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**MINUTES OF THE PROJECT BOARD MEETING**

**STRENGTHENING SME BUSINESS MEMBERSHIP ORGANIZATIONS**

**Date:** 25 June 2018

**Venue:** UN premises, 20 Esplanadna St., 7th floor, Kyiv

**Participants:**

**United Nations Development Programme in Ukraine (UNDP):**

**Ms. Blerta Cela**, Deputy Country Director

**Ms.** **Oksana Remiga**, Programme Analyst

**Mr. Andriy Zayika,** Project Manager

**Ms. Yuliya Golovanova**, Advocacy and Government Component Coordinator

**Ms. Iryna Gerasymenko,** Project Associate

**Swiss Cooperation Office in Ukraine (SCO):**

**Mr. Holger Tausch,** Director

**Mr. Viktor Shutkevych,** Assistant Director

**Ministry of Economic Development and Trade of Ukraine (MEDT):**

**Mr. Daniil Menshykov***,* Deputy Head of the Entrepreneurship Department

**Mr. Andriy Slabinskiy,** Adviser of Reform Project Office

**Observers:**

**Business Community Club** (hereinafter “BCC”)

**Mr. Mykola Savulyak,** President

**Donetsk Chamber of Commerce and Industry** (hereinafter “DCCI”)

**Mr. Dmytro Vyshnevskyi**, Vice-president

**Entrepreneur’s Union “Stina”** (hereinafter “Stina”)

**Mr. Oleksandr Pechalin,** Chairman of the Board

**Interregional Union of Poultry Farmers and Fodder Producers** (hereinafter “IUPBFPU”)

**Mr. Vadym Shyyan**, Chairman of the Board

**League of Business and Professional Women of Ukraine** (hereinafter “LBPW”)

**Ms. Yuliya Zayika,** Executive Director

**Ukrainian Association of Furniture Manufacturers** (hereinafter “UAFM”)

**Mr. Volodymyr Patis,** President

**Union for Promotion of Rural Green Tourism in Ukraine** (hereinafter “UPRGTU”)

**Mr. Volodymyr Vasiliev,** Chairman of the Board

**1. Welcoming remarks**

**Ms. Blerta Cela** opened the meeting with welcoming remarks and expressed gratitude to the Swiss Cooperation Office in Ukraine, Ministry of Economic Development and Trade of Ukraine and partner business associations for cooperation. She acknowledged the importance of SME sector development for Ukraine and numerous results achieved through project interventions and joint collaborative efforts during the last few years. Ms. Cela mentioned the meeting was a closing one given the project completion.

She suggested the agenda of the meeting, which included discussions on project’s results, final evaluation, lessons learned and recommendations for the way forward. Ms. Cela stressed the importance to hear from the development partners and to follow through the work that had been initiated and results that had been achieved for ensuring full sustainability of the intervention.

**Mr. Holger Tausch** welcomed the participants and emphasized the value of the Project Board Meeting for receiving updates and feedback.

**Mr. Andriy Slabinskiy** welcomed the participants and thanked for productive collaboration during the implementation of the project. He presented key highlights on SME development agenda, in particular:

* Until recently the SME development policy was formulated only partially and addressed in a fragmented way;
* SME Development Strategy Action Plan was adopted on 10 May 2018, hence strategic framework for SME development is now in place;
* Strengthening the capacities of SME Business Membership Organizations, as key players of public-private dialogue, was and would remain one of the priorities within the SME development agenda.

**Mr. Slabinskiy** also emphasized the importance of the fourth component of the project and appraised project’s approach in facilitating public-private dialogue, which was a twofold process with BMOs on one side and MEDT on another. Mr. Slabinskiy expressed expectations for a new similar initiative.

After a round of introduction, the members of the Board have approved the agenda of the meeting (Annex 1).

**2. Presentation of the project activities and results by June 2018**

***Mr. Andriy Zayika*** expressed his appreciation to donor representatives for continuous support and to all partners for active participation in implementation of the project. He started with the brief overview of the project components and followed with the results achieved to date.

Mr. Zayika highlighted the results against key outcome indicators of BMO organizational development, governance and financial sustainability in 7 targeted BMOs evidenced by the final organizational capacity assessment (2018). In particular, he mentioned that:

- Membership of seven BMOs increased on average by 32% compared to baseline and reached a total number of 3258 members. The contributors of growth were UAFM, BCC, IUPBFPU, LBPW while other three BMOs faced negative trends caused by organizational reforms and change of membership policy. However, revision and actualization of the membership policy was a needed and positive action for raising quality of relationship between these BMOs and the members, and with the improved membership policy those BMOs who had lost their members started to recover.

- Share of membership fees in the overall income of BMOs dropped by 15% compared to baseline, which is largely a result of the diversification of income sources and mobilization of external funding. Nominal value of income from membership fees has grown in five of seven BMOs. Number of members paying fees raised by 23% which is clearly a sign of higher quality of relations of BMO with the members.

- Resource mobilization efforts led to significant increase of BMO budgets (over 500% compared to 2015). This was mostly through external resource mobilization from donors, local government, private sector and income from provision of business development services.

Further Mr. Andriy Zayika elaborated on the results of organizational development assessment conducted in 2018. He informed that the assessment had shown rather significant progress in all areas, except “Adaptability”. BMOs have re-designed and adopted new mission/vision and strategy, but issues remained with translating those into a multi-year operational plans, establishing key targets and performance indicators for regular monitoring and self-assessment linked to strategy and operational plans, adapting the performance based on outcomes of targets and indicators. *Please see Annex 3 for details*.

Mr. Andriy Zayika informed that number of BMO members using BDS grew from 40.3% to 66.6% (increase of 65%), and along with a greater number of users, quality of services improved, evidenced by greater satisfaction of BMO members with the services provided, which grew from 34.2% to 54.6% (increase of 60%). A total of 35 new services were introduced and 17 services improved by 7 BMOs as a result of project’s training and coaching support. Mr.Zayika drew attention to the fact that 3 BMOs (LBPW, DCCI, UAFM) explicitly provided services to female entrepreneurs. LBPW and DCCI provided a range of services, including networking, ‘business breakfasts’, trainings and advocacy, and UAFM was working on development and implementation of consultancy to members aimed at streamlining of gender equality principles in the enterprises’ strategies and operation. He added that all 7 BMOs have signed the MoU (2016) to support and promote women entrepreneurship and assigned relevant coordinators in their organizations. DCCI, LBPW, IUPFFPU and Stina introduced the mentorship programmes for women.

After that Mr. Andriy Zayika informed on advocacy activities of BMOs and PPD. He summarized that overall seven BMOs have submitted over 60 proposals in different forms and formats, out of which 18 were reported as successful (adopted by the authorities), and conducted seven successful mediations. Mr. Zayika noted challenges with monitoring and reporting on advocacy activities, since BMOs’ activities often had not resulted in formulation of a policy document or proposals, whereas the organizations were active in reaching out to SME community and government through events such as public fora, conferences, round tables etc.

Mr. Andriy Zayika added that in the course of implementation of component four, the project explored various avenues of facilitating dialogue between public and private sector, including building awareness of both BMOs and authorities on the need to engage in the dialogue as a mechanism through, inter alia, training and coaching programme on PPD developed and implemented jointly with Kyiv-Mohyla Business School (engaged 62 representatives from 22 institutions from among central, regional, local self-government authorities and amalgamated communities), and scouting for areas where dialogue can be leveraged and produce ‘quick wins’. In conjunction with project’s interventions, 6 national authorities and 9 regional and local self-government authorities have shown concrete evidence of dialogue with the private sector through partner BMOs.

Yet, the problem remained widespread as 52% of MSMEs surveyed by the project in 2017 said that the authorities did not consult prior to taking the decisions and that indicates a huge gap in perceptions of the representatives of public administration and private sector as to the effectiveness of the dialogue. In addition, Mr. Andriy Zayika emphasized the importance of improving regulatory framework at the local level. He elaborated on Open Regulatory Platform, one of the important project achievemnts, - a mechanism based on principles of multi-stakeholder dialogue, to scan, review and improve the local regulations affecting small and medium businesses - initiated by BMO Stina and launched by Vinnytsia municipality with the support of UNDP. He commented that designed model, including methodology, tools and organization, is scalable and could be proliferated all over Ukraine at higher and lower administrative levels (such as amalgamated communities) and may help leverage economic potential of the regions and communities in the course of decentralization.

Regarding the project management, Mr. Andriy Zayika presented the financial delivery of the project and mentioned the issue of the VAT non-refund by the Ukrainian government authority for UNDP payments during 2017 and 2018, which reached almost USD 25000. He emphasized that the UN system in Ukraine invested a lot of efforts into finding a solution to this issue, but regrettably UNDP had not received the VAT refund for most of the payments. Mr. Andriy Zayika added that UNDP is to provide Swiss Cooperation Office in Ukraine a separate follow-up official letter on this matter.

After all, Mr. Andriy Zayika proceeded with the information on the final evaluation of the project (*Please see Annex 4 for details*). He communicated that the aim of the final evaluation, which was done through the analysis of five evaluation criteria, namely relevance, effectiveness, efficiency, sustainability and impact, was to analyse the implementation of the project during the period 2015-2018, draw the lessons learned, provide recommendations and inform the development of the project’s follow-up phase. He highlighted the following key preliminary findings of the evaluation (available in Annex 4)

Discussion

**Ms. Blerta Cela** thanked for the detailed review and snapshot on recommendations, which need to be followed and gave the floor to BMOs’ representative to share experience and lessons learned.

**Mr. Mykola Savulyak** expressed gratitude for being selected as a project partner, appraised expert support of the project in different areas of BCC development and highlighted key results their organization achieved within the recent years, including new 1000 members, 6 new services, higher members’ satisfaction with services received, establishment of a new cluster of light industry, improved financial stability through better fundraising strategy and higher number of fee-paying members, higher awareness of BBC work in Ukraine, nearly 40 partnerships established with other associations to collaborate on joint projects. During the capacity development programme the BCC has faced some rotation of staff who were engaged in project’s training. Therefore, it would have been beneficial to envisage ways to help organizations develop an internal learning and knowledge transfer system.

He made a remark that in the next phase the project should support development of the platform where leaders can meet, build partnerships and collaborate. Mr.Savulyak also told that it was important to further promote among SME the idea of being a member of business association and respective benefits. He added that organization still need tailored consultancy in different areas, including how to diversify financial sources, and would be interested in peer exchange with international organizations abroad on increasing financial sustainability. He summarized his comments with a remark that UNDP project was a pioneer in the field of BMO development in Ukraine, and it is a success sign that its approaches were replicated by other similar projects. Mr. Savulyak expressed his opinion that the ‘market’ of business associations needed competition, but also proper quality assurance, which would help understand to what extent various organizations could be considered professional and trustful partners, and expressed hope for many more associations to be created in Ukraine in the nearest future.

**Mr. Volodymyr Vasiliev** mentioned that for their organization it was still difficult to communicate with the government authorities at the national and local level as equals and asked to continue the project interventions in terms of facilitating and improving public-private dialogue. He also presented several advocacy proposals initiated by UPRGTU, including proposed amendments to the law on “Individual peasant farms” regarding the definition of the legal status of persons engaged in rural green tourism and to the tax code regarding taxation of incomes from green rural tourism.

**Mr. Oleksandr Pechalin** emphasized that Vinnytsia became the first city in Ukraine where the legal acts that influence business will be reviewed as a result of establishment of Open Regulatory Platform with UNDP project’s support, and expressed the expectation that this model would be replicated in other regions and municipalities of Ukraine. He also noted that it would be interesting to record the experiences and challenges in different regions using blockchain platform. In addition, Mr. Pechalin presented key achievements of Stina, including for example 3 new services for their members and establishment of a social enterprise. He also mentioned the powerful impact that the project had on their organization as well as intensity of the capacity building programme provided. Given the intensity of project intervention and inputs, he mentioned that it would be advisable to have a long-term schedule of all activities, so that the association’s staff could properly plan and allocate their time.

**Mr. Dmytro Vyshnevskyi** thanked to UNDP and SCO for joint work and highlighted key outcomes for the organisation. He mentioned the updated strategy of the Chamber and improved project management system, which allows to currently handle a portfolio of 20 projects, including events, workshops, website, ‘digital chamber’ and others. He emphasized that this was the result of individualized training for DCCI on project management. He also detailed on Donetsk CCI advocacy activities, East - Expo events, centers for export promotion and mediation and strengthened networking capacities thanks to support from both the Project and Recovery and Peacebuilding Programme of UNDP in Ukraine. Mr. Dmytro Vyshnevskyi also made a remark that Donetsk CCI was a part of the national system of chambers of commerce and industry, and it would be good to replicate the best practices developed in DCCI within the whole system of chambers in Ukraine.

**Mr. Vadym Shyyan**described the experience of cooperation and assistance that the Interregional Union of Poultry Farmers and Fodder Producers has received from the Project and elaborated on the challenges that still exist for their organization, including difficulty to scale up and attract members, gain trust of industry SMEs in the region, demonstrate benefits of changes they implement to the members. He emphasized that mobilizing and engaging farmers and small agro-firms was and would remain very challenging because of a historic distrust and tendency of isolation which is noticeable in the sector.

**Ms. Yuliya Zayika** elaborated on project support received by LBPW during partnership with the project, indicating that that the Project’s approach was unique, very structured and in-depth. She presented main highlights of their BMO development, including organizational transformation from regional to national, change of statute documents and establishment of policies, initiation of research on women and men in leadership positions in Ukraine based on open data, advocacy campaign on quality standards and self-regulation. Ms. Zayika commented that they lacked information on current BMOs on the market: how many and which organizations existed, what and how they were doing.

**Mr. Volodymyr Patis** presented organizational transformations that UAFM had undergone and their accomplishments attributable to the Project’s interventions. Among other achievements, he emphasized new business school for furniture manufacturers and their first participation in the trade mission. He recommended for future to conduct due diligence of associations in addition to the capacity assessment, since some problems may not be visible on the surface, e.g. as in their association when they used to admit new members without adhering to procedures. **Mr. Patis** also stressed the importance to educate BMO leaders about democratic procedures and introduction of those in BMOs, because it would raise trust in association among potential members and attract SMEs to join. He added that nowadays most business people would not understand the meaning of ‘cluster’ and why it could be profitable for the company, so they would need more knowledge on creating clusters and methodology on how to scale those up to the whole industry. Besides, Mr. Patis mentioned that education and peer-exchange on how to create joint trade missions was crucial for their further grow.

***Mr. Viktor Shutkevych*** mentioned that SCO appreciated the opportunity to learn the progress and outcomes of the project’s work directly from the representatives of the BMOs at this meeting of the Board in addition to the findings of final evaluation of the project. He mentioned that adoption of the SME Development Strategy was a timely move as it provided clarity to how the Project met the national priorities.

He also thanked the participants for submitting the applications for the small projects initiative, announced by SCO for 7 partner BMOs, and indicated that the applications were being reviewed to identify the winning proposal.

***Mr. Holger Tausch*** thanked the Project and BMOs for reporting the results back to the SECO, as well as appraised the accomplishments and holistic approach of the project. He mentioned that such a project addressing different associations with different models, needs a lot of time to move, to modernize the economy and outlook. Mr. Taush also stressed the importance of collaboration with the MEDT and the need to collaborate better to advance the national level advocacy in addition to what the partner associations have already achieved. In addition, he mentioned the intention of Swiss Cooperation Office in Ukraine to make the II phase of the project happening.

**3. Closing Remarks**

***Ms.*** ***Blerta Cela*** summarised the discussion, thanked everyone for participation, shared expectation for joint work on the development of the very robust second phase of the project***,*** and adjourned the meeting.

**4. Key Decisions and follow-up actions**

1. Approve project report presented to the Board
2. Share the final project evaluation with SCO/SECO and partners
3. Hold consultations with SECO regarding the schedule for the development of the II Phase of the project and final project reporting

***Annexes:***

1. *Agenda of the Project Board Meeting*
2. *Project narrative report*
3. *Project progress across key M&E indicators (as of June 2018)*
4. *Financial Report (as of 14 June 2018)*
5. *Preliminary findings and recommendations of the final evaluation*

Prepared by: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

*Ms. Iryna Gerasymenko*

Project Associate, Strengthening SME Business Membership Organizations

Reviewed by: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

*Mr. Andriy Zayika*

Project Manager, Strengthening SME Business Membership Organizations

Reviewed by: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

*Ms. Oksana Remiga*

Programme Analyst, UNDP

Reviewed by: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

*Mr. Viktor Shutkevych*

Assistant Director of Swiss Cooperation Office in Ukraine

Approved by: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

*Mr. Holger Tausch*

Director of Swiss Cooperation Office in Ukraine

Approved by: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Department for Entrepreneurship Development and Regulatory Policy, Ministry of Economic Development and Trade of Ukraine

Approved by: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

*Ms. Blerta Cela*

UNDP Deputy Country Director