

Project Inception Report

SUPPORTING ENTREPRENEURSHIP AND BUSINESS RESTORATION AND DEVELOPMENT AMONG THE CONFLICT-AFFECTED POPULATION IN UKRAINE | PHASE IV



September 2022 – January 2023

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Acronyms and abbreviations

EU	European Union
GCA	Government-controlled areas
GDP	Gross domestic product
IDP	Internally displaced person
ILO	International Labour Organization
IOM	International Organization for Migration
MSME	Micro-, small and medium-sized enterprise
UAH	Ukrainian hryvnia (Ukrainian currency)
UNDP	United Nations Development Programme
UN OCHA	United Nations Office for the Coordination of Humanitarian Affairs
UN RPP	United Nations Recovery and Peacebuilding Programme
USD	United States Dollar
VET	Vocational education and training
WB	World Bank

Project Synopsis

Reporting Period	September 2022 – January 2023
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Donor	The Government of the Republic of Poland
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Country	Ukraine
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Project Title	Supporting Entrepreneurship and Business Restoration and Development among the Conflict-affected Population in Ukraine, Phase IV
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Project objective	<p>The Project aims to foster economic revitalization of the war-affected and liberated areas of Ukraine and, specifically, stimulate employment and economic stabilization by providing assistance to MSME development through demand-driven business development services and professional skills training, access to finance and strengthening institutional and educational infrastructure needed for effective functioning of agricultural and non-agricultural sectors. The Project activities are implemented in the oblasts significantly affected by active fighting (Luhansk, Donetsk, Kharkiv, Sumy, Zaporizhzhia, Kherson, Mykolaiv, Chernihiv) and major transit hubs for internally displaced businesses and IDPs such as Dnipropetrovsk Oblast.</p> <p>This Project is a logical continuation of the previous phases of the Action and will contribute to sustainable recovery of living conditions of the population affected by the war as a part of the broader economic recovery effort. The Project will be implemented under the Component 1 “Economic Recovery and Restoration of Critical Infrastructure” of the UN Recovery and Peacebuilding Programme (UN RPP).</p>
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Implementing Agency	United Nations Development Programme in Ukraine within the United Nations Recovery and Peacebuilding Programme (UN RPP)
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National Partners	Ministry of Digital Transformation, Ministry for Reintegration of the Temporarily Occupied Territories, Ministry for Communities and Territories Development, State Employment Service, Regional and local authorities of Luhansk, Donetsk, Kharkiv, Sumy, Zaporizhzhia, Kherson, Mykolaiv, Chernihiv and Dnipropetrovsk oblasts (GCA)
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Project Start Date	26 September 2022
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Project End Date	31 December 2023
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Total Project budget	1,000,000 USD
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Tranche 1	500,000 USD
Tranche 2	500,000 USD
Project Locations	Luhansk, Donetsk, Zaporizhzhia, Kherson, Kharkiv, Sumy, Chernihiv, Dnipropetrovsk and Mykolaiv oblasts (GCA)
Beneficiaries	IDPs and local population, oblast, raion and municipal authorities of the targeted oblasts
UN RPP Contact Person	Nils Christensen, Programme Manager, UN RPP nils.christensen@undp.org

The United Nations Recovery and Peacebuilding Programme (UN RPP) is being implemented by four United Nations agencies: the United Nations Development Programme (UNDP), the UN Entity for Gender Equality and the Empowerment of Women (UN Women), the United Nations Population Fund (UNFPA) and the Food and Agriculture Organization of the United Nations (FAO).

Eleven international partners support the Programme: the European Union (EU), the European Investment Bank (EIB), the U.S. Embassy in Ukraine, and the governments of Canada, Denmark, Germany, Japan, the Netherlands, Poland, Sweden and Switzerland.

Executive Summary

The Project's ultimate goal is to foster economic recovery and revitalization in war-affected regions of Ukraine, and specifically to facilitate the development of the local economy through stimulating entrepreneurial activity and employment. This will be achieved by assisting micro, small and medium-sized enterprises with grant and advisory support, providing professional and business skills training, as well as reskilling programmes for the war-affected women and men from the target oblasts.

The Project has started its interventions with addressing the urgent training needs of people who lost their jobs due to the war and through reskilling programmes based on the capacities of vocational education and training (VET) system in the war-affected regions of Ukraine. Building on the established strong cooperation with VET facilities, the Project launched a training programme for the war-affected people to develop skills appropriate to meet local labour market needs, respond to the new employment challenges and help them rebuild their properties.

During the reporting period, 45 (nine women) residents of Chernihiv and nearby communities gained practical skills and knowledge in three labour construction professions, namely installation of plasterboard structures and plastering, electricians for lighting and lighting networks and bricklayer.

Notably, these activities focus on short-term training and are being coordinated with the key labour market actors, including employers.

Context Overview

The war in Ukraine has already resulted in significant loss of life, unprecedented displacement, internally and towards neighbouring countries, and devastating destruction of infrastructure. The security situation and the overall operational environment have deteriorated rapidly since the outbreak of war on 24 February 2022. The UN Ukraine Flash Appeal shows that at least 17.7 million people are in immediate need of emergency assistance and protection¹.

According to the latest estimates, over 8 million people have already left Ukraine as refugees, and over 5.9 million moved within the country, mostly to the central and western oblasts². Many of those displaced are women and children. As of December 2022, the total amount of direct documented infrastructure damages is US\$138 billion, which includes damages of industry and enterprise assets (US\$13 billion), agriculture and land resources (US\$6.6 billion) and trade (US\$2.4 billion)³. A series of attacks on energy infrastructure across Ukraine have caused severe disruptions to the functioning of power plants and energy transmission systems which have left millions of people without electricity. The power outages disrupted public services, including transportation, communications, livelihoods, and access to running water and heating – a particular concern in the winter season given subzero temperatures⁴.

The war has had a devastated impact on Ukraine's economy and people's livelihoods. According to the World Bank data, Ukraine's GDP shrank by 37.2 percent in the second quarter of 2022 compared to the same period in 2021. The poverty and social impacts of the war are expected to be massive.



People fleeing the war-affected regions of Ukraine. Photo credit: Oleksandr Ratushniak / UNDP Ukraine

- 1 Ukraine Flash Appeal (March – August 2022), OCHA, <https://reliefweb.int/report/ukraine/ukraine-flash-appeal-march-december-2022>
- 2 Ukraine Data Explorer, OCHA, <https://data.humdata.org/visualization/ukraine-humanitarian-operations/>
- 3 Damages to Ukraine's Infrastructure, Kyiv School of Economics (13 June 2022), <https://kse.ua/russia-will-pay/>
- 4 Ukraine: Situation Report, 16 Nov 2022, UN OCHA, <https://cutt.ly/o3jZi2U>

As forecasted by the WB, the population share with income below the national poverty line may reach nearly 60 percent, up from 18 percent in 2021. Based on the global line of US\$6.85 a day, poverty was projected to increase from 5.5 percent in 2021 to 25 percent in 2022⁵.

In October 2022, the ILO estimated that 2.4 million jobs were lost in Ukraine⁶. The lack of employment is particularly a concern among IDPs. As of October 2022, only 34 percent of IDPs indicated being employees, while another 7 percent confirmed having their own business. The main constraints to employment for both IDPs and non-IDPs are the lack of jobs matching their experience or interest, the overall lack of jobs given active conflict in the area, and low salaries⁷.

Furthermore, the crisis has had a significant impact on the Ukrainian social protection system both in terms of increased expenditure and decreased revenue⁸. With the closure of social services, schools and kindergartens, women's share of care – for children, the elderly, relatives with disabilities, sick, or injured family members – has sharply risen, often combined with the necessity to earn their own income.

The UNDP analysis also suggests that development setbacks for Ukraine will be significant, including increased inequalities and poverty rates; the country's economy, its social fabric, and the environment will also suffer. Eighteen years of socio-economic achievements in Ukraine are at risk, and to mitigate such dramatic development setbacks, an effective humanitarian-development-peace nexus approach is critical⁹.

Using previous experience, with development assistance from the Government of Poland, in 2015-2020, UNDP has implemented three Phases of a Project "Promoting Entrepreneurship among the Conflict-affected Population in Ukraine" aimed at sustainable recovery of living standards among the conflict-affected population by promoting entrepreneurship, supporting business skills development and providing grants for starting micro-enterprises and expanding business support services.

Overall, the entrepreneurship support and self-employment promotion activities carried out in 2015-2020 had a strong positive effect on the conflict-affected populations willing to start, renew or expand their businesses. As the result of these development interventions, 333 (186 women) entrepreneurs were supported with grants and 725 new jobs (395 occupied by women) were created. Over 1,000 (58% women) people received new knowledge and skills in business development, 260 MSMEs were promoted through business exhibitions and some 1 million people reached by entrepreneurship promotion campaign. Given the benefits of the sustained partnership allowing for continuous support and development among the conflict-affected population, the Ministry of Foreign Affairs of the Republic of Poland and the UNDP in Ukraine have launched Project Phase IV, the initial stage of which is further described in this Inception Report.

5 Europe and Central Asia Economic Update, Fall 2022: Social Protection for Recovery, the World Bank, <https://openknowledge.worldbank.org/handle/10986/38098>

6 World Employment and Social Outlook Trends 2023, ILO, <https://cutt.ly/X3hQw2W>

7 Ukraine Internal Displacement Report - October 2022, IOM Ukraine, <https://cutt.ly/33jVbot>

8 The impact of the Ukraine crisis on the world of work: Initial assessments, ILO, <https://bit.ly/3c2lslA>

9 The Development Impact of the War in Ukraine: Initial projections, UNDP, <https://bit.ly/3xNBekW>

Project Results

Output 1: Small-scale business startup and expansion is ensured through the provision of seed grants to war-affected women and men

To promote economic recovery, enhance employment, and create income-generation opportunities for the war-affected population, the Project launches its small business grant programme to help the war-affected women and men of the targeted oblasts launch, renew, expand their micro, small, and medium-sized enterprises (MSMEs) or relocate them to safer areas of the country. This activity is based on the Programme's previous extensive experience in supporting MSMEs in the East and South of Ukraine. Since 2015, the UN RPP has provided support to 1,461 MSMEs¹⁰ via grant scheme modality covering the most urgent economic needs of the conflict-affected population, including vulnerable groups.

The selection process of the Project grantees is built on a competitive basis and is targeted at both local residents and IDPs living in or coming from Luhansk, Donetsk, Zaporizhzhia, Kherson, Dnipropetrovsk, Kharkiv, Sumy, Chernihiv and Mykolaiv oblasts. Currently, the Project is conducting the selection of an experienced grant programme administrator to ensure efficient, transparent and equal selection of the MSMEs to be supported. The call for the business grant applications is scheduled for spring 2023 and will use the previously developed grant mechanism criteria, followed by the assessment of business plans developed and submitted by the potential entrepreneurs. In total, 43 MSMEs are expected to receive grant support up to 10,000 USD for launching, renewing or extending their business activity.

Project target oblasts



¹⁰ With the financial support from the European Union and the governments of the Czech Republic, Denmark, Great Britain, Japan and Poland

Tailored consultancy support for the business grant recipients remains an integral part of this initiative and help ensure higher survival rate of the implemented business projects. Therefore, the consultations are available for all recipients immediately after the grant disbursement and during gestation period of the newly created or restored business initiatives. These advisory services cover such issues as accounting and taxation, legal aspects of MSME activity, marketing as well as application of anti-crisis measures to make businesses more sustainable.

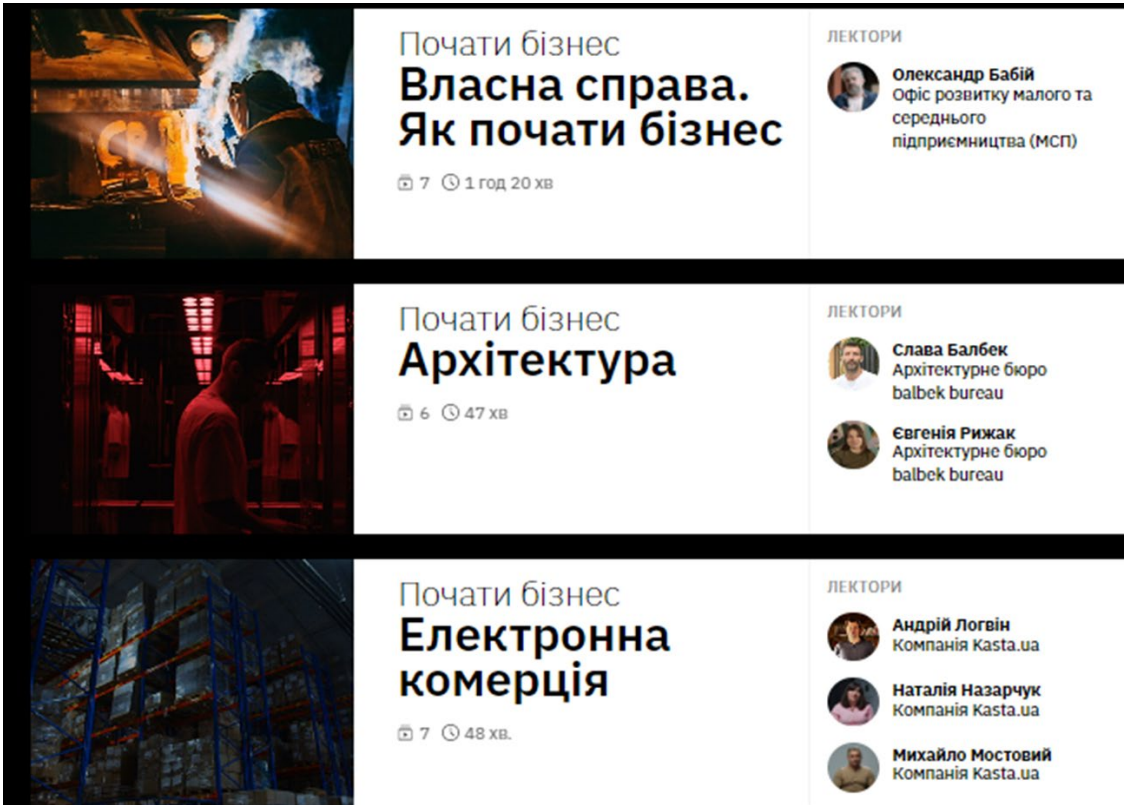
Moreover, to ensure women's equal participation in the economic recovery of the war-affected regions, the Project will support women-led businesses from the target oblasts in developing their export potential. To this end, the Project is working on establishment of an export promotion consultancy and networking platform for women. The platform will enable women-led MSMEs to learn, share expertise and promote their businesses. This tool will be based on an e-learning platform "[Start a business](#)", which will then be used to distribute, on a competitive basis, small grants of up to 6,000 USD to restore, relocate or expand export-oriented women-led business initiatives. Overall, 17 women-led enterprises are planned to be supported under this activity.

Output 2: Improved access to digital information and business skills learning resources for women and men

The Project is further working towards strengthening the capacities of active and potential entrepreneurs and improving their business skills. Ensuring access to up-to-date information and learning resources on entrepreneurship is essential for those who are willing to start new business and those seeking ways to expand and develop their business activity. Taking into consideration the current security situation in the country, online learning and using available digital learning tools becomes more and more important for the MSMEs affected by the war.

For this purpose, the Project is currently updating the [e-learning platform "Start a business"](#), developed and launched during the previous Phase of the Project. The platform supports not only entry-level MSMEs who have only started exploring the basics of entrepreneurship, but it also helps those who already have businesses and are looking for useful advice for developing them. The platform features learning videos (up to one-and-a-half hours in length), in which successful entrepreneurs share their experience of how to start a business, where to look for funding, how to attract investment, how to use a creative approach to increase sales, and how to safeguard business against crises. The website currently offers 23 interactive courses (previously developed in co-funding with the EU) dedicated to different business areas such as creative industry, hotel management, technology, textile, ceramics, food and construction materials production, architecture, basics of entrepreneurship and others. Each course is split into short videos and populated with useful links to government portals, laws, regulations, business incubators and other information and resources relevant to entrepreneurship.

Apart from educational videos, the platform features short motivational videos about entrepreneurs from the East of Ukraine, supported by the UN RPP and international partners, including Poland, since 2015. The platform has a series of articles on fundraising, credit, crowdfunding, investment and business grant mechanisms. It also has a database of existing educational platforms for entrepreneurs, business associations and the calendar of business events.



Почати бізнес
Власна справа.
Як почати бізнес

7 1 год 20 хв

ЛЕКТОРИ

Олександр Бабій
Офіс розвитку малого та середнього підприємництва (МСП)

Почати бізнес
Архітектура

6 47 хв

ЛЕКТОРИ

Слава Балбек
Архітектурне бюро balbek bureau

Євгенія Рижак
Архітектурне бюро balbek bureau

Почати бізнес
Електронна комерція

7 48 хв.

ЛЕКТОРИ

Андрій Логвін
Компанія Kasta.ua

Наталія Назарчук
Компанія Kasta.ua

Михайло Мостовий
Компанія Kasta.ua

The video courses offered by the learning platform "Start a business"¹⁰

Under this activity, five new online business courses, including on specific issues and opportunities for women entrepreneurs in Ukraine, are being developed by the Project. The online learning programmes will focus on specific issues related to running a business in a war time, limitations and opportunities of the martial law, crisis management, international fundraising, etc. The courses will be finalized and become available on the learning platform "Start a business" by the end of 2023.

Output 3: Support to reskilling of IDPs through State Employment Service and educational facilities in western and central Ukraine

The identified skills mismatch, exacerbated after the start of Russian invasion, increases unemployment and affects competitiveness and attractiveness to employers among the vulnerable groups. This often leads to lost income generation opportunities and paves the way to further poverty growth.

With this in view, the Project activities are focused on addressing the urgent training needs of people, who lost their jobs due to enterprises shutdown, and increasing their attractiveness for other employers. In this regard, the Project is delivering reskilling programmes based on the capacities of vocational education and training (VET) system and other training facilities. These programmes are aimed to help IDPs, returnees and members of host communities, especially women, to learn new skills appropriate to meet local labour market needs and to respond to the new employment challenges created by the war. These activities focus on short-term training and are coordinated with the key labour market actors, including potential employers.

¹¹ The development of the learning courses was co-funded by the EU.



The practical lesson for installing plasterboard structures. Photo credit: Dmytro Skoryna / UNDP in Ukraine

During November-December 2022, the Project organized training courses for mastering partial competencies in labour construction professions. In total, 45 (nine women) residents of Chernihiv and nearby communities, who needed to restore housing destroyed because of hostilities, took part in the training programme. The courses covered three labour construction professions/specializations which are currently most in-demand:



Installation of plasterboard structures, plastering



Electricians for lighting and lighting networks



Bricklayer



The practical lesson for bricklayers. Photo credit: Dmytro Skoryna / UNDP in Ukraine

The training programme was conducted on the basis of the Chernihiv Vocational Construction Lyceum and the Chernihiv Vocational Lyceum of Railway Transport. Having acquired new skills and abilities, the course graduates can further form teams for the complex repair of damaged or destroyed property, and apply the acquired knowledge in everyday situations.



The practical lesson for electricians for lighting and lighting networks. Photo credit: Dmytro Skoryna / UNDP in Ukraine

Importantly, the participants of the training programme, who came from the communities affected by the war, strengthened their capacity and received the necessary tools needed for recovery of their property. Apart from immediate effect from the received skills, and the capacity to repair own houses, the course graduates will have significant advantage in finding jobs at construction objects. Moreover, some of the participants have already found jobs in new professions once they completed the training course.

Public Outreach And Visibility

During the implementation period, the Project activities and results were covered by local and regional media, in particular TV, Youtube and Radio channels. The key articles, interviews and press releases are the following:

UNDP website	Residents of Chernihiv Oblast developed skills in three professions
Twitter	https://twitter.com/UNDPUkraine/status/1621082624533090307
Facebook	https://www.facebook.com/UNDPUkraine/posts/pfbid036b1Us8CuiTfwiyU-VtptHQiNvmxHEvG1rqWVuZfLvFRKsypaSfDeNTZ6kQVtjv3yqI
Flickr	https://www.flickr.com/photos/undpukraine/albums/72177720305418728
Local and regional media	<p>Курси відновлення житла стартували у Чернігові: скільки набрали учасників?</p> <p>Відбудувати житло самотужки: чернігівців навчатимуть будівельній справі Праймвечір</p> <p>Професійна освіта Чернігівщини</p>

The visibility and outreach of the Project is being ensured by using UNDP/Poland banners, national flag of Poland or brand/press walls with the Polish aid logo displayed during each event (training courses, expo, forums, presentations, information sessions, conferences, etc.). UNDP/Poland visibility items (stickers and sign plates) are distributed among all beneficiaries to label the purchased equipment/tools, as well as placed on the entrance doors of all grantees supported by the Project.

Lessons Learned and Recommendations

01

The experience gained in conducting courses on the repair of destroyed housing can be extended to other liberated areas of Ukraine. Having acquired new skills and abilities, training graduates can form teams for complex repair of damaged or destroyed property, as well as apply the acquired knowledge in everyday life.

02

The implemented pilot model could have a double effect if the trainings' grantees were provided with the selective set of construction materials and basic (but sufficient) set of professional tools to repair their private apartments and houses right after the graduation. An additional effect of the potential model implementation would be the decrease of the burden on the local communities' budgets in terms of allocation of construction materials and workforce to repair damaged dwellings of the local population.

03

Another way for further development and elaboration of the described model could be preparation of integrated brigades of construction workers for local communities and private sector developers that can increase employability of local population and expedite recovery of damaged infrastructure of the retaken territories.

04

The National Bank of Ukraine forecasts that the demand for labour force in Ukraine will be growing. They emphasize that after the end of the war, the construction workers engaged in rebuilding of the country's infrastructure, residential buildings, and transport communications will be in high demand in the labour market¹². Thus, it is recommended to continue developing training courses on construction labour professions.

Risk Analysis

The main risks to effective Project implementation are primarily related to the ongoing war in Ukraine and include:

- A capture by the Russian army of other territories of Ukraine.
- An increased number of ad hoc missile attacks throughout the Project target areas.
- Increased population flows outside Ukraine and within the country leading to workforce shortages and loss of jobs.
- Inability of national and local institutions to function effectively due to volatility in state financing and local budgets cuts, leaving no resources for development.
- Severe disruptions in power and internet supplies.
- Critical macroeconomic turbulence.

The UNDP will implement the Project under the guidance of the UN Department for Safety and Security and the authority of the UN Designated Security Official. Ongoing liaison with Ukrainian authorities will also be held to secure a safe environment for project staff and implementing partners.

Risk assessment and mitigation will be addressed through the regular political economy and security analysis and consultations with key partners and security service providers. Tested business continuity and security plans and standard operating procedures are in place and updated regularly to mitigate the impact of existing and potential threats to the Project's beneficiaries and UNDP staff.

A worsening economic situation in Ukraine can lead to inflation, depreciation of the national currency and to further limiting access to credit. The economic downturn in the country and worldwide may generate uncertainty within the business environment and create a lack of resources for business development, especially in the war-affected context, and generate fear and anxiety about starting and expanding business or investing in production facilities, real estate, and land. Therefore, providing MSMEs with access to additional finances, including grant support, innovative sources, and capacity building, should remain among the Project's priorities.

Annex 1.

Project Results Framework

Output indicators	Baseline	Target (2022)	Actual (2022)	Target (2023)	Actual (2023) ¹³	Data collection methods
1.1. Number of new jobs and improved livelihood opportunities created for IDPs and members of host communities (disaggregated by sex and Oblast)	725 (395 women)	725 (395 women)	725 (395 women)	855 (455 women)	725 (395 women)	Project records. Monitoring visits. Grantees' and Grant Administrator's reports.
	(2020)					
1.2. Number of women-led MSMEs with improved capacity to produce and export goods and services	0	5	0	17	0	Project records. Grantees' and Grant Administrator's reports.
	(2021)					
1.3. Number of war-affected entrepreneurs with improved knowledge and skills on business development, marketing and taxation issues (disaggregated by sex and Oblast)	1263 (728 women)	1363 (778 women)	1263 (728 women)	1423 (808 women)	1263 (728 women)	Project records. Training and consultancy feedback forms and post-training survey and monitoring.
	(2020)					
2.1. Number of users, who received new entrepreneurial knowledge and skills through the online training platform	1350 (540 women)	1350 (540 women)	1350 (540 women)	1850 (790 women)	1350 (540 women)	Automatically generated reports from the online training platform.
	(2021)					
2.2. Number of new training courses developed and available on the online training platform	23	23	23	28	23	Automatically generated reports from the online training platform.
	(2022)					
3.1. Proportion of State Employment Service clients from the target oblasts, who are satisfied with the improved quality of services provided (disaggregated by sex and Oblast)	0	50%	0	70%	0	Partners' records. Clients' feedback forms.
	(2021)					

13 The Project is in the inception phase, 2023 actual results will be provided by June 2024.

Annex 2.

Project Budget

Total Project Budget	USD 495,049.50
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Total Project Expenditures	USD 32,263.65
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Balance	USD 462,785.85
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Estimated value of the initiated activities	USD 456,600.00
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