



SWISS COOPERATION STRATEGY

UKRAINE 2011 – 2014



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

**Swiss Agency for Development
and Cooperation SDC**

**State Secretariat for
Economic Affairs SECO**



Introduction

The Swiss Agency for Development and Cooperation (SDC) and the Swiss State Secretariat for Economic Affairs (SECO) have jointly drafted the Swiss Cooperation Strategy 2011 – 2014 in collaboration with development partners in Ukraine. The strategy renews Switzerland's commitment to support the country's transition process to improve living conditions of its citizens, provide effective public services, and promote sustainable economic growth.

Switzerland has been assisting Ukraine since the early 1990s as an expression of solidarity, but also with a view to enhance security and stability in Europe and to strengthen economic relations between the two countries. From 2007 to 2010 Swiss cooperation concentrated its assistance on reproductive health, justice and public sector reform, agriculture and rural development, as well as economic development. The financial and economic crises at the end of the past decade have brought about new challenges and underpinned the need for comprehensive reforms. Switzerland remains committed to partner with Ukraine in meeting those challenges and in moving along that reform path.

The Cooperation Strategy for the period 2011 – 2014 will focus on a limited number of thematic domains where Swiss expertise is available and where effective and useful contributions can be made. The support within the domains of reproductive health as well as local governance and public services will be maintained, while the interventions previously subsumed under the domain economic development will be expanded in two new domains: financial and economic sustainability, and sustainable energy management.

Acknowledging that a political reform agenda is key for durable systemic change, the Swiss Programme in Ukraine aligns its interventions with the priorities as defined by the Government of Ukraine for specific sectors. The strategy is based on the positive experiences and lessons learnt from past interventions. Swiss cooperation supports projects both at local and national levels and engages in policy dialogue with government authorities. It takes into consideration the fields of activities of other bilateral donors and international organizations present in Ukraine.

This document first provides a short overview of recent political and economic trends and general development cooperation. It then discusses the rationale for Swiss-Ukrainian cooperation before assessing the achievements and experiences of past interventions. From this, it draws implications for the new Cooperation Strategy 2011 – 2014 and introduces the four thematic domains of intervention. It concludes by giving information about programme management, monitoring and steering.

While SDC and SECO will work closely together in the implementation of the present strategy and are committed to the whole-of-government approach, each institution remains responsible for the financing and execution of its part of the Programme, and for the achievement of the objectives defined in the respective results frameworks.

We are confident that the strategic goals set out in this document will be met and thus provide a valuable contribution to the sustainable development of Ukraine and the well-being of its people.

Bern, January 2011



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Ambassador,
SDC Director-General



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Glossary

AMM	Academy of Municipal Management
CAs	Condominium Associations
CFAA	Country Financial Accountability Assessment
CHF	Swiss franc
CIS	Commonwealth of Independent States
CoE	Council of Europe
CSF	Chernobyl Shelter Fund
EE	Energy efficiency
EFTA	European Free Trade Association
EU	European Union
FDI	Foreign direct investment
FIBL	Research Institute of Organic Agriculture
GDP	Gross domestic product
GHG	Greenhouse gas
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GNI	Gross national income
GoU	Government of Ukraine
IFC	International Finance Corporation
IFI	International Financial Institutions
IMF	International Monetary Fund
MDGs	Millennium Development Goals
MoF	Ministry of Finance
MoH	Ministry of Health
NAPA	National Academy of Public Administration
NBU	National Bank of Ukraine
NGO	Non governmental organisation
NMAPE	National Medical Academy of Postgraduate Education
NPL	Non-performing loan
NSA	Nuclear safety account
Oblast	Region (Ukraine has 24 Oblasts plus the Autonomous Republic of Crimea)
PEFA	Public expenditure and financial accountability
PER	Programme of Economic Reforms 2010 – 2014
Rayon	District / administrative-territorial sub-unit of an Oblast
RECP	Resource-efficient cleaner production
REE	Residential energy efficiency
RH	Reproductive health
SCO	Swiss Cooperation Office Ukraine
SDC	Swiss Agency for Development and Cooperation
SECO	State Secretariat for Economic Affairs
SIDA	Swedish International Development Agency
SIFEM	Swiss Investment Fund for Emerging Markets
SIPPO	Swiss Import Promotion Programme
Skat	Swiss Resource Centre and Consultancies for Development
SMEs	Small and medium-size enterprises
SPS	Sanitary and phytosanitary
STIs	Sexually transmitted infections
Swiss TPH	Swiss Tropical and Public Health Institute
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development
WB	World Bank
WHO	World Health Organization

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Executive Summary

Throughout most of the past decade Ukraine has progressed in its transition towards a democratic society with improved civil and political rights and a free market economy. The steady economic growth was halted by the global financial and economic crises which resulted in a deep recession in 2009 and revealed the country's vulnerability to external shocks. While Ukraine is taking steps to launch long-due reforms, it is still facing challenges to meet European standards of a pluralist democracy and the rule of law, as well as to achieve sustainable economic growth and social welfare.

Swiss cooperation with Ukraine dates back to the mid-1990s and was formalised through the conclusion of a framework agreement on technical and financial cooperation in 1997 and the opening of a Swiss Cooperation Office in Kyiv in 1999, representing the Swiss Agency for Development and Cooperation (SDC) and the State Secretariat for Economic Affairs (SECO). The SDC Cooperation Strategy 2007 – 2010 defined reproductive health, justice system, public sector reform and rural production systems as priority areas of assistance while SECO provided support in the field of economic development. The positive results of the past years have provided a good basis for the continued cooperation with Ukraine.

The new Swiss Cooperation Strategy for the period 2011 until 2014 is a joint strategic document of SDC and SECO. The overall goal of Swiss cooperation for the coming years is to support Ukraine in the

transition process to improve the living conditions of its citizens, provide effective public services, and promote sustainable economic growth. Switzerland will focus on four thematic domains where Swiss expertise is in demand and where the potential for a relevant contribution to Ukrainian development objectives is high.

Based on its past achievements, Swiss cooperation will support Ukraine in improving access to public services that meet the needs of the population and that are delivered by local governments with increased competence and capacity. It will also help Ukraine in significantly enhancing maternal and infant health until 2015, namely with regard to perinatal services and care for unwanted pregnancies.

Furthermore, assistance will be provided to ameliorate economic framework conditions in Ukraine and to improve crisis resilience, employment and market opportunities in the private sector. Last but not least, by introducing energy efficient and environmentally sound technologies and financial mechanisms in the residential, municipal and business sectors of Ukraine, Switzerland will make a valuable contribution to better living conditions, sustainable economic development, and reduced greenhouse gas emissions.

Swiss cooperation will continue promoting opportunities for women and men to equally exercise their rights and participate in decision-making processes, and the programme will foster principles of good governance such as transparency and accountability at all levels of intervention.

Swiss development aid is provided through bilateral and multilateral technical assistance via closely monitored projects. Swiss cooperation will continue working with different partners, with many of which trustful relationships have been built over the past years. This includes cooperation with institutions from Switzerland and Ukraine as well as with international development partners such as IFC, EBRD, UN agencies, and with bilateral donors.

During the period 2011 – 2014 Swiss cooperation expects to spend up to 60 million Swiss francs for the different programmes and projects.



1. Context

1.1 Political Development

The years after Ukraine gained independence in 1991 were marked by economic decline and a rise in social problems and organised crime. Democracy and respect for human rights were limited. The situation stabilized in the early 2000s when the country achieved steady economic growth. Starting from a peaceful mass protest at the end of 2004, the so-called Orange Revolution, Ukraine's young democracy has matured as civil rights such as freedom of opinion improved and political pluralism increased. However, the people's hopes for socio-economic benefits were dashed as the government failed to implement reforms as a result of political stalemate and endemic corruption. The economic, cultural and linguistic disparities especially between the Eastern and Western parts of the country are a challenge for the internal cohesion of Ukraine. Although the regions have been encouraged to define their own development strategies, delegation of powers remains weak. Furthermore, judicial independence remains a matter of concern in Ukraine, even after the last revision of the law on the judiciary.

After the presidential elections in early 2010, a new parliamentary coalition supporting the president paved the way for a renewed Cabinet of Ministers, thus streamlining the executive and legislative branches of power. A constitutional court ruling in autumn 2010 nullified the constitutional changes in the aftermath of the Orange Revolution and substantially strengthened presidential powers, de facto reinstalling a presidential-parliamentary system of government.

The declared goal of the new leadership is to conduct overdue reforms with the aim of increasing the living standards of the Ukrainian population, enhancing the competitiveness of the economy and efficiency of the public administration, and re-establishing political ties with the Russian Federation while not abandoning the aim of European integration.

1.2 Economic Development

The lack of diversification and modernisation of its economy as well as its high dependence on energy from foreign monopoly suppliers make Ukraine vulnerable to external shocks. The economy remains largely based on heavy industry and agriculture. Bureaucracy and widespread corruption still limit private and foreign direct investments. Ukraine ranks 142 out of 183 countries in the World Bank's Ease of Doing Business Index 2010 and on position 134 out of 178 countries in Transparency International's Corruption Perceptions Index 2010. The country's agrarian production is far below its potential. Inefficient use of energy makes production very costly and puts a high strain on Ukraine's public budget not least because of heavy government subsidies for low energy tariffs for businesses and private consumers. Ukraine also has significant environmental problems, especially those resulting from the Chernobyl nuclear power plant disaster in 1986 and from industrial pollution (metallurgy, chemicals and coal mines).

Economic output declined by roughly 40% during the 1990s but started to recover from 2000 onwards with annual GDP growth rates of approximately 7% until mid-2008. However, the global financial and economic crises and the drop in world prices for ferrous and non-ferrous metal, the country's main export, caused a 15% contraction in Ukrainian GDP in 2009. As a consequence, the financial sector was overwhelmed by a rapid accumulation of non-performing loans. In turn, the real sector was rapidly impacted by the downturn, leading to numerous corporate defaults. The IMF provided the country with a USD 16.4 billion loan, but the lack of reform progress stopped the release of funds. A new agreement on a USD 15 billion loan to be disbursed over 2.5 years was approved in July 2010.

Still, Ukraine has been rather successful in improving certain aspects of its international competitiveness and in seeking broader integration into global markets. Since joining the WTO in 2008, the country has striven to approach the organisation's trade standards. While a free trade agreement was concluded with EFTA in June 2010, free trade negotiations with the EU remained ongoing.

1.3 Social Development

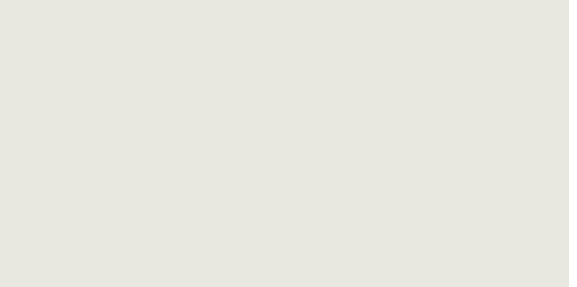
The steady economic growth after 2000 did not have a sustainable effect on reducing poverty and improving living conditions for the majority of Ukrainians. While some formerly centralised public service systems such as water supply are being dismantled, regional and local government structures still do not have the necessary financial and managerial capacities to deliver public services autonomously and at a high quality level. Every fourth person in Ukraine is living below the nationally defined poverty line. The latest trends indicate a widening gap between urban and rural populations with poverty in rural areas on the rise. In the 2010 Human Development Index Ukraine ranks 69 out of 169 countries.

The public health care system of Ukraine remains inefficient and of rather low quality. It focuses on hospitals and other specialised facilities with overcapacities while neglecting primary health care. The ineffective health financing system results in patients having to

pay informally for delivered services although the constitution stipulates free medical care. Still, the indicators for the related MDGs 4 (reduce child mortality) and 5 (improve maternal health) showed some positive trends in the years 2000 – 2008, and with continued efforts it seems realistic to reach the set goals by 2015.

While no significant gender differences are observed with respect to access to education and access to the labour market, traditional stereotypes regarding the roles and responsibilities of women and men persist and have led to women being significantly under-represented in political decision-making, higher levels of public administration and management of economic organisations. Furthermore, Ukraine remains a country of origin, transit and destination of trafficking in human beings. Women and men, but also minors, from poorer rural areas with a low education level are at highest risk for sexual and/or labour exploitation.





1.4 Development Cooperation

Official Development Assistance accounts for less than 1% of Ukraine's GNI. Ukraine has been receiving assistance from International Financial Institutions such as IMF, EBRD and IBRD. EU and UN as well as the bilateral development agencies of USA, Canada and Germany are the biggest donors in Ukraine. However, the absence of a broad-based national development plan makes alignment of donor interventions difficult. A new coordination structure co-chaired by the Ministry of the Economy and the UN was agreed upon in 2010 between the Ukrainian government and the donor group. If implemented, this mechanism will lead to better harmonisation and alignment in the future.

The consolidation of power among the new President, the Cabinet of Ministers and the Parliament in 2010 has increased the prospects for effective reforms. Under the new President, a Programme of

Economic Reforms 2010 – 2014 (PER) has been developed which defines the following priority areas as relevant for Swiss domains of intervention: improving the effectiveness of the public administration; introducing state budget and financial sector stability; improving framework conditions for the private sector; reforming the energy sector; and improving social services. The PER, if properly translated into specific sector reform plans, has the potential to serve as a reference document for donor alignment.

While the PER provides a valuable base for further reforms, the government also has to assure that progress in civil rights is not reversed. Furthermore, the implementation of reforms will continue to face resistance, not least from within the public administration, where many benefit from the bureaucratic system. Reforms may also lead to political in-fighting and social tensions.

2. Rationale for Swiss-Ukrainian Cooperation

With a population of 46 million and as a neighbour of both the EU and the Russian Federation, Ukraine plays a major role for the political and economic stability of Europe. Its sheer territorial size with rich arable land, but also inefficient use of energy make the country important for addressing global challenges such as food security and climate change. Ukraine is also a key partner for dealing with migration issues. Furthermore, there are mutual economic interests between Switzerland and Ukraine. The country is the second largest export market for Switzerland in the CIS, and Swiss direct investments in Ukraine are increasing. Yet, there is a considerable unrealised potential for higher trade and deeper economic

relations between the two countries. The free trade agreement between EFTA and Ukraine signed in 2010 marks an important development in this regard.

Swiss foreign policy in Eastern Europe aims to promote the rule of law and human rights, strengthen political institutions and contribute to durable economic and social development. It is in the interest of Switzerland to support Ukraine in its transition process towards more democracy and prosperity. Cooperation with Ukraine dates back to the mid-1990s and was formalised through the conclusion of a framework agreement on technical and financial cooperation in 1997 and the opening of a Swiss Cooperation Office in Kyiv in 1999. The Cooperation Strategy 2007 – 2010 defined reproductive health, justice system, public sector reform, rural production systems and economic development as priority areas.





3. Past Achievements and Experiences

Although not among the biggest donors in Ukraine in terms of funding volume, Switzerland through the Swiss Agency for Development and Cooperation (SDC) and the State Secretariat for Economic Affairs (SECO) managed to be a relevant development partner and to play an active part in donor coordination and policy dialogue in the past. Swiss development expertise has been appreciated by the Ukrainian counterparts over the last years, and Switzerland has earned itself a reputation as a flexible and trusted development partner without a major political agenda.

Public Sector Reform incl. Decentralization

The Swiss Programme has successfully promoted civic engagement and assisted municipalities in improving local public service delivery, with a focus on the supply of safe drinking water. This has had a positive impact on family health and has reduced the daily household workload of women in target areas. Between 2007 and 2010, up to 350,000 citizens gained access to improved public services in selected oblasts of Ukraine. More than 1,000 trained public servants and representatives of local self-governments now apply new skills in participatory planning, budgeting and management of public services. Many partner rayons and municipalities have institutionalised participatory planning and budgeting procedures within their local regulatory framework and are increasingly financing public service infrastructure from their own budgets. Switzerland has also contributed to the elaboration of a concept for local self-governance and administrative-territorial reforms approved by the Cabinet of Ministers in 2009. The expectations

concerning decentralisation reform, however, have not materialised in the last few years. The experience of the last four years shows that the regions are increasingly seeking to advance economic and social development and that there are innovative and proactive local stakeholders able to trigger visible changes in an independent way. As the regions are still struggling to improve the quality of their administration and public services, there is high demand for technical assistance, capacity development and investments.



Reproductive Health

Supported by international partners, during the past years Ukraine has started to modernise mother and newborn health services. The Swiss reproductive health interventions developed a “perinatal service package” defining the essential services to be provided at the different levels of health care. Models were developed on mother and newborn health promotion (including the specific role of fathers), integrated perinatal services, health technology management, and information communication technology (ICT) in health care. These models were introduced in 23 rayons in four oblasts, covering a population of 1.8 million (including approx. 415,000 women of reproductive age) by the end of 2010. The support provided not only included the transfer of know-how but also the financing of medical equipment and the repair and renovation of infrastructure. Important innovations promoted by Swiss cooperation have been reflected in the perinatal strategy recently developed by the Ministry of Health, and a national decree adopting the perinatal service package. The interventions contributed to a 10% increase in normal deliveries and a 50% increase in partner deliveries,

thus resulting in a decrease in maternal mortality and infant mortality between 2000 and 2010.

Post-abortion complications were responsible for almost 10% of maternal deaths in 2009. Abortion counselling is often not available and modern abortion techniques such as medical abortion or vacuum aspiration are not promoted. The Swiss programme has so far tried to respond to this situation by developing and piloting a model of comprehensive care for unwanted pregnancies and by reviewing the regulatory framework.

Agriculture and Rural Development **Justice Reform**

Certified organic agriculture was practically absent in Ukraine at the beginning of the century. This sector has enjoyed remarkable growth over the past few years also as a result of the certification agency Organic Standard Ltd. supported by SECO and the association of organic producers BioLan supported by SDC. Over the last years the organic sector grew to 118 certified farms with total arable land of 270,000 hectares, placing Ukraine among the top twenty suppliers of organic produce worldwide. The now internationally accredited Organic Standard Ltd, as the only local certification agency, certified 30% of Ukraine's organic production in 2009. Yet, the quality and diversity of organic value chains need to be further strengthened to gain a bigger share of the domestic and export markets and to ensure profitability of the organic business. Support to organic value chains will therefore be maintained as a priority of the present strategy.

In close cooperation with the State Forestry Committee of Ukraine, a Swiss project managed to introduce close-to-nature silviculture to the training curricula and regulatory framework for forest management in Ukraine by 2010. The negative impact of clear-cuts on the sustainability of forests has been reduced. Thanks to Swiss expertise, new practices such as forest management planning with community participation and a cluster approach for the wood sector in the Carpathian region have been introduced in Ukraine. By the end of 2010 Switzerland completed this successful technical support.

Swiss assistance in the area of justice has yielded a number of important results over the years. With the support of Switzerland, European norms such as the principle of judicial independence and restorative justice have been taken up in the concept of the Ukrainian judiciary. A cross-institutional approach to juvenile crime prevention in communities has been tested and disseminated, and mediation has been acknowledged as a new element of criminal justice procedures by means of an instructive letter of the General Prosecutor's Office. Furthermore, the Swiss programme has contributed to improved detention conditions for particularly vulnerable groups such as women, mothers with children, and juvenile delinquents.

Given that other international actors such as EU and USA have identified support to justice reform as one of their priorities for the coming years, Switzerland will gradually terminate its interventions in this domain by 2012.





Economic Development

The bulk of Swiss assistance since the mid-1990s has been targeted at financing the repair and renovation of basic infrastructure in health, energy, and wastewater. The project portfolio for technical assistance has been rather limited in the past, but it will be extended with several projects in the framework of the present new strategy.

Among recent interventions in the area of infrastructure financing, the transfer of used trams from Zurich to Vinnitsa resulted in a 20% reduction in the city's transport energy consumption and significantly improved transport conditions. This cooperation also included technical assistance to the city tram and trolleybus department, which started servicing tram departments throughout Ukraine. A Counterpart Fund for the Dnipro River cascade in Kyiv and Kaniv Hydro Power Plants was concluded in 2010 and resulted in 25% higher energy output of two hydro stations due to the replacement of four turbines. Yet, the bilateral approach struggled to achieve the necessary critical mass for properly addressing the enormous need for public utilities renovation and sector reform. In future, Switzerland's support will target sustainable energy management as a specific area and primarily build on established partnerships.

In the area of multilateral cooperation, Switzerland contributed to the decommissioning activities of the Chernobyl Nuclear Power Plant through the Chernobyl Shelter Fund and Nuclear Safety Account managed by EBRD. The implementation of projects, however, has constantly been delayed and related budgets register recurring increases. This will be taken into consideration when setting up priorities for the future.

Regarding private sector support, Switzerland's interventions have focused on corporate governance issues and investment promotion. Indeed, corporate governance was identified as a key area for structural improvements, not least to attract foreign investment and increase operational efficiency. Substantial cooperation with IFC resulted in better corporate governance framework conditions and in improved practices in Ukrainian banks and companies, helping to stimulate business lending to small and medium-sized enterprises. The work also included enabling local banking NGOs and educational institutions to carry on the promotion of corporate governance in the future.



4. Moving towards the new Cooperation Strategy 2011 – 2014

In the areas where it sees potential for a relevant contribution to Ukrainian development objectives, Switzerland is committed to supporting the implementation of Ukraine's comprehensive reform agenda. The new Cooperation Strategy will focus on a limited number of thematic domains where Swiss expertise is available and where effective contributions can be made to satisfy concrete needs. The support within the domains of reproductive health as well as local governance and public services (in the previous phase: public sector reform incl. decentralisation) will be maintained, while the interventions previously subsumed under the domain of economic development will be expanded in two new domains: financial and economic sustainability, and sustainable energy management.

There is political consensus in Ukraine on the need to conduct fiscal and administrative-territorial reforms and to improve local governance. Switzerland will therefore continue to strengthen the capacities of regional and local authorities to manage and deliver public services in cooperation with the population and the private sector. Swiss support will be delivered so as to directly benefit the target groups in the regions, notwithstanding possible slow progress at the national level on adapting regulatory framework conditions for stronger local governance.

The Swiss interventions in the health domain aim to improve the availability of quality and efficient perinatal services by capitalising on past achievements and scaling up successful interventions. In the past the main drivers of change have been health authori-

ties and staff at the oblast, rayon or facility levels, directly involved in developing and piloting the piloted models. They will continue to play a key role in supporting the Swiss Programme.

A number of interventions started in the previous strategy will be taken further within the financial and economic sustainability domain. Specific attention will be focused on helping the country deal with the effects of the financial crisis which has uncovered structural problems at the micro and macro levels that were not being given attention to during the preceding growth environment. Interventions will aim to improve economic framework conditions and develop the capacities of financial and corporate actors.

Sustainable energy management will be introduced as a specific domain and new focal area, building on Switzerland's longstanding experience in the field of energy, environment and climate change. This choice is motivated by the strong need of Ukraine to raise efficiency its use of energy, as the country consumes 3.8 times more energy per unit of GDP than European countries, mainly because of underdeveloped and inefficient infrastructure. Both the residential and the industrial sectors offer considerable opportunities for energy savings and reduction of emissions. Pressure on the government to increase energy tariffs provides fertile ground for energy efficiency interventions as payback potentials for investments become more attractive.



5. Priorities of the Cooperation Strategy 2011 – 2014

5.1 Overall Goal

Switzerland supports Ukraine in the transition process to improve the living conditions of its citizens, provide effective public services, and promote sustainable economic growth.

5.2 Domain Local Governance and Public Services (SDC)

The domain goal is to improve access to public services that meet the needs of the population and that are delivered by local governments with increased competence and capacity.

Swiss cooperation will build on its previous work of supporting selected local governments in finding ways to improve public service provision in close cooperation with the population and private business. It will further promote community-based planning, financing and operating of public services. Financial and technical assistance will be provided for local infrastructure initiatives regarding water supply, solid waste management, and energy efficiency measures, benefiting citizens in rural areas and municipalities. Support will be made available on co-funding mechanisms for such public services infrastructure.

The Swiss programme will support leadership and management capacities particularly those of emerging female leaders, thereby contributing to a more equal representation of men and women in decision-making structures, defining their priorities, and ensuring access to and control over services.

National public administration training institutions will be supported in improving their training curricula for civil servants and representatives of local self-governments on delivering public services. The Swiss programme will also support national associations of local governments in integrating good practices into national policy recommendations and disseminating such practices among their members.

A transparent and accountable public administration is key for improving public services. The Swiss programme will therefore place emphasis on consultation and communication with citizens, on improving procedures, and on reporting on results. To enhance efficiency, it will strive to find sustainable local financing mechanisms.

There is a certain risk that the central government in the end will not be willing to devolve financial power to local entities. The success of the Swiss programme will also depend on the active involvement in the reform processes both of local government associations and training institutions.





5.3 Domain Reproductive Health (SDC)

The goal of this domain is to support Ukraine in achieving the adapted MDGs 4 and 5, significantly improving maternal and infant health by 2015. The Programme will contribute to strengthening and modernising perinatal services and care for unwanted pregnancies in Ukraine. The Swiss interventions will also promote healthier lifestyles for pregnant mothers, their partners and newborns, and raise awareness among both men and women of sexual and reproductive health and services.

The implementation of a perinatal service package and of improved health technology management will increase the efficiency of the system by encouraging the lowest care level to provide the service and by raising the awareness of the costs and maintenance of health technology. Continuous medical education and professional communication will be enhanced through extending the use of telemedicine, e-learning modules and electronic repositories of materials. The further development of referral and transportation mechanisms and of quality management tools will improve the effectiveness of the system. The pro-

gramme will contribute to gender equality by encouraging communication between men and women, as well as mutual support and joint responsibilities for sexual and reproductive health, pregnancy, delivery, and newborn care.

The Swiss programme will consolidate its past achievements and scale them up by supporting the Ministry of Health in further updating the national regulatory framework regarding perinatology and care for unwanted pregnancies, by rolling out the developed approaches of perinatal services throughout 4 oblasts, and by developing and institutionalising additional modules on referral mechanisms and antenatal care in cooperation with the National Medical Academy of Postgraduate Education. The programme will ensure that the quality of services is not only improved in a few selected rayons, but rather for all citizens, even those living in remote areas. There is a certain risk that human and financial resources are not allocated in an optimal way at the regional and local levels. Switzerland will closely follow this and try to influence the relevant authorities accordingly.

5.4 Domain Financial and Economic Sustainability (SECO)

The goal of the domain is to build better economic framework conditions and to improve crisis resilience, employment and market opportunities in the private sector. The future of sustainable development in Ukraine will mainly depend on dynamic and innovative SMEs. Sustainable economic development requires better recognition and use of the potential of SMEs in contributing to job creation, technology innovation, diversified exports and industrial decentralisation, and the related impact on poverty reduction. The financial system also remains fragile and private lending is only available in the short term and at exorbitant rates.

The following interventions will achieve this goal:

Firstly, Switzerland will provide technical and financial assistance and private equity investments (through the Swiss Investment Fund for Emerging Markets SIFEM) with the goal to improve financial sector sustainability and access to finance for the private sector. This will also include supporting financial and corporate sectors to improve crisis management and resilience, mainly, but not exclusively, through better risk management practices. Moreover, support will be provided to strengthen the regulatory environment for insolvency, non-performing loan resolution and distressed asset transfer. Again, success will depend on the effective enactment of the respective legal acts. At the macroeconomic level, Switzerland intends to finance technical assistance by IFIs, mainly the IMF, in order to improve public finance management and to strengthen the framework conditions for the financial sector. However, the level of engagement will largely depend on the government's commitment to market-friendly and governance-oriented reforms.

Secondly, this domain aims to strengthen economic sustainability of small and medium-sized enterprises by improving the business climate, export diversification and integration in international trade. Interventions may include supporting regulatory reforms and developing certified sustainable value chains (for example in organic agriculture). Ukraine will also benefit from support in market access by the Swiss Import Promotion Programme (SIPPO) as well as from promotion of private sector investment by the SECO Start-up Fund. In the context of the EFTA-Ukraine Free Trade Agreement and a draft bilateral Agricultural Agreement between Switzerland and Ukraine, it is planned to cooperate in sanitary and phytosanitary measures, risk management, as well as sustainability and quality management in oenology.



5.5 Domain Sustainable Energy Management (SECO)

The goal of this domain is to contribute to better living conditions, sustainable economic development, and reduced greenhouse gas emissions by introducing energy-efficient and environmentally sound technologies and financial mechanisms in the residential, municipal and business sectors of Ukraine. The effectiveness of interventions however will depend on Ukraine's ability to increase energy tariffs to real cost level, providing the necessary incentives for sustainable energy management.

In this domain, Switzerland will support the following type of interventions:

First, Switzerland will promote the creation of financing mechanisms for energy efficiency measures in the residential housing sector. This will include helping financial institutions develop efficient loan products targeted at home-owner associations and at housing-management companies. The Swiss programme will also cooperate with national authorities to improve the legal framework and to create better incentives for such investments. Activities will be phased, focusing firstly on the regulatory environment and awareness rising, and then gradually include advisory work with financial institutions.

Moreover, Switzerland will facilitate energy efficiency and renewable energy use through investments in municipal infrastructure such as district heating, thermal modernisation of public buildings, energy supply, water and sanitation, public lighting, and public transport. This will be accompanied by capacity development at the municipal level for better provision of basic infrastructure services. As interventions in infrastructure financing require particularly intensive risk management, Switzerland will make sure that appropriate human resources are made available for monitoring fiduciary risks.

Finally, this domain will support the introduction of energy- and resource-efficient technologies in the business sector, in cooperation with public and private stakeholders. As a priority, this will entail the setting-up of a Cleaner Production Centre, following the proven model in several partner countries of SECO.



5.6 Non-core Programme

In phasing out the Domain Justice, Switzerland will place particular emphasis on ensuring capitalisation and institutionalisation of the achieved results by the national counterparts.

Ukraine will remain part of the Swiss regional anti-trafficking programme which currently supports an initiative to prevent human trafficking in Ukraine through social work and community mobilisation. The launching of additional interventions in this area will be carefully examined.

Switzerland is also contemplating further support for the decommissioning activities of the Chernobyl Nuclear Power Plant.

6. Programme Implementation and Management

Synergies between Domains of Intervention

SDC and SECO are committed to ensuring best possible coherence of the technical and economic assistance provided, as well as to coordinating their interventions with those of other Swiss government agencies active in Ukraine.

Initiatives in the area of residential energy efficiency will consider accumulated experiences in the area of local governance and public services when supporting and promoting house-owner associations. In regions where the Swiss programme supports interventions in several domains, coordination mechanisms will be set up in cooperation with the regional authorities to enhance efficiency and cross-domain cooperation and learning.

Aid Modalities

Acknowledging that a political reform agenda is key for durable systemic change, the Swiss programme in Ukraine aligns its interventions with the priorities as defined by the Ukrainian Government in the PER and related sector strategies. Swiss development aid is provided through bilateral and multilateral technical assistance and clearly defined and closely monitored investment projects.

Switzerland is committed to building capacities on the ground and transferring knowledge to local actors

to ensure ownership and sustainability of its activities in the long term. In the thematic areas of public service provision and reproductive health, a regular exchange of experiences with the SDC programme in neighbouring Moldova will be ensured (East-East Cooperation).

Partners

Swiss cooperation will continue working with several implementing partners with whom trustful relationships have been built over the past years. This includes cooperation with organisations from Switzerland and Ukraine and with international finance institutions and UN agencies. Where appropriate, project agreements are signed with the corresponding line ministries or other authorities to stipulate the mutual contributions for achieving the planned outcomes. In terms of policy development and dialogue, Switzerland is committed to developing alliances and lobbying for joint donor positions.

Governance as a Transversal Theme

Equitable participation in decision-making processes as well as transparency and accountability in public administration are important governance principles for improving public services such as health, energy, and potable water. These principles will become transversal dimensions of Swiss interventions, for example by fostering relations between civil society and local governments and by promoting mechanisms for checks and balances.

Governance is key for the transparent and efficient management of economic affairs in the private and public spheres, while also acting as an effective deterrent to corruption. Support for sound public financial management at national and local levels, efficient regulation of the business framework, and good corporate governance will be taken into account in the Swiss programme.

Gender Equality as a Transversal Theme

Swiss cooperation will continue to promote gender equality across all its domains of intervention, and to provide opportunities for women and men to con-



structively engage in changing existing gender roles and to exercise their rights equally. To bridge the gap between legal commitments to gender equality and the realities on the ground, local and regional governments will be required to consider the different needs of men and women.

Geographical Coverage

Given its rather modest budget for such a big country as Ukraine, Switzerland seeks to support tangible and visible changes in specific locations for all thematic domains, acknowledging the sensitivities and particularities of the different parts of Ukraine. Where possible a broader (national) impact is to be sought through innovative and replicable approaches and a targeted policy dialogue.

Financial and Human Resources

During the period 2011 – 2014 SDC will maintain an annual budget of slightly more than CHF 5 million whereas SECO plans to disburse up to CHF 40 million in total.

The following table shows the planned disbursements per domain of intervention from January 2011 until December 2014, both in absolute numbers and in terms of percentages. It also indicates the new fi-



ancial commitments that Swiss cooperation plans to make in Ukraine during this four-year period. The figures do not include support from global or regional programmes such as SIFEM, SIPPO, or the Start-up fund.

The Swiss Cooperation Office in Kyiv will be managed by a Swiss Country Director who is supported by an Assistant Country Director, a Chief of Finance and Administration, several National Programme Officers, and support staff. The costs of the Swiss Cooperation Office amount to around CHF 0.8 million annually.

Domain of intervention	Planned disbursements during 2011 – 2014 <i>(in CHF million; incl. disbursements committed before 2011)</i>	Planned disbursements during 2011 – 2014 <i>(in percentage of total planned disbursements)</i>	Planned new commitments during 2011 – 2014 <i>(in CHF million; incl. new commitments that entail disbursements beyond 2014)</i>
Local Governance and Public Services (SDC)	9	16%	8
Reproductive Health (SDC)	8	14%	8
Financial and Economic Sustainability (SECO)	12	21%	11
Sustainable Energy Management (SECO)	20	35%	29
Non-core programme (incl. contribution to Chernobyl Shelter Fund)	8	14%	6
Total	57	100%	62

7. Programme Steering

Monitoring the cooperation strategy serves the two-fold objective of programme steering for ensuring relevance, effectiveness and efficiency of the Swiss programme and accounting for results.

The monitoring process is the overall responsibility of the Swiss Cooperation Office (SCO) which involves project partners in assessing domain outputs and outcomes. Programme monitoring will be carried out at three levels: i) at the country level to assess

progress made in delivering the expected results as stipulated in the Economic Reform Programme and other national sector strategies, and to capture relevant context changes; ii) at the Swiss portfolio level to keep track of the achievements in the different domains (cf. domain results frameworks in annex 2); and iii) at the SCO level to verify performance in terms of application of aid modalities, cooperation with partners, allocation of financial resources and other management dimensions.

Level	Focal Area	Instrument	Periodicity
Country development results	<ul style="list-style-type: none"> Country development results per domain Overall context changes relevant for the Swiss programme; specific domain context changes (in particular regarding decentralisation) 	<ul style="list-style-type: none"> Annual report (results frameworks) Country / domain context watch 	<ul style="list-style-type: none"> Every year in autumn Every year in autumn
Swiss portfolio results	<ul style="list-style-type: none"> Effectiveness of interventions in achieving (annual) targets and contributing to country objectives 	<ul style="list-style-type: none"> Annual report (results frameworks) Domain / project reviews and studies 	<ul style="list-style-type: none"> Every year in autumn As and when required
Portfolio management	<ul style="list-style-type: none"> Effectiveness and efficiency of the SCO in supporting the programme to reach the stipulated cooperation strategy objectives 	<ul style="list-style-type: none"> Annual report Office management report External audit report 	<ul style="list-style-type: none"> Every year in autumn

The SCO will report on progress made on achieving the planned portfolio outcomes and contributing to the corresponding country development objectives in the form of an annual report, to be prepared in autumn of each year. The domain result frameworks, with their qualitative and quantitative indicators and targets defined on the basis of baseline figures, will serve as reference documents.

In the first semester 2014, a preliminary final assessment of the achievements under the present Cooperation Strategy will be conducted, providing indications for the future involvement of SDC and SECO in Ukraine.

Annex 1

Swiss Cooperation Strategy Ukraine 2011 – 2014 at a Glance

Synopsis of Swiss Cooperation Strategy Ukraine 2011 – 2014			
Overall Goal			
Switzerland supports Ukraine in the transition process to improve the living conditions of its citizens, provide effective public services, and promote sustainable economic growth.			
Domains of Intervention			
Local Governance and Public Services	Reproductive Health	Financial and Economic Sustainability	Sustainable Energy Management
Gender and Governance as Transversal Themes			
Domain Goals			
Improved access to public services that meet the needs of the population and are delivered by local governments with increased competence and capacity.	Ukraine supported in achieving the adapted MDGs 4 and 5, thereby significantly improving maternal and infant health until 2015.	To build better economic framework conditions to improve crisis resilience, employment and market opportunities in the private sector.	To contribute to better living conditions, sustainable economic development, and reduced greenhouse gas emissions in Ukraine.
Swiss Contribution			
SDC	SDC	SECO	SECO
Improved access to quality public services (water supply, solid waste management, residential energy efficiency) in selected rayons/ municipalities/villages. Local governments in selected rayons/municipalities/villages have improved their planning, budgeting and management capacities for public service delivery in cooperation with civil society organizations and the private sector.	Pregnant women and newborns of 4 Oblasts have greater access to good quality and efficient RH/perinatal health care services. Men and women of reproductive age are aware about sexual and reproductive health, rights and services, use them and adopt healthier lifestyles, in particular during pregnancy, in pilot oblasts.	Effective and efficient resolution mechanisms for non-performing loans are developed, the insolvency process is streamlined and public finance management is improved. Business enabling environment and market opportunities for SMEs are improved.	Energy efficient and environmentally friendly technologies and financial mechanisms are introduced in the residential, communal and business sectors of Ukraine.
Budget			
CHF 9 million	CHF 8 million	CHF 12 million	CHF 20 million

Annex 2

Domain Results Frameworks

Remark: Baseline and target values will be established in the first semester 2011. In the course of the four-year period the domain results frameworks will be updated and refined taking into account changes in the context and further development of the portfolio.

Domain of intervention: Local Governance and Public Services		
Domain goal: Improved access to public services that meet the needs of the population and are delivered by local governments with increased competence and capacity.		
(1) Swiss portfolio outcomes	(2) Contribution of Swiss programme	(3) Country development outcomes
<p>Outcome statement 1 Improved access to quality public services (water supply, solid waste management, residential energy efficiency) in selected rayons and municipalities/villages.</p> <p>Indicators:</p> <ol style="list-style-type: none"> 1. % of beneficiaries that have expressed satisfaction with public services provided in the area of water supply, solid waste management and residential energy efficiency; 2. % of (piloted and non-piloted) rayons which have implemented new projects without Swiss contribution; 3. % of population in target villages that have benefitted from improved access to water supply services; 4. Number of rayons/municipalities that have introduced integrated solid waste management. 	<p><i>Intermediate results/sequence:</i></p> <ol style="list-style-type: none"> 1. The planning and realisation of durable local infrastructure initiatives of village councils and municipalities (in rural water supply, solid waste management and residential energy efficiency) meet the basic needs of the population; 2. The preparation and implementation procedures of local infrastructure initiatives serve as on-the-job training for the local governments involved. These procedures should then be included in the local regulations concerning the on-budget expenses of local governments for public services; 3. Once successfully implemented and documented, the relevant procedures are promoted as good practices among local governments and by their associations when developing/negotiating better framework conditions at the national level. They are replicated in non-targeted rayons/municipalities. <p><i>Assumptions:</i></p> <ul style="list-style-type: none"> • The expected reforms to fiscal relations, budget code reform, public administration reform and local self-government will provide for increased financial and decision-making powers at the local level; • Local government associations and the NAPA will play an active role in the dissemination of good practices. <p><i>Risks:</i></p> <ul style="list-style-type: none"> • The central government is unwilling to devolve financial power to local entities. This would reduce the capacity of local governments to support local infrastructure initiatives in line with the established procedures over the long run; • Local government associations remain marginal actors in the reform process and the replication hypothesis. 	<p>Outcome statement 1 Improved access to quality public services that meet the needs of the population, delivered by local governments with increased autonomy and capabilities.</p> <p>Indicators:</p> <ol style="list-style-type: none"> 1. Local budgets increased by 50% by 2014 compared with 2010; 2. Increased access to improved water supply as defined in MDG 7.1 & 7.2; 3. % of earmarked versus non-earmarked transfers from central level to local level 2011-2014.

The Swiss programme has been designed to adapt to various degrees of power devolution and financial-resource transfer models. The progress of reform is assessed on an annual basis and will be specifically mentioned in the Annual Reports.

A domain review will be conducted to see where the local government reform stands in early 2012 and how to adjust interventions accordingly.

Outcome statement 2

Local governments in selected rayons / municipalities / villages have improved their planning, budgeting and management capacities for overall public service delivery in cooperation with civil society organisations and the private sector.

Indicators:

1. Number of rayons and municipalities/villages which have introduced participatory planning/budgeting and monitoring processes within and outside SDC projects;
2. % of local population satisfied with local government efficiency, accountability and responsiveness.

Intermediary results/sequence:

1. Participatory planning and budgetary processes are introduced in targeted municipalities/villages/rayons and are effective. Emerging female leaders are specifically supported;
2. Training modules/courses are provided on standards of good local governance, local development planning and public finance management to municipalities/villages/rayons officials;
3. These modules and tested good practices feed into the curricula of the national training institutions NAPA/AMM for public servants and local self-governance representatives. They may feed into the wider national reform process.

Assumptions:

- Civil society can exert its civil rights;
- The national government has to ensure smooth and transparent financial operations at all levels;
- NAPA and AMM are active supporters of the reform process.

Risks:

- Civil society participation is hampered by various forms of political interference;
- NAPA and AMM are sidelined by the central government;
- No (public) pressure on local governments to manage public funds in a transparent and accountable manner.

Through policy dialogue, donor coordination and synergies with SECO's public finance activities, Swiss portfolio interventions will seek to overcome those risks by increasing pressure to ensure civil society participation and sound public finance management.

Outcome statement 2

Efficient and transparent management of public resources at local level for delivering public services which meet the needs of the population as expressed by citizens' active participation.

Indicators:

1. % of annual budget with local governments involving citizen participation;
2. Number of approved local development strategies and local service delivery Programmes planned and implemented with citizen participation;
3. Number of municipalities/rayons/oblasts with adopted participatory planning and budgeting processes.

(4) Lines of intervention (Swiss programme)

Outcome 1:

- Financial and technical assistance for villages and municipalities in the areas of water supply, solid waste management, and residential energy efficiency;
- Specific technical expertise regarding co-funding mechanisms for public infrastructure and on participatory planning of, and accountability for, municipal services.

Outcome 2:

- Financial, technical and expert support for the national public administration training institutions (NAPA, AMM) in improving their training curricula for local authorities in better planning, financing, monitoring and delivering public services;
- Consultancy and expert support for the national associations in integrating good practices into policy recommendations for the national government and ensuring dissemination of such practices among their members;
- Policy dialogue and expert support for the national government on policy development based on acquired good practices and political will.

(5) Resources, partnerships (Swiss programme)

Budget: CHF 9 million

SDC's main implementing partners are UNDP, the Council of Europe, and Skat.

National counterparts are the Secretariat of the Cabinet of Ministers, the Ministry of Regional Development, Building and Housing, the Parliamentary Committee on State Building and Local Self-Government, the National Academy of Public Administration, and local government associations.

Coordination with other donors: UNDP, CoE (capacity development, monitoring of local governance), SIDA (focusing on legal and fiscal reforms), and GTZ (municipal services development).

Domain of intervention: Reproductive Health

Domain goal: Ukraine supported in achieving the adapted MDGs 4 and 5, thereby significantly improving maternal and infant health until 2015

(1) Swiss portfolio outcomes	(2) Contribution of Swiss programme	(3) Country development outcomes
<p>Outcome statement 1 Pregnant women and newborns in 4 oblasts have greater access to good quality and efficient RH/perinatal health care services.</p> <p>Indicators: of 4 oblasts (with a total population (rural and urban) of about 6 million):</p> <ol style="list-style-type: none"> 1. % of maternal mortality; 2. % of infant mortality; 3. % of normal/physiological deliveries / positive outcomes of pregnancy (births without medical intervention); 4. % of partner deliveries; 5. % use of modern methods in comprehensive care for unwanted pregnancy; 6. % of pregnant women receiving maternal services expressing satisfaction (quality of care); 7. % of health care staff trained. 	<p>Greater access to improved quality of services is expected to decrease maternal and infant mortality and morbidity in 4 oblasts representing a critical mass of health providers and citizens (about 15% of Ukraine's total population). This will greatly facilitate a further upgrading of services at the national level.</p> <p><i>Intermediate results/sequence:</i></p> <ol style="list-style-type: none"> 1. Horizontal scaling up: The Swiss programme will improve the quality, organisation and management of perinatal services in four oblasts and comprehensive care for unwanted pregnancies in selected sites, by scaling up the models developed during the previous country strategy from 23 to 71 rayons. The experience gained in pilot rayons will also be disseminated at the national level through conferences and telemedicine; 2. Vertical scaling up: The national regulatory framework will be updated and the developed models introduced in training programmes of the NMAPE 	<p>Outcome statement 1 Pregnant women and newborns in Ukraine have greater access to good quality and efficient RH/perinatal health care services. Modern perinatal care technologies for mother and child health services introduced.</p> <p>Indicators:</p> <ol style="list-style-type: none"> 1. Maternal mortality (per 100,000 births) reduced from 23.9 (year 2001) to 13.0 (year 2015) MDG; 2. Infant mortality (per 1,000 live births) reduced from 11.3 (2001) to 9.3 (2015) MDG; 3. Approval and sequenced implementation of the national population and RH policy (Concept on Perinatal Care Development).

and approved by the MoPH for national use;

3. Functional scaling up: Integrated perinatal care will be supplemented with products and training referral mechanisms and antenatal care.

Assumptions:

- Health-care reform as provided for in PER will be implemented. This will strengthen quality management and facilitate the introduction and dissemination of the models that have been developed;
- The MoPH will actively promote the developed models and integrate them into the national regulatory framework.

Risks:

- Health-care reform agenda is delayed or stopped; MoPH does not approve the new models;
- Local budgets do not allow for contributions to improving necessary infrastructure and equipment at the secondary level due to prolonged financial and economic crises;
- Lack of human and financial resources may put at risk nation-wide dissemination, even if regulations are updated.

Outcome statement 2

Men and women of reproductive age are aware of sexual and reproductive health, rights and services, use them and adopt healthier lifestyles, in particular during pregnancy in pilot oblasts.

Indicators:

1. % use of modern contraceptives;
2. % of STIs decreased;
3. % women aware of pregnancy complications;
4. % women taking folic acid in first trimester.

Intermediate results/sequence:

1. SDC will promote sexual and reproductive health and healthy pregnancies focusing on 4 oblasts; the information and communication materials developed will be available for further dissemination throughout the country;
2. Close cooperation with MoPH and coordination with other donors will encourage nationwide dissemination.

Assumptions:

- Mother and child health will remain one of the state priorities.

Risks:

- Sexual and reproductive health topics (abortion, contraceptives) could be politicised. This could endanger broad dissemination of messages.

NB: Healthier pregnancies also contribute to maternal and neonatal health, as per country development outcome statement 1.

Outcome statement 2

Men and women of reproductive age aware about sexual and reproductive health, rights and services, use them and adopt healthier lifestyles nationwide.

Indicators:

1. % use of modern contraceptives;
2. % of STIs decreased;
3. % women aware of pregnancy complications signs;
4. % women taking folic acid in first trimester.

(4) Lines of intervention (Swiss programme)

Outcome 1:

- Scale up the previously developed integrated perinatal-care model to all 71 rayons in 4 oblasts;
- Reinforce the regulation, functioning, organisation, management and monitoring of the perinatal health care system;
- Complement the service package with referral mechanisms aspects and adapt national/local regulations;
- Introduce and support the use of management and monitoring tools and methods, including health technology management;
- Improve the quality of perinatal services;
- Complement integrated perinatal care with training modules developed with NMAPE on referral mechanisms and antenatal care;
- Introduce eLearning / eHealth approach into the post-graduate/continuous medical education training curricula and promote the use of telemedicine;
- Introduce quality management tools.

Outcome 2:

- Implement interpersonal and mass media health-promotion campaigns;
- Complement national campaigns to raise awareness of reproductive health.

(5) Resources, partnerships (Swiss Programme)

Budget: CHF 8 million

Main SDC implementing partners are Swiss TPH (with a good expertise in strengthening the public health care system with a specific focus on perinatal care development), WHO and UNICEF (with a strong position in lobbying and communication with MoH) and local NGOs (providing the local ownership and sustainability).

Main national counterparts are the Ministry of Health and the National Medical Academy for Post-graduate Education.

The Ministry of Health is invited to chair all projects' steering committees in order to ensure harmonisation and alignment.

Close coordination with other donors in the area of reproductive health is assured and synergies with other SDC domains are strengthened.

If health-care system reforms are launched the World Bank will become an important partner.

Domain of intervention: Financial and Economic Sustainability

Domain goal: To build better economic framework conditions to improve crisis resilience, employment and market opportunities in the private sector.

(1) Swiss portfolio outcomes	(2) Contribution of Swiss programme	(3) Country development outcomes
<p>Outcome statement 1 Effective and efficient NPL resolution mechanisms are developed, the insolvency process is streamlined and public finance management is improved.</p> <p>Indicators:</p> <ol style="list-style-type: none"> 1. Number of recommended laws or regulations regarding distressed asset resolution enacted; 2. Number of insolvency agencies implementing project recommendations; 3. Number of financial institutions improving operations related to NPLs and risk management; 4. Number of financial institutions implementing recommendations from in-debt assistance; 5. Number of recommended policies/procedures improved / eliminated; 6. Positive development of indicators such as CFAA and PEFA. 	<p><i>Intermediate results/sequence:</i></p> <ol style="list-style-type: none"> 1. Improvements to the legislative framework will allow for a more effective and efficient NPL resolution mechanism and streamlining the insolvency process; 2. Increased understanding of effective crisis management will lead to better portfolio monitoring and risk management by financial institutions; 3. Improved operations of targeted clients outperforming market averages serve as a demonstration effect in the financial sector; 4. Technical expert assistance to the NBU and the MoF through IFIs will contribute to stabilising and improving public finance management. <p><i>Assumptions:</i></p> <ul style="list-style-type: none"> • GoU and parliament will adopt and implement proposed legislative changes 	<p>Outcome statement 1 Established sustainable financial system as one of the preconditions for economic growth of the country (PER 2010-2014)</p> <p>Indicators:</p> <ol style="list-style-type: none"> 1. share of distressed assets in bank portfolios reduced to 5% by 2014; 2. the average size of bank equity at least doubled by 2014. <p>Selected reform stages:</p> <ul style="list-style-type: none"> • improve the independence, accountability and transparency of the NBU, confirm the goals of the NBU; • select and implement the model for restructuring distressed assets; • amend the laws and judicial practice in the protection of creditor rights and fulfilment of obligations by borrowers; • improve the indicators which limit the risks of financial institutions;

regarding NPL, insolvency, etc.;

- Economic and financial situation stable enough to allow for prospective post-crisis measure implementation;
- The GoU is committed to market-friendly and governance-oriented reforms.

Risks:

- Scale of economic /financial crisis may increase and lead to banks developing too large NPL, before the interventions reach outcome level.

- toughen the requirements for bank risk management, transparency of activity, and disclosure of information by financial market players, including information about beneficial owners of financial institutions, and enhance responsibility for use of insider information;
- improve the system of prudential supervision of financial institutions, implement system of prudential supervision in all financial institutions on a consolidated basis;
- implement international financial reporting standards (IFRS) in all financial institutions;
- privatise the banks recapitalised with government participation.

Outcome statement 2

Business-enabling environment and market opportunities for SMEs are improved.

Indicators:

1. Number of SMEs that report changing procedures as a result of information received;
2. Increased economic sustainability of the organic certification agency;
3. Increased trade in certified organic produce;
4. Increased diversity of organic products on the internal / export market;
5. Reduced administration procedures applicable to enterprises;
6. Value of aggregated private sector savings resulting from reduced administrative burden.

Intermediate results/sequence:

1. Access to practical information on crisis management topics will put SMEs throughout Ukraine in a stronger position to manage their businesses and survive the crisis;
2. Development and enhancement of certification standards, quality processes and trademarks will increase competitiveness and opportunities for innovative SMEs, e.g. in organic agriculture, oenology;
3. Improved SPS risk management and compliance with European standards will increase export opportunities for Ukrainian SMEs.

Assumptions

- Ukraine's economy regains growth dynamic and provides business opportunities for SMEs;
- Business-enabling reforms are implemented as planned in PER.

Risks

- Legislation on organic agriculture is not approved, which allows non-certified products to be labelled "organic" on the internal market;
- New legislation restricts certification services for private companies and introduces state monopoly on certification.

Outcome statement 2

Improved business climate and increased competitiveness of the business sector leads to accelerated economic development and Ukraine's international economic integration (Programme of Economic Reforms 2010-2014).

Indicators:

1. 10 % of land in the country organic by 2015 (National Strategy of Rural Development);
2. Increased competitiveness of agricultural products and their compliance with the international standards of quality and safety;
3. Improved WB's Ease of Doing Business ranking by 40 positions by 2012 and national competitiveness index;
4. Ensure annual increase in FDI of \$0.5 billion and achieve total FDI in the Ukrainian economy of \$77 billion by 2014.

Selected reform stages:

- Reduction in the number of activities subject to licensing;
- Dramatic reduction in the number of activities and works requiring permits, including abolition of the compulsory certification of services;
- Introduction of the declarative principle in the issuance of permit documents;

- Division of standardisation, compliance-control and market-supervision functions (adoption of the Law on market supervision and amending current standardisation laws);
- Amendments to the Law on Accreditation to strengthen the powers of the national accreditation authority and facilitate its international recognition; adoption of laws on the general product safety and liability for damages caused by defected products;
- Recognise EU technical standards, harmonise the technical regulation system with EU Directives, abolish obsolete DSTU (state standards);
- Regulate the inspection procedures: reduce the number of inspection authorities, categorise companies by risk zone;
- Bring the food quality control system, including certificates, approvals, conclusions and other documents in compliance with EU Directives;

(4) Lines of intervention (Swiss programme)

Outcome 1:

- Assist government and private sector in developing a strategy for market-based solutions for distressed assets;
- Strengthen enabling environment in NPL, insolvency and distressed assets resolution and improve capacities of insolvency administrators;
- Improve NPL and risk management of at least 4 financial institutions, providing a demonstration effect for the sector;
- Provide TA by IFIs, mainly the IMF, in order to improve public finance management and/or to strengthen the framework conditions for the financial sector.

Outcome 2:

- Provide private equity investments to SMEs in order to generate job creation and economic growth;
- Create a sustainable, professional and locally owned Ukrainian certification agency;
- Support organic value chains through market service provision and improved framework conditions;
- Provide support in market access by the Swiss Import Promotion Programme SIPPO, as well as promotion of private sector investment by the SECO Start-up Fund;
- Provide training for SMEs in risk management and cost reduction through local counterparts, providing multiplication effects;
- Improve business enabling environment, export diversification and integration in international trade;
- Provide support in risk management of sanitary and phytosanitary measures (SPS);
- Provide support in the area of quality management in oenology.

(5) Resources, partnerships (Swiss programme)

Planned Budget is a total of CHF 12 million.

The main implementing partners are: International Finance Corporation (IFC), Research Institute for Organic Agriculture (FiBL), IMF/WB, and Swiss Federal Office of Agriculture (oenology).

The main national counterparts are the Ministry of Economic Development and Trade, the National Bank of Ukraine, and the Association of Ukrainian Banks. The Ministry of Agrarian Policy and Food is invited to chair the organic project's steering committee in order to ensure harmonisation and alignment.

Close coordination with IMF/WB and USAID in financial sector strengthening is assured. Interventions in organic sector will be coordinated with UNEP and the Embassy of Netherlands, as well as with other active donors.

Domain of intervention: Sustainable Energy Management

Domain goal: To contribute to better living conditions, sustainable economic development, and reduced greenhouse gas emissions in Ukraine.

(1) Swiss portfolio outcomes	(2) Contribution of Swiss programme	(3) Country development outcomes
<p>Outcome statement Energy efficient and environmentally friendly technologies and financial mechanisms are introduced in the residential, communal and business sectors of Ukraine.</p> <p>Indicators:</p> <ol style="list-style-type: none"> 1. Number of recommended laws/regulations enacted; 2. Number of formal lending applications for EE improvements by Condominium Associations / housing management companies; 3. Number of multifamily block houses reducing energy consumption; 4. Number of financial institutions introducing residential EE loans; 5. Number of target enterprises applying cleaner production; 6. Self-financing degree of CPC; 7. Value of financing in REE renovations facilitated; 8. Amount of energy savings through investment in municipal infrastructure; 9. Reduction of pollution intensity in the business sector by introducing RECP; 10. GHG emissions avoided. 	<p><i>Intermediary results/sequence:</i></p> <ol style="list-style-type: none"> 1. Create a Cleaner Production Centre in order to facilitate investments into resource-efficient cleaner production (RECP) technologies and provide training of national experts to support the private sector; 2. Upgrade the heating infrastructure in at least one pilot municipality; 3. Develop legislation and work with financial institutions to improve access to finance for investments in energy efficiency renovations. <p><i>Assumptions</i></p> <ul style="list-style-type: none"> • The tariffs for energy will increase further to meet real cost level; • FIs will recover from the crisis to a level where new investment opportunities e.g. in the REE market are welcomed. <p><i>Risks</i></p> <ul style="list-style-type: none"> • Raising of utility/energy tariffs are delayed for political reasons, lowering cost-benefit of EE investments; • Corruption and bureaucratic hurdles related to infrastructure investments could delay implementation of interventions; • Financial instruments are not created for implementation of RECP. 	<p>Outcome statement Increased energy efficiency leads to better living conditions, sustainable economic development, and reduced greenhouse gas emissions.</p> <p>Indicators:</p> <ol style="list-style-type: none"> 1. 20% reduction in energy intensity in Ukraine by 2015 (Energy Strategy of Ukraine 2030); 2. Specific energy efficiency of the economy improved by 20 % by 2014; 3. Households tariffs brought to an economically viable level by the end of 2012; 4. Level of payment for housing and utilities services by population is not less than 95 %; 5. Legal framework on energy conservation is brought into line with international standard; 6. Increased number of condominium associations (CAs) in houses of five or more floors up to 70%; 7. Reduced percentage of obsolete and hazardous heat supply systems from 15.7 % to 12 %. <p>Selective reform stages:</p> <ul style="list-style-type: none"> • Implement energy saving technologies in the sectors of electric power generation and transmission; • Implement the programme on installing meters for supplies of electricity, gas and heating (see Reform of the Housing and Utility Sector); • Raise payment discipline by introducing legislation on consumer economic liability for delays in payment; • Bring tariffs for households to a fully economically viable level, with concomitant introduction of a system of targeted assistance to those most in need; • Complete transition from the single customer model to the model

of direct contract and balanced market together with gradual opening of the market for qualified consumers;

- Technical re-equipping and increase in resource-efficiency of housing and utilities sector;
- Mandatory implementation of CAs.

(4) Lines of intervention (Swiss programme)

- Support Ukrainian commercial banks in developing and marketing financially viable energy-efficient housing-loan products targeted at condominium associations and housing-management companies;
- Work with national authorities in developing/amending legislation in REE (including NBU regulation) providing access to finance for the housing sector to improve energy efficiency;
- Raise awareness on EE and renewable energy at three levels (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, thereby providing showcases for replication in other cities;
- Set up a Cleaner Production Centre in order to introduce energy-efficient technologies in the business sector, improve productivity and environmental compliance.

(5) Resources, partnerships (Swiss programme)

Budget: CHF 20 million.

The main implementing partners are: International Finance Corporation (IFC), United Nation Industrial Development Organisation (UNIDO), Swiss implementing organisations, and EBRD in managing NSA/CSF.

The Ministry of Regional Development, Building and Housing, Ministry of Economic Development and Trade as well as the Ministry of Environment and Natural Resources are invited to co-chair project steering committees in order to ensure harmonisation and alignment.

Close coordination with other donors in the area of sustainable energy management is assured and synergies with other SDC/SECO domains are strengthened.

Annex 3

Cooperation Strategy Monitoring System

Introduction

Switzerland's Cooperation Strategy Ukraine 2011 – 2014 (CS) is subject to systematic and permanent monitoring which serves the following main basic purposes:

- Accounting for results through direct reporting from the Swiss Cooperation Office in Kyiv (SCO) to SDC and SECO Headquarters.
- Steering programme implementation to ensure the relevance, effectiveness, and efficiency of the CS.
- Learning at different levels, i.e. as part of the interaction between the SCO and its partners in the country, within the SCO team (Country Director and National Programme Officers), and among SCOs in the CIS region as well as between the SCO and SDC and SECO Headquarters. Learning refers both to results and performance.

Ownership of the present monitoring system is with the SCO, but (implementing) partners are included in the monitoring process and will contribute to results measurement through their project reporting.

The Cooperation Strategy is monitored at the following three levels of observation:

- 1) Country development results, incl. general country- and specific-domain contexts;
- 2) Swiss portfolio results, i.e. contribution of the Swiss programme (portfolio outcomes and outputs) to the development results in Ukraine (country outcomes and outputs).
- 3) Portfolio management by the Swiss Cooperation Office.

Monitoring Instruments

Country- and Domain-Context Monitoring → for monitoring of level 1

The country context monitoring focuses on a) general development trends / change processes at the country level, and b) on the key agents that are driving or

restraining these processes. The so-called MERV is a standard tool in SDC to monitor general context-relevant changes in a given development environment. It is developed once per year by the SCO on the basis of relevant and reliable sources of information such as reports from the EU, the UN and other international organisations, international and local media, the Swiss Embassy, NGOs, official statistics from the Ukrainian government as well as information derived from the monitoring of Swiss-funded projects.

Effective steering of the Swiss programme requires ongoing context monitoring in thematic domains where SDC and SECO are active. The monitoring of change processes at the domain level is complementary to the MERV. It will enable the SCO to adequately adjust the steering of its CS to altered circumstances and introduce adaptations in the Swiss portfolio where necessary. The context monitoring will thus guarantee that the CS keeps its relevance and effectively contributes to the achievement of the country development objectives.

Domain Results Frameworks → for monitoring of levels 1 and 2

The Swiss portfolio is at the heart of cooperation strategy monitoring. The term portfolio refers to the sum of programmes and projects supported by SDC and SECO in Ukraine (assigned to the four priority domains). New projects should fit into the domain results frameworks in order to respect the agreed strategic orientation of the Cooperation Strategy. A detailed results framework is developed for each domain of intervention (cf. Annex 2). There is a mutual reference at the first level of observation, i.e. country development results (outcomes and outputs) as defined in the Economic Reform Programme 2010 – 2014 and other national policy documents.

Monitoring at the Swiss-portfolio level means verifying:

- to what extent progress has been made towards achieving the set portfolio outcomes and outputs;
- whether the country development results (outcomes and outputs) are being achieved or need to be adapted because country developments have

changed or are no longer valid;

- if and how portfolio outputs and outcomes constitute a relevant contribution to the country development results.

The main reporting instrument for this level of observation is the Annual Report which has to be prepared by the SCO in the autumn of each year. Results have to be reported both with regard to outcomes and outputs, incl. statements on the transversal themes, and on cost-efficiency and cost-benefit aspects.

It is understood that the outputs and outcomes of the Swiss portfolio can only be seen as a contribution to the overall development of Ukraine, and that the Ukrainian authorities and citizens bear the main responsibility for achieving the set country objectives.

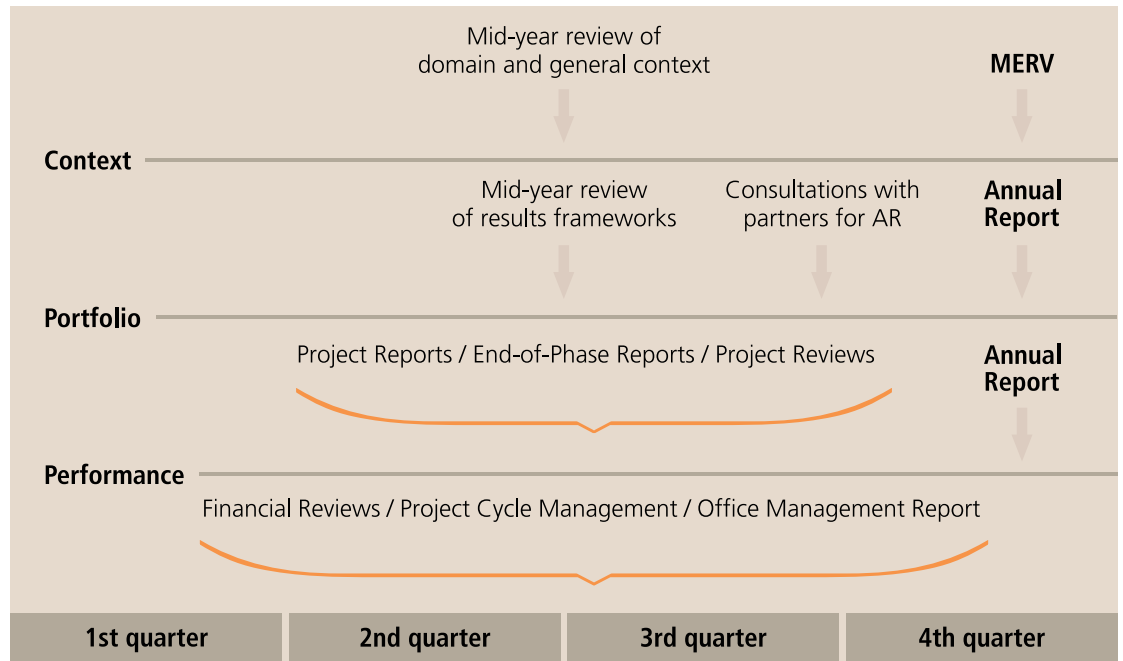
A practical monitoring table to compile all data and information from the different domain results frameworks will be prepared in the first semester 2011.

Monitoring Cycle

While it is clear that monitoring is a permanent task shared by the SCO and its implementing partners, there are clearly defined moments when the context, portfolio development and performance management have to be assessed and reported on.

Whenever important new context developments occur (for example new drivers or restrainers of change appear) or indicators can be found that more precisely describe the portfolio progress, adaptations to the domain-results frameworks can be decided during the mid-year review of the Swiss programme (usually in June of each year) or during the mid-term review of the Cooperation Strategy (which will be conducted in autumn 2012 as part of the drafting process of the Annual Report 2012).

The following graph gives an overview of the annual cooperation strategy monitoring cycle with the most important milestones:



Annex 4

Map of Ukraine



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