

Ex post evaluation – Ukraine

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Sector: Democracy, civil society and public administration (field of assistance and CRS code 15150)
Programme/Project: Promotion of social infrastructure (Social Investment Fund) (BMZ No. 2005 66 679*), Ukrainian Social Investment Fund (USIF II) (BMZ No. 2009 65 848**)
Implementing agency: Ukrainian Social Investment Fund (USIF)



Ex post evaluation report: 2016

		Donetsk + Luhansk (Planned)	Donetsk + Luhansk (Actual)	Crimea (Planned)	Crimea (Actual)
Investment costs (total)	EUR million	7.70	7.80	8.80	8.97
Counterpart contribution	EUR million	0.70	0.80	0.70	0.82
Funding	EUR million	7.00	7.00	8.10	8.15
of which BMZ budget funds	EUR million	7.00	7.00	8.10	8.15

*) Project in the 2016 random sample **) Project in the 2015 random sample

Summary: The aforementioned projects are multi-sectoral programmes to finance small-scale rehabilitation measures in social infrastructure (primarily schools, nursery schools, basic medical care facilities, community centres and water supply systems) as well as some economic infrastructure (road construction). The individual projects described as “microprojects” were selected and planned at local level with the involvement of the people and implemented with the help of the Ukrainian Social Investment Fund (USIF). The USIF founded in 2000 by the Ukrainian government was the executing agency of a large-scale World Bank project in 2002-2008, whose design was used as a reference for this project. In total, 160 microprojects were promoted in Eastern Ukraine in 2008-2010 (BMZ No. 2005 66 679), while 124 microprojects were promoted in Crimea in 2011-2013 (BMZ No. 2009 65 848).

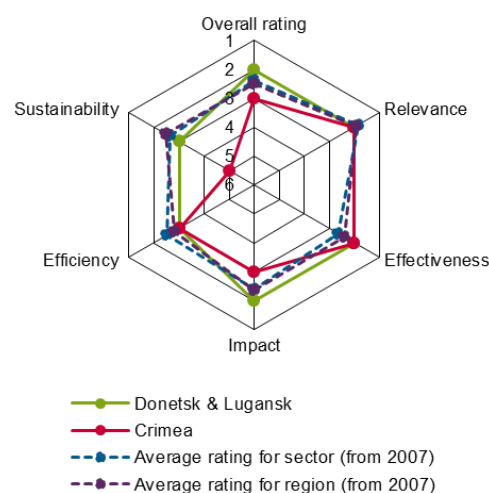
Objectives: There were two project objectives: 1) Sustainable use by the population in the project region of the infrastructure that was expanded and improved under the project, and 2) Strengthening of local civil society and the involvement of the population in decisions at municipal level, without weakening state structures (programme objectives). The projects were thus designed to make a contribution to the long-term economic and social development in rural areas of the Ukraine and to improve the general living conditions of the poor population (overarching development policy objective).

Target group: The target group of the project was the rural population in villages and small towns of up to 50,000 inhabitants in the Donetsk and Luhansk oblasts and the Autonomous Republic of Crimea.

Overall rating: 2 (Donetsk and Luhansk), 3 (Crimea; sustainability cannot be evaluated)

Rationale: Both projects were highly relevant given their focus on regions where part of the population felt disadvantaged and neglected, and given their approach of targeting the rehabilitation of outdated social facilities with the involvement of communities. Thanks to the intensive use of the rehabilitated infrastructure and the committed cooperation of the communities in implementing the projects, the effectiveness of both projects can be considered as good. The impact was somewhat mitigated by the secession of parts of the project region. The sustainability of the project in Crimea cannot be evaluated owing to the Russian annexation of the peninsula.

Highlights: During the appraisal of the projects it could not be foreseen that there would be a conflict in the project region in the near future, so the projects had no explicit objectives targeting stability. From today’s perspective, it is worth noting that all of the 15 project locations visited in the Ukrainian-controlled areas of the Donetsk and Luhansk oblasts are in operation.



Rating according to DAC criteria

**Overall rating: 2 (Donetsk and Luhansk),
3 (Crimea; sustainability cannot be evaluated)**

General conditions and classification of the projects:

The projects were carried out before the outbreak of the military conflict in Eastern Ukraine and Russia's annexation of Crimea (both in spring 2014). At the time of the ex post evaluation mission, the programme area of the first project, the Donetsk and Luhansk oblasts, was divided into three de facto zones: 1) an area controlled by the Ukrainian government, 2) a buffer zone between the fronts and 3) an area controlled by separatists. Due to security concerns and the current status of Crimea – which still belongs to Ukraine under international law, but is to all intents and purposes controlled by Russia – the evaluation mission was only able to visit project locations in the area of the Donetsk Oblast controlled by the Ukrainian government.

Relevance

The programme executing agency, the Ukrainian Social Investment Fund (USIF), was created by the Ukrainian government in the year 2000 as an independent non-profit organisation with the goal of contributing to the national poverty reduction strategy and supporting the government's social reform efforts. The USIF promotes needs-based measures across the country for the rehabilitation and expansion of social and economic infrastructure, particularly in rural areas and small towns. The current projects were preceded by nationwide financing of small projects by the World Bank.

The projects' approach of using small individual projects – appropriately referred to as microprojects (MPs) – to rehabilitate social infrastructure in rural areas and small towns, and thus to contribute to an improvement of living conditions for the local population, remains a sound one. In the programme region, the social infrastructure targeted for rehabilitation by these projects – including schools and nursery schools, basic medical care facilities, community centres and water supply systems – dates back to the days of the Soviet Union; at the time of the appraisal, it was some 30 to 40 years old and in a neglected state. This development policy bottleneck was recognised in the design of the projects, and addressed as part of their approach.

Originally, the projects were explicitly poverty-oriented, i.e. they were intended to specifically benefit poor groups of the population. In the first round of funding, therefore, only projects in the poorest districts¹ (based on poverty rankings) were initially funded; in a second round, the remaining funds were distributed to as many communities as possible, regardless of their socio-economic characteristics. Since the programme targets basic human needs like education and health, and because social infrastructure in the majority of Ukraine's rural communities is highly deficient regardless of their poverty rankings, extending the programme appears to be justified.

In addition to improving infrastructure, the projects aimed to increase the population's involvement in local decision-making. In accordance with the approach taken by comparable social investment funds in other states of the former Soviet Union², the programme design therefore provided for the involvement of the population in selecting, preparing and implementing the MPs. For example, the communities chose representatives who were responsible for implementing the MPs, and decided in town councils about which projects to implement. The participatory objectives of the programme were appropriate, since communities had not been included in planning and administration processes in the past due to the totalitarian, planned economic system that was in place until 1991. At the same time, these municipalities were expected to take on increasing responsibilities in the future as part of the decentralisation process.

¹ Three districts (raions) were selected for funding in the two oblasts of Donetsk and Luhansk, and four in Crimea. The four districts in Crimea occupied places 3-7 in the poverty ranking. The two poorest districts on the Crimean Peninsula were excluded from funding, as they had already received funding from the World Bank in the context of the preceding project.

² See, for example, Ex post evaluation "Georgia Social Investment Fund II" (2010)

From today's perspective, the choice of Donetsk and Luhansk Oblasts in Eastern Ukraine and of the Crimean Peninsula as the programme regions is highly relevant, since parts of the target group felt abandoned by Ukrainian state institutions. At micro-level, this can be seen in the surveys conducted before the start of the programme in two particularly disadvantaged districts in Crimea, which revealed that 100% of survey participants evaluated the local standard of living as low, and the state of social infrastructure as poor. At the same time, there were no indications at the time of the programme appraisals in 2005 and 2009 that a military conflict was likely to arise in the near future, so the programmes had no explicitly "stability-oriented" objectives.³

Relevance rating: 2 (both projects)

Effectiveness

The projects' objective was 1) Sustainable use by the population in the programme region of the social and economic infrastructure that was expanded and improved under the programme, and 2) Strengthening of local civil society and the involvement of the population in decisions at municipal level, without weakening state structures. Approximately equal importance was accorded to these objectives in both the design and the actual implementation of the project.

The achievement of the two programme objectives defined at the time of the programme appraisal can be summarised as follows:

Indicator	Status at ex post evaluation	
	Donetsk and Luhansk	Crimea*
(1) At least 85% of the buildings are used and maintained	Met (about 85%)	Exceeded (over 90%)*
(2) Active participation by the population in planning, preparing and implementing microprojects	Met	Met*
(3) Active participation of the selected town councils and participating district administrations in the financing and implementation of microprojects	Met	Met

* The information for Crimea is based on information from the time of the final inspection (28 February 2014).

From 2008 to 2010, a total of 160 MPs were funded in the administrative districts (oblasts) of Donetsk and Luhansk, as well as 124 MPs on the Crimean Peninsula. The originally expected number of municipalities involved (120 in Donbass⁴ and 60-90 in Crimea) was exceeded. The intended target group, i.e. the population of villages and small towns of up to 50,000 inhabitants, was reached.

Today, of the 160 MPs in Donbass, 90 are located in Ukrainian-controlled areas, 25 in the buffer zone between the fronts, and another 45 in areas occupied by separatists. Damage to individual facilities in the Ukrainian-controlled area resulting from the armed conflict of recent years has been repaired in all but three cases. It was not possible to acquire information about the state of a representative random sample of facilities in the buffer zone and in separatist-occupied areas. Based on the estimates of an employee of a UN organisation who is familiar with the area, it can be assumed that a) about 80% of schools, nursery schools and health care facilities in the buffer zone have been damaged or partially destroyed, and b) the

³ Indicators like the Fragile States Index, which represent a country's vulnerability to conflict, did not exhibit especially high values for Ukraine. Conversations with diplomatic representatives confirmed that the conflict in Eastern Ukraine was a surprise for the international community as well.

⁴ The two oblasts of Donetsk and Luhansk are commonly referred to as "Donbass".

facilities in the separatist-occupied areas are being used at a similar level to those in the Ukrainian-controlled area.⁵

The evaluation mission visited a selection of 15 MPs (locations selected at random) that was representative of the project portfolio in the Ukrainian-controlled areas of Donetsk Oblast. All facilities visited were operating in accordance with their intended purpose and were being maintained. The development of schools (47% of all MPs in Donbass, 42% of all MPs in Crimea) and nursery schools (15% in both projects) was evaluated as particularly successful. A key problem at these facilities prior to the start of the project was the mostly defective wooden windows built in the 1960s and 1970s, which led to low room temperatures in winter and very high heating costs. By replacing these old windows with plastic windows of an appropriate quality with insulating and double glazing, room temperatures during the heating period were raised by an average of 4°C, and heating costs were reduced by 20-40%. In some cases, the heating systems were modernised too. One criticism is that – probably due to budget restrictions – there were a number of schools and nursery schools at which only 80-90% of the windows were replaced, which reduces the effectiveness and impact of the measures somewhat in the particular cases.

The health care centres that were visited (11% and 2% of the portfolio respectively) were operated by qualified specialists. Drugs and medical devices were in very short supply, which reduces effectiveness as well as the impact of the facilities' rehabilitation. One of the three water supply systems visited (19% and 34% of the portfolio respectively) showed unimpressive results: the per capita investment costs were very high, and only one part of the very small village was connected to the drinking water supply; the well was in an unsanitary condition and the water quality had never been tested.

Utilisation rates for the visited facilities were satisfactory on the whole. While the nursery schools were fully utilised or even had waiting lists in many cases, the schools visited were operating about 20-30% below capacity on average due to the demographic trend in the region. New construction of smaller schools would have been far more expensive than the refurbishment of existing schools that are slightly "oversized" from today's perspective. The rehabilitation of the existing schools therefore made sense. Health care facilities were moderately well used (7-15 patients per day).

For all MPs that were reviewed, municipal members participated actively in selecting, planning, implementing and even financing the projects. During conversations at MP sites, the evaluation mission had the impression that people who participated in the programme at local level were in a good position to propose microprojects successfully and to implement them effectively. The agreement by which municipalities contributed 10% of MP costs led to a situation in which a) only MPs with a very high priority for the communities were selected, and b) the communities that received funding were those that were particularly active and engaged.⁶ There were no indications that the required contribution excluded poorer communities from funding. The projects' "grassroots" approach included the risk that the elected town councils, as well as the administrative representatives appointed by the central government in Kiev at the regional (oblast) and local (raion) level, might be circumvented. This risk did not in fact materialise. Conversations on site with the administrations and elected representatives revealed that they were aware of the projects, and that they were assisting the municipalities with implementing and financing MPs. An example of this can be seen in the fact that an average of about 4 percentage points of the counterpart contribution was provided by the municipalities or the district administrations.

The evaluation mission assumes that the findings of its project visits in Donetsk are also fundamentally valid for the project in Crimea. This also aligns with the results of the final inspection that was conducted in Crimea in February 2014. Consequently, the effectiveness of the Crimea project was evaluated as "good", and the project in Donbass as only just "good", since target indicator 1 was just barely reached as a result of the destruction of 80% of the infrastructure in the buffer zone.

Effectiveness rating: 2 (Donetsk and Luhansk), 2 (Crimea)

⁵ The impression that the facilities in separatist-occupied areas are being used was confirmed in telephone conversations with three facilities in this area.

⁶ The impression, gained from conversations held locally, that the involvement of elected municipal representatives and local administrations were closely correlated with the quality of the MPs, aligns with the findings of evaluations of other comparable projects in Ukraine. See UNDP (2013), EC / UNDP Community-based approach to local development, Mid-Term Evaluation Report – Phase II

Efficiency

Both projects were implemented within the specified budget. It is worth noting that a larger number of smaller microprojects were implemented than was originally planned. In addition, microprojects were funded in significantly more raions (rural districts) in Donetsk, Luhansk and Crimea than was originally expected. Normally, this type of “watering-can approach” is to be viewed critically for reasons of efficiency. In this case, the wide distribution of small projects was a reasonable decision in light of the programme’s participatory objectives (activation of civil society and communities).

Production efficiency, represented through the unit costs of renovation measures, can be evaluated as satisfactory. From representative appraisals in the context of the final inspection, it may be concluded that the unit costs for both projects fall within comparable unit costs for Ukraine. The project’s per capita costs are relatively high overall, but still acceptable, since – as established in the programme design – mainly small rural communities received funding. As discussed in the “Effectiveness” section, the fact that a number of the schools and nursery schools visited had only replaced 80-90% of their windows must be seen with a critical eye. It appears that economies of scale were not taken advantage of in this regard: the remaining windows could probably have been replaced for only slightly higher costs. The construction quality of the visited facilities varied widely, but was unsatisfactory in certain cases. Supervision of works, follow-up and quality assurance still show room for improvement. The start of the project in Eastern Ukraine was delayed by 1.5 years due to cumbersome bureaucratic processes. Ultimately, however, the measures were implemented in a shorter time (24 months instead of 36). This can be attributed to the USIF’s approach with its proven rules and procedures, the executing agency’s many years of experience, the adaptation of the implementation provisions and the strong involvement of the municipalities. The project in Crimea was implemented within the anticipated timeframe.

The allocation efficiency is evaluated as good overall. The proportion spent on administrative expenses, which was 8% of total costs for Donbass and 12% for Crimea, appears appropriate. The use of energy-saving measures in almost all micro projects is evaluated as especially positive in that increasing energy costs⁷ put a heavy strain on social services.

Efficiency rating: 3 (both projects)

Impact

The results of interviews in Donbass suggest that the overall goal of improving living conditions for poor segments of the population was achieved. Educational conditions in the schools (as well as working conditions for the teachers) have greatly improved as a result of the projects, and it may be plausibly assumed that the better educational conditions and improved educational environment will lead to better academic performance. Similar positive effects were observed in the nursery schools too. It may also be assumed that the frequency of illness has also declined as a result of increased room temperatures and the possibility of ventilating rooms even in winter. We may presume that the MPs in the separatist-occupied areas were able to produce similar positive effects. Due to the extensive destruction of (social) infrastructure in the buffer zone, it may be plausibly assumed that the 25 MPs in these areas did not achieve any results.

From today’s perspective, the fact that the projects in Donbass led to partial improvements to infrastructure in disadvantaged rural areas also made a contribution – albeit too small – to bringing about a more positive attitude towards government structures on the part of the local population, and thus to promoting political stability in the region.

In conversations on site, the evaluation mission got the impression that the project in Donetsk and Luhansk had served to establish a general and transferrable awareness of participatory options and creative opportunities at local level. For many of the communities visited, the USIF project was their first participation in local development projects – and a successful one at that. Representatives of local communities observed that village communities were motivated by the success of their involvement. A sizeable propor-

⁷ Ukraine covers 80% of its natural gas consumption via imports; in the past, about 2/3 of imports came from Russia and Turkmenistan. Due to the military conflict in Eastern Ukraine and the political conflict with Russia, gas prices increased sharply from time to time. In addition, most coal reserves in Eastern Ukraine are located in the areas currently occupied by separatists.

tion of communities was able to acquire funding for smaller community projects above and beyond the USIF project from a variety of sources (international organisations and national foundations). Structural changes, e.g. in the form of financial strengthening of communities, could not be achieved by the project in Eastern Ukraine. Overall, the project strengthened capacities for local administrative autonomy. Based on publicly available reports and a conversation with an employee of a UN organisation who is familiar with the area, the evaluation mission believes that the population in the separatist areas of Donbass have no voice in political decisions, and assumes that the participatory effects of the MPs in the separatist-controlled areas could therefore not be achieved (also see the section entitled “Sustainability”).

Despite shortcomings in the impact of the 25 MPs in the buffer zone and the 45 MPs in separatist-controlled areas, the overall impact of the project in Donbass is still evaluated as good in light of the very positive effects of the MPs in areas under Ukrainian control. For Crimea, we may assume that only the infrastructure component of the objective was achieved.

Impact rating: 2 (Donetsk and Luhansk), 3 (Crimea)

Sustainability

The majority of the facilities visited as part of the evaluation mission were in a satisfactory condition six to eight years after the end of the project. No particular damage was apparent from ongoing operations. The fundamental responsibility for operating the rehabilitated infrastructure facilities lies with the communities and autonomous local administrations. Conversations on site revealed that the funded facilities do not have any fixed budget for maintenance and repair work. If work becomes necessary, a request for funding must be submitted at local or regional level. However, the budgets of local and regional entities are very tight. Despite budget restrictions, the majority of the facilities visited have received funding for repair and maintenance work in recent years. To some extent, this might be attributable to the high acceptance of the USIF project among local administrations. For the schools, an additional source of financing will also become available in the next few years. As part of Ukrainian educational reforms which aim to increase the concentration of schools in rural areas, the majority of the schools visited have been selected as “hub schools” – a status which brings an allocation of funds for expanded capacities with it, and raises the expectation of higher utilisation rates in the long term.

Considering all of the developments described above, the evaluation mission assumes that the effects of the MPs will persist in Ukrainian-controlled territory.

It is hardly possible to offer a reliable prognosis as to the sustainability of the funded MPs in the areas occupied by separatists. After the total collapse of law and order in the occupied regions in 2014⁸, the situation has stabilised over the past year and a half. In the course of these developments, the de facto regime has also started to establish a functional administration.⁹ To what extent these funds will be made available for the maintenance of social infrastructure is unclear.

The sustainability of the projects in Crimea cannot be evaluated due to the lack of information.

There remains a substantial risk to the sustainability of both projects due to the military conflict in Donbass, and to Russia’s controversial annexation of the Crimean Peninsula.

Sustainability rating: 3 (Donetsk and Luhansk), cannot be evaluated (Crimea)

8 Statement from the OHCHR on 28 July 2014: “A total breakdown of law and order and a reign of fear and terror have been inflicted by armed groups on the population of Eastern Ukraine.”

9 Russia and the Separatists in Eastern Ukraine Crisis Group Europe and Central Asia Briefing N°79 Kiev/Brussels, 5 February 2016

Notes on the methods used to evaluate project success (project rating)

Projects (and programmes) are evaluated on a six-point scale, the criteria being **relevance**, **effectiveness**, **efficiency** and **overarching developmental impact**. The ratings are also used to arrive at a **final assessment** of a project's development effectiveness. The scale is as follows:

Level 1	Very good result that clearly exceeds expectations
Level 2	Good result, fully in line with expectations and without any significant shortcomings
Level 3	Satisfactory result – project falls short of expectations but the positive results dominate
Level 4	Unsatisfactory result – significantly below expectations, with negative results dominating despite discernible positive results
Level 5	Clearly inadequate result – despite some positive partial results, the negative results clearly dominate
Level 6	The project has no impact or the situation has actually deteriorated

Rating levels 1-3 denote a positive assessment or successful project while rating levels 4-6 denote a negative assessment.

Sustainability is evaluated according to the following four-point scale:

Sustainability level 1 (very good sustainability): The development effectiveness of the project (positive to date) is very likely to continue undiminished or even increase.

Sustainability level 2 (good sustainability): The development effectiveness of the project (positive to date) is very likely to decline only minimally but remain positive overall (this is what can normally be expected).

Sustainability level 3 (satisfactory sustainability): The development effectiveness of the project (positive to date) is very likely to decline significantly but remain positive overall. This rating is also assigned if the sustainability of a project is considered inadequate up to the time of the ex post evaluation but is very likely to evolve positively so that the project will ultimately achieve positive development effectiveness.

Sustainability level 4 (inadequate sustainability): The development effectiveness of the project is inadequate up to the time of the ex post evaluation and is very unlikely to improve. This rating is also assigned if the sustainability that has been positively evaluated to date is very likely to deteriorate severely and no longer meet the level 3 criteria.

The **overall rating** on the six-point scale is compiled from a weighting of all five individual criteria as appropriate to the project in question. Rating levels 1-3 of the overall rating denote a “successful” project while rating levels 4-6 denote an “unsuccessful” project. It should be noted that a project can generally be considered developmentally “successful” only if the achievement of the project objective (“effectiveness”), the impact on the overall objective (“overarching developmental impact”) **and** the sustainability are rated at least “satisfactory” (level 3).