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Final evaluation of programmes ‘Community Based Approach for Local Development Phase III’ and Support to Ukraine’s Regional Development Policy

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Acronyms

ACMB	Associations of Co-owners of Multi-apartment Buildings
ATC	Amalgamated Territorial Communities
AUC	Association of Ukrainian Cities
CBA	Community-based approach
CfP	Call for Proposals
CO	Community Organisation
CRF	Common Results Frameworks
CRO	Central Reform Office
DOA	Description of Action
DOBRE	Decentralization Offering Better Results and Efficiency (USAID)
EC	European Commission
ENPI	European Neighbourhood and Partnership Instrument
ET	Evaluation Team
EU	European Union
EUD	European Union Delegation
GoU	Government of Ukraine
IDP	Internally Displaced Person
IFI	International Financial Institutions
ISC	Inter-Service Commission Secretariat
LED	Local Economic Development
LSG	Local Self Government
MEDT	Ministry of Economic Development and Trade
Minregion	Ministry of Regional Development and Construction
MS	Member State of the European Union
NRDS	National Regional Development Strategy
PPF	Project Preparation Facility
RD	Regional Development
RDC	Regional Development Council
RRO	Regional Reform Office
RD	Regional Development
REGIONET	Regional Development that focuses on individual practitioners (Professional Association)
SFRD	State Fund for Regional Development
SSRD	State Strategy for Regional Development and alternatively Support to Sustainable Regional Development
SURDP	Support to Ukraine's Regional Development Policy
ToC	Theory of Change
TsNAP	Centre for Administrative Service Provision
UAH	Hryvna – Ukrainian Currency
U-LEAD	Ukraine Local Empowerment, Accountability and Development Programme
UNDP	United Nations Development Programme
USAID	United States Agency for International Development

1. EXECUTIVE SUMMARY

In 2014 the Ukrainian government moved quickly to introduce policy and regulatory frameworks to reform local government. These reforms are transforming territorial governance and development in Ukraine. The on-going challenge facing the government is to implement these reforms and realise the expectations of citizens, both in terms of good governance and quality of life results.

The EU has played an important role in facilitating and supporting these reforms. The subjects of this evaluation are two of these EU interventions 'Support to Ukraine's Regional Development Policy' (SURDP) and the 'Community Based Approach to Local Development project Phase III' (CBA II). Both projects are different but complementary. SURDP focusing on 'top down' regional policy related activities and CBA III addressing similar issues but from a bottom-up, community focused perspective. The focus of the evaluation was on how SURDP has introduced a modern EU approach to regional policy in Ukraine and how CBA III has supported the local government reform process, through participatory actions at the local level.

In brief, the evaluation identified a positive impact by the SURDP project in modernising regional policy and regional funding in Ukraine. CBA III has made a major contribution to community mobilisation and development across Ukraine within the on-going decentralisation process.

The evaluation also identified the following issues that impact on the sustainability of both projects' outputs.

- Decentralisation and regional development are government reform priorities but are not positioned within a wider national development framework of public administration reform, judicial reform, national economic objectives (e.g. SME strategy, privatisation), agriculture/rural reform. The sustainability of decentralisation/regional development reforms are at risk without parallel reforms in other policy areas.
- Linked to the absence of a national development framework, inter-ministerial coordination is weak in Ukraine. The success of local government reform and regional policy is highly dependent on 'centre of government' with key line ministries understanding the process of local governance and territorial development change and how these changes impact on their sector policies.
- At national and sub-national levels, there are limited human resource capacities and capabilities to deliver decentralisation and regional development reforms. The U-LEAD project as well as other projects such as USAID funded Decentralization Offering Better Results and Efficiency (DOBRE) projects are important in this regard. However, there is a risk that decentralised budgetary resources and regional development funding are not drawn down or utilised poorly due to the lack of public policy/project management capabilities to identify/prepare projects for funding, integrate strategic objective implementation with projects and deliver financial/budgetary management/oversight.
- Evidence of a reversal of the modern regional policy standards introduced by the SURDP has been identified particularly in terms of transparency and implementation of regional development strategies.

Based on these findings, the report makes a series of policy recommendations to build on the legacies of the SURDP and CBA III projects, inform future local government/regional policy activities as well as the implementation of the on-going U-LEAD project, which is supporting multi-level governance in Ukraine

2. EVALUATION CONTEXT AND OBJECTIVES

This evaluation is positioned within an on-going complex process of political, institutional and socio-economic change in Ukraine. The scale, scope and pace of these changes are extensive. Ukraine is reforming national governance (e.g. economy, public finance, central administration, judicial) while at the same time reforming the sub-national governance through decentralisation, local self-government empowerment, territorial reconfiguration and bottom-up regional development policy. This change process is further complicated by territorial integrity challenges in the east of Ukraine due to geo-political forces. Key contextual issues were identified that informed the evaluation process. (These issues are elaborated in Annex 1: Context of Evaluation).

2.1 Original Projects' Objectives and Intended Results

Support to Ukraine's Regional Development Policy (SURDP) was launched in January 2013 and concluded in February 2017. The project was implemented by a GIZ led consortium. The overall objective of SURDP was to contribute to the social, economic and territorial cohesion of Ukraine. The project purpose was to strengthen the capacity of Ukrainian authorities and other stakeholders to develop and implement effective regional development policies. The main beneficiary of the Project was the Ministry for Regional Development, Construction, Housing and Municipal Economy (Minregion). The expected results of the project were as follows:

- **R1** - A National Policy on Regional Development elaborated by the Government, including the legal and administrative instruments necessary for operational and financing.
- **R2** - An Updated State Strategy on Regional Development to 2020 elaborated and approved including an Action Plan to implement the strategy
- **R3** - Regional Development projects implemented.
- **R4** - Capacity building system improved, network for Regional Development practitioners established and operational.

The **Community Based Approach to Local Development project Phase III (CBA III)** was implemented by UNDP and builds on the achievements of two previous CBA phases. CBA III was launched in May 2014 and concluded May 2017. The overall project objective was 'to promote sustainable socio-economic development at local level by strengthening participatory governance and encouraging community-based initiatives throughout Ukraine.' The specific objectives as per the Description of Action (DOA) are as follows: - strengthening the capacity of local communities, local authorities and universities in applying community led development; integrating participatory mechanisms for local planning and public service delivery into the day-to-day practices of local governments, supporting community-based initiatives for sustainable rehabilitation, management and operation of basic social and communal infrastructure; and promoting small farm and non-farm business development in rural areas. The expected results are as follows:

- **R1** - Support structures created/strengthened for collective action and joint decision-making
- **R2** - Enhanced skill and capacity among (community-based) civil society organisations and local authorities

- **R3** - Improved delivery of basic communal services at local and municipal level including in the area of health, water supply, environment, and retrofitting of multi-apartment buildings.
- **R4** - Increased public awareness at local level on energy saving options
- **R5**- Reduced energy loss and expanded source of energy ensured

2.2 Methodology and Hypotheses

The purpose of the evaluation is to conduct a final evaluation of the Community Based Approach to Local Development (CBAIII); and Support to Ukraine's Regional Development Policy (SURDP). This involves a summative (retrospective) assessment of the achievements of both EU interventions; and a formative (prospective) analysis of the lessons learned and the provision of recommendations for the implementation of U- LEAD as well as potential follow-on activities. The U-LEAD project provides capacity building to support decentralisation, multilevel governance and regional policy reform throughout Ukraine.

The evaluation was conducted around the five OECD-DAC evaluation criteria of relevance, efficiency, effectiveness, impact and sustainability and the EU evaluation criteria of EU added-value, complementarity coherence and coordination. The cross cutting issues of good governance and gender were also examined.

Both projects supported local governance change at different levels. CBA III by strengthening participatory governance/community based initiatives at the local level and SURDP by supporting a new regional development approach and funding change at the national and regional levels.

The evaluation tested the following overall hypotheses

- *That EU intervention via the SURDP project has contributed to developing a modern regional policy and state fund for regional development in Ukraine*
- *That EU intervention via the CBA III project has contributed and impacted on local self-government reform and administrative territorial reform in addition to realising original project objectives.*

As per the Tor, the evaluation was carried out through four phases: 1) Inception Phase, 2) Desk Phase 3) Field Phase and Synthesis Phase.

3. EVALUATION STAGES

Inception phase

The Inception phase took place from in late March/April 2017. A kick off meeting was held on 29 March with the EUD - Dominik Papenheim, Mira Didukhev - and the evaluation team - Cecilia Campana, Steve Webber, Bernard O' Sullivan. During the inception phase, available project documentation was reviewed, evaluation questions formulated and preliminary selection of SURDP/CBA III for visits during the field phase. The inception report was submitted on 7 April to the EUD.

Desk Phase

The desk phase was carried out in April. Interviews were carried out with UNDP (Marcus Brand) and SURDP team members (Colin Maddock, Yuri Tretyak). Based on these interviews and document review, the overall institutional context for the evaluation was elaborated, overviews of SURDP/CBA III projects presented with reconstruction intervention logics based on the original Descriptions of Actions in the programming documentation. The evaluation methodology and hypotheses to be tested was developed. The desk phase also included preparing the field phase plan, final selection of SURDP/ CBA III projects to visit and list of potential interviewees. Finally, preliminary answers to the evaluation questions presented in the inception report were drafted. (See Annex X)

Field Phase

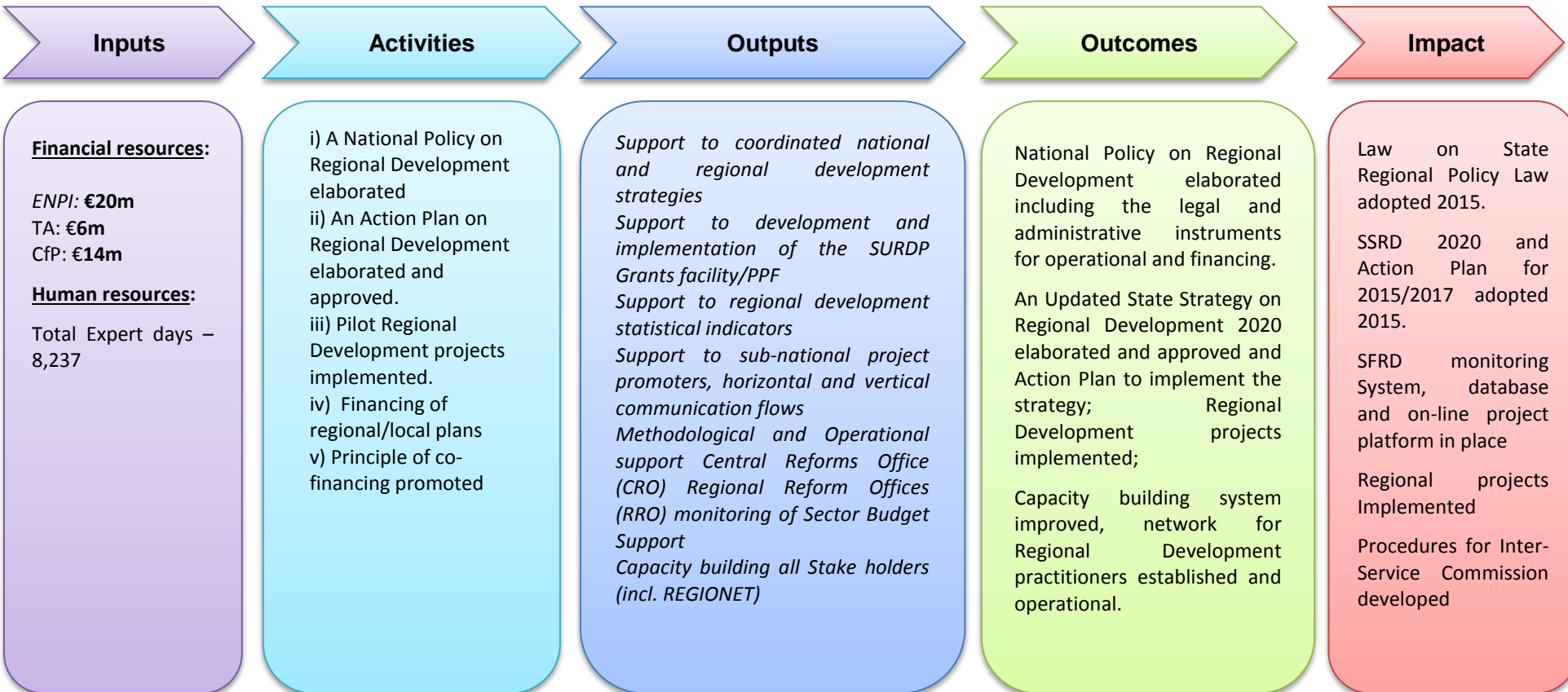
The field phase took place between the 22 May and 9 June. The field phase of the evaluation involved a series of interviews with main beneficiaries/institutions at the national and regional/local levels. (See Annex X - Field Phase visits).

Synthesis Phase

The Synthesis Phase was carried out between 10 June and 30 June. The final report was drafted during this period.

SURDP Reconstructed intervention logic (based on DOA)

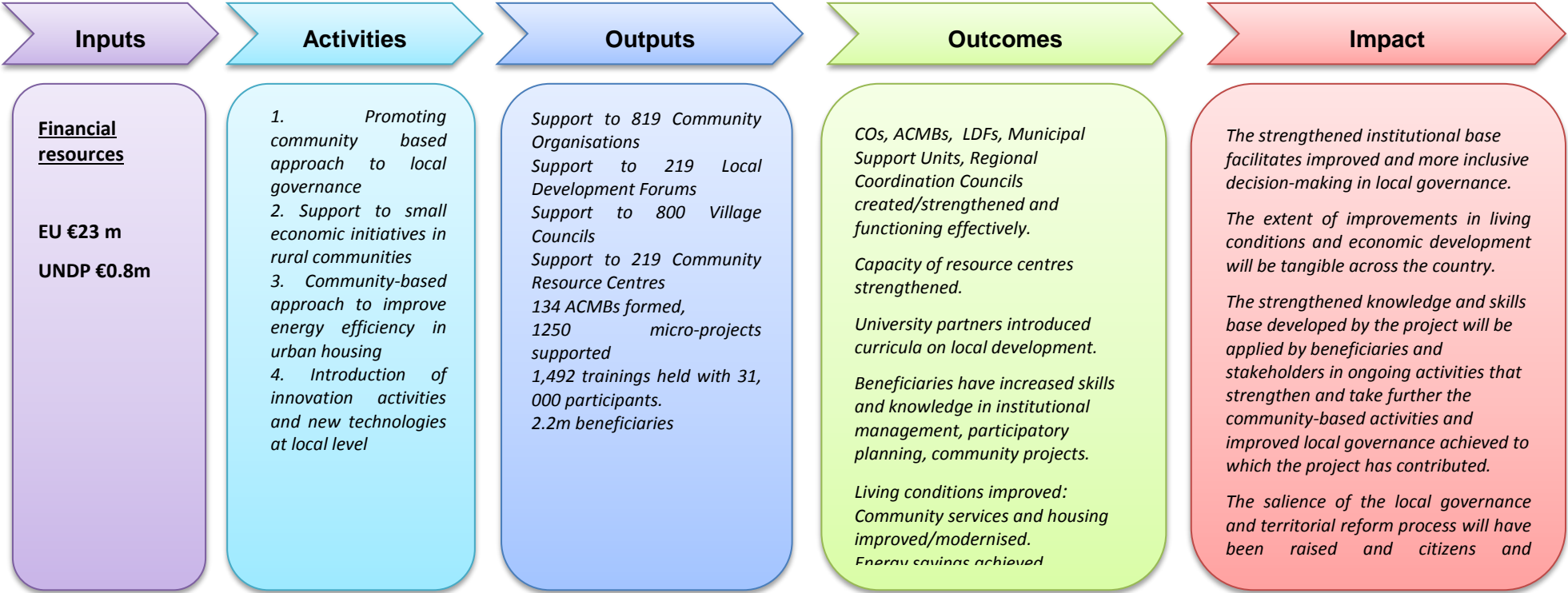
RATIONALE FOR EU ENGAGEMENT
 - To contribute to the social, economic and territorial cohesion of the country.
 - To strengthen the capacity of Ukrainian authorities and other stakeholders to develop and implement effective regional development policies.



ASSUMPTIONS

Promotion of regional/ local development and administrative territorial will remain a government priority
 National and local authorities will be committed to deliver improved regional development policies.

RATIONALE FOR EU ENGAGEMENT
 - To promote sustainable socio-economic development at local level by strengthening participatory governance and community-based initiatives



ASSUMPTIONS

Ukraine pursues its development objective in line with the spirit of the European Charter on Local Self-government

4. The SURDP and CBA III Projects

4.1 SURDP - Overview of the subject of the evaluation

With the political changes in Ukraine during 2014, the objectives and role of the SURDP project took on greater relevance. Despite the unsuccessful attempts to introduce territorial governance reform in 2005 and 2009, the new GoU was determined to push forward with decentralisation and a modern ‘bottom up’ approach to regional policy. In April 2014, the GoU introduced the ‘Concept for the Reform of Local Self-Government and Territorial Set-Up of Power (decision No 333). SURDP became an important source of technical knowledge and advice for all aspects of regional policy change including institutional, strategic, regulatory and financial. The SURDP project was in the ‘right place at the right time’ to provide the support required by the GoU.¹

In effect, the change in regional policy translates into a shift away from a centralised territorial policy of resource distribution based on ‘average statistics’ to one based on territorial differentiation, with greater demands on sub-national administrations to take responsibility for the development of their territories, competition for funding resources and the overall introduction of multi-level governance in Ukraine.

Meeting this challenge has two dimensions. Firstly, the normative challenge in designing and passing into law the appropriate regional policy framework, national strategy and regional development instruments (SRDF). Secondly, to facilitate a ‘governance cultural change’ by regional/local actors to exploit the potential offered by the new regional development approach through taking greater control of their socio-economic futures in partnership with central government.

The desk and field phases of evaluation have highlighted the important role of SURDP in supporting the first normative challenge as well as the contribution the project has made in shifting the mind-set of both central and regional administrative actors to adapt to pro-active regional development.

In the first instance, the ‘*Analytical Review of the Regional Development Sector*’ produced by SURDP in 2013 provided an informed basis for subsequent policy and institutional support. The review underlined the need for an objective based national regional strategy, the positioning of regional development policy in relation to other sector support policies (e.g. transport), the importance of monitoring and evaluation, identifying all potential regional funding sources and the need to ensure regional support instruments targeted only agreed national and regional strategic objectives.

The regulatory framework for regional policy includes earlier legislation such as the law “On local self-governance of Ukraine” 1997, “On State Targeted Programmes” 2006, “On public forecasting and formation of economic and social development programs of Ukraine” and “On the stimulation of the development of regions” 2005. However, the law “On foundations of State regional policy” 2015 set out the general principles for the formation and coordination of regional development programmes and projects that has brought Ukraine closer to EU standards of regional development.

¹ Interview Minregion June 2017

The SURDP project provided drafting support to ensure the law addressed identified deficiencies in the analytical report including the absence of an overall control system for national regional development, the need for operational regional planning at the Oblast/regional level, central government funding support to projects identified at Oblast/Regional level, the introduction of monitoring and evaluation systems as well as the demarcation of institutional responsibility for regional policy implementation, project methodologies and procedures.

During the formulation of the 'State Strategy for Regional Development for the period until 2020' (September 2014/Decree № 385), the SURDP project focused support on addressing strategic planning gaps in the earlier 'Strategy for Regional Development 2015 (adopted 2006) by stressing the importance for tangible overall strategic objectives based on a regional development methodology with implementation action planning, funding transparency/fairness, operational linkages between regional with other national sector strategies, stakeholder consultation to facilitate policy legitimation, integrated regional development support (infrastructure with softer competitive support projects.

SSRD 2020 is demonstratively a strategic change approach to territorial development and management compared to the 2006 Strategy for Regional Policy. SSRD 2020 states plainly that regional socio-economic disparities in Ukraine are a result of *"an inefficient public administration system of regional development and opaque mechanisms of financial support to regional development, the lack of a clearly defined public policy in the field of regional development, obsolete mechanism of relationships at the level "state - region" and between the regions, imperfect system of territorial organization of power and delay in holding local self-government reform and the reform of administrative-territorial structure."*²

SSRD 2020 is based on "an integrated approach to the formulation and implementation of the state regional policy" to include strategic development combinations such as:

- Sector (industry) – increase in regional competitiveness through optimization and diversification of the economic structure, ensuring efficient specialization of regions with a priority of using their own resource potential;
- Territorial (spatial) - to achieve an even and balanced territorial development, the development of inter-regional cooperation, preventing the deepening of socio-economic disparities by forming "growth poles", enhancing local economic initiatives and capacity building of rural areas, ensuring socio-economic cohesion and uniformity of the development of regions.
- Governance- use of common approaches towards formulation and implementation of regional development policy, a unified system of strategic planning and forecasting of the development of the state and the regions, optimization of the territorial organization of power.
- Creating an effective and transparent mechanism of financial support for regional development needs to reflect the specificities of each region.

Furthermore, the SURDP project supported the preparation of the Action Plan 2015-2017 to implement SSRD 2020, based on the competitive selection of regional development projects (via call for proposals) based on sectors and approved project selection criteria to realise SSRD objectives.

² State Strategy of Regional Development for the period until 2020 - Decree of the Cabinet of Ministers of Ukraine 6 August 2014, № 385

As well as the SSRD and Action Plan, SURDP supported five pilot Oblasts in the preparation of their regional development strategies and operational plans. The regional development methodology prepared by the project reflects EU planning best practice based on horizontal integration (economic development, social development, environment and natural resources, public services and infrastructure) and vertical integration with the alignment of regional development plans with 'hierarchically higher systems' including national sector strategies and plans, state targeted programmes budget programmes and EU/other donor support priorities. *'In real life, strategy components represent a totality or a system with various and permanent interactions. However, these aspects are often treated separately in planning and management, without taking much care of their mutual interrelations and synergy. This way of planning often leads to inefficient use of scarce resources...'*³

The State Regional Development Fund (SRDF) is the primary instrument for regional strategy implementation and forms part of the general state budget. The regulatory framework for the SRDF is based on Article 24-1 of the 2012 budget code and the Cabinet of Ministers' Resolution No. 656 (2012). Within this framework the SRDF should be funded by not less than 1% of state funds and implemented on a multi-annual basis with transparent allocation formulas based on population. Under the mentioned budget code the SRDF can finance the National Regional Development Strategy and relevant regional development strategies, national development projects and investment projects within regional development programmes; regional development agreements and programmes for the support of economically depressed territories programmes for cross-border cooperation; as well as projects for the socio-economic development of the regions, including measures by individual administrative units.

The SURDP project supported greater transparency and efficiency of the SRDF and brought the fund closer to similar type programmes in the EU. Support was provided to the Minregion and the Ministry of Economic Development and Trade on the use of EU standards for project selection procedures as well as funds disbursement, greater transparency, improvements to funding formula for equitable distribution of resources and preparation of projects for SRDF support.

SRDF projects are selected under a competitive procedure and project beneficiaries should provide co-funding (minimum of 10%) and demonstrate capacities to maintain SRDF investments. The fund operates under an 80/20 formula with 80% of funds allocated to all regions based on population and 20% poorer regions with a GDP less than 75% of the national average. An important transparency input by SURDP was the creation of an online SFRD platform that provides open information access on SFRD funding.⁴ As well as providing all necessary information on SFRD funding, the platform allows on-line submission of project applications and on-line assessment of project proposals by appointed national experts.⁵

The SURDP Grant Facility based on a Call for Proposals has also proved a valuable contribution to regional policy in Ukraine. In effect, the facility demonstrated to national and regional authorities how

³ Methodology for Regional Development Planning in Ukraine: A Tool for Elaboration of Regional Development Strategies and Regional Operational Plans in Ukraine, SURDP 2014

⁴ During the field mission the Minregion highlighted the particular importance of SURDP's contribution to SRDF transparency and social cohesion

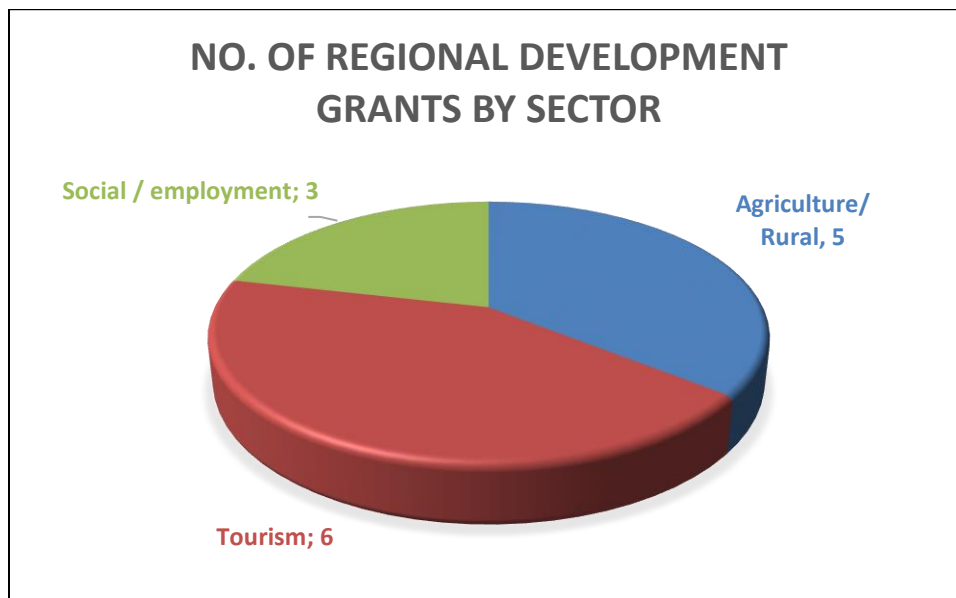
⁵ <http://Minregion.gov.ua/dfr>

grant funding should be utilised to implement both national and regional development strategies. In the main, grant project supported under the facility were of a scale and scope to make a significant contribution to agricultural, employment/social and tourism objectives of regional development strategies.

The global objective of the Call for Proposals was *'to strengthen the capacity of Ukrainian authorities and other stakeholders to develop and implement effective regional development policies'* and implemented through two lots at the Oblast and Rayon/municipality levels. The specific objectives of the Call for Proposals were Lot 1 - To alleviate regional disparities through targeting the least developed regions of Ukraine (Budget EUR 4m and Lot 2 - To promote sustainable rural development (Budget EUR 2m).⁶

The Regional Development Call for Proposals was launched in April 2013 and contracted by the EC Delegation with full support from SURDP. This support included a series of information events for target applicants (regional/local authorities) throughout Ukraine on how to apply for grants with over 1000 participants. At these events training materials were provided on how to complete a grant concept note and full applications. To address questions on procurement under national rules these events were also attended by the Ministry of Economic Development and Trade (MEDT). Applicants who passed the concept note stage were provided with further training such as preparing regional development projects based on EU best practice. A help desk was also organised during the call for proposals and during implementation of the grants cycle.

The Facility funded 14 regional development projects - including Vinnytsia, Volyn, Dnipropetrovsk, Zakarpattya, Ivano-Frankivsk, Lviv, Odessa, Rivne, Khemlnytskyi and Cherkasy. The total global budget for the call (including co-funding) was over EUR 8 million.



⁶ In October 2014, SURDP supported the EC Delegation with a second call for proposals to support conflict affected communities in Eastern Ukraine.

During the field mission, the team visited two regional development projects supported by the facility - Improving Vocational Training System According to the Needs of the Volyn sub-regional Economy and “Recovery of amelioration network to boost economic growth in rural areas of Volyn region” (See Annex X for overview of projects and mission findings). Project partners interviewed during these visits were highly appreciative of the support from SURDP on both the technicalities of completing an EU grants application but also on what constituted a regional development project under the call that would be evaluated favourably by the EC Delegation. This included - an emphasis on strategic links with implementing the relevant Oblast regional strategy, addressing identified gaps/real needs, sustainability of the grant support outputs and demonstrating that stated outputs/results were deliverable and providing evidence that the grant support was not a ‘one-off action’.⁷ For the beneficiaries visited in Volyn and Rivne, the grant facility was their first experience of EU funding requirements such as PCM, log frame completion, preparation of support documentation, grant monitoring and budget formulation. The contrast between the minimal support and information provided for SRDF project applications and the extensive support provided by SURDP was raised by project partners interviewed during the field mission.

Funding delays was the major criticism voiced by beneficiaries of the facility linked to actions by Oblast treasuries. This resulted in significant delays with the projects visited e.g. 7 months for ‘Improving Vocational Training System According to the Needs of the Volyn sub-regional Economy’ project. Project partners stated that any obstacles to the use of EU co-funding under Ukrainian financial procedures should have been identified and addressed prior to the call for proposals.

Overall, evidence gathered during the evaluation desk stage and feedback from the field mission suggests that the SURDP project has made a significant contribution to developing modern regional policy and the state fund for regional development in Ukraine. Feedback during the field mission from the main beneficiary Minregion underlined the extent of the positive contribution made by SURDP.

SURDP provided the experts we needed for policy, strategy, legislation and funding, you can say that the support was total. The team was very quick in responding to our requests for help and always making improvement suggestions particularly with criteria for SRDF project selection, methodologies and management systems. They provided us with a lot of training on regional operational planning and implementation. The SRDF is the first state programme with full transparency and this was due to SURDP. Now the project is over we realise how much the Ministry depended on the SURDP team.⁸

This view of SURDP’s contribution to regional policy was also echoed by other donors active in territorial governance reform in Ukraine. For the USAID funded, Dobre project, which is supporting LSG amalgamation, SURDP helped modernise regional policy in Ukraine and brought in EU standards to the operation of the SRDF. For Dobre, despite the efforts of SURDP, a strategic vision of territorial development is still absent in Ukraine and moreover, how regional policy should realise such as vision. The Dobre experience in the field also noted that some beneficiary municipalities find the SRDF too

⁷ See <http://surdp.eu/en/Web-internal-Useful-materials/> and in particular training material on ‘Examples of typical mistakes made by applicants’.

⁸ Interview Minregion

complicated and do not apply. There is also a belief that the fund is highly political and the transparency safeguards introduced by SURDP are not respected. While SURDP has emphasised the need for integrated projects to support implementation of regional policy, the Dobro project notes that SRDF is funding primarily micro projects which does not seem an effective use of a national regional development instrument.⁹

The Swiss funded Despro project which supports decentralisation in Ukraine worked closely with the SURDP team, also underlined the importance of SURDP's role in modernising regional policy/SRDF but also the focus placed on convincing Minregion of the need for monitoring systems and project driven regional development policy. The SURDP project "...provided the foundation for regional policy but the situation is evolving and there is still a lot of work to ensure the SRDF is effectively implemented. From our experience there is still no real understanding of how integrated regional development projects should be created at the national or regional levels".¹⁰

Discussions with EIB also highlighted the lack of ready projects to support territorial development in Ukraine. The bank believes that the SRDF has considerable potential and can attract IFI funding, if bankable projects are prepared (and procurement/management issues addressed). The important contribution made by SURDP was the introduction of a spatial planning dimension to SSRD 2020 and SRDF. The SSRD 2020 facilitates support for macro regional development planning/investments which could provide large scale investment opportunities that the bank is seeking. The EIB itself is active in this regard with support to a 'Dnieper logistics strategy' to identify future potential investment projects. For the bank a major weakness that undermines regional policy implementation is limited central government coordination between financing infrastructure, economic /development and the on-going decentralisation/regional policy process.¹¹

As well as other donors, national stakeholders such as the Ukrainian Association of District and Regional Councils (UADRC) Civil Society Institute, National Academy of Public Administration were also positive about the contribution of SURDP to regional policy change in Ukraine.

For UADRC, SURDP was one of the more successful EU funded projects in Ukraine. The project helped develop a more credible regional policy and SRDF. Regionet was an important output of SURDP and all their members are associated with Regionet.

The Civil Society Institute again emphasised the funding transparency contribution made by SURDP

The SURDP project has helped to create the basis for modern regional policy and a framework for a real European type approach to regional policy. Before EU interventions in regional policy, there was no understanding of regional development in Ukraine. Budget funds were not allocated through any formula. Any planning was based on average statistics. The National Regional Strategy 2020 introduced the concept of spatial planning. In 2015 the system began to work. In 2016 the first tranche of SRDF funding was launched. The SURDP project introduced a formula for SRDF funding to support weaker regions and a transparent process by registering projects on the website of the Minregion. This was a pioneering step for public policy in Ukraine.

⁹ Interview Dobro May 2017

¹⁰ Interview Despro May 2017

¹¹ Interview EIB May 2017

As with EIB, the Civil Society Institute also notes the need to address inter-ministerial coordination. For the Civil Society, the SSRD operates in isolation from other ministries. For example, the Ministry of Agriculture is designing a new rural development policy with little reference to the rural development and agricultural support objectives of SSRD 2020.¹²

The National Academy of Public Administration was a member of the SURDP Steering Committee. For the Academy, SURDP had a major role in putting the SRDF into operation and provided important legislation drafting support. SURDP beneficiaries at national and sub-national levels appreciated the commitment of the SURDP team to solving problems (grant financing) and making policy change suggestions. *“The SURDP grant facility was one of the most valuable activities of the project and demonstrated to local actors that they can access and use EU funding”*. As an evaluation committee member, the slow process of grant funding was the major criticism raised by beneficiaries.

As with donor feedback above, the Academy also recognises that the basic regional policy is in place but there is a need to move to the next stage with more sophisticated interventions such as supporting “entrepreneurial thinking” by Oblasts/LSGs and encouraging a more pro-active regional/local development in terms of supporting local business environments, attracting investment, business networking and export promotion. The Academy also recognises the need for a more sophisticated approach to regional project identification at both the national and sub-national levels. Ukraine has demonstrated capabilities to develop Cross Border Cooperation projects but is unable to design internal ‘inter-regional projects’ between Oblast territories. For the Academy the Regional Development Agencies may have a role here but they are not active and operate more like NGOS, than territorial development institutions of the Oblast administrations.¹³

Feedback from interviews with regional administrations and councils in Rivne and Volyn, reflect the concerns raised by stakeholders and other donors at the national level. In the first instance, the regional administrations/councils were more familiar with the activities of the CBA program rather than SURDP. This is not surprising as the CBA has been active for almost a decade in the regions. Issues were raised about the operation of the SRDF in their territories and the role of central government in supporting regional development.

The Regional Administration and Regional Council of Rivne highlighted the support received from SURDP in the preparation of the Rivne Regional Development Strategy 2020. The Rivne strategy was approved by the regional council in 2015. The regional administration and regional actors followed the drafting methodology prepared by SURDP including situation analysis, identifying specific objectives, implementation planning, budgeting and monitoring. The grant project visited “Improving Vocational Training System according to the needs of Volyn sub-regional economy” was designed to support implementation of the strategy’s objectives to address the mis-match between vocational education and business skill needs and high unemployment of young persons in the Oblast. The project involved neighbouring Volyn Oblast and is of the type that the regional administration would like to replicate in other sectors such as agricultural processing.

¹² Interview The Civil Society Institute May 2017

¹³ Interview National Academy of Public Administration

The regional administration plans to work with amalgamated LSGs to develop larger projects but there is limited co-funding available and would welcome a second SURDP grants facility. For the future, the regional administration suggested that EU funding could support development strategies for amalgamated communities as part of the Oblast regional strategy and help prepare regional development projects. The administration is actively monitoring the regional strategy implementation with almost 70% of the first phase of objectives already achieved with local budget, grant funding and the SRDF. However the SRDF mainly supports building repairs and rehabilitation of roads and cannot be used like the SURDP grants facility to support larger projects that can have a wider impact on realising regional strategy goals.

A similar theme emerged from interviews with the regional administration and council in Volyn. With regard to SURDP the focus of discussions was on the grant project 'Recovery of amelioration network to boost economic growth in rural areas of Volyn region'. The administration underlined that the scale of the project - rehabilitation of over 200km of irrigation canals in the north of the Oblast - made a major contribution to the implementation of the rural development objectives of Volyn's regional development strategy 2020. The strategy contains three stages of agricultural competitiveness 1) Amelioration 2) Improved crops/productivity 3) Promote food exports. In addition, the project 'improved the EU perspective in the region' from support for closer EU ties to tangible and very visible development change in their region funded by the EU. The regional administration applied for funding from SRDF to build on the project outputs but their application was rejected due to non-relevancy. The regional administration's perception is that the SRDF supports smaller scale projects such as the repair of school windows and does not target larger scale projects. For the regional administration, such activities should be the responsibility of the LSGs and not the SRDF.¹⁴

The Volyn regional council suggested that the BUG Euroregion could provide the framework for developing larger 'change' projects in the Oblast.¹⁵ The council has identified opportunities for larger regional development projects, such as Shatsk Lake area, where foreign developers are keen to invest. However, the conditions or projects have not been prepared yet to realise such investment.

To be fair, Minregion recognises many of the issues raised by stakeholders at the national and regional levels, particularly with the use of SRDF resources. In the future, the Ministry sees the SRDF as funding projects similar to the SURDP grants facility that can have a substantial impact on implementation of national and regional development strategies. Moreover, the Minregion understands that it will be very difficult to monitor the impact of SRDF through small scale rehabilitation actions.

We recently carried out evaluation of the SRDF projects, only 2 out of the 350 applications can really be understood as regional development projects. We did request larger scale projects particularly in the energy sector but we only received ideas and not projects to evaluate.

¹⁴ While very supportive of the amalgamation process, the Volyn Regional administration raised concerns about the longer term potential risks as LSGs may not be able to manage their new responsibilities and funding resources. This may result in the need for further state funding intervention to ensure amalgamation is successful and sustainable.

¹⁵ Euroregion Bug encompasses cross-border areas of Belarus, Poland and Ukraine. The overall objective of the Euroregion is to develop co-operation in the fields of: regional development, transport, delivery of energy and water, nature protection, industry, trade, agriculture and education.

The Minregion pointed out that the first stage (2014-2016) of SSRD based on stakeholder consultation was to focus on the constitutional and regulatory framework for the reorganisation of powers between the central and regional Governments and the redistribution of public finances to strengthen the financial capacities of local self-governance. Energy efficiency and support to residential housing were agreed regional development investment priorities. Stage II (2017-2020) of the SSRD is to focus on financing public infrastructure projects to enhance inter-regional and intra-regional integration and the support of innovative cross-sector projects within regional development operational programmes. However, the Ministry acknowledges resource limitations to implement stage II of the SSRD, in terms of facilitating larger regional development actions, monitoring investment actions with Oblasts, Rayons LSGs, and coordinating SSRD 2020 with other key line ministries.

We do not have the necessary capacities to track the activities of Oblasts, LSGs or other donors. We need to know the projects that new amalgamated LSG are funding. We do not know the outcomes of EIB support to municipalities. Each Oblast should be monitoring projects in their territories but this is not the case and the data is not coming to us. We also need to coordinate with other Ministries particularly Economy and Trade and Agriculture. The Ministry of Economy and Trade does not completely understand the significance of the SSRD 2020 for their activities.

In the longer term, the Ministry does expect that the LSG amalgamation process will produce the 'critical mass' for more significant regional economic development perspectives. This may take the form of territorial development projects between amalgamated LSGs within Oblasts but also inter-regional projects with bordering LSGs in other Oblasts. This should facilitate implementation of stage II of the SSRD 2020. For this to occur, the regional administrations and councils should be working towards identifying and facilitating such developments through local economic development and project support. In turn, the Minregion recognises that it should be more pro-active in supporting Oblasts and LSGs to move in this direction.

To effectively monitor and evaluate the implementation of SSRD 2020 and territorial development by all actors, the Ministry has identified the need for a GIS system within the Ministry which should also be used to programme future national regional development strategies. In addition, the Ministry has also identified the need for increased capabilities to support Oblasts and LSGs in preparing projects particularly larger scale inter-regional projects for SRDF funding linked to sector funding by other line ministries.

The issues identified in this overview are further elaborated below in the answers to evaluation questions and recommendations

4.2 CBA III – Overview of the subject of the evaluation

The outline of CBA III was presented above in Section 2.1. The approach to the current evaluation has been to provide an overall assessment of the achievements of the 3rd phase of the CBA initiative, and also to examine the evidence relating to the Specific Objective stated in the ToR of the evaluation:

'to assess if CBA has contributed and to what extent had impact on the success of the local self-government reform and administrative territorial reform (especially amalgamation of territorial entities), while pursuing its original objectives.'

While the CBA III project was not directly tasked with supporting territorial reform and amalgamation (as these were not identified as policy priorities at the time of the CBA III programming), it is reasonable and logical to expect that the successful implementation of CBA III will have made a significant contribution to the development of an enabling environment for the decentralisation process and the attendant components of the local governance reforms.

This core question will be addressed through the review of the evaluation criteria below, in which the key evaluation questions will be answered. First, the report reflects on the engagement of the evaluation team with the contents of the intervention logic of CBA III (presented in detail in the Description of Action of the project), and the associated reconstruction of what the evaluation team perceive to be the underlying 'Theory of Change' (ToC) of CBA III. This reconstruction has been achieved through in-depth engagement with the documentary sources, and through feedback from UNDP staff and other stakeholders and beneficiaries interviewed during the Field Phase.

The intervention logic of CBA III contains 3 Specific Objectives:

- To promote community based approach to local governance and sustainable development;
- To enhance energy efficiency at local level;
- To support the creation of the locally owned and managed repository and network of good practices and knowledge on community mobilization and participatory governance.

The project has been implemented in line with the CBA methodology, which aims to achieve a complex response to the needs of local communities through a range of interrelated modalities of engagement:

- Creation of support structures (i.e. community organisations (COs), resource centres);
- Partnership formation and support between COs, local authorities, private sector, associations;
- Capacity-development of stakeholders in the spheres relating to local governance and local development;
- Stimulation of community mobilisation efforts, centred around project-type activities that respond to community needs;
- Support for knowledge-base development and use.

The project documentation does not present an explicit Theory of Change to underpin its work. On the basis of reconstruction, the following aspects of a Theory of Change can be discerned:

- The participatory approach adopted by the project, in its engagement with citizens and local authorities, engenders a strong foundation of ownership by stakeholders of the activities undertaken;
- The emphasis on capacity-building is multi-faceted and involves a broad range of stakeholders at all levels covered by CBA III;
- The focus on addressing issues of practical concern to citizens aims to achieve tangible material benefits, and deeper societal impacts with regard to participation of citizens in local self-governance;
- The net effect of the activities is to achieve an aggregate-level positive change in the sphere of local governance, improvement of living conditions, and a significant contribution to local, regional and national developments, including support for the process of decentralisation.

The CBA ToC (as reconstructed by the ET) is premised on the combination of a complex, bottom-up focused range of activities that are designed to foster significant transformational effects in the socio-

economic and political spheres; with a practical orientation of activities that are aimed at solving issues of immediate concern to the communities involved in the project, in a manner that is straightforward to understand and to implement. The conclusion of the current report is that the CBA project overall, including the current CBA III iteration of the initiative, has achieved very significant results and Impact on the basis of, and thanks to, this combination of simple and complex attributes of the approach. As the report will demonstrate, the following core attributes of the perceived ToC have contributed to the results achieved:

- CBA III has deployed (continued from the previous 2 phases) a complex approach, implemented across the country using a common methodology, but adapted carefully to local needs.
- Activities are targeted at the needs of beneficiaries (who define the priorities themselves), thus allowing for a strong degree of ownership development. The activities are sufficiently challenging to require commitment and capacity-development of the beneficiaries, but are also achievable within the time and resources available, and lead to tangible, lasting results of immediate benefit to the communities.
- Confidence-building among and between the stakeholder groups / beneficiaries of CBA is a core aspect of CBA, and the cumulative effect of 9 years of CBA implementation has yielded significant results – a reflection of the underlying ToC goal of fostering social cohesion, and democratisation of relations between citizens and authorities.
- Another core aspect of the ToC is the aim of empowerment of beneficiaries through capacity-building activities, in order to increase their potential to take a more active stance in decision-making at the local level, and involvement in addressing priority issues for their communities.
- The ToC, as reconstructed by the evaluation team, renders itself for easy replication and multiplication by the beneficiary communities and by other communities that have not been involved as direct beneficiaries.

The report will reflect further on these attributes in the sections below. The review by evaluation criteria will draw on the evidence provided by the Desk and Field phases, including review of CBA III documentation, the results of consultations with stakeholders in Kyiv, Rivne and Volyn regions, the feedback received in the questionnaire survey of CBA beneficiaries (65 responses from 22 regions), and feedback from the network of university partners of CBA (9 responses).

The combined weight of the data reviewed, which includes pan-CBA coverage data from the evaluation survey, along with case example data from the consultations in 3 locations, provides sufficient evidence for the evaluation report to come to firm conclusions regarding the achievements of CBA III (particularly given the degree of consensus and homogeneity of response, across the varied stakeholder groups).

In line with the theory-based approach to evaluating the performance of CBA III, evidence is mapped against the set of hypotheses developed for the Desk Report. These hypotheses will be restated at the start of the following sub-sections, per criterion, after the evaluation question (EQ).

5. Answers to Evaluation Questions

How relevant were the projects (SURDP/CBAIII) in meeting final beneficiary needs?

Summary findings:

The **SURDP** project has been highly relevant to the needs of central/regional administrations and final beneficiaries of Ukraine's regional development policy/strategy. SURDP project introduced an EU approach to regional policy, strategy, regulatory framework, control procedures, regional project/programme financing, transparency, support to dis-advantaged regions, funding of soft as well as hard regional projects and monitoring and evaluation systems. Interviews with Minregion highlighted the relevancy of SURDP's support to the formulation of the SSRD 2020 strategy and the operational design of the SRDF. The project also provided relevant capacity building in regional development planning, project preparation/financing, EU grants procedures as well as training to REGIONET members. This was confirmed during interviews with regional administration and regional councils in Rivne and Volyn.

For **CBA III**, there is strong consensus among stakeholders, from final beneficiaries, to representatives of local authorities, and national-level stakeholders, that the project has been highly relevant for the needs of the communities it has engaged with, and for the country as a whole. The relevance of CBA III is noted in terms of the nature of the activities, the range of stakeholders involved in the project, the scale of the project, and the methodological approach to its implementation.

Evidence gathered during desk and field stages underlines the strong relevancy of the SURDP project in modernising Ukraine's regional development policy. The contribution made by SURDP address relevant needs in terms of policy, strategy, institutional, regulatory, budgetary, as well as capacity building at central and regional levels. The analytical review of regional policy in Ukraine carried out by SURDP in 2013, informed support for the elaboration of the SSRD 2020, Action Plan 2015/2017 and the SFRD. In the process, SURDP promoted the inclusion of 'soft' regional development investments as well as physical, improving the formula for distributing SFRD funds to less developed regions, the design of an on-line SFRD platform for electronic submission of project proposals, EU standards on investment projects, the importance of communication/ transparency for all stakeholders and monitoring and evaluation systems. SURDP developed the procedures regional planning, methodology for monitoring and evaluation and criteria for groupings of regions towns and villages as objects of state regional policy. SURDP also supported the operations of the Inter-Service Commission Secretariat (ISC) and ISC Working Group Structures.

For the regional level, the project prepared a methodology for the elaboration of Regional Development Strategies and supported the elaboration of regional development strategies in Sumska, Poltavaska, Kyivska, Rivnenska and Ivano-Frankivska Oblasts.

In terms of capacity building, the project carried out a needs assessment in project preparation and monitoring, held workshops for Minregion and other line ministries in SFRD project preparation and financing, as well as support to project promoters under the grants scheme. The project also supported the operation of the REGIONET web portal and providing regional development training to REGIONET participants.

The CBA III evaluation tested 3 hypotheses regarding relevancy:

1. *The long-term nature of engagement of the CBA initiative (since 2008) will be reflected in strong level of confirmation of the Relevance of CBA III activities, which will have built on the lessons learned and achievements of the previous iterations of the project.*

The evaluation has generated a substantial body of evidence with regard to the perceived Relevance of CBA III activities. The degree of consensus among the varied group of stakeholders consulted is particularly noteworthy – from final beneficiaries who have been involved in the range of CBA III activities; through representatives of village/city, rayon and oblast authorities, as well as national-level officials; resource centre staff; Community Organisations; to international donors, etc. The feedback gained from the respondents showed a strong level of consistency and homogeneity with regard to the stakeholders' assessment of the achievements of CBA III and the extent to which the project's activities had responded effectively to the needs of Ukrainian society. The results of the questionnaire survey provide further evidence of this trend – of the 65 responses received in answer to the statement, 'Feedback from beneficiaries of indicates that the activities are considered relevant for their needs,' 56 stated that they 'strongly agree', 9 stated that they 'agree' (See Annex 3 for Questionnaire).

These findings are similar to those gained in the 2013 mid-term evaluation of the CBA initiative conducted for the EC, and the assessment of CBA III conducted earlier in 2017 by the Danish Institute of International Affairs. The current evaluation sought to delve beneath the surface of this broad consensus, to disaggregate the factors that can be seen to have contributed to this state of affairs. The following key issues emerged from this analysis:

- The complex, multifaceted approach adopted under the CBA methodology has allowed the project to address a range of interrelated objectives that respond to the needs of Ukrainian society, in improving living standards of its citizens residing in diverse economic environments across the country (with an emphasis on those most in need), and in building capacity and support for the process of devolution of powers and decision-making to the local level.
- The activities undertaken by CBA III reflect these goals – through a blend of measures that address directly the material needs of local populations (e.g. with regard to rehabilitation of infrastructure, energy efficiency measures) that are designed to lead to tangible results in a short period; and measures that address the goal of achieving change in civic culture, fostering capacity-building, strengthening trust and confidence, developing public-private partnerships, etc. Indeed, it was the cultural change aspect of CBA that was remarked upon most extensively by beneficiaries and other stakeholders, often in detail, before they turned to the more

practical/tangible aspects of the project's work. This served to highlight the Relevance of the CBA methodology, and by extension the project's contribution via its activities, to promoting such cultural change, as perceived by the stakeholder community.

- The scale of the project was noted as a key issue by stakeholders, and underscores the perceived Relevance of CBA III – as it was able to provide extensive coverage across Ukraine, involving a large number of beneficiaries. The size of the financial investments made per activity was also highlighted as being appropriate for the communities – sufficient to allow them to address identified needs, with their own financial contribution playing a part in this process. The absorption capacity of communities was thereby effectively utilised.

- The broad range of participation in CBA III was endorsed strongly in respondent feedback – stakeholders commented on the ways in which the project had contributed to bringing communities closer together, as an important factor in promoting social cohesion – including engagement with communities in the conflict-affected areas in the East of the country). The element of cohesion also was seen as extending to the facilitation of improved relations between citizens and local and regional authorities, as the project engaged the spectrum of interested parties in the sphere of local self-governance.

The report will return to the issues highlighted above in the subsequent discussion of the project's results, per evaluation criteria.

2. *The activities of CBA III across Ukraine at the local level will display a high degree of correlation with the work of the SURDP project at the policy level, in terms of the respective focus of efforts in addressing the core needs of Ukraine, its communities and citizens in the sphere of local governance and the decentralisation process.*

The evaluation process has provided confirmation that the activities of the CBA III and SURDP projects have, respectively, made significant contributions to the development of local governance and the process of decentralisation in Ukraine, the former through bottom-up dynamics focused on the needs of communities across Ukraine, the latter through top-down policy focused efforts. Stakeholders confirmed the Relevance of the CBA III project's activities at the local level, in terms of laying the ground for the reform process, through confidence-building measures, raising the salience and understanding of the decentralisation and territorial amalgamation processes, and associated capacity-building activities across the project's components. The report will reflect further below on the extent to which the 2 projects have achieved effective cooperation and exploited synergies.

3. *If CBA III has been able to respond effectively to the considerable flux in political and socio-economic spheres, following the political upheavals of 2014 and the on-going conflict situation, this will be reflected in the confirmation of Relevance of CBA III, including confirmation that the project has made appropriate adaptations to its content and approach to match the changed environment and the needs of beneficiaries.*

Particular attention was paid during the evaluation to the extent to which the CBA III project has adapted effectively to the changes in political, economic and social contexts since 2014. It was assumed that effective adaptation would be reflected in support for the Relevance of CBA III among stakeholders. The evaluation also sought to establish the extent to which the project had been able to take advantage of the increased attention and commitment towards

decentralisation and territorial reform seen at the level of national government, since the change of regime in 2014.

The evidence gathered during the evaluation demonstrates the ways in which the project has indeed adapted to the rapidly-changing context:

- The CBA III project was able to mobilise the potential built up by the project in its preceding iterations, in order to exploit effectively the more benign context for pursuing territorial reform that emerged following the regime change that occurred in 2014.
- The project was also able to provide a rapid and effective response to the needs of Internally Displaced Persons, through adapting the project's activities, drawing on the project's network of implementing partners.

How effective were the projects in realising specific objectives/results?

Summary findings:

The **SURDP** project realised the main project results of supporting the government to elaborate a National Policy on Regional Development, updating the SSRD2020 and associated Action Plan 2015/2017, implementing 14 regional development projects via a CfP, improving the capacities of central/regional administrations and the operation of REGIONET.

The **CBA III** project has achieved impressive results, and has responded well to the changed political context seen in Ukraine since 2014 – it has been able to react to emerging needs (including catering for the urgent case of IDPs), and exploit the opportunities created by the intensification of reform efforts in the sphere of decentralisation and territorial reform. The project has largely achieved the targets set for it, and exceeded them in certain key parameters (e.g. the number of beneficiaries, the number of micro-projects implemented). Among the key factors that have led to these achievements are: the development of trust among stakeholders (e.g. between beneficiaries and local authorities), the scope and scale of the action, the complex, multi-faceted nature of the project combined with its straightforward, easy-to-understand concept and approach to implementation, and the tangible, meaningful results achieved by local communities both in material and in cultural terms.

Evidence suggests that the SURDP project operated as an effective source of technical assistance to the Minregion for the elaboration of the SSRD 2020/Action Plan 2015-17, SRDF, regional development strategies, implementation of a regional grant scheme and capacity building support. Mission phase interviews with Minregion and other key stakeholders stated that without SURDP support there was a strong possibility that elaboration of the SSRD2020 and SRDF would have been delayed and would not have been fully in line with a modern EU approach.

As well as realising the main project results, SURDP proved effective in supporting donor coordination mechanisms, development of SSRD 2020 monitoring systems, including database and statistical analysis mechanisms (MORESTA: Monitoring Regional Statistics). SURDP supported the operation of the Inter-Service Commission on Coordination of Regional

Development (under the Cabinet of Ministers) although there were no subsequent meetings after the inaugural meeting in July 2013. The project also contributed to the 'Sector Budget Support' monitoring framework for Minregion. The project worked closely with the main institutional members of REGIONET (Oblast and Rayon Councils, Association of the Ukrainian Cities, Association of Rural and village councils) but did not manage to increase membership of the network to the 500 member target (269 members).¹⁶ Limited evidence was identified concerning the actual project outputs of project pipeline preparation (PPF) apart from workshops delivered by SURDP to Minregion, MEDT and the Ministry of Finance in organizing on the preparation of projects for SRDF.

The CBA III Effectiveness hypotheses tested were as follows:

1. *The cumulative nature of the work of the CBA initiative (CBA being the 3rd iteration) should be reflected in the presence of a tried and tested model and approach to delivery of project activities across the country, with effective adaptation to local needs.*
2. *All components of the CBA III project should display strong evidence of achievement, and there should be strong evidence to show synergies among CBA project components.*
3. *In order to achieve the objectives and expected results, the CBA III project will have introduced effective mediating measures to address negative consequences of the flux seen in political and socio-economic spheres in Ukraine, as well as the on-going conflict.*

The reporting framework used in the case of CBA III allows for a partial (limited) understanding of Effectiveness, and the achievements of the project. The reporting focuses on activities and Outputs, and is not organised according to the project's expected results registered in the logframe. In the presentation of results by Outputs, a proportion are mapped against targets (e.g. number of COs supported, number of micro-projects funded); however, in the case of other activities targets are not specified in the documentation reviewed, e.g. as in the case of support to the Knowledge Management Hub. Furthermore, baselines are not stated (notwithstanding the fact that CBA III is a continuation of previous CBA projects).

These factors restrict clear-cut conclusions with regard to Effectiveness. Furthermore, while the adaptations introduced into CBA III in light of the changing political and socio-economic contexts after the 2014 events are referred to in documents, there is no overarching narrative to present these changes and explain the rationale, and the logframe does not show signs of having been reviewed in line with the changes. The documentary review highlighted a certain disconnect, accordingly, between the logframe and the reported activities conducted under CBA III.

The evaluation followed up on these issues prior to and during the field phase, and has been able to arrive at a more detailed and informed understanding of CBA III Effectiveness on the basis of the evidence provided by the Field Phase consultations and visits. On the basis of these synthesised findings, the following conclusions regarding Effectiveness can be presented.

¹⁶ The Ukrainian Association of District and Regional Councils (UADRC) highlighted the importance of REGIONET to their members. (Interview May 2017)

Where targets are specified as quantifiable results to be achieved, under the CBA III project (as shown in the project's programmatic documentation and reporting), these have been attained for the most part as planned (some targets have been exceeded, others have been a little under target, but the overall results have been fully in line with the agreed targets). Details of these results are to be found in the CBA III reporting (e.g. Annual Progress Reports – see, for example, pp 18-19 of the 2016 report, which provides data on achievement of targets against planned results for the number of beneficiaries covered by CBA III activities, the numbers of Local Development Fora and Community Resource Centres established, etc.). Where targets are not specified in the programmatic documentation (workplans, logframes), the achievements are presented as self-standing results, not set against plans – which does not facilitate measurement of the achievements to the full extent.

To summarise the highlights of the CBA III project results, as presented to the evaluation team in May 2017 (the following is not an exhaustive list – for full details see the CBA reporting):

- The project has been implemented in all 24 oblasts of Ukraine, covering 219 rayons, with the involvement of 819 village councils, 27 city councils, and has addressed (directly and indirectly) the needs of 4.9 million beneficiaries (2.6 million in urban areas, 2.34 million in rural areas).
- A total of 1362 micro-projects have been implemented under CBA III, covering the areas of energy saving (485), urban development (462), energy efficiency (212), rural economic development (104), health posts (51), water supply (46), and environment (2).
- The project has also engaged in the creation and capacity-building of 'support structures' (community organisations (COs), resource centres, TsNAP centres, local development fora, etc.) as key 'ingredients' in the bottom-up oriented structure of CBA, to ensure that citizens/beneficiaries are able to access information and support they need in advancing initiatives at the local level. See pp. 40-44 of the 2016 Annual Progress Report.
- Support provided by CBA III to the network of universities has led to curricula development, and increased engagement of the universities in analytical activities focused on local development and sustainability.
- And support to the partner organisations such as the Ukrainian Association of Villages and Settlement Councils has facilitated capacity-building of key institutions and beneficiaries across the country, for instance through the provision of online training courses (which trained over 2000 persons – with over 11,000 having expressed interest in following the courses).

As noted earlier, the scale of CBA III is impressive, and along with the complex, multi-faceted nature of its engagement across a range of activity areas covering a broad range of stakeholders, can be considered key success factors behind the results achieved. Beyond the statistical evidence, it is important to understand the meaning of the achievements and the factors underlying them – this narrative is not so developed in the CBA reporting, which tends to focus on the extent to which Outputs have been delivered, with rather less focus on Outcomes and Impact of CBA III. The current evaluation has accordingly sought to supplement

this level of narrative, drawing on the theory-based approach to the study (with an attendant emphasis on process, alongside the analysis of results), and incorporating evidence from the documentary review as well as through the stakeholder consultations. On this basis, the following key attributes of CBA III have been identified:

- The CBA initiative has developed powerful trust relations with stakeholders across the 9 years of implementation – this is a fundamental feature of CBA, which has been able to achieve considerable momentum by bringing together the stakeholder groups, engendering confidence in the pursuit of activities that increasingly came to be regarded as mutually beneficial (cf. the starting point of a low level of trust from citizens towards local and regional authorities, and a low level of self-confidence/belief in prospects for communities effectively to address issues of concern).
- The CBA approach is complex with regard to its multi-faceted character, but is also straightforward for stakeholders to engage with – it allows them to address concrete needs of their communities, and to assume a strong degree of Ownership, ensuring the demand driven nature of the work. Some 54 survey respondents strongly agreed, and the remaining 11 agreed, with the statement: ‘The content and format of the project activities have met the expectations of participants.’
- There is a strong network of CBA contributors, who are well versed in the CBA methodology, and all actors involved with CBA testify to the depth of the capacity of the project to bring stakeholders together in a common cause, with the approach also being adopted/replicated further by communities not directly covered by CBA.
- As previously noted – the project’s design ensures that activities are set at an appropriate scale – they present a challenge for communities, and include therefore a need for them to address capacity-building, but the goals are achievable, and bring tangible results of immediate and lasting effect (e.g. street lighting is installed in a village that previously had no lighting).
- The mobilisation aspect of CBA contributes to a transformational process of development (of capacity, confidence, self-belief, civic awareness, accountability/responsibility, etc.) among the beneficiaries who participate. The project has acted as a catalyst for the activation of greater civic awareness and strengthening of civic culture at the local level – in a context where such civic spirit had previously been restricted and diminished in the preceding decades.
- The possibility that CBA provides for participants to exchange experience and share good practice with neighbours, peers from across regions is another fundamental aspect of the project’s approach – it has contributed significantly to the effectiveness of the project itself, and also to broader issues of societal cohesion in Ukraine.
- With regard to the core question set out in the evaluation’s ToR – it can also be noted that CBA III has made a significant contribution to raising the salience and understanding of the territorial reform process among stakeholders – an essential factor in preparing the ground for the reforms, and garnering the support of the citizenry.

The report will return to discussion of these issues in the sections below on Impact and Sustainability.

Were the projects efficient in realising overall objectives?

Summary findings:

Despite the changing political circumstances, the **SURDP** project was efficient in supporting the introduction of a new regional development approach in Ukraine that should, in the medium to long term, contribute to socio-economic and territorial cohesion in Ukraine. There were no major delays in realising project results (except for the grant component) and the SURDP team proved flexible in responding to beneficiary needs and project implementation issues.

The **CBA III** project has been delivered in an efficient manner and has provided a significant return on the investment made by the EU. The project has been cost-effective, e.g. overseen by a small core team but able to achieve nationwide presence. Cost-sharing with local authorities (including in-kind contribution of office premises), and practice of community contributions to project activities, have been noteworthy features. Budget management has been conducted in a flexible manner, which has allowed for effective adaptation of the use of funds, including the response to providing support for IDPs. Under the criterion of Efficiency it should also be noted that the project has contributed to significant cost-savings for communities and authorities in expenditure on energy supply, and more efficient use of local services for the community.

Overall the SURDP project was managed efficiently with main results achieved. This was confirmed from interview feedback with the Minregion that also underlined the speed of response by SURDP to requests for additional technical support. (Interview Minregion May 2017). SURDP did receive a project extension to February 2017 to realise all results but also to carry out additional activities in assisting Minregion with Sector Budget Support requirements and support to the establishment of the Central Reform Office and Regional Reform Office linked to U-Lead operations. Field visits to grant beneficiaries in Volyn and Rivne did identify major delays in grants payments but this was not due to the SURDP team but Oblast Treasury departments. SURDP did take steps to address these delays.

The SURDP monitoring report (ROM 11/2015) assessed the efficiency of the programme as good and noted that the SURDP team proved a highly supportive and flexible partner for Minregio and the EC Delegation. The ROM report also noted that due to capacity limitations the project provided crucial support to Minregion in fulfilling its responsibilities and provided valuable support to the EC Delegation with the implementation of the IDP grant support scheme as well as the regional grant scheme.

For CBA III the Efficiency hypotheses tested were as follows:

- *The fact that CBA III is a continuation project will be reflected in the presence of an efficient approach to project delivery, which builds on the lessons learned and achievements of previous iterations.*

- *The broad geographical coverage of CBA III and the size of the project will have led to efficient use of the available resources, achievement of economies of scale, effective allocation and redistribution of resources in line with needs of individual project activities.*

The previous evaluation report (mid-term evaluation, 2013) and the ROM report of CBA II indicated that the CBA project was considered to have strong Efficiency. The current evaluation has sought to analyse Efficiency from a range of angles, including the questions of cost-effectiveness, management of the CBA III budget by UNDP, cost-sharing among CBA stakeholders, and broader issues of the reaction of CBA III to the changing contexts within which it was delivered, and its contribution to wider issues of efficiency among the communities with which it worked. The following text summarises the findings across these parameters.

Cost-effectiveness: As confirmed by the UNDP management team during consultations, CBA III has been able to take advantage of the available resources to provide a lean project management approach, drawing on the human and physical resources provided by UNDP in its operations in Ukraine, and with significant contributions from project partners. The combination of a small core team presence in Kyiv, the network of UNDP teams across the country, and the in-kind contributions by local authorities (through provision of free-of-charge office space in local authority premises) has ensured that the CBA III project has been implemented in a cost-effective manner. UNDP estimates, for instance, that a saving of 340 000 Euro has been achieved through the provision of office space by the local authorities – and the associated allocation of human resources to oversee project management of aspects of CBA III, which has ensured close cooperation with these key partners.

Cost-sharing: The CBA III project has generally been very effective in ensuring a cost-sharing approach, in which various stakeholders have agreed to take a share of the financial commitment to implementation of activities. This has contributed to the CBA approach of engendering shared responsibility for responding to the needs of local communities and the process of local governance reform in Ukraine. (Table 1 below indicates the respective distribution of cost-sharing, by May 2017).

Table 1: Cost sharing of the approved micro projects by sector (EUR)

Type of micro project	CBA share	Community organization share	Local Authority share	Private sector share
Rural economic development	1,309,876	288,662	93,929	2,208
Urban component	3,449,505	423,235	2,969,311	204
Energy Efficiency	1,666,423	149,703	891,202	4,366
Energy Saving	3,123,249	309,830	1,806,379	55,812
Health posts	341,738	33,531	137,370	1,689
Water supply	286,263	33,372	197,357	105
Environment	8,619	711	4,896	0

The figures indicate a balanced level of commitment between project funds, community organisations (i.e. citizens' own money) and local authorities – although they also show that there is variation by type of activity, and that there is scope for considerable increase in the involvement and commitment of the private sector.

Budget management: As recounted to the evaluation team by the UNDP project leadership, the financial management of the CBA III project has operated effectively, within budget and to schedule, notwithstanding the changed circumstances within which the project has been implemented post 2014. This demonstrates the flexibility built into the project budget, which has allowed the team to adapt to the changed circumstances, and achieve modifications of approach and allocations where this was deemed necessary, and agreed with the EU. This has included the project's response to the fall-out from the conflict in the East of Ukraine, through the provision of support to Internally Displaced Persons (some 3500 persons have benefitted from project support).

The UNDP team did note to the evaluation team the issues that have arisen as a result of exchange rate fluctuation – compounded by the need for the project to transfer funds from Euros to USD and Ukrainian hryvnias. In total, over the course of CBA III implementation some 3 855 600 Euro have been 'lost' due to exchange rate fluctuation.

Efficiency issues in communities and local level: As a footnote to the discussion of the Efficiency of the CBA III project itself, it should be added that the project has made a significant contribution to the achievement of cost savings at the local level, thanks to the results of the projects it has implemented. Those projects that have focused on energy efficiency, for example, have allowed beneficiaries to achieve reductions of around 10-20% in use of energy, and therefore corresponding savings in energy bills incurred by them.

Can impacts/changes be sufficiently identified and quantified?

Summary findings:

The changes introduced by the SURDP can be identified in terms of EU standards to regional policy, SSRD 2020, SRDF, regional development methodologies, funding of regional development projects, the setting up of REGIONET and increased understanding by national and sub-national staff of modern regional policy and the demands of EU regional funding. Due to the project, Minregion is well informed of the capacity needs and actions required to implement SSRD 2020 and SRDF.

In the case of CBA III, the evaluation has gathered a substantial amount of evidence relating to actual and emerging Impact. These include Impact in living conditions (e.g. more effective and efficiency use of community facilities, energy savings, improved health conditions for school students); in local economic development (e.g. through increased engagement of communities in decision-making, and the set-up of agricultural cooperatives); capacity-building at institutional (e.g. of resource centres, local authorities, universities) and individual/community levels (e.g. through the empowerment of participants to go on to apply their skills in relevant follow-up actions, or take up leading roles in new community-based initiatives). Impact is also seen in the sphere of support for local governance reform – with increased salience of the issues involved, and greater capacity of communities and authorities to respond to the reform

process. The evaluation has pointed out a need for more detailed and comprehensive monitoring and reporting of Impact – e.g. with regard to results seen in job creation, energy efficiency savings at the aggregate level, in order to inform understanding of CBA achievements and guide next phase programming.

Impacts and changes by the SURDP project can be readily identified at the strategic and institutional levels. For example, the project introduced the procedures to develop the SSRD 2020/Action Plan, the criteria for groupings of regions towns and villages as objects of state regional policy, SFRD procedures on investment projects, methodology for regional development strategies/plans, regulation on Regional Development Agency, draft laws on amendments to the Ukrainian Regional Development Law and the methodology for monitoring and evaluating the SSRD and Action Plan.

The project improved the funding formula for less developed regions, introduced an on-line application submission platform for the SFRD to promote transparency, supported the CFP for regional development grant scheme and supported preparation of five regional development strategies. The project also supported the organisational framework for the establishment of Central Reforms Office (CRO) and Regional Reform Offices (RRO) and a Common Results Framework for the U-LEAD project.

As confirmed by interviews with Minregion, training delivered by the project covered all aspects of implementing a modern EU regional policy from design to financing indicator monitoring and evaluation. At the regional level, the project supported implementation of the first EU regional grants projects on a competitive basis, regional actors and beneficiaries were trained in EU funding procedures and the design of projects with the necessary strategic awareness and scale to realise regional development objectives.

The SURDP experts also provided ideas for follow on projects such as a demonstration farm on how to maximise productivity from drained lands. The SURDP grant has also made us identify better projects with our own funds to promote the rural economic sector such as agri-businesses networks and developing a Volyn brand name for our agricultural products.¹⁷

For CBAIII the Impact hypotheses tested were as follows

- *The CBA III project will have achieved tangible and substantial Impact on the basis of the effective application of the CBA methodology.*
- *CBA III has achieved Impact in supporting the process of devolution of powers to the local level and the empowerment of citizens and communities in taking a share of responsibility in addressing socio-economic priorities at the local level.*

The evaluation has gathered a considerable amount of evidence regarding the Impact of CBA III. This evidence (from both the consultations and from the documentary review) is largely anecdotal in nature, rather than statistically aggregated at the level of CBA as a whole. As the Desk Review for the current evaluation established, the reporting of CBA is generally not

¹⁷ Department of Agro-Industrial Development, Volyn Oblast (June 2017)

based on an aggregate-level discussion and analysis of Impact, using statistical data and referencing to verifiable, quantitative indicators of Impact. The reports tend instead to provide illustrations of the results of select micro-projects, or testimonial accounts of select beneficiaries. While these illustrations are useful to some extent, they do not provide statistically representative evidence of Impact of the project as a whole. This point will be returned to in the Recommendations section, as there is a need for UNDP (and the EC) to address more comprehensively the question of monitoring and reporting on Impact.

The evaluation team requested further inputs from UNDP regarding Impact during the evaluation process, and received sets of data referring to aggregate level and case level examples, which expanded the evidence base to a degree. This, combined with the high degree of consistency of feedback relating to Impact received in the current evaluation process (across stakeholder groups), and the amount of detail provided, allows the current report to arrive at firm conclusions regarding the overall characteristics of CBA III Impact noted below. The nature of the Impact achieved (or that is emerging) can be placed in the following categories.

Impact in the improvement of living conditions:
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There is strong evidence of the Impact that CBA III micro-project activities have had in the communities covered by the initiative, with regard to the lasting improvements in living conditions achieved as a result of the technical aspects of the intervention (e.g. improvements in energy efficiency, improved conditions of renovated buildings and facilities, improved health-care provision, etc.). As respondents testified, and as also shown in CBA reporting, the Impact of the project has been evident in terms of the ability of local communities to use facilities that had hitherto been in derelict conditions, the health of e.g. young children has been positively affected by the improvements in conditions in their educational establishments, residents have been able to achieve noticeable savings in their heating bills, and so on. Such results are echoed in the survey responses: 61 respondents strongly agreed, and the remaining 4 respondents agreed, with the statement that 'The project is making/has made a significant contribution to the needs of the beneficiaries and the local communities covered by the activities.' As one respondent noted - *'The project has made a significant contribution to community development and given the positive experience of meeting the needs and problems of the beneficiaries. Using the experience and methodology CBA Project III community independently solve problems they face in everyday life. Associations that are established in the CBA Project were the key organizations that support and implement the decentralization process in Ukraine.'*

The cumulative effect of such improvements is tangible for the communities, and respondents note a very clear and substantial contribution of CBA III to achieving amelioration of their living conditions. It would be useful at the current stage, prior to the foreseen next iteration of the CBA initiative, for UNDP to provide detailed statistical data on the nationwide Impact of these efforts, e.g. with regard to the amount of financial savings achieved per household,

community and local authority as a result of energy efficiency activities. This data would serve to guide the next steps in the initiative.

Impact in the sphere of local economic development:

The CBA III project has achieved Impact in a range of issues in this area. The support to the development and functioning of local development fora, for instance, has brought together stakeholders from the communities involved and from local authorities to engage in a more inclusive approach to discussion of local economic development priorities and opportunities, and empowered local communities to play an active role in this sphere.

With regard to the support to the development of agricultural cooperatives, the evidence received for the evaluation points to strong and tangible Impact, e.g. with regard to the enabling of communities in exploiting their potential for establishing and running such enterprises, in scoping the opportunities to diversify crop production, set up linkages with distribution networks, etc. In the case of one cooperative that contributed to the consultations, the evaluators were told that 20 jobs had been created already following CBA III project support.

There is a need for UNDP to monitor and collect comprehensive data on job creation for which the project has made a contribution – the evaluation team requested such data, but the figure provided (84 jobs created in agricultural service cooperatives) appears to be a gross under-estimation, if taken for the country as a whole. Data needs to be captured for all types of jobs created, directly, as a result of the contribution made by the project, across all components (e.g. in resource centres, service providers and suppliers involved with refurbishment activities, set-up of the Smart cities technology, etc.). This data would provide a very powerful expression of the Impact of the project, and its contribution to improving the local economy of communities across Ukraine.

Impact in the Sphere of Capacity Development:

As the evidence reviewed for the evaluation has shown, Impact in the institutions with which CBA III has worked has been significant:

- Resource centres and TsNAP centres have been able to develop their capacities to provide an increasing range of services to communities and users, which facilitate the flow of information and access to advice and assistance for citizens. These services are now provided at a more local level (i.e. the users have to travel less far to access such services), and as one-stop access with a wide range provided under one roof, which has a considerable benefit for citizens and the provision of local governance. It would be useful to gather statistical evidence of the Impact of these initiatives – e.g. in terms of time saved in accessing services, the results achieved in e.g. easing the process of small business registration
- Local authorities: Representatives of local authorities, as well as other stakeholders, provided strong evidence of the Impact of CBA III activities in the functioning of these bodies, e.g. through capacity-building of officials (by the online course provided by the Ukrainian

Association of Villages and Settlement Councils), and through bringing citizens and Community Organisations 'closer' to the local authorities by promoting dialogue and cooperation (e.g. through the local economic development fora, and interaction on the implementation of CBA activities).

- Universities: Feedback from the CBA partner universities provided evidence of a range of Impacts seen as a result of their participation in the project, including the integration of new study courses on local sustainable development, the introduction of new teaching methods, the development of a network of university-based expertise on local governance, the activation of cooperation between the university sector, local authorities and local communities (e.g. universities providing expertise in local and regional strategic development plan formation). In effect, the project has contributed to the development of a nascent academic discipline in Ukraine, a considerable achievement that goes beyond the initial expectations of the CBA initiative.
- The evaluation also gathered evidence of the Impact seen with regard to the empowerment and capacity-building of communities and individuals following their participation in CBA III activities – e.g. project participants who have built on their experience in the project to go on to set up community organisations and initiatives, play an active part in local governance and politics; and COs that have used their skills in project management to apply for funding from a range of sources. As related by UNDP, by the end of 2016 some 548 COs (400 from rural area, 148 ACMBs from urban areas) applied for (and won) funding from other sources (with an overall total value of some 3 million USD).

Impact in the sphere of local governance:

In addition to the Impact noted above, with regard to the functioning of local authorities and the increased involvement of citizens and COs in local governance, a range of further Impacts relating to civic culture can be noted.

The project has made a significant contribution with regard to promoting social cohesion – from the level of individual communities (such as housing associations); through interaction among communities and project participants at the local, regional and national levels (e.g. through experience-sharing activities). This has addressed a pressing need for action to be taken in this matter, to deal with the effects of the erosion of social cohesion seen over recent decades in Ukraine. The integration of IDPs into the CBA project serves as a clear example of the project's contribution.

This work in the area of social cohesion has contributed to the improvement of relations between citizens and authorities, e.g. with regard to increased trust, and the achievement of a more democratic pattern of relations. This has been accompanied by the project's work in ensuring increased involvement of citizens and COs in local decision-making processes, e.g. in discussions about the allocation of budgetary resources, and through participation in planning of local economic development.

These factors highlight the Impact achieved in terms of the empowerment and enabling of citizens and communities to become more actively involved in local self-governance. The

project has also contributed to raising the salience and awareness of national policy initiatives in the sphere of local self-governance and territorial reform, which has further helped to lay the foundations for these policy developments.

With regard to the specific question of the extent to which the CBA III project has contributed to the process of amalgamation of hromadas, the UNDP perspective is that there is a correlation, which serves as evidence of the strong contribution made by the project. The following quotation is taken from the 2016 Annual Report (p. 17):

“The catalytic role of the CBA project on the decentralization reforms is seen in the strong correlation found between communities that have partnered with CBA and the voluntary decision of Village and City Councils to form ATCs.”

The UNDP team shared with the evaluation team data taken from recently conducted studies of the work of CBA III, made by the university partners across Ukraine. Some studies are still underway at the time of writing, but evidence from studies completed to date indeed seem to show a correlation between those CBA III participant communities and the results of amalgamation to date (the case of Zymnivska ATC in Volyn region was noted to the team). UNDP anticipate that this correlation will be shown in the other studies that have been conducted. This perspective was also endorsed in the cases of stakeholders consulted for the evaluation, e.g. representatives of hromadas that have amalgamated /are in the process of doing so. Although achievement of this correlation was not a declared aim of the CBA project, the emerging evidence and Impact discussed above serve as a sign that the CBA project has been able to make a significant contribution to this process. However, there is a need to strengthen the evidence base by conducting on-going studies, to assess the nature of project’s contribution, verify further the correlation at a nationwide level, and also to assess whether there have been any unintended, including negative, outcomes and Impact stemming from the project’s work in this sphere.

On this last point, evidence should be gathered with regard to those communities with which the project has not worked, in order to be able to perform a comparative analysis. As pointed out in the assessment conducted by the Danish Institute for International Studies, there is a potential risk that such communities can be left behind, and be further disadvantaged in the process of reform. The current report will address this issue further in the next section.

Are impacts/changes sustainable post projects?

Summary findings:

The field mission has identified a number of risks to the sustainability of the changes introduced by the SURDP project. These risks relate to limited Minregion resources to carry changes forward, weak inter-ministerial relations, a reverse of SURDP transparency and strategic standards, lack of regional development projects and weak local economic development capacities at the sub-national levels.

There is strong evidence of Sustainability of CBA III achievements, through: the ongoing application and replication of CBA approach in new community-based ventures; the increasing

cooperation among resource centres, building on the momentum gained under the project; the expansion of the university network's activities; the embedding of CBA-related achievements and approach in e.g. municipal development plans, etc. There is also very strong demand for a continuation of the CBA initiative, which serves as an endorsement of the achievements to date.

The sustainability of the SURDP outputs are subject to continued support by central government for a modern regional policy, implementation of the SSRD/SFRD within the ongoing context of decentralised government reform, and the capacities of sub-national administrations to utilise SSRD/SFRD/decentralised powers to address regional development needs.

Critically, expectation has been created that the new regional policy will introduce positive change for citizens at the local level - this also means socio-economic opportunities specifically new employment opportunities.

The Minregion is very aware of the need to deliver on the expectation created by the decentralisation process and regional policy reform. However, the Ministry faces a series of challenges, particularly lack of capacity. Due to the SURDP project, Minregion understands the importance of effectively tracking progress of SSRD/SRDF, the need to create closer/deeper strategic relations with Oblasts/LSGs, liaise with funding providers (donors/IFIs), facilitate the preparation of national regional development projects and improve coordination with the investments of other line ministries.

Minregion is also aware that SRDF should finance larger projects linked to regional strategic objectives that could be followed up with future waves of SRDF funding (combined with other sources of funding) to transform projects into longer term, phased, multi-annual actions that can be better monitored and evaluated by the Oblasts and the Ministry. This is not the case with the present use of SRDF funding which is mainly supporting small public building or road rehabilitation projects.¹⁸ To safeguard the outputs of the SURDP project this should be addressed and is raised in the Recommendations section below.

The Ministry is hopeful that the capacity building activities of the U-LEAD project including the training of central/regional/local authorities in financial management, policy making, regional economic development and support to learning networks contribute to the sustainability of SURDP changes.

The SURDP project has made a major contribution but at Oblast and local government level the understanding of modern regional development and local development is still not understood. This is why we are short of projects. The Minregion will work with U-LEAD which should support municipal planning and services. This will improve local economic environments as well and should support the use of decentralised funding and available SRDF budgets.¹⁹

¹⁸ Interview Minregion (May 2017)

¹⁹ Interview Minregion (May 2017)

Unfortunately, interviews with key stakeholders have identified a roll back in SURDP standards of transparency and strategic direction introduced during the project.

In the first instance, the SRDF is underfunded as the primary instrument of the SSRD 2020. The GoU is not allocating 1% of the general budget on the SRDF as required under the budget code.²⁰ The SURDP project emphasised the importance of funding agreed SSRD 2020/regional strategy objectives and ensuring a transparent (technocratic) SRDF project selection process. The 2017 budget introduced changes that have undermined the regional strategic development process. A quota was introduced requiring Oblasts to use 10% of SRDF funds for sport complexes and energy efficiency. In addition the membership of the evaluation commission SRDF projects has been changed to include Ukrainian parliament deputies with the associated risk of politicising the selection process.²¹

The CBA III Sustainability hypotheses tested during the evaluation were as follows:

- *The cumulative effects of the CBA initiative will have led to substantial achievements in terms of Sustainability of the actions, evidenced by tangible and widespread continuation, deepening and spreading out of the Impact of CBA.*
- *The Sustainability of CBA achievements will be seen not only in the communities directly engaged by the project, but also on a broader scale in Ukraine, as a result of the replication of CBA methodology by stakeholders.*

In the view of UNDP, there are strong indications of the Sustainability of the CBA initiative:

“Although the economic crisis has slowed down central government programs in support of community initiatives, regional governments are continuing to replicate the CBA approach using their own financial resources. An additional benefit to CBA actions is that local governments often invest in additional or related activities. Such related investments increase the leverage effect of CBA and are estimated at about 4.5m EUR a year”. 2016 CBA annual report, p. 17.

During the course of the evaluation, a range of evidence relating to Sustainability was gathered. While it is not always easy to differentiate between the effects of the 3 CBA iterations and single out the Sustainability of CBA III actions, the field visits and consultations provided numerous examples of the application and multiplication of CBA III effects, which is also supported by the feedback received from the questionnaire survey.

- This evidence includes the aforementioned application of skills and experience in applying for follow-up funding – which combines Sustainability of the soft skills acquired, along with the maintenance of the COs themselves, and the material improvements made as a result of the CBA activities.

²⁰ The 2017 SRDF budget allocation is 3.5b UAH but should be 7.3b UAH. This issue was raised during discussions with Minregion and due to other funding demands the budget is not available.

²¹ Interviews Academy of Public Administration, Civil Society Institute (May 2017).

- The resource centres and TsNAP centres are increasingly working together as a network, to expand and maintain their capacity.
- Sustainability is also present in the on-going activities of the universities network – which is cooperating in order to sustain the achievements gained in curricular development, expertise provision, linkages with rural areas (e.g. for summer camps for students to engage in community-based activities).
- The evaluation team also saw evidence of the ways in which the experience and achievements of CBA activities are being embedded into e.g. municipal development plans for the coming period.

The replication efforts of the CBA project, including the replication micro-projects themselves, have provided built-in Sustainability measures as part of the design of multiplication of project effects. The CBA methodology is maintained as a salient reference point for participants, and other organisations and citizens that have not participated directly in CBA, e.g. through the resource centres' efforts.

It should be noted that in virtually all consultations, with the whole range of stakeholders involved in the feedback gathering exercise, the view was expressed that there is a need for a follow-on CBA project to continue and maintain the achievements that the project is perceived to have made. As one survey respondent noted: *'The CBA project is clear, open, transparent, accessible and meaningful for the community development field. Currently, there are many requests of local councils, amalgamated communities (ATCs) to participate in a new phase of CBA Project. Today the issue of co-financing is not the key, as the newly merged communities have greater financial capabilities. It is important organizational issues and methodology development in communities that bear the CBA project.'*

Stakeholders refer, for example, to the need to engage communities and organisations that are keen to benefit from CBA involvement, but that have so far not been able to do so. It was also noted that the devolution of budgetary responsibility to amalgamated communities needs to be supported with ongoing capacity-building with regard to budget management, in order to ensure that local authorities are equipped with the necessary skills, and citizens (and local media) are able to engage in appropriate scrutiny and oversight functions.

Were projects well-coordinated and complementary to other actions in maximising impact/results?

Summary findings: The SURDP project prepared a donor map on regional development, a guide to donor funding in regional development and held two donor coordination meetings in 2014. The project worked closely with the Swiss funded Despro project and coordinated with USAID Dobre project. Coordination between CBA and SURDP was limited, although the two projects have strong complementarity – one focusing on top-down, policy-related activities, the other approaching similar issues from a bottom-up, community-focused angle.

The CBA III project's contribution to the processes of decentralisation, territorial reform and amalgamation were recognised by the Ministry of Regional Development, a fact also noted by other stakeholders at the national and local level, with a number commenting on the leading role played by UNDP in the deployment of the CBA methodology (which had inspired other

international donors and national actors). Coordination had been achieved with the USAID DOBRE and Swiss Despro projects to an extent.

In 2014, the SURDP project prepared a donor map under 5 sectors namely; 1) Regional Development and Local Self Government; 2) Construction; 3) Public Services; 4) Communal Services including energy saving; and, 5) Civil Service Reform at the request of the Minregion. Donor coordination meetings were held in April and June 2014 on Regional Development. A Guide 'Accessing Donor and Investment Funds for Regional Development, 2014' was developed by the project. In 2016, the project facilitated a donor community retreat on the regional development process.

SURDP coordinated closely with the activities of Swiss funded Despro project. Surprisingly, the evaluation team found limited evidence of coordination between SURDP and the CBA project.

For the CBA III evaluation the following hypotheses were tested:

- *The CBA project has comprehensive and effective coordination in place with all relevant national and local institutions and stakeholders, which has facilitated the effective implementation of activities and ensured broader Impact of CBA.*
- *Effective coordination has been achieved between CBA and SURDP, with synergies exploited effectively.*
- *CBA has effective coordination in place with other donors and organisations working in this sphere, and has exploited potential synergies and avoided potential overlaps.*

Feedback from the Despro project indicates strong endorsement of CBA activities, particularly with regard to the mobilisation of local communities and support for participatory governance. The Despro project was informed of CBA activities but did not have any joint direct activities with the CBA project. The USAID DOBRE project was similarly well informed of CBA activities, which were regarded as complementary to the work of the USAID initiative.

The consultations with the representatives of the Ministry of Regional Development indicated that the government perceives that the CBA III project has played an important role in mobilising local communities and supporting the decentralisation/amalgamation process. Indeed, it is felt that the CBA project 'fills a gap' in promoting participatory government. The Ministry also showed appreciation of the ways in which the CBA methodology is deployed for a range of community mobilisation actions.

Were the projects delivered on an equitable and inclusive basis?

Summary findings: The SURDP project supported EU standards of social inclusion and fairness in project operations. While there were no specific references in documents reviewed during desk phase regarding gender inclusion, the field phase identified strong female participation in SURDP activities at the national and sub-national levels.

CBA III reports provide details on meeting the needs of vulnerable populations and social inclusion is prioritised. The project reports provide statistical/aggregate data on the gender balance of beneficiaries.

The SURDP project promoted EU standards of social inclusion, transparency and fairness. The objectives of the SSRD are a balance between competitiveness, territorial socio economic integration and effective public administration in regional development.

With regard to the SRDF the project promoted increased funding to poorer regions (less than 75% GDP per capita). Regional development strategies supported by SURDP included a needs analysis and measures to address vulnerable groups such as youth and the long term unemployed. During the field phase there was strong evidence of female participation in SURDP activities particularly in Minregion and project managers of the grant projects in Volyn and Rivne. There were a high percentage of female beneficiaries under the Rivne grant project 'Improving Vocational Training System According to the Needs of the Volyn sub-regional Economy'. The SURDP project also supported IDPs from conflict affected areas in East Ukraine under the second grant programme.

For CBA III the following hypothesis was tested:

- *The focus of CBA on addressing the needs of local communities, in particular through responding to the needs of the more disadvantaged sections of the population, will be reflected in the project's strong record of achievement in delivering activities that are equitable and inclusive in nature.*

The reporting of CBA does not refer in detail to the procedures used for selection of micro-projects and beneficiaries (a narrative account similar to that found in the SURDP reporting on selection processes and their outcomes is not present in this case). The reporting does provide details of the project's response to meeting the needs of vulnerable populations and ensuring social inclusion is prioritised (the case of responding to IDPs' needs is one example). The project reporting consistently provides statistical/aggregate data on gender balance of representation of beneficiaries, although further coverage of gender mainstreaming as an approach is not provided, according to the review conducted.

During the consultation process the evaluation team elicited feedback from UNDP staff as well as stakeholders and beneficiaries of the project. On the basis of this evidence, the report can conclude that the procedures in place for the selection of micro-projects is viewed as equitable by stakeholders, who noted that the process was straightforward and fairly conducted, and the challenges faced by communities in developing their proposal were viewed as a positive learning experience that has benefitted them in subsequent application of the skills acquired.

Did the projects provide EU added value benefits?

Summary findings:

The field mission identified strong commitment to the EU in Ukraine at both the national and local levels. The SURDP project provided EU added benefits by introducing an EU approach to regional policy, SSRD 2020 and Action Plan 2015/17 and SRDF, particularly with regional strategy methodologies, transparency and project selection. Interviewee feedback indicated that EU involvement in regional policy as well as grant funding provides reduces the risk of

corruption and the higher probability that strategies and projects will be implemented in the interests of local communities compared to national programs.

The CBA III project approach reflects a key lesson learned from EU experience - that normative (regulatory/institutional) change alone is insufficient for successful local government reform. Local community/actor participation is a critical dimension of the process. As such, CBA III provides EU added value by supporting local community participation in governance and development. The positive image of the project among stakeholders is connected with EU support, reinforced by widespread presentation of EU visibility in project materials and online coverage.

The SURDP project introduced an EU approach to the SSRD 2020 Action Plan 2015/17 and SFRD in terms of local empowerment, partnership based development, multi-level coordination, promotion of soft and hard projects, and competitive based budget support, transparency and inclusion. The SURDP project also underlined the importance of building local social capital and institutional building to effectively implement SSRD 2020. This is a major shift away from the traditional Ukrainian approach to territorial development based on 'administrative regions' with central government resource re-distribution to a proactive 'functional' approach where regions determine their own needs and use of available regional funding.

Interviewees with regional administrations/councils and grant beneficiaries in Rivne and Volyn, underlined the 'change potential' associated with the EU project. Under the grant facility, project applicants were more committed to make proposals and meet EU funding requirements as they believed the SURDP project would be based on EU standards of transparency and fairness. In addition, regional administrations believed that involvement in the grant facility would increase the EU perspective in their regions and attract other funding, if they realised a successful EU funded project. The EU visibility of both SURDP projects was very high. For example schools supported by the 'Improving Vocational Training System According to the Needs of the Volyn sub-regional Economy' grant project had EU project banners and flags in place, although the training equipment had not yet been supplied. SURDP grant project managers also indicated that in future grant schemes they would only use PRAG procedures and not national procedures to ensure greater efficiency, transparency and speed of implementation.

For CBA III the following hypotheses were tested:

- *The CBA III project will have ensured close coordination with EUD Ukraine with regard to the promotion of EU policy objectives via the project's activities.*
- *The CBA III project will have been able to draw on synergies with other EU-funded activities in this sphere (including the SURDP project), with regard to mobilisation of resources and expertise.*
- *Stakeholders and beneficiaries will be well informed about the support provided by the EU to the CBA project, and therefore to the needs of Ukrainian society in this sphere.*

The programmatic document (Description of Action) explicitly states the alignment of CBA III with EU priorities in Ukraine. The project clearly has adapted to the changed priorities / focus

following the 2013/14 events in Ukraine, although this is not reflected in detailed narrative form in the reporting or in a modified logframe and intervention logic.

The reporting does refer to monitoring visits conducted by representatives of the EU. Linkages with SURDP and other EU-funded initiatives are mentioned in the reporting, but details of synergies exploited are not provided in depth.

According to the reporting, and to the independent Assessment report, there is a substantial amount of media and social media coverage of the work of CBA, and EU visibility is provided as per the guidelines. This was verified by the evaluation team during the review of the documentation and the field visits, which provided ample evidence of adherence to Visibility guidelines. All stakeholders were well aware of the EU's core involvement in the CBA initiative, and the EU's support was perceived in positive light (particularly given the overall very positive image held by stakeholders with regard to the CBA initiative). Those stakeholders able to comment on the linkage between EU support for CBA, and EU priorities in cooperation with Ukraine, were able to note the important contribution of CBA to these overall efforts.

The evaluators posed the question, to a range of stakeholders, of the extent to which involvement with the CBA project had engendered a sense of closer cooperation between the communities and their peers in EU MS. The amount of direct contact between CBA beneficiaries and EU counterparts has been relatively limited, but where it has taken place (e.g. exchange of experience over the Smart cities component) it has been regarded very positively. In general, stakeholders responded that they would like to see increased interaction with counterparts in the EU.

6. Policy Recommendations

Recommendation 1 Sustaining SURDP Outputs

As identified above, the major impact of the SURDP project has been to introduce a modern EU approach to regional policy and the design and operation of SRDF. While the SURDP project introduced the norms and standards of EU regional policy, these are not being translated into the operation of SRDF, the main national budgetary instrument to carry forward the SURDP project results. There is a risk that SSRD 2020 may go the way of the earlier Regional Development Strategy to 2015 which failed to realise objectives.

The contrast between the operation and implementation of the SURDP regional development grants facility and SRDF has been highlighted by both national and local actors interviewed during the evaluation. In effect, the grants facility operated as an EU type 'structural funds' instrument, facilitating the implementation of regional development objectives by supporting evaluated grant applications of scale with clear deliverables. The SRDF operates more as a 'national subsidising mechanism' for varied small local projects, with limited evidence that these projects are sustainable.

This undermines the legitimacy of the SRDF as a national instrument to support and deliver the SSRD 2020 and regional development strategies. The rehabilitation of roads or school windows should fall under current LSG expenditure. Certainly, such smaller actions could be supported if they form part of a larger regional development change project or program. Under these circumstances, the potential of the SRDF is not being maximised and the present use of the fund makes impact monitoring very difficult.

Clearly, an opportunity was missed with the implementation of SRDF in not using the SURDP grants facility approach and process. Lessons should be learnt for future SRDF calls for proposals based on the grants facility experience. Beneficiaries were able to prepare EU grant funding applications with the strategic guidance and technical support of the SURDP team. This level of support is not available for SRDF applicants.

The evaluation team recommends that SRDF applicants receive similar strategic support and technical guidance, as provided by the SURDP grants facility. This will not only enable better applications but also support monitoring and evaluation of SRDF impact. Linked to this support it is also recommended that future SRDF calls for proposals should, prioritise socio-economic support actions in the regions, to address private sector needs and new employment generation.

The first phase of SSRD prioritised investment in residential housing and energy production/efficiency (2014-2016). The second phase (2017-2020) supports - inter-regional and intra-regional networks for innovation and the dissemination of skills and knowledge, regional labour markets and the development of regional market infrastructure, in particular, by eliminating or reducing barriers for entry into the regional commodity markets and the exit

of producers from these markets. The EU grants facility has supported projects under these priorities, providing ready examples for SRDF support interventions.²²

The central core of regional policy is to reduce socio-economic regional disparities. Clearly, institutional reform and social inclusion are important factors of regional development but ultimately dynamic local economics producing wealth and employment generation opportunities will prove the determining success factor. SRDF resources are limited and should be maximised by focusing on economic development which also generates wider social inclusion benefits. Moreover, a focus on economic development will also contribute to sustaining the decentralisation reform process. Amalgamated LSGs will require a wider tax base to maintain investments from one-off funds such as the voluntary amalgamation subvention; this can only come from increased economic development and business activities.

Recommendation 2 Preparing Projects to Implement SSRD 2020

The evaluation has identified a lack of capability to prepare ready projects that can demonstratively contribute to SSRD 2020 implementation and effectively utilise SRDF resources. This lack of ready projects also means no additional project funding is being leveraged through SRDF co-funding.²³

Ukraine is not alone in the deficit of available investment projects. The lack of well-structured and bankable projects is due to the challenges of effective project preparation. Bankable projects should be properly analysed (detailed demand, engineering, and costing analysis) and well positioned strategically to support the competitive and socio-economic needs of a country or regional territory. The absence of proper project preparation and economic analysis is a disincentive for IFIs and private investors due to uncertainty of results and associated financial risk. Poorly designed projects result in weak implementation holding back economic development and reducing private sector development.

To address this situation there has been an expansion of Project Preparation Facilities (PPFs) internationally. PPFs are used as a means to guarantee a sustainable supply of bankable, investment-ready projects. They can generally be defined as entities that provide technical and financial support to project preparation activities. The overarching goal of project preparation activities is to develop a project to a point where it attracts sufficient funding interest and is ready to implement. PPFs can have a regional territorial focus or a sector specialisation. For example, the Western Balkans Investment Framework (WBIF) founded in 2009 by the EC, European Investment Bank (EIB), European Bank for Reconstruction and Development (EBRD) the Council of Europe Development Bank (CEB) and bilateral donors. The WBIF supports socio-economic development and EU accession across the Western Balkans

²² The Volyn regional administration made follow up funding SRDF for their EU regional grant projects which were not successful. This would have proved a good use of SRDF to sustain and expand the benefits of EU project funding.

²³ Articles 20 to 22 of the law “On foundations of State regional policy” 2015 allows funding for regional development from international funding organisations and the private sector.

through the provision of finance and technical assistance for strategic investments, particularly in infrastructure, energy efficiency and private sector development.²⁴

The value of PPFs for public investment programs are as follows:

- PPFs can effectively ‘de-risk’ projects at early preparation stages for government ministries and funding institutions
- Successful PPFs emphasis firstly ‘project quality at entry’ and secondly, intensive feasibility analysis prior to undertaking full project preparation.
- PPFs can quicken the pace of project preparation and eventual implementation, if well directed and supported by government ministries or potential fund sources.
- PPFs provide a ready framework to facilitate long term plus rapid short term technical expertise should specialist project preparation inputs be required
- Projects that have been structured by a PPF can prove more attractive to potential donors and financial institutions
- PPFs can ensure that projects comply with national and international regulations and standards (e.g. environment regulations).

PPFs can also be utilised to support effective and sustainable institutional building benefits for government ministry and public utility staff. Training can be combined with specialised classroom based project preparation instruction but also ‘on the job’ training in both feasibility analysis and monitoring of project preparation stages.

The Minregion acknowledges the need for large scale, integrated (infrastructure/business support/training) of an inter-municipal or inter-regional nature that can tackle regional disparities by building on territorial competitive advantages. Regional administrations have identified large territorial development project opportunities (e.g. Shatsk National Park in Volyn) that are attracting private sector attention but do not have the resources to prepare necessary feasibility plans and technical project documentation.

This is because technical project preparation is expensive with no guarantee that projects will go forward for funding. On average five to ten per cent of a project budget should be spent on project preparation. This means a EUR 50m project would require a project preparation investment of up to EUR 5m.

A PPF type instrument to support implementation of SSRD 2020 and the SRDF is recommended. The financing of such a PPF could be through a portfolio of sources including public funding, donor and IFI funding. As an alternative to an SSRD specific PPF, it is recommended that the Minregion reaches out to existing project preparation activities by IFIs - within the overall SSRD framework and availability of project co-funding via the SRDF. For example, the EBRD ‘Project Preparation Support Programme for Agribusiness Projects in Ukraine’ which is designed to support EBRD investments in the agribusiness sector through a dedicated facility for the preparation of bankable projects.

²⁴ www.wbif.eu

Recommendation 3 Building Closer Inter-Ministerial Relations for Territorial Development

The CBA III and SURDP project has created valuable experience for GoU on how strategic change at the local level is supported. However, this experience is not informing central government policy or line ministries in a systematic and organised manner. The CBA III and SURDP experience has lessons for supporting implementation of other sector policies such as agriculture/rural development, education, energy efficiency, and infrastructure.

To illustrate, the SURDP land amelioration project in Volyn Oblast provides policy lessons on promoting an integrated approach to land irrigation and agricultural productivity but the Ministry of Agriculture has not visited the project. The project lessons can inform future agribusiness support strategies and funding objectives. CBA II and SURDP experience can also inform the on-going formulation of the SME strategy 2020 by the Ministry of Economic Development and Trade of Ukraine (MEDT), particularly with business environment reform, local government support to businesses stakeholder mobilisation and vocational education reform. Furthermore, the Ministry of Infrastructure is engaged in the 'Dnipro River Development and Inland Waterways Initiative' to promote economic development and support exports. This initiative impacts on multiple Oblasts and offers the potential for significant linked regional development projects that can be co-funded by SRDF.²⁵

In the absence of a National Development Strategy in Ukraine, it is recommended that the SSRD 2020, as a horizontal, multi-sector, national strategy, be utilised by the Cabinet of Ministers to build closer inter-ministerial relations and support integrated projects such as agriculture, infrastructure and education that contribute to implementing multiple Ministerial sector objectives.

Related to recommendation 2 above, an inter-ministerial PPF can also be co-funded through a combination of ministerial budgets to deliver sector objectives within the enabling strategic framework of the SSRD 2020.

Recommendation 4 Knowledge Management Deficit within Minregion

It is recommended that the Ministry develops a more structured and systematic approach to gathering data, knowledge management, information dissemination and the articulation of strategic responses to inform centre of government policies and support sub-national administrations, in terms of 'added value policy knowledge'.

The on-going decentralisation/LSG amalgamation process, implementation of SSRD/SRDF, donor support activities, territorial development activities by other line Ministries at the national and local levels is rapidly producing policy information that should be captured and processed by Minregion.

²⁵ The EIB is also keen to support identify projects linked to the development of the Dnipro.

Minregion acknowledges that due to capacity limitations, data directly related to the decentralisation reform process and regional policy implementation is not being gathered and processed. The Ministry is not tracking the investment activities of amalgamated LSGs, projects implemented by other line Ministries in municipalities/regions, the loan activities of IFIs and private Foreign Direct Investors (FDIs). While good progress has been made in donor coordination systems (Donor Board on Decentralization and Common Results Framework) this is only one area of a more comprehensive knowledge management system envisaged. The system should be used to disseminate regional development and local government reform policy lessons and best practice.

A Geographical Information System (GIS) would provide a possible solution to this need and has been considered by the Minregion. However, such a system would require considerable resources in terms of design, installation, maintenance, information gathering and processing, multiple actor data exchange relations and constant updating. Resources will also be required to prepare information for dissemination to inform future policy and alert sub-national administrations regarding activities impacting in their territories. It is recommended that Minregion discusses the possibility of a shared GIS with the Secretariat of the Cabinet of Ministries. As well as meeting Minregion information and policy development needs, the system can be used to inform and monitor GoU policy and support future national development planning.

Recommendation 5: Explore possibilities to maintain the CBA Legacy

The rationale to maintain the CBA legacy lies in the strong endorsement of CBA achievements, indicated by the broad range of stakeholders consulted for the evaluation. There was consensus among respondents with regard to the Relevance of the CBA project, the Effectiveness of its activities, the Impact achieved by the project. The CBA methodology was praised highly by stakeholders, who noted that underlying set of principles, alongside the practical approach adopted to implementation, set the project apart from many other donor-funded initiatives and had achieved significant results in terms of promoting social cohesion, improved community relations, participatory approach to local governance.

Many stakeholders also stressed that they perceive a strong need for the CBA initiative to continue at this critical juncture – in which the process of decentralisation and territorial reform has, de facto, been underway only for a relatively short period.

The evaluation has shown that demand exceeded supply, with regard to the scope of CBA – notwithstanding its impressive nationwide coverage. For future potential activities, building on the CBA legacy, it would be important to ensure coverage of communities that have not previously benefitted from CBA activities, and to reach out to non-amalgamated communities in order to address their pressing needs for capacity-development.

Recommendation 6 Support to Participatory Based Local Economic Development (LED)

As with normative government reform process, territorial economic reform is a multi-level process – national, regional and local. National productivity and economic growth is dependent on how these levels interact and support each other. Decentralisation and modernisation of regional development policy in Ukraine is empowering sub-national administration levels to take greater control of their economic futures. Unlike public administration reform which involves the use and implementation of standards and norms (e.g. budget planning) local economic development is a more dynamic process, requiring stakeholder consultation and partnership development based on identified local competitive advantages.

While adapting to decentralised institutional and regulatory changes, the newly amalgamated LSGs are also preparing local economic development (LED) strategies. These strategies are based on identified competitive territorial advantages but must also be inclusive of weaker communities that now form larger amalgamated entities. It can be argued that a decisive success factor of the decentralisation and regional policy reform process is how better off local citizens will be in terms of economic opportunities and employment prospects. Moreover, the successful implementation of LED strategies will make the amalgamation process sustainable by increasing local income levels (enabling citizens to pay for services, broaden the tax revenue base of the LSGs, enable LSGs to provide improved services and maintain facilities, create new employment opportunities and fund social inclusion measures.

The essence of LED is building the capacity of a local economy to make the most of its assets and intrinsic advantages, in order to:

- increase output, through raising the productivity and competitiveness of businesses (the private sector) and the knowledge and skill levels of workers;
- generate job opportunities through start-ups, spin-offs, expansions and new entrants, and enhance the labour force's chances of accessing them, thereby reducing unemployment, especially long-term unemployment
- raising average income levels and living standards for the local community;
- ensure all sections of society share the benefits of a better quality of life, including the vulnerable, displaced and disadvantaged; and
- achieve these goals sustainably, so that the results are enjoyed by future generations

Implicit in the challenge to promote LED is the need for local administrations to develop their understanding of territorial competitive success, changing the culture in the municipality by building LED competences and expertise, and change the way they view the local business sector. LSGs can take different approaches to supporting LED depending on their capabilities and willingness to support their local economy:

- LSGs can develop LED strategies to integrate developmental objectives, priorities, strategies and programmes and coordinate local economic objectives with other municipal programmes linked to the National Development plans such as the SSRD 2020

- LSGs can facilitate LED by improving the area's investment environment. This could include the flexible use of municipal planning/zoning procedures, data and information provision, commercial property rates, development and maintenance of infrastructure/services.
- The creation of new or expanded businesses can be encouraged through the provision of industrial or manufacturing estates with lower rents and services, development of human capital (local educational institutions), business incubators and SME support.
- A municipality can engage in investment attraction (local, national or international), place marketing, and develop partnerships/joint ventures with the private or non-governmental sectors to better exploit municipal resources or new market opportunities.

Critically, LED is a participatory process and the onus is on LSG administrations to encourage, public, private and civil society actors to work in collaboration identifying solutions to economic challenges and consensus on local investment and business development decisions. With reference to recommendation 5 above, the CBA methodology is a proven means of mobilising local actors to address local needs. It is recommended that this experience and developed capabilities be directed towards supporting LSGs to develop and implement LED strategies. There is considerable scope to consider application of the CBA approach more directly to the question of LED in particular to initiatives relating to job creation at the local level. This can be achieved, for instance, through extension of the current activities involving agricultural cooperatives, and through linking up CBA work in such spheres as energy efficiency, smart cities, and the use of renewable energy technologies, with associated support for small business start-ups, entrepreneurial activities, technical skills development, training programmes. Furthermore, there is scope to link up with the SURDP grant support activities in supporting technical colleges with the provision of programmes related to entrepreneurial and small business spheres.

As LED fundamentally concerns the success of the local private sector, the primary focus of future support should be on increasing the productivity and competitiveness of businesses. This translates into addressing obstacles to business including access to markets, finance, business development support services, SME networking, new product development and participation in value chains. As such, it is further recommended that a 'grant matching scheme' (MGS) be considered to support businesses through LED strategies. An MGS provides grant support to private businesses to access business development services in order to increase business competitiveness such as new product development or export market support. The grants are on a cost-sharing basis, with private business matching the grant amount. Such schemes have been supported internationally by the World Bank and DFID and may attract other donor interest and support.

Recommendation 7: To address the issues identified relating to the monitoring and reporting of CBA performance.

The evaluation report has noted issues arising with regard to the current model of reporting in the CBA III project. There is a need to strengthen the project's application of best practice in a Results Based Approach, with regard to the reporting of Outputs, Outcomes and Impact against the project's expected results. More use should be made of aggregate-level data and analysis of CBA performance, in order to substantiate more fully the evidence relating to results achieved, and thereby present a more informed picture of the Contribution of CBA to development at the local and national levels in Ukraine.

Recommendation 8: U-LEAD and lessons learned from the CBA project.

It is suggested that the U-LEAD project could draw on the methodological approach deployed under the CBA project, and the lessons learned under the project with regard to the achievements attained. These include, as noted in the current report, significant results with regard to the promotion of social cohesion, development of constructive civic relations within communities and between citizens and institutions, the awareness-raising and capacity-building among communities and local authorities with regard to the processes associated with decentralisation, amalgamation and local governance reform. Furthermore, it is suggested that the U-LEAD project could benefit from the engagement with the networks supported under the CBA project, namely the university network (as a provider of analytical services, training provision, conduct of surveys of beneficiaries, etc.), resource centres, associations (e.g. with regard to the professional training courses for local authorities provided by the Ukrainian Association of Villages and Settlement Councils).

7. Annexes

Annex 1: Context of Evaluation

Decentralisation of government and strengthening powers at sub-national levels has proven an effective means to improve public sector performance, strengthen economies in ways that enhance citizen well-being and promote democracy. Equally, a modern bottom-up regional development policy can improve economic performance through improved strategic planning, greater local stakeholder participation and ownership of the development process.

Successful decentralisation/local government reform and the implementation of a modern regional policy are highly dependent on strong and competent central governance. Ideally, central and local actors should work within defined national decentralisation/regional policy enabling frameworks (legal, budgetary, strategic). The roles, responsibilities and functions of national and sub-national institutions should be clearly defined. Regional and local actors should enjoy the space to design and implement development strategies/actions that reflect their particular regional/local conditions. Central government's main role is to facilitate and coordinate this sub-national change. This is achieved by providing the necessary policy/budgetary/fiscal incentives and disincentives to promote change, ensure national strategic objectives are realised as well as monitoring and evaluating progress/outcomes to inform the overall change process.

Prior to the government changes in 2014, Ukraine was a highly centralized unitary state with weak local self-government and the absence of a pro-active regional development policy. Ukraine had 24 oblasts and three special regions (Crimea, Kyiv, and Sevastopol), 490 rayons (districts), including 458 towns, 783 smaller settlements, and 10,279 villages. This situation contributed greatly to wide regional socio-economic disparities and poor municipal service delivery in the country. The post 2014 government prioritized the creation of an enabling environment for more dynamic local self-government; partnership based regional policy and territorial reform in line with EU standards.

In 2014, the Ukrainian parliament approved a framework on the 'Reformation of LSG and Territorial Organization of Powers'. The reform process is designed to define directions, mechanisms and deadlines for formation of efficient local self-government system ensure maximum provision of quality and accessible public services; satisfy citizens' interest in all activity areas of the territory; and coordinate the interests of State and territorial communities.

The reform process was designed to retain the 24 oblasts and special regions but 100 rayons and 1,500 hromadas (communities) are to be formed. Each level of government would have elected councils and the territorial communities would have tax raising powers. The overall objective of the reform was to create the optimal allocation of powers between local governments and executive bodies at the various levels of administration based on the principle of subsidiarity.²⁶

²⁶ Prior to changes in the budget and tax codes in December 2014 over 96% of local budgets were centrally allocated

Fiscal decentralization and amalgamation have been of particular importance in order to improve efficiencies and raise revenues to support local economic development and quality service provision. Through the 2015 'Enabling law on the Voluntary Consolidation of Hromadas' 366 amalgamated communities are formed to date.

The State Strategy for Regional development (2014) introduced a State Fund for Regional Development that supports the funding of regional projects on a multi-annual basis. As an amalgamation policy incentive the fund supports projects for local community partnership based projects in amalgamated local communities (decentralisation grant).²⁷

Due to these legislative changes the budgets of local communities increased by over 40% in the first nine months of 2015 compared to the same period in 2014 (from EUR 1.96 billion to EUR 2.76 billion).²⁸ In May 2016, the Ministry of Regional Development approved 175 applications for infrastructure projects from 37 amalgamated communities, funded by government subsidy (total budget UAH 209 million). The World Bank has noted the increased capital expenditure on infrastructure at the local level due to decentralisation.²⁹

The 2005 Law on Stimulating Regional Development created the enabling regulatory framework to move towards a programmatic, objective-oriented approach, to regional development which would bring services closer to citizens and to allow greater concentration of budgetary and other resources for regional development. The law provided the basis for the creation of the SSRD, regional strategies and state-region contracts for regional development. The objectives of the State strategy of regional development of Ukraine 2020 (SSRD 2020) are to increase the competitiveness of regions; territorial socio-economic cohesion and effective State Governance of Regional Development. This is to be achieved through an integrated approach to regional development combining support to industry, territorial (spatial) change and improved management (governance). Regional competitiveness will be increased by supporting efficient special of regionalisation with the priority of using own resource potential. The SSRD 2020 will be implemented through regional development strategies (at the oblast level), financing of regional development projects through the State Regional Development Funds and the adoption of sector regional developed an Action Plan, approved by the Cabinet of Minister on implementing during 2015-2017.

Under the State Fund for Regional Development (SFRD), 1% of the Ukrainian annual GDP is allocated to regional development projects/programmes. The fund budget was divided as follows - 80% of the Fund allocated across all the regions proportionally to the population and 20% is allocated to regions with GDP per capita of less than 75% of the average national GDP per capita. In 2016, \$120 million was allocated from the state budget to this Fund with every region of Ukraine received an average of \$4.4 million. The Ministry of Regional Development has developed criteria for assessing implementation of the state policy of regional state administrations with 39 indicators of performance on a quarterly and annual basis.

²⁷ The law provides for a five-year period of central government grant budget support to amalgamated communities.

²⁸ Decentralisation Reform in Ukraine: Prospects and Challenges 2015 Ilko Kucheriv Democratic Initiatives Foundation

²⁹ World Bank Ukraine Economic Update – April 2017

In effect, decentralisation and reform of local government is occurring simultaneously with the implementation of a modern 'programme based' regional development policy. For any country, these are major reform measures and particularly for a former core Soviet Republic. Both processes are not mutually exclusive.

"The issue of effectiveness of the measures in the SSRD cannot be considered separately from the issue of the reform of the administrative-territorial structure, fiscal decentralisation, development and promotion of competitive principles of economy, strengthening the role of local self-government..."³⁰

In the main, decentralisation reform is welcomed by Ukrainian citizens. Decentralisation has been supported by civil society actors as a change process that can reduce regulatory capture by central government on Ukrainian society. Although there are concerns that central control might be retained with the use of centrally appointed provincial prefects.

The KIIS/Council of Europe survey on local government reform (2016), which included amalgamated territorial communities, was overall positive/neutral on reform. The majority of respondents believed that reform of local government was necessary at 64%. This is a 4% increase from 2015. There is a high level of awareness of the decentralisation reform process at 80% of respondents. Awareness amongst respondents in amalgamated territories is slightly higher at 83%. The renovation of roads and pavements was cited by 71% of respondents as the most noticeable positive changes brought by decentralisation. The top expected result from decentralisation by respondents was a reduction in corruption (67%) with the second, an improvement in the quality of services. There has been a 10% increase in support for the process of community amalgamation among the urban population to 47% compared with 2015 with a third of the urban population (32%) undecided. Support was very low if the respondent's village was not to be the centre of the amalgamation process.³¹

Criticisms of the decentralisation process are related to corruption and the risk of central government not following through on decentralisation and regional policy. The fear is that the reform process will be utilised by traditional elites at the central and/or regional government levels to maintain their power positions. While decentralisation and regional policy is enshrined in legislation there is also concern that no real sustainable decentralisation capacity building or regional governance/development outcomes will occur. This is based on historical public administration reform tendencies where ambitious national policies are devised without a full appreciation of the implementation complexities at local levels, interpretation of regulations, institutional contractual and financial limitations and the absence of mechanisms to enforce rules. While there has been an increase in local governance funding, revenue generating powers and regional project funding, capacity building needs to meet these new challenges at sub-national levels has largely been left to international donors.

"...despite the introduction of new local taxation capacity, municipalities do not always take advantage of this resource—lack of experience with, and training in, financial planning has been cited as one

³⁰ Michael Ralph (2015) Advisor to the Directorate General for Regional and Urban Policy European Commission

³¹ Second wave "Decentralization and the reform of local self-governance" survey 2016 (KIIS/Council of Europe) in coordination with the Ministry of Regional Development

reason for this shortcoming in the reform process. Despite detailed stipulations about the criteria for districting and mergers, local practitioners complain about lack of adequate guidelines and lack of a coherent communication strategy by the national government in specific cases that local authorities confront when pursuing the mergers³².

USAID research identified that capacities at the regional cities were quite adequate requiring only some support, but capacities at the rayon and hromoda levels to manage decentralised responsibilities were very low requiring intensive capacity building support particularly in financial systems, forming budgets and strategic planning. There is also a fear that reduction in state subsidies due to fiscal decentralisation may also contribute to increased inter-regional inequalities. Some local governments will be more efficient than others in using increased powers and revenue raising powers. The 1,500 amalgamated is a very ambitious target. While 20% of the target has been achieved to date, there may be a considerable period of amalgamated and non-amalgamated local governance in Ukraine.

The SURDP project has made a major contribution to the regional development system in Ukraine. The challenge now is to implement the system and effectively use state regional funding. Policy gaps between regional administrations and regional branches of central ministries have to be closed and the administrative capacities of regional authorities as well as local governments within regions supported so that full advantage of regional development policy benefits can be taken.

Despite the very recent introduction of decentralisation and LSG reform, direct efficiency benefits have been identified. According to the Despro project, there was 2.5 times more asphalt surface laid down in 2016 than in the previous two years. On average the amalgamated communities have their roads repaired 2-3 times cheaper compared to the costs incurred by the governmental agencies. The government is financing education and healthcare sectors within separate educational and medical grants for local communities – funding for schools, hospitals, disease prevention centres, and other institutions is transferred from the state budget to the local ones. Using both state grants and their own funds, the communities are able to more effectively develop education and healthcare systems. For example, Shumska an amalgamated territorial community (Ternopil region), implemented a series of reforms within one year of its amalgamation and opened a new centre for administrative services with own funds (EUR 38,000).

³² European Committee of the Regions (2017) Regional Development in Ukraine: Priority Actions in Terms of Decentralization

Annex 2: SURDP Regional Development Grant Projects Visited During Mission

Project:

« Recovery of amelioration network to boost economic growth in rural areas of Volyn region »

Overall Objective:

To contribute to improving the quality of life in rural areas by recovering amelioration network in the Volyn region

Specific Objectives:

- To increase additional cultivated areas on drained lands
- Improve the management of ameliorated network
- To raise awareness and culture of local communities on the use and maintenance of the amelioration network
- To increase the efficiency of use of drained land for agribusiness.

Total Budget:

EUR 1, 464,823.79 (EU contribution 80%)

Implementation Period:

September 2014 - November 2016.

Main Project Partners:

Volyn Regional State Administration, Volyn Regional Department of the Water Resources, Volyn Branch of State Institute of Soil Protection of Ukraine, Polissia Experimental Station of National Institute of Soil Science and Agro-chemistry, Secretariat of Bug Euroregion

Overview:

The project involved the rehabilitation of 240 km of irrigation canals (built in the 1970s) to improve land productivity, in the districts of Kovel and Ratne, North Volyn. Rehabilitation actions included the cleaning of canals, renovation of water facilities and stabilisation of adjacent lands to canals. To further support the productivity of the irrigated lands, agrochemical soil surveys were carried out. Training and information campaigns were also implemented on drained land use and maintenance.

Review:

The project proved very relevant to the implementation of the agriculture and rural development objectives of the regional development strategy. The strategy has three agriculture support stages 1) Land amelioration, 2) Improvement of crop productivity, 3) Support to agricultural processing and export promotion.

The project was effectively and efficiently implemented by the project team. A 3 month extension was required due to payment delays associated with the Oblast treasury. All project results were achieved with budget savings.

The soil analysis compared the soil characteristic changes during project implementation. Survey findings informed recommendations on best use of drained lands. These recommendations included - practical methods on agricultural production in drained lands, management of water regimes and actions to take to improve crop productivity including crop rotation, use of fertilizers and reduce soil erosion. The analysis informed subsequent training of stakeholders. A 'soil passport' was developed to inform land users about the characteristics and fertilisation needs of their lands.

The physical rehabilitation of the canals were accompanied with a training and information campaign on how to best utilise and maintain drained lands. The project distributed 5000 information materials to 2,500 local stakeholders on the following subjects - 'Recommendations on effective use of drained land for agriculture', Activities to prevent degradation of drained lands and 'Amelioration network is our common property. Let's take care of it'. In addition 400 persons attended eight one-day workshops on effective use of drained lands for agribusiness and eight one-day workshops on amelioration network maintenance were organised for local authorities and land owners. Information sessions were also held in rural schools in the area of the amelioration network.

By project end, the rehabilitation of 240 km of canals improved the productivity of over 9000 hectares of agricultural land, compared to 2013, with increased crop capacity of 25-30%. Higher value crops production (sunflowers) has returned to the districts. Three hydraulic engineering facilities to regulate water in the area were renovated. The flooding that was common in the area before the rehabilitation has now ceased due to the project. There was also added benefit of stopping flood damage to local public facilities including graveyards which was a major social issue.

The project outputs are sustainable as the local authorities have the responsibility to inspect and maintain the rehabilitated canals. Land users have been trained how to maintain canals as well as drained lands. Visits by the evaluation team to four reclaimed areas identified on-going maintenance of the canals. In the rehabilitated areas visited by the team EU signs were very visible and located close to roads for the public to see.

Conclusions:

The project is a very strong example of an integrated regional development project, combining 'hard' and 'soft' aspects, and well positioned to implement regional development strategy objectives. The project should be used as a good practice example.

The evaluation team understands from the Department of Development Investments and EU integration in the Volyn Regional State Administration that two SRDF applications were made to follow on from this project. Both applications were rejected on the grounds of relevancy. The department has contacted Oblast administration to lobby for changes in SRDF criteria to support productive and employment related projects.

The evaluation team identified an issue related to the procurement of contracting services under the project. This has resulted in an Oblast investigation of the project. Project materials/items which should be allocated to the project partners are being held by the oblast administration. This has not affected project results or the use of EU funding but should be examined in the audit of the overall grants facility audit.

Project:

« Improving Vocational Training System According to the Needs of Volyn sub-regional Economy »

Overall Objective:

To enhance the system of vocational education in Rivne and Volyn oblasts, and improve the employability of youth

Specific Objectives:

Create and promote the information database about the state of labour market

Improve the training of workers

To improve the ability of young people to choose a profession, find a job and build their own business

Project Partners:

Department of Education and Science Rivne Regional State Administration – Applicant, Department of Education, Science and Youth of Volyn Regional State Administration – Co-applicant-1, West-Ukrainian Regional NGO – Co-applicant-2

The implementation period 36 months (2014-2017)

Total Budget: EUR 1,066,373.89 (EU contribution 80%)

Implementation Period: August 2014 to August 2017 (on-going)

Overview:

In short, the project is designed to fill the gap between vocational training provision and the skills demands of the business community. The region has very high youth unemployment. The absence of labor forecasting data means that vocational training is not preparing students for the job market or to support students to become self-employed.

Review:

The project implements the educational reform objectives of the Rivne regional development strategy (which was supported by SURDP) to address unemployment and particularly youth unemployment, which is twice the rate of adult. The project is very relevant to the needs of the regional economy. Despite high unemployment, employers cannot fill vacancies. A significant percentage of the regional budget for vocational education is spent inefficiently – with between 30-40% of vocational school graduates not employed according to their professional training.

The project is on-going and has experienced a 7 month delay due to project payment issues with the Oblast administration. There were also problems with government changes in the funding of beneficiary vocational schools.

Despite this delay, project activities carried out by June 2017 were done effectively and efficiently. Between April 2015 and February 2016, labour market research was carried out in Rivne and Volyn. Over 1500 companies were surveyed (in 6 business sectors) 400 vocational graduates and 400 unemployed persons. A labour market report was produced under a series of professions and economic sectors. This report was presented to the regional administration in February 2016, identifying business skills trends/needs and associated vocational training changes required. The report was published with 1600

copies disseminated to stakeholders. Based on the research a database and data retrieval system was up-loaded. An online system for professional suitability testing (with ten on-line tests) was also designed and uploaded. The project provided a series of training activities including two 'Training of Trainers' course in Career Centers of vocational schools for 22 staff, entrepreneurial training for 47 teachers of economics., design/production of 5 multimedia training courses based on labor market analysis and 5 web seminars for young persons on how to start own businesses. During the project visit, the evaluation team visited beneficiary vocational schools that had used the labor market research to change their curricula. It was noted that none of the schools had received training equipment. It is understood that this is due to payment delays by the Oblast treasury.

The long term potential impact of this project is strong. The project has produced one of the only medium term regional labor forecasting surveys in Ukraine. The labor data has introduced vocational curricula changes in key employment sectors such as textiles, electronics, bakery, agri-processing and transport. The evaluation team was informed that a German company (electronics) located in region will send staff for training to one of vocational schools due to improved training introduced by the project. In terms of sustainability, the evaluation team was informed that the Oblast will provide funding to update and maintain the labor database. Evidence of EU visibility was identified from the training sessions, multi-media materials and web seminars. It was also noted that beneficiary schools had EU project visibility (banners, posters) - even though training equipment had not yet been supplied.

Conclusions:

This is a progressive project addressing labor productivity, skill demands, and support to entrepreneurs and has positive impacts in terms of employment, increased local business competitiveness and attracting foreign investment.

Demand/Supply regional labor forecasting linked to vocational education change should be encouraged in all Oblasts.

The activities and results of this project should be shared with Minregion and the Ministry of education to highlight how 'soft' projects can support regional competitiveness and employment generation. It is very positive that the regional administration recognizes the importance of providing resources to update and maintain the database.

The evaluation team was informed that the regional administration is planning to make an SRDF application to expand the project to more schools.

The problems associated with Oblast treasury procedures and EU co-funding of projects should be addressed for future grant based projects.

Annex 3: Evaluation Questionnaire

Evaluation Questionnaire - Project Managers of CBA III Activities, Ukraine

Dear respondent: Our evaluation team is conducting a Final Evaluation of the CBA III project on behalf of the European Commission. We would be grateful to receive your responses to the following questions relating to the implementation of the CBA project activities that you have overseen.

SECTION A. BACKGROUND INFORMATION

1. Please indicate your gender: Female Male

2. Please indicate your job title:

3. Please indicate your work location (i.e. region, town):

4. Which CBA III activities have you been responsible for managing (please list below):

.....

SECTION B. CBA III ACTIVITIES

5. Please indicate, according to the scale 1-Strongly disagree to 5-Strongly agree, your assessment of the aggregate achievements of the CBA activities you have managed:

a. Feedback from beneficiaries of indicates that the activities are considered relevant for their needs.

1.Strongly disagree <input type="checkbox"/>	2.Disagree <input type="checkbox"/>	3.No opinion <input type="checkbox"/>	4.Agree <input type="checkbox"/>	5.Strongly agree <input type="checkbox"/>
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Comments (optional):

b. The content and format of the project activities have met the expectations of participants.

1.Strongly disagree <input type="checkbox"/>	2.Disagree <input type="checkbox"/>	3.No opinion <input type="checkbox"/>	4.Agree <input type="checkbox"/>	5.Strongly agree <input type="checkbox"/>
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Comments (optional):

c. The project is making/has made a significant contribution to the needs of the beneficiaries and the local communities covered by the activities.

1.Strongly disagree	2.Disagree	3.No opinion	4.Agree	5.Strongly agree
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Comments (optional):

Please provide additional comments as you feel necessary with regard to the process and results of project implementation.

Please send the completed questionnaire to: Dr Stephen Webber, Senior Expert, ARS Progetti SpA.

Email: stephenlewarnewebber@gmail.com

Annex 4: List of Documents Reviewed

- CBA III Monitoring Process
- User Guide: Electronic Monitoring and Information System for the CBA Project'
- CBA Project Response to Recommendations of Evaluation Team upon results of Mid-term evaluation in 2013.
- Commission Implementing Decisions ENPI/2011/022-825, ENPI 2012/024-267
- Contracts ENPI/2014/343-583 and ENPI/2013/311-144, Description of the Actions
- Mid-Term Evaluation of EU Community-Based Approach to the Local Development Project (CBA II) (2013)
- SURDP Progress Reports and Final Report 2017
- CBA III Annual Report, 2016
- Commission Implementing Decision U-LEAD with Europe: Ukraine Local Empowerment, Accountability and Development Programme, Descriptions of the Action of both components under this Decision ENI/2015/038-739
- "Regional Development in Ukraine: Priority Actions in Terms of Decentralization'. European Committee of the Regions (2017).
- Action Fiche for the Sector Policy Support Programme Support to Ukraine's Regional Policy 2013
- Decentralisation and Reform of Local Self-Governance: Results of the Second Wave of Sociological Research,(2016) KII/Council of Europe
- OECD Ukraine Territorial Review (2013)
- "The Regional Dimension of Economic Growth in Ukraine" (D. Kallioras/M. Tsiapa) Eastern European Business and Economics Journal Vol.1, No. 3, (2015): 71-95
- "New regional policy for renewed Ukraine: Analytical report" (2017) Institute for social and economic research, Kyiv 2017.
- "Keeping up Appearances: How Europe is Supporting Ukraine's Transformation" (2016) Gustav Gressel European Council on Foreign Relations
- "Supporting decentralisation, local governance and local development through a territorial approach" (2016) Directorate-General for International Cooperation and Development
- Decentralisation Reform in Ukraine: Prospects and Challenges (2016) Ilko Kucheriv Democratic Initiatives Foundation