

## **ATTACHMENT A – STATEMENT OF WORK**

### **Local Investment and National Competitiveness (LINC)**

#### Statement of Work

#### **I. PURPOSE**

To assist progressive communities, working with local industries and potential investors, to bring about significant growth in investment and job creation, even to the point of influencing the national competitiveness of Ukraine.

#### **II. OBJECTIVE**

While the lack of progress in economic reform at the national level has been disappointing, Ukraine can accelerate improvements in policies and practices in cities and regions despite the slow pace of reform at the national level. Sub-national governments are responsible for providing services that contribute significantly to investment, enterprise productivity and competitiveness, including business regulatory transactions, land sales and preparation, electricity and heating, water and sanitation services, road maintenance, waste disposal, schools and vocational training, and healthcare.

This statement of work provides space to accelerate national-level economic reforms, as well as build models of effective sub-national partnerships that court foreign investment and provide efficient services to local and international businesses. Local and regional commitment to improve administrative processes will be brought about through a strategic planning process. The strategic plans will spell out local economic development priorities and technical assistance needs. Furthermore, LINC will support local economic development efforts through increased competitiveness of industries and enterprises so as to accelerate Ukraine's integration into international markets.

#### **III. BACKGROUND**

##### **A. Political and Economic Conditions in Ukraine Today**

It has been three years since the Orange Revolution ushered in what many hoped would become a politically and economically stable Ukraine. However, elected with a razor thin majority in 2007, the Government of Ukraine has been unable to overcome institutional and regional political interests and remains mired in turmoil. This turmoil has delayed the passage of key structural reforms, which many had hoped would improve Ukraine's seriously deficient business investment climate, reduce corruption, and improve its standing as a new member of the WTO, and aspiring member of the European Union.

Earlier in the decade it appeared that Ukraine might achieve sustainable economic growth despite its slow progress on economic reform. For the five year period of 2003 – 2007, Ukraine's real GDP growth averaged 7.8% annually. This was fueled to a great extent by rapid

growth in private sector credit, an expansive fiscal policy and exports of steel and chemicals. This growth, coupled with large increases in world food and energy prices, contribute to an annual inflation rate now estimated at about 20%.

However, Ukraine's economic growth has been uneven – concentrated in a few large cities and a handful of industrial sectors. For example, 60% of Ukraine's SMEs are located in seven (out of twenty-four) Oblasts. With a global economic slowdown looming, many fear now that gains in economic growth will evaporate unless the government undertakes serious structural reform. It is within this newly evolving environment that the USG's presence must remain a catalyst of change.

## **B. LINC-ages with USAID/Kyiv's Economic Growth Strategy**

LINC is essential to achieve the U.S. Embassy's FY 2009 Mission Strategic Plan (MSP) goal of helping Ukraine foster broader-based and sustainable growth. Support for growth encourages long-term stability, civil society development, and social reform. LINC will deepen market integration with Europe through accelerating foreign direct investment in Ukraine's regions and through increasing opportunities for Ukrainian businesses to contribute to and benefit from European market integration.

LINC's strategy will be critical for ensuring the benefits of increased trade and investment are widespread and momentum for reform is sustained. Only by linking local governance with trade and investment and private sector competitiveness can broader based, sustainable growth be achieved, leaving behind stronger local institutions and a more efficient and productive economy.

LINC will be integrated with the other USAID funded economic assistance programs that focus on issues of municipal heating and municipal financial reform. These other new programs will also focus on regions that have been slower to develop. There will be a strong link with municipal financial reform which will provide assistance for regions to develop appropriate budget and other financial means that would support implementation of regional economic development plans. LINC will work closely with the Commercial Law Center to identify and remove legislative barriers to increased investment. There will be an indirect link with municipal heating reform because regional economic development can be affected by heating costs and energy policy in general.

## **C. Guiding Implementation Principles**

- *Focus on Southern and Eastern Ukraine, particularly Crimea.* The Orange Revolution also highlighted a growing divide between two demographically diverse regions of Ukraine: the industrial southern and eastern regions with a long history as part of Russia, and the more agricultural north central and western regions that have had closer ties to Europe. Bridging the divide between East and West, is a strategic goal of US foreign assistance in Ukraine. The development challenge is to help Ukraine orient towards opportunities for growth presented by European markets.

- *Foster public-private partnerships that result in impact.* At a time of shrinking resources, USAID/Ukraine has begun leveraging and strengthening assistance through public/private partnerships. Private companies, both multi-nationals and Ukrainian-based firms can be excellent catalysts with the ability to invest resources and provide expertise in local/regional economic development projects, if the incentives and opportunities are clear. Going forward, LINC will be one of the central vehicles for generating such partnerships.
- *Work with dynamic and progressive local governments and business leaders.* LINC will facilitate changes in the economic system where it can have the greatest catalytic effect. LINC's stakeholders include local authorities and businesses with divergent interests that operate within a web of intricate institutional relationships. Identifying dynamic local government and business leaders that are committed to participatory economic development and change will be key to navigating these politics and securing commitment for action.
- *Exit strategy.* As mentioned, the goal of any Foreign Assistance program is to move the host country on a path toward development that is self-sustaining and irreversible. To ensure sustainability, all project activities should include an up-front exit strategy that clarifies how the investment will end, leaving behind sustainable impacts.

#### IV. SCOPE OF WORK

The LINC Project consists of two components, implemented in parallel:

- **Component 1:** Improving the Business Enabling Environment, and
- **Component 2:** Enhancing Enterprise Competitiveness

Each component is represented by a set of tasks expected to produce a more enabling investment and business climate that facilitates broader-based local economic growth. Contractors will thoughtfully assess the tasks and propose creative solutions that take into account political fluctuations and demonstrate a credible path to the desired results. The set of tasks laid out here is neither exhaustive nor totally inclusive. Alternative approaches to achieve or exceed project results will be considered. Technical approaches should be tailored to Ukraine's development context and its substantial local, human, and organizational resources.

##### **Component 1: Improving the Business Enabling Environment**

**Objective:** To assist governments at the national, regional, and community level undertake specific improvements to the business enabling environment, and to demonstrate how such improvements can increase investment activity.

##### **Task 1-a: Promote Economic Reform at the National Level**

**Background:** Despite some improvements in recent years, the regulatory environment for business remains one of the central barriers for regional and business growth. Investors criticize

Ukraine's legal system for its inefficiency, burdensome procedures, unpredictability, and susceptibility to political interference and corruption.

With the assistance of the USG-funded activities, Ukraine has taken steps to liberalize its markets and reduce the regulatory burden on business. The GOU carried out the quick deregulation initiative in 2005 whereby over one third of the regulations were either eliminated or amended in just over three months. Legislative progress is also being made so that licensing and permitting processes are more efficient and transparent. "One-stop shops" have accelerated business registration. Despite these improvements, Ukraine still falls far behind neighboring countries. Ukraine ranks 145 out of 181 in the World Bank's "Ease of Doing Business 2009" report, and 73<sup>rd</sup> out of 131 in the World Economic Forum's *Global Competitiveness Index*<sup>1</sup>.

Although Ukraine's record for national economic policy reform has fallen short of expectations, and the current political climate does not foreshadow a period of reform in the near term, the subject is too important to abandon. While greater resources should be dedicated to the local and regional levels, the contractor should be alert to possible openings in Ukraine's political environment to push for policy reform. With USAID's approval, the contractor should be prepared to accelerate efforts to encourage economic policy reform at the national level, particularly those policies that impact activities in other tasks in this statement of work (land reform, trade, procurement, etc).

### **Result:**

*Significant improvement in Ukraine's national scores in recognized international indexes such as "Doing Business" and WEF Competitiveness Index.*

**To achieve this result:** the contractor shall liaise with the relevant government ministries, business associations, NGOs, etc., to encourage policy improvements. Opportunities to push for fundamental policy reform might result as part of Ukraine's entry into the World Trade Organization, adherence to EU FTA directives, from a clearer resolution of the political stalemate, or even from the international pressure that will come from Ukraine's hosting of "Euro 2012" Football Competition.

### **Task 1-b: Support Strategic Planning for Economic Development**

**Background:** Despite poor performance at the national level, progressive leaders at the regional and local levels are encouraging growth and investment. This component will spread the benefits of investment and growth to Ukraine's regions by applying a public-private strategic planning methodology to single municipalities and groups of municipalities working together under strategic economic development plans.

Recent USAID activities have demonstrated the capacities of cities to sustain economic planning efforts. Many local governments are beginning to incorporate the interests of business and civil society into investment policies and practices through strategic economic development plans.

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<sup>1</sup> Within the WEF index, the "Institutions" pillar which measures such factors as property rights, business ethics, corruption, and public accountability, Ukraine ranks 115<sup>th</sup> out of 131 countries.

Work under this task will continue supporting a number of local economic development strategic plans, particularly those in Crimea. The contractor will also facilitate new strategic economic development plans for partner municipalities that spell out the community's priorities for attracting investment and encouraging business formation and growth. Further improvement in the investment and business environment could be realized by extending these local practices to a more regional context. Greater return on USAID investment could be realized if local governments and private sector leaders work together on a regional basis to shape economic development priorities and resolve investment constraints such as land sales, use and zoning (**Task 1-c**).

In legislative areas where national policy improvements have taken place, LINC will help translate national policy progress into local level implementation under municipal and regional economic development plans. The contractor will assist partner municipalities and economic regions applying these new laws and policies with an eye toward strengthening the business and investment climate.

### **Results:**

*Result 1: At least 25 municipalities and 5 economic regions engaged in efficient and effective support of enterprise development and investment, primarily in Southern and Eastern Ukraine, with particular emphasis on Crimea.*

*Result 2: In assisted economic regions and municipalities, there is a significant reduction in transaction costs and time required by businesses to meet regulatory requirements, achieved through better practices in licensing, permitting, registration, and regulation as envisaged within Ukraine's permit system law.*

*Result 3 – Improved procurement practices within selected economic regions and municipalities are implemented, and the local business climate is significantly improved.*

### **To achieve these results, the contractor shall:**

- *Propose selection criteria for partner municipalities and economic regions<sup>2</sup>. Criteria for selection may include: common business infrastructure, economic assets (universities, natural resources, etc), common industry characteristics, common economic development aspirations, or common barriers and threats. Above all, to receive assistance through LINC, a region must have active and dynamic public/private sector champions who can work together. Assistance provided will consist of expert advice to enhance regional economic development based on the aforementioned partnerships.*

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<sup>2</sup> For the purposes of this statement of work, an economic region is seen as an integrated economic unit that may or may not be defined by administrative borders, and that is jointly developing/implementing a strategic economic development plan.

- *Assist partner municipalities and economic regions form and develop strategic economic plans.* Once economic regions have been selected, they will need assistance in determining how the economic region will be enhanced. The project will assist regional stakeholders create focused strategic economic development strategies that identify goals such as job creation and investment attraction. These goals will be realized by defining and implementing investment attraction priorities.
- *Support the implementation of the plans.* It is anticipated that these plans will focus on land and regulatory issues and foreign investment attraction. Some of the plans will focus on an industry, sector or economic development project, such as tourism development, creation of a port, attraction of an innovative manufacturer, etc. Furthermore, the contractor shall develop a plan for ensuring that each municipality and economic region places a high priority on improving business environment at the community level by undertaking changes in licensing, permitting, registration, and regulation as envisaged within Ukraine's business laws. The plan should include establishing a baseline index for each selected region measuring current transaction costs and time required by businesses to meet regulatory requirements, and within the assistance period reduce this burden a significant degree. Project implementers will also assist business push for improved local policies and administrative processes.

**Task 1-c: Assist Localities Alleviate Administrative and Regulatory Barriers to Investment (with Particular Emphasis on Property Markets)**

**Background:** One of the most significant barriers to foreign and domestic investment commercial and industrial facilities, housing, and infrastructure in Ukraine is the absence of a transparent, well-functioning property market. There is a legislative and technical framework for a property market, but actual implementation has lagged. The crucial next step for Ukrainian land market development, in the face of national paralysis on this problem, is to draw on some of the powers inherent to local governments and extend those powers and abilities to a regional context.

As viable and coherent municipalities and economic regions are identified and economic development plans are completed, LINC will target specifically land issues and its affect on investment. LINC will provide assistance to municipalities and economic regions to identify and catalog prime locations for development, and will work with the units of local government to enhance the suitability of those properties for investment.

**Result:**

*Barriers to investment significantly reduced through improvements in the functioning of local property markets*

**To achieve this result, the contractor shall:**

- *Create an inventory of key public and privately-owned land parcels.* The objective of this inventory would be to identify prime investment opportunities which, if realized, could enhance the overall growth and competitiveness of the region and its dominant

industries. Relevant characteristics of these properties will be catalogued, including boundary descriptions, ownership, current usage, availability and condition of infrastructure (transport access, utilities, physical improvements, etc), and neighboring properties that might either enhance or limit the development potential of these properties.

- *Adjust regional economic targets with available land inventory.* Work with property owners (in the case of privately-owned land) and government officials (in the case of publicly owned land) to establish reasonable expectations of development potential, rules and procedures for the use and marketing of the property. Where necessary and appropriate, undertake actions to change designated land use so as to make the property available for development.
- *Introduce procedures for community input into land use decisions.* Provide assistance to undertake systematic public information campaign regarding land use decisions within the regional economic plan and seek public input. Based on public input assist with adjusting the plan and once again inform the public. Assist jurisdictions develop and adopt bylaws to ensure available lands are used according to plan.
- *Provide skills to enhance investment competitiveness.* Land by itself may not be sufficiently attractive to trigger investor interest. However, as noted previously, local governments have the power to upgrade their suitability and attractiveness to investors by packaging land together with other enhancements such as transportation access, reliable energy and water, and workforce development. Technical assistance can be provided so that communities learn how to better package and market themselves as viable investment opportunities to both domestic and international investors.

### **Task 1-d: Promote Domestic and Foreign Investment**

**Background:** Having attractive investment opportunities will not automatically bring about investments. As with any product, marketing is necessary to alert and educate buyers of the product's availability, price, and features. Marketing of investment opportunities can take place at two different levels: at the national level through an investment promotion agency, and at the regional/local agency through the entities responsible for implementing municipal and regional growth strategies. Ukraine's existing infrastructure for foreign investment promotion is best described at the national, regional and local levels.

National level. The Ukrainian Center for Foreign Investment Promotion (InvestUkraine) is a subsidiary organization of the Ukrainian State Agency on Investment and Innovation and was created with the idea of becoming a one-stop-shop for foreign investors. More recently a governmental body was established to prepare for the 2012 Eurocup Football Championship. The contractor shall examine these (and potentially other) national bodies as to their suitability for marketing investment opportunities to foreign investors.

Regional and local level. The contractor shall pursue regional investment promotion through the creation or support of sub-national investment promotion offices. USAID has

under previous projects provided technical and material support to Municipal Offices for Economic Development. These offices operate within city administration and promote investment and planning practices that encourage investment.

**Result:**

*National, regional and/or local investment promotion agencies providing effective services to domestic and international investors.*

**To achieve this result, the contractor shall** provide technical assistance to investment promotion bodies at the national, regional and local levels that includes, (1) effective outreach campaigns promoting the advantages of investing in economic regions and municipalities; (2) greater availability of information concerning pertinent business-related legislation and regulations for investors; (3) accessible and clear information regarding the steps investors need to bring an investment to completion, and (4) assistance to investors by helping to expedite permits and approvals, and smoothing the investor's path to project completion. It is expected that greater resources under this component should be assigned to the municipal and regional efforts.

**Task 1-f: Foster Public Private Partnerships**

**Background:** Working regionally and locally to both lower the barriers to investment, as well as to attract inflows of foreign direct investment provides opportunity to foster partnerships with Ukrainian and foreign investors. Any transaction involving the use of public land (or other publicly offered resources) and a private-sector investor can be considered a "public-private partnership". Consequently, USAID/Ukraine expects that a number of types of public-private partnerships will emerge from LINC. For purposes of proposal preparation, contractors should propose a strategy for the use of the Partnership Fund.

The objectives of the fund are to provide a source of flexible funding to be used by the implementer to support public private partnerships that further the objectives of project components. The strategy should provide illustrative examples that demonstrate how the Fund might be used. The examples should reflect the realities of working with Ukrainian national, sub-national governments and industry. For example, the contractor might describe situations with cities and businesses, explaining how the partnership funding could be used to advance the local investment and competitiveness. Partnership funds can support objectives in component 1 or 2.

**Result:**

*Public-private partnerships (including 2 GDAs) employed as techniques for stimulating and sustaining economic development*

**To achieve this result, the contractor shall** reserve approximately 10% from its total budget for the Partnership Fund. The partnership fund may include ADS 302 "grants under contracts," Public Private Partnerships (PPP), Global Development Alliances (GDA), or other assistance to be defined by the Contractor. Criteria and procedures under which funding decisions are made



must be clear and transparent to make sure that all project participants have a fair opportunity to access these funds. USAID reserves the right to approve fund recipients. Among the kinds of activities that can be funded out of this account include (this is an illustrative list):

- Global Development Alliances between cities and local industry. For example, such a partnership is illustrated through the recent award-winning Global Development Alliance (GDA)<sup>3</sup> between the Alchevsk City Council, the Industrial Union of Donbass Corporation and USAID. This agreement supports the development of an economic strategic plan that will improve local government capacity, local service delivery and the investment climate.
- Subcontracts or other awards to local consulting companies, NGOs, and associations for analysis of local investment opportunities for municipalities;

## **Component 2: Enhancing Private Enterprise Competitiveness**

Despite the often chaotic nature of post-Orange Revolution politics, there is largely a consensus on the need for deeper integration with the European market. In May 2008, the WTO welcomed Ukraine as its newest member, paving the way for greater integration with the European Union. However, Ukrainian businesses, particularly small and medium sized ones, do not understand the EU market opportunities or requirements. Working in concert with municipal and regional strategic economic development plans, LINC will increase the competitiveness of industries and enterprises that hold potential to accelerate integration into EU markets.

**Objective:** In support of municipal and regional economic strategic plans, described in Component 1, enhance the competitiveness of industries and enterprises so as to accelerate Ukraine's integration into international markets.

### **Task 2-a: Encourage Adoption of International Quality and Productivity Standards**

**Background:** As noted previously, various international standards such as HAACP, Euro Gap, ISO, and CMMI can be important indicators of enterprise competitiveness because they can both connote product quality and bring about increased enterprise productivity through process improvements.

Ukrainian businesses typically look to three different markets: Western Europe, Russia/Formal Soviet Republics, and to a lesser extent the Middle East. Typically the markets in Western Europe demand higher quality standards than in Russia. In order to maintain or expand market access, Ukrainian firms must adhere to international standards and certifications for those products and markets. Furthermore, Ukraine's WTO accession will permit deeper market integration with current and prospective members of the European Union, but will also require adherence to both quality standards and trading norms as established under WTO.

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<sup>3</sup> The term "public-private partnership" is a generic term with various definitions, generally describing a transaction or interaction between one or more private enterprises and one or more governmental units, for the purpose of achieving an outcome that is beneficial to all of the participating parties. The "Global Development Alliance" is a type of public-private partnership developed within a specific USAID structure and mechanism.

Ukraine's inability to harmonize and conform to international standards (SPS, HACCP and ISO) threatens to leave EU market opportunities for small and medium businesses unrealized. Only a handful of firms offer product standards expertise and training in Ukraine. And, these services are often beyond the geographic and/or financial reach of Ukraine's small and medium sized businesses. As a result, the challenge of meeting international product standards will be felt most acutely by the small entrepreneur.

**Result:**

*Introduction and application of internationally-recognized quality and productivity standards for Ukrainian products and enterprises*

**To achieve this result**, the contractor shall develop and implement a strategy for facilitating standards harmonization for small and medium enterprises as a way of enhancing product competitiveness. The contractor will facilitate a domestic market for introduction of international standards. As a general practice, LINC should not provide these services itself through its own staff and consultants, but rather, build the capacity of private sector providers of this service. The contractor shall facilitate the acceleration of demand for international standards through working with business associations and through public awareness. Furthermore, at the regional and local level, the contractor shall explore whether additional inspection and other public sector capacity building will be necessary to ensure standards are sustained, and provide technical assistance if needed.

**Task 2-b: Industry/Sector Competitiveness Enhancements**

**Background:** It is anticipated that some of the economic regions or municipalities receiving assistance from LINC will be defined on the basis of industry or sector characteristics. For example, some communities may be defined or characterized by the dominance of key industry sectors such as metal fabrication, port facilities, tourism, advanced technologies, or other sector similarities. In such instances it is likely that the economic growth strategies undertaken would incorporate actions designed to enhance the productivity of key industries. Quality educational institutions and curricula focused on relevant technical and scientific subject matter are an absolute prerequisite for advanced technology sectors.

**Results:**

*Result 1: Industry leaders, including both enterprises and associations, and other entities actively promoting and adopting policy and operational changes that enhance overall industry/sector competitiveness.*

**To achieve this result, the contractor shall provide** industry/sector competitiveness upgrades that enhance the quality, productivity, and long-term viability of the dominant or growth-oriented industries within that region or community and that are consistent with municipal and regional economic development plans outlined in Task -1b. For example, Ukrainian private sector medium or large firms, including exporters and processors, may not have adequate linkages to

European markets. Regional trade fairs that link businesses to businesses are also a way of establishing relationships and generating sales. Further, bodies that represent the views of local industries and SMEs should be engaged so as to give the private sector a compelling voice in policy, legal, regulatory and administrative reform. In regions that were historically dominated by “rust-belt” type manufacturing, introduction of new manufacturing processes, possibly in partnership with industry-specific technology centers, could be a solution to declining productivity and competition from lower-cost producers. Lastly, partnerships with local universities and other training/education providers that help Ukrainian workers gain the skills necessary to remain competitive. Workforce development, however, should be developed in concert with the private sector to ensure its relevancy.

### **Task 2-c: Market Integration through Trade Facilitation**

**Background:** Whether the target markets are in Western Europe, Russia, or the Middle East, Ukrainian products often face difficulties at its border crossings. Increasing international trade will require improvements to make the movement of products across neighboring borders easier, quicker, and less costly. Often the barriers involve inefficiency or bribes to facilitate product movement. Agricultural products are often subjected to these non-tariff barriers because their perishability.

Customs agents, health officials, and other border personnel often use regulations governing health and safety as excuses to restrict product movement. Blocking the imports of agricultural products under the guise of protecting the public against diseases, or manufactured products such as building materials because of public safety can give an air of legitimacy to the border restrictions. Adherence to international quality standards (**Task 2-a**) is one way that producers can combat these arbitrary administrative barriers that interfere with open trade.

Under the European Union’s new “neighbors” policy, countries that are in close proximity to the EU but not immediate candidates for EU accession can negotiate for and obtain both market access and funding. A part of the development of regional economic strategies should be a plan for increasing market access and other linkages between Ukraine’s producers and markets in the EU. Where necessary, attention should be given to industries and sectors that are particularly vulnerable to these kinds of administrative barriers that reduce the international competitiveness of Ukrainian products.

#### **Result:**

*Administrative barriers to trade reduced by introduction of more efficient procedures for bringing products into Europe and other international markets.*

**To achieve this result, the contractor shall produce an** assessment of the existing administrative barriers at key customs areas, particularly those most relevant to partner municipalities and economic regions and their industries. The assessment shall layout steps toward increasing transparency and efficiency through administrative reforms. Additional effort under this task will be undertaken selectively, with USAID concurrence, and subsequent to the assessment.

## V. Cross-cutting Issues

### Energy

The U.S. Mission Strategic Plan acknowledges that “Ukraine’s reliance on imported energy supplies is both a constraint on growth and a threat to independence”. While consumption has dropped since the country's independence, reliance on imports, particularly on gas from Russia, has not declined. Most of Ukraine’s oil and gas – and all of its nuclear fuel – comes from or through Russia. Following the Orange Revolution, Russia enforced rapid and steep energy price increases resulting in tension between Ukraine and Russia.

Local governments are the largest users of natural gas. Municipal companies (approximately 900) provide heat to about two-thirds of Ukraine’s homes and buildings. Their infrastructure is outdated and greatly inefficient, with up to 60% of energy wasted through the generation, transmission, and end-use network.<sup>4</sup> While USAID anticipates launching another activity focused specifically on the municipal heating area, the contractor is free to propose working in commercial/industrial energy efficiency sector in ways that increase investment for economic regions or the efficiency of energy-dependent sectors.

### Corruption

The Mission Strategic Plan notes that “Fighting Ukraine’s entrenched corruption... is critical to economic prosperity.” And, MCC’s<sup>5</sup> two-year, \$45 million Threshold Program is making progress in closing opportunities for corruption. Nevertheless, corruption remains a threat to Ukraine’s economic future. A report by the Atlantic Council notes that among all the sectors of the economy, land is one of the most implicated by wide-ranging corruption. The WEF Global Competitiveness Index ranks Ukraine at 128<sup>th</sup> out of 131 countries in corporate ethics.

Indeed, some of the recent political friction stems from profitable and suspect land sales. And, the lack of transparency in Ukraine’s land market also poses one of the most significant deterrents to FDI. A case in point is the Swedish furniture retailer IKEA which has sought to enter Ukraine for years now. When IKEA began to scout Ukraine, the company stated that it would not pay a single bribe. Despite considerable effort, IKEA has not been able to buy a suitable land plot anywhere in the country.

The contractor should place special emphasis on participation from the public, NGOs and the private sector with regard to land use, administration and planning with municipalities. Assistance should seek to make the land development process less onerous, but just as important, more transparent. FDI capacity building for local governments should aim to modify local bureaucratic culture so that investors are not viewed in a predatory way, but rather as partners in a development processes.

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<sup>4</sup> IEA, 2006

<sup>5</sup> Millennium Challenge Corporation (MCC), a U.S. government-supported initiative for supporting economic growth by encouraging national governments to undertake business environment improvements.

## **Gender**

The contractor is expected to comply with USAID guidelines regarding gender. Gender integration that focuses on participation and benefits to each gender is an important part of LINC.

UNDP analysis of gender aspects of entrepreneurship in Ukraine shows that men and women face the same problems in business. In the course of the survey, respondents were asked to select one key obstacle to the growth of their business. The results show no significant gender differences. The majority answered that it was a lack of working capital and actions/inaction on the part of government bodies (including existing legislation) that impeded further growth of their businesses.

LINC will continue to monitor the situation closely. Effective governance and development at the local level must include input from and address the needs of all groups in a community. As LINC builds participatory and accountable economic governance at the local level, the contractor will propose an approach to incorporate equal access and involvement for men and women.

It is critical that project planning, implementation, monitoring and evaluation consider the needs of both genders. USAID anticipates that gender issues will exist in many of the project activities and the contractor will be required to implement reporting that ensures gender considerations are taken into account. Specifically, the contractor shall disaggregate data and report on gender issues and the measures to be taken to address them. The contractor may also consider:

- Seek to include men and women in all aspects of the project, including participation in stakeholder meetings, training and other activities during the project implementation;
- Highlight successful women municipal administrators and industry leaders that are involved in the regional economic development process;
- Offer training at times and venues that are sensitive to household needs and responsibilities;
- Consider how to assist with re-integration efforts of persons trafficked (over 100,000 persons have been trafficked in Ukraine since 1991, including men, women, and children);
- Require subcontractors and grantees to identify relevant gender issues and adhere to project monitoring standards for gender.

## **Environmental Impact**

Pursuant to 22 CFR 216.3(a)(2)(i), the implementing partner will (1) encourage GOU institutions (a) to incorporate relevant environmental analyses in the legislation drafting and local planning processes (b) to invest in improving environment in partner communities, and (3) to address appropriate environmental issues in public education campaigns; and (2) follow Environmental Review (ER) checklist or a similar ER process to determine environmental damage or pollution that might be caused by energy efficiency activities of public and/or private sector organizations. In addition, USAID Contracting Officer will specify this wording in USAID contract. The

implementing partner will provide USAID with evidence that the recipient organization followed all applicable environmental laws.

### **Public Private Alliances:**

In recognition of the many changes in today's development assistance environment, and in the context of USAID's new *Global Development Alliance (GDA)*, USAID strongly encourages the formation of public-private alliances in the implementation of this program. Partnerships leverage resources, encourage broad participation and ownership, and improve the probabilities for sustainability. More information is available at

[http://www.usaid.gov/our\\_work/global\\_partnerships/gda/index.html](http://www.usaid.gov/our_work/global_partnerships/gda/index.html)

At USAID, a Public-Private Partnership (PPP) is a relationship between the Agency and a private enterprise or philanthropic partner that is built to leverage resources and expertise in order to address a development priority. It is collaboration between a public entity, like a local government, and a private one, like a commercial company or grant-making foundation. The partners agree to work together on a specific activity, often formalized through a Memorandum of Understanding (MOU). Such a partnership helps to further development objectives with additional support of private resources; be it through cash, services, or equipment. The relationship between or among partners in a PPP may range from very little interaction where a matching grant may be adopted to a fully collaborative engagement where the parties are involved jointly in every stage from design to implementation to assessment.

The Global Development Alliance (GDA) is the premiere model for public-private partnerships where the parties are fully engaged with one another throughout their collaboration. The alliance model helps to significantly expand and deepen the impact of development assistance by linking U.S. foreign assistance with the resources, expertise, and creativity of private sector partners. This innovative approach is a partnership characterized by comprehensive engagement between the parties. The partners operate in strategic collaboration on all phases of their chosen endeavors. Alliances enable partners - corporations, foundations, NGOs and others - to bring their strongest assets to bear to address jointly defined and jointly executed challenges to the long-term economic and social development of the country. Through this multi-stakeholder approach, we share resources, risks, and responsibilities to address issues and achieve solutions that no single actor could hope to achieve alone. To be reported as a GDA qualified alliance, an activity must meet the following threshold criteria:

1. It must be a public-private alliance in which the total of USAID resources (from all sources) committed over the life of the alliance activity is leveraging at least an equal or greater amount of total partner resources; and
2. This partner contribution must include private funds at least equal to 25% of the value of the expected USAID resources. Matching resources will not always be money. In addition to monetary contributions, In-kind resources, intellectual property, implementation know-how, and technical assistance are also valuable contributions.

Official U.S. Government assistance now accounts for only a minor share of the flow of resources from the U.S. to developing and transitional countries. Foundations, private companies, non-governmental organizations and other entities have become increasingly active in financing development efforts in former CIS countries and elsewhere, and they are often looking for synergies with other similar programs. Promoting public-private alliances is both an Agency and a USAID/Ukraine priority.

The Contractor is encouraged to think innovatively and creatively about ways to draw forth significant non-federal resources, be they in cash or in kind, in order to more fully address the development challenges outlined in this statement of work, and to incorporate commitments to such resources in proposals to USAID. One criterion used to define a public-private alliance is a minimum of one-to-one leveraging of USAID's resources with additional non-federal resources. While it is not possible to apply this standard to all activities, it is preferable whenever possible.

Public-private alliances are expected to bring together a coalition of organizations and individuals that will jointly define a problem, situation and solution, thereby capitalizing on the combined knowledge, skills and expertise of all partners. There are many opportunities for innovative partnering with a wide range of groups not normally brought into the world of development assistance such as volunteer groups, international NGOs, high-net worth individuals, private or family foundations, multinationals, local organizations and businesses. Areas of particular interest may include, but are not limited to, alliances that support capacity building, experiential learning, technical exchanges or internships. They may also address the professional, academic and business community in their interactions with the legislative process.

## **I. WORK PLANS AND REPORTS**

*Coordinated Work Plans:* At the stage of work plan development, the LINC project may be advised by the CTO to engage in a coordinated work planning process with other projects to ensure that their activities support and compliment each other, share target groups and implementation areas, and are implemented over the same timeline.

In addition to standard reporting requirements set forth in the AIDAR 752.242-70, Periodic Progress Reports, the Contractor shall submit the following planning and reporting documents to USAID. Reports shall be in English.

### **Annual Work Plans**

The Contractor shall develop and submit for CTO approval Annual Work Plans. The Annual Work Plan shall define in details how the Contractor intends to organize its work to implement the tasks outlined in this SOW and achieve expected results within each of the tasks. The Annual Work Plan shall be consistent with the PMP. If necessary and provided USAID/Ukraine gives its consent, the Contractor may revise the Annual Work Plan. USAID reserves the right to review and re-approve Annual Working Plans quarterly or on an as-needed basis.

The first Annual Work Plan shall be submitted to USAID for approval within 30 days of the effective date of the award. Subsequent Annual Work Plans shall be submitted to USAID for approval at least 30 days before the end of each 12th month of the effective date of the Task Order. All Work Plans shall be approved in writing by the CTO.

In all Work Plans, the Contractor shall:

- A. Provide a brief narrative to define each task assignment, propose a completion date and state who shall accomplish the task;
- B. Identify milestones as well as deliverables under each task and propose deadlines for their completion;
- C. Identify any assumptions used in preparing the Work Plan, suggest possible modifications to the approach, if needed, and describe anticipated problems or potential barriers with regard to achieving the project objectives; and
- D. Propose a milestone based schedule for project evaluation and review.

### **Performance Monitoring Plan**

The Contractor shall submit a Performance Monitoring Plan (PMP) that should be based on a fiscal year calendar and should include the following elements:

- List of key project objectives, expected results and project outputs (output is a count of services delivered or items produced) as well as brief description of the linkages between the project outputs and its expected results.
- Definition and detailed description of the performance indicators to be tracked including: unit of measure; data source; justification/management utility; baseline values; annual targets; annual actual data; frequency and schedule for data collection; individual responsibility for data collection and availability of data at USAID; and detailed plans for data analysis, review and reporting.

The Contractor is encouraged to propose other indicators that will assist in managing project performance. To measure progress in improving legislation and regulatory environment, the Contractor will use scorecards (samples may be provided by USAID).

Thirty days after award, the Contractor will submit its Final PMP to USAID together with the Annual Work Plan. The Contractor and USAID will agree upon the final choice of performance indicators useful for timely management decisions and credibly reflecting the actual performance of the project. PMP data should meet reasonable quality criteria of validity, reliability, timeliness, precision and integrity, and disaggregated by gender as appropriate and feasible.

### **Quarterly Reports**

The Contractor shall submit to USAID Quarterly Reports within 30 days after the end of each quarter. Quarterly Reports shall discuss progress within the reporting period as well as cumulative progress in the context of the agreed upon accomplishments and indicators. They shall discuss existing and potential problems in project implementation and variance from the



## Annual Work Plan and PMP.

At a minimum, Quarterly Reports shall include the following information:

- A. Accomplishments: Assessment of progress made on each of the tasks, milestones and performance indicators;
- B. Deliverables: List of reports and other deliverables completed in the reporting period; Public Private Partnerships (PPP) and Global Development Alliances (GDA) initiated or formed, if any, and results achieved thereunder
- C. Costs: Cost to-date by task, budget estimate, advances, obligation;
- D. Schedules: When appropriate, a discussion of any significant potential or actual slippage in schedule and the steps being taken to avoid or make recovery;
- E. Problems: Problem areas, current or foreseen, together with recommendations for resolving these problems and attendant schedules for their resolution. Problems requiring USAID intervention should be highlighted; and
- F. Plans: List of major activities planned for next quarter.

The three reporting documents: the Performance Monitoring Plan, the Annual Work Plan and the Quarterly Report shall be consistent, interrelated, and shall complement each other. The Annual Work Plan based upon the Statement of Work shall define how the Contractor will organize its work to achieve the objectives and expected results outlined in the Statement of Work. The Performance Monitoring Plan shall provide measurable reference points and set up measurable indicators that track progress towards the objectives and expected results and define whether this progress is satisfactory. The Quarterly Report shall account for the project's performance against agreed upon accomplishments (Annual Work Plan) and indicators (Performance Monitoring Plan).

## Other Reports

Within 30 days of the end of the task order, Contractor shall prepare a detailed completion report evaluating the impact of the project in terms of its aims and anticipated results.

The Contractor shall also respond to Ad Hoc Requests for data, in response to requests from Congress, USAID/Washington, etc.