



International
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► Building a pathway for economic reconstruction

A rapid market assessment of construction,
childcare and e-commerce in Ukraine



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childcare and e-commerce in Ukraine

August 2022



International
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UNHCR
The UN Refugee Agency



Sida

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NOTES

On confidentiality. All data collected through primary research have been made anonymous so that individuals cannot be identified. Instead, we refer in generic terms to “interviewee(s)”, “informants” or “respondents”.

On study limitations. The study is developed largely on the basis of key sector stakeholders’ perceptions and opinions. Although information was triangulated with different sources where possible, we recognize that not all opinions and perceptions could be cross-checked and validated.

Also, given the fast pace at which the regulatory, business and security landscape is changing, the analysis is intended to give the reader and future projects the most current understanding of each of these three sectors as of July and August 2022. Given the relatively short time in which information was collected (two weeks) and the vast changes in each market under study, it is recognized that this analysis is not comprehensive.

On views and opinions. The views and opinions in this assessment are those of the authors and not of the International Labour Organization (ILO) or its country office in Kyiv, or of the United Nations High Commissioner for Refugees (UNHCR).

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Executive summary

This rapid market systems analysis (MSA) provides a snapshot of three high-potential sectors – **construction**, **childcare** and **e-commerce** – which are well positioned to create more and better jobs for Ukraine’s vulnerable workers in the wake of the conflict and during reconstruction.

The analysis has been conducted within the framework of the market systems development approach to decent work, an analytical approach to the sector and the various supporting services and regulations that influence the sector and the workers within it. In performing this analysis, the project reviewed secondary information in each sector and conducted over 60 unique, in-depth interviews with sector stakeholders, specialists and relevant government agencies. The end objective is to provide an understanding of each sector’s constraints relative to employment and some initial ideas for interventions to address these constraints.

Construction

The construction sector is poised to experience sudden and rapid growth once reconstruction funding flows into Ukraine and security threats subside. Estimates in this research indicate that it could grow to a magnitude of 6–10 times its pre-war size. This growth will provide job opportunities for many, particularly for vulnerable workers and those seeking to rebuild their livelihoods after the conflict. However, the sector, which was already precarious for workers before the war, with its poor record on formal employment and safety, is currently not well positioned to keep up with reconstruction employment demand or to support better quality employment for workers.

In this regard, this analysis suggests that various key constraints on **skills**, **sector coordination** and **public procurement** be tackled as a matter of urgency. With regard to **skills**, the priority is to analyse the expected gap between supply and demand for skills during reconstruction and then use these findings to build up an action plan to develop private and public training supply capacity – including in green construction skills – so that industry demand and supply can be aligned quickly. For **sector coordination**, the idea is to support the accelerated creation of a reconstruction coordination body and then try to ensure that workers and employers are represented with a seat at the table. Lastly, it is important to work with external funders and local authorities in **public procurement** to develop actionable qualification criteria that reward contractors with better working conditions and more green technical competence.

Childcare and preschool education

Before the war, the lack of affordable childcare and preschool education (CCPE) services limited female participation in the labour market as women stayed out of the workforce to take care of their children. This has been exacerbated by the war as women who have relocated to the safer regions of Ukraine with their children cannot go back to work without accessible and affordable preschool education and childcare services.

Thus, preschool education and childcare services are in high demand. If new facilities open, they will generate jobs directly (particularly for women), as well as enable people with childcare responsibilities to (re)join the labour force. The impact would be particularly pronounced for internally displaced persons (IDPs) and returnees, who face significant challenges with regard to both employment and childcare needs.

The analysis suggests that sectoral challenges be addressed with a series of short- and long-term interventions. **Short-term interventions** aim to stimulate rapid responses from the private sector to address preschool education and childcare shortages in safer areas with higher concentrations of internally displaced persons by addressing constraints on **business management skills, access to capital, building space** and **cost**. These interventions can provide entrepreneurs with opportunities to set up new facilities with a readily available market, and to create better paid jobs than those in the public sector. **Long-term interventions** address larger structural issues in the sector, including constraints relative to decentralization, **reducing bureaucratic regulatory barriers**, and **changing social norms**. Such interventions stimulate both supply and demand for childcare and preschool education services to build a larger, balanced and efficient public private partnership system that can help directly and indirectly in fostering women's employment.

E-commerce

The Covid-19 pandemic has boosted the idea of doing more business online. Consumers feel more comfortable than ever before purchasing products off the internet, and online business has proven to be very resilient in the face of unforeseen events. In Ukraine, e-commerce has been growing steadily over the past five years (in 2020 it grew by 41 per cent) and is projected to continue growing. Nearly half of the Ukrainian adult population regularly purchase goods online, and more and more seek e-commerce as an opportunity for self-employment.

The onset of the war, however, has highlighted some constraints that hinder growth in the long run. There is a high proportion of informal employment among sector operators and with a few players dominating the sector, smaller businesses face challenges in their efforts to grow. Furthermore, as domestic demand for goods that do not cover basic needs has declined drastically, businesses wanting to shift to export markets face many barriers.

To overcome these constraints, the analysis suggests that three key areas be addressed: **1) facilitate inclusive SME growth and development** by addressing entry and growth barriers for new and existing SMEs, particularly relative to skills gaps; **2) stimulate sectoral collaboration** to help smaller businesses discuss their challenges and work together to resolve them; and **3) open up dedicated avenues to access international markets**.

1. Introduction

► 1.1. Project introduction

The International Labour Organization (ILO), in partnership with the UN Refugee Agency (UNHCR), is implementing an eleven-month project called a “Market systems approach to decent work in Ukraine (inception phase)”. This project, which is funded by the Swedish International Development Cooperation Agency (Sida) and 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 vulnerable workers in Ukraine – in particular in 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 that focuses on driving sustainable, long-lasting change at scale.¹ 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 can address these constraints (see Box 1.1).

► Box 1.1. What is a systems approach?

A systems approach challenges traditional models of development assistance in order to improve the:

- **Sustainability of outcomes:** Improvements in decent work can benefit all – especially the most marginalised – beyond the period of intervention.
- **Scale of outcomes:** Innovations are replicated, spill over and spread beyond just those partners and areas the intervention is directly working with.

It achieves this not by rolling out a prescriptive approach or a fixed methodology, but by applying three key principles:

- **Analysis-focused:** Instead of pushing predetermined solutions, a systems approach starts by analysing the local context to identify what really causes decent-work deficits, in order to prioritise those which can practically be solved and understand how.
- **Partner-driven:** Working to allow local actors with a stake in progress to own and drive forward the change process through a process known as “facilitation”.
- **Evidence-based adaptation:** Blending design and implementation through rapid cycles of planning, action, measurement, reflection and revision.

From the ILO’s Systems Change Initiative “What is a systems approach?”, 24 May 2022.

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

The principal objective of this inception phase project is to analyse Ukraine's current volatile context in order to identify potential implementation activities that can support the integration of vulnerable workers in Ukraine's reconstruction efforts. The project will do this through a three-step process, for which this study is the end objective of step 2:

1. **Select three high-potential sectors** in which vulnerable and otherwise excluded workers could be integrated into reconstruction efforts. This was conducted in June and July 2022 and concluded with the selection of **construction, childcare** and **e-commerce** as high-potential sectors²;
2. **Conduct rapid market systems analyses** on each of these three selected sectors to identify how they currently operate, their systemic constraints on growth and development, and key areas of intervention in which these constraints can be addressed; and
3. **Design a targeted project** that can address the identified systemic constraints and create more and/or better jobs for vulnerable and excluded workers during the country's reconstruction.

▶ 1.2. The economic impact of the war in Ukraine

This inception phase project operates in a highly volatile context, which 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 12.9 million people – 6.6 million within Ukraine and 6.3 million as refugees³ – 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 a workforce that has been fragmented through displacement and military conscription. They are also subject to rising prices and scarcity of raw materials and fuel, making it increasingly difficult to operate. In short, market supply and demand has completely shifted, forcing almost everyone to rethink how they do business.

All of this has had a considerable impact on workers. The ILO estimated that war has caused a loss of 30 per cent of pre-war employment.⁴

▶ 1.3. Study purpose and scope

This rapid market systems analysis (MSA) provides a snapshot look at three selected sectors: construction, childcare and e-commerce to provide a basis for the design of an implementation project focused on reconstruction and economic stabilization. Beyond providing a snapshot, the rapid MSA quickly unpacks the key constraints that limit these sectors and their ability to employ vulnerable workers. As far as possible, the analysis identifies the root causes of these key constraints that limit functionality.

2. *Market Systems Approach for Decent Work in Ukraine – Sector Selection Report: Prioritising the pathway for vulnerable workers in economic reconstruction*. ILO and UNHCR. July 2022.

3. *Document – Ukraine situation: Flash Update #24*. UNHCR. 15 July 2022.

4. *The impact of the Ukraine crisis on the world of work: Initial assessments*. ILO. 11 May 2022.

For this study, the analysis looks into understanding the market around the project's target group: vulnerable and otherwise excluded workers, with a focus on creating more productive and decent employment to reduce poverty.

► 1.4. Study methods

The research was carried out in two phases:

1. **Desk research:** Available literature was gathered to provide a framework for primary data collection. This included reviews of revised national laws, news articles, and both the latest and historical sector data.
2. **Interviews:** Primary research was conducted in the last two weeks of July 2022 through a series of online calls and remote meetings. During this stage, a total of 64 government agencies, businesses, both in and providing supporting services to the sector, sectoral employers' associations and trade unions, and educational bodies, among others, were interviewed. The interviews were semi-structured and helped shed light on the sector from a diverse set of actors and opinions. A detailed list of all the interviewed stakeholder organizations for each sector is included in Annex A.

The research is based on methods from the ILO's *Value Chain Development for Decent Work* guide.⁵ Results were validated through triangulation of data as far as possible. To do this, the research used different types of data (primary and secondary) and multiple methods (surveys, responses).

► 1.5. Report structure

For each sector, this report provides an overview of: its current state; how the target group is involved; the market system, its key constraints and their possible root causes; and an initial sector intervention strategy that can help root causes in a sustainable way. This is explored for construction (Section 2), childcare (Section 3), and e-commerce (Section 4) and concludes with a brief synthesis of the findings (Section 5).

5. International Labour Organization: *Value Chain Development for Decent Work – A systems approach to creating more and better jobs – 3rd edition* (2021).

2. Construction

► 2.1. Sector overview

Ukraine's reconstruction will be a monumental undertaking. In the short term, while the war is still on, it will require the reconstruction of critical, infrastructure including housing to accommodate the movement of people from occupied or threatened lands to more secure parts, predominantly in the west. Following the war, Ukraine's reconstruction will require a comprehensive rebuilding of destroyed roads, bridges, rail, ports, housing, telecommunications lines, and water, energy, and social infrastructure, as well as the planning and development of new cities. All this to restore the country at a cost of what one estimate suggests will be US\$ 4.5 billion in infrastructure damages⁶ per week, an excess of US\$ 110 per person per week of damage.⁷

The reconstruction process will require extensive coordination between external funders, the Ukrainian Government and the private sector to finance, plan, design and build a coherent infrastructure. It will also require a fast-moving planning and design process, adaptability, and a workforce with the skills to develop quality infrastructure. If done well, it could replicate the success of the Marshall Plan, providing a means for economic and social stabilization that will lay the foundation for stimulating a "golden age" of growth.⁸

Market overview and history

While reconstruction will require a highly dynamic, proactive and well-coordinated sector, this largely contrasts with the sector's historical reputation. Construction has reportedly been plagued by corruption,⁹ rigidity¹⁰ and heavy bureaucracy.

Prior to the war, large-scale building and infrastructure works were dominated by a handful of large-scale developers and contractors who are mostly nationally owned and operated. They operate by overseeing the project and executing some parts of the contract but also rely on a series of smaller subcontractors to complete less profitable and less technical works.

Micro- and small-scale, informal¹¹ contractors, builders and tradespeople generally perform work on one-off residential houses. While this micro-segment is important, the focus of this study is on larger contractors as that will be where the vast majority of reconstruction work will be in the coming years.

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

7. Calculation made from population estimate of 39.6 million by *World Population Review* on 26 July 2022.

8. Barry Eichengreen: *Lessons from the Marshall Plan.* World Development Report 2011: Background Case Note. April 2010.

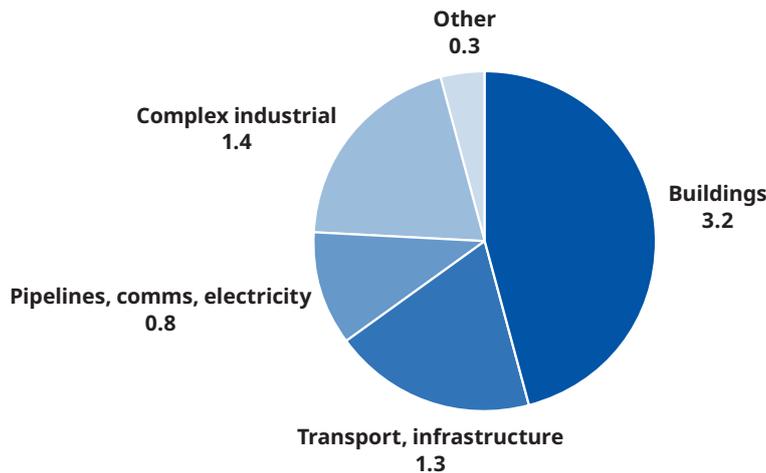
9. Oleksiy Sorokin: *Highway Robbery? \$3.5 billion road project wins exemption from public oversight* (Kyiv Post, 25 June 2021).

10. *Industry 4.0 transition strategies for Ukrainian construction SMEs* (2020).

11. In accordance with ILO Recommendation No. 204, the definition of informality "refers to all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements".

As of 2019, the construction sector had a value of about US\$ 7 billion, with just under half of the construction sector value coming from buildings (46 per cent), and the remainder coming from general infrastructure needs (see Figure 2.1.¹²). It officially employed about 1.2 million people, or 7 per cent of the total Ukrainian labour force.¹³

► **Figure 2.1. Total value of Ukrainian construction industry in 2019 (USD billions)**



In the decade preceding the war, the construction sector experienced prolonged growth and looked set to grow in the future. The sector exploded between 2015 and 2020, when it grew by 23 per cent annually (in US\$).¹⁴ While the Covid-19 pandemic wiped out just under a quarter of its value in 2020,¹⁵ it quickly rebounded within the framework of the Government's *Great Construction*¹⁶ project, which broke ground in March 2020, and invested heavily in the development of social and transport infrastructure. By the close of 2021, the project had already resurfaced 14,000 km of road and rebuilt 600 bridges¹⁷ and had committed another US\$ 5 billion to developing transport infrastructure for 2022¹⁸ – 300 per cent more than the total value of transport infrastructure works completed in 2019.

The impact of the war

The war has been devastating to the sector as **project financing has plummeted**. The Government has largely repurposed all excess funds to defence spending, reportedly now spending the same amount in one month on defence as they previously had budgeted for the entire year. This has cut off their ability to finance any new projects and has made it difficult for government to maintain basic services.

12. Calculated from *Ukraine – Country Commercial Guide: Infrastructure*, International Trade Administration, 24 September 2021.

13. Calculated from *Labour Force of Ukraine 2019: Statistical Publication* (2020).

14. Calculated from State Statistical Services Ukraine.

15. Calculated from *Ukraine – Country Commercial Guide: Infrastructure*, International Trade Administration, 24 September 2021.

16. As set out here: <https://bigbud.kmu.gov.ua/>

17. Zelenskyy: *Over 40% of Ukraine's main road network renovated, built within two years under Large Construction Program*. President of Ukraine's official website, 24 December 2021.

18. Ibid.

Private investors have also put a hold on any new projects as the market is far too risky. As one contractor indicated, “we can’t find funding for reconstruction because we can’t guarantee that this house won’t be demolished by a rocket.”

Relative to demand, one contractor indicated that the war’s impact had not been homogenous: Western Ukraine lost about 35 per cent of its construction activity, the central region about 75 per cent, and the Russian-occupied lands have no activity at all.

This lack of activity has wreaked havoc on the operating environment for contractors and their ability to employ workers. One contractor estimated that 40 per cent of contractors had ceased operations and those that remained open had scaled down considerably. Two larger-scale contractors indicated that only 20–30 per cent of their workforce remained, and that these staff generally worked part-time at around 30–50 per cent of full-time hours. One materials company said it had managed to keep all of its staff, but they were working two days a week and that their salaries had been reduced to minimum wages. Job losses have seemingly been disproportionately high in administrative positions, which are more commonly occupied by women.

The war has also impacted the **cost and availability of construction materials**, as well as staff availability and ability to operate businesses. One company indicated that **10 per cent of its workforce had gone into the defence forces, while another 2 per cent had left the country**. Another private technical and vocational skills training business indicated that they had shut down services as their management had gone into the defence forces.

While the sector’s current state is dire, the need for reconstruction projects will bring on a construction boom and the sector will become an employment magnet, particularly for the vulnerable who have already worked in the sector. To give some scale to the reconstruction effort, reconstruction and recovery costs have nearly reached US\$ 200 billion¹⁹ and could reach as high as US\$ 600 billion²⁰ or US\$ 1 trillion.²¹ If that were to be carried out over a 15-year period, this would equate to about US\$ 40–67 billion of work per year, or **about six to ten times the sector’s size in 2019**. This also assumes a pause on all new development and maintenance that would be built in normal times.

Role of the target group

Construction can be characterized as male-dominated: just 8 per cent of the workforce are women.²² While women are a small minority of the workers, they disproportionately work in the administrative sections of businesses, which, by nature, are higher quality, more formal jobs (see Figure 2.2.²³).

19. Direct damage caused to Ukraine’s infrastructure during the war has reached over \$110.4 bln, minimum recovery needs for destroyed assets – \$188 bln. Kyiv School of Economics. 10 August 2022.

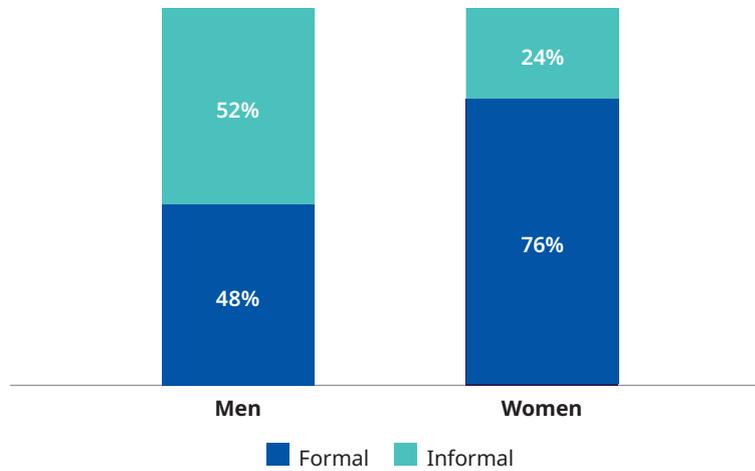
20. NPR, 26 May 2022.

21. *Start Planning the Reconstruction of Ukraine Now*, in *The Washington Post*, 4 July 2022.

22. *Labour Force of Ukraine 2019: Statistical Publication* (2020).

23. Calculated from *Labour Force of Ukraine 2019: Statistical Publication* (2020).

► **Figure 2.2. Worker formality by gender**



The sector absorbs many lower-skilled workers, who are generally more vulnerable. Construction sites employ a considerable number of workers who can dig up earth as well as load, unload and move materials around sites with very little training. The sector also provides vast employment for workers such as painters, tilers, and masons, which can be suitable for the vulnerable who are looking to quickly retrain and enter the workforce.

Informality and poor occupational safety and health (OSH) have traditionally plagued construction workers. According to official statistics, construction is the second most informal sector (behind agriculture) with about half the staff being informal.²⁴ However, one stakeholder suggested that the number is closer to 20 per cent and that really only engineers, supervisors and architects are formally employed. This is important as formality affects both contract stability and social security, the latter of which is highly important for protection where both injuries and working time loss due to such injuries are common. Relative to OSH, the sector historically has registered 15 per cent of all worker deaths, while just having 7 per cent of its workers.²⁵

► Informal employment is mostly a rule

► Sector Stakeholder

► 2.2. The market system

The market system provides an overall picture of how a sector operates. The construction market system includes supply and demand transactions in the core value chain – from initiator of a construction project (the government or developers) all the way to the end user or project client – and the ‘supporting functions’ and ‘rules and regulations’ that shape the way in which businesses and employees operate in this core chain. The market system therefore has a broader scope, because different actors and workers in

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

25. Calculations averaged over five years from 2017–2021 and based on data provided by the State Labour Inspectorate.

the value chain are influenced by what happens in their surroundings. For example, access to financial services, which is a supporting function, does not directly operate within the construction sector, but strongly influences how projects are financed and how businesses grow and operate.

► Figure 2.3. The construction market system in Ukraine

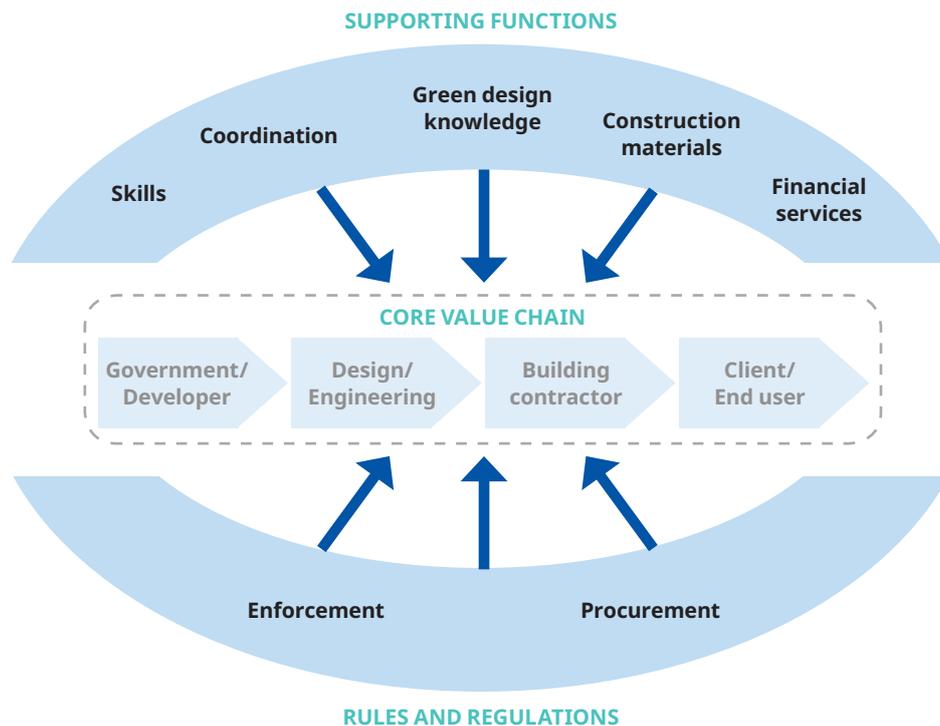


Figure 2.3. shows Ukraine’s construction market system, which includes a simplified value chain surrounded by the supporting functions and rules/regulations which strongly influence and constrain the sector’s performance. We shall dig deeper into the key challenges to the sector and its workers with a view to identifying key opportunities for sectoral enhancement during reconstruction.

Core market

Government/Developer

All construction projects need a financier, which is traditionally the government for public projects and a developer for private projects. However, there are very few new or active public and privately funded construction projects. Public funding is currently scarce with **considerable losses to tax and tariff revenue**, as well as a **reallocation of funding to the military effort**. On the private side, the **financial and security risks** are too large for investors and developers to cope with, so there are very few new private projects. Those that are under way are just trying to complete what was largely financed and mostly constructed before the war. Additionally, construction financing was supported by loans secured by property collateral and repaid in instalments over several years, neither of which are currently possible.

To rebuild to the degree required, the Government will need to source substantial external funding from multiple sources. However, at the moment it is **unclear how or when financing will be sourced** for reconstruction, so it is quite unclear how or when reconstruction will be completed.

Looking at “how” reconstruction will be done, the **reconstruction coordination and planning process** is still unknown to many stakeholders, largely because a **plan still has not been formalized**. This is particularly important given the **decentralized nature of how these works are procured**. For example, in road construction, the local authority is in charge of contracting out projects on roads within its local jurisdiction, regional authorities on roads in regional jurisdiction and the national roads authority (Ukravtodor) on national roads. While no one entity is overseeing the process, the state is changing policy in this regard (see *Coordination* sub-section).

Design/engineering

Once a project idea and financing are secured, the project moves onto design and planning. Depending on the works involved, this will be completed by architects, a range of engineers (civil, environmental, mechanical) and planners, who design the works and progress it to the project or planning approval stage. These professionals are usually integrated into a developer or contractor’s team, or at times, into independent consultancies that neither develop nor build works.

For project approval, some indicated that seeking **planning approval was overly bureaucratic**, delaying approvals and ultimately hindering the speed at which reconstruction projects can be built, particularly if project volume is high.

Some developers and contractors indicated that **design and engineering staff would be in short supply** during reconstruction, especially because some will have moved abroad, increasing competition between companies for such resources.

Building contractors

Once the project is approved, contractors bid on the project to build it. For publicly funded projects, this is done through public procurement. For projects funded by developers with an in-house design and construction team, there is no bidding process.

Regardless of who funds the projects, contractors try to keep costs to a minimum. In the public procurement space, contractors are **largely awarded contracts on price** with much less consideration for technical capacity, project quality, historical performance and working conditions. Private developers are also keen to keep costs down to compensate for the comparatively larger financial risks of financing and selling their own developments.

Construction contracts typically have four principal cost areas: materials, construction equipment, labour cost, and profit margin (see Figure 2.4.²⁶). As a means of keeping these costs down, **contractors use a network of subcontractors**, reportedly sometimes 5 to 6 layers deep, on low-margin, basic works or highly technical works that require licences. This helps contractors keep a lean and flexible workforce – adapting to project demand – and shifts costs and risks to the sub-contractor.

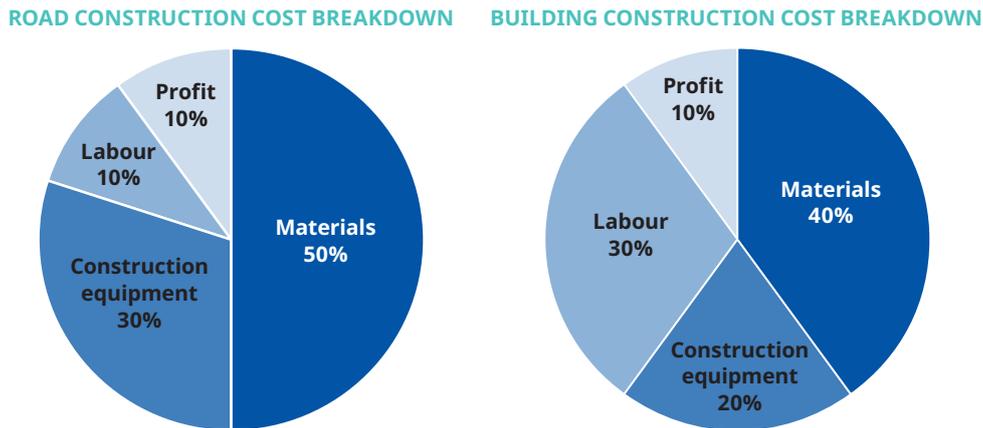
►► If we did it ourselves, it would be more expensive than for a subcontractor

► Contractor

²⁶. Estimates are from a contractor active in both road and building construction.

To win these subcontracts, subcontractors compete with one another on price. As materials and equipment are mainly standardized across bids, they cut down on labour as far as possible to protect their profit margins. This, combined with a **lack of labour inspection**, sets an incentive structure for contractors to move quickly, employ workers informally and cut corners on worker safety.

► Figure 2.4. Construction cost breakdowns



Client/end user

After the construction project is built, it is handed over to the financier – that is, the Government or the developer – who either opens it up for public use or sells it on to an end buyer. Most notable in this link is that the few private projects that have been completed since the onset of the war have not been sold. Thus, despite considerable demand for housing in some areas, newly finished housing projects sit unoccupied because they cannot be sold at a price on which the developer would recoup their investment. This lack of capital inflow has put considerable financial pressure on developers, who have the technical know-how and resource power to support design and building in reconstruction.

Supporting functions

Skills

Given that the reconstruction process will be immense, as already mentioned (see Impact of the War above), the sector will need to employ considerably more workers for the full range of construction skills in the design, management and construction of buildings and infrastructure. It would be a key opportunity to ensure retraining, upskilling, skills certification and recognition of prior learning (RPL), particularly for low-skilled and disadvantaged populations, to ensure that sufficient workforce for this sector can be sourced from within the country. This would create an opportunity when many are and will be struggling to find employment – and would also minimize the amount of labour that would otherwise need to be imported for reconstruction.

Several of the contractors and industry specialists we talked to expressed concern over a lack of architects and engineers, but few worried about the need for lower-skilled workers. The **lack of engineers and architects is perhaps more concerning for contractors** because these staff shortages will limit their ability to design and bid on work and will increase their in-house direct labour costs, as architects and engineers are generally among the few formal employees in such companies. This shortage of

architects and engineers is the result of **workers being attracted abroad** and **students who traditionally gravitated toward engineering and architecture now entering IT**.

While many were optimistic that Ukrainians would easily be able to fill the less technical positions, at least to some extent, it may be blind optimism. Staff in some trades, such as masons, concrete workers and window framers, among others, were already in short supply before the war. This is partially attributable to the fact that **wages abroad** – for example in Poland – **are typically 50–200% higher** than those in Ukraine and thus serve as a pull for migration.

Ukraine produces most of its construction workers through high-school TVET programmes, which take **three or four years to produce skilled tradespeople**, such as painters, electricians and plumbers. Acquiring partial skills training (for example, for micro-credentials) could take a shorter time, but the point remains that **the responsiveness of this system is too slow** when up against a demand shock for workers, such as during the 2021 Great Construction project. Furthermore, the current stock of high school TVET students are still children, and a significant proportion of them **have emigrated from Ukraine**. Adult training institutes, which generally offer private, shorter courses,²⁷ have **largely gone out of business** due to a lack of current demand or because **key staff were called up to the defence forces**. It is unclear how easy it would be to reopen them.

In an effort to train or retrain workers more rapidly, the Ukrainian Government changed the law on technical and vocational education and training (TVET) in June 2022.²⁸ These changes include an obligation on employers to accept “partial qualifications”; giving students the possibility to obtain vocational and technical education without a full secondary education and safeguarding them from being mobilized for military duty; and protecting vocational and technical education institutions from being shut down unjustly. However, it is unclear whether these changes have been communicated effectively to contractors.

The European Investment Bank is also looking to attract 58 million euros (€) to contribute to a new Vocational and Technical Education Support Programme in Ukraine. This investment would serve to cover a range of skills development and institutional and training reforms, but it is unclear to what extent it will cover construction workers and when that funding will become available.

Coordination

Strong sectoral coordination would ensure that a rapid government response to reconstruction takes a broader, more considered view. Strong coordination can help the sector identify and address the larger needs for this sector (such as skills), while at the same time taking into account a range of perspectives to ensure that future measures, strategies and changes do not benefit only the few.

While it is understood that the Government is rapidly adapting to the situation at hand, it was not clear to any stakeholders interviewed how reconstruction projects would be identified and prioritized, or who was coordinating the larger response. Several stakeholders voiced a need for a larger coordination body to take control of the reconstruction process, given the **decentralized approach to public works**. However, **funding and technical resource power for such an agency may be limited** to dealing with the task, given the Government’s current resource constraints.

The reconstruction process is currently managed by the Ministry of Communities and Territorial Development (MinRegion). As currently planned, MinRegion will develop overarching plans for the

27. The State Employment Service also has public training courses at regional centres.

28. *Amendments to the Law of Ukraine No. 2312-IX “On Vocational (Vocational and Technical) Education” on Certain Aspects of Training Skilled Workers in Martial Law and Economic Recovery*. 19 June 2022.

restoration and development of each region based on local and regional plans, which will be developed by local and regional authorities. However, this larger plan has not yet been formalized as reconstruction funding is still too limited.

Thus it is unclear how a larger set of projects will be prioritized and how funding will be assigned once reconstruction accelerates. It is also unclear whether MinRegion will continue to manage the process going forward as there have also been discussions about setting up a new reconstruction authority to manage the considerable task. It is, however, unknown whether, when or how that will happen.

Coordinating the response for contractors and developers are two principal business membership organizations, the **Confederation of Builders of Ukraine (CBU)** and the **Construction Chamber of Ukraine (CCU)**. While some contractors are members of both, CBU reportedly has more participation from developers and CCU more from historically more established and connected contractors. It was reported that the two agencies differ somewhat in their approaches to advocacy. While CCU is in fact a member of CBU, **historically, they have not necessarily worked symbiotically**. This limits contractors' and builders' ability to have a united and cohesive voice in the reconstruction process. Given the general financial pressure that contractors and developers are facing, **members may struggle to contribute to, and participate** in the organizations and this could threaten organizational resources and advocacy power.

Construction workers are represented by the **Trade Union of Construction and Building Materials Industry Workers (PROFBUD)**. The trade union represents about 7,000 workers, less than 1 per cent of the sector's pre-war level of workforce,²⁹ and now is **losing even more members** – especially women – because of **workers moving abroad or being conscripted**. This is weakening the union's resources and position at a time when rapid development and a push toward deregulation are threatening workers.

The EU has said it intends to set up a reconstruction platform once the war has ended to help “map investment needs, coordinate action and channel resources” and to support mid- to long-term construction.³⁰

Green design

As highlighted in the reconstruction principles established at the Ukraine Recovery Conference in Lugano, reconstruction be done in a “sustainable manner”.³¹ Reconstruction funds from Europe will

help to bring those principles to fruition, but they will probably be tied to project sustainability and Ukraine's EU accession process will accelerate the formal adoption of greener construction standards in the longer term.

►► I could count the number of BREEAM and LEED buildings in Ukraine on one hand

► Director at a Green Think

While many contractors have confidence in building “green”, there is little precedent for green construction in Ukraine. Only a small number of projects have been built to a sustainability “gold standard” (the LEED and BREEAM standards) because the building cost of doing so has been too high relative to any energy savings. While **EU standards are slowly being adopted** across the sector, it is unlikely that they will fully be in place when reconstruction starts unless adoption accelerates rapidly. Universities and technical

29. Percentage calculated based on 1.2 million workers identified in the Labour Force Survey 2020.

30. *EU to set up a platform for Ukrainian reconstruction – as it happened*, Deutsche Welle, 4 July 2022.

31. *Ukraine, Allies Adopt Principles for Reconstruction*, Radio Free Europe Radio Liberty, 5 July 2022.

training schools have yet to put much effort into developing such skills, probably because, historically, there has been little demand.

Thus, when reconstruction commences and demand increases to build green, it is **unclear whether the sector has sufficient competence standards for green construction and thus whether it has the necessary skills** to design and build environmentally sustainable projects rather than build less sustainable projects that are merely packaged as “green”.

Construction materials

The supply and cost of construction materials have been affected by the war. **Damage from the war** and the **Russian occupation** have reduced domestically produced material supplies; for example, one stakeholder indicated that 30 per cent of metal-producing plants are currently offline. Increases in **transport costs** and **logistics challenges of importing materials** have also put a squeeze on supply and increased costs.

Next year we will feel it

► Brick producer

While material producers generally still have raw material stocks for production, and contractors indicated that they could still find materials, given that material demand is currently quite low, some thought this could have a huge impact on the costs and speed of reconstruction once demand for such materials increases (significantly), particularly considering that materials make up 40–50 per cent of construction costs.

Financial services

Finance services play an important role in the sector. They help developers and contractors to finance new projects, invest in growth, and buy or lease new machinery and technology. Without them, the sector may become stagnant.

As a result of the war, financial services have largely seized up for the sector. One developer indicated that he had gone to a series of banks looking for credit, but could not secure any, being told that construction is too risky and they estimated **20 per cent of developers would not survive the crisis**. Even if credit is available, it comes at a premium, **interest rates** on borrowed credit reportedly **have increased** from 18 per cent (pre-war) to at least 30 per cent.

Rules and regulations

Public procurement

Within the framework of public procurement managers of public funds (local authorities, state-owned enterprises, and so on) and contractors agree on terms and conditions for construction projects. This includes setting out the resources required to build the project, including labour and price. When it works well, public procurement can support the development of high-quality, government-funded infrastructure that can incentivize contractors to provide better working conditions. If not done well, procurement can facilitate a “race to the bottom” in that contractors are incentivized to cut costs to win contracts, lowering the quality of construction work and the investment in staff working conditions and formal contracts. While this helps to secure low-cost work, it does so at the expense of a sub-standard work environment.

For all contracted construction work with a value of US\$ 40,000 (UAH 1.5 million) and over, the contracting authority – such as the local, oblast or national level authority – must set up a competitive process and award tenders through the Prozorro platform.³² For most bidding processes of such value, three important areas affect working conditions:

►► Is this [public procurement] a critical threat? No. Is it a bad influence on business – yes

► Construction contractor

- **Qualifications:** contractors must adhere to one or more qualifications criteria which are not price-related (such as availability of machinery, previous work experience, staff qualifications) and do not meet any of the exclusionary criteria (usually focused on corruption);
- **Evaluation:** Once contractors qualify, they are evaluated on criteria that are at least 70 per cent weighted on price, but most commonly evaluated as 100 per cent based on price.
- **eAuction:** After the price evaluation,³³ participating contractors see all of the other price offers and then have three rounds to evaluate and reduce their price offer in lieu of other contractors who have done the same thing.

While the whole process is intended to promote transparency and cost savings, the system can be abused to award “preferred” contractors and promote poor working conditions. One key issue is that the **qualification criteria are generally set by the contracting authorities**. While this provides flexibility, some have indicated that the **qualification criteria can be so specific that only one or a small handful of contractors can qualify**. As a result, contractors complain if additional criteria are added into the evaluation process as they feel that the process is less transparent than awarding purely on price.

Additionally, the **qualification criteria**³⁴ **do not provide any conditions for workers or working conditions (or green construction) and the criterion concerning staff competency is so vague** that it would be hard for well-intentioned authorities to use, adapt and evaluate it. The **evaluation and eAuction processes also considerably incentivize** contractors to submit and adjust their offers to the lowest workable price.

This lack of inclusion of working conditions in procurement may also be rooted in the Government’s general “hands-off” approach to regulating construction contractors. And thus some indicated that there may be **limited political will** to provide for more inclusive procurement.

Labour inspection

Strong labour inspection is an important function which holds employers and contractors accountable for providing workers with better working conditions, principally with more formal employment and stronger safety prevention. The issue stakeholders indicated is that construction sites are rarely inspected and so contractors can largely choose to what extent they want to comply with labour law.

Labour law enforcement is the responsibility of the State Labour Service of Ukraine, which has 51 inspectors tasked with inspecting labour law compliance at around 60,000 building and materials sites. This is just 8 per cent of all labour inspectors, for a sector that generates 15 per cent of all reported fatalities. With less than **1 inspector for every 1,200 construction sites**, staffing is considered inadequate

32. *Guidelines for non-Ukrainian suppliers on participation in public procurement tenders in Ukraine*, EBRD, November 2020.

33. Though in certain cases this process can happen before evaluation.

34. As set out in Articles 16 and 17 of the Public Procurement Law 2020.

to effectively enforce construction. Beyond that, just 2.5 per cent of all construction sites are inspected every year, which means that continuously operating construction sites have the probability of being inspected once every 40 years. This also equates to 30 inspected construction sites per year per inspector – or about one inspection every two weeks – which is indicative of **poor inspection efficiency**.

Beyond the lack of resourcing, inspections are conducted in a way that allows contractors to evade consequences for non-compliance. About **80 per cent of inspections are planned**, giving contractors 10 days' notice to "get their house in order" before the inspection. Furthermore, **contractors reportedly often contract single entrepreneurs as their construction workforce**. These entrepreneurs are responsible for registering themselves and thus assume the responsibility for their contract status and occupational safety. The contractor also needs to register these entrepreneur-workers with the tax authority, but that process takes 29 days and in case of inspection, contractors can tell inspectors that the paperwork is "in the post".

►► I could break any inspection rules

► Construction contractor

Lastly, inspection seems to have **little political will behind it**. One stakeholder indicated that the Government has been minimizing the role of inspection since the late 1990s to allow for a more flexible workforce in the sector.

► 2.3. Opportunities

A market systems approach seeks to identify, address and remove system-level constraints that inhibit the growth of more inclusive markets. By their nature, projects using the market systems approach pilot many different interventions, hoping that some gain traction and drive a larger systemic change, benefitting the many while expecting that some will never make it to a point at which they can have a significant impact (though doing no harm). The reason for this is that many factors – such as the impact of the war – are often outside the project's control and determine the success or failure of an intervention.

For sustainability purposes, the project is implemented by putting existing market actors in the lead of delivering interventions. The project is thus intended to support existing actors – both public and private – to get to a point at which they can effectively offer a service, operationalize a process or enforce a regulation without project support.

Based on the findings of the constraints analysis, several potential areas for intervention have been identified. These interventions are focused on addressing the underlying causes of key constraints in: **(1) skills development; (2) reconstruction coordination; and (3) procurement**. Potentially, they can accelerate the integration of workers into more and better jobs during Ukraine's reconstruction process. While the sector has many constraints to address, these action areas have been proposed because they (i) seem achievable, given the sectoral landscape, and (ii) align with ILO strengths – particularly on skills and coordination – such that the ILO can carve out a niche in a sector with many donor activities.

Below we present a proposed initial action plan to take the project forward. This should be reviewed and updated prior to the project's implementation phase, starting in January 2023, to take account of changes in government regulations, donor activity and security in the rapidly evolving context.

1. Prepare the ground to rapidly enhance supply of relevant reconstruction skills

As the sector could grow to around six to ten times its pre-war size, quickly developing worker skills will be important to ensure that reconstruction projects start up without delay.

- **1.1: Conduct assessments of supply and demand for skills useful in reconstruction.** While just about any and every skill related to construction will be in considerable need, it will be important to understand (i) which skills will be in demand at what times and at what scale, (ii) how skills in specific trades are currently supplied to the market in expedited fashion, and (iii) what key bottlenecks (relevant curricula, funding needs, facilities, marketing, labour intermediation) limit increasing skills supply over the short term. The findings from this study can support a **reconstruction skills development action plan**, which can help direct government or external funding sources (such as the €58 million from the European Investment Bank) that fund the supply of skills in a coherent manner, addressing key bottlenecks. This work could be done in close consultation with construction employer associations CBU and CCU, PROFBUD and Ukraine's Ministry of Education and Science, including its Directorate of Vocational Education.
- **1.2: Support the development of innovative, more efficiently delivered courses in trades in demand.** Prior to the war, the skills training market had a few short-term skills training centres, including private TVET training centres, for a range of trades. Even materials suppliers, such as paint and window suppliers, offered basic training to painters and window installers as a means of ensuring appropriate product use and building up brand loyalty. However, as many of these training opportunities have disappeared as demand has fallen and many of the private training centres have closed, the project would work with some of these businesses to re-establish and position themselves to be able to scale up to meet future demand. This support could include providing technical services to **develop a scaled-up business plan, attract finance from government, external investors or banks, and market and recruit workers into training.**
- **1.3: Strengthen green skills development at design level.** Without more green design knowledge, it will be difficult to actually design and build projects in a more environmentally friendly way, as set out by the Ukraine Recovery Conference in Lugano. The project would take a two-pronged approach, working in both the procurement space (intervention C3.1) to create demand for such skills and also through developing standards and curricula and marketing a green construction course that can provide engineers and architects with skills better suited to reconstruction. To set up an online course, the project could work with universities, local green think tanks and/or international experts (the World Green Building Council) to identify necessary green design skills standards (that align with the EU), curriculums, and long-term delivery mechanisms to ensure that such courses can be offered continuously (by a university or private entrepreneur) after set-up. There should be an incentive for contractors to pay for such design courses if possessing such skills can directly impact their ability to win contracts. Depending on how this process goes, the project could work on the development and standardization of other occupations in green skills.

2. Support coordination in reconstruction projects, particularly as it relates to enhancing employment and working conditions

At the moment, it is unclear who will be responsible for reconstruction oversight and how it will be coordinated. This is a considerable responsibility that could affect how projects will be prioritized and awarded and how skills needs will be addressed, among other things. If not coordinated well, the disbursement of reconstruction funds could be delayed, and vulnerable workers could sit idle due to administrative delays.

- **2.1: Help the Government to establish a reconstruction coordination body.** While the Government may set up a new reconstruction coordination body before this project's implementation phase, support should already be given to accelerate the setting up and operations of such an agency or the MCTD, if it remains the planning organization. In this regard, the project could

provide resources to a financially-stretched government to hire technical support that could help to establish processes and procedures for reconstruction coordination with a view toward employment. These resources would help ensure that the Government has a clear mechanism to award projects quickly and in a way that shows due consideration to workers as external reconstruction funds begin to flow into Ukraine.

- **2.2: Help construction employers (CBU and CCU) and the trade union (PROFBUD) to actively participate in the Government's reconstruction coordination.** To ensure that the reconstruction process considers worker and business needs, the project will work to support sectoral employers and the trade union to ensure they have a seat at the coordination table. While it is difficult to understand how this might happen as the coordination body has not yet been established, the project will, through discussions with both employers and the trade union, identify a strategy to participate actively in this process and provide support where necessary. This could be particularly relevant for both procurement- and skills-related work to ensure that the views of key constituents in these areas also feed back to government. One option may be to set up a tripartite Sectoral Skills Council that conceives and oversees sectoral initiatives in skills development.

3. Strengthen public procurement's role to help Ukraine "Build Back Better"

Given that the procurement system currently provides little incentive for contractors to provide site workers with decent working conditions, it is important to support a procurement process that can:

- **3.1: develop simple qualification criteria** that can promote the awarding of procurement contracts to contractors that provide better working conditions and greener development. These criteria can be developed alongside major external reconstruction funders (EU, EBRD, United States, IFC, World Bank) and contracting authorities to ensure that any criteria would be: (i) used by such funders to apply conditions in the awarding of contracts, and (ii) understood by the contracting authorities such that they can evaluate bid submissions to such criteria. A precedent for such conditioned funding was recently established between the European Investment Bank and MinRegion,³⁵ and most external funders set their own rules of engagement for contracts. This may require capacity-building by actors on both sides and can be linked to intervention area 2 on coordination. This could influence two critical areas:
 - i. **For working conditions-related criteria**, the project would work through consultation with PROFBUD, CCI and CBU to ensure that such criteria actually provide the right incentives for contractors (and their subcontractors) to provide better working conditions and more formal contracts, while also preserving the transparency of contract awards. This would be in line with *ILO Convention No. 94 on Labour Clauses* in public contracts, which has not yet been ratified in Ukraine.
 - ii. **For "green" qualification criteria**, the project could work with architecture and engineering associations to set technical design and worker trade qualification criteria. With such criteria, developers and contractors would be incentivized to: (i) formally hire staff with green skills (even green trade skills), and (ii) invest in formally training staff (from engineers to green trade workers). This would help give them an advantage in bid submissions for green construction projects.

³⁵ *MinRegion has started the selection of projects to be financed within the framework of the "Program for the Restoration of Ukraine"*, MinRegion, 2022.

3. Childcare and preschool education

▶ 3.1. Sector overview

Childcare and preschool education (CCPE)³⁶ provides direct employment to women, who make up the overwhelming majority of the workforce (according to the State Statistics Service [SSS], as of December 2021, 98.7 per cent of the pedagogical staff in the sector are women). It also provides indirect employment for women, as it allows mothers to considerably reduce time spent on childcare responsibilities, enabling them to join the labour force.

Before the war, the lack of affordable CCPE services limited female participation in the labour market as government and private sector did not provide enough childcare services.

Since the start of the war, this lack of supply has been exacerbated. This is particularly pronounced for women who have relocated with their children to safer regions of Ukraine. In these regions, demand for services has increased substantially, but supply has been slow to respond.

▶ Box 3.1. Ukraine's Internally Displaced Persons (IDPs) by numbers

- ▶ At least 65% of IDPs are women aged of 18–60+
- ▶ 4% of IDPs are infants
- ▶ 20% of IDPs are children aged of 1–5 years
- ▶ 9% of IDPs are pregnant or breastfeeding
- ▶ Number of unregistered IDPs is unknown

Source: IOM, 23 June 2022

This is significant for both the future growth of preschool education and childcare services and vulnerable employment in safer regions in Ukraine. Safer areas with more internally displaced persons provide a ready market for new CCPE service institutions. These institutions can directly impact the employment prospects of female internally displaced persons (IDPs), many of whom could work directly in these institutions or join the labour force because these institutions take care of their children.

36. For the purpose of this analysis these will include preschool and out-of-school educational institutions and day-care facilities of all types and forms of ownership.

The Government has recognized the importance of preschool and childcare services and is adapting its strategy to develop more services in the current context. In its current strategy,³⁷ the Government has the goal of creating an enabling environment for private preschool and childcare enterprises and increasing their market presence. This has already been put into action; many outdated regulatory measures have recently been rescinded and stakeholders have indicated that opening and operating preschool and childcare businesses has become much easier. While starting up new preschool education and childcare institutions can be capital-intensive for private-focused models, the Government, through public-private partnerships, is supportive of facilitating lower-cost childcare start-up costs. Much, however, remains to be done.

Market overview

While the quality of education is also crucial, and often early education is part and parcel of childcare services this report will focus more on infrastructure and service gaps in the sector enabling adults with childcare responsibilities to access the labour market,³⁸ particularly for children up through six years of age.³⁹

The right to accessible and free education, including in preschools, has been guaranteed by the Constitution of Ukraine⁴⁰ since 1996. However, even though the right is guaranteed, it does not mean that the service is always available.

The childcare and preschool education sector's structure is defined mainly by the legacy of the Soviet era, during which a heavy state-led system provided exclusively public services. Following the separation from the USSR, many such facilities closed because of significant population decline and a lack of state financing to keep them open. This impacts today's childcare and preschool education structure, such that: (i) it is overwhelmingly public (according to the SSS over 96 per cent of all preschool education institutions are public), and (ii) due to insufficient financing and slow responsiveness there is insufficient supply on the market.

Despite the small number of private preschool education institutions (3 per cent of market share, according to SSS) and childcare services, growth has been fairly rapid. In the early 2000s, a few private CCPE services existed, and by 2021, over 1.1 million children attended these institutions. According to SSS, the number of nannies and day-care services grew quickly (from 563 in 2018 to 6,482 in 2020).⁴¹ This segment is characterized by a significant share of non-registered and informal service providers, acting through informal private agreements. Because data on this segment is lacking, especially with regard to informality, it needs further assessment.

Looking at the differences between public and private services, the public sector, reportedly, usually provides childcare services in accordance with established educational standards. On the other hand, private CCPE services, which make up about 3 per cent of childcare services, aim to satisfy market

37. Draft Sections of the Recovery Plan for the post-war reconstruction and development of Ukraine, working group on education and science, p. 50

38. It should be mentioned that the educational component can sometimes represent a missing service (a niche) on the market and therefore cannot be disregarded. For example, the correction/inclusivity centres for children with special educational needs.

39. The modern preschool education and childcare market in Ukraine is rather complex and disordered. [The Law "On preschool education"](#) defines infants as aged under 1 year, early years as 1–3 years and preschool as 3–6/7 years old.

40. C. 53 of the Constitution of Ukraine as of 1996. The policy in preschool education is implemented by the Ministry of Education and Science of Ukraine (MESU).

41. "Legally nanny: 1600 UAH from the Government is not a salary. The money should be enough to cover taxes of the officially employed nanny." [Няня в законі: 1600 гривень від уряду — це не зарплата. Грошей має вистачити на податки офіційно працевлаштованої няні | Громадське телебачення (hromadske.ua)]

demands at a higher quality at different price points, such as services for children with special needs, extended or flexible working hours, other forms of childcare on weekends and in summer upon request.

Following wider trends across Europe, the sectoral focus has shifted towards “education” rather than “childcare”, creating demand for new modern approaches in the CCPE market. However, the sector **lacks an effective legislative base** to support development in this area. This also needs further assessment.

The impact of the full-scale invasion

The war has been highly disruptive, as summarized in the table below.⁴²

► **Table 3.1. The impact of the war**

Pre-war	After the invasion
Staff	
<ul style="list-style-type: none"> • Long recruitment process (up to six months) due to a lack of qualified staff (low wages and job prestige) • For the private sector, wages are the second biggest operational expenditure after the rent 	<ul style="list-style-type: none"> • Highly qualified staff available on the market.* • Workforce migration is reported • Many businesses have reduced staff and wages to ensure survival • Public educators with no access to work (both on and offline) are guaranteed to keep their position and salary during the war. However, several cases of forced leave were reported in the public intuitions which will not open⁴³ <p>* Staff relocating from occupied or dangerous areas. The only exception is inclusive care centres.</p>
Operations/facilities	
<ul style="list-style-type: none"> • In the big cities the demand for public CCPE services exceeds the supply. • The sector was already severely affected by COVID-19, although it had begun to recover • Lack of suitable premises • Unclear and not transparent procedures for renting municipal buildings 	<ul style="list-style-type: none"> • 830 kindergartens were damaged and 85 destroyed as of 7 October 2022⁴⁴ • Many public kindergartens in host communities serve as IDP centres • As of May 2022, only 6 municipalities (oblasts) had resumed preschool education at full capacity, 8 had switched to online formats, where possible, and the remainder had halted teachings⁴⁵ • Bomb-shelters must now be provided • Some private institutions have paused their operations and plan to resume; some have relocated and/or expanded to the West; many have closed entirely; and a few use online formats, where possible • Demand has shifted to Western (Central-Western) Ukraine, where the majority of clients are IDPs • Government is initiating public-private partnerships (PPP) which may help the private sector get access to the suitable vacant buildings

42. The information comes from the interviews.

43. Amendments to Martial Law, 15 March 2022.

44. MESU Education is under threat [Освіта під загрозою (saveschools.in.ua)]

45. MESU. Serhiy Shkarlet reported on a third week of education under Martial law [Сергій Шкарлет повідомив про перебіг третього тижня навчання в умовах воєнного стану / Міністерство освіти і науки України (mon.gov.ua)]

Pre-war	After the invasion
Finance	
<ul style="list-style-type: none"> • Low profitability for private institutions (15–20%) due to high operational expenses (in absolute numbers, the profit of a single-facility business rarely exceeds US\$ 1,000) • Not financially attractive for private investors • High rent rates (20–40% of the operational expenses) • High building costs at start-up • Public kindergartens are free of charge (except for food) • Public facilities sometimes lack financing, especially in the smaller municipalities as they are funded from the decentralized local budgets • A city programme “Money follow the child” in Lviv and Kyiv partially reimburse to families the attendance fee of their chosen private kindergarten, provided it is licensed and the family is officially registered in the respective city • Tax discount for one of the parents using private licensed forms of preschool education. Only for formally employed parents.⁴⁶ • The Municipal Nanny project provides subsidies to parents to hire registered nannies. According to nannies, the subsidy is not enough to make it profitable to register as a sole proprietor. 	<ul style="list-style-type: none"> • 20%–100% of private sector clients were lost in the affected regions, while host community occupancy is 95–100% • 15–20% of new clients cannot afford private (even at a reduced price) and therefore await the opening of the public kindergartens • Private sector is working on the new more affordable financial models to obtain income; many businesses have reduced attendance fees at the expense of income and wages • In many cases, rental arrangements become more cost-effective. If the Government’s initiative on PPP works, it may help the business to reduce rental costs and therefore attendance fees • The city programme “Money follow the child” paused payments without giving an official reason.

Role of the target group

The sector can be characterized as female-dominated. Indeed, with very few exceptions, it employs women almost exclusively. Childcare and educational facilities are owned or managed mainly by women (according to SSS as of December 2021, 98.9 per cent of CCPE business owners are women). Preschool teacher positions are not very attractive, reported as being **low paid, lacking prestige and having a heavy workload**. Wages for public kindergarten teachers are multi-component⁴⁷ and standardized at national level, starting at UAH 6,000–8,000 (US\$ 210–280) per month; according to one respondent, they do not exceed UAH 12,500 net per month (see box). For reference, the average nominal wage in Ukraine in September 2021 amounted to UAH 14,200 (US\$ 390), which is 2,4 times higher than the minimum wage.

46. “What is the tax discount for education and how can it be claimed?”, Education ombudsman of Ukraine/ Що таке податкова знижка на навчання та як її отримати | Освітній омбудсмен України (eo.gov.ua)

47. Our respondent has 30 years of experience (+20%), prestige (+20%), highest category (+20%), educator-methodologist (+10%) which all together with the base rate amounts to UAH 12,500. For more details see <https://nus.org.ua/articles/yak-rozrahovuyut-zarplatu-shkilnyh-pedagogiv-infografika/>

▶ Box 3.2. Sectoral wages (net) prior to Russia's full-scale invasion

- ▶ **Public kindergarten teacher:** Starting at UAH 6,000–8,000 (US\$ 210–280) per month, with a ceiling of UAH 12,000 (US\$ 420)
- ▶ **Private sector teacher:** UAH 14,000–16,000 (US\$ 490–560)
- ▶ **Nanny:** Starting at UAH 80 (US\$ 2.80) per hour with a ceiling of US\$ 1,500 per month

Regarding indirect employment and leave, CCPE policies are related to women's participation in paid economic activities. In Ukraine, women are entitled to 18 weeks of fully paid maternity leave, while fathers can only take unpaid paternity leave of 14 days. Parental leave may last until the child reaches 3 years of age, and is taken by women in 85 per cent of cases (and only in 2 per cent of cases by men).⁴⁸ As a consequence, according to SSS as of 2021 over 30 per cent of women between the ages of 25 and 34 were economically inactive due to family responsibilities.⁴⁹ Additionally, the Centre for Economic Strategy estimated that access to childcare and preschool education could increase Ukraine's annual GDP by between 7 per cent (realistically) and 21 per cent (more optimistically) by freeing women to join the workforce.⁵⁰

Since **the full-scale invasion** many people have lost their jobs and many men have joined the Armed Forces of Ukraine (AFU), leaving women to take on additional work to compensate for lost family income. However, increased caregiving and engaging in less income-generating activities has also been reported among men.⁵¹

▶ 3.2. The market system

Figure 3.1. shows the market system for childcare and preschool education (CCPE) in Ukraine. It includes a simplified value chain, surrounded by support functions, and rules and regulations that strongly influence and constrain market performance. Moving forward, the analysis sharpens the focus on women and men of working age excluded from the market due to their childcare responsibilities, as well as workers and SMEs – the target beneficiaries of the project – with a view to encouraging greater income generation and employment opportunities for those affected by the war in Ukraine.

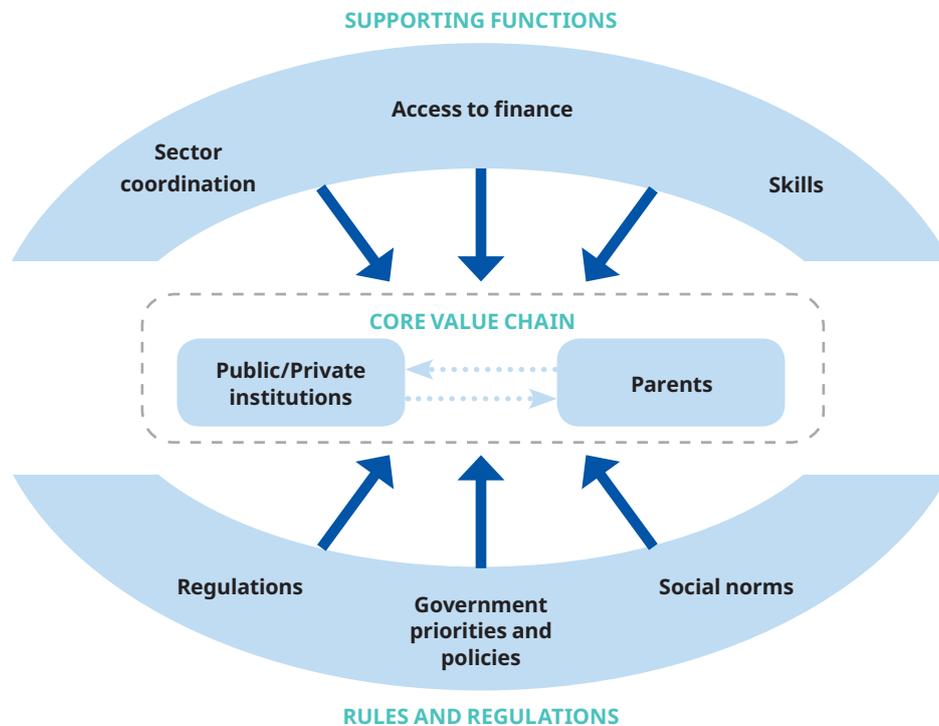
48. *Role of men in childcare*. Survey conducted in 2020 by Info Sapiens for UNFPA Ukraine

49. Anna Pylypchuk: *Grandma or Kindergarten – What Affects a Mother's Opportunity to Work?* (Kyiv School of Economics, 2018).

50. *How to increase female labor force participation and why is it important for the economy?*, 2019, CES.

51. *Rapid gender analysis of Ukraine*, May 2022, UN Women.

► Figure 3.1. The childcare and preschool education market system in Ukraine



Core market

The childcare and preschool education sector is not a typical focus of the MSD approach. Here, the core value chain consists of only two types of actor, representing the supply and demand sides:

- **Demand:** Parents of preschool age children (0–6/7 years old); and
- **Supply:** Private and public preschool education and childcare institutions including day care and out-of-school education.

In this market model, the analysis will focus on constraints on unlocking both supply- and demand-side opportunities: creating jobs through growth in the supply of childcare facilities and improving access to the labour market on the demand side.

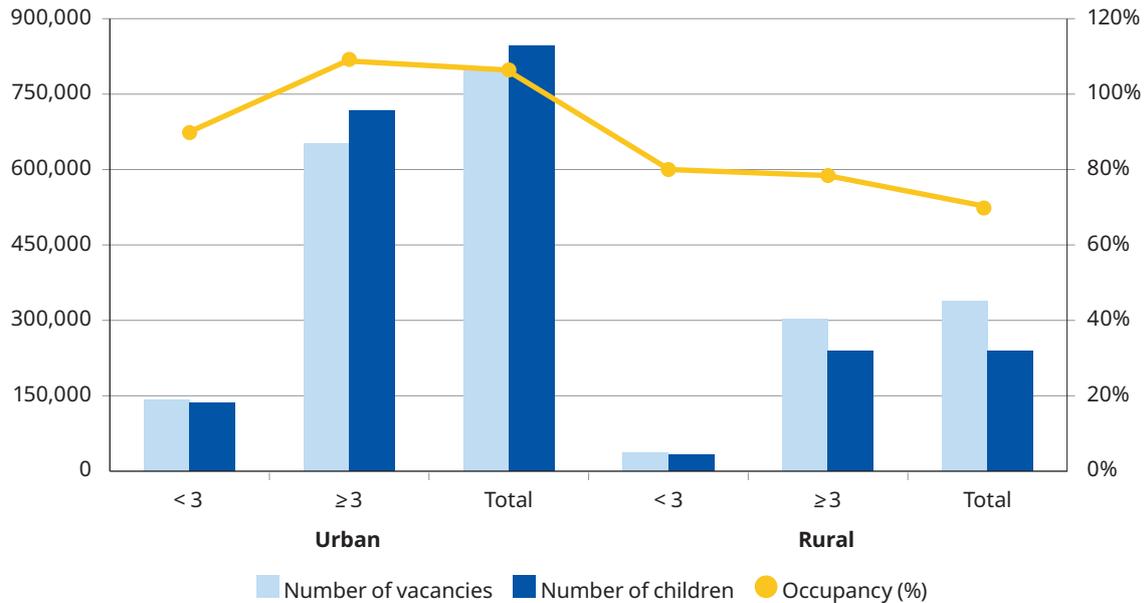
Although the war has disrupted many businesses and significantly changed the geography of almost every sector of the economy, the major trends in the childcare sector still apply. Therefore, some data from the pre-war period can still ground the analysis in the present.

To provide a general sense of supply and demand, a good place to start is the occupancy of childcare services, or the current matching of supply and demand. Prior to the war, the general occupancy rate of kindergartens (for all children of preschool age, 0–6/7) in urban areas was 105 children for every 100 vacancies (which meant they were oversubscribed), with lower occupancy in rural areas (74 children per 100 vacancies).⁵² The data in the figure suggests that the highest demand for CCPE services is for children

⁵² Data from *Preschool Education in Ukraine in 2021*. State Statistic Service of Ukraine SSSU (ukrstat.gov.ua), 2021. This reflects demand and supply in public and private licenced CCPE facilities.

3–5 years of age. For services for children under 3 years of age, the number of children in CCPE services is substantially less (80 per cent less in urban areas), which indirectly indicates lower demand. This is presumably due to the availability of parental leave until that age and social stereotypes dictating that mothers should spend the first three years of a child’s life with the child.

► **Figure 3.2. Number of vacancies vs number of children attending**



Given this supply–demand mismatch in urban areas, particularly after 3 years of age, many parents apply to childcare and preschool education immediately after their child is born. Reportedly, to increase their chances of acceptance, parents apply to multiple institutions, hoping that the child is accepted before they are 3 years of age. Some parents indicated that they had to wait for five years for a place to become available, however.

Demand

In 2018, the Centre for Economic Strategy (CES)⁵³ conducted a survey among 200 women who were “inactive” in the labour market, 54 per cent of whom had preschool age children. The findings indicated that childcare responsibilities were the main cause of their inactivity – 29 per cent of respondents stated they were not looking for a job because of “childcare and absence of alternative options (kindergarten, nanny, relatives)”, and 23 per cent said they “wish to take care of their own children”.

As part of this research, this project surveyed 53 parents in July 2022 and the findings support those from CES.⁵⁴ The key findings from this survey include:

- Some 51 per cent of women indicated that childcare responsibilities were the main reason behind their lack of participation in the labour market, and another 44 per cent combined either part-time or teleworking jobs with childcare responsibilities.

53. [How to increase female labor force participation and why is it important for the economy?](https://ces.org.ua), Centre for Economic Strategy (ces.org.ua).

54. The survey was not conducted scientifically and therefore include some biases. But it can be used as an initial approximation in light of other data. Please consult the survey from July 2022, available at: <https://docs.google.com/forms/d/1lhqy-LQXhVI-AkowIVyPkaFKmRSqjdrPW1Y3PM1dB2w8/edit#responses>

- ▶ In 57 per cent of families, the mother takes care of the child, for 15 per cent of families it is the father, and 14 per cent use preschool education and childcare.
- ▶ About 95 per cent of respondents indicated that their income would increase if they had access to childcare services.
- ▶ About three in five parents indicated that they would like to have their child in some form of childcare (private, public or nanny).
- ▶ Identifying what is most important for childcare services, **parents indicated that the centre’s atmosphere was most important**, followed by **how close it is** and the **quality of the educational programme**.
- ▶ The biggest issue for parents is the long waiting lists to access services, which a CES survey also identified as a key sectoral threat.⁵⁵ This is also indicative of a supply–demand mismatch.

Three key points emerge here: (i) the lack of childcare and preschool education supply largely keeps women out of work; (ii) four times as many families would use childcare than actually currently use it; and (iii) the overwhelming majority agree that they would earn more if they had access to these services. This supports the case **that an increase in good quality CCPE services, with pleasant facilities, could bring women back into the workforce and bring meaningful income returns to families**.

The survey, although not exhaustive, indicates that private kindergartens would be the preferred childcare option. However, for many families, private services are unaffordable,⁵⁶ making public institutions the only option. Prior to the war, the attendance fee, depending on region and business model, varied between UAH 7,000 (US\$ 250) to UAH 16,500 (US\$ 550), with food an additional cost. While most private CCPEs offer reduced rates for some clients, even reduced attendance fees were mostly unaffordable. This has been further exacerbated by the war, as **household incomes have decreased**,⁵⁷ putting such private services further out of reach or at a considerable premium.

The **state programme “Money follows the child”** provided partial reimbursements to parents enrolling their children in private, licensed CPPE facilities. The programme operated in Kyiv, though it has since paused payments, presumably due to disruption and a lack of local funding. The majority of interviewed businesses considered this programme helpful and would like to expand it to other regions.

Since 2019, the Government has introduced the **Municipal Nanny** programme,⁵⁸ which provides monthly subsidies to parents of children under three years of age to hire nannies. The subsidy equals the minimum subsistence for a child under six years of age and amounts to UAH 2,201 per child. To apply, a family must provide many documents including the contract with the nanny and proof of payment, which promotes formalization in the sector. Notably, the income tax payable by the nanny at the lowest fee rate (UAH 80.00/hour) at regular working hours (8/5) exceeds this amount by UAH 100. This means that in many cases it is not worth using this programme.

One final key point to note is that, as the survey suggests, most parents, if asked about CCPE services, indicate that they would welcome them. However, **given social norms** and the fact that **preschool education is mandatory only once a child is between 5 and 6(7) years old, with “family education” being an option**, most parents do not consider such services in the first place.

55. See [CES survey](#), 20 November 2020.

56. Ibid.

57. IOM, UN Migration, Ukraine Area Baseline Report, Round 7, https://migration.iom.int/sites/g/files/tmzbd11461/files/reports/DTM%20Ukraine_Rd%207%20-%202027June-8July_Recorded_IDP_19_Oblasts_2022_Public_Raion_English.pdf

58. <https://www.kmu.gov.ua/service/municipalna-nyanya>

Supply

CCPE services can be broken down into a range of offers. These offer types and their key characteristics are summarized in Table 3.2.⁵⁹

► **Table 3.2. Offer types and their key characteristics**

Type	Jurisdiction (educational/ business operations)	Licensing	Form of ownership	Educational programme	Price
Municipal (public) preschool institution	Local department of education/ local government	Local department of education	State/municipal	MESU ⁶⁰	Free (except for food)
Institutional ⁶¹	Local department of education / institution-owner	Local department of education	State	MESU	Defined by the institution
Licensed private preschool institution	Local department of education/ owner	Local department of education	Private	MESU	Defined by the owner
Non-licensed preschool education and childcare centres	Not regulated/ owner	None	Private entity or civil organization	Not regulated	Defined by the owner
Unregistered providers of childcare services ⁶²	Considered illegal	None	Not registered	Not known	Defined by the service provider
Babysitter:					
Private (agencies, private entrepreneurs)	Not regulated/ None	None	Private	Not regulated	Defined by the owner
Domestic worker			None		Negotiable

Private CCPE services are subject to licensing, but current legislation allows other forms of unlicensed childcare services, provided they do not provide educational services. Obtaining a licence is relatively easy, but some businesses prefer to remain “invisible”, perhaps because they are **unaware that the process has been simplified** and feel that compliance may incur a high time transaction cost, as licensing entails very frequent (sometimes daily) interactions with local authorities. While only licensed private institutions are required to follow an obligatory educational programme, research interviews indicated that non-licensed institutions generally follow this minimum education standard, too, or provide out-of-school education services (sports sections, art, music, other types of “hobby groups”) if they do not.

59. This categorization is based on the information collected from the sector’s stakeholders. Further analysis should be conducted to obtain a full picture of all childcare arrangements, including unpaid family solutions.

60. Abbreviation for Ministry of Education and Science of Ukraine

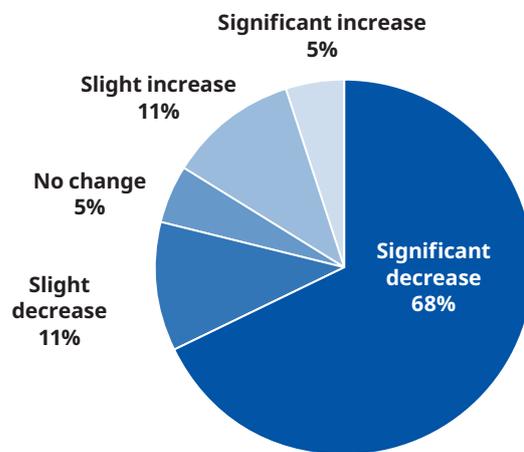
61. Institutional (“vidomchi”) are neither private nor public. This is the property of institutions, authorities, organization etc. For example, if some ministry has a kindergarten on their balance sheet, it makes it institutional.

62. Though there is almost no data in the official/open sources, the illegal types of kindergartens still exist. And though the number of such services is not big, they present an issue especially during the crisis situations such as COVID-19 lockdowns and the war when the legal kindergartens are closed and there is no affordable alternative option

A “shadow” market exists for both private and individual (for example, nanny) childcare and preschool education services. Unfortunately, little is known about the scale of this segment, as official data is lacking and often only surfaces when accidents happen.⁶³ With the Covid-19 lockdown and the war, such informal services became more popular because of cheaper prices and easier access.

The war has had a considerable impact on CCPE services, particularly in the private market as attendance in many cases – outside safer regions – has decreased. As a result of the war, service demand has decreased in about four out of **five CCPE businesses surveyed for this research** (see figure to the right).⁶⁴ Evidence from interviews suggests that businesses are more profitable in areas with higher IDP populations, while in other regions they struggle to break even.

► **Figure 3.3. What has happened to demand at your CCPE facility?**



While the issue of childcare and preschool education supply needs to be further assessed in view of the full-scale invasion, a lack of supply is already being reported in safer regions, particularly for affordable services for low-paid and unemployed IDPs. To respond to this need for additional CCPE supply private entrepreneurs and relocating CCPE service providers have to meet several challenges. Most importantly, rents have increased in safer regions as **available space is now scarce and offered on the market at a premium**. This has an impact on the **availability of suitable premises**, particularly as each new facility **must provide access to a bomb-shelter**.⁶⁵ As quality space is often limited, businesses may have to rent less than suitable spaces and invest in renovating them. This means a significant start-up cost for private entrepreneurs, who, in the face of a **lack of financial services**, have to invest from their own financial resources to get a business off the ground.

Although some initiatives for preschool age children were found (MESU in partnership with UNICEF and private TV provider MEGOGO organize an online kindergarten for children from 3 to 6 years of age; Posmishka UA with the funding from Save The Children organize children’s spaces), no complex approach exists to provide preschool education or day-care services. Apart from that, NGOs have focused on needs for older children and no other programs for children six years old and under were identified during the research. This indicates that this CCPE segment has much scope for involvement for a future project.

63. <https://www.ukrinform.ua/rubric-regions/3043485-tragedia-u-nelegalnomu-ditacomu-sadku.html>

64. Survey conducted on 19 childcare businesses in July 2022. For results see: https://docs.google.com/forms/d/12c_i3nEHil3x-7fM1IQYOB5jeImz5URHH9guTpecO5do/edit#responses

65. This is a new regulation related to the full-scale invasion.

The Government has prioritized private CCPE development in Ukraine's plan for reconstruction. Sectoral reforms that were in process before the war have been put on hold as a result of the war and **no clear strategy is in place**. Helping the Government to spell out this strategy, in close consultation with the key market players, is crucial to ensure that women and other people with childcare responsibilities can actively engage in paid economic activities.

Lastly, given all the disruption to the market, businesses have indicated that they are looking for **new financial models** to operate childcare services.⁶⁶

Supporting functions

Sectoral coordination

The sector is decentralized. This means that all educational institutions are under the jurisdiction of their local governments. Local governments are represented by the united territorial communities (UTC), executive bodies of district and regional councils entrusted with a high level of management autonomy. The Education Department within each local government is subordinated to its leader, although it also submits reporting data to, and is supervised by, the Ministry of Education and Science.

Although decentralization is generally effective, its current constraints limit a unified and coordinated approach from a centralized source for the larger challenges at hand. For example, decisions related to closing kindergartens and granting access to municipal premises that could serve childcare and preschool education are made by local government, which MESU cannot influence.

The workers are represented by two trade unions: the Free Trade Union for Workers in Education and Science (CFTUU) and the Trade Union for Education and Science Workers of Ukraine (FTUU).

As the majority of institutions are public, the employers' side is often represented by the local government. However, both private and public CCPE operators may join other private or public associations, which represent business interests.⁶⁷

Access to finance

In the public segment, all costs related to opening and running childcare and preschool education are covered by the corresponding local budget (**decentralized**). This raises an issue, given that decreasing local budgets currently lack funds for such purposes. And because preschool **education for children under five years of age is not mandatory**, local governments **do not prioritize funds for them**. This is a key issue for the overwhelming majority of parents, who use the public system because they cannot afford private care.

Concerning the private segment, capital is costly and hard to obtain. About three out of five surveyed CCPE businesses indicated that it was their main constraint. **Interest rates on** bank loans for sectoral entrepreneurs were reportedly running at 36–42 per cent per annum, which is simply not viable for most. As a result, **initial investments in private CCPEs generally come from personal savings or informally borrowed money**. In looking for finance outside of banking, businesses indicated that **investors do not see the sector as particularly viable** and if they do fund it, typically do so as a charity or for PR reasons.

66. The most resilient business model is a combination of kindergarten and general educational school, because of the higher profitability of schools.

67. Associations include: <https://www.doshkillia.ua/>, <https://seminar.net.ua/>, <https://www.facebook.com/badozbs/>

Skills

While the sector has traditionally faced a challenge finding qualified staff – in some cases taking up to six months – businesses said that this has changed since the onset of the war. In fact, businesses indicated that the labour market offers amply qualified staff and that vacancies are now filled within two weeks at most. According to the interviews this is happening because of the massive relocation of people from occupied and dangerous territories, among whom there are many highly qualified educators.

Based on the interviews with business consultants and trainers, new entrepreneurs typically **lack business and management skills**. While private business development services are available on the market, these **services have not permeated into CCPE businesses** and **public, free training is not available** (outside specialized education in state institutions). This is validated within the survey as about two in five businesses indicated that they lacked business skills when they started their business.

The minimum qualifications required according to occupational standards for a preschool educator are higher or pre-higher (junior bachelor's degree) education in the specialty "Preschool education and/or professional qualification of an educator" (012), or some other form of higher education in Education/ Pedagogy (01), provided the qualification of educator is awarded.

Rules and regulations

Government priorities and policies

The Government has recently moved the sector up the list of priorities. Prior to the war, the Government initiated a preschool education reform, which culminated in the development of draft laws. In the meantime, however, the reform has been put on pause. More recently, the Government, in its draft [Recovery Plan for the post-war reconstruction and development of Ukraine](#), has prioritized the development of private childcare and preschool education, in particular through further deregulation and liberalization. However, the Government still does not have a specific implementation roadmap or strategy, particularly for private businesses.

Although this positive development on the policy and regulatory side is important for the sector as it moves forward, historical childcare policies and legislation still dominate, which are traditionally heavy, often controversial and complex, and lack efficient intergovernmental coordination.

On one hand, the laws are well established;⁶⁸ on the other, which agencies are mandated with implementing those laws is less clear, particularly for CCPE businesses. The structure of simplified policy-making and implementation in the sector looks as follows:

- The Verkhovna Rada (the parliament) is a *unique legislative body* which defines education policy:
 - The Cabinet of Ministers of Ukraine (CMU) is the *highest central executive body* that forms and implements education policy through:
 - the Ministry of Education and Science, the *central executive body* that forms and implements policy and performs a supervisory function;
 - other *specialized central executive bodies*, such as the State Education Quality Service;
 - local government, the *local executive bodies* that implement policy at local level through their education departments.

68. The right to education is provided by the Constitution of Ukraine, and regulated by the [Law "On preschool education"](#), the [Law on "Education"](#), the [Regulation "On Preschool institutions"](#) and other cross-cutting (by-)laws. For a full list of the relevant laws see [here](#).

- ▶ The Verkhovna Rada Education, Science, and Innovation Committee (the Committee) has legislative, organizational and supervisory functions.⁶⁹

It is unclear what the lines of reporting are, or how the MESU, the CMU and the Committee allocate law-making and supervisory functions between them. Reportedly, in practice other central (specialized) executive bodies, such as the Ministry of Social Policy and the Ministry of Health, may also be involved.

This interagency overlap can create additional bureaucratic hurdles. For example, childcare facilities for children with special educational needs may fall under the mandate of the Ministry of Social Policy and the Ministry of Health. In such cases, businesses need to obtain **licences from the respective licencing bodies of all three ministries**. Looking into ways of making the licencing process easier through digitalization or application of relevant international practices could help overcome these hurdles.

Navigating the bureaucracy, reportedly, is also complicated as **ministries and other governmental bodies do not coordinate between one another** and actors have **limited will to change**.

This has created confusion about agency mandates and what government policies and regulations indeed govern the sector. This can obfuscate the development of new facilities as private centres and local governments are unclear about the process of setting up childcare and preschool education.

Although the right to accessible and free preschool education is guaranteed by law⁷⁰ many cannot enjoy this right due to a lack of vacancies in public institutions.

Regulations

While regulation of the sector has improved significantly in some respects – such as reducing the number of methodological documents and reports that need to be completed regularly, and simplifying requirements for buildings and premises – several key regulatory issues still limit the sector. Although further deregulation might reduce entry barriers to private entrepreneurs, the MESU indicated that **further liberalization and deregulation of the State Construction Norms** may come at the cost of reducing safety standards.

In looking at the CCPE regulatory market, stakeholders identified three key constraints: the **enrolment system, licensing and building requirements**.

Regarding the **enrolment system, the process in public kindergartens is often unclear and inefficient**. For example, the number of enrolled children per group in the bigger cities can reach 40, while only 20 attend it regularly. In some places, parents still report enrolment “through a handshake”.

For **licensing**, many private CCPEs currently operate without a licence: of the businesses surveyed for this research, two in five do not have a licence. This makes the private centres providing the services of a kindergarten invisible to the education system and its supervisory mechanisms. This is due to a series of barriers that limit their interest in and ability to get a licence. Reportedly, such businesses:

- ▶ have had **bad experiences interacting with inspecting authorities** in the past;
- ▶ **lack trust in regulatory changes**; and
- ▶ **lack knowledge of legislative changes**.

69. • Verkhovna Rada acts on the basis of the Constitution of Ukraine (CU).

• The CMU acts on the basis of the CU and the Law on the Cabinet of Ministers of Ukraine.

• MESU acts on the basis of the Regulation on MESU and the CU.

• Local administrations act on the basis of the Law on Local State Administrations and other relevant legal acts;

• education departments act on the basis of the respective Regulations and are guided by education policy legislation.

• The Committee is guided by the CU and the Law on the Committees of Verkhovna Rada of Ukraine.

70. [The Law of Ukraine “On Protection of Childhood”, c.19](#)

Concerning **building requirements**, finding premises that comply with regulatory standards is a key roadblock. Two-thirds of surveyed CCPE businesses indicated that finding premises was a major constraint on starting a business. This is in large part due to Soviet construction norms and requirements for CCPE buildings and premises that regulated the sector until 2018.

However, in 2018 the new **State Construction Norms for CCPE buildings and premises (SCN for CCPE)** were introduced. While respondents indicated that the requirements for the premises were significantly relaxed, they also indicated that **it is not possible to comply 100 per cent** (see below example). This is not to say that they brazenly try not to comply, but rather that they comply with the most important and practical standards, such as the ground floor, two exits, fire escapes, ventilation, access to the building and so on.

Since the beginning of the war, easy **access to bomb shelters has become mandatory** for all kindergartens. However, the specifications for the premises and the equipment within them are only recommended.⁷¹ It is recommended that the number of children in a group does not exceed 15.⁷² The usual number of children before the war in private kindergartens did not exceed 12, while in public ones it could reach 20.

The public-private partnership (PPP) initiative could help CCPE businesses to find and open up new premises at a reduced or no rental cost. This would decrease the operational expenses of private kindergartens by 20–40 per cent, enabling them to reduce attendance fees. According to the National Investment Council at the President's Office of Ukraine, access to municipal property is now much easier and more transparent. This creates an opportunity for developing public-private CCPE models which lower costs as well as improve access and affordability. However, the interviewed businesses were reluctant to participate in a **PPP** due to a **lack of trust and because the procedure was bureaucratic, time-consuming and opaque**.

Example:

The profitable model of a small kindergarten (up to 40 children) provides 5–6 sq.m. space per child. According to the SCN for CCPE (in sum minus allowed reductions) it should be 8.8 sq.m.

Social norms

Gender stereotypes that place care responsibilities largely on women and consider men to be the household provider are still very strong, especially in rural areas and in the western regions of Ukraine. This has excluded women from the labour market (see figure to the right), contributed to gender pay gaps, and fosters social perceptions of certain occupations as male or female.⁷³

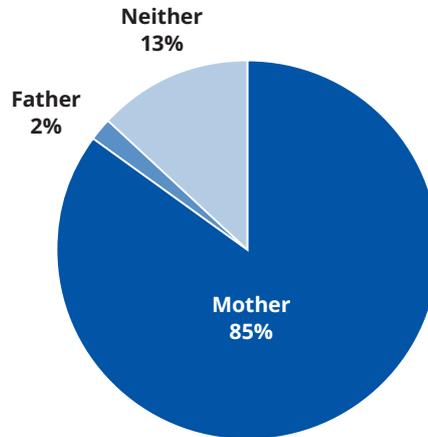
Gender roles are changing in Ukraine, however. Even before the war, especially in the bigger cities women were becoming more and more career driven. Still, the trend of men participating in childcare equally is very new to Ukraine and has not changed gender roles much, which is why women are still the predominant market actors on both the demand and the supply side.

71. See: <https://mon.gov.ua/ua/news/bezpeka-pid-chas-navchannya-rekomendaciyi-shodo-organizaciyi-ukritya>

72. See: <https://naurok.com.ua/post/organizaciya-roboti-zakladiv-doshkilno-osviti-v-umovah-voennogo-stanu> [Organizing preschool educational institutions' work under martial law].

73. Calculated on the basis of research survey on 53 parents in July 2022.

► Figure 3.4. Who took parental leave?



► 3.3. Opportunities

A market systems approach seeks to identify, address and remove system-level constraints inhibiting the growth of more inclusive markets. It is important to consider that childcare is a public good and the state is the articulating axis of this market. Necessarily, projects using the market systems approach pilot many different interventions, hoping that some gain traction and drive larger systemic change, benefiting many, while expecting that some never make it to a point at which they have a significant impact (though doing no harm). This is because lots of factors, many of which are often outside programme control, determine the success or failure of a pilot intervention. Such factors may include partner capacity and motivation, and market forces, which affect prices and demand.

Once pilots have been tested and demonstrated to be effective at integrating people with childcare responsibilities into the labour market through improved access to childcare and preschool education services, the project could then try to see how these approaches can be upscaled to give them further impact. Sustainability and scalability will be a central focus, ensuring that intervention models can be scaled up and replicated by market actors to further increase the long-term impact.

Based on the findings of the constraints analysis and given the assessment of the key market stakeholders (Annex B), several potential areas for intervention have been identified. These interventions focus on addressing the underlying causes of key constraints. They also have a sustainability and scalability focus, such that businesses and organizations can continue, scale-up or replicate interventions beyond the life of the project.

Proposed action plan

Below we tentatively propose an action plan to take the project forward. This should be reviewed and updated regularly when new market information or analyses become available, particularly in light of how fast the market is changing due to the war. The interventions identified take a portfolio approach: it is recognized that some may never gain traction, while others may become very successful. The idea here is to test many initiatives and put resources into those that succeed, while minimizing investment in those that do not.

The proposed interventions are initial ideas that can be summarized within the framework of the following two groups:

- ▶ **Short-term interventions** aim to stimulate rapid responses from the private sector and public-private partnerships to address preschool education and childcare shortages in safer areas with higher concentrations of IDPs. Here, the project will look to address key constraints on starting up and running businesses, such as **business management skills, access to capital, building space** and **cost**. These interventions can equip entrepreneurs with an opportunity to set up new facilities which have a ready-made market and create better paid jobs than those in the public sector.
- ▶ **Long-term interventions** aim to address the larger structural issues in the sector, including constraints relative to ineffective decentralization of services, **reducing bureaucratic regulatory barriers**, and **changing social norms**. Such interventions will stimulate both supply and demand for CCPE services to build a larger, balanced and efficient public and private system that can help directly and indirectly to employ more women.

Short-term interventions

1. **Stimulate the development of business management and training support to private CCPEs.** Many private CCPEs stated that one of their key start-up constraints was their lack of business management skills. To ensure that start-up private CCPEs have better opportunities to develop and run a functioning business, the project will work with the **MESU, local administrations and education departments** and **Dia Business** to target support to the MSMEs in the childcare and preschool education sector. This would include: the educational component in starting and developing an effective CCPE business, continuous support and mentorship.
2. **Work with key stakeholders to improve the availability and operationality of the PPP scheme to help CCPE businesses find affordable premises.** As finding premises is one of the key issues for start-up CCPE businesses, and the PPP process, albeit historically ineffective and not fully trusted by the private sector, is a means to find such premises, the project will work to enhance the functionality of this process. To do this, the project will consult with the **Ministry of Regional Development in partnership with MESU and local governments** to develop and implement effective forms of PPP. This could include providing an opportunity for associations that represent employers;/business interests to discuss its trust issues with relevant government bodies and work toward a plan to trial PPPs, which could enhance trust and set up a plan for future collaboration to address common challenges.
3. **Analyse funding options to ensure that lower income families have access to private preschool education and childcare services.** Based on international practice, different childcare models affordable for low-income families will be explored with local partners, including municipal nurseries, social franchising, care cooperatives, and union- and employer-supported services. Given the centrality of public funding to guarantee the affordability of services for low-income families, funding modalities will be explored, including subsidies and grants to service providers and vouchers for families.
4. **Develop and pitch a case to external “start-up investors”.** Interest rates through traditional financial services are too high, and this limits the ability of CCPE businesses to start up without their own funding (or funding borrowed informally). At the same time, investors see the sector as PR friendly, rather than a real opportunity. In this regard, the project could serve as a bridge between external, resilience focused investors – like the Peace Dividend Initiative – and CCPE entrepreneurs. Here, the project could: (i) develop a simple financial case for starting-up a private CCPE in safer regions in Ukraine; (ii) identify and preliminarily vet potential new CCPE entrepreneurs; and (iii) identify key external investors or grant funding programmes and pitch the funding case to them.

5. **Advocate for CCPE tax benefits.** Taxes add to business operating costs. If private CCPE facilities had some tax relief, they could cut their costs to provide a social service. This would: (i) allow them to offer childcare to parents in lower income segments; and (ii) potentially bring tax revenue back in (indirectly) through women who would now be able to engage in formal employment. In partnership with the **MESU** and **associations representing employers/business**, the project could present to the government (**Ministry of Finance, Ministry of Economy**) the benefits of the tax-free CCPE social enterprise model. Together with other interventions this may create a very cost-efficient, profitable and affordable model.

Long-term interventions

6. **Work with the Government to address the causes of ineffective decentralization.** Conduct and present to the Government (**Cabinet of Ministers of Ukraine - CMU**) a thorough analysis of examples of ineffective decentralization (**local administrations, departments of education**) and link this ineffectiveness with the direct consequence of unemployment.
7. **Support the Government's (CMU, CESI, MESU) efforts to implement effective decentralization, including increasing local budgets for preschool education and childcare.** Provide technical expertise in analysing the bottlenecks in the current system and developing an effective and efficient roadmap that would foresee measures to increase the transparency of public-private partnerships, enhance the capacity of local government in public administration, and improve sectoral coordination, capacities and financial feasibility.
8. **Promote a culture of integrated and continuous education.** Partner with the **MESU, CESI and trade unions** in advocating for preschool education reform and adoption of a corresponding law that would recognize preschool education as mandatory and therefore subject to equal government support, skill training and certification of childcare workers, as well as financing, as in general and higher education.
9. **Promote the importance of preschool education among parents.** Partner with relevant donors' programmes (**UNICEF, SpivDia**), **employers'/business associations, local administrations and education departments** in developing and conducting promotion campaigns among parents.
10. **Launch advocacy campaigns to change social norms and stereotypes that assign women childcare responsibilities.** Changing entrenched social norms is a challenge that often requires time and effort. While this is a big task, the project sees the present as an opportune time to challenge traditional gender roles. This is because: (i) high levels of disruption have forced people to be more open to adapting their ways of living; and (ii) Ukraine depends on women now more than ever, with the more than one million active and reserve soldiers of working age.⁷⁴ Such campaigns may be developed at national and regional level in partnership with the relevant UN agencies (UN Women and UNICEF) and the Government Commissioner for Gender Policy.
11. **Support the Government's actions in improving quality and access to preschool educational services.** Advocating and providing technical assistance together with **businesses and social partners for the improvement** and digitalization of some processes will reduce obsolete paperwork for both public and private sectors (**MESU, State Regulatory Service Ministry of Digital Transformation, DIA**). However, in this process, the project will make sure not to simplify at the cost of reducing the safety and well-being of children or workers at CCPE facilities.

⁷⁴ *Russia scraps age limit for new troops in Ukraine push*, BBC News, 29 May 2022.

4. E-commerce

► 4.1. Sector overview

The Covid-19 pandemic boosted the idea of doing business online. Consumers feel more comfortable than ever purchasing products online, and online business has proven to be very resilient in light of unforeseen events.

E-commerce can bolster businesses' resilience because of its online nature and because it can strengthen the link between domestic and international buyers and sellers and thereby enhance market access. Given its relatively low entry barriers for newcomers, the sector also creates an opportunity to integrate vulnerable workers otherwise excluded from the job market through self-employment. E-commerce has grown substantially in Ukraine over the past years and is predicted to continue to grow, having reached pre-war growth levels again already in June 2022.

The onset of the war, however, has highlighted some constraints that hinder inclusive growth in the long run, such as the challenges of growing a business with a few players dominating the sector or also, how dependent the sector is on downstream logistics and fulfilment.

Market overview

Ukrainian e-commerce had been growing rapidly and covers a broad range of consumer products. In 2020, e-commerce grew by 41 per cent, making up around 2.6 per cent of Ukraine's GDP. Ukrainians use online marketplaces largely to purchase electronics, fashion, cosmetics, and grocery shopping.⁷⁵ According to industry-led research done in 2021, 11 million Ukrainians regularly bought goods on the internet, which accounts for 42 per cent of the adult population in the country.⁷⁶

The Ukrainian e-commerce market is very concentrated, with the three largest e-commerce players (OLX, Rozetka and Prom) together having more than half the market share.⁷⁷ Figure 4.1. shows the largest actors within the different subcategories of e-commerce marketplaces. On marketplaces, online transactions are being facilitated between sellers and buyers, while on classifieds the sellers are connected with buyers to engage in offline transactions. Lastly, price aggregators are pages on which one can compare prices across different web shops.⁷⁸

75. <https://www.trade.gov/country-commercial-guides/ukraine-ecommerce> (accessed on 2 August),

76. <https://blog.olx.ua/26667/42-onlajn-pokupciv-zamovlyayut-v-interneti-regulyarno-rezultati-doslidzhennya/> (accessed on 3 August),

77. <https://belretail.by/news/v-ukraine-dolya-dolya-e-commerce-prevyisit> (accessed on 11 August),

78. <http://marketplaceguru.de/differences-marketplaces-classifieds/> (accessed on 9 August).

▶ Figure 4.1. Largest e-commerce players in Ukraine⁷⁹

Largest marketplaces	Largest classified	Largest price aggregators	Largest specialised marketplaces
<ul style="list-style-type: none"> • Prom • Rozetka • Allo • Bigl • Epicentr 	<ul style="list-style-type: none"> • OLX • RIA • RST • Kidstaff • Shafa 	<ul style="list-style-type: none"> • Hotline • E-katalog • Zakupta • Price.ua • M.ua 	<ul style="list-style-type: none"> • Comfy • Makeup • Apteka • Foxtrot • Citrus

After electronics, the most popular items traded via e-commerce marketplaces are clothes, food, cosmetics and children's toys.⁸⁰

Ukrainian marketplaces largely serve the local market, while for e-export the most used platforms are Amazon and Etsy. Prior to the war, 33 per cent of e-exports accordingly went to the United States, followed by Russia⁸¹ (16 per cent) and the United Kingdom (7 per cent).⁸²

The main institution that supports e-commerce development in the country is the Ministry of Digital Transformation, and more specifically its two departments *Dia Business* and *EEPO* (Entrepreneurship and Export Promotion office). International developmental projects are cooperating closely with these agencies. They include:

- ▶ **USAID Competitive Economy Program in Ukraine** – This program helps small and medium-sized enterprises (SMEs) to sell their goods on both domestic and international markets by increasing their competitiveness.
- ▶ **UNDP** (in cooperation with the Danish Foreign Ministry) conducted training to develop e-commerce skills.
- ▶ **Google Ukraine** organized online courses to develop the digital skills of small and medium-sized businesses.
- ▶ The European Union's **EU4Digital** Initiative supports Ukraine's digital reform agenda, which includes activities for improving digital skills and supporting eTrade.
- ▶ **EU4Business: Competitiveness and Internationalization of SMEs**, jointly financed by the European Union and the German Government, and implemented by GIZ, have organized business clinics and training, with elements of e-commerce.

History and trends

The first e-commerce businesses in Ukraine emerged in the early 2000s. Between 2016 and 2020, e-commerce in the country grew almost three times and was expected to double over the following five years, as shown in Figure 4.2.

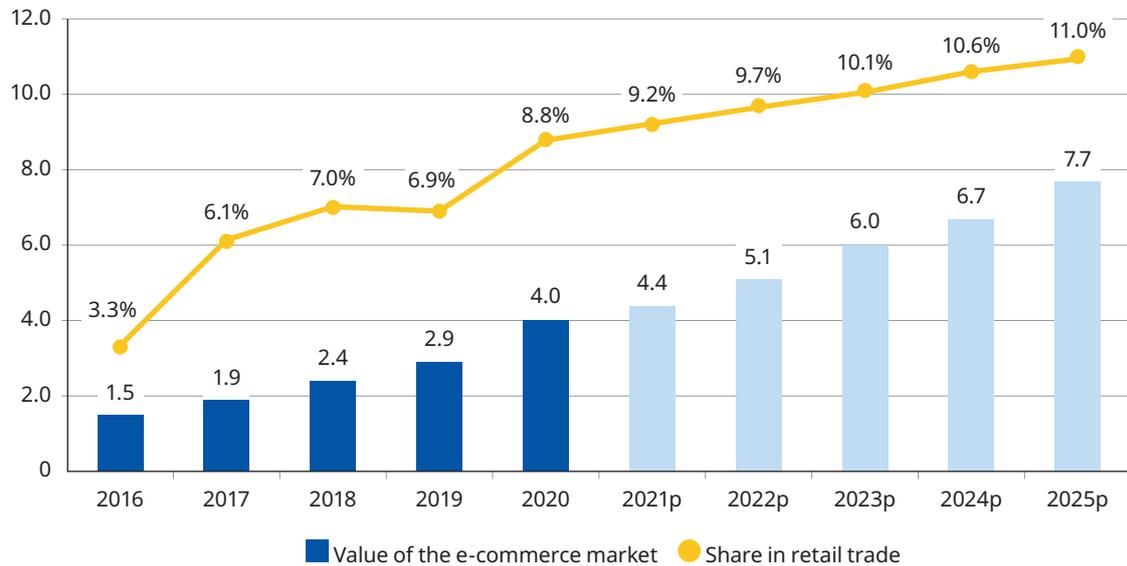
79. Authors' figure using information from *AIN*, 4 July 2021.

80. https://promodo.ua/ukrainian-ecommerce-state-during-the-war-research/?utm_source=eSputnik-promo&utm_medium=e-mail&utm_campaign=Digest_30.06.22_UA&utm_content=109445931 (accessed on 9 August).

81. This data is from 2020 and therefore does not reflect the current situation.

82. <https://ain.ua/ru/2021/07/04/bolshoe-issledovanie-rynka-e-commerce-v-ukraine/> (accessed on 9 August).

► **Figure 4.2. Value of the e-commerce market (in US\$ billions) and its share in retail trade (% share)**



Source: <https://ain.ua/ru/2021/07/04/bolshoe-issledovanie-rynka-e-commerce-v-ukraine/>

However, the war has taken its toll on this sector. According to Nova Poshta – one of Ukraine’s main postal services – online purchases dropped by about 40 per cent two months into the war. Not only did market demand decline substantially, but it was also redistributed geographically to Western Ukraine and some central regions and men became the principal online consumers. Also, the products being purchased shifted towards goods that cover basic needs.⁸³

Role of the target group

The objective of this research is to understand the basic factors that hinder the formal participation and productivity of a wide variety of actors in the e-commerce sector and how this knowledge can be used to implement targeted activities towards sustainably involving vulnerable and otherwise excluded groups in the sector.

The e-commerce sector provides a variety of opportunities for women. First, due to the nature of online sales, women are able to do business from their homes. This allows them flexibility in working hours and to avoid spending time commuting to a workplace. This is particularly advantageous because in Ukraine care responsibilities remain largely the responsibility of women within a household (see Chapter 3). Second, the barriers to entering e-commerce are low, allowing anyone to sell products with a quick and potentially profitable turnaround. Therefore, entry into the market is easy and does not require lengthy or intensive training (taking time that women with care responsibilities often do not have) or large capital investments.

From the interviews we estimated that almost half (OLX reported 49 per cent) of the shops that sell their goods via an online marketplace are owned or run by women. The same distribution of men and women is found in the total number of employees in these marketplaces. When interviewed, women stated

83. https://promodo.ua/ukrainian-ecommerce-state-during-the-war-research/?utm_source=eSputnik-promo&utm_medium=email&utm_campaign=Digest_30.06.22_UA&utm_content=109445931 (accessed on 9 August).

that they work mainly in marketing, at call-centres, or as content managers, product managers or social media managers. They usually work in occupations that require fewer technical skills.

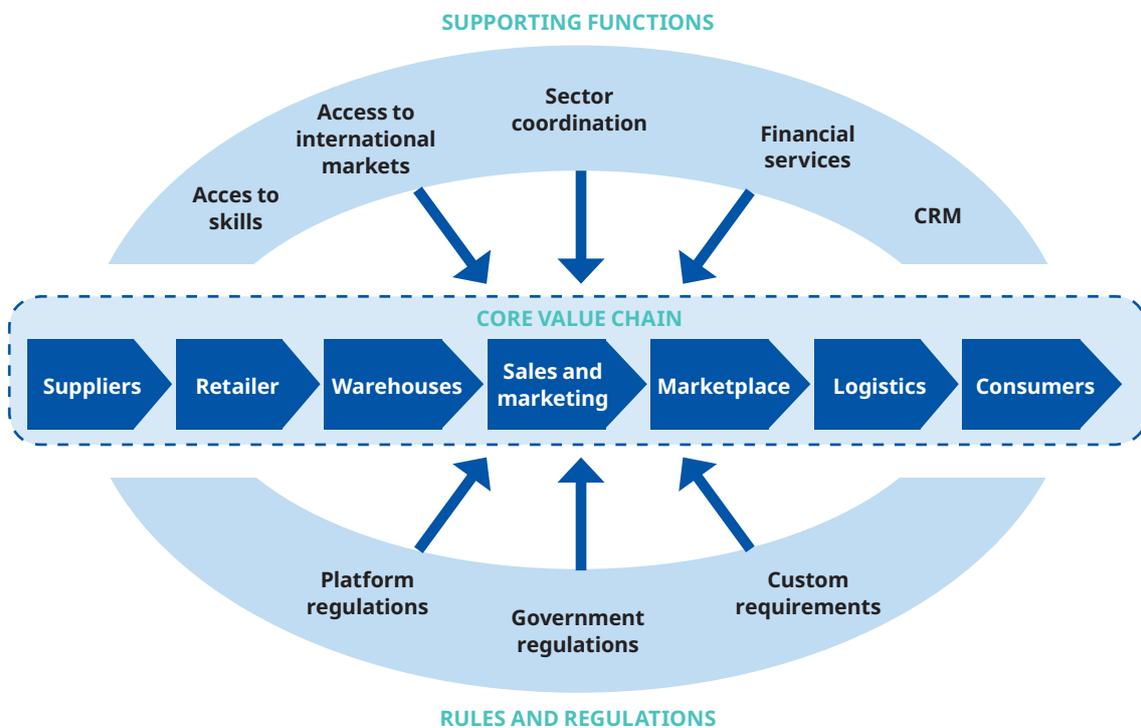
Internally Displaced Persons (IDPs) can also integrate themselves into e-commerce through self-employment. While there are no official data on how many IDPs worked specifically in the e-commerce sector prior to the start of the war, an IOM study reports that 13 per cent of IDPs were employed in trade (including retail) and 11 per cent of them indicated that they are looking for employment in trade. This makes it the second-highest proportion of job seekers in any sector.⁸⁴

IDPs reportedly have characteristics that could help to accelerate their integration in this sector. Many have expertise and an entrepreneurial track record in running offline businesses that have been severely disrupted or even destroyed by the war. There are already examples on which this research could build. For instance, an entrepreneur from devastated Kharkiv recently moved to western Ukraine and resumed business activities through e-commerce.

Also, other vulnerable groups, such as people with disabilities, LGBTQI+ people, and so on could benefit from a more inclusive e-commerce sector in Ukraine, for the same reasons as already mentioned.

► 4.2. The market system

► Figure 4.3. The e-commerce market system



84. International Organization for Migration: *Ukraine Internal Displacement Report*, Round 5, 23 May 2022.

Figure 4.3. shows an illustrative market system for e-commerce in Ukraine, which includes a simplified value chain surrounded by the supporting functions and rules/regulations that strongly influence and constrain market performance. Going forward, the analysis sharpens the focus on vulnerable and otherwise excluded persons – the programme’s target beneficiaries – with a view to better integrating them into the e-commerce sector by setting up and growing their own businesses.

Core market

As there are different forms of e-commerce (B2B, B2C,C2C and B2G), the core value chain can differ slightly from one sub-segment to another in the sector. Still, the process of getting a product from supplier to consumer is, in principle, as follows. Take clothing. There are many companies that produce clothing and supply it to retailers. If these retailers would like to sell their products online, they usually use an online marketplace. They need to store the clothing somewhere, for example, in a warehouse,⁸⁵ before it can be marketed and sold. Once a clothing item has been purchased on the marketplace, the product needs to be shipped from that warehouse to the customer, which is the logistics part of the value chain.

While the e-commerce sector has proven to be resilient and overall has not been affected by the war as much as other sectors, parts of the core value chain have been hit hard. In what follows, each actor within the core e-commerce value chain is described and its specific constraints are identified:

- **Suppliers:** The Ukrainian e-commerce sector has both local and international suppliers of goods sold via online marketplaces. Because of the war, many **international brands have ceased operations** in Ukraine. Furthermore, domestic businesses have been plagued by **a lack of input materials** to produce many of the goods, because imports, except for essential goods, have almost stopped entirely as much of the logistics infrastructure has been destroyed, critical sea ports blocked and humanitarian aid has taken up import bandwidth. Some local manufacturing **facilities have been destroyed** due to the ongoing war, resulting in some lost equipment. As an immediate response, Ukrainians have been filling the gaps by setting up their own businesses. Nevertheless, it is a challenge to find enough people to produce goods, as so many have fled the country.
- **Retailers:** The majority of retailers to online marketplaces are privately owned Ukrainian businesses. In Ukraine, the most common form of registration for setting up a business is the so-called FOP (*fizichna osoba-pidpriyemets*). Ukraine has a simplified procedure that allows private persons to register as individual entrepreneurs in a few steps. Since April 2020, it has been possible to register online, and the process takes just 10 minutes.⁸⁶

Already before the war, it was difficult for Ukrainian companies to obtain official **dealership status for international brands**. There were several reasons for that, among them a lack of trust of official manufacturers in the Ukrainian market, problems with the protection of intellectual property rights and **customs bureaucracy** (a lack of transparency on the part of the customs office). The largest challenge at the moment is that **brands are not ready to enter** into contracts because of the high risk and safety reasons.

- **Warehouses:** A large number of **warehouses have been bombed during the war** (according to interviews, approximately 25 per cent). One of the interviewees reported that most of the warehouses of Ukrainian retailers were located around Kyiv (2.1 million sqm out of a total 2.8 million sqm). Still, the biggest marketplace, Rozetka, reported that all of their warehouses had survived.

85. In the case of Ukraine most marketplaces have their own warehouses from which they ship the goods.

86. <https://egap.in.ua/en/projects/ie-registration/#:-:text=On%20average%2C%20about%2026%2C000%20FOP,working%20in%20the%20legal%20economy> (accessed on 2 August 2022).

The **centralised warehouses model was replaced** by working through regional warehouses, as they were convenient, safe and an alternative option during desperate circumstances. Therefore, the warehouse ecosystem is being actively developed in Western Ukraine, but it will take time. The construction cycle for a warehouse is around one year.

- ▶ **Sales and marketing:** sales and marketing are essential to the success of e-commerce. One interviewee reported that, if done right, a strong marketing presence can almost double sales volume. There are different types of Search Engine Marketing (SEM), such as Google ads services and organic growth. Other businesses promote their products via social media channels, such as Facebook or Instagram. A variety of courses are available on these topics and training is not very time consuming, taking between three and six months.

Still, there is strong competition in this industry and **companies are not willing to spend or do not have the capacity to spend much money** on making their brand more visible. Many of the social media channel options that help promote a business, such as an Instagram Shop, are not yet available in Ukraine.

- ▶ **Online marketplaces:** The sector is **dominated by a few very prominent online marketplaces** that hold a majority share of the e-commerce sector in Ukraine. The largest online marketplaces in Ukraine are Rozetka, Prom, Allo, Epicentr and Kasta. On these platforms, one can purchase almost anything, so the companies cover the entire retail market. There are also marketplaces that sell second-hand products (OLX, RIA, RST, Kidstaff and Shafa), as well as price aggregator platforms that help customers find the cheapest price. There are a few marketplaces that specialise in one industry only, such as furniture ([MebelOk](#), [Viyar](#)).

The categories of key players in the marketplace are:

- ▶ online stores that purchase goods from manufacturers and sell them to end customers (Allo, Moyo, Foxtrot);
- ▶ marketplaces that provide other entrepreneurs with a platform to set up an online shop and trade their goods (Rozetka, Prom);
- ▶ classifieds provide an opportunity for individuals to carry out operations between themselves (OLX);
- ▶ social media shops (pages on Instagram, Facebook);
- ▶ price aggregators provide an opportunity to compare prices in different online stores (Hotline).

To finance themselves, the online marketplaces charge sales commission fees, which vary based on product category, but can range between 8.5 and 20 per cent. Besides these fees, paid subscription packages promote products on the marketplace websites and therefore help increase product sales.

The current online marketplaces are focused on the Ukrainian market. Accordingly, **e-exports in Ukraine remain low** and are managed via international e-platforms, such as Amazon or Etsy. The main challenges to e-exports are **complicated and expensive logistics** (delivery), as well as a **lack of recognition for Ukrainian products and related certificates** abroad.⁸⁷

A positive trend to counteract these challenges is that the national postal service, Ukrposhta, has worked to reach agreement with global marketplaces to cancel commissions for sellers from Ukraine. Commissions have already been cancelled by Etsy, eBay, Joom, Wish and Shopify.

⁸⁷ <https://soulpartners.com.ua/en/news/tpost/casugamy91-the-e-commerce-market-in-ukraine-has-rea> (accessed on 2 August 2022).

► **Box 4.1. Types of workers in the e-commerce market**

There are two main categories of workers engaged in the sector:

1. **Marketplace employees:** marketplace managers, technical developers, warehouse managers. This may also include offline sales, technical support, call centres, marketing services and others.
2. **Sellers** (entrepreneurs who sell their products using the marketplace): marketers, sales managers, warehouse managers, creative workers, SMM managers, copywriters, designers, accountants and others.

Employees that work directly for the online marketplace companies have formalized labour relationships with their employers and generally good working conditions. Still, much of the work needed to keep a marketplace running is done via contracting FOPs. The main reason for that is to keep costs low, as taxation is higher with official employees. While FOPs can officially have employees, many opt to hire informally so that there is a high risk of informal employment and/or other aspects of poor working conditions.

For sellers, formal employment of their employees is possible, but not typical. People working for sellers often do the work informally through freelance and temporary work.

Employee wages at a small marketplace seller generally range from UAH 12,000 to 18,000 (US\$ 330–490) per month, although managers and IT specialists earn about UAH 25,000–30,000 (US\$ 680–820) per month. While working at a marketplace platform yields higher wages, sellers can also be profitable, their highest average profit being US\$ 4,920 per month in Kyiv.⁸⁸

- **Logistics:** Local delivery was highly developed before the invasion and is recovering quickly in areas outside active fighting. Delivery costs are covered by the consumers (clients). Some 90 per cent of deliveries are in the domestic Ukrainian market. The largest share –75 per cent – comprises parcels from Ukrainian online stores, including 35 per cent from large online stores or marketplaces, for example, Rozetka or Prom. Accordingly, the majority of inter-Ukrainian e-commerce parcels are from small and medium-sized online stores, as well as micro-businesses that operate via Facebook, Instagram and OLX.⁸⁹

They are covered by two principal companies:

- **Nova Poshta** is the Ukrainian postal service and has the largest share of logistics in the country at around 60 per cent. It indicated that 70–80 per cent of its domestic deliveries come from e-commerce and that it has started up international logistics covering Poland and Slovakia.
- **UkrPoshta** is the next largest provider with about 20–25 per cent.⁹⁰ Currently, international delivery is dominated by UkrPoshta's Meest Express.

88. <https://rau.ua/novyni/de-v-ukraini-zarobljajut-onlajn/> (accessed on 12 August 2022).

89. Forbes UA, <https://forbes.ua/company/noviy-kerivnik-meest-pro-te-yak-vin-khoche-vidibrati-chastku-rinku-u-novoi-poshti-ta-ukrposhti-11012022-3097> (accessed on 15 August 2022).

90. Ibid. (accessed on 12 August 2022).

Prior to the war, Kyiv, Dnipro, Odessa and Zaporizhia were the main logistics hubs. This has since changed as Zakarpattia, Lviv and Khmelnytskyi are now more important and Kharkiv, which was a hub, is no longer functioning.

- **Consumers:** The number of Ukrainians purchasing goods via an online platform increased during the pandemic and has continued to grow during the war, after an initial decline. As of May 2022, 83 per cent of consumers were aged between 18 to 44, of whom 61 per cent are men, many women having moved abroad to flee the war.⁹¹

Every year, Ukrainians increase the number of purchases in Ukrainian and foreign online stores by 40 per cent (Forbes).⁹² The Ukrainian e-commerce market has the highest growth rate in Central and Eastern Europe at 41 per cent. However, Ukraine also has the lowest level of spending per person on e-commerce per year.⁹³

There have been large shifts in the composition of consumer demand since the conflict began. Traditionally, consumers used online marketplaces to purchase electronics, fashion, furniture, toys and cosmetics, with medicine and food relatively new to e-commerce but also gaining market share. Following the onset of war, consumer demand has shifted to military goods, medicine and products for pets. The large e-commerce actors have already adapted their offer to the new needs.

Supporting functions

The wider market system, the supporting functions and rules and regulations that influence the core market, exhibit a variety of challenges that hinder sustainable and inclusive growth of e-commerce in Ukraine.

Access to skills

The Ukrainian workforce has many highly skilled and well-educated IT specialists. In 2021, Ukraine had around 285,000 IT professionals.⁹⁴ The companies interviewed for this research did not report challenges in finding qualified software engineers and developers.

There is, however, a **scarcity of marketplace managers**. This type of position requires an employee to understand the entire process, from purchasing to promoting and maintaining products on the online marketplace. While marketplace managers are essential to running a virtual marketplace and supporting organic growth, the position is unpopular as it requires a lot of time engaged in a variety of training.

To date, no formal education is available for this kind of position, largely because of the lack of demand. It is the same for other types of training within e-commerce. Several actors within the Ukrainian e-commerce sector reported having set up training on different topics related to the sector but did not implement it due to **lack of demand**. This is because **training needs are very particular from one company to another**, which is why companies offer training themselves.

Many small e-commerce enterprises lack **human resources** to participate in large marketplaces. To get your business up and running online and maintain it in a virtual marketplace, a company needs perhaps

91. Promodo, <https://promodo.ua/ukrainian-e-commerce-state-during-the-war-research/> (accessed on 9 August).

92. See n 89 (accessed on 15 August 2022).

93. Soulpartners News, <https://soulpartners.com.ua/en/news/tpost/casugamy91-the-e-commerce-market-in-ukraine-has-rea> (accessed on 15 August 2022).

94. [Business Insider](#) (accessed on 1 August 2022)

two people: a content manager and a technology specialist. Usually, small sellers either try to do these tasks themselves, or ask family for support.

Access to international markets

Since the onset of the war, sellers have increased their interest in accessing external markets, as local demand for products has shifted, but also decreased. However, accessing external markets, particularly those where many Ukrainians have fled, such as Poland, is reportedly a major challenge. Companies have reported difficulties in **marketing their products**, finding the unique selling point (USP) versus what their competition offer. They lack the ability to carry out necessary market assessments and to discover how and via what channels they can promote their products. Furthermore, **regulations** on exporting goods from Ukraine and importing them into an EU country are unclear, with information changing rapidly during the war. Furthermore, many **Ukrainian product certificates are not accepted** abroad.

Sectoral coordination

While IT clusters exist in every major city and many interviewees are members of some type of business association, there is no formal coordination between the different actors operating in e-commerce specifically. This results in low levels of information exchange between the different actors and in lower levels of sectoral productivity, with a few market players dominating the sector. This also means that many common challenges, particularly for smaller players, remain unresolved.

This lack of formalized sectoral coordination could be caused by a **lack of demand for it**. This scarcity of demand could be traced back to several factors. First, the sector is still in its infancy and therefore needs more time to get better established. Second, the concentration of power among a few large companies. The e-commerce sector to date has been driven by a few large companies. These companies own a large share of the market and can get the information they need through their networks, using their own capacities. Some of them organize their own forms of knowledge sharing. And third, other associations partially serve the interests of different businesses. For instance, some e-commerce actors are members of the Ukrainian Retail Association (B2C segment) and the European Business Association.

►► We are no longer a member of the association, because they couldn't help us grow

► Advertising platform to facilitate e-commerce

Financial services

Ukraine has one of the most favourable payment systems in the world for e-commerce which has allowed it to develop quickly. However, these **easy payment solutions (Liqpay or WayForPay) are not equipped for international payments** so the benefits are limited to the Ukrainian market. Accordingly, if sellers want to access foreign markets, they are better off working via an international marketplace, such as Amazon or Etsy.

Another constraint is the lack of access to loans. While the large e-commerce businesses can attract venture capital nowadays, newcomers have had limited success. Either the entrepreneur invests their own capital, or they rely on the support of friends and family. Banks are **hesitant to grant loans** to start-up businesses, as they are considered risky. In the case of e-commerce, loans would not need to be large. One of the major marketplaces requires a signup fee of UAH 150,000 (US\$ 4,000), which is clearly an entry barrier to development and growth without capital. Once a business is able to sell its products via such a marketplace, it will have a wide outreach and not incur too many additional costs for running the business online.

Customer Relationship Management (CRM)

The customer experience in the e-commerce sector is very different from that of more traditional value chains. As most of the processes take place virtually, a satisfactory delivery experience, in which time is a decisive factor, is crucial to customer satisfaction.⁹⁵

Before the war, businesses used a lot of **Russian CRM systems** (AMO, Bitrix). Now, they are trying to use Ukrainian CRM systems instead (OneBox, Key CRM, Sales Drive). However, these **Ukrainian systems are still underdeveloped** and do not have the same functionality, but are developing fast due to the high demand. Furthermore, the transfer from one CRM system to another is costly and time-consuming, particularly for the large e-commerce marketplaces. While there are many international CRM systems that would have the necessary functionality, most businesses cannot afford them – they are up to ten times more costly than the Russian or Ukrainian systems. For instance, Russian-based software costs approximately US\$ 30 for five people, while foreign systems can cost around US\$ 50 for 1 person.⁹⁶ Additionally, many **foreign software products are incompatible with Ukrainian systems**, such as UkrPoshta.

As demand for Ukrainian CRM software solutions has increased a lot in recent months, companies are working on improving their functionality. A variety of actors provide services to facilitate transfers from one CRM system to another.

Rules and regulations

Government regulations

In general, the e-commerce sector in Ukraine, as in many other countries, is not heavily regulated. In 2015, the government adopted an e-commerce law to ensure that Ukrainian consumers are protected also when purchasing goods online and providing a framework for electronic contracting.⁹⁷ Currently, the Ministry of Digitalization is working on harmonization of the sector with EU e-commerce legislation (Digital Services Act and Digital Markets Act). Furthermore, the Government is developing a law on an e-commerce legal cases portal called “E-Consumer” (Е-Покупець), to protect online consumers from fraud.

As the different **actors within e-commerce often fall under different jurisdictions**, however, it is challenging to enforce laws. Furthermore-commerce as a sector is currently **not one of the main priorities** for the Ukrainian Government.

During the war, the Government has passed a general law that aims to facilitate doing business under the ongoing conflict. The emergence of e-commerce could be facilitated through these recent regulatory changes. This includes deregulation, tax cuts and assistance with logistics,⁹⁸ as well as a right to conduct economic activity without obtaining permits and licences, among other things.⁹⁹

95. <https://www.shipium.com/blog/ecommerce-supply-chain> (accessed on 1 August 2022).

96. These are the estimates of an expert interviewed for the study.

97. <https://www.usubc.org/site/member-news/ukraine-adopts-e-commerce-law> (accessed on 15 August 2022).

98. *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.*

99. *Resolution of the Cabinet of Ministers of Ukraine of 18 March 2022, №. 314, “Some issues of ensuring economic activity in martial law”, [https://zakon.rada.gov.ua/laws/show/314-2022-%D0%BF](https://zakon.rada.gov.ua/laws/show/314-2022-%D0%BF#Text)*

Platform regulations

Different marketplaces create their own rules and regulations for their platforms. For instance, businesses selling via one of the large marketplaces have to prove that they are registered as an FOP. Other marketplaces do not have this requirement, which leaves room for potentially **high levels of informality**. Still, as the threshold to register on a virtual marketplace is very low, the sector can offer self-employment opportunities.

Another constraint on the sustainable growth of e-commerce with regard to platform regulations is that there is **no concrete quality control of the products** being sold. Unless the product is produced in Ukraine and falls under a regulated product category, the customer ratings on the platforms are the only quality assurance.

Customs requirements

Cross-border e-commerce is affected by the **level of customs payments**, and for the retail segment the size of the maximum value of goods that are not subject to customs duties. From 30 April 2022, international mail and express mail with a value of up to €150 for goods have been exempt from VAT and customs duties. The main innovation is that the tax-free value of parcels imported into the customs territory of Ukraine has been increased from 100 to 150 euros.¹⁰⁰

For bigger importers, customs procedures bring the same challenges to e-commerce as to any other industry in the country: an opaque, complicated clearance procedure, unpredictable customs fees, risks of corruption and slow movement at the border.

One of the Government's goals is the digitalization of public services. This includes digitizing customs procedures. E-customs provides electronic checkpoints, with scanners, electronic queues, automatic customs clearance of consumer goods, and a digital system of risk management and customer service. However, this has not yet been implemented.

On 7 July 2022, a decision was made to invite Ukraine to the **Convention on the Common Transit Procedure (NCTS)** and to the Convention on the Simplification of Formalities in Trade in Goods. This will allow Ukrainian businesses to move goods more quickly to other European countries, with only one transit declaration to fill in and a guarantee of movement between 36 countries.¹⁰¹

► 4.3. Opportunities

E-commerce has been rapidly growing and will continue to develop going forward. Accelerating this process can help to link domestic buyers and sellers in the short-term – creating resilience – while also putting in place building blocks in for future, EU-oriented sales for SMEs. Development of this sector is necessary to support the short- and longer-term development of retail SMEs, particularly as they face considerable challenges integrating into e-commerce going forward.

100. ITC.ua News, <https://itc.ua/ua/novini/znovu-150-yevro-v-ukrayini-pochav-diyati-novij-limit-neopodatkovuvanogo-vvezen-nya-posilok-iz-zakordonu/> (accessed on 15 August 2022).

101. Ministry of Finance of Ukraine, https://mof.gov.ua/uk/common_transit_mode-473 (accessed on 15 August 2022).

Based on findings from constraints analysis and given the assessment of the key market stakeholders, several potential areas of intervention have been identified. These interventions focus on addressing the underlying causes of the key constraints. They also have a sustainability and scalability focus, such that businesses and organizations can continue, scale-up or replicate interventions beyond the life of the project. The identified interventions take a portfolio approach: it is recognized that some may never gain traction, while others may become very successful. The idea here is to test many initiatives and put resources into those that succeed while minimizing investment in those that do not.

Proposed action plan

We tentatively propose an action plan for the project, focusing on three key areas:

1. **Facilitating inclusive SME growth and development** by addressing entry and growth barriers for new and existing SMEs, particularly relative to skills gaps.
2. **Stimulating sectoral collaboration** to help smaller businesses discuss their challenges and work together to resolve them.
3. **Supporting access to international markets** to open up new and larger consumer markets.

The proposed interventions can be summarized in an intervention strategy, based on three key areas:

► 1. Facilitate inclusive growth and development of SMEs within e-commerce

To facilitate inclusive growth within the e-commerce sector, interventions should be targeted at two different groups: entrepreneurs new to the sector and businesses looking to grow within it.

Entrepreneurs new to the sector¹⁰²

► 1.1: Support IDPs in moving their businesses online

Priority: high

Timeframe: short- to medium-term

Many IDPs were forced to cease operations of their offline business, when moving to another part of the country. In order to resume operations and continue running a business, this intervention aims to help IDPs to move their businesses online, to e-commerce marketplaces, along two paths: (i) provide them with training on how to move a business online and retarget it to accommodate the differences in demand of offline vs online customers; and (II) support IDPs in developing their business plan to go online to become eligible for governmental grants. These two activities should be taking place simultaneously and make (i) a precondition for (ii).

For (i), the project can work jointly with market experts who provide training on moving a business online, particularly training on advertising and promoting products online. For that purpose, as a first step, more thorough market research should be conducted to identify the most suitable training provider.

For (ii), the project can hire individual coaches to provide on-demand support to businesses submitting grant applications to the Government's "Grant for Your Own Business" or other grant schemes that may become available in the near future.

¹⁰² As informality is an issue within e-commerce, all interventions that support entrepreneurs new to the sector will emphasize the benefits of formalizing a business.

► **1.2: Equip vulnerable and otherwise excluded persons with the skills they need to set up an e-commerce business**

Priority: medium

Timeframe: medium-term

As many industries have been brought to a halt and people have had to relocate and have therefore lost their jobs, the e-commerce sector provides an opportunity for self-employment, given its low entry barriers. This intervention should be twofold and contain (i) training on setting up a business in general, as well as (ii) training on the e-commerce sector and the different ways in which to enter the sector.

For (i) the project can leverage work from an existing ILO project¹⁰³ to provide entrepreneurship training based on the ILO's Start and Improve Your Business (SIYB) methodology. As there are already certified SIYB trainers in Ukraine, the project can work to market new training courses and subsidize the cost of participation, particularly for vulnerable and otherwise excluded people who have a strong interest in starting an e-commerce business

For (ii) the project can develop training in collaboration with some of the IT clusters and/or large marketplaces. It should contain training on selecting products, selecting sources via which to sell products and how to do sales to improve conversion. This training should have a mentorship element to guide each entrepreneur in accordance with their specific needs.

This intervention could include a grants mechanism to allow entrepreneurs and/or SMEs to access larger platforms and boost their presence on them.

Businesses looking to grow within the sector:

► **1.3: Explore market opportunities to allow SMEs to access specific skills and expertise necessary for growth**

Priority: medium

Timeframe: short-term

Small businesses often cannot hire the human resources they need – for example, content managers, technology specialists and marketing solutions – to scale up their business more quickly. It's difficult for SMEs to find specialists and to know who to hire, particularly as the e-commerce sector has no specific associations. The project could identify an expert base or resource "pools" to allow SMEs to access services on demand (for example, per hour, day or discrete task) and reach out to key marketplaces to help host and disseminate the information, such that businesses selling on their platforms can continue to grow.

If required, this intervention could be connected with a voucher system, providing grants to SMEs through vouchers, allowing them to access services and thereby also create competition between service providers to provide quality services.

103. See: https://www.ilo.org/budapest/what-we-do/projects/WCMS_617840/lang--en/index.htm

▶ **1.4: Develop product marketing training for businesses to scale up**

Priority: medium

Timeframe: medium- to long-term

Strong marketing is essential for online business growth and can provide valuable returns on investments. While some marketplaces offer marketing services to businesses operating on them, most businesses still do the majority of it themselves, albeit in a slightly unfocused way. Currently, marketing is focused around understanding how to best market your product on a specific platform (such as Facebook), but it would be useful to have training courses based on the products a business wants to sell and help them select the right marketing activities and channels. As a first step in this intervention, marketing specialists should be consulted to identify common constraints and solutions, then to use this information to develop a training course for sellers. The course can be promoted via the relevant marketplaces, which could refer their sellers to it.

For this intervention, the project should work with the big marketplaces, such as Prom, to target specific audiences, for example, IDPs. Furthermore, it is suggested to evaluate potential cooperation with other development partners, such as the German Agency for International Cooperation (GIZ), which offers a grant for marketing services. In this way the potential financing issue some companies face could be overcome.

▶ **2. Stimulate sectoral collaboration**

▶ **2.1: Improve dialogue between different actors, targeting smaller e-commerce actors**

Priority: medium

Timeframe: short-term

When businesses face growth challenges or are looking for information (for example, on finding a specialist in a certain field), they largely gather information through their own research and/or personal networks. However, similar challenges are faced by a number of SMEs, and information sharing and collective action can help address common challenges for many.

In this intervention, the project aims to connect entrepreneurs and start-ups who work within e-commerce by strengthening coordination. Here, the project will start small, listening to the SMEs currently struggling with a view to understanding potential mechanisms and incentives that could enhance effective coordination for the long term. While it is difficult to say exactly what the coordination mechanism would look like and thus what the project would do, it could, for example, fund initial meetings to develop several Communities of Practice (CoPs) organized around different topics, such as on common challenges of promoting goods abroad. This would allow the different market actors to exchange knowledge and widen their networks. Depending on what comes from that, the project could support these COPs to strengthen and potentially work toward association building that ensures that the interests of smaller enterprises are reflected in policy decisions within e-commerce.

This intervention could be implemented jointly with Netpeak, which already hosts an annual e-commerce conference, and the IT clusters in larger cities.

► 3. Support access to international markets

► 3.1: Support SMEs to kickstart exports

Priority: medium

Timeframe: medium- to long-term

As demand for many products in Ukraine has both shifted and decreased, businesses need access to new markets to remain profitable. To overcome some of the knowledge barriers to exports, the project could work jointly with UkrPoshta or Nova Poshta to develop and offer a variety of export-oriented training. Here, the project would first conduct a training needs assessment to understand what the offer should be centred on. Based on this, the project would ask UkrPoshta or Nova Poshta to develop relevant content, for example on where to invest, how to access new markets, the necessary regulatory processes and how to deliver effective product marketing. This training should focus on the highest-opportunity international markets, such as Poland and the Czech Republic, which have a high concentration of Ukrainian refugees, who are familiar with Ukrainian products.

It is suggested to connect this intervention with a grant as it is very costly to start exporting goods (approximately US\$ 15,000 to 20,000).

► 3.2: Increase e-exports by accessing international marketplaces

Priority: medium

Timeframe: medium-term

Most e-exports from Ukraine take place via the international marketplaces Amazon and Etsy. However, smaller businesses face challenges in selling and distinguishing their products on these marketplaces. This intervention aims to help businesses to overcome these barriers. As a first step, the project would analyse the concrete barriers to these businesses in differentiating their products and then develop an action plan, potentially with the larger marketplaces, that could address some of these barriers. This assessment should also include an overview of already existing endeavours in this field, such as a USAID project initiative that supported micro enterprises to enter these international marketplaces.

► 3.3: Increase price limit of declaring goods for export

Priority: high

Timeframe: short- to medium-term

Currently, exports over 150 euros in value require an official declaration of goods. This requires the seller to undergo time-consuming shipping processes. Raising this limit, at least during wartime, could be a simple fix to facilitate the exports of Ukrainian businesses.

Here, the project could do market research to show the potential impact that raising this threshold would have on business growth and demonstrate the findings to the Government. This evidence could help the Government to make a decision.

5. Conclusion

The future implementation project, a Market Systems Approach to Decent Work in Ukraine, represents a major opportunity to support Ukraine in its efforts to stabilize its economy and rebuild the country in the aftermath of its devastating war. To do this, this future project can support three key sectors – construction, childcare and e-commerce – which are primed to rebound quickly and grow in a way that could have a meaningful employment impact on – among others – Ukraine’s vulnerable and otherwise excluded persons.

The analysis in this study provides the future project with a strong foundation for designing and running interventions that address key sectoral constraints. It should be noted, however, that this analysis provides a snapshot of the sectors as of July and August 2022 and that, as it goes forward, the project will need to regularly revisit, update and build upon it to respond to emerging needs. This is particularly important considering the highly dynamic nature of each sector and Ukraine’s operating environment at large.

In looking at construction, the project should focus on strengthening worker **skills**, sectoral **coordination** and better **procurement** practices to help it better prepare for, and create more and better jobs in the course of, Ukraine’s reconstruction. Here, the project’s principal focus should be to support the Government and private sector to prepare for the imminent spike in demand for qualified people in any and all construction trades, including those that can facilitate green reconstruction. Next, the project should strengthen sectoral coordination and procurement practices to ensure that sectoral reconstruction is coherent, green and not done at the expense of workers and their working conditions.

In **childcare**, the project should work on a range of short-term and longer-term interventions that can create direct jobs within the sector and indirect jobs that reduce childcare needs for working women and enable them to rejoin the workforce. Here, **short-term interventions** will centre on resolving immediate childcare shortages in safer areas with higher concentrations of IDPs by addressing key challenges to private childcare service providers. **Long-term interventions** will aim to strengthen both the private and public sectors by addressing larger structural issues, including those related to **regulatory barriers** and **social norms**.

Lastly, in **e-commerce**, the project will leverage the sector’s future growth potential to create new opportunities for SMEs, particularly those that have been considerably impacted by the war. Here, the project should first target **skills** gaps, which can enable new and existing businesses to start up and grow. The project can complement this work by building up **sectoral coordination** in a way that can help resolve common SME challenges, as well as support sellers in diversifying their markets and reaching **export markets**.

Annex A:

Research interview list

Construction

1. Ministry for Communities and Territorial Development
2. State Inspectorate for Architecture and Urban Planning
3. Ministry of Finance
4. Ukravtodor (the national roads authority)
5. State Labour Service
6. Ukrainian Confederation of Builders
7. Ukrainian Trade Union of Workers in Construction and the Building Materials Industry (PROFBUD)
8. Association of Construction Industry Experts
9. Association of the Window and Facade Market
10. Metal Construction Association
11. Ukrainian National Union of Architects
12. National University “Yuri Kondratyuk Poltava Polytechnic”
13. Kyiv Professional School of Construction and Design
14. Kyiv National University of Construction and Architecture
15. A large-scale contractor and construction materials producer
16. A large-scale developer
17. A medium-scale developer
18. Large-scale construction materials provider

Childcare

1. Kindergarten (non-licenced) and general educational school, Vinnytsia
2. Chain of kindergartens (licenced) and a school, Kyiv
3. Business consultant, chain of kindergartens (licenced), Kyiv
4. Chain of childcare centres, Kharkiv
5. Franchise chain of kindergartens and schools, business consultancy (30 institutions all over Ukraine)
6. Childcare centre for inclusive kids, Kyiv, Chernihiv, Chernivtsi (civil organization)
7. Childcare kindergarten (licenced by MESU, Ministry of Social Policy, Ministry of Health)
8. Ministry of Education and Science
9. National Investment Council
10. Reform Support Team of the Ministry of Education and Science
11. Spivdia for children
12. Department of Education, Vinnytsia region
13. Department of Education, Zakarpattia region
14. Trade Union of Education and Science Workers (FTU)
15. Business Association of Educational Institutions

E-commerce

1. Ministry of Digitalization
2. Employer's association
3. Prominent online marketplace 1
4. Prominent online marketplace 2
5. Large e-commerce marketing agency 1
6. Large e-commerce marketing agency 2
7. Large e-commerce software company
8. Logistics and warehouse booking start-up
9. Prominent classified ads website
10. Large online pharmacy company
11. HandmadeHub, Kyiv region – export-oriented e-commerce agency
12. E-commerce software platform
13. Digital agency
14. E-commerce start-up
15. E-commerce platform
16. Marketing agency 1
17. Marketing agency 2
18. Marketing agency 3
19. Marketing agency 4
20. Kharkiv IT cluster
21. Small dropshipping company
22. Online shop that sells via social media
23. Online business selling food
24. Online retailer selling via large marketplaces
25. Lviv IT Cluster
26. USAID project working on economic growth
27. Small clothing business selling online
28. Medium online furniture shop
29. Medium medical appliances shop
30. E-commerce marketplace agency
31. E-commerce transport company

Annex B:

“Skill-will” assessment of key sectoral actors

This annex provides an assessment of the key market actors and discusses their respective motivation (will) and capacity (skill) to drive change in the sector. This can be used to better understand which systems actors the project should work with during implementation.

Childcare

► Table A.B.1. Childcare “Skill-will” assessment

Organization	Relevant information	Motivation/ capacity
Ministry of Education and Science	<ul style="list-style-type: none"> • Implements overall policy in the sector, sets standards, plans and implements reforms • Shares authority in reforms with the Verkhovna Rada's Committee of Education, Science and Innovations • Cooperates with the Office for Reforms at the President's Office in developing the Plan for Reconstruction in childcare and preschool education in particular • Expresses a will for reform but doesn't have the capacity 	Motivation: medium Capacity: high
Committee of Education, Science and Innovations, Verkhovna Rada (CESI)	<ul style="list-style-type: none"> • Provides advisory support in the area of policy and reforms • Has legislative, organizational and supervisory functions 	Motivation: medium Capacity: high
Associations that represent the interests of employers and business (BAEI, Association of Preschool Education Institutions)	<ul style="list-style-type: none"> • A large network of members • Represents business interests, provides consultancy and mentorship • Actively participates in non-governmental initiatives to address the lack of PPCE services in the areas with the biggest IDP influx due to the war and assists businesses with relocation from dangerous zones • Cooperates with government authorities • Highly knowledgeable and open for communication/ cooperation • Created by the NGO “Parents Association” to improve cooperation between parents and educational institutions • Not part of any employers' organization 	Motivation: high Capacity: medium

Organization	Relevant information	Motivation/ capacity
Trade Union of Education and Science Workers	<ul style="list-style-type: none"> • A part of the FTUU, one of the most representative trade unions in Ukraine • Only for public workers • Lobbied for the draft law that would increase public institution educators' salaries • A party to the social dialogue • Has vacant premises in almost all regions of Ukraine and ready to cooperate with businesses looking for space 	Motivation: medium Capacity: medium
Education departments	<ul style="list-style-type: none"> • Provide mentorship and guidance • Levels of support and professionalism are different and depend on the “human factor” 	Motivation: low/medium Capacity: medium
Local governments	<ul style="list-style-type: none"> • Allocate space/ premises for kindergartens • Provide access to municipal premises for private segment • Oblige construction developers to build CCPE facilities in new districts • Allocate funding for public CCPE institutions and decide on subsidies for private ones • Most knowledgeable and influential authority at local level 	Motivation: low/medium Capacity: medium/high
Parents	<ul style="list-style-type: none"> • Generally not organized • Key target group 	Motivation: high Capacity: low
SpivDia for children	<ul style="list-style-type: none"> • SpivDia is a volunteer P2P platform initiated by the Coordination Headquarters for Humanitarian and Social Affairs of the Office of the President of Ukraine. • Implements various small projects in childcare • Can be a good implementing partner • Highly knowledgeable with a wide network of partners (government, NGOs, UN, business) • Also operates in other areas (shelter, legal, psycho-social support etc.) which could be a valuable source of linkages and information 	Motivation: high Capacity: medium

E-commerce

► Table A.B.2. E-commerce “Skill-will” assessment

Organization	Relevant information	Motivation/capacity ¹⁰⁴
Rozetka	<ul style="list-style-type: none"> • 30 million monthly visits, 17 million registered users • Thousands of registered merchants • 270 offline facilities • 8000 employees 	Motivation: medium Capacity: high
Prom	<ul style="list-style-type: none"> • Founded in 2008 • 27 million monthly visits • 65,000 registered merchants • 650 employees 	Motivation: medium Capacity: medium
Projector school	<ul style="list-style-type: none"> • Launched in 2015 • 70+ employees • Offers courses in design, marketing, PR and more (around 80 courses overall) • Community of 50,000 people 	Motivation: high Capacity: medium
Promodo	<ul style="list-style-type: none"> • Founded in 2004 • More than 250 high-profile clients • 350+ employees in 5 offices (HQ in Kharkiv) • Operates Promodo.Academy, a learning facility for e-commerce 	Motivation: medium Capacity: medium
Ministry of Digitalization	<ul style="list-style-type: none"> • Launched in 2019 • Launched Diia, a highly successful and widely adopted app/web portal for digital documents and e-government solutions • Organized Diia.Business to support entrepreneurship 	Motivation: high Capacity: medium
IT clusters	<ul style="list-style-type: none"> • Every major city in the country has an IT cluster • IT clusters are the connecting unit between the public and private sectors • IT clusters host events and conferences to connect different actors • Some IT clusters, for example, the IT Cluster in Kharkiv, offer skills training 	Motivation: high Capacity: medium
Netpeak Group	<ul style="list-style-type: none"> • Founded in 2006, one of the largest internet-marketing companies in the region • Choice31, launched in early 2022, was designed as a learning facility for a lot of e-commerce specializations • 800 employees across all projects, more than 250 people in the agency business • OLX, Rozetka, Comfy among the biggest clients 	Motivation: medium Capacity: medium

104. Motivation indicates the perceived organizational motivation to drive change in the sector. Capacity is related to human resource capacity to drive change in the sector. Both of these were gauged by the team based on the semi-structured interviews which took place during the field research.

Organization	Relevant information	Motivation/capacity ¹⁰⁴
Nova Poshta/UkrPoshta/Meest	<ul style="list-style-type: none"> • The domestic market of postal deliveries was estimated at 450 million packages in 2021 – 75% were sent from online stores and marketplaces • Major companies have established skills training to promote exports: <u>Business School</u> from Nova Poshta, <u>E-Export School</u> from Ukrposhta 	Motivation: high Capacity: high
Google/ Facebook/ Instagram	<ul style="list-style-type: none"> • Instagram is commonly used to launch an e-commerce business due to the high amount of users and easy functionality • FB/Instagram are used as a communication tool • Google is a <u>large source</u> of traffic for Ukrainian e-commerce 	Motivation: low Capacity: high
Financial service providers (LiqPay, WayForPay, Fondy)	<ul style="list-style-type: none"> • The biggest player in the field is PrivatBank (18 million clients) with its proprietary payment system LiqPay. It charges a 2.75% commission rate on processing. • Ukraine is in the top-10 countries for Apple Pay/Google Pay 	Motivation: low Capacity: high



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