



USAID
FROM THE AMERICAN PEOPLE



**MUNICIPAL
DEVELOPMENT
INSTITUTE**

Local Alternative Energy Solutions in Myrhorod

MEMORANDUM

TO: B. Ellis, USAID AO

FROM: R. Tormosov, LAESM Project Manager / Executive Director, MDI

CC: M. Garastovskaya, USAID AOR; C. Davis, USAID AOR

DATE: April 16, 2014

RE: Establishment of the Resource and Logistics Center for working with farmers and agro-producers

Annex "Report about the preparatory work regarding the establishment of the Resource and Logistics Center for Bioenergy Development in the framework of implementation of the pilot bio-boiler project of the USAID LAESM Project "

The purpose of this Memorandum is to justify the importance of the Resource and Logistics Center for Bioenergy Development, ground the costs incurred with the set up of the Resource and Logistics Center, describe the input from all concerned stakeholders, and receive an approval from the USAID.

Rationale

The Subtask 2.4 of the LAESM Project Work Plan 2014 provides for the establishment of the Resource and Logistics Center (RLC) in Myrhorod for working with farmers, agro-producers and other enterprises for which straw is an agriculture waste.

The Resource and Logistics Center will facilitate the implementation of the pilot bio-boiler project under which locally available biomass will be used as a fuel and a necessary logistics infrastructure will be established for regular supplies of biomass for the bio-boiler; accumulate and disseminate information about best practices regarding the renewable sources of energy and the progress of the pilot bio-boiler project; create the environment for the sustainable development of the local community and prepare the field for replication of innovation projects, which were initiated by the LAESM Project, on the basis of PPPs; prepare recommendations and facilitate the development of bio-energy solutions and incentives in the region.

The Resource and Logistics Center will provide legal, marketing, methodological, information and organizational assistance to potential investors, agro-producers and other interested parties; facilitate the conclusion of biomass purchase contracts; organize training and public events to raise awareness of modern approaches to biomass collection, storage and transportation; establish information partnerships with equipment producers in order to timely and fully inform potential investors about new equipment and technologies; provide templates of Business Plans, and methodological and information materials regarding bio-energy projects to interested investors; contribute to elaboration of municipal energy efficiency programs; disseminate information about the LAESM Project through publications, and TV and radio broadcasts.

As a result of the efficient cooperation between the LAESM Project and Myrhorod Municipality, the Concept of the Resource and Logistics Center, the regulation about the Resource and Logistics Center, and an Action Plan with first priority steps regarding the set up of the Resource and Logistics Center were prepared and agreed with the USAID AOR, and necessary meetings were held, and agreements reached.

On December 19, 2013, Myrhorod Municipality adopted the Decree #5 about the establishment of the Resource and Logistics Center for Bioenergy Development and made the Department of Municipal Initiatives, Investments, and Energy Management headed by Maxim Vereschak responsible for functions and competences of the RLC.

Justification of the contribution of the LAESM Project to the establishment of the Resource and Logistics Center

MDI suggests co-finance the establishment of the RLC from the pilot project budget. Below MDI provides the rationale of this approach.

As it is stated by Attachment B Program Description Executive Summary, the Goal of the LAESM Project is to develop sustainable solutions for increased utilization of locally available alternative energy sources (biomass) in Myrhorod rayon of Poltava region in compliance with market and environmental requirements. The main result of the project will be the development of critical elements of reliable clean energy infrastructure for local economic development.

The RLC is a critical element that will allow reaching the Objectives and fulfill the implementation steps which are:

- 2) Develop infrastructure for collection, treatment and storage of biomass in the region;
- 4) Establish market conditions for bio-fuel production by private sector participants under PPP arrangements in the region.

In addition, the RLC will ensure that results and achievements of the LAESM Project are sustainable after project completion.

The Planning Matrix attached in the Program Description presents the objectives, activities, measurable outputs and verifiable indicators, and expected results for Objective 2:

Objectives	Activities	Measurable Outputs/Verifiable indicators	Expected results
Objective 2: Develop infrastructure for collection, treatment and storage of biomass in the region	To agree on terms of cooperation and establish a Resource Center for working with farmers, agricultural and other enterprises, which have local waste for burning.	Resource Center established/	Infrastructure for biomass established by small and medium agriculture enterprises in the region.

In June 2013, the Memorandum of Understanding and Cooperation (MoU) in the framework of implementation of the technical assistance USAID Project “Local Alternative Energy Solutions in Myrhorod” was signed between the All-Ukrainian Charitable Organization “Municipal Development Institute” and Myrhorod Municipality. According to the text of the MOU, one of the obligations of the LAESM Project is formulated as “Legal and organizational assistance in the establishment of the Resource and Logistics Center for working with farmers, agriculture and other enterprises for which straw is a local waste product for burning” (item 6.3.6 of the MOU).

Regarding renovation costs, the CA modification of December 9, 2013, states that

Tasks 2 and 6 of the Work Plan of the LAESM Project provide for establishment of a Resource Center (Subtask 2.4) and of a Public Education and Information Center (Subtask 6.3). It is possible that either Myrhorod Municipality or Poltava Oblast State Administration provide premises for these Centers free of charge for the Project. They will also provide paid staff for the Centers. Regarding these Centers, the budget of the LAESM Project will be spent for some minor renovation (walls, floor, internet connection). If by Project logic it would be effective to locate two Centers at the same premises, this will be done, and consequently, only these premises will

AID-121-A-13-00002
Mod. 01

be renovated. If Centre 1 is located in Myrhorod and Centre 2 – in Poltava, both premises will be renovated. MDI will try to do the renovation works at minimum cost for the Project. ”

Presently, MDI is definite that locating both Centers – the Resource and Logistics Center and a Public Education and Information Center (Task 6.3) at the same premises is practical and advisable. Computers and other equipment can be used for tasks 2 and 6. This is to say that no additional costs will be incurred with the set up of the Public Education and Information Center (Subtask 6.3).

According to the budget allocated for Task 2, we have the following item of expenses:

Description / Stage	Estimated Costs, USD
Task 2:	
Agreement for design and technical documentation of bio-mass collection, treatment and storage facility	20,000
Agreements for implementation of bio-mass collection, treatment and storage facility	140,000

According to Project Performance Monitoring and Evaluation Plan, the establishment of the Resource and Logistics Center is an integral part and a stage of establishment of the local infrastructure to support biomass clean energy projects as a result of USG assistance.

1.3 Local infrastructure established to support bio-mass clean energy projects as a result of USG assistance (Output Indicator)	Definition: Bio-mass infrastructure prepared and established to support implementation of clean energy production projects Unit: process indicator S1: Design documentation prepared for bio-mass storage facility S2: Bio-mass Resource Center established S3: Storage facility established S4: Long term agreements signed with local agriculture producers Target: S4 Disaggregated By: N/A	Municipal and oblast administrations Rural agriculture producers Private sector participants Implementing partner (MDI) and its consultants
---	---	--

The LAESM Project Work Plan for 2014 consists of the Subtask 2.4 “To establish a Resource and Logistics Center (RLC) in Myrhorod for working with farmers, agro-producers and other enterprises for which straw is an agriculture waste product. To ensure the effective operations of RLC.”

A decision about co-financing the establishment of the Resource and Logistics Center will allow the LAESM Project achieve an interim result that is “The RLC set up and operations started by end of May 2014, and an opening ceremony held on June 15, 2014.”

If USAID approves this approach to co-financing of the establishment of the Resource and Logistics Center, MDI will prepare the Environmental Compliance Report (ECR), and seek the approval from the USAID.

Getting the USAID approval for the co-financing approach does not mean having the USAID approval for renovation works. MDI understands that, prior to the RLC set-up and any renovation activities, the Environmental Compliance Checklist for the room should be prepared and approved by USAID and by Washington Environmental Office. Then we may seek the approval for the renovation works.

Set up of the Resource and Logistics Center and input from the LAESM Project partners

Myrhorod Municipality will provide accommodation, necessary facilities and comfort, access to communication lines, qualified personnel, and information dissemination via its website. The Resource and Logistics Center for Bioenergy Development will occupy the room #6 in the building of Myrhorod Municipality on 17 Nezalezhnosti St.

The costs incurred with the set up and operations of the Resource and Logistics Center will be co-shared between the LAESM Project and Myrhorod Municipality in a way presented in the table below.

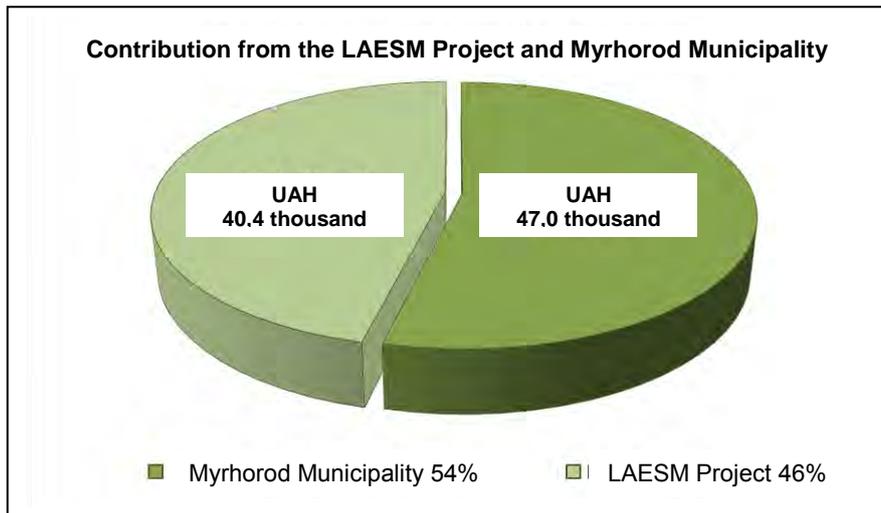
Aggregated budget and sources of financing of the set up and operations of the Resource and Logistics Center for Bioenergy Development - 2014

Works, goods, services	Cost, UAH	Source of financing			
		Myrhorod Municipality		LAESM Project	
		UAH	%	UAH	%
1. Office set up	52 650	12 252	33%	40 398	77%
1.1. Room renovation*	26 100	12 252		13 848*	
1.1.1. Materials	13 848			13 848	
1.1.2. Works	12 252	12 252			
1.2. Furniture	9 250			9 250	
1.3. Equipment	17 300			17 300	
2. Staff wage (8 months since May 2014)	20 480	20 480	100%		
3. Rent and communal services	11 476	11 476	100%		
4. Operating supplies and services	2 800	2 800	100%		
Total	87 406	47 008	54%	40 398,0	46%

* Including UAH 7250 for walls, floor and internet connection.

The share of Myrhorod Municipality amounts of UAH 47 008, that is 54% of the total cost.

The diagram below shows the contribution from the LAESM Project and Myrhorod Municipality into the set up and operations of the Resource and Logistics Center.



Regarding staff wage, it is worth mentioning that the head of the Resource and Logistics Center, as an employee of Myrhorod Municipality holding a post of the head of the Department of Municipal Initiatives and Energy Management, will dedicate 25% of its time for RLC, and his subordinate - 50%. Monthly staff wage costs will make UAH 2 560 (with relevant charges). Staff wage for eight months of 2014 makes UAH 20 480.

Conclusion

If the above cost sharing approach is approved by USAID, Myrhorod Municipality and LAESM Project consultants are ready to immediately start implementing the first priority action plan regarding the set up of the Resource and Logistics Center.

This provides for conclusion of contracts for procurement of furniture, office equipment, and for room refurbishment, including the purchase of necessary materials. It is envisaged that the refurbishment works will be completed by May 30, 2014. The procurement of furniture and office equipment will take 10 days. Consequently, the opening of the Resource and Logistics Center for Bioenergy Development can take place on June 15, 2014. By this time the personnel arrangements will be completed and the RLC staff list approved.