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Swiss cooperation strategy for Ukraine 2015–2018



Preface

The Swiss cooperation strategy for Ukraine 2015–2018 was jointly prepared by the Swiss Agency for Development and Cooperation (SDC), the State Secretariat for Economic Affairs (SECO) and the Directorate of Political Affairs (DP).

The strategy spans a period that will evidently bring important changes for Ukraine. With the engagement of additional Swiss actors and a significant increase in financial resources, this strategy is a clear signal of Switzerland's renewed and increased commitment to support Ukraine at a challenging and critical time.

The current strategy builds on positive results achieved in the past and addresses new emerging challenges. It also builds on the engagement and initiatives launched during the Swiss Chairmanship of the Organization for Security and Co-operation in Europe (OSCE) in 2014. With this new strategy, Switzerland intends to contribute to crucial institutional reforms and to promote socio-economic development while working on addressing the causes of the current conflict and alleviating its consequences. In doing so, special attention will be paid to ensuring sustainability and, whenever possible, inclusiveness of supported activities. Furthermore, a stronger focus will be put on conflict-affected areas and particular consideration will be given to the most vulnerable.

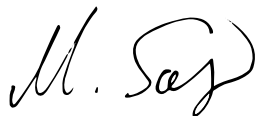
The strategy contains four main programme components. The first aims to support inclusive decentralisation reforms and contribute to a de-escalation and resolution of the conflict; the second focuses on strengthening the primary health care services and supporting the reform of the health sector; the third supports the development of a sustainable and efficient energy management system and urban-planning mechanisms; and the fourth is geared towards strengthening sustainable economic development. In addition, Switzerland will respond to pressing humanitarian needs resulting from the conflict.

Switzerland will implement its different interventions by strictly observing principles of neutrality and impartiality.

We are confident that the goals and priorities set out in this strategy are key for the sustainable future development of Ukraine and that this strategy will help improve the living conditions of Ukrainians throughout the country, and in particular in regions affected by the conflict.

The Swiss cooperation strategy for Ukraine 2015–2018 was approved in April 2015.

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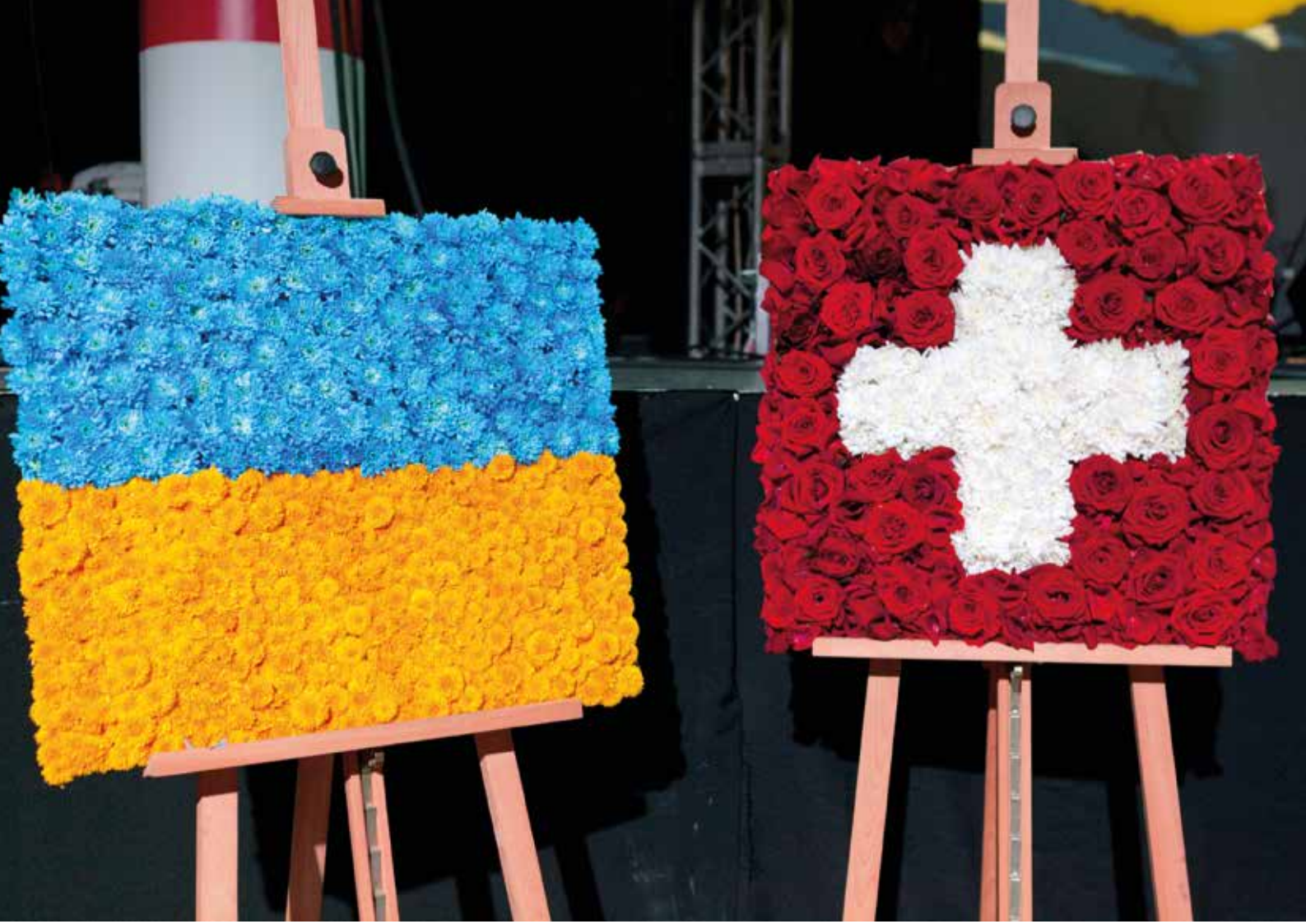


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List of Abbreviations

ARC:	Autonomous Republic of Crimea
BMO:	Business Membership Organisation
CHF:	Swiss Franc
CIS:	Commonwealth of Independent States
CoE:	Council of Europe
CSPM:	Conflict Sensitive Programme Management
DCFTA:	Deep and Comprehensive Free Trade Agreement
DP:	Directorate of Political Affairs
DPR:	the self-declared "Donetsk People's Republic"
EAER:	Federal Department of Economic Affairs, Education and Research
EBRD:	European Bank for Reconstruction and Development
EEA:	European Energy Award
EU:	European Union
FDFA:	Federal Department of Foreign Affairs
GDP:	Gross Domestic Product
GHG:	Greenhouse Gas
GoU:	Government of Ukraine
HSD:	Human Security Division
ICRC:	International Committee of the Red Cross
IDPs:	Internally displaced persons
IFC:	International Finance Corporation
IFI(s):	International Financial Institution(s)
IHL:	International Humanitarian Law
IHRL:	International Human Rights Law
IMF:	International Monetary Fund
IT:	Information Technology
LGA:	Local Government Association
LPR:	the self-declared "Luhansk People's Republic"
MDG:	Millennium Development Goal
MERV:	Monitoring of development-relevant changes
MoH:	Ministry of Health
NCDs:	Non-Communicable Diseases
NGO:	Non-Governmental Organisation
OCHA:	Office for the Coordination of Humanitarian Affairs of the United Nations
ODA:	Official Development Assistance
OHCHR:	Office of the High Commissioner for Human Rights of the United Nations
OSCE:	Organization for Security and Co-operation in Europe
RECP:	Resource Efficient and Cleaner Production
SCO:	Swiss Cooperation Office
SDC:	Swiss Agency for Development and Cooperation
SECO:	Swiss State Secretariat for Economic Affairs
SHA:	Swiss Humanitarian Aid Unit
SME:	Small and Medium Enterprise
UN:	United Nations
UNHCR:	United Nations High Commissioner for Refugees
UNICEF:	United Nations International Children's Emergency Fund
USAID:	United States Agency for International Development
WB:	World Bank
WFP:	World Food Program
WHO:	World Health Organization

Glossary

Orange Revolution: series of protests and political events that took place in Ukraine from late November 2004 to January 2005, in the immediate aftermath of the run-off vote of the 2004 Ukrainian presidential election. The protests were prompted by reports from several domestic and foreign election monitors as well as the widespread public perception that the results of the run-off vote of 21 November 2004 between the leading candidates Viktor Yushchenko and Viktor Yanukovich were rigged by the authorities in favor of the latter. The nationwide protests led the original run-off to be canceled, and a revote was ordered by Ukraine's Supreme Court for 26 December 2004. The final results led to the victory of Yushchenko. With his inauguration on 23 January 2005, the Orange Revolution ended.

Maidan (or Euromaidan): wave of demonstrations and civil unrest in Ukraine, which began on the night of 21 November 2013 with peaceful public protests in Maidan Nezalezhnosti ("Independence Square") in Kiev, after the sudden decision of the government not to sign the Association Agreement and the Deep and Comprehensive Free Trade Agreement (DCFTA) with the European Union. The scope of the protests quickly expanded, calling for fighting the widespread corruption, abuse of power and violations of human rights as well as for the resignation of the then President Viktor Yanukovich and his government. The protests reached their climax during the period 18-21 February 2014 with violent interactions between security forces and protestors that led to over 100 civilian casualties. As a result of the protests, Yanukovich and several other high government officials fled Ukraine. On 22 February 2014 the Ukrainian Parliament impeached Yanukovich, replaced the government with an ad-interim one, and ordered the release from prison of Yulia Tymoshenko, a political opponent of Yanukovich.

Donbas: The Donets Basin, commonly known as Donbas, is an informal historical, economic and cultural area of eastern Ukraine covering the Donetsk and Luhansk administrative regions. The name comes from the Donets River. A coal mining area since the late 19th century, it is today heavily industrialised.

Areas controlled by non-state armed groups: areas under control of the de facto authorities of the self-proclaimed Donetsk People's Republic (DPR) and Luhansk People's Republic (LPR).

Conflict-affected areas: areas currently or previously controlled by non-state armed groups and/or where hostilities have taken or are still taking place. According to estimates of the UN, around 5.2 million people lived in the area affected by the conflict before it's outbreak.

Macro-regions of Ukraine: There is no official definition of the macro-regions of Ukraine. In this document, the concept of macro-regions refers to western Ukraine, central and northern Ukraine, eastern Ukraine, and southern Ukraine. The four macro-regions are defined as follows: i) western Ukraine includes the regions (oblasts) of Volyn, Rivne, Lviv, Ivano-Frankivsk, Ternopil, Zakarpattia, and Chernivtsi; ii) central and northern Ukraine includes the oblasts of Khmelnytskyi, Zhytomyr, Vinnytsia, Sumy, Chernihiv, Poltava, Kirovohrad, Cherkasy, Kiev as well as the city of Kiev; iii) eastern Ukraine includes the oblasts of Donetsk, Luhansk, Kharkiv, Dnipropetrovsk, and Zaporizhzhia; and iv) southern Ukraine includes the oblasts of Mykolaiv, Kherson, Odesa, as well as the Autonomous Republic of Crimea and the city of Sevastopol.

Vulnerable people: Vulnerability refers in general to the inability to access those resources which are needed to conduct a decent life and to withstand the negative effects of a socio-economic, political or environmental shock. By its nature, vulnerability is a complex and multidimensional concept. For the sake of simplicity, in this document, vulnerability refers to three categories of people. Firstly, to the poor population according to the national poverty criterion (24.5% of the Ukrainian population were below the relative poverty line in 2013, i.e. 11.4 million people). Secondly, to those people that have been directly affected by the armed conflict in the east (or have fled the Autonomous Republic of Crimea after its annexation by the Russian Federation) and are in need of humanitarian assistance and protection. The United Nations estimates that 1.4 million people are to be considered vulnerable according to this second category; it can be assumed that the large majority of these people were already vulnerable before the armed conflict (according to the first category of vulnerability). Thirdly, to the people discriminated against in the exercise of their fundamental freedoms, and their enjoyment of human rights and whose access to decision-making processes and exercise of political power is not fully guaranteed. It can be assumed that these three types of vulnerability often overlap in practice.

Executive Summary

2014 has been a turbulent and difficult year for Ukraine. The abrupt change of government, the illegal annexation of Crimea by the Russian Federation and the armed conflict in eastern Ukraine have had far-reaching consequences throughout the country: numerous deaths and casualties, massive destruction of infrastructure, a critical humanitarian situation, over two million internally displaced people (IDPs) and refugees, a deep economic crisis and devastating social consequences, especially for the poor and the most vulnerable. The Ukrainian crisis also provoked rising tensions at the international level which led many international actors to reconsider relations with the Russian Federation against whom sanctions have been applied.

Major international support has been granted to support Ukraine through this crisis but considerable challenges remain. It is in this particularly challenging context that the Swiss cooperation strategy for Ukraine 2015–2018 has been designed.

With this new strategy, Switzerland intends to support key planned reforms and will build on results achieved in the four sectors supported until now: decentralization, health, energy and economic development. The support in favor of decentralisation will continue and intensify, with a stronger emphasis on promoting inclusiveness. The activities in the health sector will evolve towards promoting healthy behaviors and the prevention of non-communicable diseases, where Ukraine has a large deficit to recover. The engagement in the energy sector will be reinforced and will include a new urban development component. Finally, the work to promote economic development will, among other things, foster reforms and innovative approaches, e.g. in the area of deregulation and in the agricultural sector. These sectors will be complemented by efforts to promote dialogue, peace and reconciliation.

The promotion of key reforms and the mitigation of the consequences of the armed conflict are at the centre of the strategy. The intervention will be geographically balanced within the country. Activities aiming at promoting peace and alleviating the social consequences of the armed conflict will take place mainly in the conflict-affected areas and in areas with a high influx of IDPs.

In order to respond to the new challenges, additional Swiss actors will become active. Besides the Swiss Agency for Development and Cooperation (SDC) and the Swiss State Secretariat for Economic Affairs (SECO) which have been providing assistance to Ukraine for several years, a new actor of the Federal Administration, the Human Security Division (HSD) within the Swiss Federal Department of Foreign Affairs, will contribute to the implementation of the cooperation strategy for Ukraine 2015–2018. Additionally, the SDC's Humanitarian Aid Unit will support activities aimed at providing humanitarian assistance and protection of those in need.

In order to emphasise Switzerland's support to Ukraine in a difficult time, the budget will be increased substantially to a total of CHF 99 million for the period 2015–2018, which is a considerable increase compared to the amount disbursed during the previous cooperation strategy for Ukraine.

1.1. Political developments

Ukraine, formerly part of the Soviet Union and independent since 1991, is the largest and one of the most populated countries in Europe. Despite its recognised socio-economic potential, Ukraine only partially achieved the transition towards democracy, rule of law and market economy during the post-independence period. Reforms stagnated during more than two decades, and people's hopes and expectations for changes after the "Orange revolution" in 2004 have not been met. Despite several attempts, the country has not yet managed to deeply reform its political institutions. Even though new steps towards a decentralisation reform were undertaken in 2014 and early 2015, the state remains very centralized.



2014 has been a year of radical changes for Ukraine. In late 2013, the sudden decision of the then authorities not to sign an Association Agreement (including a Deep and Comprehensive Free Trade Agreement) with the European Union (EU) resulted in the Maidan protests, which were violently repressed and resulted in a change of power in February 2014. Ukraine consequently plunged into a deep political crisis which led to international tensions. In March 2014, the territorial integrity of the country was violated by the illegal annexation of the Autonomous Republic of Crimea by the Russian Federation. In May 2014, the self-proclaimed Donetsk People's Republic and Luhansk People's Republic were established leading to growing tensions and eventually resulting in an armed conflict in the Donbas region. Following the annexation of Crimea by the Russian Federation, international sanctions were imposed on Russia and

subsequently expanded in response to the developments in the east of Ukraine.

The internal situation at the beginning of 2015 is unpredictable. The conflict is putting at risk the stability of the whole region and is absorbing an important part of the scarce public resources of the Ukrainian state; it has also weakened the economy and led to increasing pockets of vulnerability among the population.

On a positive note, the new authorities have committed to promote and implement long-awaited reforms such as fighting against corruption, deregulating the economy, increasing transparency in the energy sector, promoting decentralisation, reforming the judicial system, and modernising the provision of health care. An ambitious reform plan, the "Strategy of Reforms 2020", which foresees no fewer than 60 reforms to be accomplished by the year 2020, out of which 10 are priority reforms (see table below), has been developed under the auspices of the new authorities.

UKRAINE'S 10 PRIORITY REFORMS

- › ANTI-CORRUPTION REFORM AND LUSTRATION
- › JUDICIAL REFORM
- › DE-CENTRALIZATION AND STATE GOVERNANCE REFORM*
- › DEREGULATION AND DEVELOPMENT OF ENTREPRENEURSHIP*
- › REFORM OF LAW ENFORCEMENT SYSTEM
- › REFORM OF THE NATIONAL SECURITY AND DEFENSE SYSTEM
- › HEALTH CARE SYSTEM REFORM*
- › TAX REFORM
- › ENERGY INDEPENDENCE PROGRAMME*
- › GLOBAL PROMOTION OF UKRAINE

* also priority domain of Swiss support

Important drivers of reforms will be the strong wave of civic engagement generated by the Maidan movement, the obligations set out in the Association Agreement with the EU, ratified by the Ukrainian Parliament on 16 September 2014, as well as the package of measures agreed with the International Monetary Fund (IMF) in the framework of its macroeconomic assistance to Ukraine. A clear pro-Euro-

pean orientation has been confirmed by the results of the parliamentary elections of October 2014, in which, however, the population living in areas controlled by armed groups and in Crimea was unable to vote. In the coming years, the authorities will have the challenging task of implementing the needed reforms while, at the same time, ensuring that these reforms enjoy broad support among the population in all regions of the country.

1.2. Economic developments

After a decade of economic decline in the 1990s, the Gross Domestic Product (GDP) of Ukraine experienced a period of robust growth from 2000 to 2008, with an average annual increase of approximately 7%. However, in the second half of 2008 the global financial and economic crisis and the decrease in world prices for metals strongly affected the Ukrainian economy, leading to a 15% GDP contraction in 2009. The subsequent recovery from this crisis lasted only for two years, while 2012 and 2013 were characterised by economic stagnation.



In 2014, as a consequence of the armed conflict and structural weaknesses, the country entered a deep economic crisis. According to the State Statistic Service of Ukraine, GDP contracted by 6.8%, and inflation increased to 19% in 2014. The national currency experienced a strong depreciation against the main international currencies (e.g. the devaluation against the euro in the period 1 November 2013–8 February 2015 was about 46%). The financial sector is under significant stress: many banks lost a substantial part of their deposits and consequently their liquidity during 2014. International financial institutions estimate that distressed assets make up around 50% of the banks' portfolios. The reserves of foreign currencies are low, and the state budget is heavily dependent on external aid packages, which

require among other things a comprehensive revision of public expenditures. On 11 March 2015, the IMF executive board approved a four year USD 17.5 billion Extended Fund Facility for Ukraine, with USD 5 billion made available for immediate disbursement. The IMF package is complemented by additional support from the international community to cover the large financing gap. As per decision of the Federal Council, Switzerland envisages to participate with a bilateral loan of USD 200 million. The loan is part of an internationally coordinated assistance package to achieve financial stability in Ukraine and is tied to the implementation of the IMF programme.

The business and investment climate in Ukraine is negatively affected by a cumbersome bureaucracy, widespread corruption and the lack of diversification and modernisation of the Ukrainian economy, which largely relies on heavy industry and agriculture. However, there are some positive trends. Some sectors, e.g. agriculture and IT, are playing an increasingly important role in income generation and exports. The legal framework with regards to the business environment has been simplified and Ukraine is steadily improving its ranking in the "Doing Business Report" of the World Bank (WB) Group (from 145 in 2011 to 96 in 2015). The recent launch of an anticorruption reform, the reduction of permits and licenses required for entrepreneurial activities, and several priority measures of the "Strategy of Reforms 2020", in particular the simplifications in the taxation system, a revision of the legal framework in the field of finance, and a new agriculture policy are expected to contribute to improving the business and investment climate. Obviously, the decision of investors will also heavily depend on the evolution of the situation in the east of the country. The armed conflict has led not only to a halt in new investments, but also to enormous damage to infrastructure and production activities in the conflict-affected areas of the Donbas region, which is among the most industrialised regions of the country.

The recent crisis has prompted Ukraine to reduce the high energy dependency from the Russian Federation and fostered efforts towards decreasing the high energy inefficiency in the business, municipal and residential sectors.

1.3. Social developments

According to the WB, life expectancy of Ukrainians stands at around 71 years in 2012, i.e. almost 10 years below the life expectancy of citizens in the EU. Furthermore, the life expectancy of Ukrainian men (about 66 years) is ten years lower than of Ukrainian women (approximately 76 years). Remarkable improvements have been achieved with regards to child and maternal mortality rates, which have decreased by over 40% since 2000¹.

However, the level of poverty stagnated during the last few years, and every fourth Ukrainian is still living below the nationally defined relative poverty line². The steady economic growth of the period 2000–2008 had only limited effects on improving these patterns.



the consequences of reduction in public expenditure and to price increases. Reforms are needed, as the allocation mechanisms of social assistance show clear inefficiencies. The challenge is to target social support towards the poorest and IDPs in need.

1.4. The armed conflict

Since March 2014, the armed conflict has heavily affected the life of Ukrainians. The crisis in the Donbas region has escalated into an armed conflict leading to the loss of the government's control over parts of the eastern regions of Donetsk and Luhansk. Despite intensive mediation efforts by the Organization for Security and Co-operation in Europe (OSCE) and other international actors, which managed to achieve ceasefire agreements, the long-term prospects are unclear.

The root causes of the armed conflict are manifold, ranging from struggles over geopolitical spheres of influence to internal historical, cultural, political and economic divergences and imbalances. Following the annexation of Crimea by the Russian Federation, the EU among others imposed sanctions on Russia. These sanctions have subsequently been expanded in response to the developments in the east of Ukraine. The Swiss Federal Council has decided to take measures to prevent the circumvention of the EU sanctions through its territory. The lack of diversification and modernisation of the economy, the endemic corruption and the lack of political dialogue and culture for political compromise, together with the concentration of political power in Kiev, all fuelled the Maidan protests. Finally, the economic and cultural disparities, especially between the eastern and western parts of the country, resurfaced in the present armed conflict.

Dynamics of the Poverty Rates according to Key Criteria, 2001–2012



Source: calculated based on the data from the Household Budget Survey conducted by the State Statistics Service of Ukraine

The traditional characteristics of Ukrainian poverty, inequality profiles and risk groups remain unchanged. The lowest poverty rates can be seen in large cities, whereas poverty is predominant in rural areas and affect men and women equally. Recently, new pockets of vulnerability have emerged, with 1.4 million internally displaced persons (IDPs) and people in conflict-affected areas in need of humanitarian aid as a consequence of the armed conflict in the Donbas region and the situation in Crimea³.

Besides the adverse consequences of the armed conflict, the recent economic deterioration has also induced a worsening of the social situation, in particular for vulnerable groups, which are more exposed to

¹ Source <http://data.worldbank.org/indicator/SH.STA.MMRT/countries/UA?display=graph>

² Source Millennium Development Goals Report Ukraine 2014 <http://www.ua.undp.org/content/ukraine/en/home/library/mdg/2014-mdgs-ukraine-progress-/>

³ Source Strategic Response Plan Ukraine, Dec 2014, Humanitarian Country Team <http://reliefweb.int/report/ukraine/ukraine-strategic-response-plan-2015>



The consequences of the armed conflict in the Donbas region on the population are severe. As per March 2015, it is estimated that around 6'000 people⁴ have been killed and that more than 15'000 have been wounded. According to the Ministry of Social

Policy of Ukraine, there are some 1'300'000 IDPs, while more than 800'000 people have fled to neighboring countries, mainly to the Russian Federation. Moreover, the illegal annexation of the Autonomous Republic of Crimea by the Russian Federation has led to the displacement of approximately 20'000 IDPs⁵, especially those belonging to the Crimean Tatar minority, to other regions of Ukraine. Widespread and major violations of human rights and international humanitarian law have been repeatedly reported.

Damage and disruption are severe with regards to housing, public infrastructure, public services, as well as in terms of economic and local governance. In the current context, it is unclear when a large scale recovery of the conflict-affected areas and the return of IDPs will be possible. It is, however, certain that this process will require considerable resources and time, especially when it comes to social resilience and reconciliation.

4 <http://reliefweb.int/sites/reliefweb.int/files/resources/Sitrep%20%2331%20FINAL.pdf>

5 Source OCHA Sit.Rep Ukraine <http://reliefweb.int/report/ukraine/ukraine-situation-report-no28-20-february-2015> and UNHCR overview <http://unhcr.org.ua/en/2011-08-26-06-58-56/news-archive/1231-internally-displaced-people#>



Rationale for cooperation between Ukraine and Switzerland

The “2013–2016 Message for international cooperation” places a special emphasis on preventing and overcoming crises, conflicts and catastrophes and the “Message to Parliament concerning the continuation of measures relating to civilian peacebuilding and the promotion of human rights 2012–2016” stresses the importance of promoting peace and human security. It is on these bases that Switzerland will respond to the challenges that have emerged with the armed conflict which transformed Ukraine into a “fragile state” within a particularly short period of time.

Moreover, consolidation of democracy, strengthening of institutions and good governance, and a functioning market economy which produces tangible benefits for all citizens continue to be important objectives of Switzerland’s support to transition processes in eastern Europe and therefore of the development assistance to Ukraine.

Before the crisis, Official Development Assistance (ODA) to Ukraine was limited and traditionally accounted for less than 1% of GDP. Since 2014, ODA including humanitarian aid has increased by approximately 1.5 times. This increase originated mostly from International financial institutions (IFIs; over 70%), while the aid of the EU and bilateral aid fund the rest. Whereas IFIs mostly finance such areas as energy and infrastructure, the EU and bilateral donors tend rather to support areas such as the rule of law, governance and development of SMEs. Donor coordination has intensified and improved consider-

ably since 2014, also due to the increased number of donors. Last but not least, Ukraine is a member of the Swiss constituency at the EBRD, which leads to closer cooperation at a political and economic level.

More recently, humanitarian action became an important field of intervention and advocacy, mainly addressing the following areas: protection of civilians, delivery of social and economic assistance, shelter provision, food distribution and reconstruction. In the current context, conflict transformation, reconciliation, and respect for human rights and international humanitarian law have become central and will therefore be part of Switzerland’s programme.

In the new political and geo-strategic situation prevailing in Ukraine, Switzerland will strive to maintain a position of neutrality and impartiality. This will allow Switzerland to promote peacebuilding and dialogue initiatives to find a solution to the conflict, to foster the respect of human rights and international humanitarian law and to advocate for dialogue and inclusive processes in the design and implementation of the planned reforms in a credible manner.

In addition to the already present Swiss Agency for Development and Cooperation (SDC) and State Secretariat for Economic Affairs (SECO), the Human Security Division (HSD) of the Federal Department of Foreign Affairs as well as the Swiss Humanitarian Aid (SHA) Unit of SDC will contribute to achieving the planned objectives (see Annex f).

Results of the Swiss cooperation strategy for Ukraine 2011–2014

Switzerland's support to Ukraine has achieved significant and tangible results over the period 2011–2014. Programmes were focused on four domains of cooperation and implemented across Ukraine. Swiss assistance was particularly focused in the west and centre of the country and in the Autonomous Republic of Crimea (where it had to be terminated, however, after the annexation by the Russian Federation), but was also present in other regions of Ukraine.

During its Chairmanship of the OSCE in 2014, Switzerland strengthened its position as an impartial actor on the international scene. It facilitated contacts and dialogue between relevant stakeholders and parties to the conflict and regularly called for the respect of human rights and international humanitarian law by all actors. In order to rapidly respond to the crisis, Switzerland provided contributions to the OSCE, the Council of Europe, the ICRC, and different United Nations agencies, such as the OHCHR, the WFP, and the UNHCR. The total amount of this assistance exceeded CHF 3.1 million. In 2014, together with the EU, USA and Canada, Switzerland was appointed as one of the lead donors within the general donor coordination group. Moreover, Switzerland is co-leading the sectorial donor group on Decentralisation and regional development, together with the EU and Sweden.

3.1. Local governance and public services

In the area of **local governance and public services**, concrete progress has been achieved for inhabitants of rural communities who have gained access to water and sanitation facilities through the support of Switzerland. It is estimated that only 22% of the Ukrainian rural population has access to clean and permanent water supply. In communities benefiting from Swiss assistance, this level reaches 90%. This result is particularly cost-efficient, since it was achieved at a cost of CHF 25.– per person, which is lower than the average international level. Sustainability and scaling up of models and practices introduced through Swiss initiatives have been ensured in the five partner regions and beyond⁶. Citizens' par-

ticipation in planning, budgetary and other processes has been introduced in partner municipalities and is recognised as best practice. European standards of good governance, e.g. in the area of managing local finances, have been progressively introduced among local authorities in numerous cities throughout Ukraine. The leadership skills of female community heads have been consistently promoted in a number of villages, and the recently created women's chapter of the Association of Village Councils has been supported through the provision of training for female village heads.



Beyond these tangible achievements which are having real impact on the lives of the beneficiaries, Switzerland has also constantly advocated for and fostered the incipient decentralisation reform. This reform is of the utmost importance for Ukrainian society, as it is expected to improve the coverage and quality of public services and therefore the living standards of Ukrainians. Switzerland provided expert support to help formulate the concept of decentralisation reform adopted in April 2014 and the new laws on inter-municipal cooperation and voluntary amalgamation of territorial communities. Moreover, Switzerland encouraged the creation of dialogue platforms on the decentralisation reform in order to help ensure that the reform process was inclusive.

⁶ Vinnytsia, Sumy, Poltava, Dnipropetrovsk and Ivano-Frankivsk. Different neighboring Municipalities have adopted and implemented the developed model without any support from Switzerland.

3.2. Reproductive health

In the **reproductive health** sector, Swiss support has contributed to the steady improvement of the quality of perinatal services and more generally to maternal and child health care services. In the four partner regions, the average infant mortality rate has decreased from 9‰ in 2010 to 8.3‰ in 2013. The counselling of both men and women has been improved, and the involvement and support of men during pregnancy, birth, childcare and family planning has increased (e.g. deliveries in the presence of the partner have increased from 67% in 2010 to 83% in 2013). The health framework was enhanced by strengthening the system of Continuous Medical Education, upgrading clinical infrastructure, updating clinical protocols, and improving skills of medical staff in performing screenings, diagnostics, patient consultations and timely referrals.

The systemic approach promoted and implemented by Switzerland in the area of reproductive and maternal health care has been recognised by the Ukrainian authorities as a success that can be replicated in other areas. As a lesson learned during the past few years, it has become evident that promoting healthy lifestyles and raising awareness on risky behaviors, including on neglected gender-specific risk factors and diseases, needs to receive more attention in order to improve the health outcomes of the Ukrainian population. The new draft strategy on health care reform produced by the Ukrainian government in 2014 addresses and integrates such issues. Therefore, the future Swiss portfolio in the health sector will shift towards these new areas and will be totally aligned with the government's priorities.



3.3. Sustainable energy management

In the **sustainable energy management** domain, established in 2011, demonstration projects in the field of municipal energy efficiency have significantly reduced energy consumption in targeted cities, while considerably improving comfort levels for inhabitants of residential buildings. Municipalities supported by Swiss projects have increased their energy and investment planning capacities and have been able to attract additional funding for energy-efficient measures. The legal environment and financial mechanisms to support energy efficiency in the industrial and residential sectors have been enhanced, and individual companies have been trained in order to improve their energy and resource efficiency.



The energy policy remains a key strategic area in Ukraine's path towards EU standards. A coherent and balanced approach focusing on comprehensive municipal energy management, promoting energy efficiency on the demand and the supply side, improving the legal framework and access to finance, has proven to provide a relevant set of measures to be continued in the future. The government and other stakeholders recognise the Swiss added value in this area: joint programming with other donors and requests from municipalities rose significantly during 2014.

3.4. Financial and economic sustainability

In the domain of **financial and economic sustainability**, the business-enabling environment improved considerably thanks to Swiss support. A new law on insolvency, which improves the regulatory framework, was approved. Important reforms were supported with regards to streamlining the system of permits and licences in the agricultural sector. This led to annual compliance cost savings of over USD 80 million for over 11'000 SMEs. Overall, the simplifications promoted have created a more level playing field in the economic framework conditions, thereby reducing discriminating obstacles for SMEs.

Thanks to comprehensive capacity building measures, Ukrainian producers were able to expand into new markets. Similarly, the export market for organic products is growing rapidly, and the innovative approach of a regional trademark has been successfully introduced in the Carpathian region of Ukraine.

The results achieved in the agricultural sector are particularly promising, as agriculture is one of the few economic sectors which has grown steadily over the last few years and has the potential for attracting international investment. Technical assistance provided by Switzerland has prepared the ground for such investment.



Implications for the Swiss cooperation strategy for Ukraine 2015–2018

The intense economic and political turbulence since late 2013 in Ukraine and the armed conflict in its eastern region shape the Swiss cooperation strategy for 2015–2018. In a conflict-affected context, it is of paramount importance to address the root causes of the conflict and to mitigate its short-, medium- and long-term consequences. In this regard, an analysis of the conflict, the powers at stake and the patterns of exclusion is crucial. Experiences from other programmes of Switzerland in conflict-affected contexts provide valuable lessons that are reflected in this strategy.

The change after the Maidan events in late 2013 offer windows of opportunity to finally tackle the long-awaited and dire-needed reforms. Switzerland will contribute to promoting various key reforms and advocate for an inclusive approach. The latter means in practice that Switzerland will encourage and support consultation processes, which ensure that the voices and interests of all relevant stakeholders and of all regions are taken into account when designing the reforms. A wide consensus is indeed the best tool to overcome resistances and conflict and to ensure a real implementation of the reforms.

The analysis of the priorities of the Ukrainian authorities shows that most areas on which Switzerland's support has focused so far remain highly relevant.

In the area of decentralisation, Switzerland has earned a strong reputation and co-leads the donor sector group. The Minsk Protocol and Memorandum of September 2014 and the Package of measures for the Implementation of the Minsk Agreements of February 2015 include decentralization as a key element in the political settlement of the conflict. Given its past engagement in this field, Switzerland is well-placed to set a strong programmatic focus on decentralisation for the period 2015–2018. The links between different levels of institutions and between institutions and the people will be strengthened through capacity-building measures and mainstreaming of good governance principles. For stability and peace, and to gain wide population support for reforms, confidence-building between the state and the people is essential. Improved services at regional and local level are expected to increase the standard of living of citizens. New possibilities for participation shall strengthen democracy and the accountability of local institutions, and therefore lead to increased citizens' trust in their authorities.



In the area of health, crude adult death rates in Ukraine are among the highest in the world, and non-communicable diseases are the main cause of the high mortality and morbidity. Therefore, an adaptation of the programme is required, i.e. a shift towards strengthening primary health care services and preventive health care. This shift responds to a priority of the Ukrainian authorities to reform and modernise the health system.

A reform of energy tariffs and energy subsidies is critical for macroeconomic stabilisation and energy security of Ukraine. As a result there is an urgent need for the Ukrainian private and public sector to substantially increase their energy efficiency. Switzerland is ready to continue to support this adjustment process in the energy sector and to support companies, municipalities, and also homeowners to become more resource efficient.

The demands of the civil society, as voiced during and after the Maidan events, and the signature of the Association Agreement with the EU provide a unique window of opportunity to realise the much-needed economic reforms, in particular with regard to economic governance and fighting against corruption. These economy-wide reforms geared towards increased transparency and competitiveness shall support Ukraine to modernise its economy and take advantage of new economic opportunities. Thanks to its long-standing support for the improvement of the framework conditions for the Ukrainian private sector (and especially for SMEs), Switzerland is well placed to support these reforms. These economy-wide reforms geared towards increased transparency and competitiveness will help Ukraine to take advantage of new economic opportunities, but also to continue benefiting from its strong economic links with Russia.

In the field of conflict prevention and human security, Switzerland intends to build on what was achieved during the Swiss Chairmanship of the OSCE in 2014 and to complement OSCE-led activities with a bilateral engagement. This implies that Switzerland will promote dialogue and peacebuilding initiatives, seek to address root causes of conflict, as well as enhance respect for human rights and international humanitarian law.

Swiss Humanitarian Aid has already engaged resources in 2014 and will step up its assistance in the future if the humanitarian situation further deteriorates.

A more balanced geographical coverage and a special attention to vulnerable people will also be part of this strategy. In particular, more resources will be allocated to activities in conflict-affected areas as well as in areas indirectly affected by the conflict, i.e. hosting a high number of IDPs⁷. The strategy will not only be geared towards working in conflict-affected areas, but also on the conflict by seeking to make relevant contributions to social and political changes.

Switzerland's activities will have to allow for flexible planning and adapt to different scenarios according to the evolution of the context. For further evaluation of the crisis, three possible scenarios have been developed. The base case scenario, which foresees a "protracted and frozen conflict", constitutes the framework on which the strategy is based. The other two possible scenarios are either "a political solution of the conflict", or a "protracted and open conflict" (see Annex d).

Resources allocated will be increased in view of the multiple challenges faced by Ukraine. This additional effort is in line with the international community's increased engagement.

7 SECO with its two domains (sustainable energy management and urban development and sustainable economic development) does not envisage to be active in conflict-affected areas.

Strategic orientations and priorities for 2015–2018

Overall goal and domains of activity

The overall goal of the Swiss cooperation strategy for Ukraine 2015–2018 is to promote cohesion, inclusive democratic governance and sustainable socio-economic development in Ukraine aiming at a peaceful, equitable and prosperous society. To achieve this overall goal, Switzerland's activities will focus on four main domains of intervention: governance and peacebuilding, health, sustainable energy management and urban development as well as sustainable economic development.

Domain 1: Governance and peacebuilding

Decentralisation is currently among the most critical reforms for Ukraine. It will be of paramount importance to reformat the entire system of division of powers, dismantle the vertical power structures, improve efficiency of governance as a whole and reduce the scale of corruption. Furthermore, decentralisation that encourages locally-driven initiatives will be critical in re-uniting Ukraine in the aftermath of the divisive conflict in the east of the country. Therefore, Switzerland will continue to support local governments, civil society organisations and citizens in rural and semi-rural areas in order to improve the performance of democratic institutions and their relationship with citizens, service delivery, participation and decision-making. Stronger support will be provided to local governance associations, to become more recognised and credible stakeholders for disseminating knowledge among their members and



lobbying for reforms which are in the interest of the local authorities. Policy dialogue with the Ministry of Regional Development, Construction and Municipal Economy of Ukraine will be continued and reinforced within the framework of donor coordination and at the bilateral level. The governance system will be further improved by promoting new tools that contribute to fight corruption and strengthen citizens' participation in decision-making, as e.g. electronic governance (e-governance).

The window of opportunity for promoting full-fledged reforms will be consistently used. The Ukrainian authorities will be supported in developing, discussing, communicating and implementing a legislative framework that strengthens local authorities and benefits the population. Emphasis will be put on supporting inclusive and accountable processes and on promoting dialogue in and with regions on various aspects of the reforms. Peer programmes and other platforms for inter-regional exchanges and dialogue will foster a better understanding and more cohesion within Ukrainian society.

In order to respond to the conflict in eastern Ukraine, a peacebuilding component has been introduced into the current strategy. The focus of activities in this field will be put on improving relations between conflicting parties through dialogue, promoting respect for human rights and international humanitarian law and supporting the inclusivity of key political processes. Activities will seek to contribute to a de-escalation of the conflict and eventually to address its root causes, with a view to reaching



a long-term resolution of the conflict. Building on the Swiss chairmanship of the OSCE in 2014, some initiatives launched at the time will remain part of the Swiss bilateral engagement, while others will be further complemented by additional initiatives. New activities will for example complement dialogue efforts conducted by the Trilateral Contact Group and reinforce the work of the OSCE Special Monitoring Mission to Ukraine. In doing so, Swiss interventions will support civil society organisations, international organisations and state institutions. Initiatives in the areas of dealing with the past, internal displacement, mine action as well as small arms and light weapons control might also be supported.

The above activities are expected to result in the following outcomes:

Outcome 1.1: National authorities elaborate and implement decentralisation reforms by including stakeholders from all regions of Ukraine.

Outcome 1.2: Men and women of all ages participate in political decision-making in selected regions, including in conflict-affected areas, and have better access to public services.

Outcome 1.3: Relations between conflicting parties are improved, respect for human rights and international humanitarian law is fostered and inclusiveness in key political processes is strengthened.

The domain of governance and peacebuilding will be funded with CHF 29 million for the period 2015–2018.

Domain 2: Health

The support of Switzerland to the health sector will concentrate on strengthening the primary health care level, with a focus on health promotion and prevention of non-communicable diseases, both of which are a high priority of the government. The objective is to prevent and reduce cardiovascular and respiratory diseases, cancer and diabetes, as well as their corresponding risk factors, through prevention and promotion of healthy lifestyles. Special attention will also be given to improving the skills and capacities of health care workers, including family doctors and nurses, in tackling non-communicable diseases and address disease prevention and health promotion at the community level. Additionally, the role of civil society organisations and local communities in health promotion and disease prevention will be strengthened.

Equitable and affordable access to public health care services will be fostered for vulnerable segments of the population, and special attention will be given to the eastern and southern regions of Ukraine, to areas with a high concentration of IDPs and returnees, and

to specific health care needs caused by the situation of armed conflict.



Engagement at the policy level will be intensified in order to support the health care reform in areas of Swiss engagement, provide more visibility and scaling-up opportunities for successful Swiss experiences, and promote transparency and accountability. Special attention will be given to inclusive and conflict-sensitive attitudes in the delivery of health services and information campaigns. The Ministry of Health of Ukraine and regional health authorities will be supported in their efforts to strengthen strategic planning, management, monitoring, evaluation and communication. This will contribute to the efficiency and effectiveness of the public health system in the country.



Swiss contributions in the area of health are expected to result in the following outcomes:

Outcome 2.1: National and regional health authorities, including in conflict-affected areas, provide a better and equitable access to improved primary health care services, with a focus on diseases prevention and health promotion.

Outcome 2.2: Men and women of all ages in selected regions, including in conflict-affected areas, adopt healthier lifestyles.

Switzerland will allocate CHF 12 million to the health domain during the cooperation strategy period 2015–2018.

Domain 3: Sustainable energy management and urban development

Sustainable and efficient energy management will continue to be the focus in this sector in order to enhance the living conditions of the population and the energy independence of the country. On the supply side, Swiss assistance will concentrate on municipalities, whereas on the demand side residents and private companies willing to introduce energy-efficient technologies will be targeted. The programme will furthermore support a favourable legal framework as well as the development of and access to financial mechanisms for the industrial and residential sectors in order to decrease energy use and make the buildings and production processes more energy-efficient. These interventions will be complemented by awareness-raising activities on energy efficiency as well as technical assistance with regard to energy efficiency loan products. The effectiveness of interventions in this domain will depend on the implementation of the planned and gradual reduction in subsidies for gas and its derivatives (heating, hot water) by the Ukrainian government. Sustainable urban planning measures are new in the programme and they will support municipalities in their efforts to develop in a sustainable and integrated manner, according to international best practices. Support for activities which shape a city's capacity to plan, connect and finance its infrastructure system and urban interventions will be at the heart of the programme. Switzerland's support in this field is aimed at contributing to the gradual emergence of greener and more sustainable cities, factoring in climate change risks and vulnerabilities.



After a successful pilot introduction of the "European Energy Award municipal energy management system" in the city of Vinnytsia, where the increase in energy efficiency and the introduction of renewable energy in the district heating system was promoted, a similar project in the city of Zhytomyr will

be accompanied by the institutionalization of the European Energy Award at the national level and its introduction in other cities. The European Energy Award programme will thus tie in with activities at the level of integrated urban development, where Switzerland also intends to support several cities in various regions of Ukraine.



As a result of Swiss contributions, the following outcomes are planned in the sustainable energy management and urban development domain:

Outcome 3.1: Municipalities provide reliable, sustainable and cost-effective public services through enhanced energy efficiency, the introduction of environmentally friendly technologies as well as inclusive and sustainable urban development.

Outcome 3.2: SMEs / industries and residents obtain better access to targeted energy efficiency measures and corresponding financial mechanisms. This allows SMEs / industries to operate in a more cost-effective and energy-efficient way through resource-efficient and cleaner production, while resident's living conditions are improved.

The sustainable energy management and urban development domain will be funded with CHF 32 million during the cooperation strategy period 2015–2018.

Domain 4: Sustainable economic development

The private sector, and in particular SMEs, will be further strengthened through improved capacities, access to finance and a wider market outreach. Activities in the area of capacity-building will focus on strengthening skills of entrepreneurs and SMEs and on awareness-raising programmes. Access to finance for the private sector will be further advanced through technical and financial assistance to banks and the promotion of innovative financial instruments, as e.g. crop receipts. Interventions to enhance the market outreach of agrarian SMEs may

include strengthening the competitiveness of the latter through certified organic production, promoting exports through the definition and use of new standards as well as supporting market access via participation in international fairs.



In addition, supporting the creation of a better regulatory framework for financial institutions will correspondingly improve the services offered to SMEs. Activities may comprise the strengthening of financial sector regulations or supporting financial institutions so as to broaden their range of services and improve financial and non-financial services for SMEs.

Further, to help establish a more business-friendly environment, activities in the sustainable economic development domain will support reforms aimed at further simplifying the business climate and the economic framework conditions. Interventions will be geared towards reducing administrative burdens and procedures that impede business operations in the private sector. To ensure that these reforms take into account the needs of various stakeholders, support will also be provided to business membership organisations that adequately represent the interests of SMEs and of all macro-regions of Ukraine, including the eastern regions.



As a result of Swiss contributions, the following outcomes are planned in the sustainable economic development domain:

Outcome 4.1: The private sector benefits from new trade opportunities, better access to finance and increased business skills.

Outcome 4.2: National authorities improve the regulatory framework for the financial market and financial institutions are enabled to offer a wider range of services to the private sector, in particular to SMEs.

Outcome 4.3: National authorities improve the economic policy and investment framework as a result of an inclusive reform process.

CHF 18 million will be channelled into the sustainable economic development domain between 2015 and 2018.

Humanitarian assistance and protection

In addition to the four domains of cooperation presented above, the humanitarian situation in Ukraine will be closely monitored so that humanitarian action can be rapidly implemented if necessary. Swiss support to international and multilateral organisations will continue according to needs and financial possibilities. In order to complement this support, direct bilateral interventions may be implemented as well, and Swiss expertise from the Swiss Humanitarian Aid Unit (SHA) will be made available through secondments to UN and other institutions. For humanitarian actions a clear geographical focus will be laid on the east of the country. The focus will be on emergency aid, and the ICRC, WFP and UNHCR will be main partners.

Respect for International Humanitarian Law (IHL) and International Human Rights Law (IHRL) in the armed conflict is crucial. Therefore, dialogue with all parties to the conflict about their obligations under international law, demarches and the mainstreaming of protection aspects in humanitarian assistance will be important aspects of Swiss engagement.



6

Programme implementation and management

6.1. Partners

Swiss expertise will be integrated in the programme via implementing partners or consultants. Switzerland will also cooperate with other donors in promoting reforms through policy dialogue, and at the same time, take advantage of its high-level profile in donor coordination mechanisms and its well established non-partisan position, reinforced notably by the 2014 Swiss OSCE Chairmanship, to focus on inclusiveness and cohesion. Switzerland will advocate for strict adherence to humanitarian principles while delivering assistance to the population affected by the armed conflict.

Security will remain a key topic, in particular for the implementation and monitoring of interventions in conflict-affected regions.

Particular attention will be given to the selection of implementing partners. This will allow to properly address the diversity that characterizes the Ukrainian society and to ensure that the Swiss approach of promoting dialogue and peacebuilding is suitably endorsed. The cultural and regional diversity of the workforce of project implementing units and of the Swiss cooperation office (SCO) will be promoted as a means to improve context understanding.

6.2. Aid modalities

Acknowledging the importance of aid effectiveness principles, Switzerland will as far as possible align its interventions with the priorities of the partner country. Switzerland will work at all levels (national, regional and local) and in a variety of ways: contributions to multilateral agencies and multi-donor trust funds, bilateral interventions, support to civil society and the private sector. Other aid modalities could possibly be used. This mix of approaches will help to limit risks linked to the volatile context and to increase the effectiveness of Switzerland's engagement.

6.3. Geographical focus

While parts of the Swiss programme will be implemented countrywide, special attention will be given to conflict-affected areas as well as to areas indirectly affected by the conflict. The decentralisation and health projects in the oblasts of Dnipropetrovsk, Kharkiv and Poltava in eastern and central Ukraine

will be further reinforced. This balancing of specifically targeted interventions for vulnerable persons in the conflict-affected areas with activities in other regions is expected to provide a good political acceptance of Switzerland's presence.

6.4. Transversal topics: gender equality and good governance Integrated approach: conflict sensitive programme management (CSPM)

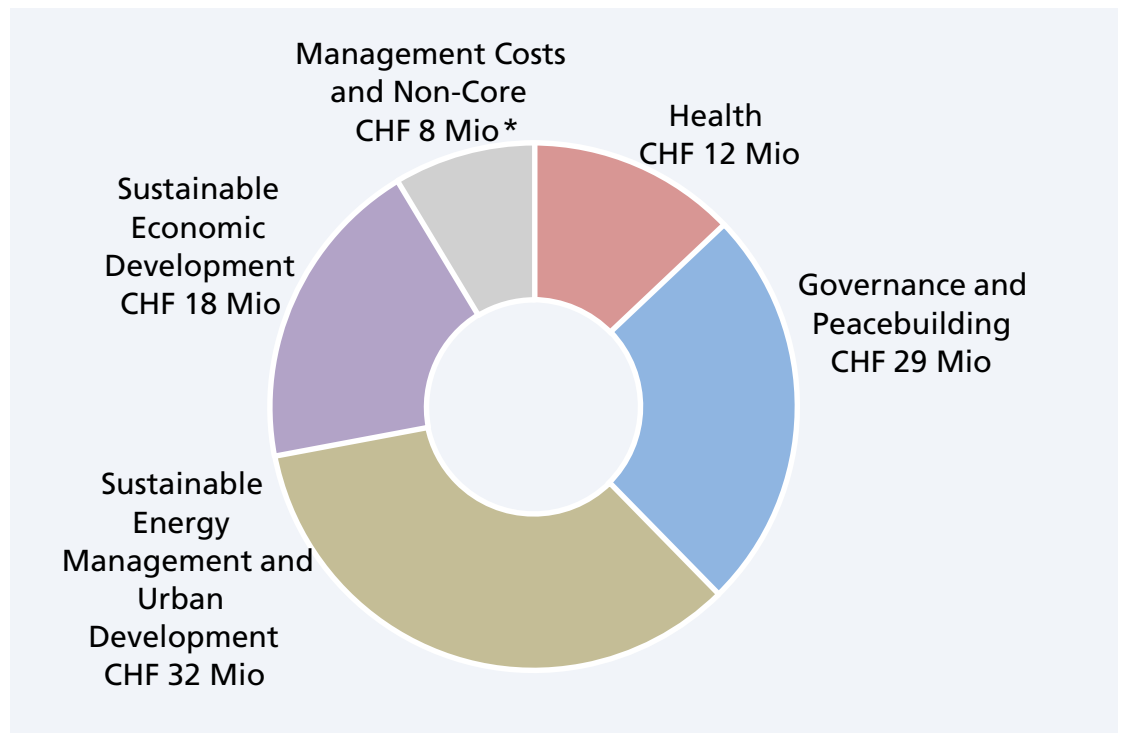
The promotion of **gender equality** and of **good governance** has been central in the past and will continue to be a key component of the new cooperation strategy. Structural gender imbalances will be addressed in the Swiss portfolio. Activities will support for example the access for women to decision-making processes at the local and regional level, or improved chances for women to become entrepreneurs. Moreover, the substantial difference in life expectancy between Ukrainian men and women will be addressed. The armed conflict has a profound impact on gender relations and gender roles; this will have to be taken into account when promoting gender equality in reconciliation and peacebuilding interventions. In the area of good governance, the focus will lie on strengthening accountability and non-discrimination across the different areas of intervention. Activities which support the fighting of corruption, increased transparency and activities that actively tackle patterns of exclusion at the local, regional and national levels will be included in the Swiss programme, with a view to helping to address the root causes of the conflict.

CSPM as an approach will be integrated in the Swiss portfolio and in management practice at all levels (human resources management, relations with partners, policy dialogue, security, and communication). Switzerland wants to promote social and political inclusion and cohesion within society and to ensure that reforms take these dimensions into account. Beyond the implementation of a systematic "Do No Harm" approach, Switzerland will foster dialogue between different segments of the Ukrainian population and actively promote a peace and state-building agenda. Peer exchanges and study visits to different regions of the country will be used as tools to expose partners to the enriching diversity of Ukraine. The identification of common grounds among different groups of society will be key to Swiss-supported development activities.

6.5. Financial and human resources

The overall disbursements for the Swiss cooperation strategy for Ukraine 2011–2014 amounted to about CHF 57 million. The budget for the cooperation strategy for Ukraine 2015–2018 amounts to almost CHF 99 million, which represents an increase of more than 73% (see Annex e for details). This substantial financial increase is explained by the context developments that occurred in Ukraine during 2014, i.e. on the one hand the increased needs caused by the armed conflict and the economic recession, and on the other hand the new opportunities for supporting reforms.

In line with the increase of the programme budget, the current human resources of the cooperation office will be significantly expanded. A human security advisor, an expatriate senior advisor and two new national programme officers will be recruited to steer activities in new domains of intervention (peacebuilding and human security) and in areas that require intensive steering. Human resources in finance and administration will be slightly increased. The director of cooperation bears overall responsibility for the implementation of all domains of intervention of the present cooperation strategy.



* Non-Core encompasses possible interventions outside the four core domains

The cooperation office is in charge of the implementation, monitoring and steering of the Cooperation Strategy. The task is threefold:

- to monitor the progress realised in the achievement of the set objectives and to take appropriate corrective measures in order to guarantee responsiveness to the evolution of the context of the Swiss programme and the efficiency of Swiss cooperation activities;
- to be accountable for the set objectives;
- to capitalise on and promote “lessons learned”.

Strategic steering is based on the following three levels of observation (see a more detailed presentation in Annex c):

Context analysis

The cooperation office has an integrated set of tools for the context analysis at its disposal. Views from different perspectives (experts from different regions, media with different orientations) will be consistently gathered in order to ensure sufficient diversity in the internal analyses. The monitoring system for development-relevant changes (MERV) and the annual report are the basis for context and result monitoring and the joint (SDC, SECO, HSD) reporting and management response. The MERV instrument will help the cooperation office to rapidly adjust its interventions to changes on the ground. Beyond its primary objective of assessing the context, the MERV will also be used as a tool to strengthen conflict-sensitive skills and competences. Depending on the context evolution, in the case that direct monitoring becomes difficult in some parts of the country, the cooperation office might have to partly rely on mandated partners to monitor projects' progress. Efforts to reduce gender gaps will receive due attention in the monitoring and steering of the programme.

Analysis of the cooperation results

The results framework will gather information and data provided by the projects, by national statistics or by specific observations to monitor the different indicators that have been selected. These data constitute the observation basis that will help to compile the annual reports. The analysis of the indicators will also provide indications on the need to adapt or reorient projects. Evaluations of issues related to conflict might be realised in addition, depending on the evolution of the armed conflict and of its consequences.

Portfolio management

The Portfolio management refers to overall management of the Swiss cooperation programme and to all project cycle management processes which influence results. It includes financial aspects (budget allocations, thematic and geographical distribution, disbursements), aid modalities (mandates, contributions, other types of projects) and topics of high relevance for the implementation of the strategy (gender equality, good governance, security issues, CSPM, etc.). SDC will monitor in particular its foreseen stronger focus on conflict-affected areas.



Annex a: Swiss cooperation strategy for Ukraine 2015–2018 at a glance

Synopsis of the Swiss cooperation strategy for Ukraine 2015–2018				
Overall goal				
To promote cohesion, inclusive, democratic governance and sustainable socio-economic development, aiming at a peaceful, equitable and prosperous society				
Domains of intervention				
Governance and peace-building	Health	Sustainable energy management and urban development	Sustainable economic development	Humanitarian aid and non core programme
Domains Goals (Swiss contribution)				
SDC and HSD	SDC	SECO	SECO	SDC
National authorities elaborate and implement decentralisation reforms by including stakeholders from all regions of Ukraine. Men and women of all ages participate in political decision making in selected regions, including in conflict-affected areas, and have better access to public services. Relations between conflicting parties are improved, respect for human rights and international humanitarian law is fostered and inclusiveness in key political processes is strengthened.	National and regional health authorities, including in conflict-affected areas, provide better and equitable access to improved primary health care services, with a focus on disease prevention and health promotion. Men and women of all ages in selected regions, including in conflict-affected areas, adopt healthier lifestyles.	Municipalities provide reliable, sustainable and cost-effective public services through enhanced energy efficiency, the introduction of environmentally friendly technologies and inclusive and sustainable urban development. SMEs / industries and residents get better access to targeted energy efficiency measures and corresponding financial mechanisms. This allows SMEs / industries to operate in a more cost-effective and energy efficient way through resource-efficient and cleaner production, while residents' living conditions are improved.	The private sector benefits from new trade opportunities, better access to finance and increased business skills. National authorities improve the regulatory framework for the financial market, and financial institutions are enabled to offer a wider range of services to the private sector, in particular to SMEs. National authorities improve the economic policy and investment framework as a result of an inclusive reform process.	To be defined based on humanitarian and other needs.
Budget				
CHF 29 million	CHF 12 million	CHF 32 million	CHF 18 million	To be defined
Gender equality and good governance as transversal topics				
Conflict-sensitive programme management (CSPM) as an integrated approach				

Annex b: Results framework

Remark: Baseline and target values will be defined and finalized by the end of 2015.

Domain of intervention 1: Governance and peacebuilding Goal: Inclusive decentralization reforms and peacebuilding initiatives contribute to improved democratic governance, social cohesion and human security.		
(1) Swiss portfolio outcomes	(2) Contribution of Swiss programme	(3) Country development outcomes
Outcome statement 1 National authorities elaborate and implement decentralisation reforms by including stakeholders from all regions of Ukraine. Indicators: 1. Number of communities amalgamated based on broadly agreed principles and criteria (municipal consolidation). 2. % of sub-national governments adequately implementing newly delegated competencies. 3. Number of policy proposals and legal amendments related to decentralisation reforms submitted by Local Governance Associations (LGAs) and other local stakeholders (disaggregated by regions and type of stakeholders) and retained in adopted legislation.	<i>Intermediary results/sequence:</i> 1. Expert and advisory support leads to the development of national legislation, policies and practices based on experience gained in pilot regions/ municipalities, in line with international best practices. 2. Inclusive dialogue platforms, ensuring participation of all regions of Ukraine and all stakeholders of Ukraine society (IDPs, civil society, private sector, political forces, etc.) contribute to the development and implementation of policies related to decentralisation and e-governance reforms. 3. LGAs, with a special focus on female wings and female leaders, are empowered to better advocate for reforms and provide quality services to their members. <i>Assumptions:</i> • National and local stakeholders are able to reach a common understanding and vision of decentralisation and e-governance reforms. • LGAs will play an active role in lobbying for reforms and in building capacity of their members to implement reforms. <i>Risks:</i> • LGAs are marginalised by other actors in the reform process or become excessively politicised. • Representatives from the conflict-affected areas are not able to actively participate in the national reform process towards decentralisation and e-governance.	Outcome statement 1 National authorities elaborate and implement governance reforms (source: Concept of Reform of Local Governance and Administrative and Territorial Organization of Power, paraphrased). Indicators: 1. Relevant* legal amendments and new legislation related to decentralisation are adopted. <i>*Relevance assessed by independent experts (source: Action Plan on Implementation of the Concept of Reform, June 2014).</i> 2. Share of local budgets in the consolidated state budget. <i>(source: Strategy for Reforms 2020)</i> 3. Citizens' acceptance* of the reform process and results. <i>*Acceptance measured based on media reviews and available surveys (source: Monitoring System of the National Reform Council)</i>

Outcome statement 2 Men and women of all ages participate in political decision-making in selected regions, including in conflict-affected areas, and have better access to public services. Indicators: 1. Increased number of people actively involved in local decision-making processes, disaggregated by region and gender. 2. Additional number of people in target regions, including conflict-affected areas, who benefit from improved access to public services. 3. Increased level of satisfaction with the public services provided in targeted regions. 4. Increased number of citizen using e-democracy tools and platforms in targeted regions.	<i>Intermediary results/sequence:</i> 1. Sustainable models of equal participation of women and men in local decision making processes and decentralised service provision are developed and scaled up. 2. The successfully implemented and documented models of equal participation and decentralised service provision are promoted by LGAs and taken up for the improvement of framework conditions at the national level. They are further replicated in non-targeted regions. <i>Assumptions:</i> • Sufficient funds are available for the implementation of projects on decentralised service provision. • Local authorities have the capacities and are willing to improve participation/equal access of women and men to decision making and service provision and to apply good governance principles at the local level. <i>Risks:</i> • The central government is not willing to devolve powers and resources to the local level. • Local authorities in conflict-affected areas are not able to improve participation and public service delivery.	Outcome statement 2 The population has better access to good-quality public services that are provided with increased accountability, transparency and efficiency. <i>(sources: Concept of Reform of Local Governance and Administrative and Territorial Organization of Power, paraphrased; with regard to the response of the government and the international community to the recovery challenges in the conflict-affected areas (all work in progress): Ukraine Recovery and Peacebuilding Assessment (WB, UN, EU).)</i> Indicators: 1. Access to improved public services as defined in the State Strategy on Regional Development till 2020 increases <i>(Action Plan and monitoring indicators are to be approved in 2015).</i> 2. Level of confidence of the population in local authorities increases <i>(source: IFES Annual Public Opinion Surveys in Ukraine).</i> 3. National ranking of Ukraine in the Transparency International Corruption Perception Index improves.
Outcome statement 3 Relations between conflicting parties are improved, respect for human rights and international humanitarian law is fostered and inclusiveness in key* political processes is strengthened. Indicators: 1. Violence is reduced; agreements are concluded between conflicting parties and regular dialogue takes place between key actors. Level of tolerance and respect towards other viewpoints and diverging opinions increase. 2. International human rights and humanitarian law and commitments are respected and cooperation with international bodies is constructive. 3. Key political processes* include all relevant parties and contribute to more cohesive and legitimate institutions. 4. Increased capacity of women to engage in peace processes (UNSC resolution 1325). * Key political processes are understood as processes that contribute to the resolution and transformation of the conflict.	<i>Intermediary results/sequence:</i> 1. Dialogue initiatives at several levels are initiated and contribute to addressing key conflicting and divisive issues. 2. Respect for human rights and international humanitarian law is promoted in conflict-affected areas and violations are addressed by conflicting parties in an impartial way. Multilateral and non-governmental actors actively contribute to this process. 3. Structural causes of division within society are actively addressed by the government and civil society actors. <i>Assumptions:</i> • Conflicting parties are willing to dialogue and to find constructive solutions. • Political actors are willing to strengthen inclusive democratic institutions and processes. • The security situation for the relevant international missions is guaranteed and the international community agrees on the further extension of the missions. • Contacts with "authorities" in areas temporarily not under government control can be established and maintained. <i>Risks:</i> • Increased internal tensions and/or further polarisation on the geopolitical level lead to a deterioration of the conflict. No willingness for inclusivity. • Respect for human rights and international humanitarian law is not considered a priority by conflicting parties and impunity prevails. • The conflict develops into a stage of "no peace, no war" where access to the conflict region, dialogue and integration become increasingly difficult.	Outcome statement 3 A constructive solution to the conflict is found, international human rights standards and international humanitarian law are respected as foreseen in the relevant treaties and conventions, and the basis of a peaceful society is built. <i>(sources: All relevant treaties and conventions ratified by Ukraine, relevant soft law (such as resolutions), ad hoc documents such as for example the Minsk protocols.)</i> Indicators: 1. State of implementation of agreements relevant to the resolution of the conflict. 2. Level and quality of interaction with international human rights bodies and numbers of recommendations implemented. Humanitarian access is unimpeded and humanitarian assistance and protection are granted. 3. Political reforms result in inclusive government and parliament structures. Diverging opinions are better heard and integrated.

(4) Lines of intervention**Outcome 1 (SDC)**

- Conduct policy dialogue and provide advisory support for the national government on inclusive policy development and implementation of reforms based on dialogue.
- Provide technical assistance and expert support for local government associations in strengthening their institutional capacities and advocacy potential at the national level.

Outcome 2 (SDC)

- Provide financial and technical assistance to selected regions and municipalities/villages (including in conflict-affected areas) in the areas of water supply, sanitation, solid-waste management, and e-governance.
- Provide expertise in scaling up and disseminating mechanisms of decentralized service provision that have proven to be effective and transparent.
- Strengthen capacities of local authorities in selected regions (including in conflict-affected areas) in efficient and accountable governance, participatory planning, and quality delivery of public services.
- Build the capacities of civil society organisations and support education on democratic citizenship for young people, both girls and boys.

Outcome 3 (HSD & SDC)

- Contribute to the resolution of the conflict by involving key institutional actors.
- Support local peacebuilding activities and dialogue to address concrete conflicting issues.
- Support human rights and international humanitarian law monitoring in critical areas and contribute to capacity-building and efforts at the international level to guarantee protection of human rights and respect for international humanitarian law.
- Contribute with specific expertise to the implementation of multilateral missions and international monitoring mechanisms with a focus on OSCE activities.
- Initiate activities that address structural and root causes of the conflict.

(5) Resources, partnerships

Budget: CHF 18 million (SDC) + CHF 11 million (HSD)

- **SDC's** main implementing partners are the Council of Europe, UNDP, the Zurich University of Teacher Education, Skat, InnovaBridge Foundation and others.
- Counterparts of SDC are the Cabinet of Ministers; the Presidential Administration; the Ministry of Regional Development, Construction and Municipal Economy; the Parliamentary Committee on State Building and Local Self-Government; the National Academy of Public Administration; Local Government Associations; and sub-national authorities.
- Donor coordination takes place mainly within the Technical Working Group on Local Governance and Regional Development, where Switzerland is a co-lead donor together with the EU and Sweden.
- **HSD** mainly cooperates with the national government of Ukraine and other key stakeholders in the conflict, and with local and international non-governmental organisations and international governmental organisations such as the OSCE, the Office of the High Commissioner for Human Rights, and the Council of Europe.

Domain of intervention 2: Health Goal: The health status of the population in target regions, including in conflict-affected areas, improves.		
(1) Swiss portfolio outcomes	(2) Contribution of Swiss programme	(3) Country development outcomes ⁸
Outcome statement 1 National and regional health authorities, including in conflict-affected areas, provide a better and equitable access to improved primary health care services, with a focus on disease prevention and health promotion. Indicators: 1. WHO “best buys”⁹ are implemented. 2. % of primary health care workforce, school nurses and “health educators” enforcing new protocols, approaches and techniques for control and prevention of NCDs and for other diseases tackled at the primary health care level, including conflict related diseases. 3. % of people using primary health care services, including mental health care, in targeted regions (general population and socially vulnerable groups).	<i>Intermediary results/sequence:</i> 1. Switzerland will actively contribute to the policy dialogue aimed at supporting the Government of Ukraine (GoU) in its reform efforts and at strengthening the performance of the health care system, advocating for good governance principles (equitable access to primary health care services and transparency). 2. Swiss interventions aim at improving the quality and effectiveness of care by improving the referral system and by training or re-training family doctors, nurses and other key staff working at the primary level, including health care management staff. 3. Increased access and improved quality of health promotion and diseases prevention services is expected to decrease the risk of premature mortality and morbidity from NCDs. 4. Equitable access ensures that the specific needs of the most vulnerable members of the population, including IDPs (the majority of whom are women, women with children and elderly people) and other persons affected by the conflict, are taken into account without causing harm within communities. <i>Assumptions:</i> • The GoU is committed to implementing the health care reform. The MoH is willing to improve good governance in the health sector. • Ukraine adopts measures to strengthen the primary health care level, to improve working conditions and to promote the role of family doctors and nurses. • The GoU takes responsibility for ensuring appropriate institutional, legal, financial and service arrangements in order to achieve policy objectives – including in the implementation of the 2015–2025 National Health Concept, the National Action Plan on NCDs and other legislative acts aimed at reducing NCDs and related risk behaviours. <i>Risks:</i> The health care reform agenda is delayed or stopped due to the lack of MoH leadership, limited financial resources, or people's opposition to reforms.	Outcome statement 1 Health authorities strengthen the public health care system, diseases prevention and health promotion; enhance the quality and effectiveness of medical care; promote family medicine and strengthen the role of family doctors; implement an effective organisational, legal and financial framework; strengthen social justice and protection of citizens' right to health. <i>Source: 2015–2020 National Health Concept (paraphrased).</i> <i>Indicators:</i> 1. Health authorities introduce a coherent health regulatory framework and develop and implement new health strategies, programmes, action plans, monitoring and evaluation systems. 2. Health authorities introduce an integrated package of essential primary health care services responding to the specific health care needs of women and men of all age groups and make it accessible to all citizens. 3. Primary health care financing, including financing of health promotion and communication, increases to 30% of overall public health expenditures. 4. % of hospital admissions is reduced by 20%. 5. Proportion of family doctors increases to 40% of the overall number of doctors. <i>(sources: National Action Plan for Health 2020 for indicators 1 & 2; 2015–2020 National Health Concept for indicators 3, 4 & 5).</i>

⁸ Based on the National Health Concept “New health care system development”.
See http://www.moz.gov.ua/ua/portal/Pro_20140527_0.html

⁹ Raised taxes on tobacco and alcohol, enforced bans on tobacco and alcohol advertisement, reduced salt and fat intake in food, promoted healthy diet and physical activity, promoted cervical cancer screening and treatment. See http://www.who.int/nmh/publications/who_bestbuys_to_prevent_ncds.pdf

Outcome statement 2 Men and women of all ages in selected regions, including in conflict-affected areas, adopt healthier lifestyles. Indicators for the targeted regions (<i>quantitative targets have to be revised</i>)¹⁰: 1. At least a 10% relative reduction in the harmful use of alcohol and a 30% relative reduction in the prevalence of tobacco use in persons aged 15+ years. 2. A 25% relative reduction in the prevalence of raised blood pressure and a halt in the rise in diabetes and obesity. 3. Targets related to progresses in the reduction of conflict related diseases (to be defined).	<i>Intermediary results/sequence:</i> Swiss activities will be geared towards empowering individuals, including IDPs and other conflict-affected people, and communities to take more responsibility for their own health, by particular adopting healthier lifestyles, preventing NCDs (in particular cardio-vascular diseases) and conflict-related diseases. <i>Assumptions:</i> • Better informed and aware patients will increasingly demand a better quality of primary health care services. <i>Risks:</i> • Disease prevention and health promotion are neglected and underfinanced by the GoU. • The tobacco, alcohol and fat-containing food lobbies negatively interfere in the plans of the MoH.	Outcome statement 2 Men and women of all ages become increasingly responsible for their own health; a supportive environment for the prevention of NCDs and the promotion of healthy lifestyles is created and supported by the GoU. (source: National Action Plan Health 2020) <i>Indicators (nationwide, targets to be achieved by 2020):</i> 1. A 25% relative reduction in risk of premature mortality from cardiovascular diseases, cancer, diabetes or chronic respiratory diseases. 2. At least a 10% relative reduction in the harmful use of alcohol. 3. A 18.5% relative reduction in prevalence of tobacco use in persons aged 15+ years. 4. Constantly increased population awareness on NCD's risk factors. 5. A 25% relative reduction in the prevalence of raised blood pressure. 6. Increased life expectancy at birth of 3 years. (sources: National Action Plan Health 2020 for indicators 1–5 and Strategy for Sustainable Development 2020 for indicator 6)
(4) Lines of interventions (SDC) Outcome 1 • Contribute to capacity building of the MoH and related institutions in strategic planning, management, monitoring, evaluation and communication. • Promote transparency and accountability and fight against corruption in selected areas or processes within the health sector. • Influence health policy and health reforms. • Strengthen cross-sectorial and multi-stakeholder coordination in the health sector. • Support the capacity development and increase the efficiency and effectiveness of the primary health care system. • Develop a package of essential health care services with a focus on non-communicable diseases to be provided at the primary health care level and improve the referral system with specialised care. • Increase family doctors' and nurses' skills and involvement in diseases prevention and health promotion at the community level (including in conflict-affected areas). • Support the introduction of the WHO's "best buys". • Increase the skills and capacities of health care management staff through equal and gender-balanced access to know-how resources. Outcome 2 • Build capacities of civil society organisations active in health promotion and disease prevention, including organisations addressing gender-specific health risks/disease prevention. • Support innovative and effective gender-responsive awareness-raising and behavioural change campaigns on NCD prevention, reduction of related risk factors, and adoption of healthy lifestyles. • Empower and strengthen the capacities of local communities and their members to take responsibility for health promotion and disease prevention.		
(5) Resources, partnership Budget: CHF 12 million (SDC) • Main implementing partners are the WHO and UNICEF (these organisations can provide an added value in the areas of policy dialogue and communication with the Government of Ukraine), Swiss NGOs and experts active in the area of health promotion and disease prevention, local non-governmental organisations with proven capacities for effective projects implementation. Swiss expertise is actively promoted. • Main national counterparts are the Ministry of Health, Ministry of Education and Sciences, Ministry of Social Policy, Ministry of Family, Youth and Sport. • In order to ensure harmonisation and alignment of project activities, the Ministry of Health is invited to chair or co-chair the steering committees. • Close coordination with other active donors in the health sector (WB, USAID and others) is ensured and synergies with other SDC domains are strengthened.		

¹⁰ WHO Voluntary Global Targets from the Global Action Plan for the Prevention and control of NCDs 2013-2020, <http://www.who.int/nmh/ncd-tools/definition-targets/en>.

Domain of intervention 3: Sustainable energy management and urban development

Goal: Enhanced energy efficiency and sustainable urban development contribute to better living conditions and energy independence.

(1) Swiss portfolio outcomes	(2) Contribution of Swiss programme	(3) Country development outcomes
Outcome statement 1 Municipalities provide reliable, sustainable and cost-effective public services through enhanced energy efficiency, the introduction of environmentally friendly technologies and inclusive and sustainable urban development. Indicators: 1. Total value of investments attracted to European Energy Award (EEA) certified cities and cities with sustainable urban development. 2. Increased level of people's satisfaction through participation in planning processes of sustainable urban development in their cities. 3. Greenhouse Gas (GHG) emissions avoided through upgraded municipal infrastructure. Outcome statement 2 SMEs/industries and residents get better access to targeted energy-efficiency measures and corresponding financial mechanisms. This allows SMEs / industries to operate in a more cost-effective and energy efficient way through resource-efficient and cleaner production (RECP), while residents' living conditions are improved. Indicators: 1. Total number, financial volume and geographical distribution of energy-efficiency loans disbursed by financial institutions in the macro-regions of Ukraine. 2. GHG emissions avoided thanks to Swiss interventions in the residential and industrial sectors. 3. Number of target enterprises applying RECP in the macro-regions of Ukraine.	<i>Intermediate results/sequence:</i> Two Swiss portfolio outcomes jointly contribute to country development outcomes as follows: 1. Contributions to the reduction of energy intensity, consumption and imports [country development indicators 1 and 2] are ensured through: a. Functioning of Resource-Efficient and Cleaner Production centre (through facilitation of investments into RECP and training of national experts in RECP). b. Upgrade of heating infrastructures in municipalities. c. Piloted European Energy Award (EEA) certification, its nationwide promotion and an established EEA best practices network. d. Legislation development facilitated through Swiss-funded projects (RECP centre and residential energy efficiency) that improves access to finance for investments in energy efficiency renovations and contributes to green economy [also contributes to the country development indicator 3]. e. Expanded geographical coverage of Swiss funded projects. 2. Contribution to the increase of the share of renewable energies [country development indicator 3] is achieved through disbursement of targeted loans to SMEs as well as introduction of renewable energy components in municipal infrastructure projects. 3. Contribution to the gradual energy tariffs increase [country development indicators 4 and 5] is ensured through comprehensive corporate development support to public utilities. 4. Contribution to the comprehensive spatial planning of cities [country development indicator 6] is ensured through: a. Provision of sustainable urban development with inclusion of different stakeholders and special attention to non-discriminatory processes in the planning (e.g. gender-balanced, inclusion of minorities and IDPs). b. EEA promotion and certification of Ukrainian cities. <i>Assumptions</i> The tariffs for energy will further increase until the full cost-coverage level is achieved. <i>Risks</i> • Rising of utility/energy tariffs can be delayed for political and economic reasons, lowering the cost-benefit ratio of energy efficiency investments. • Corruption and bureaucratic hurdles could delay the implementation of interventions. • The demand for energy efficiency measures from the population and the industry is weak, owing to the financial/economic crisis.	Outcome statement Increased energy efficiency and improved urban infrastructure lead to better living conditions, sustainable economic development, and reduced greenhouse gas emissions. Indicators: 1. Energy intensity of 0.27 ktoe/1 USD GDP by 2020 (source: Draft Energy Strategy of Ukraine 2035) 2. Energy consumption is reduced by 9% by 2020 thanks to energy saving and energy efficiency measures (source: Draft National Action Plan in Energy Efficiency until 2020). 3. The share of renewable energy in the energy balance of Ukraine reaches 11% by 2020 (source: Cabinet of Ministers' Resolution no. 902-r from 1 October, 2014 on National Action Plan in Renewable Energy until 2020). 4. Energy tariffs for residential and industrial consumers are brought to full cost coverage level by 2017 (source: Cabinet of Ministers' Resolution no. 81 from March 25, 2014; National Energy and Communal Services Regulatory Commission). 5. The difference between the old and new increased tariffs is compensated to the poorest (source: Cabinet of Ministers' Resolution no. 83 from April 5, 2014). 6. A comprehensive spatial planning of regions (broad infrastructure development, social and economic integration of territories) is introduced in Ukraine (source: National Strategy of Regional Development until 2020).

(4) Lines of intervention (SECO)

- Support Ukrainian commercial banks in developing and marketing financially viable energy-efficient loan products targeted at homeowners' associations and SMEs/industry.
- Work with national authorities in developing/amending legislation in residential energy efficiency, providing access to finance to improve energy efficiency, as well as in developing a strategy for green economy.
- Raise awareness on energy efficiency and renewable energy for three target groups (citizens, companies and authorities) to increase living standards, promote economic development and provide a response to climate change.
- Facilitate energy efficiency and renewable energy use through investments in municipal infrastructure and promotion of EEA, thereby providing showcases for replication in other cities.
- Develop RECP in order to introduce energy-efficient technologies in the business sector, improve productivity and environmental compliance.
- Introduce sustainable urban development to increase the competitiveness of cities and their attractiveness for investments, to make them more comfortable for living and conducting business, and contribute to the reduction of greenhouse gas emissions.

(5) Resources, partnerships

Budget: CHF 32 million (SECO)

- The main implementing partners are the International Finance Corporation (IFC), the United Nations Industrial Development Organization (UNIDO), Swiss implementing organisations, the German-Ukrainian Fund, like-minded international donors such as the World Bank, EBRD or the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and local NGOs.
- The Ministry of Regional Development, Construction and Municipal Economy, Housing, and Communal Services and the Ministry of Economic Development and Trade, as well as targeted municipalities, are invited to participate in project steering committees in order to ensure harmonisation and alignment.
- Close coordination with other donors and synergies with other SDC/SECO domains are ensured.

Domain of intervention 4: Sustainable economic development

Goal: The economy and in particular small and medium enterprises (SMEs) grow sustainably, and their role in the Ukrainian economy increases.

(1) Swiss portfolio outcomes	(2) Contribution of Swiss programme	(3) Country development outcomes
Outcome statement 1 The private sector benefits from new trade opportunities, better access to finance and increased business skills. Indicators: 1. Number of SMEs, broken down by region, reporting improved performance (e.g. increased sales, improvements in loan terms, lower cost of capital) through non-financial services and new lending opportunities received from banks. 2. Number of entrepreneurs who improved their skills (broken down by gender and regions). 3. Increased sales volumes of certified organic products on the internal market. 4. Increased number of producers that meet international food safety standards. 5. Increased number of members of business membership organisations (BMOs).	<i>Intermediate results/sequence:</i> 1. SMEs' improved access to both non-financial services and new lending opportunities will lead to their stronger role in the country's economy. 2. Development of organic SMEs and support of competitive organic certification services contribute to sustainable growth in the agricultural sector. 3. Introduction of sanitary and phytosanitary risk management systems improves the food quality and safety compliances of SMEs and therefore enhances their export chances. 4. Increased capacity of BMOs in providing services to their member SMEs contributes to strengthening SMEs. 5. The sustainability of BMOs is increasing through extension of their membership and proportion of SMEs' own contribution into BMOs' budgets. 6. Professional skills are enhanced through updated and market oriented continuous training and vocational education. <i>Assumptions:</i> SME support policy is developed and implemented by the government as a part of the reform process and of the response to the recovery challenges of regions affected by the conflict. <i>Risks:</i> Lack of macroeconomic stability in the country negatively influences SMEs.	Outcome statement 1 The competitiveness and market opportunities of private companies and SMEs are improved, and employment is enhanced. Indicators (source: <i>Strategy for Sustainable Development 2020 and Strategy of Agricultural Sector Development 2020</i>): 1. Increased share of SMEs production in Ukrainian GDP. 2. The agricultural production increases by 1.3 times by 2020. 3. The export of agricultural products increases by 3–4% per year. 4. The unemployment rate by macro-regions of Ukraine decreases.

Outcome statement 2 National authorities improve the regulatory framework of the financial market and financial institutions are enabled to offer a wider range of services to the private sector, in particular to SMEs. Indicators: 1. Number of banks that introduce SME lending. 2. Lending volume of innovative financial mechanisms that is introduced by banks for the private sector (e.g. crop receipts). 3. Risk management practices in the financial sector are improved. 4. Number of newly introduced measures aimed at improving regulation and supervision of the financial market.	<i>Intermediate results/sequence:</i> 1. New banks entering the SME lending market and new financial products introduced as part of Swiss activities lead to increased SME lending. 2. Improved risk management systems in financial institutions, improved financial market regulation and supervision and a stronger central bank lead to a more stable financial system. <i>Assumptions:</i> New lending products are developed with favorable conditions for the private sector; this leads to an increased lending volume. <i>Risks:</i> The fragility of the financial system increases and financial institutions cease to focus on new lending opportunities or on introduction of new products and practices.	Outcome statement 2 The financial system becomes more resilient and better able to support the growth of the economy. <i>Indicators (sources: Strategy for Sustainable Development 2020, Strategy of the National Bank of Ukraine):</i> 1. Level of non-performing loans in the financial sector decreases. 2. Lending volumes provided by financial institutions to private companies increase.
Outcome statement 3 National authorities improve the economic policy and investment framework as a result of an inclusive reform process. Indicators: 1. Value of aggregated private sector savings resulting from reduced administrative burden. 2. Number and type of impeding procedures eliminated. 3. Number and relevance* of recommendations of BMOs representing different macro-regions of Ukraine which are actively incorporated in the reform process. <i>*Relevance measured qualitatively according to the scale high/medium/low</i>	<i>Intermediate results/sequence:</i> 1. Reduction in licences, permits and taxes leads to an improvement of the investment climate for SMEs. 2. Harmonisation of Ukraine's legislation with the EU leads to improved competitiveness and increased trade. 3. Regions are supported in the development of their economic and trade relations taking into account opportunities in all main export markets. 4. Fostering dialogue between the government and the private sector ensures that the benefits of reforms are fairly spread among all macro-regions of the country, and that concerns related to the impact of the conflict in the country (with special attention to the east and the south) are taken into account. <i>Assumptions:</i> Regulatory improvements are translated into improvements in the private sector's day-to-day business. <i>Risks:</i> • Government approves regulatory reforms, but fails to implement them owing to lack of enforcement capacity. • Dialogue between government and the private sector is not productive due to unwillingness to engage in an open dialogue, strong vested interests, etc.	Outcome statement 3 New market and investment opportunities for businesses are created as a result of significant regulatory reforms. <i>Indicators (sources: Strategy for Sustainable Development 2020, World Bank Ease of Doing Business report):</i> 1. Ukraine's ranking in the World Bank Ease of Doing Business index improves by at least 66 positions by 2020 (Ukraine is in the top 30 countries by 2020). 2. Foreign direct investments increase by USD 40 billion in the period 2015-20. 3. Financial volume of exports increases in each macro-region of Ukraine.
(4) Lines of interventions (SECO) • Support provided to agrarian SMEs in facilitating access to international markets (food quality standards and private voluntary sustainability standards, support of organic agriculture, provision of matchmaking services). • Strengthening entrepreneurs and SMEs via better services of BMOs, new business / entrepreneurship skills, SME involvement into policy dialogue. • Business enabling environment and policy support: support in improving economic policy and investment climate (reduction of licenses and permits, improvement of the competition policy). • Financial system: support provided to financial institutions and the National Bank of Ukraine in strengthening financial stability, improving financial and non-financial services to SMEs and introducing innovative financial mechanisms (e.g. crop receipts); improvement of the regulations in the financial sector.		
Resources, partnerships Budget: CHF 18 million (SECO) • The main implementing partners are: the International Finance Corporation (IFC), the Research Institute for Organic Agriculture (FiBL), the United Nations Development Programme (UNDP), IMF/WB, and Swiss/local NGOs. • The main national counterparts are the Ministry of Agrarian Policy and Food, the Ministry of Economic Development and Trade, the National Bank of Ukraine. The national counterparts are invited to chair or participate in projects' steering committees in order to ensure harmonisation and alignment. Close coordination with other donors is ensured.		

Management performance results: policy contribution for peace and conflict sensitive programme implementation	
Outcomes	Indicators
Switzerland engages in policy dialogue to promote inclusiveness and dialogue platforms (aid for peace)	• Number of policy dialogues in which Switzerland promotes peace-building and reform processes that are designed in an inclusive way. Inclusion refers to social and political inclusion, and in particular to the participation of relevant actors that might fuel the conflict or hinder reforms. • Increase in geographical balance of the Swiss portfolio to include activities in eastern and southern regions affected by the conflict (including areas controlled by armed groups) and in areas with high density of IDPs¹¹. • Monitoring of the yearly budget increase in the geographical focus areas (for SDC interventions). • Relevance of workforce diversity is reflected with other donors. • Switzerland advocates for increased engagement of women in peace processes (UNSC resolution 1325), and has identified and engaged in new initiatives.
Switzerland manages its programmes in a conflict sensitive manner (CSPM)	• Peer exchanges on best practices and experiences from different regions are fostered in all domains of cooperation. • Workforce diversity is increased in the Swiss cooperation office as well as within partner organisations. A plurality of views is regularly gathered by the office during “moments forts” (e.g. compilation of MERV reports). • MERV reports will focus on assessing conflict dynamics and progress on reforms. Scenarios are reviewed in the annual report. • Partner organisations subscribe to a code of conduct aimed at strengthening “connectors” and weakening “dividers”. The code of conduct will be promoted among like-minded donors (if any, and if the geopolitical tensions decrease sufficiently for a shared conflict analysis). • The local security plan of the cooperation office is regularly updated and enforced.
Lines of interventions • Increased policy dialogue and advocacy on social and political inclusion and participation in reform processes. • Promotion of peer exchanges among different regions of Ukraine. • Conflict-sensitive context analysis in all domains of intervention. • Capacity building on CSPM for the staff of the SCO and partner organisations. • Affirmative action (for example internships) to diversify SCO local staff.	
Resources, partnerships • These outcomes will be achieved with the available human and financial resources (management and non-core budget).	

¹¹ SECO with its two domains (sustainable energy management and urban development and sustainable economic development) does not envisage to be active in conflict-affected areas.

Annex c: Monitoring system

Objectives and principles

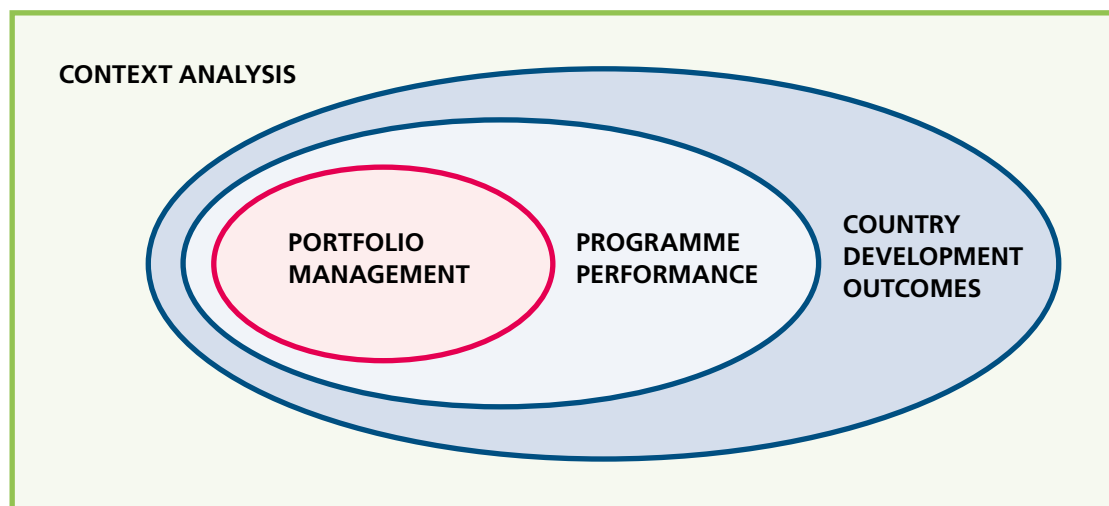
The implementation, monitoring and steering of this cooperation strategy is the responsibility of the Swiss Cooperation Office. The monitoring of the strategy has a twofold objective:

To monitor the progress towards the set targets, to verify the hypotheses of change and to provide the basis for steering the programme; it is therefore primarily a management tool which helps to optimise the pertinence and effectiveness of the cooperation strategy.

To collect the necessary information for the drafting of reports on the results achieved, and on the same time to capitalise on 'lessons learned' and value them in the political dialogue (mutual learning among the involved actors).

Fields of observation

The monitoring system takes into account three fields of observation:



- Context: monitoring consists in i) following the evolution and reporting on the pertinent political, economic, social, security, and environmental changes at country level; ii) evaluating the consequences of these changes on the programmes; and iii) identifying corrective measures to be taken.
- Development programme (Swiss contribution and country level):
 - Country level: monitoring consists in verifying if i) the partner country is progressing towards the objectives that have been set in the various sectors of the cooperation strategy; ii) the set objectives remain accurate or if they need to be revised; iii) the results of the Swiss portfolio and the country results are evolving in a coherent manner (the first being able to influence the second in a significant manner).
 - Swiss cooperation programme: monitoring consists in verifying if i) the portfolio is evolving according to the fixed objectives; ii) if the foreseen contributions to the partner country's objectives remain valid or if they need to be revised.
- Portfolio management: reference is made to the Programme Cycle Management processes which exert a direct influence on the results achieved. This monitoring consists in verifying if the portfolio management is in line with the principles advocated in the cooperation strategy and with those defined by SDC, SECO and HSD.

Main instruments

Dimension	Monitoring area	Instrument	Periodicity
Country context	Overall country context for the Swiss cooperation strategy	MERV	Quarterly: March, June, September, December
Development results	Swiss programme outcomes Country development outcomes Transversal themes: good governance, gender equality CSPM approach	Monitoring of the cooperation strategy	Annually: September – October
		Annual report, annual programme and its mid-term review	Annually: October – November, reviewed in May – June
		Rolling operational planning	Monthly
		CSPM action plan	Annually: January
Portfolio management	SCO efficiency and compliance SCO security	Internal control system compliance report	Annually: June
		Office management report	Annually: September
		External audit report	Annually: May
		Regular updates of the local security plan	Bi-annually in February and July, or according to needs

In the first half of 2015, a monitoring concept will be developed which will be followed systematically and formalised. It should contain:

- a matrix presenting all the indicators of the results framework and those defined for the programme implementation;
- key elements of the portfolio management which should cover the financial aspects (budget allocations, thematic and geographical distribution, allocations, disbursements), aid modalities (direct projects, mandates, contribution) and the global objectives in the implementation of the strategy (gender equality, good governance, security issues, CSPM, etc.).

The monitoring concept of the cooperation strategy will be based on the “moments forts” (mid-year review, annual report).

An annual report will be drafted and submitted to the SDC, SECO and HSD’s head offices to inform on the trends and progress made in the three fields of observation (context, development programme, portfolio management). This report concentrates on the indicators defined in the strategy (results framework) and summarizes succinctly the development of the context and the portfolio management.

Half way through the strategy (end of 2016), a peer review will be carried out, involving Ukrainian partners. Based on the results of this review, the results framework will be adapted if necessary. First indications will also feed into the next cooperation strategy. In the second semester of 2017, a full external review of the strategy will evaluate the outcomes achieved and will produce recommendations for the next strategic programming period.

Annex d: Adaptation of programme to scenarios

The following scenarios are used:

1. Best case scenario – political solution / reforms:

- A political solution of the conflict is found and lasting peace established;
- The areas referred to as the Donetsk People's Republic and the Luhansk People's Republic are reintegrated into Ukraine, and obtain greater autonomy;
- A new "country compact" is established;
- Reforms implemented are widely supported by society;
- Relations with the Russian Federation are normalised in both the political and economic spheres.

2. Base case scenario – protracted and frozen conflict / slow and stagnating reforms:

- Military / armed action is stopped or continues at a low level of intensity;
- The conflict becomes "frozen", the so-called Donetsk resp. Luhansk People's Republic continue to exist as separate entities;
- The root causes of the conflict are not eliminated and cleavages persist within Ukrainian society;
- Reforms are implemented partially and strong opposition persists in certain segments of the society;
- The relations with the Russian Federation further deteriorate, both in the political and economic field.

3. Worst case scenario – open conflict / little to no reforms:

- The armed conflict with the areas referred to as the Donetsk People's Republic and the Luhansk People's Republic escalates;
- Polarisation within Ukrainian society increases;
- Resources of Ukraine are largely absorbed by the conflict, the economy enters into a longer recession;
- Reforms are implemented slowly, if at all;
- Relations with the Russian Federation are broken, international relations deteriorate linked to the conflict in and around Ukraine.

The Swiss programme will adapt as follows to the different scenarios:

	Best case scenario: political solution / reforms	Base case scenario: protracted and frozen conflict / slow and stagnating reforms	Worst case scenario: open conflict / little to no reforms
Geographical focus	Balanced geographical coverage in the four macro-regions of Ukraine. At the beginning of the strategy period, temporary and specific focus on the regions affected by the conflict, and locations with high numbers of IDPs present – in particular in the domains of governance and peace-building and health.	Balanced geographical coverage in the four macro-regions of Ukraine, complemented by specific interventions in the eastern and southern regions affected by the conflict, including if possible areas under the control of the armed groups, and locations with high numbers of IDPs present.	<i>Either:</i> No activities are possible in the conflict areas. <i>Or:</i> Focus on regions impacted by the conflict and where it is possible to work, and on locations with high numbers of IDPs present or strong dividers within communities.
Swiss presence and focus, SCO management	Development perspective central in the Swiss portfolio. Recovery and reconciliation issues part of regular projects and policy dialogue. No humanitarian interventions. Conflict-sensitive Programme management (CSPM) “light” with SCO team and implementing partners in all domains.	Enlargement of the Swiss portfolio to peacebuilding activities – and humanitarian assistance and protection in case of necessity. Recovery and reconciliation efforts progressively integrated into the development portfolio and policy dialogue. Joint approach with new actors: HSD, SDC conflict and human rights network, and humanitarian aid. CSPM “in depth” with SCO team and implementing partners in all domains – fostering dialogue as a constant at all levels, conflict sensitivity as an important criterion for the selection of partners.	Humanitarian assistance, recovery and peacebuilding central to Swiss portfolio. Stronger presence of HSD and Swiss Humanitarian Aid. Upgrade of the security system of the SCO and the implementing partners. CSPM “in depth” and regular security checks with SCO team and implementing partners in all domains, strict selection of partners based on their conflict sensitivity.
Policy dialogue, donor coordination and aid modalities	Alignment to government’s reforms, high emphasis on policy dialogue. Strong alliances/ coordination with other donors to increase effectiveness and efficiency of aid, as the environment is conducive to coordination. Mix of partners and aid modalities, with a strong focus at the national level – while still keeping a regional and local presence, which is one of the added values of Switzerland. Extension of pool funding mechanisms.	Case by case alignment to government’s reforms and policies, active participation in policy dialogue. Cooperation with like-minded donors in particular in promoting reforms, but keeping an independent position on issues related to inclusion and cohesion in order to maintain impartiality. Interventions at all levels (macro, meso and micro). Mix of intervention modalities and partners (contribution to multilateral agencies, multi-donor trust funds, bilateral interventions). With regard to bilateral interventions, a strong presence of Swiss implementing partners is envisaged, in particular in those fields where a conflict-sensitive approach that reflects the specific Swiss position is required. Co-funding mechanisms as approach to promote community responsibility and cohesion.	Limited alignment, and support to interventions which seek to overcome the risk of increased polarisation of Ukrainian society. Coordination with other donors on “Do-No-Harm” practices and on successful peace promotion experiences in view of consistent messages for policy dialogue, mostly at regional and local level. Bilateral projects, mostly with Swiss and international partners – and local partners, as far as the polarised situation allows. In terms of peacebuilding, dialogue will be sought with key actors. Focus on regional and local level and on “niche” activities.

	Best case scenario: political solution / reforms	Base case scenario: protracted and frozen conflict / slow and stagnating reforms	Worst case scenario: open conflict / little to no reforms
Per domain	Changes if compared to base case scenario	Outcomes as in the Results Frame- works	Changes if compared to base case scenario
Governance and peacebuilding	Stronger support to national institutions in charge of reforms (e.g. National Council for Reforms). Budget support for municipalities as an option if there is fiscal decentralisation. Support given to partners promoting greater cohesion and rooted in the east and south of Ukraine.	1. National authorities elaborate and implement effective decentralisation reforms by including stakeholders from all regions of Ukraine. 2. Men and women of all ages participate in political decision making in selected regions, including in conflict-affected areas, and have better access to public services. 3. Relations between conflicting parties are improved, respect for human rights and international humanitarian law is fostered and inclusiveness in key political processes is strengthened.	Focus on local and regional partners promoting peace and reconciliation (local authorities, civil society), support innovative initiatives at the local level. Reorientation of resources to awareness raising (sensitization of population on importance of inclusive decentralisation processes). Coordinated dialogue with the government at national level to endorse and implement decentralisation. Increased support to local governments in dealing with the consequences of the open conflict (public services delivery, infrastructure rehabilitation, dealing with IDPs and community cohesion).
Health	Policy dialogue strengthened, in particular if stability in the MoH is maintained and health becomes a priority on the political agenda. Alliances with other donors on sensitive reforms (anti-corruption, good governance, transparent procurement in the health sector). Pooling mechanisms as an option.	1. National and regional health authorities, including in conflict-affected areas, provide a better and equitable access to improved primary health care services, with a focus on disease prevention and health promotion. 2. Men and women of all ages in selected regions, including in conflict-affected areas, adopt healthier lifestyles.	Limited investment in policy dialogue. Focus on project implementation in primary health care with special attention to inclusiveness. Specific measures for IDPs, especially in reproductive and mother and child health within a framework which ensures access to services for vulnerable people at community level. More NGOs as implementing partners.
Sustainable Energy Management and Urban Development	Stronger focus at national level on facilitating the reform process and moving to a more competitive and less regulated market for energy suppliers, and to a more investor-friendly environment, as well as conducting awareness-raising campaigns for consumers. Special attention to dialogue on tariffs, mainly at subnational level, and to social tensions that may emerge with reforms. Support to subnational (regional, municipal) level, including to associations and SMEs to show how a better policy environment influences real outcomes. Use of new aid modalities (pool-funding).	1. Municipalities provide reliable, sustainable and cost-effective public services through enhanced energy efficiency, the introduction of environmentally friendly technologies and inclusive and sustainable urban development. 2. Small and medium enterprises (SMEs) / industries as well as residents get better access to targeted energy efficiency measures and corresponding financial mechanisms. This allows SMEs / industries to operate in a more cost-effective and energy efficient way through resource-efficient and cleaner production (RECP), while residents' living conditions are improved.	Main focus on subnational level, as well as work with associations and SMEs. Policy dialogue brought to national level through subnational activities (including dialogue with several stakeholders' groups such as SMEs, BMOS, civil society organisations, etc.). Priority given to bilateral and co-financed projects (no pool funding).

	Best case scenario: political solution / reforms	Base case scenario: protracted and frozen conflict / slow and stagnating reforms	Worst case scenario: open conflict / liitle to no reforms
Sustainable Economic Development	Increased cooperation with the central government and with other donors, e.g. the EU. New projects aimed at reducing the negative impact of reforms on vulnerable people, supporting both EU and Russian trade-orientations and contributing to recovery efforts, especially in conflict-affected regions. New areas of activity to be explored, e.g. trade logistics.	1. The private sector benefits from new trade opportunities, better access to finance and increased business skills. 2. National authorities improve the regulatory framework for the financial market, and financial institutions are enabled to offer a wider range of services to the private sector, in particular to SMEs. 3. National authorities improve the economic policy and investment framework as a result of an inclusive reform process.	Focus on private actors. Limited activities in the areas of economic policy and support to reforms.

Annex e: Financial planning of Swiss contributions

Total planned disbursements 2015–2018* in CHF million (incl. disbursements committed before 2015)						
Actor / Source of funds	Domain	2015	2016	2017	2018	Total
SDC – Cooperation with Eastern Europe	Governance and peacebuilding	3.3	4.4	5.0	5.3	18.0
HSD	Governance and peacebuilding	2.0**	5.0	2.0	2.0	11.0
SDC – Cooperation with Eastern Europe	Health	2.1	2.9	3.3	3.5	11.8
Sub-Total SDC and HSD		7.4	12.3	10.3	10.8	40.8
SECO	Sustainable energy management and urban development	8.0	8.0	8.0	8.0	32.0
SECO	Sustainable economic development	4.5	4.5	4.5	4.5	18.0
Sub-Total SECO		12.5	12.5	12.5	12.5	50.0
Total management costs SCO*** & non-core		2.8	1.7	1.7	1.7	7.9
Total Funds		22.7	26.5	24.5	25	98.7

* all Figures 2016–2018 are subject to approval

** Additional CHF 5 million for 2015 is foreseen to include activities initiated under the Swiss Chairmanship of the OSCE in 2014 and following the dissolution of the OSCE Task Force in 2015

*** SCO management costs: SDC 2/3 and SECO 1/3

Annex f: Swiss Actors

Offices of the Swiss Federal Administration contributing to the cooperation strategy for Ukraine 2015–2018			
Federal Department of Foreign Affairs (FDFA)		Federal Department of Economic Affairs, Education and Research (EAER)	
Swiss Agency for Development and Cooperation (SDC)	Directorate of Political Affairs (DP)	State Secretariat for Economic Affairs (SECO)	
Mandates			
The Swiss Agency for Development and Cooperation is responsible for the overall coordination of development activities and cooperation with eastern Europe, as well as for the humanitarian aid delivered by the Swiss Confederation. The main goal of development assistance is to reduce poverty by i) fostering economic self-reliance and state autonomy, ii) contributing to the improvement of production conditions, iii) helping in finding solutions to environmental problems, and iv) providing better access to education and basic health care services.		The Directorate of Political Affairs coordinates the foreign policy of the Swiss Confederation.	
Commonwealth of independent States (CIS) division	Swiss Humanitarian Aid (SHA)	Human Security Division (HSD)	Economic Cooperation and Development (SECO-WE)
The CIS division aims at supporting partner countries in their transition to democratic market systems.	The SHA aims at saving lives and alleviating suffering. Its activities focus on protecting the interests of vulnerable population groups before, during, and after periods of conflict, crises, or natural disasters.	The HSD is responsible for implementing measures to promote peace and strengthen human rights. The concept of human security focuses on the safety of individual human beings and protecting people against political violence, war and acts of arbitrary violence. It is based on the recognition that peace policy, human rights policy and humanitarian policy are closely interlinked.	In terms of economic trade and policy measures, SECO-WE seeks to ease its partner countries’ integration into the world economy and promote economic growth that is socially responsible as well as environmentally and climate-friendly.

Annex g: Map





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