepreneurship increased by at least 15% | 2,434 | 2,749 | Membership has increased by 11.7% (average for group of 7 BMOs); 4 BMOs have increased membership and 3 decreased (including DCCI)- decreases mainly attributable to cleaning membership roles |
| 2. Financial position of the BMOs, amount of income received from membership fees. | Income from membership fees in selected BMOs, including 1 organization representing women women’s entrepreneurship, increased by at least 30% points, which leads to better financial BMO sustainability | 48% | 62% | Share of membership fees in the overall income of BMOs grew by 14% points; number of fee paying members grew by 9%; The budgets of the BMOs on average grew by 15% |
| 3. Number of BMOs providing services to female entrepreneurs | At least 1 of trained/coached BMO develops and provides service for female entrepreneurs generating additional support to such entrepreneurs | 1 BMO consisting of female entrepreneurs | 1. Chernihiv City League of Business and Professional Women  2. DCCI has created a special committee to provide service for female entrepreneurs. | Chernihiv City League is an active project participant; ability to reach to other women’s groups exists |
| 4. Percentage of BMOs’ members receiving business development services | Number of members receiving business development services increased by 30% | 83% | To be determined | The indicator requires data collection from BMO member survey and further analysis |
| 5. Percentage of BMOs members satisfied by the services received | Members’ satisfaction of business development services provided/ facilitated by BMOs has increased by 50% | 29.7% | To be determined (pending survey) | The indicator requires data collection from BMO member survey and further analysis |
| 6. Number of proposals to the government and/or mediations undertaken and/or advocated issues by the rained BMOs | At least 40 out of all position papers/proposals on policy improvement presented by BMOs are taken into account by the government to improve SME regulatory/ business environment  At least 10 address women’s entrepreneurships and are taken into account by the government | 0 | 20 proposals submitted  7 proposals are taken into account  0 proposals addressing women’s entrepreneurship are taken into account  33 cases of policy or decision-making influence by BMOs | Note: BMOs did not submit any specific proposals regarding women entrepreneurship; |
| 7. Number and nature of news items covering BMOs development and BMO-government interactions | At least 50 news stories covering BMO development, BMO-government interaction appear in national and regional media | 0 | 40 news stories covering BMOs development and BMO government-interaction | More results are expected after delivery of public relations and communications training (to take place (April-September 2017) |
| 8. Number of national and regional authorities engaged in the dialogue with private sector | At least 2 national authorities and 7 regional authorities establish framework to assess and develop the proposals of the private sector | 0 | 3 national authorities are engaged in dialogue | Potential to further engage with national authorities through SME Development Strategy and other policy or issue venues |

# Annex E: Status of Activity Accomplishment Per Indicative Activities of Project Document Results and Resources Framework

|  |  |  |
| --- | --- | --- |
| ***Activity 1: Strengthening the organizational capacity of BMOs and Good Governance*** | | |
| **Indicative Activity** | **Result or Status** | **Issues** |
| * 1. Organize inception workshop to present the project to potential stakeholders; identify additional stakeholders and partners. | * On 8/27/15 the project was launched jointly with the MEDT and Swiss Cooperation Office by signing the Project Document between UNDP and MEDT. * One inception workshop held for selected BMOs. * Initial analysis of current status of SMEs and BMOs was undertaken and fed into project plans. * Consultations with key stakeholders from among the national government authorities (MEDT, State Regulatory Service, Council of Entrepreneurs of the Cabinet of Ministers), donor community and entities involved in organizational capacity development of CSOs/BMOs (CIPE, Gurt, ISAR Ednannia, USAID LEG etc). * Scoping meetings were held with a series of business associations to inform about the project and diagnose current trends in BMO and SME development. * Kick-off meetings were held with the major business schools, namely International Institute of Business, Kyiv-Mohyla Business School (KMBS), Kyiv School of Economics, and International Institute of Management to explore their capacity and interest to become project partners in delivering training programmes to BMOs. | Delay in signing Project Document with the Ministry of Economic Development and Trade |
| * 1. Organize competitive process to select the most apt BMOs through transparent screening process, review of applications, analysis of their starting capacity, understanding of mission, vision and leadership | * Competitive BMO selection process was organized and conducted, which resulted in selecting 7 BMOs (99 applicants; 84 technically valid). In total the selected BMOs include more than 2,100 members. The organizations incude: 3 sector-wide associations (manufacturing, agriculture, rural green tourism); 3 universal associations (covering all sectors) and one association for women entrepreneurs. The BMOs are located in 4 regions: West- Lviv, Ternopil and Ivano-Frankivsk oblasts), Center- (Vinnytsia oblast), North (Chernihiv oblast), East- Kharkiv oblast and Donbas region). * Memorandum of Understanding signed with each BMO outlining cooperation principles and goals. * Based on received applications initial nationwide database of BMOs was established and will be further updated and expanded by the project. |  |
| * 1. Conduct in-depth organizational capacity assessment of the selected BMOs, according to recognized international methodology, to reveal their actual status, establish a baseline for project activities, and identify key areas and priorities for capacity development which will underpin the capacity development plan. | * In-depth capacity assessment of selected BMOs was initiated through analysis of BMO self-assessment data and external assessment by the third-party consultancy. In-depth external capacity assessment was completed in April 2016 (*Summary Report of Organizational Capacity Assessment of Selected BMOs)*. The assessment has provided baseline data for the project. * 1 inception workshop for selected BMO to introduce them to the capacity development principles * Individual Capacity Development Plans prepared for each BMO. Capacity assessments and plans were validated with partner BMOs. |  |
| * 1. Provide capacity building support (trainings) to help BMOs establish and maintain good governance principles, to optimize internal processes, establish linkages and create networks with other relevant organizations from among the business-associations, CSOs, NGOs private institutions dealing with private sector development. | * Expert review of organizational documents and legal setting of the BMOs conducted (6/7 BMOs). * On-going coaching for 7 BMOs on improvement of governance and development of internal policies provided. * 1 general workshop on governance and internal policies conducted (12 BMOs/27 participants). Designed to develop proper understanding and help BMOs design proper internal policies (administrative, financial, membership, human resource development, etc.). Workshop generated 96% positive approval. * 1 workshop on good governance and legal aspects of BMO activity. Training was on charters, organizational documents, taxation, etc. per the recently adopted CSO/BMO legislations. Initial screening showed that 6/7 BMOs did not comply with law. Efforts made to improve compliance for each project BMO. * As a result of above training and coaching 6/7 BMOs improved internal processes and governance. 6 BMOs improved by-laws (charters), 4 BMOs introduced new organizational policies (ethics codes, equal opportunities, regulations on executive director, membership and membership fees etc.). * The project has established a platform for BMO cooperation amongst themselves: 7 BMOs expanded practical cooperation with other organizations; 9 formal MoUs signed including with foreign partners; 3 BMOs expand cooperation with foreign peer organizations to learn best practices. * Handbook/guide on legal aspects of BMO operation and governance prepared (December 2016). * 7 individual sets of practical recommendations on membership development and marketing (December 2016). * Review of the best practices in membership development to inform strategic planning and operation of partner BMOs (December 2016). * 1 webinar on membership development for leaders of 7 BMOs (7 December 2016). * 6/7 BMOs have surveyed their members throughout 2016 and therefore have better understanding of members’ perceptions and expectations. | Insufficient staffing of 5/7 BMOs which precludes them from expanding or intensifying their activity. In response in December 2016 the project has started developing HR policies and tools for BMO for recruitment, retention and training of staff. |
| * 1. Organize individualized training and coaching for selected BMOs to address the specific needs and gaps identified in the course of the organizational capacity assessment. | * 14 strategic planning sessions held (2 with each of 7 BMOs) to identify gaps and organizational development priorities. * 1 general training on fundraising (12 BMOs/29 participants) conducted to strengthen resource mobilization from a variety of sources. Workshop generated 96% positive approval. Subsequent coaching for 7 BMOs on fundraising completed. As a result, 7 BMOs have submitted a total of 27 proposals/applications of which 6 were winning. * A long term holistic training and coaching programme for BMO leaders (2-3 participants from each BMO) launched with Kyiv-Mohyla Business School (KMBS) consisting of 9 classrooms modules, distant learning tools and coaching (1 training module conducted on 14-16 December). | Low absorption capacity of BMOs. The activities of the project have to be designed in a way that does not distract the BMO staff from their direct duties etc. |
| * 1. Monitor the results of the capacity building activities provided through analysis of qualitative and quantitative indicators, activity reports and regular feedback from selected BMOs. | See indicator table. Measurement of performance from March 2016 (time of initial assessment) to December 2016. |  |
| ***Activity 2: Strengthening the service provision capacity of BMOs*** | | |
| **Indicative Activity** | **Result or Status** | **Issues** |
| * 1. Assess the Business Development Services (BDS) provided by the selected BMOs to SMEs, identify their capacity to efficiently deliver the demanded services and come up with innovative business solutions aimed at increasing the competitiveness of SMEs; assess scope and quality of services as well as satisfaction of SMEs through relevant survey. | * BDS assessment was performed as part of the BMO self-assessment questionnaires and by Capacity Assessment performed for Activity 1.3. * Other training and workshops have contributed to BDS service identification on an ongoing basis as BMOs learn of potential, practices and approaches and are able to apply in their respective BMO. * KMBS training (identified in Activity 1.1 and 1.2) is also contributing to service identification and/or improvement and implementation. * In December 2016 the project has rolled out additional nation-wide survey on demand for Business Development Services among MSMEs to inform the demand-driven service development in BMOs across Ukraine (completion expected in March 2017). | The BMOs do not have enough marketing information to adjust or introduce new services for SMEs. They don’t have enough resources to do the market research beyond existing membership. In response, the project has designed and launched the nation-wide survey on SME demand for business development services to be completed in March. The outcome of the study should inform the service provision by BMOs/BSOs and facilitate matching of the supply and demand sides. Survey terms of reference are available upon request. |
| * 1. Based on the Assessment, design and provide advisory and capacity building programme to the selected BMOs to enhance and improve their service provision to SMEs in terms of demand, scope and quality of services; | * KMBS training (identified in Activity 1.1 and 1.2) is also contributing to service identification and/or improvement and implementation. * Technical assistance on creating and running joint social enterprises provided to 3 BMOs (project supported marketing research and provided technical assistance). * Consultations on establishment of municipal business promotion center in Vinnytsia provided to Stina BMO. | Additional advisory services planned. May want to consider more tailored advisory services to each BMO based on smaller group or individual BMO needs. |
| 2.3. Facilitate the establishment of linkages and networks, as well as mediation of interests between BMO members (SME), and between SME and other relevant entities through business fora and round tables, information sharing among the companies, linkages with consulting associations etc. | * 2 workshop held on institutional development of BMOs within IV and V Forum of Organizational Development (20 November 2015, 30 November 2016). The workshop brought together more than 20 BMOs in 2015 and more than 40 in 2016 to share their experience, development constraints and build networks. The findings of the discussions were fed into further project activities. * Project contributed to 4 events organized by partner UNDP projects, namely Business Forum in Odessa (Development of Business Environment for the Support of SMEs), XI International Economic Forum in Donbas (taking place in Kramatorsk), conference on “Improving the Local Business Environment for Private Sector Development In Ukraine”, “Shaping the New Economy of Donbas: Export-Oriented and SME-Friendly, ”Space for New Opportunities” (forum organized to build awareness among entrepreneurs, including those affected by the conflict, on the role and importance of BMOs in promoting entrepreneurship), PR in Operation of Business Organizations in cooperation with the Ukrainian Chamber of Commerce of Industry, Conference on Development of Business Support Infrastructure in Donetsk and Luhansk Regions, Forum on Instruments of Financial and Technical Assistance to Small and Medium Enterprises, Methodology (with Ukrainian Chamber of Commerce and Industry), Methodology, Practice and Tools of SME Development Support (with CIDA PLEDDGE project), Development of Services of Business Associations (with Ukrainian Chamber of Commerce and Industry) and Expanding Membership Base of Business Associations, Experience of CRM Application (with Ukrainian Chamber of Commerce and Industry). * 1 dedicated BMO discussion to promote the idea of BMOs among entrepreneurs held (international Business Forum in Kramatorsk, 25-26 May 2016) * 1 forum to promote women entrepreneurship and idea of membership in business associations (IV Forum of Business and Professional Women, Chernihiv, 20 October 2016) * 1 seminar/event within IV International Agrarian Forum AGROPORT East Kharkiv 2016, 21 October 2016, jointly with IUPBFPU to recruit new members. * At least three BMOs have participated in regional and international forums for sector industry (UAFM and Union RGT) and women in business (Women’s League) with further plans for additional participation. * At least two BMOs interested in expanding organizations nationally. * 7 BMOs expanded practical cooperation with other organizations; 9 formal MoUs signed including with foreign partners; 3 BMOs expand cooperation with foreign peer organizations to learn best practices. | May want to consider forums for 7 BMOs (or sub groups) to cooperate on self-identified issues/projects. May also include non-project BMOs. |
| ***Activity 3: Strengthening advocacy and intermediary of BMOs*** | | |
| **Indicative Activity** | **Result or Status** | **Issues** |
| * 1. Conduct research and initial internal and external communication needs analysis of the BMOs. | * The communications gaps have been identified during the in-depth organizational capacity assessment. Project plans to roll out long-term training and coaching programme on public relations, communications and marketing in BMOs, which envisages additional assessment of communications practices, needs of BMOs as well as competencies of individual staff members responsible for communications, marketing and public relations. (RFP announced with a closing date for submission of proposals on 31 January 2017; input to be provided April-September 2017. Please see link:.<http://procurement-notices.undp.org/view_notice.cfm?notice_id=34858> | Is an essential element of BMO governance, services and performance and needs attention by project. Any training should include marketing, public relations (with members and public) and advocacy communication approaches and formats. Monitor April-September. Develop strategy to expand training (training videos or other training outputs) so other BMOs can use and participants can train others within their or other organizations. |
| * 1. Train the BMOs’ on defining their advocacy targets. | * 1 general training on Advocacy and Non-profit Lobbying conducted (12 BMOs/26 participants). Intensive 4-day training to familiarize participants with lobbying principles, advocacy and government relations, required organizational capacities and needed personnel skills. Workshop generated 95% positive approval. * Coaching on issues identification and design of advocacy campaigns completed. * Self-reference handbook/guide on advocacy and non-profit lobbying prepared. * Selected BMOs co-organized and participated in 4 round tables in Lviv, Vinnytsia, Kramatorsk and Odessa with the Parliamentary Committee of Verkhovna Rada of Ukraine on Industrial Policy and Entrepreneurship and selected BMOs to discuss the improvements to discuss the draft law on support to SMEs. More than 100 participants from SMEs and BMOs have participated in the round tables to discuss the draft law and real needs of entrepreneurs. * Contributed to 22 events aiming to build awareness on BMO importance for SME sector. * 7 individual trainings for BMOs on policy analysis and preparation of policy proposals conducted; Initial advocacy targets and issues for public-private dialogue identified. 4/7 BMOs have prioritized issues and engaged in development of policy * 1 individual training on application of SME-test (cost-benefit analysis of regulations for small business (Donetsk Chamber of Commerce and Industry) * Draft handbook on Policy analysis for BMOs prepared *(November 2016)*. * 40 news stories covering BMO development. | The round tables allowed the BMOs to provide feedback on the subject matter that will be used in policy-making process. The participation also provided capacity development information and participating BMOs readiness to engage in the policy making process.  Low capacity to seriously work with policy issues;  The project plans to facilitate cooperation of BMOs with think tanks to work jointly on existing SME issues. |
| * 1. Design, develop and provide training and coaching on survey techniques and data collating, and on data analysis, analytical reporting and presentation to BMOs’ leaders for effective decision making. | * The project has designed and launched the training and coaching programme on survey techniques and data collating, and on data analysis: * In-depth assessment of applied techniques, tools and capacities through field visits to BMO offices; * 1 webinar on data collating and analytical reporting conducted (basic principles of working with data and increase their motivation to collate and analyse data), 14 November 2016. The training and coaching programme will be resumed in 2017. The programme will be focused on use of data for internal and external communication, development of evidence-based policy proposals, market research etc. | Review quality of BMO surveys |
| * 1. Provide training for the BMOs in policy analysis and elaboration of proposals for submission to the Government. | * 7 individual trainings for BMOs on policy analysis and preparation of policy proposals conducted. Initial advocacy targets and issues for public-private dialogue identified. 4/7 BMOs have prioritized issues and engaged in development of policy. * 1 individual training on application of SME-test (cost-benefit analysis of regulations for small business (Donetsk Chamber of Commerce and Industry). * Draft handbook on Policy analysis for BMOs prepared *(November 2016)*. | Plans for 2017:  Subsequent individual trainings and coaching in the course of preparation of policy proposals. |
| * 1. Design and provide targeted training to develop the capacity of BMOs to mediate between government and member interests. | * 1 initial general training on mediation (mediation un-packed as individual competency and service which can be provided by BMOs (e.g. business mediation; mediation between business and government etc.) – 16 December 2016. The programme will be resumed in 2017 focusing on training of mediation specialist for business mediation (pre-trial dispute settlement for SMEs) and mediation with the government. | Work plan for activity needed for remainder of project term. |
| * 1. Establish the SMEs-oriented platform for stakeholders’ consultations and advocacy campaigning. | * The project participated in the selection of an NGO/BMO to which the CIPE-sponsored SME Platform (<http://platforma-msb.org/>) was handed over. The project plans cooperation with the Platform to share knowledge and experience on BMO development across key topics of organizational development, services and advocacy. The platform also provides for interactive tools to collect the feedback of a wider BMO community. | It is more feasible to invest into cooperation with existing platforms rather than establish the new ones. |
| 3.7. Train the BMOs to self-regulate specific issues within their competence. | * This is not a function for most of the BMOs in the project. The only one setting standards is the Green Tourism association (Union RGT). May apply to the furniture association (UAFM) and poultry breeders association (IUPBFPU) if they are interested in being a standards setting organization. | The BMOs have to fully understand ‘self-regulatory’ functions and how they may or may not apply to their respective organizations. Attention to this area may take time and attention from more basic association development and advocacy needs. A possible partner to help advance this function is the Commercial Law Center. The Center has expertise on the subject. |
| ***Activity 4: Strengthening key government actors*** | | |
| **Indicative Activity** | **Result or Status** | **Issues** |
| * 1. Assess existing needs and gaps among the key governmental actors to further help them constructively engage with the private sector and support effective dialogue. | * Cooperation with Department for Regulatory Policy and Entrepreneurship Development, MEDT. * Consultations with national authorities to identify training needs started and are ongoing. Two national authorities show evidence of increased dialogue with BMOs. * Screening of the regions to be selected for training of regional authorities has started in September and will be extended into 2016. * Kick-off meetings/talks with the representatives of local government authorities in Odessa, Kyiv, Zaporizhzhia, Vinnytsia, Lviv oblast were conducted to identify training needs. * The priority regions are those where the selected BMOs have active operation: Western Ukraine (Lviv, Ivano-Frankivsk, Ternopil), Vinnytsia oblast, Chernihiv oblast, Kharkiv oblast, Donbas region. Rapid assessment of training needs conducted. * Consultations on SME development strategy and establishment of SME Development Office were held at request of the MEDT. * 2 “business breakfasts” with Vice-Prime Minister for European Integration involving representatives of 4 partner BMOs (DCCI, UAFM, Stina, IUPFFMU) facilitated by the project. Topics for discussion: how to promote export, barriers to export and doing business (3 November; 16 December 2016) * Advisory support to MEDT on reform of the Cabinet of Minister’s Council of Entrepreneurs provided (2 meetings of the Working Group; best practices in Public-Private Dialogue and recommendations for reform presented); * Provided inputs to MEDT-owned draft SME Development Strategy in parts related to business associations and public-private dialogue | Component needs further discussion with government stakeholders on how to advance. Draft SME Development Strategy could be an entry point to engage government and BMOs to provide input to the Strategy’s implementation plan. |
| * 1. Develop the cooperation framework with the key governmental actors at national and regional level to involve targeted BMOs and business community into effective interaction with the Government. | * There are existing platforms and mechanisms for interaction such as Councils of Entrepreneurs, Public Councils, web platforms where all draft decisions are published and can be commented by BMOs and civil society representatives. However, BMOs haven’t been active in reviewing and providing feedback on the decisions due to lack of capacity. | Review how to provide input to existing platforms with BMOs and government stakeholders. |
| * 1. Organize coaching and training of the governmental authorities at the national and regional levels aimed at opening up the decision-making process to the private sector and involvement of SMEs to the decision-making process. | * Desk review completed of gaps and training needs that showed preconditions exist for public-private dialogue but neither side is satisfied with the quality of interaction, for instance: there is a lack of data for BMOs to support positions and a lack of access of BMOs to the policymaking and vetting process. * Advisory support to MEDT on reform of the Cabinet of Minister’s Council of Entrepreneurs provided (2 meetings of the Working Group; best practices in Public-Private Dialogue and recommendations for reform presented); | -Political instability  -Lack of public administration reform  - Rotation of mid-level officials  -Possible new law on public consultations;  - Insufficient capacity of BMOs to provide quality inputs on one hand and insufficient capacity of the government to process the inputs on the other. |
| 4.4 Monitor the results in improvement of the public-private cooperation through analysis of qualitative and quantitative data, independent review and feedback from both government and private sector | * 4 round tables to discuss improvements to SME legislation conducted (Lviv, Vinnytsia, Odesa, Kramatorsk); * Communication between MEDT and 7 BMOs established with a view to undertake regular consultations; * Project and BMO feedback provided to national government’s SME Development Strategy. The project participated in the MEDT Working Group. * Contributed to the Working Group on improvement mechanisms of engagement of public formation and implementation of regulatory policy, Public Council of the State Regulatory Service * MEDT has asked for BMO input to two SME issues. * 2 “business breakfasts” with Vice-Prime Minister for European Integration involving representatives of 4 partner BMOs (DCCI, UAFM, Stina, IUPFFMU). Topics for discussion: how to promote export, barriers to export and doing business (3 November; 16 December 2016) | Draft SME Development Strategy could be an entry point to engage government and BMOs to provide input to the Strategy’s implementation plan. |
| ***Activity 5: Project Management*** | | |
| **Indicative Activity** | **Result or Status** | **Issues** |
| 5.1 Establish Project Board | * Project Board established consisting of UNDP, Ministry of Economic Development of Trade, Swiss Cooperation Office and representatives of partner BMOs | Has not been convened in 2016 as it was planned to have a joint Programme Board under the Recovery and Peacebuilding Programme. Later –postponed pending the results of Midterm evaluation |
| 5.2. Engage project staff | * Staff hired and working | UNDP pay scale change issue: project team pay scale was adjusted per UNDP requirement impacting the original budget and requires a need for a budget modification which project management has proposed. Please see text for issue description. |
| 5.3. Ensure effective project implementation and monitoring | * Ongoing project reporting (quarterly and annual reporting) * Monitoring and Evaluation Strategy and plan drafted |

# Annex F: Status and Comparison of Organization and Capacity Assessment Indicators



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# Annex G: Project Budget Status, April 2015-December 2016



# Annex H: Budget with Revised Unit Costs Given Salary Adjustment

|  | **Unit** | **# of Units** | **Unit rate  (in USD)** | **Budget with Original  Unit Rate** | **Revised  Unit Rate (in USD)** | **Budget with Revised Unit Rate** | **Deficit USD** | **Deficit, % vis Total Budget** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Income/Revenue** |  |  |  | **1 053 723** |  |  |  |  |
|  |  |  |  | *980 223* |  |  |  |  |
|  |  |  |  | *73 500* |  |  |  |  |
| **Activity 1. Organizational Capacity** |  |  |  | **210 001** |  | **151 723** |  | **0%** |
| Inception workshop and organization of competition | event | 1 | 6 000 | 6 000 | 5 991 | 5 991 |  | 0% |
| Assessment of BMOs | assessment | 1 | 15 556 | 15 556 | 15 453 | 15 453 |  | 0% |
| General trainings and coaching | training set | 6 | 14 500 | 87 000 | 8 967 | 53 800 |  | 0% |
| Individualized trainings and coaching | training set | 6 | 14 500 | 87 000 | 11 104 | 66 621 |  | 0% |
| UNDP GMS, 8% | percent |  | 14 445 | 14 445 |  | 9 858 |  | 0% |
| **Activity 2. Service Provision** |  |  |  | **258 001** |  | **249 339** |  | **0%** |
| National consultant to coordinate activities 1 & 2 | person/month | 30 | 1 300 | 39 000 | 3 037 | 91 109 | -52 109 | -5% |
| Assessment of BDS | assessment | 1 | 15 223 | 15 223 | 15 223 | 15 223 |  | 0% |
| General trainings and coaching | training set | 6 | 13 000 | 78 000 | 8 957 | 53 741 |  | 0% |
| Individualized trainings and coaching | training set | 6 | 13 000 | 78 000 | 7 022 | 42 130 |  | 0% |
| Awareness raising activities | activity | 10 | 3 000 | 30 000 | 3 000 | 30 000 |  | 0% |
| UNDP GMS, 8% | percent |  | 17 778 | 17 778 |  | 17 136 |  | 0% |
| **Activity 3. Advocacy & Intermediary Capacity** |  |  |  | **238 001** |  | **215 818** |  | **0%** |
| National consultant to coordinate activities 3 & 4 | person/month | 30 | 1 285 | 38 556 | 2 474 | 74 209 | -35 653 | -3% |
| Trainings and coaching on surveying | training set | 6 | 4 500 | 27 000 | 4 500 | 27 000 |  | 0% |
| Trainings and coaching on development and communication of proposals | training set | 6 | 10 000 | 60 000 | 7 783 | 46 699 |  | 0% |
| Trainings and coaching on mediation function, advocacy and non-profit lobbying | training set | 6 | 9 500 | 57 000 | 8 854 | 53 122 |  | 0% |
| Trainings and coaching on self-regulation | training set | 6 | 6 500 | 39 000 | 6 500 | 39000 |  | 0% |
| UNDP GMS, 8% | percent |  | 16 445 | 16 445 |  | 14 787 |  | 0% |
| **Activity 4. Strengthening key governmental actors** |  |  |  | **133 000** |  | **94 616** |  | **0%** |
| Coaching of authorities at the national level | training set | 5 | 5 900 | 29 500 | 5 900 | 29 500 |  | 0% |
| Coaching of authorities at the regional level | training set | 12 | 6 800 | 81 600 | 3 839 | 46 068 |  | 0% |
| Development of the framework of cooperation | consultant - person/month | 6 | 2 132 | 12 789 | 2 132 | 12 789 |  | 0% |
| UNDP GMS, 8% | percent |  | 9 111 | 9 111 |  | 6 259 |  | 0% |
| **Activity 5. Project Management** |  |  |  | **214 720** |  | **342 227** |  | **0%** |
| Project Manager | person/month | 36 | 2 800 | 100 800 | 4 606 | 165 805 | -65 005 | -6% |
| Project Associate | person/month | 36 | 1 100 | 39 600 | 2 573 | 92 627 | -53 027 | -5% |
| Office Equipment | set | 2 | 1 703 | 3 405 | 3 847 | 7 694 |  | 0% |
| Office Utilities | month | 36 | 169 | 6 084 | 147 | 5 284 |  |  |
| Mid term and end of project evaluations | evaluation | 2 | 25 000 | 50 000 | 23 265 | 46 531 |  |  |
| UNDP GMS, 8% | percent |  |  | 14 831 |  | 24 286 |  | 0% |
| **Expenditure/Expenses** |  |  |  | **1 053 723** |  | **1 053 723** | **-205 794** | **-20%** |

# Annex I: Status of Project’s 18-month Logical Framework as per Cost-Sharing Agreement

| **Strategy of Intervention/Project Objectives** | **Key Performance Indicators** | **Status** |
| --- | --- | --- |
| **Impact** | **Impact Indicators** |  |
| 1. Increased growth and competitiveness of SMEs with BMOs membership and improved business environment through policy advancements | No impact level changes can be expected after one and a half year of project implementation. | Project has not been fully executed for 1.5 years given time for project signing, start-up, and BMO selection process. But swift progress made once BMOs identified. Work with BMOs began in March 2016. |
| **Outcomes** | **Outcome Indicators** |  |
| 1. Governance and sustainability of targeted BMOs improved | * Membership of selected BMOs, including 1 organization representing women’s entrepreneurship, increased at least by 5%; * Incomes from membership fees in selected BMOs, including 1 organization representing women’s entrepreneurship, increased by at least 10%. | Note: services have only been provided to the selected BMOs from March 2016.  1. Most BMOs have increased membership and at the same time cleaned out membership roles after receiving project interventions. Data is from March to December 2016:  - Overall, membership of all 7 BMOs increased 11.7%.  - Average membership increased to 393 members from 348.  - Chernihiv City League of Business and Professional Women increased to 108 members from 55.  Income from membership fees has increased given increase in most BMO membership fees. This trend is expected to continue as membership roles increase and fee-for-service is implemented.  Share of membership fees in the overall income of BMOs grew by 14%; number of fee paying members grew by 9%; The budgets of the BMOs on average grew by 15% (UAH)  2. Number of members receiving BDS not measured at this time. Member survey currently underway.  3. 40 position papers and proposals on policy improvement presented by BMOS, 20 proposals officially submitted, and 7 proposals taken into account. The Chernihiv City League of Business and Professional Women had 4 instances of public/private dialogue, events and campaigns and have advocated on specific women’s issues in its region.  4. There have been numerous presentation and dialogue events either organized by the project or in which the project has provided support including participation of the selected BMOs. Please see Activities 3 and 4 of Annex E. |
| 2. SMEs are increasingly making use of up-to-date techniques and knowledge provided by BMOs | * Number of members receiving BDS increased by 10%; * Members’ satisfaction of BDS provided/facilitated by BMOs has increased by 20%. |
| 3. BMOs increasingly contribute to policy-making | * + At least 10 out of all position papers/proposals presented by BMOs are taken into account by the government to improve SME regulatory/business environment;   + At least 3 out of all position papers presented by BMOs address women’s entrepreneurship policies and are taken into account by the government;   + At least 8 out of all mediations conducted by BMOs lead to a successful outcome. |
| 4. Growing engagement of authorities at national and local levels in the dialogue with private sector | * + Dialogues between private and public sectors are assessed as positive and constructive by at least 30% of dialogue participants. |
| **Outputs** | **Output Indicators** |  |
| 1. Selected BMOs strengthened its organizational capacity  **Activity 1 Expenditure:**  As of December 2016  62% of budget resources used | * 1 baseline assessment conducted; * At least 7 beneficiary BMOs are selected; * At least 2 out of 7 trained/coached BMOs, including 1 organization representing women’s entrepreneurship, optimized internal processes and show increased ability to maintain adequate organizational structure and processes; * At least 3 out of 7 trained/coached BMO, including 1 organization representing women’s entrepreneurship, established linkages and created networks with other relevant organizations; * At least 2 out of the 7 trained/coached BMOs, including 1 organization representing women’s entrepreneurship, leaders show increased understanding of the needs of their members. | 1. Strengthened organizational capacity:   * Baseline assessment of the 7 selected BMOs conducted and found useful by project team, BMOs and service providers. * All 7 BMOs have reported improved organizational structure and processes as indicated by reforms in each BMO. * All 7 BMOs have a total of 9 formal MoUs signed including with foreign partners; 3 BMOs have expanded cooperation with foreign peer organizations. * All 7 BMOs more regularly survey members and are adjusting to provide support services.  1. Strengthened Service Capacity:  * Baseline assessment conducted per above. * New or improved services provided by selected BMOs. * Awareness of BMO service improvement not yet measured.  1. Advocacy and Intermediary Capacity  * All 7 BMOs have improved capacities to articulate SME development solutions as evidenced by the number of policy papers, participation in dialogue meetings with public sector officials at local, provincial and national levels, and number of newspaper articles. * As indicated above, 40 position papers and proposals on policy improvement presented by BMOS; 20 proposals officially submitted; and 7 proposals taken into account. * The number of mediation events is not known at this time. Initial training was provided and is expected to continue in 2017. * It is not known if any of the policy proposals included women’s issues. As indicated above, the Chernihiv City League of Business and Professional Women had 4 instances of public/private dialogue, events and campaigns and have advocated on specific women’s issues in its region. * 40 news stories published.  1. Key Government Actor Capacity:  * Assessments made at the regional and local level and some training provided. Limited headway for national government because of government priorities, time availability and focus. * See Activities 3 and 4 of Annex E for efforts at national, provincial and local levels. Input and guidance provided for SME Development Strategy at the national level. |
| 2. Selected BMOs strengthened its service provision capacity  **Activity 2 Expenditure:**  As of December 2016  42% of budget resources used | * 1 baseline assessment conducted * At least 3 out of 7 trained/coached BMOs provide or facilitate the provision of new or improved BDS; * At least 30% of trained/coached BMOs’ members are increasingly aware of the BDS offered and assess positively their quality. |
| 3. Advocacy and intermediary capacity of BMOs improved  **Activity 3 Expenditure:**  As of December 2016  33% of budget resources used | * + - * At least 3 out of the 7 trained/coached BMOs, including 1 organization representing women’s entrepreneurship, show evidence of capacities to articulate SME development solutions based on clear and consultative problem analysis;       * At least 3 out of the 7 trained/coached BMOs have designed no less than 5 sound proposal drafts to the Government;       * At least 3 out of the 7 trained/coached BMOs have undertaken at least 3 mediations between the Government and their members;       * At least 1 out of 7 BMOs advocated for women’s entrepreneurship issues;       * At least 15 news stories covering BMO’s development, BMOs-Government interaction appear on national and regional media. |
| 4. Capacity of key governmental actors to engage with private sector strengthened  **Activity 4 Expenditure:**  As of December 2016  2% of budget resources used | * + 1 training programme for 5 national and 12 local authorities developed.     - * At least 3 out of the 5 trained national authorities and 7 out of the 12 trained regional authorities show concrete evidence of increased dialogue with BMOs. |

1. Numbers for this section were abstracted from the draft Small and Medium-Sized Enterprise Development Strategy of Ukraine, Ministry of Economic Development and Trade, 18 November 2016 (draft). [↑](#footnote-ref-1)
2. The project was launched with a joint signing of the project document between the UNDP and Ministry of Economic Development and Trade of Ukraine (MEDT) on 27 August 2015. The cost sharing agreement between the UNDP and Government of Switzerland represented by the State Secretariat for Economic Affairs (SECO) was signed in late March 2015. The Project Manager and Project Associate were contracted in June 2015 and the two coordinators (BMO Development Coordinator and Advocacy and Government Component Coordinator) were contracted in October 2015. [↑](#footnote-ref-2)
3. Project Document, Strengthening SME business Membership Organizations, UNDP, April 2015, p. 8. [↑](#footnote-ref-3)
4. The delayed start was due to changes in management at the Ministry of Economic Development and the process for hiring staff. [↑](#footnote-ref-4)
5. Numbers for this section were abstracted from the draft Small and Medium-Sized Enterprise Development Strategy of Ukraine, Ministry of Economic Development and Trade, 18 November 2016 (draft). [↑](#footnote-ref-5)
6. The list is abstracted from the draft SME strategy, p. 8. [↑](#footnote-ref-6)
7. The UNDP members include Project Manager of the Economic and Social Recovery of Donbas Regional project, and the SME BMO Project Manager and Project Coordinator. [↑](#footnote-ref-7)
8. Summary Report of Organizational Capacity Assessment of Selected Business Membership Organizations, 14 April 2016, UNDP. [↑](#footnote-ref-8)
9. An example of the questionnaire to be filled by each BMO’s members: <https://docs.google.com/forms/d/1QRvc0el3GPPQBUhihj1BfKYvH_m0E142pWiF6Xw4_Dk/edit> [↑](#footnote-ref-9)
10. If for a regional or international trade show, symposium, conference, only attendance fees would be eligible and not travel or per diem costs. [↑](#footnote-ref-10)
11. The Project should be evaluated in accordance with UNDP Evaluation Policy [↑](#footnote-ref-11)