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► Market Systems Approach for Decent Work in Ukraine - Sector Selection Report

Prioritising the pathway for vulnerable
workers in economic reconstruction

► **Market Systems Approach for Decent Work in Ukraine - Sector Selection Report:**

Prioritising the pathway for vulnerable
workers in economic reconstruction



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Sida

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Market Systems Approach for Decent Work in Ukraine - Sector Selection Report Prioritising the pathway for vulnerable workers in economic reconstruction

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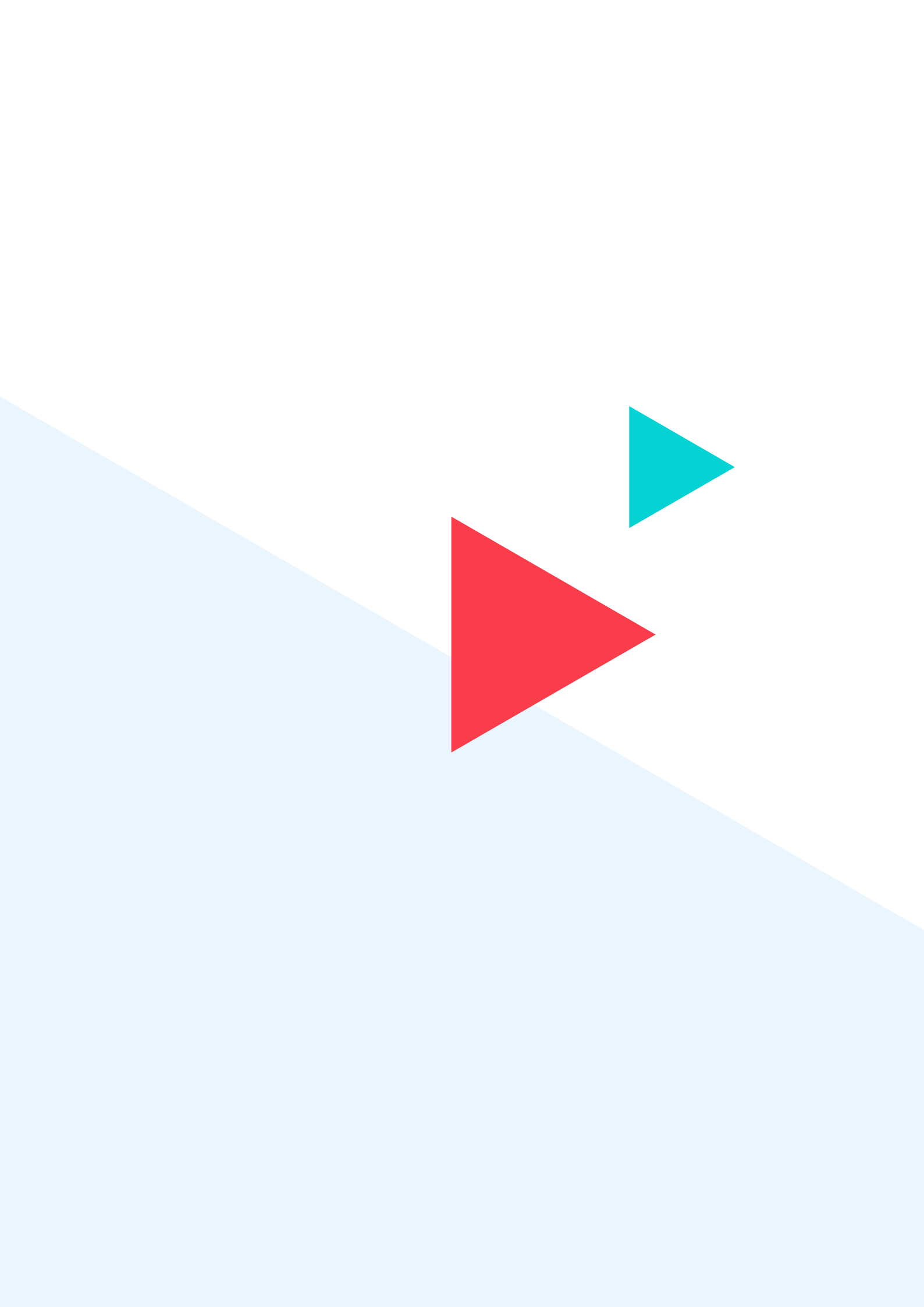
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1. Introduction

The International Labour Organization (ILO), in partnership with the UN Refugee Agency (UNHCR), is implementing an eleven-month project called “Market Systems Approach to Decent Work in Ukraine (inception phase)”. This project, which is funded by the Swedish International Development Cooperation Agency (Sida) and has started in February 2022, is an action-oriented research project with the objective of providing the analytical foundation for the targeted design of a larger implementation project. This larger, subsequent project is intended to create more productive and decent jobs for the vulnerable in Ukraine – and, in particular, excluded segments of society such as women – during the country’s reconstruction.

The project uses the market systems development (MSD) approach to decent work - an implementation approach which focuses on driving sustainable, long-lasting change at scale¹. It does so by addressing the root causes of key systemic constraints that limit job creation and better job quality and then identifying opportunities through working with local market players that have the skill and will to address these constraints.

This inception phase project operates in a highly volatile context, which has been and continues to be impacted by the Russian Federation’s invasion of Ukraine on 24 February 2022. The protracted armed conflict has caused forced displacement of over 13.5 million people² and businesses of all scales from the most affected areas have relocated to western Ukraine, abroad or have partially or completely ceased operations. Businesses that remain open operate in a highly disrupted environment, working through broken value chains, disrupted logistics, severed export/import connections and end markets. Moreover, businesses lack capital and workforce that has been fragmented through displacement and military conscription.³ They are also subject to rising prices and scarcity of raw materials and fuel, making it increasingly difficult to operate.⁴ In short, the supply and demand of markets have completely shifted, which is forcing everyone to rethink how they do business.

This inception phase can be split into two parts. The first part addresses immediate needs to support the socioeconomic recovery of Ukraine during the conflict. The focus of this intervention is on the western regions, currently the safer regions of the country. A rapid assessment of the socioeconomic situation in Lviv, Vinnytsia, and Zakarpattia regions, helped identify initiatives to receive financial support.

¹ As summarised in the ILO publication: *A Systemic Approach to More and Better Jobs*. 2019.

² As of May 13, 7,7 million people moved to the safer central and western regions of Ukraine (IDPs) and over 6 million left the country. Sourced from Flash Update #13: [Document - Ukraine situation: Flash Update #13 \(unhcr.org\)](#).

³ Key constraints identified in *Rapid assessment of the selected regions of Ukraine for potential interventions*. ILO. May 2022.

⁴ *Ukrainian business in the wartime: behaviour and expectations*. Results of New Rapid Enterprises Survey, #1, May 2022. Institute for Economic Research and Policy Consulting. 26 May 2022.

The second part of the inception phase has the goal to analyse Ukraine's current volatile context to identify potential implementation activities that can support the integration of vulnerable workers in Ukraine's reconstruction efforts. It will do this through a three-step process:

1. **Select three high-potential sectors** for vulnerable and otherwise excluded workers to be integrated into reconstruction efforts;
2. **Conduct rapid market systems analyses** on each of these selected sectors to identify how these sectors currently operate, their systemic constraints to growth and development and key intervention areas to address these constraints; and
3. **Design a targeted project** that can address the identified systemic constraints and create more or better jobs for vulnerable and excluded workers during reconstruction in the country.

This sector selection study is the first step in part two of this inception phase project. The methods, analysis and recommendations in this study are detailed in the following four sections:

- ▶ Section 2 briefly introduces the **study methodology**
- ▶ Section 3 synthesises the **analysis for each sector**
- ▶ Section 4 provides the report **conclusion and recommendations**

2. Methodology

This study was delivered in line with the methodological guidance from chapter 2 of the ILO's [Value Chain Guide for Decent Work](#)⁵. The research and analysis process used during this study is set out in the figure below. Details for each step in the figure are articulated thereafter.

▶ **Figure 1: Research and analysis process**



▶ 1. Identify selection criteria

Identify sector selection criteria such that the project can objectively evaluate the potential of each sector. The overarching criteria for the sector selection exercise are **relevance** to the vulnerable and otherwise excluded, **opportunity** for the sector to grow inclusively and **feasibility** for the project to drive change during implementation. These three criteria were broken into sub-criteria which were reviewed and input into via the ILO's constituents and relevant government ministries⁶. The validated selection criteria used for this study include:

▶ **Table 1: Validated selection criteria for the sector selection**

▶ Relevance	
▶ Integration of target group	Can development of this sector integrate the vulnerable and otherwise excluded?
▶ Representation of target group	What is the employment situation for the vulnerable and otherwise excluded in the sector?

⁵ Value Chain Development for Decent Work: A systems approach to creating more and better jobs, Third Edition. ILO. (2021)

⁶ This was done through a sector selection workshop on 23rd June 2022, which included the participation and input from: Ministry of Economy, Association of Employers' Organizations of Ukraine, Federation of Employers of Ukraine, Confederation of Employers of Ukraine, Confederation of Free Trade Unions of Ukraine (CFTUU), Federation of Trade Unions of Ukraine (FTU), The Chamber of Commerce, State Regulatory Service, National Tripartite Socio-Economic Council, Ministry for Youth and Sports, State Employment Service, Government Commissioner for Gender Equality Policy Office, Ministry of Education and Science of Ukraine, Ministry of Agrarian Policy and Food of Ukraine.

► Opportunity

- | | |
|--|--|
| ► Resilience and trade | Can the sector grow in a way in which resilience and/or exports are strengthened and that does no harm to the environment? |
| ► Creation of productive employment | <p>Is the sector positioned to grow in the immediate future or during reconstruction?</p> <p>Is there potential to create productive employment for the target group?</p> <p>Can that impact be achieved more quickly than in other sectors for vulnerable and otherwise excluded workers?</p> |

► Feasibility

- | | |
|--|--|
| ► Capacity and willingness of market actors | Is there a potential for collaboration with and between actors/stakeholders to address key challenges? |
| ► Programmes & Strategies | <p>How is the sector positioned within planned recovery programmes and strategies – government or donor-funded?</p> <p>Is there potential to leverage, provide additionality to or complement these projects and strategies or are they better left for others to resolve?</p> |
| ► Implementation Feasibility | Does an implementation phase project have scope to address core challenges in the sector to enhance productive employment for vulnerable workers? |

► 2. Define section longlist

Through initial review of recent survey data, news articles, government priorities and strategies, and post-conflict assessments, the project identified a longlist of seven sectors. This longlist is the basis for doing more in-depth sector research and includes the following sectors:

- Construction
- IT
- Agriculture: Fruit and Vegetables
- Agriculture: Dairy and Livestock
- Food and Beverage
- Childcare
- E-commerce

▶ 3. Collect data

For each longlisted sector, the project conducted desk research and interviews to highlight how the sector “performs” relative to each selection criteria. This included:

- ▶ **Desk research** The project reviewed the wealth of emerging information on the current status of the sectors and the economy at large, as reported by journalists, business associations or through the Government. This also included a review of emerging government strategies to stabilise the economy. Furthermore, the desk research included a review of pre-war data to use as a basis for providing some background on the sector scale, operations and potential.

- ▶ **Interviews** To complement and triangulate the desk research, the project conducted 23 semi-structured interviews with development actors, government institutions, sectoral associations and businesses of varying scales (see **Annex A for an interview list**). In addition to this, the project elicited insights from ILO constituents and key government institutions in a workshop on 23 June 2022.

▶ 4. Analyse and prioritise sectors

The project analysed the data and information collected in each sector, for which the remainder of this report articulates the findings. Based on this analysis, the project evaluated each sector with a score between 1 and 3 for each of the three overarching selection criteria: relevance, opportunity and feasibility. This evaluation and scoring are included in Section 3. With regard to the scoring, **a score of 1 means comparatively “low” relevance/ opportunity/ feasibility** to other sectors, a score of 2 indicates “medium” and **a score of 3 indicates “high”**. This step is further articulated in Section 3.

▶ 5. Validate

To ensure the results correspond to stakeholder needs, this report and its analyses have been circulated to stakeholders. The key findings will be presented in an online workshop where stakeholders will be able to provide feedback and corrections.

3. Sector Analysis

This section details the analysis for each sector relative to the evaluation criteria and concludes with a summary table of the scoring per sector.

Information Technology

► Relevance

► Integration of target group

Pre-War

- Although the number of students who chose computer majors grew by 11% every year, the share of women among them did not exceed 20%.
- Growth in female participation has trended from just 11% in 2011 to 25% in 2020, with 34% of new sector workers in 2019/2020 being women.⁷

Current situation

- 5% of current IDPs were previously employed in IT and 5% indicated that they are currently searching for jobs in IT - which makes it the 5th most sought after sector to work in - and therefore relatively relevant for integrating IDPs into the labour market.⁸
- IT businesses indicated that they need skills for a range of job types, including those with basic coding skills which could be attained through fast-track training (6 months). This type of training can bring in “switchers” - those that come from a different background into tech. However, it is unclear how much switcher training programmes can pull the vulnerable and excluded into tech - particularly women with care and household responsibilities who need to be able to focus to learn such skills.

► Representation of target group

- 80% of IT staff are aged between 18 and 32 - the average age of women being younger than men.⁹ The median age at companies is 30.¹⁰ Three-quarters of female IT professionals are under 30.¹¹
- 25% of IT specialists are women and 32% of management positions are held by women.¹²
- 75% of women working in the IT industry work in non-technical positions (marketing, HR, etc.).¹³

⁷ *Women in IT: portrait, career and salary. Analytics*, Sept 2020.

⁸ *Ukraine Internal Displacement Report, Round 5*. International Organisation for Migration. 23 May 2022.

⁹ *Ukraine IT Report 2021*. IT Ukraine Association. 2022.

¹⁰ Grytsik, Tetyana. *Salaries of Ukrainian developers, managers, and 40 other IT professions in 2021*. AIN.ua. 23 February 2022.

¹¹ *Women in IT: portrait, career and salary. Analytics*. DOU. 7 September 2020.

¹² *Ukraine IT Report 2021*. IT Ukraine Association. 2022.

¹³ *Women in IT: portrait, career and salary. Analytics*. DOU. 7 September 2020.

► Opportunity

► Resilience and trade

Pre-War

- The share of the Ukrainian IT sector reached 5% of GDP and raising it to 10% is one of the key goals of the Ministry of Finance.
- Between 2016 and 2021, IT exports grew by nearly 250% from USD 2.0 billion to 6.8 billion.¹⁴
- It has proven to be a very resilient sector also during the COVID-19 pandemic and is therefore foreseen to remain strong during the conflict.

Current situation

- The sector reported to have Ukraine's highest war-time export value, a position that it now holds given sharp declines of export of agricultural goods and steel/iron.
- The demand for IT professionals decreased at the onset of the war¹⁵, however, IT professionals indicated at the end of June they still needed additional staff.

► Creation of productive employment

- Mid-level software engineer salaries at USD 2,400/month.¹⁶ However, salaries had slightly decreased since the start of the conflict,¹⁷ but are still higher than in other sectors.
- High worker salaries mean that continued sector growth will create productive, well-paid jobs in IT and supporting services (HR, office management, admin) which are particularly relevant for women.
- With COVID-19 restrictions, 87% of companies had switched to a hybrid working arrangement¹⁸, meaning that they are generally set up for a remote workforce which could then engage IDPs. As one tech company indicated: "Covid helped us survive the war".
- At the onset of the war, IT companies reported relatively limited disruption.¹⁹ However, some reductions (10% for export-oriented businesses, and 50% for domestic-oriented businesses) are expected.²⁰ Those who were working mainly with the domestic market had lost clients and started targeting their sales on the international markets.
- The sector showed year-on-year growth in Q1 2022 of 28%, despite the invasion which occurred for about 40% of the quarter.²¹
- Tech companies indicated that they still need staff and so there is currently opportunity to grow employment.

¹⁴ *Ukraine IT Report 2021*. IT Ukraine Association. 2022.

¹⁵ [MC.today, 08 April 2022](#)

¹⁶ *Ukrainian IT Industry in 2021 – Key Facts*. Abto Software Blog. 2021.

¹⁷ [MC.today, 08 April 2022](#)

¹⁸ *Ukraine IT Report 2021*. IT Ukraine Association. 2022.

¹⁹ Grzegorzczuk, Marek. A month on from Russia's invasion, Ukraine's remarkable IT sector thrives. *Emerging Europe*. 21 March 2022.

²⁰ Boyarchuk, Dmytro. Ukraine's IT sector remains resilient, but loses its shine. *Emerging Europe*. 10 May 2022.

²¹ Grzegorzczuk, Marek. *New support for Ukraine's start-ups underlines importance of technology and innovation*. *Emerging Europe*. 9 June 2022.

- ▶ As there is a high demand for IT professionals in other parts of Europe, there is a risk that too many efforts in this sector contribute to more outmigration.
- ▶ Outsource companies faced more difficulties with the beginning of the war compared to product companies. Ukrainian image as a “country at war” influences the client's perception and number of contracts for the outsource companies.

▶ Feasibility

▶ Capacity and willingness of market actors

- ▶ Existing cooperation for skills development between various IT clusters and VET development.²²
- ▶ In 2021, the government launched Diia City, a special legal and tax arrangement for IT companies (for example, no VAT charged on export services) to encourage growth, development and foreign investment.²³ This is indicative of pre-war government action to open up and grow the sector.
- ▶ Tech clusters indicated a strong willingness to cooperate and jointly work on addressing key systemic issues that constrain the sector.

▶ Programmes & Strategies

Pre-War

- ▶ High priority for the government.
- ▶ One of the five high priority sectors in the government export strategy. Trade information and Export Promotion in Ukraine 2018-2020 (ppt).

Current situation

- ▶ Funding and programmes to develop the sector are directed to two principal thematic areas: encouraging tech start-ups and developing skills.
- ▶ For encouraging start-ups:
 - ▶ The European Commission launched a EUR 20 million project that will support about 200 tech start-ups with EUR 60,000 each.²⁴
 - ▶ Google has a USD 5 million project to mentor, support and fund start-ups for about USD 100,000 each.²⁵
 - ▶ The government have plans to fund UAH 10 billion (USD 340 million) Ukrainian Startup Support Fund for one year to develop tech start-ups. It is unclear, however, if this funding is already available.²⁶
- ▶ For skills:
 - ▶ The government is funding training for 60,000 junior developers or graphic designers through grant scheme.²⁷

²² Skills Development in Ukraine 2018-2020, ppt

²³ <https://city.diia.gov.ua/>

²⁴ Grzegorzcyk, Marek. *New support for Ukraine's start-ups underlines importance of technology and innovation*. Emerging Europe. 9 June 2022.

²⁵ Ibid.

²⁶ *Government will help those who want to take up an IT career, says Prime Minister*. Ukraine Government Portal. 10 June 2022.

²⁷ Ibid

- ▶ On 29 June 2022, the Ministry of Digital Transformation in partnership with USAID, Binance and the Lviv IT Cluster announced the IT Generation educational programme aimed to teach tech and non-tech specialities to people aged 21-60, who do not have education or previous experience in the IT sector. The courses are expected to start already in July/August 2022.²⁸
- ▶ International organisations, NGOs, and Private IT schools continue designing and providing specialised IT courses for women and girls. For example, Projector Institute programme aimed to empower 5000 IDP women to start career in IT²⁹, BE platform for displaced or unemployed women to learn tech, design, programming, software developments, or testing professions.³⁰
- ▶ Enterprises are offering internship programs to get more first-level developers, of which there was a drop of 80% since the conflict started, but for which there still is high demand.³¹
- ▶ Diia City continues to operate.

▶ **Implementation Feasibility**

- ▶ Need to support sector coordination, policy change and skills, which can suit ILO strengths.³²
- ▶ Key sectoral issues identified by tech companies are broken down into two types:
 - ▶ Large, export-oriented tech companies need skilled workers.
 - ▶ Smaller tech companies need support on sales and marketing toward the global market while the domestic market has stagnated.
- ▶ Lviv IT Cluster has funded a comprehensive analysis to direct the sectoral response from local and national government, the private sector and development actors. This research will be launched on 28 July 2022 and intends to have a roadmap for sector development in the current context.

▶ **Sector Score**

Relevance: 2



More and more women work in this sector and seek education in relevant fields. Still, only 5% of IDPs have indicated that they will look for work in this sector and the number of women working in the sector could potentially be declining as their priorities might shift, given that they have more household responsibilities in the current situation.

²⁸ Palchynska, Lisa Ministry launches the IT Generations project to train Ukrainians in IT specialities. AIN.UA. 29 June 2022.

²⁹ <https://prjctrfoundation.com>, 01 July 2022

³⁰ <https://inscience.io/en/be/>, 01 July 2022

³¹ [MC.today](https://mc.today), 08 April 2022

³² *Export Strategy for Creative Industries 2019-2023*. Ministry for Development of Economy, Trade and Agriculture of Ukraine. 2018.

Opportunity: 2



As the sector continues to grow and is among the top 5 sectors in which IDPs aim to be employed (likely also due to high average salaries), IT provides promising employment opportunities. Furthermore, due to its nature, it could allow women to work from home, as their household responsibilities have skyrocketed with the start of the conflict. Still, only one-fifth of the well-paid IT specialists are women and the hurdle to integrating women and IDPs who do not yet have the necessary IT training to productive employment in this sector is quite high (as it requires long-term skills training).

Feasibility: 1



The sector shows many opportunities for creating productive and decent employment in this sector, including for women. However, government, private sector and other development actors are already or will be committing considerable resources to work in this sector. In which case, the additionality that this project may add is likely very limited than in other sectors.



Construction

► Relevance

► Integration of target group

- 6% of current IDPs were employed in construction and 6% indicated that they are searching for jobs in construction - 4th most of any sector- quite relevant for integrating IDPs into the labour market.³³
- It should be relatively easy to integrate IDPs as many housing and infrastructure projects will be built precisely in their communities.

► Representation of target group

Pre-War

- Highest rate of worker informality outside of agriculture (49%), though only 24% of women workers are informal vs. 52% men.³⁴
- Just 8% women work in the sector.³⁵ Women disproportionately work in the administrative sections of the construction businesses.
- 17% of all of Ukraine's informal workers are in construction.³⁶
- Work lasts 42 hours per week, which is the longest work week of any sector.³⁷

³³ *Ukraine Internal Displacement Report, Round 5*. International Organisation for Migration. 23 May 2022.

³⁴ *Labour force of Ukraine 2019: Statistical publication*. State Statistic Service of Ukraine. 2020.

³⁵ *Labour force of Ukraine 2019: Statistical publication* (2020).

³⁶ *Decent Work Country Programme 2020-2024 Ukraine*. ILO. 2020.

³⁷ *Labour force of Ukraine 2019: Statistical publication* (2020)

- ▶ Highest death and accident incidence rate of any sector in Ukraine - about 50% higher than the next highest sector.³⁸

Current situation

- ▶ One contractor reported that almost all women working for them fled the country and will only return once the war is completely over.



▶ Resilience and trade

- ▶ Long-run reconstruction has opportunity to build back greener with opportunity for greener cities and infrastructure.³⁹
- ▶ While unclear what EU Accession will mean for building standards, it potentially means that new constructions will need to meet greener standards and could eventually get access to European Green Deal funds to renovate building stock to become greener.⁴⁰

▶ Creation of productive employment

Pre-War

- ▶ Construction sector had grown in value (USD): 3.3% annually (nominal) between 2010-2020; and recent rapid recovery growth 23,3% annually (nominal) between 2015-2020.⁴¹

Current situation

- ▶ A developer reported that private construction development had dropped by 80% following the start of the war, as few private investors fund new development projects.
- ▶ Salaries in the sector have temporarily been lowered as businesses struggle to keep their staff occupied with few private development requests.
- ▶ Infrastructure damage costs are estimated to be USD 4.5 billion every week while the war continues, totalling up to USD 600 billion.⁴² This will of course require considerable investment in the coming years - rebuilding some cities and providing infrastructure and services for the relocated.
- ▶ Unclear if the jobs in reconstruction will be productive or better-quality jobs (i.e. better occupational safety and more formal contracts) as current construction jobs are of low quality.

▶ Feasibility

▶ Capacity and willingness of market actors

Pre-War

- ▶ Despite lower labour costs, Ukrainian construction projects cost 22% more than in the EU due to mismanagement of public investment and governance issues, including corruption.⁴³

³⁹ A Blueprint for the Reconstruction of Ukraine. Centre for Economic Policy Research. 5th April 2022.

⁴⁰ A Guidebook to European Building Policy: Key Legislation and Initiatives: Buildings Performance Institute Europe. August 2020.

⁴¹ Calculated from State Statistical Services Ukraine

⁴² Here's how much it could cost to rebuild Ukraine — and who would pay for it. NPR. 26 May 2022.

⁴³ Trends in Ukraine's sustainable infrastructure investments. OECD. 2018

- ▶ The construction industry is known for being rigid and very resistant to change.⁴⁴
- ▶ Suggestions of procurement corruption in government's "Big Construction" project.⁴⁵

Current situation

- ▶ The government expressed interest in addressing key issues to transparency and delays in permitting and licensing process, though identified a need for support in this regard.
- ▶ An interviewee thought that the government would act less corrupt during the reconstruction period considering the need to rebuild basic infrastructure and services to people.

▶ Programmes & Strategies

Pre-War

- ▶ USAID had an anti-corruption programme and has interest in working in the construction sector to address this issue.

Current situation

- ▶ The *Blueprint for Reconstruction* identifies major construction activities (infrastructure, energy, housing and social infrastructure) as three of five key pillars to reconstruction in months 3-24 after the war and as one of four key pillars in the long-run.⁴⁶
- ▶ The Government is reviewing challenges in contractor licensing, construction building permitting, procurement process and reviewing key gaps in delay and transparency.
- ▶ The Ministry of Territories and Communities Development has a public works plan as a method of employing 50,000-60,000 people in each community on a part-time basis doing clean-up and maintenance and 10,000 people to work in public utilities - however, they do not yet have financing for this programme.

▶ Implementation Feasibility

Key sector constraints which a future project could address, include:

- ▶ Worker skills development and training in anticipation of a considerable need for worker skills to rebuild the country during reconstruction.
- ▶ Streamlining procurement, contractor licensing, and proposal development - with an angle of seeing how it can support employment outcomes. This could be particularly important considering much of the reconstruction work will likely be funded by the government.
- ▶ Addressing the constraints to worker informality in the sector.
- ▶ Potential to support the development of an environmental lens as well with accession into the EU.

⁴⁴ *Industry 4.0 transition strategies for Ukrainian construction SMEs*, (2020)

⁴⁵ Sorokin, Oleksiy. *Highway Robbery? \$3.5 billion road project wins exemption from public oversight*. Kyiv Post. 25 June 2021.

⁴⁶ *A Blueprint for the Reconstruction of Ukraine*. Centre for Economic Policy Research. 5th April 2022.

- ▶ A lack of availability of construction materials, which is due to constrained ability to import and material providers who have had facilities destroyed by the war. At the same time, nearly 40 million sqm of housing was destroyed as of May 2022, which would require more than UAH 300 billion (USD 10 billion) in construction materials only⁴⁷. It is a huge internal market which needs to be covered by Ukrainian producers.
- ▶ The highly bureaucratic planning permission process which highly stalls private development.

▶ Sector Score

Relevance: 2



The sector is highly informal meaning most people work in vulnerable jobs by nature. While few women participate in the workforce, their participation should be set to grow given the need for workers during reconstruction. Among IDPs, there is an interest to pursue a career in the sector.

Opportunity: 3



Once the country begins reconstruction, this sector will be a high-priority sector and many jobs will be created. Vulnerable groups could be quickly and easily trained as it will be one of the few sectors where they can integrate into the labour market in mass. However, these jobs will have issues related to occupational safety and health and formality.

Feasibility: 2



The sector presents a nice opportunity for implementation: few other development projects currently support the sector; the government has expressed a need for reform and support to do so; the ILO is well-positioned to address key constraints to skills, OSH, and informality; and the sector can absorb vulnerable workers. Furthermore, a project could contribute to a sustainable recovery with green construction which would contribute to Sida's objectives. While the sector has a notorious reputation for corruption - this will hopefully change in the reconstruction effort. If corruption stalls one front, a future project will still have enough other avenues to contribute to its objective.

▶ Agriculture: Fruit and Vegetables

▶ Relevance

▶ Integration of target group

Pre-War

- ▶ Over 80% of fruit and vegetables are produced by households⁴⁸, therefore it is likely that many women are included in the production.

⁴⁷ <https://www.minregion.gov.ua/wp-content/uploads/2022/02/2022-02-17-nakaz-53.pdf>

⁴⁸ Gruzinska, Iryna. *Ukrainian fruits and vegetables: how can farmers provide the world with food during the war?* BRDO. 10 May 2022.

- ▶ As the majority of farming is at the household level, it is estimated that much of the farming is subsistence or semi-subsistence farming.
- ▶ Employment is generally seasonal, meaning that workers, even on commercial farms, will usually not be employed for the entire year and will need to find additional income-generating activities.

Current situation

- ▶ It is unclear how easily IDPs could be integrated into farming given that they generally do not have access to land and most farming is at the household level.
- ▶ As many people were forced to flee their homes, it is difficult to estimate how many continue to farm fruit and vegetables and still have their land available to go back to farming, even if interested.

▶ Representation of target group

- ▶ 30% of the small and medium-sized farms are owned by women.⁴⁹ However, it is estimated that a higher share of women is involved in fruits and vegetable farming, given that most production takes place at the household level.
- ▶ Most female farmers are over 60 years old, and a small percentage of them are under 40.⁵⁰

▶ Opportunity

▶ Resilience and trade

- ▶ Vegetable prices have increased because of Russia's current occupation of southern Ukraine - particularly the Kherson region - where a higher proportion of fruit and vegetables are produced.⁵¹
- ▶ This, combined with a lack of imports, has drastically reduced fruit and vegetable supply, and as a result, has incurred a price increase for end consumers. While prices increased, the value from price differences had not been passed onto producers but was rather absorbed in higher logistics costs.
- ▶ 30% of agriculture land was not planted in the 2022 agriculture season.⁵²

▶ Creation of productive employment

Pre-War

- ▶ Provided that most farming takes place at a household level, it is estimated that there is a high ratio of informal employment with low incomes.

Current situation

- ▶ Farmers have been identified as one of the key jobs that is currently in demand and one that will be in demand during the reconstruction.⁵³ However, the issue of informality and low salaries remains.

⁴⁹ [Agravery, 18 October 2019](#)

⁵⁰ [Agravery, 18 October 2019](#)

⁵¹ Zanuda, Anastasia. *How the war hit trade and what Ukrainians can buy in stores*. BBC News Ukraine. 17 June 2022.

⁵² Twice as expensive vegetables and unplanted 30% of land: should farmers replace corn with vegetables? Kurkul. 24 June 2022.

⁵³ Gordiychuk, Dana; Volodymyr Ryzhlytsky. *Find a job during the war. How the labour market in Ukraine has changed*. EPravda. 14 June 2022.

- ▶ As the skill level for low-scale farming can be obtained rather quickly, retraining and re-skilling women and IDPs to work in this sector could be turned around quickly.
- ▶ It is unclear how profitable fruits and vegetable production can be in the short- and medium-term given the logistical issues and limited input availability, which will add to costs that consumers may be unwilling to pay.

▶ Feasibility

▶ Capacity and willingness of market actors

- ▶ The regulatory environment was reported to be fairly good.

▶ Programmes & Strategies

- ▶ The government has plans to:
 - ▶ Fund the development of 10,000 HA of orchards and berry fields through co-financing SMEs. This will cover UAH 300k-400k (USD 10k) per hectare - about 70% of the average planting cost.⁵⁴
 - ▶ Invest in grants to SMEs to develop 3,000 greenhouses for fruit and vegetable production.⁵⁵
 - ▶ Provide grants and equipment to households for farming through the "Victory Gardens" project. They hope to create 2,000-3,000 jobs per community though do not have funding to execute this and are looking for partners to do so.⁵⁶
 - ▶ [Dia.Business](#) provides support to women-farmers (Help Women Agro in Ukraine programme).
- ▶ There are several donor initiatives in the sector:
 - ▶ The EU waived the custom's duty for all Ukrainian products for 2022 to support the economy⁵⁷, but unclear how much that will impact the sector given the considerable export logistics challenges.
 - ▶ The International Trade Centre works to develop and connect SMEs from the southern part of Ukraine to export markets.
 - ▶ In the first two months of the war, FAO financed USD 8.5 million to support 71,000 small-scale farmers to maintain minimum food production through the provision of key agricultural inputs, including vegetable seeds and cash transfers. They are looking for an additional USD 107 million this year.⁵⁸
 - ▶ EU4SmallFarms is a EUR 7 million project, which has pivoted to cash transfers to smallholder farmers since the onset of the war.⁵⁹

⁵⁴ Farmers will be able to receive irrevocable grants for the creation of greenhouses and gardens within the framework of the "eRobota" program, says Denys Shmyhal. Ukraine Government Portal. 10 June 2022.

⁵⁵ Denys Shmyhal: The state will provide non-refundable grants to create thousands of new micro businesses. Ukraine Government Portal. 10 June 2022.

⁵⁶ Ibid

⁵⁷ EU suspends all duties on imports coming from Ukraine for one year. Ukrinform. 03 June 2022.

⁵⁸ War in Ukraine: FAO renews appeal to bolster agriculture and provide urgent support to vulnerable rural households. FAO. 19 April 2022.

⁵⁹ Rethinking resources in an effort to keep farm production going in Ukraine. Niras Consulting. 26 May 2022.

- ▶ The Female-Farmers Council of Ukraine engaged 6,000 female farmers in six regions in the fruit and vegetable project.

▶ **Implementation Feasibility**

The sector has a range of constraints which currently limit its ability to provide for productive employment:

- ▶ Key imported agriculture inputs, like seed, fertiliser, pesticide and even parts for machinery are largely unavailable - limiting immediate sector growth.
- ▶ Logistical constraints have disrupted access to markets - increasing costs and causing delays for products which can generally be perishable, reducing producer competitiveness relative to imports.
- ▶ Lack of facilities to process, pack, and store unsold fruits.
- ▶ Small-scale, household production keeps productivity low and fragmented and outreach at scale challenging.

▶ **Sector Score**

Relevance: 2



While most sector production comes from rural households - often in poverty - these are mostly farming for very low incomes and in subsistence. Even if the sector becomes much more commercialised and shifts toward wage-work, that work will largely be seasonal.

Opportunity: 2



Sector development can help Ukraine become less reliant on imports and enhance resilience. However, the sector is not competitive at the moment and enhancing productivity and competitiveness for a sector that is based around household production will be difficult.

Feasibility: 1



The sector is very crowded with other development projects and funding. Furthermore, it has many constraints which need to be addressed both immediately and more structurally to make the sector both competitive and a creator of productive employment in the immediate future and longer term.



Agriculture: Dairy and Livestock

▶ **Relevance**

▶ **Integration of target group**

- ▶ IDPs lack knowledge of opportunities in farming (business) and often lack available land to set up livestock farms.

- ▶ Other entry barriers to household dairy farming are quite low: the trade is easy to learn (2 weeks, 2 online schools), with a minimum start-up investment of UAH 30k-50k (USD 1k -1.6k).

▶ Representation of target group

- ▶ While women generally work less in all agricultural sectors, women reportedly do many jobs related to livestock including feeding, milking, cleaning. However, far fewer women own businesses.
- ▶ In dairy, household farmers have 75% of the cows (compared to 25% with commercial farmers) but only 65% of the milk production.⁶⁰ Demonstrating high representation of poorer households, but lower productivity.
- ▶ While an interviewed small craft cheese producer employs mainly women, larger gender-disaggregated data at processing level could not be sourced.

▶ Opportunity

▶ Resilience and trade

Pre-War

- ▶ Ukraine was the 14th largest beef exporter - exporting more than USD 125 million.⁶¹
- ▶ Dairy production had been in gradual decline since 1990, losing one-third of its production volume in the 15 years between 2005 to 2020. This has been more pronounced at the household level than for commercial farms.⁶²
- ▶ The livestock market was in critical decline even before the war (5-8% annually)⁶³. This is not uniform across the sector. Eggs, beef and dairy have been in decline, sheep breeding has levelled out and pig breeding is growing.
- ▶ Private investors from Ukraine and the USA were interested in investing in livestock - one report indicated potential for a US investment of USD 250 million into animal husbandry.⁶⁴
- ▶ Cheese imports, particularly for higher-end cheese products, had increased substantially in recent years due to increased disposable incomes and economic stability. However, the Ukrainian dairy market has generally been oriented toward cheap cheese and butter.⁶⁵
- ▶ Increased cattle production increases greenhouse gas emissions - cattle are the main contributor to these emissions within agriculture.⁶⁶

Current situation

- ▶ Some sources estimate that during 2022, Ukraine will lose up to 2 million tons of milk.⁶⁷

⁶⁰ Tarashevych, Oleksandr. Dairy and Products Annual, United States Department of Agriculture. 21 October 2021.

⁶¹ *Ukraine's Food and Beverages Sector*. Ministry for Development of Economy, Trade and Agriculture. 2020.

⁶² Tarashevych (2021).

⁶³ AgroPolit (2022).

⁶⁴ [How to bring livestock out of the crisis?](#) AgroPolit. 11 January 2022.

⁶⁵ Tarashevych (2021).

⁶⁶ Quinton, Amy. *Cows and climate change: Making cattle more sustainable*. Univ. California Davis. 29 June 2019.

⁶⁷ [Before the dairy plants turn their attention to the farmers it could be too late](#). Agrotimes. 11 April 2022.

- ▶ The production cost has increased for both processors and producers. While the farm price of milk increased, the consumer price has not responded and stakeholders indicated that daily processing is currently unprofitable.
- ▶ Imported meat is reportedly in short supply. Since the war, cattle stock has declined further as some of the best lands for cattle grazing are in the occupied or insecure parts of Ukraine.⁶⁸

▶ Creation of productive employment

Pre-War

- ▶ If the government addressed key sectoral issues in livestock and milk processing, one source estimated that 60 thousand new jobs could be created in milk farming and up to 500 thousand in adjacent sectors.⁶⁹
- ▶ The Association of the Livestock and Technology Development indicated that 100 heads of cattle stock in commercial businesses provide 2 jobs - a relatively low asset to jobs conversion rate - i.e. USD 31,000 in asset value per job.⁷⁰
- ▶ Processing facilities and feed production can be more labour intensive.
- ▶ In summer, the milk products are consumed less, which causes some seasonality in production which can impact worker stability.

Current situation

- ▶ An interviewee indicated that many craft cheese factories closed after the war, particularly those previously owned by women - as many found jobs abroad.
- ▶ After the war started, salaries in agriculture lowered to around UAH 11,000 (USD 370) per month (grc.ua).

▶ Feasibility

▶ Capacity and willingness of market actors

- ▶ Stakeholders reported little trust in the government.
- ▶ Commercial cattle farms (up to 1,000 heads) want to relocate. While some businesses have relocated, bigger farms struggle to find suitable lands as it requires coordination between MinAgro, Min of Econ, AoLTD, and local authorities/ hromada heads.

▶ Programmes & Strategies

Pre-War

- ▶ Before the war, the government initiated programmes to stimulate cattle business in Ukraine and livestock farming is one of the government's priorities.
- ▶ The government has supported cattle and processing sector development through subsidies - UAH 1,6 billion (USD 55 million) in 2021 - about one-third of all agriculture subsidies.⁷¹

⁶⁹ AgroPolit (2022).

⁷⁰ Calculation based on value of cow being USD 623, from: Bechtel, Wyatt. *Cattle Prices and Profitability* in 2019. 02 January 2019.

⁷¹ [State support for the agro-industrial complex for 2019-2021](#). AgriPolit. 2022.

- ▶ GIZ and USAID have supported the sector through various grant schemes.

Current situation

- ▶ One stakeholder indicated that all funds for livestock farming subsidies have been repurposed for the war.
- ▶ The government is rapidly aligning agriculture legislation to the EU.
- ▶ The government has imposed a temporary moratorium on cattle exports.
- ▶ In the first two months of the war, FAO financed USD 8.5 million to support 71k small-scale farmers to maintain minimum food production. They are looking for an additional USD 107 million to support farmers this year.⁷²

Implementation Feasibility

- ▶ Regulation on laboratory testing of dairy products is very outdated and costly for the individual farmer.
- ▶ Livestock feed (specifically, “all-mash”) has traditionally been imported but is currently very scarce given import logistical issues. As most of its ingredients can be sourced locally (yet currently cannot be exported), this has the potential to develop as a market and increase resilience through adding value to primary commodities. This would require building and equipping new facilities or modernising existing ones. However, it is unclear how well-suited the project would be to support this.
- ▶ While the quality of the milk is poor, it seems that working to improve quality (and potentially increased prices) may be futile as consumers try to cut costs.

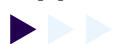
▶ Sector Score

Relevance: 2



The majority of dairy farming is at the household level, and these households are generally poor and living in poverty and women often work in dairy farming work. IDPs may find it difficult to integrate into the sector given that they will need land for livestock, and also because commercial livestock farming is not labour intensive.

Opportunity: 1



While the sector was once important and can fill a crucial function of providing food security to Ukraine, its largest sub-sectors - beef and dairy - have both been in steady decline for the last 30 years and it is unrealistic to assume that they will rebound during the current situation. With key livestock farming lands being occupied in the east and the sector being a major contributor to carbon emissions, this sector is considered to have low “opportunity”.

⁷² War in Ukraine: FAO renews appeal to bolster agriculture and provide urgent support to vulnerable rural households. FAO. 19 April 2022.

Feasibility: 1



The sector is capital intensive relative to job creation and needs considerable investment to create productive employment. At the same time, the government's generous subsidy programmes, which have kept the sector afloat, have been repositioned to fund the war effort. As such, work in the sector at large will be more oriented toward preservation rather than creation. The project could choose to work in specific niches or supporting services within the sector - i.e. developing an internal animal feed production market. However, development of such a market would require further investigation to understand the viability of setting-up production, marketing and distributing products in a relatively nascent market.

Food and Beverage

Relevance

- Integration of target group**
 - As of 01 June 2022, about 26% of vacancies in the processing industry are focused on the food and beverage sector⁷³ with more than 1,300 in total. There are more than 12,000 officially registered unemployed people in this sector, including 7,500 women.⁷⁴
- Representation of target group**
 - While it is difficult to get sector-specific data on the gender composition of staffing, one large business indicated that 45% of its production staff and 50% of its sales staff are women.

Opportunity

- Resilience and trade**
 - Local food and beverage (FnB) production in the short-term can offer Ukraine a more consistent food supply - building up domestic resilience to supply chain shocks.
 - In the long-term, as export potential to the EU opens once again, the sector has the opportunity to supply to the biggest retail grocery market in the world, greening due to European product and packaging standards.⁷⁵
 - According to the Association of Retailers of Ukraine, the direct losses of F&B retailers sector caused by the war are estimated near UAH30 billion (USD 1 billion).⁷⁶
 - Many FnB plants are situated in occupied territories or have been destroyed during the war. These include: Artemsalt, Chumak, Danone, AbinBev, Sandora, Mondelēz International (Trostyanets), Mivina, Olkom, etc.⁷⁷

⁷³ State Employment Service: <https://www.dcz.gov.ua/analitics/67>

⁷⁴ State Employment Service: <https://www.dcz.gov.ua/analitics/69>

⁷⁵ Export Strategy for Food and Beverages Sector 2019-2023. Ministry for Development of Economy, Trade and Agriculture. 2019.

⁷⁶ Retailers Association Ukraine: 10 June 2022: <https://rau.ua/novyni/zbitki-ritejleriv/>

⁷⁷ Retailers Association Ukraine. 24 June 2022: <https://rau.ua/novyni/novini-kompanij/kogo-z-virobnikiv-zminjujut/>

- ▶ Coca-Cola and PepsiCo- which produce 60% of beverages for the Ukrainian market, have shut down due to shelling at the Coca-Cola factory (Kyiv oblast) and occupation of the part of Mykolaiv Oblast (PepsiCo).⁷⁸ This creates a void in the market for domestic production, which one processor thought could be filled by local businesses.

▶ Creation of productive employment

Pre-War

Prior to the conflict, rising incomes and structural changes in consumption patterns were expected to create more demand for food products with higher added value and better quality.⁷⁹

- ▶ Domestic juice consumption in Ukraine grew 20%-25% per year between 2017-2019.⁸⁰

Current situation

- ▶ However, during the war, consumer patterns have shifted to more basic food consumption.

▶ Feasibility

▶ Capacity and willingness of market actors

- ▶ There are many specific associations in the F&B sector - for example, associations for bread producers, sugar or alcohol. However, an influential umbrella general F&B association does not exist.
- ▶ Key market actors in governance - Ministry of Agrarian Policy and Food of Ukraine, State Service of Ukraine on Food Safety and Consumer Protection, State Food and Grain Corporation of Ukraine etc. - are proactive in providing food security in Ukraine.

▶ Programmes & Strategies

Pre-War

- ▶ F&B is one of three high-priority sectors in government export strategy.⁸¹

Current situation

- ▶ Agricultural added value is a key strategic avenue for reconstruction - shifting away from the export of raw agriculture commodities to more value-added products.⁸²
- ▶ The government has renewed its focus on developing around 20 industrial parks (IPs), which focus on developing Ukraine's value-added products. A principal objective of these parks is to develop value-added/processed food products. Current plans would start with the government investing UAH 400 million (USD 13.5 million) in setting up infrastructure and utilities.

⁷⁸ Stuka, Nata. [Mined Shelled Coca-Cola plant and halted PepsiCo businesses. Will Ukrainians face a shortage of popular drinks and chips?](#) Forbes. 05 April 2022.

⁷⁹ *Ukraine's Food and Beverages Sector*. Ministry for Development of Economy, Trade and Agriculture. 2020.

⁸⁰ *Export Strategy for Food and Beverages Sector 2019-2023* (2019).

⁸¹ [Trade Information and Export Promotion in Ukraine 2018-2020](#). Ministry for Development of Economy, Trade and Agriculture.

⁸² Pay Space Magazine. May 2022.

- ▶ On 21 June 2022, some tax and customs preferences were launched for the industrial park participants (in processing industry and science).⁸³ This includes VAT-free machinery imports and no income tax for businesses which operate exclusively from the park.
- ▶ While the government has much interest in this and initiated incentives, funding still has not been secured to develop the parks. Large investors, who are needed to actually develop and occupy the parks, likely view the investment as too risky given the current outlook.
- ▶ Food and beverage was defined by the Ministry of Economy of Ukraine as one of the priority sectors for the post-war recovery as a part of agro-industrial complex.⁸⁴

▶ Implementation Feasibility

Pre-War

- ▶ Many processors were large and vertically integrated.⁸⁵
- ▶ Large corporations dominate global grocery retail, food service and food manufacturing, meaning that the FnB companies focused on main distribution channels that demand large quantities as well as flexible prices and contracts with short order times.⁸⁶ Perhaps quite difficult to influence at scale.
- ▶ Key sector constraints identified before the war included⁸⁷:
 - ▶ Poor/slow response to changes in market demand.
 - ▶ Lack of implementation of EU sanitary and phytosanitary (SPS) and food safety standards and a lack of certified food safety professionals.
 - ▶ Lack of fair competition in the domestic market.
 - ▶ Poor packaging/labelling which reduces domestic and international trust in products.

Current situation

- ▶ The FnB sector is one of the most successful sectors for business relocation - as of June 2022, more than 40 FnB businesses had relocated to western Ukraine.⁸⁸
- ▶ One processor indicated that it had few logistical problems for the domestic market (only a petrol shortage) but struggled to export due to reduced physical export capacity at border crossings.
- ▶ A processor indicated cash-flow challenges with having to pay up-front for the import of raw materials though need to pay 3-6 months of credit to customers before they pay.

⁸³ Gordiychuk, Dana. [Industrial parks will receive customs and tax benefits - the Council passed laws](#). EPravda. 21 June 2022.

⁸⁴ The Ministry of Economy of Ukraine defined 8 priority sectors: defence-industrial complex; agro-industrial complex incl. food and beverage, metallurgy and metalworking; mechanical engineering; energy; mining industry; furniture and woodworking industries; and logistics.

⁸⁵ *Ukraine's Food and Beverages Sector* (2020).

⁸⁶ *Export Strategy for Food and Beverages Sector 2019-2023* (2019).

⁸⁷ Key constraints identified from *Ukraine's Food and Beverages Sector* (2020).

⁸⁸ Ministry of Economy of Ukraine: Business support in the war conditions: relocation and recovery.

- ▶ Processors need new equipment to meet demand and recover pre-war production level but lack finance for capital investments.

▶ Sector Score

Relevance: 1



Processed FnB does not specifically target the vulnerable or otherwise excluded groups, but to some extent has positive indications that women work in the sector.

Opportunity: 2



The country has a current shortage of food and drinks, and sector development can fill a void left by larger businesses that have ceased operations during the war. In the short-term, it will be difficult for smaller companies, which are generally oriented more toward higher cost/craft production, to reorient themselves to consumers, who are now much more price conscious.

Feasibility: 1



The project may struggle to find a niche. The larger companies have the resources to quickly adapt and need investments outside of the scale of a future project to actually adapt. Whereas the small-scale companies face so many challenges and will need to reorient production, market and distribution, which may be too many barriers to address for this project. While the government is active in promoting the sector - particularly with its prioritisation of value addition and industrial parks, this will take considerable time and may not be the most feasible place for the project to operate.

▶▶ Childcare

▶ Relevance

▶ Integration of target group

Pre-War

- ▶ Childcare is a female-dominated industry and allows women, who traditionally have more household responsibilities, to take up employment.
- ▶ 31% of women between the age of 25-34 were economically inactive due to family responsibilities.⁸⁹

Current situation

- ▶ Childcare facilities (many of which are currently being used to host IDPs) are needed to reduce household and care obligations for IDPs - particularly females (which make up 60% of adult IDPs⁹⁰) - such that they can participate in the labour market.⁹¹

⁸⁹ Pylypchuk, Anna. *Grandma or Kindergarten - What Affects a Mother's Opportunity to Work?*. Kyiv School of Economics. 2018

⁹⁰ IOM, 2022

⁹¹ *The Association of educational institutions can conduct research on how many IDPs were employed after they received access to childcare facilities within 2 months.*

- ▶ 7% of IDPs were employed in education - tied for the third-highest proportion of any economic sector.⁹² Indicating that many IDPs - with education experience - could potentially have the skills for some degree of tutoring or childcare.

▶ **Representation of target group**

- ▶ Traditionally the childcare businesses are managed by women, and the pedagogic staff is also predominantly females. Both men and women with childcare responsibilities will benefit from access to such facilities.

▶ **Opportunity**

▶ **Resilience and trade**

- ▶ The development of the sector can indirectly promote resilience in other sectors through opening up the availability of skilled participants in the labour force.
- ▶ Childcare demand outstrips supply - 70% of children are under 10 years old and there are reportedly few options for 1-2-year-olds.⁹³

▶ **Creation of productive employment**

Pre-War

- ▶ Childcare obligations were the main reason for unemployment for women⁹⁴, so addressing this issue can create labour participation.

Current situation

- ▶ It is estimated that each new or relocated childcare centre can create employment for up to 20 people.⁹⁵
- ▶ Qualified staff are available in regions with high concentrations of IDPs and integrating new staff into childcare services can be done rapidly (within two weeks).
- ▶ Creating more childcare opportunities will result in more productive employment opportunities for all men and women with these responsibilities who can then take on other jobs.

▶ **Feasibility**

▶ **Capacity and willingness of market actors**

- ▶ Evidence suggests that private-public partnerships and cooperation with hromadas (municipalities) can support lower-cost childcare models, incl. creating mobile care services.
- ▶ The Business Association of Educational Institutions (AoEI) serves as an association for which childcare businesses can coordinate. However, their fees can be perceived as costly, thus not every business will join.

⁹² *Ukraine Internal Displacement Report, Round 5*. International Organisation for Migration. 23 May 2022.

⁹³ As identified by Business Association of Educational Institutions of Ukraine

⁹⁴ [Survey of the Centre of the Economic Strategy: How to increase employment among women \(2019\)](#).

⁹⁵ Business Association of Educational Institutions of Ukraine

► Programmes & Strategies

- Helping private businesses open kindergartens is one of the priority projects of the educational part of the reconstruction plan that is being developed jointly by the government and partners.
- UNICEF, the Ministry of Education and Science and Megago (private internet and TV provider) opened “kindergarten online”.
- The [AoEI](#) implements new projects funded by donors with the view to commercialising them in the future.
- As of end of June 3, the Regulation of the Ministry of Social Policy of Ukraine to launch playrooms in public institutions became effective.⁹⁶ This covers the more than 125k staff, including 40k women, in government and local authorities.

► Implementation Feasibility

- Precedence for private market before outbreak of war so potential to re-establish privately run centres.
- Many (female) childcare workers have been displaced, meaning that they have the technical know-how but are not necessarily working in this profession.
- Day care facilities, playrooms and educational hubs do not need a license to operate.
- Space availability is a key constraint as many IDP shelters operate from kindergartens and schools - and rents in IDP areas have increased substantially. It is also unclear what basement/shelter space provisions are required.
- Public childcare services/kindergartens have long waiting times for entry (sometimes 2-3 years), are oversubscribed and have a perceived poor education and service quality.
- The root cause is that the childcare services are not accessible due to:
 - Long lines (2-3 years) as a consequence of a lack of state kindergartens (118 children for 100 places in smaller cities, 170/100 in the big cities correspondingly).
 - Poor education and services level in the state kindergartens.
 - High fees of the private childcare facilities/nannies.

To set up a private childcare facility, the below include some average estimates:

- Capital costs are USD 20k for a new business (depending on the location) and USD 5k-7k for relocated businesses.
- Operating costs are between USD 5k-15k per month depending on the type/structure/region.
- Attendance fees are between USD 100-500 per student per month.

⁹⁶ [Regulation to launch the playrooms in the intuitions and organizations. 03 June 2022.](#)

► Sector Score

Relevance: 3



Before the war, the lack of affordable childcare services limited female participation in the labour market. This has been exacerbated as women, who have relocated to western Ukraine with their children, cannot go back to work without accessible and affordable childcare services. As three-fifths of adult IDPs are women, an intervention in this sector would address interests of the target group very well.

Opportunity: 2



Childcare services are in high demand, meaning that if new centres can be opened, they will be filled and put women to work in these centres as well as allow for women to participate in the labour force. The impact would be particularly pronounced for IDPs who are facing the most significant challenges in this regard.

Feasibility: 2



The government has a goal to create an enabling environment for private childcare enterprises and increase their market presence. This has already been put into action - many outdated regulatory acts have recently been lifted and stakeholders indicate that opening and operating a childcare business has become much easier. While developing new childcare centres can be capital intensive for private-focused models, the government is supportive through the public-private partnerships to facilitate lower-cost childcare start-up costs. The project could explore some of these alternate models and would be well-positioned to do so, particularly considering that no other development actors seem to be working in this area.



E-commerce

► Relevance

► Integration of target group

- 13% of IDPs were employed in trade (including retail) and 11% of IDPs indicated that they are looking for employment in trade - the 2nd-highest proportion of job seekers of any sector.⁹⁷ This includes a lot of retail experience, however, this experience does not provide seamless integration into e-commerce.

► Representation of target group

- As minor sellers, women are more involved in selling beauty, personal care, fashion, toys and children's products.
- 49% of the shops on one of the biggest marketplaces (OLX) is owned by women.
- 22% of women are choosing e-commerce due to the flexibility and possibility to work from home.

⁹⁷ Ukraine Internal Displacement Report, Round 5. International Organisation for Migration. 23 May 2022.

► Opportunity

► Resilience and trade

- With 7.1 million people now internally displaced⁹⁸, a considerable and immediate demand for basic products and services which help one set up a life in a new location has seen an uptick. This has supported the growth of small-scale Customer to Customer (C2C) e-commerce for products and services.⁹⁹
- A movement to e-commerce can strengthen the link between domestic buyers and sellers which can create more resilient markets, and enhance market access -, particularly for smaller businesses that are struggling to find markets.
- With EU accession, e-commerce sales to the European market will grow substantially in the long term.

► Creation of productive employment

Pre-War

- By 2020, e-commerce comprised 8% of all retail value (USD 4 billion) and 2.6% of the Ukrainian economy, growing by 41% annually.¹⁰⁰
- While 99% of all e-commerce sales are made on three platforms (OLX, Rozetka, Prom)¹⁰¹ smaller sellers can use the infrastructure on these platforms to sell products. This reduces barriers for smaller businesses to diversify sales from brick and mortar to e-commerce.
- The most popular categories for e-commerce are: electronics and media, fashion, furniture, toys, food and personal care - which are generally well-aligned to products that female-owned businesses sell.
- In 2021, at least 35% of Ukrainians had made an online purchase¹⁰² - showing a strong market presence.

Current situation

- Nova Poshta (Ukraine's postal service) reported that online purchases had dropped by about 40% two months into the war.¹⁰³
- In May 2022, half of all retailers indicated that they would develop online channels.¹⁰⁴
- C2C can help facilitate the gradual emergence of small informal businesses with little start-up capital or technical know-how into e-commerce space.
- Rozetka (one of the biggest marketplaces) lost half of its employees during the first months of the war and is currently restoring its structure.

⁹⁷ *Ukraine Internal Displacement Report, Round 5*. International Organisation for Migration. 23 May 2022.

⁹⁸ *Ukraine Internal Displacement Report, Round 5*.

⁹⁹ As identified by e-commerce business.

¹⁰⁰ *Ukraine - Country Commercial Guide*. International Trade Administration. 24 September 2021.

¹⁰¹ *Ukraine - Country Commercial Guide*. International Trade Administration. 24 September 2021.

¹⁰² <https://ecommercedb.com/en/markets/ua/all>

¹⁰³ *An increase in the average check and a decrease in the number of online orders. What and how do Ukrainians buy online during the war?* Retailers.UA. 06 May 2022.

¹⁰⁴ *Ukraine - Country Commercial Guide*. International Trade Administration. 24 September 2021.

► Feasibility

► Capacity and willingness of market actors

- E-commerce does not have a specific association as the industry has a few main stakeholders (OLX, Rozetka, Prom). Smaller sellers can coordinate with the entrepreneurs' associations or retailers through the retail association and all market actors connect with one another through common events and conferences (i.e. OLX conducts joint events with Dom.Ria, ЛУН).
- Key market actors regularly work with the Ministry of Digital Transformation, Ukraine and the Association of Entrepreneurs.

► Programmes & Strategies

- The emergence of e-commerce could be facilitated through recent regulatory changes induced by the war. This includes deregulation, tax cuts and assistance with logistics¹⁰⁵ as well as a right to conduct economic activity without obtaining permits and licences among others. During the war, tax audits for businesses were abolished in Ukraine.¹⁰⁶
- One of the principal e-commerce platforms, OLX, has developed new joint projects with the Ministry of Digital Transformation through Diia Business, including the programme: "Renew your business. The country needs you."¹⁰⁷
- SME interest in participation in global marketplaces (Ebay, Amazon, Etsy) is growing. Several programs already developed Ukrainian SME presence on such platforms (UkrPoshta, USAID CEP).

► Implementation Feasibility

- Ukraine has one of the most favourable payment systems in the world - which allows e-commerce to develop.
- Delivery systems are working well, though both costs and delivery times have increased since the start of the war.
- Challenges with bureaucracy or sector governance have been minimal with no additional or untransparent procedures or licences.
- Key constraints which could be addressed during a future project for the development of the e-commerce sector:
 - Integration with the major platforms (Prom and Rozetka) requires technical knowledge/employees which is not affordable for smaller enterprises. Programs that can help to close this gap will bring smaller businesses to the online trade.
 - Major marketplace commissions are around 35% which are prohibitively high for many smaller businesses.
 - Niche e-commerce marketplaces (i.e. a specific marketplace for furniture or construction materials) have lower commissions but have some but are constrained by marketing, logistics and lack of warehouses.

¹⁰⁵ [The Law of Ukraine № 2120-IX](#) "On Amendments to the Tax Code of Ukraine and other legislative acts of Ukraine on the application of norms for the period of martial law" from 15.03.2022 2120-IX.

¹⁰⁶ [Resolution of the Cabinet of Ministers of Ukraine of March 18, 2022](#) №314 "Some issues of ensuring economic activity in martial law".

¹⁰⁷ <https://business.olx.ua/en/proposition-for-diia-business/>

► Sector Score

Relevance: 2



Very little data could be found on the participation of vulnerable groups in e-commerce as businesses, but it was indicated that IDPs are using this service as consumers, as they need products to set up new places to live. Given the relatively low entry barriers to C2C e-commerce, it can provide some additional income and market to vulnerable IDPs as sellers and common demand for domestic consumer products on e-commerce generally align with what female-owned businesses sell.

Opportunity: 2



E-commerce has been rapidly growing and will continue to develop going forward. Accelerating this process can help link domestic buyers and sellers together in the short-term - creating resilience - while also putting the building blocks in for future, EU-oriented sales for SMEs. Development of this sector may not be a considerable job creator but is necessary to support the short- and longer-term development of retail-oriented SMEs.

Feasibility: 2



While e-commerce has few regulatory barriers, it does have several more systemic constraints that the project can help address. These include addressing key challenges to: SMEs becoming more active on larger platforms (commission costs and technical requirements), enhancing the presence of sector/product-specific marketplaces, and global marketplace orientation.

4. Conclusions & Recommendations

► Assessment overview and key recommendations

This study intends to objectively identify high potential sectors that - through implementation - can create more productive jobs for the vulnerable and excluded groups. Research for this study was conducted through a review of emerging information, data and government strategies as well as through insights conveyed during 23 in-depth interviews with key sector stakeholders as well as through a workshop with ILO constituents and key government ministries.

In this study, seven sectors were analysed relative to three overarching criteria: *relevance* for the target group, *opportunity* for growth to create more and better jobs and the *feasibility* of the project to implement in a way that could bring meaningful change. The scoring summary for each sector is provided below.

Sector	Relevance	Opportunity	Feasibility	Total
Information Technology	2	2	1	5
Construction	2	3	2	7
Agriculture: Fruits and Vegetables	2	2	1	5
Agriculture: Dairy and livestock	2	1	1	4
Food and Beverage	1	2	1	4
Childcare	3	2	2	7
E-commerce	2	2	2	6

Given the assessment, three sectors were identified as having the highest potential for the project. These three sectors **childcare**, **e-commerce** and **construction**, provide a balance of public- and private-driven sectors as well as sectors that need immediate action (childcare) and those positioned for more medium- and long-term development (e-commerce and construction). This balanced sectoral approach intends to diversify the opportunities for the project.

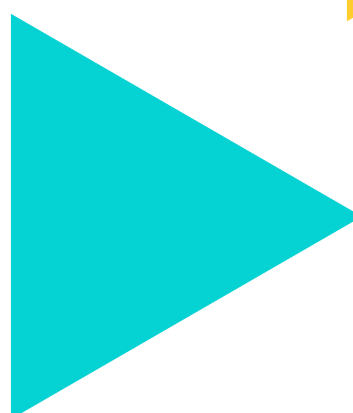
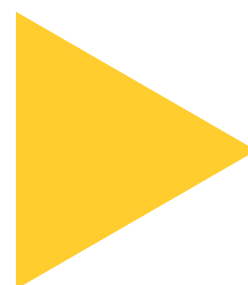
► Next Steps

Following on from this report, the project will validate the report findings with key project stakeholders and partners. Once validated, the project will conduct rapid market systems analyses in at least two of the selected sectors to further drill down into the key sector constraints and identify how the project can address some of these constraints during implementation.

Furthermore, as the project sees opportunity in the livestock feed market, it will commission a rapid analysis to understand the business case and market demand/potential for immediate development of all-mash production. This will also provide another avenue for immediate project support to an area with market potential.

Annex A: List of interviewed organisations

01. State Inspectorate for Architecture and Urban Planning of Ukraine
02. Business Association of Educational Institutions of Ukraine
03. Office for Reforms at the Ministry of Education and Science
04. State Regulatory Service of Ukraine
05. NGO “All-Ukrainian Council of Women Farmers”
06. Ministry for communities and territories development of Ukraine
07. Lviv IT Cluster
08. Association of Livestock and Technologies Development
09. IT Design company
10. IT recruiting company
11. Medium-sized construction developer
12. Tomato producer
13. Craft cheese factory
14. Regional milk producer
15. Craft processed meat processor
16. Large-scale domestic beverage producer
17. E-commerce platform
18. E-commerce clothing company
19. E-commerce marketplace agency
20. E-commerce transport company
21. E-commerce furniture company
22. Small-scale childcare centre
23. Educational space for children





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