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**External Review**  
,Support to Decentralisation in UA' and  
,Promoting Conditions of Participatory Governance and Development'

Project No. 7F-04661.01.13

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## **List of Abbreviations**

CBO	Community Based Organisation
CIPD	Crimea Integration and Development Programme
DesPro	Decentralisation Support Project, Ukraine
GTZ	German Agency for Technical Cooperation
MGSDP	Municipal Governance and Sustainable Development Programme
MSU	Municipal Support Unit
NAPA	National Academy of Public Administration
PMU	Project Implementation Unit
RWG	Rayon Working Group
SCO	Swiss Cooperation Office
SDC	Swiss Agency for Development and Cooperation
Sida	Swedish International Development Cooperation Agency
Skat	Swiss Resource Centre and Consultancies for Development
UNDP	United Nations Development Programme

## Executive Summary

**SDC and decentralisation.** SDC is one of the most active donor organisations in support of decentralisation in the Ukraine. Next to own projects, SDC mainly supports the decentralisation process through the “Decentralisation Support Project” (DesPro) implemented by the Swiss Resource Centre and Consultancies for Development (Skat) and the project on “Promoting Conditions of Participatory Governance in Urban Areas, Phase II, within the Municipal Governance and Sustainable Development Program (MGSDP) implemented by UNDP.

**Decentralisation in the Ukraine.** Decentralisation is part of the reform agenda of the Ukraine. Ukraine so-far remains a rather centralised country with some degree of political decentralisation, very limited administrative decentralisation and rudimentary aspects of financial decentralisation. In the current pre-election phase no major reforms can be expected but the Ukraine seems to remain dedicated to the decentralisation process. There have been several encouraging initiatives for further reform and enhanced dialogue.

**Focus of the review.** The focus of this review is on DesPro but it also considers certain aspects of MGSDP as well as of other SDC activities. The purpose of this review primarily is to assess the DesPro build-up phase, i.e. to assess relevance, effectiveness, efficiency and impact (if already assessable), sustainability, level of satisfaction of stakeholders and beneficiaries and the positioning and partnering of the project as well as to provide recommendations for the consolidation phase. Such a review mission can never substitute specific assessments in view of the programming of the next phase. Therefore in the report some recommendations are given but also some issues are pointed out ‘to be further considered’ that might merit further thought for the planning of the next phase.

**Review mission.** The review mission took place from May 10 – to May 23 and included meetings with the major stakeholders and beneficiaries in the two DesPro pilot regions as well as in Kyiv. These meetings were complemented by discussions with the implementing agencies, consultants who have been previously involved, donors working in similar fields as well as by a workshop in Kyiv.

**Project focus.** As major component, both DesPro and MGSDP aim at facilitating social mobilisation as pre-requisite for decentralised governance and improved service delivery. For this purpose they support community initiatives by providing a model of locally anchored service-delivery which is amongst others based on co-financing with contributions from the community, local budget(s) and DesPro, resp. MGSDP budget. These project components are designed so as to make use of the existing legal and institutional frameworks and processes, including budgetary processes. Thus the projects can function within the not very conducive legislative framework and institutional set-up.

**Multilevel approach.** Both projects apply a multi-level approach, targeting and working not only with local community organisations but with stakeholders from all levels of state. Main stakeholders of DesPro are rural communities, local and regional authorities, and, as main national counterpart, the Ministry of Regional Development and Construction of Ukraine. In the multi-level approach also lies a main opportunity of the DesPro project for the future consolidation phase. Due to the multi-level approach DesPro is strategically well positioned to take up demands from Ukrainian authorities and enhance its role in policy dialogue. With the support of SCO, it can use existing links at all levels of government and create platforms for participatory cross-level and cross-institutional policy dialogue on the future of decentralisation in the Ukraine.

**Local anchorage.** As far as possible, both projects make use of official structures thus avoiding the creation of parallel structures. At the local level, DesPro mainly relies on Regional Working Groups, MGSDP on Municipal Support Units (MSU). DesPro could still strengthen their links with village authorities as well as intensify their work at regional level.

**Geographic and thematic focus.** For its support for local community initiatives and service delivery, DesPro so far is working in two regions, in the Autonomous Republic of Crimea and in the West in Vnnytsya oblast. Thematically, DesPro so far focuses on access to water and developed one model of service delivery based on community mobilisation. It contributed to the effective delivery of high-quality services and its model of service delivery is already replicated by Ukrainian authorities. If DesPro activities shall be broadened to include other sectors, this should be done based on an analysis of the current and assumptions of the future distribution of powers so as to select fields for which the villages will be in charge. As there are certain limits of the applied model of service-delivery, more work on and documentation of the limits of the current model of service delivery is required and it is recommended to develop and test additional, alternative models for service-delivery, i.e. with stronger involvement of local government and local self-government institutions. If the geographic scope of the project shall be extended it is recommended to include an oblast in the East so as to test the models and lessons also in this part of the country as well as to strengthen its credibility for policy input.

**Procedures and stages of the realisation of community initiatives.** Once a group of citizens identifies common priorities that fall within the scope of the project activities and decides to participate in a call for proposals it has to create a Community Based Organisation, register it and open a bank account, submit a project proposal and present it, participate in capacity building, collect money among CBO members, implement the project, provide for mechanisms to maintain and operate the new system after conclusion of the project, monitor project implementation and report on progress. In all these aspects the project is very well implemented. The project was quick in reacting to new challenges and provides effective support to the CBOs and RWGs.

**Financial aspects.** Some external challenges in the financial field have to be noted. Local government's are confronted with very limited budgetary powers, strict oversight and limited possibilities to define own spending priorities. DesPro and their project partners managed to cope with these framework conditions. Their lessons-if well documented-would be of interest from the policy perspective. In addition, the tense economic situation with a marked devaluation of the currency created challenges for communities and local authorities to fulfil their financial obligations. MGSDP internal financing procedures led to frequent delays in payment. Here some action or at least better communication is necessary.

**Manuals, training activities, experience exchange, exposure visits, communication and public relations.** These measures of knowledge management contributed to the good implementation of the projects. A careful documentation of lessons would further strengthen knowledge management.

**Policy input and dialogue, knowledge-management.** SCO, DesPro and MGSDP all provided input to policy making. DesPro has a specific policy-related project at the regional level. Especially if a component of community participation is added, this project could make a valuable contribution to the debate on territorial reform. Input to the policy debate at the national level was partly based on lessons derived from the experiences at the local level and partly based on direct requests from the Ministry in charge. In addition, there are several initiatives and demands by government and parliament to strengthen policy dialogue and conduct cross-level and cross-institutional dialogue. The SCO's facilitation of policy dialogue in the past was highly appreciated by national stakeholders. The multi-level anchorage of DesPro and good contacts of SCO provide necessary entry-points for the establishment of some form of dialogue platforms. Approaches would have to be developed together with the Ministry of Regional Development and Construction as well as other stakeholders.

**Knowledge management.** Cross-level and cross-institutional policy dialogue is part of knowledge management. Important other aspects of knowledge management are knowledge anchorage and knowledge development. At this moment there are discussions with the Ministry of Regional Development and Construction to support their proposal on knowledge management. Based on the information so far, this proposal mainly focuses on knowledge anchorage and development. It is too early to assess this component and the potential of the government proposal. Together with a strong

component of knowledge sharing (e.g. based on the policy dialogue) a comprehensive knowledge management approach can be developed.

**Synergies.** SCO, DesPro and MGSDP have excellent working relations. In addition, their activities largely complement each other. They can profit from the experiences and know-how they acquired, their contacts and experiences.

**Overall satisfaction.** Almost all beneficiaries and stakeholders agreed that SCO, DesPro and MGSDP has highly motivated and competent staff and that the projects are well-implemented as well as useful and relevant. The projects fulfil their aims in so far as they managed to demonstrate avenues for effective community participation, to mobilise communities, to sensitise communities for their rights, to improve their relations with deconcentrated and decentralised local institutions, to build capacities and thus to prepare the ground for further decentralisation. In addition, the experiences can be of use for developing credible policy recommendations and engaging in policy dialogue for the legislative process at the national level.

**Special emphasis for the consolidation phase.** In the view of the evaluators, in the consolidation phase special emphasis should be given to developing alternative models of service-delivery, to further document lessons learnt and to develop cross-level and cross-institutional platforms for policy dialogue.

## I: Introduction

### Background: SDC and Decentralisation in the Ukraine

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SDC is **one of the most active donor organisations** in support of decentralisation in the Ukraine. After the ‘Orange Revolution’ in 2004, the interest of the Ukrainian Government in public sector reforms, particularly in decentralisation increased. In 2005, the President of Ukraine requested the Government of Switzerland to support decentralisation and local governance reforms. The request and SDC’s previous experience in the area were the main reasons for SDC to identify support for public sector reforms with a strong focus on decentralisation as a thematic priority in Ukraine for the period of 2007 – 2010 (see the SDC country strategy).

Consequently, in 2006, SDC became one of the first international donor organisations in the Ukraine to actively support decentralisation and local self-governance reform processes through its “Decentralisation Support Project” (in the following **DesPro**) implemented by the Swiss Resource Centre and Consultancies for Development (Skat). In addition, support to UNDP projects was shaped in a way to complement DesPro by establishing the SDC-supported project on ‘Promoting Conditions of Participatory Governance in Urban Areas, Phase II, within the Municipal Governance and Sustainable Development Program (in the following **MGSDP**). DesPro and MGSDP both rely on social mobilisation, not only as an instrument for poverty alleviation but rather as a key step for promoting effective decentralisation and local self-governance.

The **overall goal of DesPro** is to contribute to improving the process of public service delivery in Ukraine through decentralised structures. DesPro’s build-up phase (Phase 1) is covering the period 2007 – 2009. The consolidation phase is foreseen for the coming years (2010 – 2012). The purpose of this review is amongst others to take stock of the build-up phase and to provide recommendations for the consolidation phase.

The **overall goal of the build-up phase** is “that a replicable model of decentralized services ... at village / municipal / rayon levels is piloted in selected areas and has been accepted at the oblast/national levels” (Project Document, p. 8).

The **objectives of the current Phase** are as follows:

- Local communities’ ability to identify, plan, implement and manage services improved
- Local governments’ abilities to plan, finance, implement and coordinate affordable services in a participatory and innovative manner are improved
- Government of Ukraine is supported in its efforts to form a ‘National Agenda’ on decentralisation and its tasks to coordinate and harmonize local policy initiatives.

At the end of the build-up phase, the objectives for the consolidation phase shall be defined.

The **overall goal of MGSDP** is to support decentralisation and strengthen the process of municipal governance and development by integrating a participatory approach in 22 municipalities, setting out clear linkages with regional authorities and promoting collaboration between targeted cities.

## Mandate, Methodology and Program

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According to the Terms of Reference<sup>1</sup>, the main task of this external review is to assess

- the **relevance, effectiveness, efficiency and impact** (if already assessable) of DesPro Phase 1, and its synergies with the SDC-supported project within UNDP/MGSDP, including all factors affecting the project implementation and results achievements
- the **sustainability** of achieved results
- the **level of satisfaction** of project stakeholders and beneficiaries with results as well as
- whether SDC, DesPro and UNDP/MGSDP **are well positioned and partnered** to achieve maximum impact

In accordance with the Terms of Reference, the external review focuses on DesPro but also considers other activities of SDC in particular the SDC supported components of MGSDP.

The purpose of this review is amongst others to take stock of the build-up phase and to provide recommendations for the consolidation phase. Based on the observations during the review mission some recommendation on possible priorities, actions and activities for the next phase can be developed. However, such a review mission can never substitute specific assessments in view of the programming of the next phase. Therefore some recommendations are given but also some issues are pointed out 'to be further considered' that might merit further assessment for the planning of the next phase.

The review mission to Ukraine took place from May 10 to May 23, 2009. During this mission Nicole Töpperwien (NT) was supported by Sergiy Chykurliiy as co-evaluator and Marina Bryl as translator. A cordial 'thank you' goes to both of them, to the SCO in Kyiv, especially Olena Lytvynenko who arranged the mission program and supported and helped us whenever necessary, as well as to the DesPro/Skat and to the MGSDP/UNDP teams.

Meetings took place with the main beneficiaries and stakeholders of DesPro and MGSDP in Kyiv and in the pilot regions as well as with partners and outside actors who are familiar with the Ukrainian context and the work of SDC and the projects. Because Jürg Christen was on a mission to Kyiv during the review period, discussions on the Skat perspective could also take place in the Ukraine.

Meetings took the shape of semi-structured interviews, focus group discussions and field visits. At the end of the review mission a workshop with stakeholders took place in Kyiv.

These meetings were complemented by discussions (via phone) with Claudia Schneider (Institutional Development and Governance Specialist, Skat) and Eva Schmidt (consultant knowledge management) and the study of documentation provided by SDC, DesPro and MGSDP<sup>2</sup>.

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<sup>1</sup> For the detailed Terms of Reference, see the annex.

### Programme

- Meetings in Kyiv
  - With SDC DesPro
  - With UNDP, MGSDP
  - SIDA
  - Ministry of Regional Development and Construction
  - Ukrainian Association of Small Towns
  - National Academy of Public Administration, Parliament of Ukraine
  - Mayor of Novohrad-Volynsky
  - GTZ+ organised Workshop on Administrative Services Improvement
  - Municipal Development Institute
- Meetings in Crimea
  - First Deputy Prime Minister of Republic of Crimea
  - Bakhchisaray (Bakhchisaray Town, Vilino, Beregovoe)
  - Leninsky (Lenino, Gornostayevka)
  - Nyzhnyogirsky (Durechje)
  - Saki
- Meetings in Vinnytsya
  - First Deputy Governor
  - Podilska Agency of Regional Development
  - Kalynivsky (Nova Greblya)
  - Tul'chynsky (Tulchin, Kryshentsi)

The review is mainly based on what we could see and assess during the discussions and field visits. This brings a further limit to the review of the MGSDP project component because there was not enough time to visit all project activities. A focus was given to interactions with the project municipalities and the communities that are supported.

### **Context: Decentralisation in the Ukraine**

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Decentralisation is part of the reform agenda of the Government of Ukraine. In May 2007, a Ministry for Regional Development and Construction was created which mainly is in charge of this reform agenda. In addition, there are specific departments in other Ministries, e.g. the Ministry of Finance, that deal with aspects of decentralisation. All political parties seem to be in favour of some form of decentralised governance. However, so far, a common vision on the reforms and the reform process still seems to be lacking. As a consequence, before the presidential elections in January 2010 more substantive reforms seem to have only limited chances of success. Furthermore, if the presidential elections show a huge shift in the strength of political parties, as it is very likely, it can be expected that early parliamentary elections will be scheduled relatively soon. This can further impact on the reform process.

So far a number of concept papers on different aspects of decentralisation have been developed as well as new legislation introduced and older legislation amended. However, important aspects of the reform, which can be considered as the backbones of the reform process, e.g. a new territorial organisation or a comprehensive scheme of fiscal decentralisation are not finalised or approved and it remains to be seen whether work on these concept papers and proposals will continue after the elections or whether entirely new proposals will be developed.

The draft proposal on the **territorial organisation** is already relatively far advanced. SDC has contributed to the discussions as facilitator and with input on substance. The draft so far foresees mainly a reorganisation of the lower levels of state organisation (district downwards) because it is expected that territorial reorganisation at the regional level would create tensions, including tensions between the East and the West of the country. As latest development, on May 23, the Prime Minister invited about 11'000 representatives from local self-government bodies to an information and consultation session on the draft proposal. About 7000 participated. As a result of this meeting, a Council of representatives of the village heads has been established in association with the Cabinet of Ministers. This further signals a concentration of reform efforts on the village level. Within the framework of the territorial reforms the number of territorial units shall be reduced. According to the draft law, during the phase of one year villages can merge voluntarily, after that period a more centralised procedure will be followed with limited mandatory participation of communities and concerned self-government bodies.

As major challenge remains the **weak fiscal decentralisation**. There are several proposed schemes of financial decentralisation in Ukraine, including the general view of the Ministry of Regional Development and Construction as reflected in several of the concept papers and the views of different political parties. None of these schemes is comprehensive. The current Cabinet of Ministers of Ukraine has not yet declared its own vision of financial decentralisation. There is however movement. After the review mission, the Cabinet of Ministers submitted to the Parliament the Draft Law "On the improvement of the system of the local taxes in Ukraine" which suggests abolishing the numerous insignificant local taxes and establishing the real estate tax and land tax as local taxes. The way, how political actors will address fiscal decentralisation can be taken as an indicator for their overall dedication to the reform process.

As a member of the Parliamentary Committee on State Building and Local Self-Government pointed out, for the moment they are trying to cope with the unclear political situation in the pre-election period and aim at moving the reforms by developing **smaller amendments and procedural**

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<sup>2</sup> For a list of documents, see the annex.

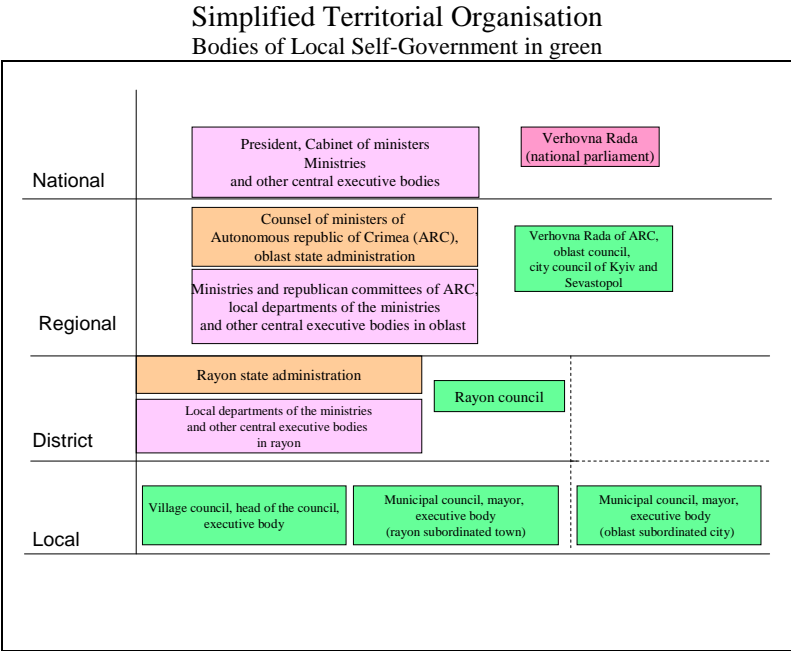
**guidelines** on specific, practical aspects, e.g. on the re-naming of territorial units. Through this approach steps forward can be made also at this moment.

Up to date, the system of the Ukraine remains centralised with mainly deconcentrated and some decentralised elements. In general, there are four levels of hierarchy: the centre with its institutions in Kyiv as well as at lower levels, the regional or oblast level (including the Autonomous Republic of Crimea and the Cities Kyiv and Sevastopol), the district or rayon level and the level of villages, resp municipalities (constitutionally, villages and municipals have the same status). Bigger municipalities (cities) are directly subordinated to the oblasts, smaller municipalities (towns) to the rayons. Municipalities that are oblast subordinated have powers comparable to rayons.

The Autonomous Republic of Crimea has a specific status which in many aspects resembles the status of an oblast. Additionally, the law provides that the cities of Kyiv and of Sevastopol are to be governed by separate laws. The new version of the Law on the City of Kyiv was just passed by the parliamentary committee in charge and shall now be debated in Parliament. The Law on the City of Sevastopol is not prepared yet.

At the level of the oblast, the rayon and the village resp. municipality there are decentralised local self-governance councils which are elected by the people. However, with exception at the village/municipal level, these councils do not have own executive bodies or an own administration. Instead there are deconcentrated oblast state administrations and rayon state administrations with a limited degree of discretion in decision-making which form part of the centralised state hierarchy. Due to the peculiarities of the budget procedure in Ukraine the public finances remain highly centralized. Village local self-government bodies can draft, approve and implement their own budgets. At the rayon and oblast level, rayon and oblast councils have only the right to make recommendations and approve the budget, the drafting and implementation of the budgets is done by the respective state administration. The local budgets are still heavily dependent on central budget transfers.

At this stage, there is some degree of political decentralisation (through the councils), very limited administrative decentralisation (mainly at level of villages and municipalities) and only rudimentary aspects of financial decentralisation (hardly any non-earmarked funds, limited budgetary power).



Discussions with stakeholders showed clearly that different rayons, municipalities and villages try to make use of their (limited) powers and resources. The current legislative framework tends to be rather complicated, with gaps and contradictions, which sometimes provides room for some creative

interpretations but can also lead to cautious and restrained decision-making. The discussions showed also that the leeway for own action of rayon, village and municipal councils amongst others depends on the quality of contacts with the local state administrations and higher state levels.

## II. SDC financed projects in the area of decentralisation

SDC supports the decentralisation process through own projects, e.g. facilitation and input to policy development at national level, through the DesPro project implemented by SKAT and through financial support to MGSDP implemented by UNDP.

### Project Focus

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DesPro identifies its project focus as follows:

- “Improving communal services through greater integration of community groups and associations
- Streamlining and improving the integration process of community based services into the local government systems
- Integrating the lessons learned and best practices developed in the pilot areas into the ‘national agenda’ on decentralisation.” (Internal Mid-Term Review Report, p. 7)

As major component, both DesPro and MGSDP aim at facilitating social mobilisation as pre-requisite for decentralised governance and improved service delivery. For this purpose they support community initiatives by providing a model of locally anchored service-delivery which is amongst others based on co-financing with contributions from the community, local budget(s) and DesPro, resp. MGSDP budget. These project components are designed so as to make use of the existing legal and institutional frameworks and processes, including budgetary processes. Thus the projects can function within the not very conducive legislative framework and institutional set-up. Even if decentralisation reforms stall at national level, activities at the local level can continue.

These community and service oriented project components are complemented by documentation, training activities, knowledge exchange and sharing as well as policy input. Both projects apply a multi-level approach, targeting and working not only with local community organisations but with stakeholders from all levels of state. Main stakeholders of DesPro are rural communities, local and regional authorities, and, as main national counterpart, the Ministry of Regional Development and Construction of Ukraine. In comparison MGSDP puts the focus on working in urban areas (municipalities with rayon subordination and municipalities with oblast subordination).

Our discussion partners’ **level of satisfaction** with SDC activities in general and DesPro and MGSDP in particular was high (MGSDP) to very high (DesPro)<sup>3</sup>. Almost all beneficiaries and stakeholders agreed: They consider the projects, both DesPro and MGSDP, as very useful and relevant. The projects fulfil their aims in so far as they managed to demonstrate avenues for effective community participation, to mobilise communities, to sensitise

communities for their rights, to improve their relations with deconcentrated and decentralised local institutions, to build capacities and thus to prepare the ground for further decentralisation. In addition,

### Some outcomes (some quotes)

according to our discussion partners

- It mobilised communities: „Showed us that we can achieve something“
- It improved quality of life, e.g. access to clean water
- It increase respect for resources: „We are now more conscious about the use of water“
- It improved relations with the administration (and local self-government bodies): „We are not any longer angry with the administration“ „We started to trust“
- It changed views of the administration: „more attentive to priorities of communities“ „It helped us to justify our budget priorities“.
- To some extent also it changed perspective of higher levels administrations and cooperation between levels
- It changed working methods: co-financing approach applied also for other projects with international assistance „gave as a method how to deal with issues“ „Showed us a new management approach“.
- It increased capacities and know-how: „We now can also apply for other projects.“
- It provided new avenues for policy input „For us cooperation with DesPro is particularly attractive because of its links to Central Government. It can lobby for us.“

<sup>3</sup> Satisfaction with MGSDP was slightly lower than for DesPro because of financial aspects (see below).

despite certain scepticism from national stakeholders, the experiences can be of use for developing credible policy recommendations and engaging in policy dialogue for the legislative process at the national level. For actually “Integrating the lessons learnt and best practices developed in the pilot areas into the ‘national agenda’ on decentralisation” further efforts will be necessary in the consolidation phase, e.g. documentation of lessons has to be improved, lessons have to be discussed with concerned stakeholders and promoted at national level.

Stakeholders had many words of praise for the staff of DesPro, MGSDP and the SCO and lauded in particular the SCO as well as DesPro for being fast and efficient in responding and adapting to context and needs.

## **Multilevel approach**

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DesPro and to a lesser extent also MGSDP clearly apply a multi-level approach. The backbone of the DesPro project consists in support to (1) community initiatives. However, DesPro also started to engage in (2) policy development at the regional level and (3) at the national level and (4) plans to engage in knowledge management. These four aspects will be further looked at below. First however, some general remarks on the multi-level approach will be provided here.

It can be considered as **one of the strengths of the DesPro project** that it does not limit its activities to the local level but clearly and consciously applies a multi-level approach. In any state system, including in a decentralised system, no state level can act in a fully independent way. Full fledged decentralisation provides decentralised levels of government room to develop their own policies and realise their priorities with their own financial means. Depending on the distribution of powers between levels of government, on the financial capacities but also on control mechanisms this room for own decision-making and action can be more or less extensive. At the same time, however, all state levels are part of one governance structure with many interdependencies. Thus any form of decentralised governance will require cooperation between different levels of state.

Reform processes of decentralisation are often steered **top down** and more often than not it is difficult for lower levels of government to make their concerns heard. However, without a minimum support from lower levels of government reforms will be difficult. The participation of all levels of government in the development of the reform agenda can promote realistic and pragmatic approaches and can increase the acceptance of reforms and thus their chance of implementation. In many countries, however, including the Ukraine, there is only a limited tradition of cross-level cooperation and policy debate. Recent initiatives of the Prime Minister, the Cabinet of Ministers and the Ministry of Regional Development and Construction, to directly inform and communicate with the village level are a good sign. In addition, the Ministry of Regional Development and Construction informed that it wants to strengthen the cooperation with lower levels of government and is seeking support for its initiatives.

Multi-level project approaches can take the complexity of multi-level governance into account and can at the same time help to open doors for participatory reform development and cross-level cooperation and policy-debate. Here also lies **a main opportunity of the DesPro project** for the future consolidation phase. It is strategically well positioned to enhance its role in policy dialogue. With the support of SCO, it can use its existing links at all levels of government and create platforms for participatory cross-level debates on the future of decentralisation in the Ukraine.

- ➔ **Recommendation:** It is recommended to continue building on the multi-level approach and to develop platforms and models for participatory cross-level debates on decentralisation reforms. In the beginning, lessons for policy development that derive from the work at the community level can be discussed as well as issues that directly relate to the project focus or pilot areas. These issues provide good entry points. Step by step, more comprehensive policy discussions can be facilitated, if wanted by the counterparts (see also the parts on regional and national policy dialogue).

- ➔ **To be further considered:** For strengthening the cross-level approach it might be useful to build a working group or committee with representatives from the national level and from all levels of government of pilot regions (see more on this issue, below II.3 Cross-level and cross-institutional policy dialogue).
- ➔ **To be further considered:** DesPro could/should promote these activities in cooperation with the SCO in order to make use of the excellent existing contacts. These activities can form part of a larger knowledge management component.
- ➔ **To be further considered:** Any future focus on policy development, whether cross-level or at the local, regional or national will require a strengthening of DesPro's human resource capacities in decentralisation (see more on this issue, below, IV. Aspects of Internal Project Organization).

In addition, the multi-level approach also helps to **minimise the political risks** such a project can face. It provides contacts to all levels of state. Based on this, the project can maintain a good sense for political developments that might (positively or negatively) impact the project and due to the broad anchorage, negative developments at one level of state do not necessarily put the whole project at risk. Work with other levels can be maintained.

## **1. Support of Community Initiatives**

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The support to Community Initiatives is the activity for which DesPro and MGSDP are best known and which forms the basis of the overall projects activities. Therefore first a look at this component shall be taken, before specific attention is paid to other components of the projects.

### **Geographic scope of work:**

So far DesPro supports community initiatives in **two regions**: in the autonomous Republic of Crimea and in Vinnytsya Oblast, an oblast in the Western part of the Ukraine. Originally, in the project proposal, it had been planned to also include an oblast in the Eastern part of the country. However, during the build up phase the project team and SDC agreed to intensify work in the two regions by including more districts than originally planned instead of expanding to the East. This decision was taken amongst others because of the project's resources. It appeared easier and more cost effective to expand within pilot regions than to establish an additional one. MGSDP as such has a broader geographic focus and works in more than ten oblasts in the West and the East as well as in the Autonomous Republic of Crimea. The SDC financed component of MGSDP focuses on the same geographic area as DesPro (Autonomous Republic of Crimea and Vinnytsya oblast). DesPro works in three districts in each of the two pilot regions. MGSDP works in three municipalities in Vinnytsya and four municipalities in Crimea.

In the discussions, almost all stakeholders at the national and regional level were in favour of **extending the geographic scope** of the DesPro project, at least based on the assumption that this would not lead to a reduction of project funds in the current pilot areas. Thus the argument for an expansion was amongst others an argument for increasing the overall project funds. Only actors at the national level argued more from a policy perspective. An enlargement of the geographic scope will also broaden DesPro's experiences and strengthen its convincing power when national policy is concerned.

While there seem to be certain limits to expanding the project within the districts (supporting more communities within a rayon) due to financial restraints (see below), there would be the **options** to expand either within regions by supporting more rayons within Crimea and Vinnytsya oblast or by adding, as originally planned, another pilot region.

As DesPro emphasised in the discussions they aim at developing and testing a replicable *model* of community based service-delivery (see also the Project Document and the Guidelines for the final call for proposals of territorial communities, p. 1) which can be documented and used for national policy building. From this perspective and taking the differences between Eastern and Western Ukraine and the particularity of Crimea into account, DesPro's credibility could increase if a **pilot region in the East** was added because then the DesPro model(s) could be tested also in this area of the country.

Adding a pilot region in the East could bring an **additional mid- to long-term benefit**. Especially in relation to plans for territorial re-organisation, certain tensions between the East and the West can be expected. By expanding project activities to the East, contacts can be built at regional and national level that at a later point – if necessary – might also provide entry points for policy dialogue and consensus building between East and West. MGSDP already uses its work in the East and the West to conduct exchanges between the different regions of the Ukraine. In this respect, DesPro could benefit from an exchange of experiences with MGSDP, and MGSDP experience might also provide certain insights which oblast could become a new pilot region. Other selection criteria, e.g. the (political) will of oblast and rayon administrations, capacities, needs, have to be also considered.

An argument against any geographic expansion could be that existing (and additional future) projects resources are better used to strengthen knowledge management, in particular knowledge sharing and policy dialogue.

→ **Recommendation:** If there shall be a geographic up-scaling of the project it is recommended to expand project activities to the East, preferably into an oblast in which MGSDP is already active.

→ **To be further considered:** Any up-scaling of the project geographically would necessitate an increase in project funds and project staff.

### **Thematic scope of work**

DesPro has a relatively narrow and MGSDP a relatively broad thematic focus. DesPro so far focused on water and recently in the current selection round considered starting to expand into projects on solid waste management. DesPro's focus on water supply as vehicle for demonstrating service provision can be explained by Skat's broad experience in this sector. MGSDP supports multi-sectoral (social, economic and environmental) initiatives, like for instance roof repairs, sanitation in kindergartens or renovations of water pipes. In general, the MGSDP supported projects are smaller (with lesser costs) than the DesPro projects. (DesPro contributes 65'000 to 95'000 UAH per community project or a maximum of 75% of overall costs, communities have to contribute at least 10%, local budgets 15% of overall costs, in MGSDP projects communities and local budgets cover half of the overall project costs, at least 10% have to be covered by communities themselves).

The **very focussed thematic scope** allowed DesPro to provide high quality technical assistance which is very much appreciated by stakeholders. Beneficiaries and stakeholders were unanimous that the project contributed to high quality water supply and considerably improved the life of the beneficiaries. Nevertheless, a number of discussion partners recommended enlarging the thematic scope of work so as to allow communities to define their developmental priorities. As overall priorities they mentioned water (still an issue in many communities), gas (especially since the Prime Minister's Office stopped planned gasification projects<sup>4</sup>), road infrastructure, environmental initiatives, irrigation but also other types of communal infrastructure (street lighting, kindergartens, heritage sites).

DesPro's decision to consider projects concerning **solid waste management** was welcomed by all stakeholders and potential beneficiaries. At the same time, as also the DesPro team points out, our

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<sup>4</sup> This decision probably has a strong political component. In case DesPro considered included gasification projects political implications would have to be taken into account.

discussion partners at district level still identified a number of practical challenges. There is still a limited vision how projects on waste management can be effectively implemented.

One of the crucial issues at stake is whether such **community projects on waste management** can be integrated into overall schemes of waste management at regional or district level. In many cases, such comprehensive waste management schemes at district and regional level would have to be developed first or at least in parallel to project implementation.

Communities are too small to take effective responsibility for the entire cycle of waste management. A community project on waste collection will address the challenge of waste management only to a limited degree if the collected waste cannot be properly disposed. Of course these challenges can to some extent be taken into account in the selection of projects by only selecting projects which contribute to an overall improvement of waste management and are coordinated with regional and district plans. As alternative, DesPro would have to include in its assistance the support for waste management planning at the regional and district level.

These challenges point to a more general issue. **Which services can and shall be delivered based on community mobilisation?** In a decentralised state organisation, it is normally clearly defined, on the one hand, which level of state is supposed to be in charge of delivering specific services as well as, on the other, which services will be provided by the state and which are to be organised and covered directly by the citizens.

In the Ukraine it is not yet completely clear how this distribution of powers will look like in the future. Experiences from other countries, however, can help to establish certain **assumptions**. Based on these, it is very well possible that the village level will be in charge of maintaining the water pipe system. Waste management, however will at least not be entirely in the competence of the lowest level. It is more likely that the regional or district level will be in charge of waste treatment though the lowest level might be in charge of waste collection. Similarly, villages will most likely not be in charge of gas supply or for instance of hospitals. In addition, it can also be expected that in the future the owners of apartments within an apartment building will be in charge of maintaining the building.

The **probable future distribution of powers** can help to select thematic fields of activities. Support for the effective implementation of concurrent and shared powers would necessitate parallel work with the (national), regional and local level. At this moment, this seems challenging. It would probably be more realistic to support projects which either (will) fall into the responsibility of the lowest level of government (e.g. maintenance of community infrastructure) or directly of the citizens (e.g. roof repairs in an apartment building).

For the purpose of the project – to support decentralisation – the first option seems to be preferable (projects within the responsibility of the lowest level) because in this case the project can really contribute to preparing for local self-government. The support of tasks that in the future shall be entirely within the responsibility of the citizens is mainly useful to ease the transition from public to private responsibility and to improve relations between citizens and state institutions. However, the question can be asked for how long these kinds of community projects should be financed with the help of the local budgets and when funding can come entirely from community (and project) funds.

- ➔ **Recommendation:** It is suggested that DesPro conducts already selected projects in waste management but evaluates whether solid waste management can be adequately addressed within the scope of the project before the next round of calls for proposal.
- ➔ **Recommendation:** If the thematic scope of DesPro shall be extended in the future, for community based service delivery, to foster effectiveness and sustainability, priority should be given to projects for services which in decentralised Ukraine will (most likely) be in the responsibility of the lowest level of government.

- ➔ **To be further considered:** A clear focus on support to local self-government might also bring some consequences for certain aspects of the DesPro project organisation and approach. If the village will be responsible for delivering the service in the future, in particular the capacities of village heads, village councils and local civil servants in participatory planning, implementing and monitoring have to be strengthened. For this it might also be useful to reconsider the role of village self-government bodies within the overall project organisation (see also below).

**MGSDP** is much broader in its thematic focus and its financial contributions per project are lower than in the case of DesPro. This limits to some extent the possibility to support technically demanding projects but also reduces the risk that initiatives are supported, which exceed the probable future competencies of municipalities. A relatively high number of community initiatives concern issues which in the future will most likely be entirely in the responsibility of private persons. This would justify a higher required percentage of community co-financing for such projects.

Not only the distribution of powers can serve as a guiding principle for deciding on the thematic focus but also **(human rights based) value arguments**. Social mobilisation is anchored in the idea that services are delivered on demand of the beneficiary and that the beneficiary of services shall (financially) contribute to service delivery. In the case of DesPro or MGSDP, this contribution is not paid in the form of taxes (which normally take the income situation of the citizen into account and thus have a redistributive quality) or official fees but Community Based Organisations collect money among their members. They can only compete for the services if the members are able and willing to contribute. On its own, the approach can only to a limited extent achieve what it aims to do: that “marginalised and deprived sections of society are integrated into the development approaches of the community and local government level” (Project Document, p. 2).

It is a matter of **value judgement** whether there are any services which due to their importance for basic needs should be available to the citizens even if they cannot specifically contribute. Such services will then normally be financed from general taxes (so as to have the re-distributive effect). In such areas, citizens co-funding can only be an option for an interim period to bridge a lack of public funds.

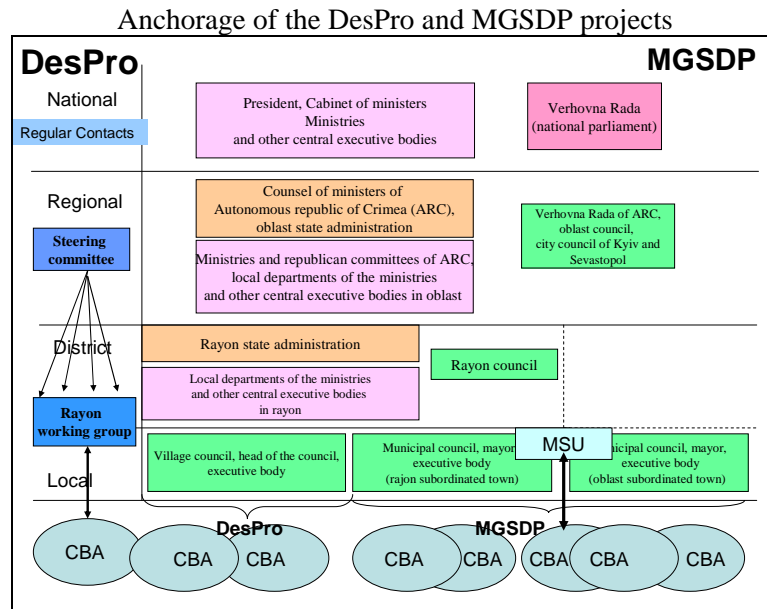
Amongst others, due to the success in improving the quality of service-delivery through the community based approach, some municipalities and districts started using the approach of co-financing also in (geographic and thematic) areas which are not covered by DesPro, respectively MGSDP. This of course is the best sign that the DesPro and MGSDP approach has high attractiveness and gets internalised by the local administrations. However, if the approach is applied too broadly it can also bring negative consequences (lack of comprehensive development planning, reduced access to services for the poor, transfer of state responsibilities to the citizens).

- ➔ **Recommendation:** Especially because DesPro aims at developing a model of community-based service delivery it is recommended that DesPro also documents and discusses the limits of the model in respect to the thematic scope.
- ➔ **To be further considered:** It could be of high relevance to assist the Ukrainian stakeholders in developing a **separate model of service delivery** for such services in which community co-financing as major element does not seem adequate..

The above said does in no way negate the relevance of the DesPro and MGSDP model of service-delivery and does not want to be read as criticism of the project approach as such. The credibility of the projects' approach will however increase, in particular in respect to policy contributions if also conceptual limits are documented and nuanced responses are developed.

## Local anchorage

DesPro and MGSDP anchor their community based project component in existing deconcentrated and local self-governance structures. One of the big successes of both projects is that they **do not establish parallel structures**. This is the best guarantee for **sustainability**. In addition, the reliance on official structures creates contacts and entry points for other project components, e.g. for policy dialogue. Different **Memoranda of Understanding** (at regional and district level) form the basis of the cooperation.



In the DesPro project proposal, the establishment of a **national steering committee** was planned. However, due to the very good and regular contacts with the main national counterpart, the Ministry for Regional Development and Construction, a specific steering committee was not established. Both SDC and DesPro have excellent contacts with the Ministry for Regional Development and Construction. This is amongst others due to the flexibility of SDC. At several occasions, SDC provided support to the Ministry quickly and in a non-bureaucratic way. So far this non-formalised way worked well. In general, this could however change if changes in the leadership of the Ministry occur. So far, personnel changes did not negatively effect the relations. Nevertheless it will need regular assessments whether to formalise the relations. In the future, if the multi-level approach is further strengthened it might be of interest to establish a project group or committee composed of representatives from all different levels of government (see also below II.4. Cross-level and cross-institutional policy dialogue).

DesPro established **Regional Steering Committees** at the level of the Autonomous Republic of Crimea (chaired by the First Deputy Prime Minister of Crimea) and the Vinnytsya oblast (chaired by the First Deputy Governor of the Oblast Administration). The Steering Committees provide the project with strategic guidance and give necessary support and advice but are not directly involved in the selection of projects or in day to day project implementation. Members of Regional Steering Committees can participate in trainings but are otherwise not direct beneficiaries of the project.

- ➔ **To be further considered:** It could be further considered whether DesPro additionally wants to develop activities which have the regional level as beneficiary, e.g. for improving planning capacities or in policy dialogue. The need and possible focus for such support would have to be assessed separately in cooperation with the Ministry of Regional Development and Construction as well as the concerned regions.

Major implementing partner of DesPro at the district level is the **Rayon Working Group (RWG)**. The RWGs include the key actors on local level (from district state administration and local self-government councils) “who are in the position to coordinate, coach and support the process of community project selection and implementation” (Internal Mid-Term Review, p 9). Each RWG appoints a coordinator who is contact person for DesPro and the communities. In the districts we visited, the **coordinators are civil servants** of the Rayon State Administration. Their work in the RWGs forms part of their job duties. Communities identify coordinators strongly with the Rayon State Administrations. Communities’ accounts show that some of the RWGs and especially some of the coordinators are extremely active and provide professional support to the communities (almost around the clock). These positive experiences with the Rayon State Administration contributed greatly to improving the relations and opinions of the communities with the State Administration.

DesPros links with the **village level** are mainly channelled through the Rayon Working Group and the Community Based Organisations (CBO) (Village local self-government bodies can be co-implementers of projects). In addition, Village Heads can participate in trainings. In some cases, infrastructure (e.g. water pipe system) is transferred to the local councils upon completion of the project. However Village Heads and Village Councils have a limited role within the project design. For instance, there is no strict requirement that the project proposals must be in line with a village development plan or find the approval of the village council (cf. Evaluation form). In many cases, however, village heads and councils are very active to support communities in initiating projects (and bear the dissatisfaction of citizens who were not included in the project).

At the **community level** both DesPro and MGSDP work through Community Based Organisations (CBO). Citizens who want to participate in the project have to form a legally recognised organisation (CBO) that has a non-for-profit status and its own bank account. Such CBOs can encompass inhabitants of a part of a village, of a street or of a multi-storey building but also parents of a kindergarten or a school, depending on the project at stake. To some extent, such communities are interest groups. Therefore, in the framework of DesPro or MGSDP, the term ‘community’ is used for a group of citizens and does not always correspond to the concept of ‘territorial community’ in the Law on Local Self-Government in Ukraine.

The project idea is that active citizens initiate projects to improve services and that they receive Swiss and public funding for their project. The most active and dedicated groups of citizens with the most sound project proposal can win financial support.

In most cases, the community initiatives correspond to the **village development priorities**. Quality water services are a high priority for almost all villages. In the worst case, however, the competitive feature of the project can lead to a re-attribution of public funds from village development priorities to the selected community initiatives. For instance, in one of the visited villages, a development plan existed, which as main priority included the connection of one part of the village to the water system. However, this original plan could not be realised in the frame of the DesPro project due to high costs and limited possibilities/willingness of community members to substantially contribute (a financial contribution of 10% by the community is mandatory).

Therefore, the village supported another community’s plan to restore water piping in their part of the village in the hope that they will find additional funds for the rest of the village at a later stage. Everyone in the village agreed not to risk the chance of DesPro funding. In this specific case, the DesPro project might have contributed to more realistic planning, which improved access to quality water, however, it also brought the risk of a postponement of water connection in the poorer part of the village.

To our knowledge, it so far has never happened that an entire village formed a CBA and got selected (to some extent probably also due to the limited availability of project funds, not every citizen would benefit directly). For promoting local self-governance and local participatory planning (see recommendation above) it might however be of interest to once specifically call for **village initiatives**.

This could be used to encourage comprehensive and participatory development planning and priority setting at the village level, especially if DesPro would engage in supporting the village in at least two consecutive years, and could thus foster DesPro's overall aim to improve "local governments' abilities to plan, finance, implement and coordinate affordable services in a participatory and innovative manner". So far DesPro contributes to this objective mainly at the district level. In such a set-up it could also be easier to address and balance differences in financial capacity of community members. The village council or a village assembly could establish criteria for individual contributions, if necessary with the assistance of DesPro.

Such kind of a pilot project could contribute to strengthen and valorise the position of village local self-governance bodies in the Ukrainian system of decentralisation. It could also strengthen the accountability of village officials.

- ➔ **Recommendation:** Consider a pilot project that supports village initiatives within one of the existing pilot regions.
- ➔ **To be further considered:** It would have to be clarified whether the village will have to establish a CBO or whether funds can be channelled through village accounts. According to Art. 61 of the Law on Local Self-Government in the Ukraine "Local self-government bodies of villages... shall independently draft, approve and implement the corresponding local budgets..."

MGSDP established and equipped **Municipal Support Units (MSU)** whose members are appointed by the Municipal Councils. They either work on a voluntary basis or are employed by the Municipal Council. In the municipalities we visited there were clear differences how MSUs were perceived. As a tendency, however, MSU members were perceived foremost as **active citizens** and to a lesser degree as council members or civil servants. Perhaps the strong UNDP/MGSDP branding contributes to this phenomenon. Nevertheless, the cooperation between communities and MSU also contributed to improving the relations between the communities and the institutions.

MGSDP, through the MSU, anchors its project with the **lowest possible level of self-government**. From the project idea to support local governance, this is the appropriate approach. For municipalities with rayon subordination, in certain cases, it might be helpful if additionally representatives from the Rayon level were involved because direct access to the Rayon level can help e.g. for budgetary issues or for expediting the project implementation as well as to have anchorage at the oblast level for political support. In line with this, MGSDP created links with the oblast level (steering committee) and the rayon level (joint Rayon Working Groups were established in areas where DesPro and MGSDP are active).

### Procedures and stages for the realisation of community initiatives

In quite a number of field visits, our discussion partners told us that for them the most difficult part in the realisation of the project had been to **convince their co-citizens to trust and to participate** in the project. There was far-reaching scepticism why the Swiss/UNDP should have an interest in co-financing and whether funds from local budgets would really arrive.

## Exentension of a project

(pipes in red were included in the original project, pipes in green were additionally financed through individual contributions)



This scepticism easily turned into **optimism** once the money arrived on the accounts and work started. In many cases, as soon as first results were visible, citizens were willing to contribute additionally so as to enlarge the scope of the project, e.g. to buy and place additional water pipes and connect some additional houses.

In most of the communities, **women** are more active than men and take leading positions within the CBOs. The projects were particularly successful in mobilising women. For some women this has been the first opportunity to be active in community affairs and to participate in capacity building. One woman told us that she got rid of her cows to have enough time to fully participate. Thus, as a side-effect, the project helped to change the attitude of women and to encourage them to be active in public life.

Once a group of citizens identifies common priorities that fall within the scope of the project activities and decides to participate in a call for proposals it has to create a CBO, register it and open a bank account, submit a project proposal and present it, (participate in capacity building), collect money among CBO members, implement the project, provide for mechanisms to maintain and operate the new system after conclusion of the project, monitor project implementation and report on progress. In the following (a) the creation of CBOs, (b) the selection process, (c) the project documents and technical documentation, (d) the implementation, (e) the maintenance and operation, (f) reporting, and (g) monitoring will be quickly regarded.

#### a. **Creation of CBOs**

The creation of an officially registered CBO with a non-profit status forms a pre-requisite for participation in a call for proposals of DesPro and in MGSDP. DesPro and MGSDP do not dictate the exact form of legal organization. CBOs can be organized as non-governmental organizations, consumer or service cooperatives, bodies of people's self-organisation, or organizations of co-owners of multi-apartment buildings, as long as according to their statute they can implement the planned activities. The creation of a CBO brings the advantage of a bank account to collect the individual contributions as well as funds from local budgets and the donor organization. Through this, communities can take full financial responsibility of project implementation. For **effectiveness and efficiency**, the creation of a CBO seems the appropriate approach. As an alternative, it could be considered whether (for some pilot cases) the roles of village or municipal local self-governance bodies could be valorized by directly partnering with these local self-governance bodies (see recommendation above).

A number of communities could make use of already existing CBOs. The creation of a CBO can be relatively complicated, especially to receive the required non-profit status and linked with it the tax exempt status. Some of the Rayon Working Groups take over most of the paper work for the establishing of the CBO, others mainly give assistance. One MSU countered arguments that the creation of CBOs is almost impossible and difficult by researching and publishing the step by step procedure, including all the connected costs. Discussions show that some rayons and municipalities are more flexible in providing non-profit status to CBOs. The legal framework is not entirely clear and different rayons and municipalities interpret the provisions differently.

Both DesPro and MGSDP provide detailed information on different options of CBOs and their establishment. While especially participants in earlier calls for proposals identified this stage as challenging, documentation and experiences are by now so rich that no serious problems are encountered any more. This is one example how MGSDP and DesPro turned experiences into lessons and used them effectively for the benefit of new community initiatives.

Some of the CBOs are dissolved once the project is finalized. A majority of our discussion partners, however, planned to continue using the organizations for additional projects as well as in some cases for the operation and maintenance of the created infrastructure. This continuation of CBOs points to a certain level of **sustainability**. In general, the role of these CBOs will remain limited to the specific purpose and membership.

If all service delivery was organized based on this model of community based approach every citizen would have to be member in several CBOs which compete for community and public funding. In its extreme, this would not be sustainable.

#### b. **The selection process**

The selection process is conducted in two stages: a pre-selection and a final selection. In the case of DesPro, selection is done by the RWG in the presence of DesPro and the communities, in the case of MGSDP by Project Selection Committees. Stakeholders of DesPro and in MGSDP showed **very high satisfaction** with the selection process. The selection process is transparent: communities present their proposals and also listen to the presentation of other proposals; there are fix and pre-established evaluation criteria. Stakeholders felt that they have been adequately involved in the whole process of project selection. The selection process contributed to trust-building between beneficiaries and stakeholders and increased local ownership.

The DesPro proposals are rated as follows: *Operational effectiveness*, including previous positive experience in solving (similar) problems (10%), *Social effectiveness*, including project sustainability (60%), *Project efficiency*, including involvement from other sources, in-kind contributions (30%).

The rating can of course lead to a **(mild) advantage of experienced and richer communities**. They can achieve higher ratings in operational effectiveness and project efficiency and thus the approach can channel funds to the less poor. This risk should not be underestimated (see general comment and recommendation above), however, according to our discussion partners, successful mobilisation did not necessarily occur more frequently in richer communities but depended much more on the level of suffering experienced by the communities because of the lack of infrastructure.

The selection process leads to **competition between citizens' groups** within one village or municipality. Several times during field visits, we heard comments of envy and between different neighbourhoods. One village head was verbally attacked in our presence why a specific street was not included in the project and when they could start their own community initiative. This is not necessarily negative but to some extent part of successful mobilisation.

In the case of one municipality a mishap in the selection process must have happened. This however seems to be a specific and individual case, which needs follow-up. The facts are not entirely clear to us. According to our information, a memorandum of understanding was signed to co-finance the renovation of four kindergartens. Then delays with allocations from the municipal budget occurred and at the same time SDC started funding the MGSDP component. For some reasons, after the selection of the four kindergartens it was established that only two kindergartens could be financed. Two kindergartens were told that they have to wait for the next year. This created huge challenges for the leaders of the parents' organisation because the parents had already contributed and some of the children will have left kindergarten before the repairs could start. In addition, the waiting period brought price increases so that the parents will have to contribute even more than originally foreseen.

→ **Recommendation:** It is recommended that MGSDP and SDC follow up on this specific case in order to find a satisfactory solution.

The tasks for the selection committees get more and more difficult because of the success of the community mobilisation. They have to make tough choices which projects shall benefit from co-funding. Our discussion partners at rayon and municipal level pointed out that in some cases they decided to finance additional projects, which had not succeed in acquiring DesPro or MGSDP funds, from state budget.

#### c. **The project documents and technical documentation**

For the final selection, communities have to prepare project documents including technical documentation. Some discussion partners expressed their hope that paper work could be reduced

in the future, in general however, they agreed with the **effectiveness of detailed planning**. Support from the project side was deemed as helpful and generally sufficient. The specific capacity building by DesPro was highly appreciated.

In general, we heard less of problems with the establishment of project documents in DesPro field visits; this can be amongst others because of the targeted and mandatory capacity building DesPro provides directly to community members. In addition, it might have helped that RWG coordinators as civil servants have professional experience in respect to the administrative procedures. In MGSDP capacity building is more directed towards members of MSUs thus the communities depend on the support by the MSU.

In DesPro community projects, especially, the technical documentation was experienced as somewhat of a challenge, despite of the extensive and intensive support by the project team. This is not surprising as technically demanding projects are conducted. In some cases, deficiencies in the technical documentation led to some unexpected costs, e.g. it had not been foreseen that not only new pipes had to be installed in the streets but that also the main pipe from the water source to the water tower needed replacement; or in another case the technical documentation had not included pipes mandated for fire fighting. DesPro already provides support in technical matters and plans to provide more training on technical issues in the future.

#### d. **Implementation**

Challenges in implementation mainly concerned timing, technical and financial issues (for financial issues, see the separate chapter). Some communities had to struggle with timing, especially for providing the in-kind contributions (e.g. own work for digging trenches or for preparing the roof for roof repairs) because of seasonal work. In general, however, the implementation phase was experienced as the most positive and motivating phase.

#### e. **Maintenance and operation**

Depending on the community project at stake, proper maintenance and operation will be crucial for the **sustainability** of results. Also from the perspective of **achieving project objectives** this aspect is crucial: The project shall foster local communities' and local governments' ability to implement and manage services.

In the best case maintenance and operation e.g. of the water pipe system are taken into account already at an early point and in line with this demand, the proposed scheme of operation and maintenance forms one of the rating criteria for project selection. Still some technical problems remain. Some forms of CBOs can own property and thus can maintain and operate the system themselves. Other forms of CBO cannot. Here again, some rayons are more flexible than others. There are also limits to establish maintenance funds as at least some non-profit organizations are not allowed to accumulate money. Therefore, issues of operation and maintenance have to be considered already when selecting the form of CBO organization. MGSDP has done a lot of work in this field.

In many cases, property of the pipe system is given to the village, which then gives it for lease to a private or public enterprise that maintains and operates the pipe system. The lease is supposed to cover the amortization of the investment costs. The enterprise will include the costs for the lease in the water tariffs so that in the end citizens cover the cost of the lease though they already financially contributed for building the pipe system. This can create dissatisfaction if the lease is high. To prevent this, many villages (and municipalities) only demand a nominal lease.

Though especially MGSDP but also DesPro has already done a lot of work on these issues, representatives of CBOs (especially from DesPro projects) still demanded more information and support on these issues and proposed that more precise provisions were already included in the Memorandum of Understanding, e.g. guaranteeing the CBOs participation in decision-making including in selection of an enterprise for maintenance and operation. DesPro already took up this issue by preparing a manual which will be published soon and will also take up the issue of maintenance and operation in upcoming trainings. An MGSDP manual is already available.

➔ **Recommendation:** MGSDP and DesPro could exchange experiences on operation and maintenance.

#### f. **Reporting and Monitoring**

Both DesPro and MGSDP demand rigorous reporting of the CBOs. In the case of DesPro, CBOs provide reports to the Rayon Working Group, the regional steering committee and the DesPro project team. In many cases, communities were not used to such an approach. Especially financial reporting posed problems. DesPro capacity-building for accountants improved the situation significantly. Communities pointed out that they now feel able to also participate in other donor funded projects.

Next to reporting, DesPro and MGSDP also foresee monitoring. Part of the monitoring is done by the communities themselves. CBOs showed us their planning documents and told us how they day for day checked whether the activities are in line with the plan. They told us that the aspect of self-monitoring had been a positive experience and had contributed to overall discipline. In addition, to the self-monitoring there are frequent visits by the MGSDP and DesPro/Skat teams which were considered as useful and constructive because the teams also provided on the spot assistance during these visits.

Reporting and monitoring activities seem to be adequate.

### **Financial aspects**

Among the tricky aspects of the Community Based Approach are the financing mechanisms. This is not because of the approach as such but due to practical challenges.

Practical challenges are two-fold. There are on the one hand challenges which are not directly project related but stem from the budgetary provisions in the Ukraine as well as from the economic crisis and on the other hand which are directly related to the projects (project budgets and financial procedures of MGSDP and DesPro).

#### **a. External challenges**

Local government still has limited access to non-earmarked funds. In addition, local self-governments' influence on budget formation is limited. Rayon and oblast councils can only recommend and approve budgets. The budgets are prepared and implemented by the oblast resp. rayon state administration, apparently with sometimes strong directions from higher levels of government. In addition, the state treasury closely monitors how money is spent. This limits the possibilities of local government to freely allocate funds for community projects, especially if the project planning is not coordinated with the budget cycle. In certain cases, these external restraints caused delays and hampered the efficiency of the project.

As far as possible DesPro and MGSDP take the budget cycle into account. By now there are already a number of lessons how budget funds can be best allocated to such community projects (e.g. by establishing specific budget lines) and there is awareness of the strength and weaknesses of the existing legislative and institutional framework. Almost all discussion partners from local state administration and local self-government bodies pointed to the need to document these lessons, to explain to the civil servants in charge (e.g. in the treasury) the legislative provisions and different approaches and to use the lessons to lobby at the national level for legislative amendments.

➔ **To be further considered:** It would be highly useful to document experiences with budget processes at the local level, use them to develop lessons, discuss lessons and policy conclusions with local stakeholders, disseminate the results and use them for policy input at the national level. This kind of policy input could contribute to the effectiveness of the projects (and of decentralization as such).

➔ **To be further considered:** Policy input could be most effective if DesPro and MGSDP developed a common approach/document. At least lessons should be consolidated. The SIDA

assisted project on budgeting processes in the Ministry of Finance, could provide a good platform for introducing policy recommendations in this field.

Another challenge is arising from the difficult **economic situation**. All representatives from local government assured that they are still willing and will be able to provide the promised funding. Representatives from two districts however also told, that they will have to do own fund-raising to cover the pledged funds. Therefore there are some (limited) risks, that districts will not be able to fulfill their obligations.

➔ **Recommendation:** In the light of the difficult financial situation it is recommended not to foresee an increase in the number of projects per district or municipality unless there is a significant positive change in respect to the available regional, district and local funds.

Also at the community project level, the impact of the economic crisis can be felt. The most obvious impact stems from the devaluation of the currency and the increase of prices. In some cases the costs for material doubled since the project documents were established. As mainly the communities cover the financial risks, they try to raise additional money among their members to cover these unexpected extra costs. There are however limits to the financial capacities of communities. DesPro proved flexibility and showed willingness to grant additional funds, as long as maximum funds per project are not exceeded by more than 10%.

➔ **To be further considered:** Due to the difficult financial situation it should be considered whether DesPro, resp. MGSDP can reserve some funds for justified cases in which financial obligation cannot be fulfilled by communities or district/local authorities even if the needed additional funds would exceed the 10% grace margin.

The economic crisis also increases the pressure on poorer communities (see above). Therefore quite a number of communities recommended to be more flexible in the community co-funding requirements for communities with a low income base.

## **b. Project related challenges**

Next to the external challenges there are a number of project related challenges. These concern on the one hand problems with the budget structure in some community projects as well challenges with financial procedures (mainly MGSDP).

In a few cases, problems with the budget structure created the challenge that overall enough funds were available however that at certain stages of project implementation there was a lack of funds due to the installment structure (this occurred mainly at the beginning of project implementation when materials and equipments had to be purchased). All communities found ways to cope with the challenge, either by agreeing to pay later or by buying the materials in two steps.

More emotional discussions developed around problems with the project (**MGSDP financing procedures**). MGSDP as part of UNDP cannot act and react as flexibly as DesPro. Both apply different financing mechanisms. In the case of DesPro, funds from DesPro and from local budgets are transferred directly to the communities. In the case of MGSDP funds from local budgets first are transferred to UNDP, UNDP deducts a percentage for its institutional overhead and then transfers UNDP and local budget funds to the community. A majority of municipalities argued that this approach was better than to channel UNDP funds through local budgets however at least a substantial number of municipalities would have preferred to pay the institutional overhead to UNDP but to transfer the funds from their budget directly to the communities.

More serious concern than this financing mechanism caused the **frequent delays in payments** due to the lengthy UNDP financial procedures. In all cases in which we asked, communities had encountered delays in the payment of funds. Especially as in the starting phase trust is still low, such delays can have negative effects on mobilization. Discussion partners recommended that MGSDP should receive more flexibility within UNDP.

➔ **Recommendation:** Financing procedures within MGSDP should be reviewed and if possible, the financing procedures (at least for SDC financed components of MGSDP) should be

renegotiated. If an adjustment of financing procedures is not possible, MGSDP should clearly communicate to communities when they can realistically expect payments.

Beneficiaries of the DesPro project were satisfied with the financing mechanisms. They underlined that if there have been delays in payment these have been their fault (delay in reporting). Once communities fulfilled all requirements, money arrived immediately.

### **Manuals, Training Activities, Experience Exchange, and Exposure Visits**

For facilitating the whole cycle of community project implementation, both MGSDP and DesPro prepared a number of **manuals**. These are hands-on and prepared specifically for the projects. In many cases, DesPro could profit from the work already done by MGSDP. For instance, MGSDP established a manual on the establishment of CBOs. DesPro adapted it for its needs. DesPro and Skat emphasized the generousness with which MGSDP shared their information and publications. DesPro just published manuals for the accountants of different forms of CBOs. By now there are MGSDP and DesPro manuals for the major phases of the project. These manuals are considered as highly useful because they provide **state of the art instructions based on the Ukrainian legal and institutional context**. In at least one case, even civil servants started using the manual for their own work.

Manuals are in particular used by the MSUs and RWGs. Community members frequently need further explanations which are either provided by the MSU or RWG, by project staff or in trainings.

**Training activities** are an important part of capacity building and additionally serve as incentives for beneficiaries and other stakeholders to participate in the project. We got mainly very positive comments on the trainings. According to the majority of our discussion partners, the trainings are **professional and to the point**. Of course there have also been some comments that trainings were too specialized – and not specialized enough – but these comments point more to the differences in previous exposure than to an improvement potential of the trainings.

**DesPro's** trainings are not entirely but mainly directly related to the knowledge and skills needed for the project implementation. This capacity-building helps communities to be successful in their endeavor. It could also be useful to provide some targeted training for Rayon coordinators. The scope of **MGSDP** trainings is broader. It for instance also includes trainings on gender issues or HIV. Thus, MGSDP trainings also broaden the perspective of participants and take up socially sensitive issues. DesPro beneficiaries underlined that they appreciated the opportunity to participate in MGSDP trainings and vice versa.

As possible additional topics for trainings our discussion partners proposed training on operation and maintenance and on technical implementation. These are areas in which DesPro is planning to increase its work.

An important aspect of the training concept is also to promote learning from each other. For this purpose, beneficiaries and stakeholders from different pilot regions, districts and municipalities meet to exchange on their experiences. MGSDP additionally includes a specific program for exchange between the East and the West. These exchanges of experience can provide effective support and are also a platform to consolidate lessons learnt and disseminate best practices. These exchanges could be further used to develop and discuss policy recommendations. In addition, MGSDP uses the MSU's as resource centre from which also municipalities that do not participate in the program can receive information. The setting-up of regional resource centers is in progress.

The field of training shows important avenues for synergies between MGSDP and DesPro. Both developed their own strength in the field of trainings.

- ➔ **To be further considered:** MGSDP and DesPro could provide a consolidated training agenda open for beneficiaries and stakeholders from both projects.
- ➔ **To be further considered:** In addition to exchange among beneficiaries and stakeholders from one project, targeted experience exchanges between beneficiaries and stakeholders from DesPro and MGSDP could be organized to give participants also access to the experiences

from the other project. These exchanges of experience would be especially relevant for municipalities with rayon subordination.

→ **To be further considered:** Experiences exchanges could be used to develop, discuss and verify policy recommendations with involvement of different levels of government.

Experience sharing is also pursued with **exposure visits**. For instance, DesPro organized a study tour to Switzerland. Participants in the study tour considered it as highly useful. They got confronted with a different reality, learned about approaches in Switzerland as well as got to know each other. The study tour group included participants from all levels of government. The visits in Switzerland provided them with an opportunity to engage in discussions with each other in a neutral environment and without the constraints of their day to day tasks. Last but not least, the study tour managed to further strengthen and improve the Swiss network in the Ukraine. There have also been some more critical voices which proposed to conduct exposure visits to countries with contexts that are closer to the Ukrainian one.

At two separate occasions, our discussion partners proposed to invite the Heads of CBOs of the most successful projects to an exposure visit – as further incentive for good project implementation.

### **Communication and Public Relations**

Both MGSDP and DesPro are aware of the importance of communication and public relations. MGSDP is very active in this field. DesPro increased its communication and media work considerably during the build-up phase (also in response to the internal midterm review).

In most cases, communities get to know about the project through special information sessions or through the MSUs and RWGs. MSUs and RWGs are effective communication channels for MGSDP and DesPro concerns. MGSDP and DesPro both aim at a clear branding of their projects and products. MGSDP and UNDP logos are very visible in the MSU offices within the Municipal Councils. DesPro provides information boards which are displayed in the buildings of the rayon state administration as well as other items with project logo.

MGSDP and DesPro have their own leaflets and brochures as well as their own websites. Their approach and best practices have been disseminated via radio, newspaper and television. Both are finalizing video documentation. Communities and other project partners are encouraged to disseminate and share information. Mouth to mouth propaganda increased the interest in the project.

Also the manuals and forms are used for communication. For instance, the DesPro form for calls of proposals includes a short description of the overall goals of the program as well as a short explanation of concepts and approaches. The forms are clear on expectations and obligations of all sides. The transparent and open way of communicating e.g. in respect o project proposals as well as in reaction to challenges are part of good communication.

In their information material MGSDP and DesPro clearly indicate contact persons. In general, we heard huge praise for the responsiveness and accessibility of project staff, no matter at what time of the day and no matter for what problem at hand. There are regular contacts via phone, email or through visits. This personalized communication is part of the success of both projects.

## **2. Policy Dialogue at the Regional Level**

The DesPro also includes a small component of **policy dialogue at the regional level** in Vinnytsya oblast. For this component it cooperates with the Podil'ska Agency of Regional Development (in the following: Agency). The Agency is member of the Ukrainian Association of Regional Agencies and thus it adheres to the strategy and priorities of the Ukrainian Associations. Within the scope of this project component, the Agency works on territorial reform. As a basis, it takes the concept from the Ministry of Regional Development and Construction. The concept foresees a reduction of the number of village.

This policy project component is **timely and to the point**. Activities at the centre (the meeting on 23rd of May on invitation of the prime minister as well as a speech of the president in Vinnytsya oblast

(which coincided with our visit in Vinnytsya)) show that the territorial reform is one of the reform priorities. The topic is of **relevance** for the DesPro and MGSDP partners as well as for DesPro as such. Territorial reforms will have concrete consequences for the partner communities of DesPro and MGSDP. Especially if the reforms also encompass the district level (by reducing the number of rayons), this will also create implications for the DesPro project anchorage.

In addition, this project component also **complements SDC activities**. SDC is supporting the elaboration of the concept on territorial reform and respective legislation at the national level. This project component provides the opportunity to collect the views in the DesPro and MGSDP pilot districts and to share them with the political actors at higher levels. Our discussions with Village Heads showed that there is a high level of skepticism, amongst others because village authorities do not believe that a territorial reform alone will bring many benefits as well as because there is only limited trust in the reform process steered by the centre. These concerns can be addressed with the project. SDC and DesPro activities combined can lead to a support to the reform process both from top down and from bottom-up. Territorial re-organization can provide an excellent entry point for cross-level discussions.

For making full use of the opportunities it will however be necessary to **amend the working methodology** of the Agency—in such a way that it continues to correspond to the strategy and priorities of the Ukrainian association as well as to the framework provided by the Ministry for Regional Development and Construction. So far the Agency envisages the following steps: The Agency collects statistical data on territorial communities in five different districts, and then – with the help of criteria provided in the Ministerial concept paper, specific software and experts – plans to propose a new territorial organization at the village level. The results are then discussed at district level. To some extent the working methodology assumes that it is possible to draft village boundaries based on ‘scientific’ criteria and that such ‘scientific’ territorial units will be acceptable for the concerned communities. Experiences however show that criteria always need interpretation and that more factors than rational ones (including political and emotional ones) play a role in order to create accepted territorial boundaries.

The Agency’s project methodology so far does not foresee a **participatory approach** for those who are directly concerned. There is no involvement of the village authorities and communities in developing the new plan of territorial organization. A project methodology that does not at least try to develop the proposals for new territorial organization bottom-up with the full involvement and consent all concerned communities would be a lost chance. Especially non-rational aspects but also the prioritization of rational criteria can best be addressed in participatory processes. The concept paper of the Ministry of Regional Development and Construction does in no way suggest that such a participatory approach cannot be adopted.

The Law on Local Self-Government in the Ukraine as well as the current concept paper provide for the possibility to **voluntarily merge** (which presupposes participation). This could be an incentive for villages and communities to participate in the project and to start discussions on their vision of future territorial organization. They can expect that if they do not merge voluntarily they will be merged by decision of higher levels of state. The project can prepare the ground for territorial mergers. The project component could even try to develop a participatory approach which can be replicated in other DesPro pilot areas. For this however it will need support in process design and on policy issues.

- ➔ **Recommendation:** Review the Podils’ka Agency of Regional Development’s project methodology by adding a platform for the participation of concerned villages and communities in policy discussion and development.
- ➔ **Recommendation:** Provide support to Podils’ka Agency of Regional Development on participatory process design and policy issues as fast as possible.
- ➔ **To be further considered:** Link DesPro and SDC work on territorial reform for cross-level dialogue encompassing the local, district, regional and national level. For this it might be useful to also consider the experiences of NGOs involved in such activities, e.g. the Institute of Civil Society.

### 3. Policy dialogue at the national level

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DesPro, MGSDP and SDC in its own capacity are all active in **supporting policy development** at the national level. For instance, amongst others MGSDP provided input for the Law on Bodies of People's Self-organization, DesPro for the Law on Mountainous Regions, SDC for the reform of the territorial organization. Both MGSDP and DesPro explicitly include policy support in their program activities.

SDC is the most active Swiss actor at the national level. Amongst others it provides support to the Ministry of Regional Development and Construction. In several cases, this has been done in the form of financial contributions, e.g. financial support to quickly organize a workshop. This **fast, responsive, and non-bureaucratic** support is highly appreciated by the Ministry. Our discussion partners from the Ministry pointed out that this flexibility and openness distinguishes the Swiss from all other international partners<sup>5</sup>.

These SDC facilitation activities create goodwill as well as trust and provide Swiss actors with a **unique access** to the Ministry. DesPro directly benefits from this goodwill and trust, as it is perceived as Swiss and close to SDC. The special trust was demonstrated when the Ministry asked the Swiss to lead the decentralization think tank associated to the Ministry and thus to take a major role in (donor) coordination. The visibility and impact of Swiss activities in support of decentralization are very high, especially considering that some of the donors have far higher budgets at their disposal.

This specific role of the Swiss is not only **recognized** by the Ministry but also by other donors and by Ukrainian organizations. For instance the Association of Towns mentioned this involvement in policy development as one reason why they were interested in a partnership with (in this case) DesPro.

The specific status of the Swiss provides ample opportunities not only to facilitate but to provide policy input, as has already been done at several occasions. Two representatives from the Ministry pointed out that they would appreciate information on **Swiss experiences**, especially from practitioners, as well as **feedback on their drafts and concepts**. Policy development as such should be the primacy of the Ministry itself. This shows openness towards international input but also clearly signals that they want to maintain control over the political agenda and the reform process. This merits respect and points to the need of developing approaches that acknowledge and strengthen Ukrainian ownership of policy development.

In general, the Ministry showed skepticism **whether experiences from DesPro and MGSDP in pilot regions could provide valid policy recommendations**. Of course the Ministry has to be supported in their view that the developed approaches and procedures of community based service delivery cannot be one to one translated into legal text. However, experiences from the projects clearly bring to light where there are challenges with the current legal framework, which can inhibit community based service delivery, e.g. in the budgetary processes, and what kind of changes to legislation would be conducive to facilitate effective decentralization and community participation. MGSDP's input to the Law on CBOs did exactly that. It built on concrete experiences to develop policy recommendations and thus supported a legislative framework that is more conducive to community mobilization.

To be able to provide this kind of policy advice, experiences with the current legislative framework have to be documented in order to distill some lessons. These lessons can then be translated into policy options or concrete recommendations. The policy recommendations will have added credibility when they are developed in a **participatory process** and are not submitted as recommendations of DesPro or MGSDP but **as a common vision of their beneficiaries and stakeholders** in the projects. This would also respect and strengthen Ukrainian ownership of policy formulation.

➔ **Recommendations:** It is proposed that SDC continues its flexible support to the Ministry for Regional Development and Construction and its facilitation activities. At the same time it can strengthen its policy input on demand of the Ministry.

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<sup>5</sup> When asked whether they would prefer to receive a certain amount as direct budget contribution the answer was a clear no. They argued that internal budgetary procedures are too complicated and inflexible. In their view, financing through the Swiss is more effective.

- ➔ **To be further considered:** Especially if SDC wants to respond to the demands from the Ministry for input on Swiss experiences and feedback on drafts and concepts additional expertise will be required. (See also below on IV. Aspects of Internal Project Organisation).
- ➔ **To be further considered:** Documentation of experiences and development of lessons learnt would be even more effective if done as a joint effort of DesPro and MGSDP. At least lessons should be consolidated.

#### **4. Cross-level and cross-institutional policy dialogue**

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One of the concerns of the Ministry for Regional Development and Construction is the issue **how they can establish and strengthen links to lower levels of government, in particular to the regional level**. The Ministry has no regional offices, which so far makes it difficult for the Ministry to prepare and push reforms on regional and local self-government. If the Ministry wants to improve its access to and communication with other levels of government it will need contact persons at these levels of government. It could bring benefit to also appoint contact persons within the Ministry who have the task to liaise with contacts persons from the regions. In addition, it could be useful to establish formalized or non-formalized platforms for **cross-level policy dialogue** between the national and lower levels of government.

The Ministry does not only aim at strengthening cross-level dialogue. They also plan to strengthen **cross-institutional** dialogue among national institutions. In its work, the Ministry will depend on the support of other Ministries, e.g. the Ministry of Finance. In addition, the Ministry's legislative proposals will need the support of parliament. In discussions with SDC, ministry staff pointed out that they would like to launch a number of thematic discussions with participation of parliament and representatives of other Ministries. Also the Parliamentary committee on regional policy and local self-government approached SDC/DesPro about establishing cooperation between SDC/DesPro and the Committee. This shows that in general a need is felt for such dialogue.

For these purposes (cross-level and cross-institutional dialogue), the SDC/DesPro projects could support the establishment of **dialogue platforms** for discussing the current legal framework as well as reform proposals, but also for bringing in policy recommendations that derive from the project's experience. In order to respect the role of Ukrainian stakeholders in policy formulation, especially of the Ministry for Regional Development and Construction, the approach should be developed with the involvement of the Ministry and other stakeholders. It can also be considered that the Ministry retains the role of initiator and convener of these policy dialogues.

It would have to be discussed with the stakeholders in how far such dialogue processes could be **formalized** or should be conducted as a series of ad hoc events. A slightly more formalized way promises higher sustainability and more comprehensiveness. One possible approach would be to support conducting several discussions at the different levels of government and in different regions of the country which culminate in one joint discussion with representatives of all levels of government and the concerned national institutions.

The Ministry could semi-formalize the dialogue process by creating a **committee/working group** composed of representatives of different national organizations, regional representatives from the East, the West and Crimea as well as from local (self-) government which could give guidance and support to the dialogue process. They could also form the core group for the discussions in Kyiv. This committee/working group could also provide guidance to multilevel projects, i.e. serve as a multi-level steering committee to DesPro (see above). In such a case no additional structures would have to be created for the project and the multi-level anchorage could be additionally strengthened.

If SDC/DesPro want more specific ideas about possible approaches for cross-level and cross-institutional dialogue, its institutional anchorage and possible actors this could be provided in a **separate document** as it exceeds the scope of the review. Feasibility of approaches will have to be established in cooperation of the Ministry and other stakeholders.

So far, policy support of SDC and DesPro was **mainly directed at the Ministry of Regional Development and Construction**. This is appropriate because it is mainly the task of this Ministry to

develop policy in the area of decentralization. However, this also carries certain risks, e.g. if the contacts with the Ministry or the influence of the Ministry decrease. The support to cross-level and cross-institutional dialogue platforms can strengthen (informal) networks with additional national and regional actors and thus would also minimize dependency on one Ministry. From this perspective also the request from the Parliamentary committee on regional policy and local self-government about establishing a joint cooperation between SDC/DesPro and the Committee can be welcomed. It will have to be carefully assessed whether both initiatives (from the Ministry and the Parliament) should/could be combined or pursued separately. For this the concrete ideas of both institutions, their willingness to cooperate but also their different functions as executive and legislative branch will have to be taken into account.

- ➔ **Recommendations:** It is recommended that SDC and DesPro support the creation of dialogue platforms for policy dialogue in close cooperation and coordination with the Ministry for Regional Development and Construction and other stakeholders.
- ➔ **To be further considered:** The possible approaches for cross-level and cross-institutional dialogue will have to be further assessed in close cooperation with the Ministry and other stakeholders.
- ➔ **Recommendation:** It is recommended to maintain the close relations with the Ministry of Regional Development and Construction but to also strengthen informal networks with other actors at the nation level.
- ➔ **To be further considered:** At one point, roles of SDC and of DesPro in policy input will have to be clarified in order to prevent a replication of assistance. There is a role for both in this field. For instance SDC could maintain its main role in supporting the national level while DesPro focuses at bottom-up cross-level policy dialogue. As far as outside expertise is required, the expert could be used by both.

## 5. Knowledge Management

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One of the fields that SDC and DesPro plan to strengthen in the future is knowledge management in the field of decentralization. On this topic a specialized fact-finding mission on Knowledge-Management in Decentralisation by Eva Schmidt has taken place in March 2008. The implementation has not really started yet. Therefore the issue will not be addressed in detail but mainly focuses on new developments.

The above mentioned **cross-institutional and cross-level dialogue forms an important part of a knowledge management concept** as it concerns knowledge exchange and knowledge sharing. Here only additional aspects will be mentioned!

Based on the Concept on the Formation of a Knowledge-Management System for Civil Servants of Local Self-governance Bodies and Deputies of Local Councils, adopted in April 2009, the Ministry of Regional Development is preparing a **proposal on knowledge-management**. They hope to receive Swiss financing and expertise for its implementation.

According to our discussions with the Ministry, the proposal will mainly include **knowledge anchoring** (available documentation on decentralization will be collected and made available in an electronic library/web portal/newsletter) as well as **knowledge development** in the form of specialized trainings for civil servants and deputies of lower levels of government (with the option to include e-learning and exposure visits). The knowledge development component would be mainly implemented through the Academy of Municipal Development which was recently attached to the Ministry. The draft proposal also includes a component of **knowledge exchange and sharing**. The proposed activities mainly target civil servants and deputies of lower levels of government, this amongst others so as not to come in conflict with the National Agency of Public Administration (NAPA).

The proposal is on the one hand **ambitious**: Many activities are planned. E-libraries are demanding to operate and maintain because they are only attractive if they are updated regularly and provide easy access to a large variety of documents. The Ministry wants to create innovative training approaches.

On the other hand the proposal is **limited** due to the target audience. It would be of advantage to come to an agreement with NAPA so that the knowledge development components are also available to other civil servants. They will also need training on decentralization related issues.

Knowledge sharing is directly in the responsibility of the Ministry. Thus it should be possible to extent the target audience. According to the assessment of the consultant who had provided input on knowledge management a clear focus should be put on the knowledge sharing component because – in her assessment as well as in the assessment of the Ministry of Regional Development and Construction– the Ukraine still lacks communication among institutions and levels of government.

### III. Synergies between DesPro and MGSDP

Synergies between the two projects were already used from the very start onwards. When DesPro was created it built on the experiences of MGSDP. Jürg Christen, project director of DesPro also functioned as backstopper for MGSDP and CIDP. At least in respect to the community based component the two projects are not in competition but complement each other. DesPro works in rural and MGSDP in urban areas. Both follow a very similar approach and therefore they can directly learn from each other. Many of the challenges are similar: e.g. the creation of CBOs, the budgetary constraints – though budget processes are slightly different, or challenges in maintenance and operation. They do not use the same manuals but exchange information for manual development. Similarly, they do not offer joint trainings but open the courses and workshops also to beneficiaries and stakeholders of the other project. Because the two projects have each a different focus in training, trainings complement each other. In many cases both projects arrive at common messages and conclusions. This close cooperation is also sign of the good relations between the project staff. To maintain it the project teams meet regularly.

- ➔ **To be further considered:** Synergies could be even strengthened if more joint activities were conducted, in particular an exchange of experiences between MSUs and RWGs as well as between CBOs of both projects within one district as well as within one region.
- ➔ **To be further considered:** Of interest, especially in view of policy input, would be joint or consolidated documentation of experiences and lessons as well as joint activities to discuss and promote these lessons at the local, district, regional and even national level.

### IV. Aspects of Internal Project Organization (DesPro/Skat)

DesPro is a project implementation unit of Skat. Skat is in charge of project management and oversight while DesPro takes care of the project implementation and day to day management. All discussion partners agreed that this set-up was successful. Its major benefit is its cost-effectiveness: there is no expat in the Ukraine. In some other cases, such project set-ups posed problems especially if the project manager based at headquarters engaged in micro-management or was not accessible for the implementation team. The right balance of providing room to the implementation team and of still guaranteeing support, guidance and control whenever required are key for such a set-up. From all comments we heard it seems that Skat and DesPro have found this balance and thus can work successfully.

For certain contacts with Ministries it can be of advantage to have a Swiss representative. To some extent, SDC gave this ‘Swiss’ backing when required. Additionally, there have been frequent visits from Skat Headquarters to Ukraine.

DesPro managed to successfully implement the project with a **small team**. This was only possible because of the huge personal dedication of all the staff members. For any scaling-up of project activities, the team would have to be enlarged. If a stronger focus is put on consolidating lessons and engaging in policy dialogue, additional capacities in the field of decentralization will be needed. For this it might be required to employ a national expert for the DesPro team with strong background in decentralization. In addition, ad hoc input from Switzerland might be required.

Similarly, if DesPro shall be in charge of the knowledge management project with the Ministry of Regional Development and Construction capacities in knowledge-management will have to be further developed. Skat with its own knowledge-management experiences and competencies can provide valuable support in this field. Thus this additional know-how can probably be built 'in-house'. If a pilot region shall be added more capacities for supporting beneficiaries and stakeholders and for monitoring will be required.

Also, **capacities at headquarters** will have to be scaled up if project activities are enlarged.

The bigger the project, the more **formalized procedures** have to be both within the implementation unit as well as concerning the relations with headquarters. DesPro already established manuals for internal procedures and is currently complementing them.

Another issue is whether DesPro and Skat capacities will be sufficient for the implementation of the project even if DesPro employs one or two more persons and the percentages of Skat for project management are increased. For certain parts of the project, e.g. policy dialogue, rather specialised expertise on decentralization and process design will be required. Initially, DesPro had been supported by a **back-stopper**. This however did not bring the expected results. DesPro's proposal to mandate experts instead seems to be a workable approach. This allows bringing in targeted know-how. However for the effectiveness of the support, it might still be of advantage to rely on a limited number of experts so as to give them the chance to acquire basic context knowledge. Such a **small pool of experts** could be used both for DesPro as well as for SDC activities.

## V. Conclusions

In the framework of this review the evaluation team had the opportunity to take a look at SDC's activities in the area of decentralisation. In particular, this review focuses on DesPro and to a lesser extent on the SDC financed component of MGSDP and other SDC initiatives. At the end of its build-up phase DesPro can already show many achievements which in the next phase can be further consolidated. Additionally, achievements so far – especially if combined with the contributions of SCO in Kyiv – provide several opportunities and entry points to further develop the project and to make a meaningful contribution to decentralisation in the Ukraine.

The main achievement and innovation is perhaps that DesPro did not only focus on the grass-root level but built a multi-level approach. Based on its work at local level, it additionally established strong working relations with higher levels of government. The work at grass-roots level provides the necessary insights, experiences and credibility for successful knowledge sharing with higher levels and thus also for engaging in cross-level and cross-institutional policy dialogue and for contributing to a change of attitude. In a next phase, the cross-level and cross-institutional policy dialogue can turn into one of the corner-stones of the project, for this the projects capacities in decentralisation processes will have to be further developed as well as dialogue platforms established.

From its start, DesPro put ambitious objectives. Amongst others, it wants to create a replicable model of community based service delivery. Perhaps, the consolidation phase will further show that it will require several different models to adequately address efficient and affordable service delivery. The model developed by DesPro is effective but has also certain limits, e.g. it cannot or should not be applied to all kinds of service delivery and it to some degree sidelines Village authorities. However, DesPro clearly demonstrated that social mobilisation can bring a new dynamic and better quality to service delivery in the Ukraine. In the next phase DesPro will have to make one step forward by documenting the limits of its community based approach as well as developing alternative approaches for service-delivery, in particular by working directly with the villages.

## Relevance

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Ukraine remains a centralized country. In addition there is only limited dialogue between different levels. For creating effective decentralization a whole number of additional reforms and a change of attitude will be necessary. In this context DesPro and MGSDP are relevant. They demonstrate how

communities and local government can make use of the few powers they have and thus they prepare the ground for local government to take over more powers. DesPro and MGSDP can use their links to all state levels to foster policy dialogue. Experience and lessons learnt can be used for developing policy options or recommendations.

The current context of decentralisation and the proposed reforms have the following implications for SDC, DesPro and MGSDP:

- Projects must be able to function within the not very conducive political framework, which is the case so far.
- Decentralisation reforms can have impact on the projects. If the lower levels of government receive more powers and resources this will increase the opportunities of the projects. The territorial reforms might reduce the number of districts, villages and territorial communities. This will require also reforms to the respective administrations. Some project generated know-how might get lost in the process and the situation can occur that project structures have to be adjusted (e.g. anchorage).
- The current reforms provide multiple entry points and room for policy support and dialogue.

There are no indicators for external developments that would suggest that future successful implementation and results achieved are at risk. The dire economic situation can however limit the possibilities for expanding activities within districts.

### **Effectiveness and efficiency**

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The DesPro institutional and implementation arrangements were predominately appropriate, effective and efficient for the successful achievement of the set objectives. In this context, especially the multi-level approach and the work through the RWGs have to be high-lighted. Closer cooperation with the village authorities could further improve the arrangements.

Management of DesPro has been efficient, result-oriented and innovative. To the good management at the local level contributed the very targeted capacity building programs, as well as the monitoring and reporting systems. Stakeholders felt involved at the crucial stages of project planning and implementation. Therefore local ownership is high. In most cases, the project activities were coordinated with development plans and budget cycles. A call for village initiatives or closer cooperation with village authorities could help to foster projects in line with village development priorities.

The projects were in particular effective in promoting mobilisation of women. General capacity building as well as specific MGSDP gender training provided women with enhanced possibilities to have influence on community affairs.

The project team of DesPro is well structured and internal working procedures are documented. If further activities will be added to the project it will require additional staff. In particular it will need more know-how in the field of decentralisation and decentralisation processes. The relationship between DesPro and Skat seems to be good, efficient and effective. To this contributes the good personal relations between Skat and DesPro, that DesPro has enough own decision-making power, and that Skat is fast in responding when required. If new project components are added, also Skat would need additional resources to manage the project. Skat is also providing back-stopping to DesPro and to MGSDP. For the future, solutions will have to be found how additionally required specific expertise, e.g. on decentralisation and other policy issues can be provided in an efficient and effective way, e.g. through a small pool of experts.

### **Impact**

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Overall, DesPro managed to get very close to achieving the set objectives. There are clear indicators that “local communities’ ability to ... plan, implement and manage services improved”. Because so far the thematic scope of DesPro activities at community level is concentrated on water, communities had only a limited chance to “identify” priorities. The DesPro project also contributed to “local

governments' abilities to plan, finance, implement and coordinate affordable services in a participatory and innovative manner". In this context, however, primarily the rayon level benefited. The regional and village level did not receive comparable support. The support in this field was mainly based on a learning-by-doing approach. MGSDP provided perhaps more direct support in these fields, e.g. by helping municipalities in achieving ISO standards. To some extent also the "Government of Ukraine is supported in its efforts to form a 'National Agenda' on decentralisation and its tasks to coordinate and harmonize local policy initiatives." Here however a lot remains to be done during the consolidation phase.

The objectives remain valid for the next phase. For the next phase, the support to participatory cross-level and cross-institutional policy dialogue could be added as an additional objective.

So far there do not seem to be any unintended negative effects. A good documentation of the limits of the DesPro and MGSDP approach to community based service delivery would form an important step to prevent future negative impacts.

Cooperation between DesPro and MGSDP created synergies, especially in the fields of training and experience exchange. A joint documentation of experiences and lessons could increase the impact on policy development.

### **Sustainability of results**

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There have already been several cases, in which the DesPro and MGSDP approach has been replicated with funding from communities and the state budget as well as with funding from communities and private enterprises. There are clear indications that at least some of the partners have internalized the approach. The difficult economic situation will probably create further incentives for local government to replicate the model and to require co-funding from communities – in exchange for more participatory planning. This however can also bring some negative effects. The economic situation however also reduces the number of projects that can be supported with and without international assistance.

### **Are SDC (SCO) and DesPro actively positioned and partnered to achieve maximum impact?**

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SDC and DesPro are optimally positioned for supporting the implementation of the national priorities. SDC seems to have unique access to the Ministry of Regional Development and Construction. The multi-level approach provides also access to lower levels of state. SDC and DesPro are ideally positioned to facilitate policy dialogue. The main stakeholders seem interested and supportive of such a role for Switzerland.

There are still several challenges and gaps concerning the reform agenda, including the territorial reform and fiscal decentralization. The territorial reform could be addressed with Ukrainian partners at the national, regional and district level. Fiscal decentralization could be addressed in cooperation with SIDA. This would also provide access to the Ministry of Finance.

Some insecurity provides the current political situation in the pre-election phase. It will depend on the willingness of political actors whether reforms can continue. However, lower levels seem desperate for better decentralization and more effective governance. It can be expected that national political actors will not be able to reverse the reforms or to completely stall them

It would be a pity not to use these opportunities and to disengage in the Ukraine.

## **Major recommendations and issues that merit further consideration**

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The major recommendations and issues that merit further consideration for the next project phase are the following. For better readability recommendations have been regrouped. Page numbers shall help for cross-referencing:

### ***Cross-level activities***

- ➔ **Recommendation (p.13):** It is recommended to continue building on the multi-level approach and to develop platforms and models for participatory cross-level debates on decentralisation reforms. In the beginning, lessons for policy development that derive from the work at the community level can be discussed as well as issues that directly relate to the project focus or pilot areas. These issues provide good entry points. Step by step, more comprehensive policy discussions can be facilitated, if wanted by the counterparts.

and in the same line

- ➔ **Recommendations (p.31):** It is recommended that SDC and DesPro support the creation of dialogue platforms for policy dialogue in close cooperation and coordination with the Ministry for Regional Development and Construction and other stakeholders.
- ➔ **To be further considered (p.14):** For strengthening the cross-level approach it might be useful to build a working group or committee with representatives from the national level and from all levels of government of pilot regions.
- ➔ **To be further considered (p.31):** The possible approaches for cross-level and cross-institutional dialogue will have to be further assessed in close cooperation with the Ministry and other stakeholders.

Territorial reform and budgetary issues might be suitable topics to start the cross-level dialogue:

- ➔ **To be further considered (p.28):** Link DesPro and SDC work on territorial reform for cross-level dialogue encompassing the local, district, regional and national level.
- ➔ **To be further considered (p.24):** It would be highly useful to document experiences with budget processes at the local level, use them to develop lessons, discuss lessons and policy conclusions with local stakeholders, disseminate the results and use them for policy input at the regional and national level. This kind of policy input could contribute to the effectiveness of the projects (and of decentralization as such).
- ➔ **To be further considered (p.24/25):** Policy input could be most effective if DesPro and MGSDP developed a common approach/document. At least lessons should be consolidated. The SIDA assisted project on budgeting processes in the Ministry of Finance, could provide a good platform for introducing policy recommendations in this field.

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- ➔ **To be further considered (p.30):** Documentation of experiences and development of lessons learnt would be even more effective if done as a joint effort of DesPro and MGSDP. At least lessons should be consolidated.
- ➔ **To be further considered (p.31):** At one point, roles of SDC and of DesPro in policy input will have to be clarified in order to prevent a replication of assistance. There is a role for both in this field. For instance SDC could maintain its main role in supporting the national level

while DesPro focuses at bottom-up cross-level policy dialogue. As far as outside expertise is required, the expert could be used by both.

- ➔ **To be further considered (p.14):** Any future focus on policy development, whether cross-level or at the local, regional or national will require a strengthening of DesPro's human resource capacities in decentralisation.

#### **Activities at the national level**

- ➔ **Recommendation (p.31):** It is recommended to maintain the close relations with the Ministry of Regional Development and Construction but to also strengthen informal networks with other actors at the nation level.
- ➔ **Recommendations (p.29):** It is proposed that SDC continues its flexible support to the Ministry for Regional Development and Construction and its facilitation activities. At the same time it can strengthen its policy input on demand of the Ministry.
- ➔ **To be further considered (p.30):** Especially if SDC wants to respond to the demands from the Ministry for input on Swiss experiences and feedback on drafts and concepts additional expertise will be required.

#### **Activities at the regional level**

- ➔ **To be further considered (p.18):** It could be further considered whether DesPro additionally wants to develop activities which have the regional level as beneficiary, e.g. for improving planning capacities or in policy dialogue. The need and possible focus for such support would have to be assessed separately in cooperation with the Ministry of Regional Development and Construction as well as the concerned regions.
- ➔ **Recommendation (p.28):** Review the Podils'ka Agency of Regional Development's project methodology by adding a platform for the participation of concerned villages and communities in policy discussion and development.
- ➔ **Recommendation (p.28):** Provide support to Podils'ka Agency of Regional Development on participatory process design and policy issues as fast as possible.

#### **Activities at the local level**

##### *Geographic focus*

- ➔ **Recommendation (p.15):** If there shall be a geographic up-scaling of the project it is recommended to expand project activities to the East, preferably into an oblast in which MGSDP is already active.
- ➔ **Recommendation (p.25):** In the light of the difficult financial situation it is recommended not to foresee an increase in the number of projects per district or municipality unless there is a significant positive change in respect to the available regional, district and local funds.
- ➔ **To be further considered (p.15):** Any up-scaling of the project geographically would necessitate an increase in project funds and project staff.

##### *Thematic focus*

- ➔ **Recommendation (p.16):** If the thematic scope of DesPro shall be extended in the future, for community based service delivery, to foster effectiveness and sustainability, priority should be

given to projects for services which in decentralised Ukraine will (most likely) be in the responsibility of the lowest level of government.

- ➔ **To be further considered (p.17):** A clear focus on support to local self-government might also bring some consequences for certain aspects of the DesPro project organisation and approach. If the village will be responsible for delivering the service in the future, in particular the capacities of village heads, village councils and local civil servants in participatory planning, implementing and monitoring have to be strengthened. For this it might also be useful to reconsider the role of village self-government bodies within the overall project organisation (see also below).
- ➔ **Recommendation (p.16):** It is suggested that DesPro conducts already selected projects in waste management but evaluates whether solid waste management can be adequately addressed within the scope of the project before the next round of calls for proposal.

### *Model of Service Delivery*

- ➔ **Recommendation (p.17):** Especially because DesPro aims at developing a model of community-based service delivery it is recommended that DesPro also documents and discusses the limits of the model in respect to the thematic scope.
- ➔ **Recommendation (p.20):** Consider a pilot project that supports village initiatives within one of the existing pilot regions.
- ➔ **To be further considered (p.20):** It would have to be clarified whether the village will have to establish a CBO or whether funds can be channelled through village accounts. According to Art. 61 of the Law on Local Self-Government in the Ukraine “Local self-government bodies of villages... shall independently draft, approve and implement the corresponding local budgets...”
- ➔ **To be further considered (p.17):** It could be of high relevance to assist the Ukrainian stakeholders in developing a separate model of service delivery for such services in which community co-financing as major element does not seem adequate..

### *Financial issues*

- ➔ **To be further considered (p.25):** Due to the difficult financial situation it should be considered whether DesPro, resp. MGSDP can reserve some funds for justified cases in which financial obligation cannot be fulfilled by communities or district/local authorities even if the needed additional funds would exceed the 10% grace margin.
- ➔ **Recommendation (p.25/26):** Financing procedures within MGSDP should be reviewed and if possible, the financing procedures (at least for SDC financed components of MGSDP) should be renegotiated. If an adjustment of financing procedures is not possible, MGSDP should clearly communicate to communities when they can realistically expect payments.

### **Synergies between DesPro and MGSDP**

- ➔ **To be further considered (p.26/27):** In addition to exchange among beneficiaries and stakeholders from one project, targeted experience exchanges between beneficiaries and stakeholders from DesPro and MGSDP could be organized to give participants also access to the experiences from the other project. These exchanges of experience would be especially relevant for municipalities with rayon subordination.

- ➔ **To be further considered (p.27):** Experiences exchanges could be used to develop, discuss and verify policy recommendations with involvement of different levels of government.

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- ➔ **To be further considered (p.32):** Of interest, especially in view of policy input, would be joint or consolidated documentation of experiences and lessons as well as joint activities to discuss and promote these lessons at the local, district, regional and even national level.
- ➔ **To be further considered (p.26):** MGSDP and DesPro could provide a consolidated training agenda open for beneficiaries and stakeholders from both projects.
- ➔ **Recommendation (p.24):** MGSDP and DesPro should exchange experiences on operation and maintenance.