LIVELIHOODS BASELINE EVALUATION

Chernihiv, Sumy, Kharkiv, Dnipropetrovsk, Zaporizhzhia, Mykolaiv, Kherson Oblasts

UKRAINE

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Overview

The Danish Refugee Council (DRC) in Ukraine, thanks to the USAID's Bureau for Humanitarian Assistance (BHA) support, aims to address the most critical livelihood needs across seven oblasts: Mykolaiv and Kherson (southern Ukraine), Zaporizhzhia and Dnipropetrovsk (southeastern Ukraine), Kharkiv (eastern Ukraine) and Chernihiv and Sumy (northern Ukraine). With this funding, DRC aims to enhance the self-reliance and resilience of individuals affected by war and displacement, through evidence-based interventions, including: providing sectoral cash assistance to conflict-affected subsistence and small-scale farmers to support their self-consumption needs and generate income; offering vocational training to equip vulnerable populations with new skills or update existing ones, while connecting them to available employment opportunities; supporting Micro, Small and Medium Enterprises (MSMEs) through grants to activate or sustain their businesses, complemented by legal advice, business plan development, market linkages, and other services, all aimed at assisting conflict-affected individuals.

The overarching goal of the intervention is to enhance access to dignified livelihoods and reduce dependency on external assistance, by empowering local businesses through evidence-based approaches tailored to assessed needs and local market realities. This support adopts a more systemic perspective, extending beyond individual business owners to benefit the broader community while complementing other services to improve overall living conditions.

This baseline report enables the design of a programme that is more aligned with the realities on the ground, ensuring that interventions are based on a thorough analysis of each oblast's context. It addresses the specific needs of conflict-affected populations in the targeted areas, identifies livelihood opportunities aligned with market demands, and fosters a sustainable response. This approach not only enhances the independence and self-reliance of those affected by the conflict but also contributes to the systemic reactivation of the local economy.

This baseline report maps out findings from the baseline data collection conducted between August 2024 and September 2024. The data collected by trained DRC staff applied a mixed-method approach, combining qualitative and quantitative data collection techniques, using a snowball sampling approach to identify qualified and context-relevant respondents based on the oblast and the sub-sector of implementation. This was complemented by secondary data analysis to validate and compare the findings, ensuring a comprehensive and reliable evidence base.

The results of this baseline evaluation are organised according to the programme design, disaggregated into the three primary sub-sectors of proposed implementation: (1) improving agricultural inputs; (2) new livelihood development; and (3) livelihood development. This mirrors the three sub-sectors of implementation for the previous grant (October 2023 – September 2024) meaning that DRC could draw on lessons learned, project monitoring data, and the first baseline evaluation of the prior grant to design a more tailored and impactful new project phase.

The findings from this baseline evaluation, combined with DRC's expertise and experience in implementing livelihoods activities in the previous BHA grant in Mykolaiv, Kherson, Dnipropetrovsk, and Zaporizhzhia Oblasts, will guide decision-making in finalising the selection of target locations and assistance modalities, enhancing the existing programme design. DRC's established knowledge, presence, and operational capacities in the seven targeted areas will play a crucial role in contextualising and applying the results of this baseline. By integrating a comprehensive, multisectoral approach, DRC will leverage its expertise across various sectors to ensure that the needs of conflict-affected populations are effectively addressed. This will be achieved in close collaboration with local authorities, civil society, and duty-bearers, maximising the overall impact of the intervention.

Key Findings Summary

The following summarises key findings from this baseline evaluation, organised according to the aforementioned sub-sectors of implementation:

Improving Agricultural Inputs

I. According to key informants, agriculture and livestock management was the primary source of income for over 50% of the population in the targeted oblasts.

II. Key challenges encountered by small-scale farmers include logistical and transportation issues, insufficient storage facilities, and market contraction leading to reduced profit margins.

III. Many farmers reported being unable to fully cultivate their land, primarily due to limited purchasing power, lack of access to agricultural inputs, mine contamination, and the need for additional training to remain competitive, adopt innovative techniques that promote climate resilience, and achieve more productive and sustainable outcomes. The findings also revealed a growing interest in seeking alternative livelihoods, despite an already challenging job market; a marked change from DRC's baseline evaluation in 2023. These challenges have led some farmers to adopt negative coping mechanisms such as incurring unaffordable debt.

IV. The majority of farmers reported a decline in net incomes from both crops and livestock, which is linked to increased input costs, lowered profit margins, reduced yields due to landmine contamination and climate impacts, as well as a decreased demand from consumers, likely due to reduced purchasing power amongst local populations, as well as displacement.

V. Loans and other financial services and products were reportedly still available, however, the appetite and ability to take on debt has reportedly changed amongst farmers due to high interest rates and less predictable revenue streams due to instability and uncertainty caused by the conflict.

VI. Despite the rising costs of key agricultural inputs, markets in all areas surveyed areas remain functional and accessible to farmers, confirming that cash assistance is an appropriate support modality for this programme.

VII. Both small-scale and subsistence farmers expressed a need and interest in receiving technical training to improve the quality and quantity of production. Small-scale farmers also indicated interest in training to improve business practices such as recordkeeping and entrepreneurship training. Despite high interest, there was low awareness of the available training opportunities.

VIII. In addition to the impacts of the conflict, climate change and extreme weather events reportedly impacted agricultural operations, productivity, and harvests.

New Livelihood Development

I. The most commonly reported barriers to decent employment were reported as misalignment between jobseeker skills and labour market demands, as well as between salary expectations and those offered by employers.

II. Jobseekers reported barriers to accessing transportation as well as discrimination based on age, gender, and displacement status as key factors hindering them from finding employment.

III. While employment discrimination and barriers based on gender and displacement status have been well-documented, including conscription as a significant barrier for men to access employment; age also emerges as a significant barrier in this assessment, particularly for those just below retirement age, who struggle to find livelihood opportunities and are ineligible for pension support, leaving them in a precarious economic situation. Furthermore, they often do not qualify for humanitarian assistance, as most organisations' criteria target individuals aged 60 and above. This creates a gap for those aged 50+, especially women in rural areas, who face challenges in accessing both employment opportunities and humanitarian aid.

IV. Women face multiple barriers to employment, including increased caregiving and household responsibilities. In addition, they often experience discrimination from employers who are reluctant to hire them due to concerns about pregnancy and maternity leave, or due to perceived physical limitations, the risk of illness, or their caregiving roles for children, relatives, or individuals with disabilities, which may make them unavailable for work. Some, IDPs reported facing discrimination when trying to find employment opportunities.

V. People with disabilities and their caregivers face specific barriers to accessing livelihood opportunities as an additional barrier to being displaced, notably formal employment opportunities.

VI. The labour market has deteriorated in most of the surveyed localities, with fewer job vacancies available and more people competing for them. Business closures and relocations have been identified as key factors contributing to this trend. It is important to highlight that there are fewer income contributors in the household, as many families have dissolved due to internal displacement, migration in search of better security and employment opportunities abroad or in major cities, or simply because many men have joined military forces.

VII. In more insecure areas there is a higher demand for online and flexible working modalities, although many jobseekers also felt that labour market conditions did not allow them to make demands, and a large share would be willing to accept any job that offered a decent salary.

Livelihood Restoration

I. The conflict has caused a significant amount of business closures and relocations, with the highest reports for relocations in Kharkiv and Zaporizhzhia Oblasts. Among the 'Business Specialists'[1] surveyed, only 16% reported that no businesses had closed in their area. 12% reported roughly half of the businesses in their area had closed/relocated, 18%

[1] Business specialists are professionals with diverse profiles who can provide insights into the local business environment and the current state of businesses in their area. They include representatives from local economic development departments, chambers of commerce, regional entrepreneurship support funds, employment centres, and other relevant organisations.

reported that most businesses had closed/relocated, and 54% reported that a few businesses had closed/relocated.

II. Safety and security concerns emerged as the primary challenge currently faced by business owners in their operations. Other notable challenges reported include market uncertainty, limited access to capital, difficulties in recruiting and retaining staff, frequent power outages due to large-scale energy infrastructure damage, and significantly higher electricity costs.

III. The key factors for businesses to sustain, recover, or expand their operations are: 1) Access to finance, 2) access to skilled labour 3). improved market linkages, and 4). support to navigate or improve the complex regulatory and bureaucratic environment in which they operate.

IV. A significant number of businesses indicated that the accessibility of bank loans is like before the full-scale invasion. However, their willingness to take on loans is limited due to high interest rates, which raise concerns about their ability to repay debts.

V. While many businesses are aware of state grants and loan opportunities, the conditions under which these are provided are considered by some respondents to be quite restrictive, and application procedures are reportedly complex. It was also felt that government recovery efforts prioritised rural over urban businesses and overlooked micro- and small-sized businesses in favour of businesses that are perceived to contribute more to the economy, job creation, and the government's tax base.

VI. Recruitment challenges faced by businesses mirror the ones reported by jobseekers. The most notable are shortages of qualified staff, high salary expectations, and workforce displacement. Positions that require specific technical skills are particularly hard to fill. Some businesses have taken a variety of initiatives to improve their recruitment outcomes, including increasing salaries, providing flexible working arrangements, and providing transportation opportunities. However, not all employers can provide flexibility and increased compensation benefits, especially smaller businesses.

VII. Many businesses collaborate with employment centres to find qualified employees. While some are satisfied with the services provided, almost half of the respondents felt these services were not useful, and 32% rated them as poor.

VIII. The lack of training centres offering courses in in-demand skill areas hinders efforts to address skills gaps. As a result, many employers have turned to on-the-job training and apprenticeships to develop the skills needed for their businesses.

Methodology

The baseline evaluation adopted a mixed-methods approach—both qualitative and qualitative research methodology—providing a comprehensive understanding of overall livelihood needs across all areas of implementation (Chernihiv, Sumy, Kharkiv, Donetsk, Dnipropetrovsk, Zaporizhzhia, Mykolaiv, and Kherson Oblasts) under BHA award. By capturing data from northern, south-eastern, eastern, and southern Ukraine, this methodology ensured that differing perspectives, including those of the most vulnerable populations, were represented. The evaluation focused on three core sectors—Improving Agricultural Inputs, Livelihood Restoration, and New Livelihood Development—to address region-specific challenges and opportunities.

Given DRC's existing programming under the former BHA grant in Dnipropetrovsk, Zaporizhzhia, Mykolaiv, and Kherson Oblasts, the baseline evaluation design was built on lessons learned from the former grant's baseline, including the adoption and improvement of the former methodology and tools. Furthermore, DRC was able to review project monitoring data from the previous grant and relevant secondary data, to build on baseline findings for this evaluation.

The evaluation began with a review of secondary data, leveraged by DRC's status as co-chair of the Livelihoods Technical Working Group (LTWG) as well as involvement in the Assessment and Analysis Working Group (AAWG), meaning access to the most up-to-date secondary data coming out of research in the response. However, the analysis relied predominantly on primary data collection, which was designed to align with specific outcome indicators and inform intervention design and targeting. This primary data serves as a baseline against which programme performance will be measured during subsequent evaluations.

Primary Data Collection

DRC conducted a needs assessment at the proposal stage of the award, which served as a context as well as a framework for this study. The baseline study utilised indicative sampling and both qualitative and quantitative research methods to ensure robust and comprehensive findings through triangulation:

- Key Informant Interviews (KIIs): Quantitative data was collected through KIIs, targeting agricultural specialists, government officials, business specialists, business owners, employment centre focal points, and both subsistence and small-scale farmers.[2] These structured interviews captured technical insights related to programme indicators, enabling scalability of findings and measurable data points for baseline and subsequent endline analysis.
- Focus Group Discussions (FGDs): FGDs explored community-level challenges and opportunities. These discussions were conducted with unemployed individuals, and both subsistence and small-scale farmers, enabling in-depth exploration of diverse

[2] The key distinction between these two groups of farmers is whether they engage in agricultural activities mostly to meet their households' food needs (subsistence farmers) or whether they mostly engage in agricultural activities for income generation purposes (small-scale farmers).

perspectives and lived experiences, as well as enabling greater contextual understanding through the quantitative findings.

The Key Informants (KIs) and FGDs participants were selected by DRC programme teams, as well as with the support of the local authorities to ensure that the selection of participants reflected the unique socio-economic and geographic realities of each oblast, thereby enhancing the reliability and relevance of findings. DRC's existing programming in these oblasts meant that the teams could leverage existing networks to find trusted and reliable key informants. The study conducted 167 KIIs and 28 FGDs across eight oblasts: Mykolaiv and Kherson (Southern Ukraine), Zaporizhzhia and Dnipropetrovsk (Southeast Ukraine), Chernihiv and Sumy (Northern Ukraine), Kharkiv (Eastern Ukraine) and Kyiv (Central Ukraine). (please refer to figures 1 and 2 below)

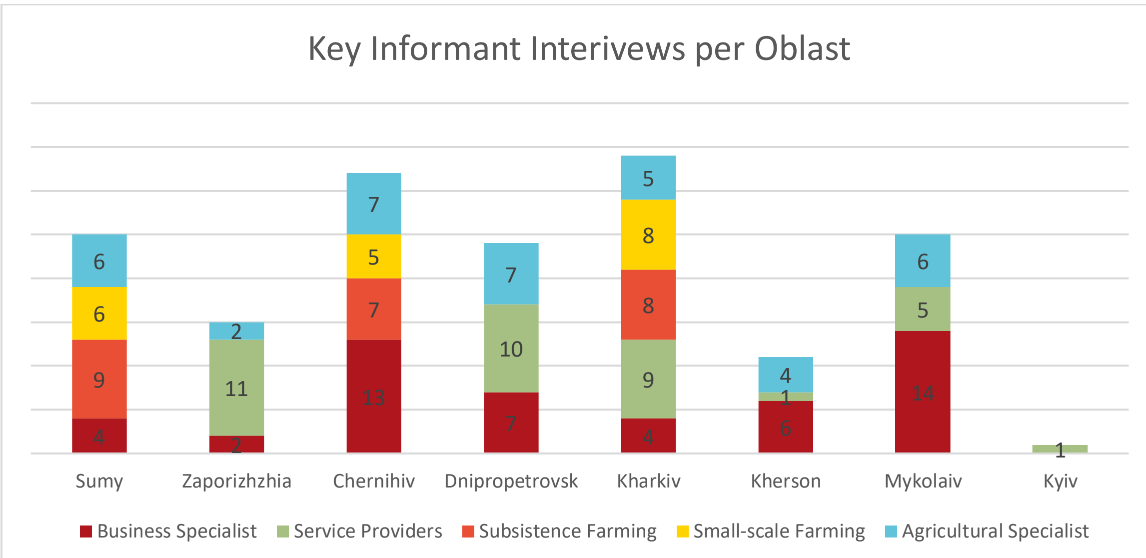

Figure 1. Key Informant Interviews per Oblast

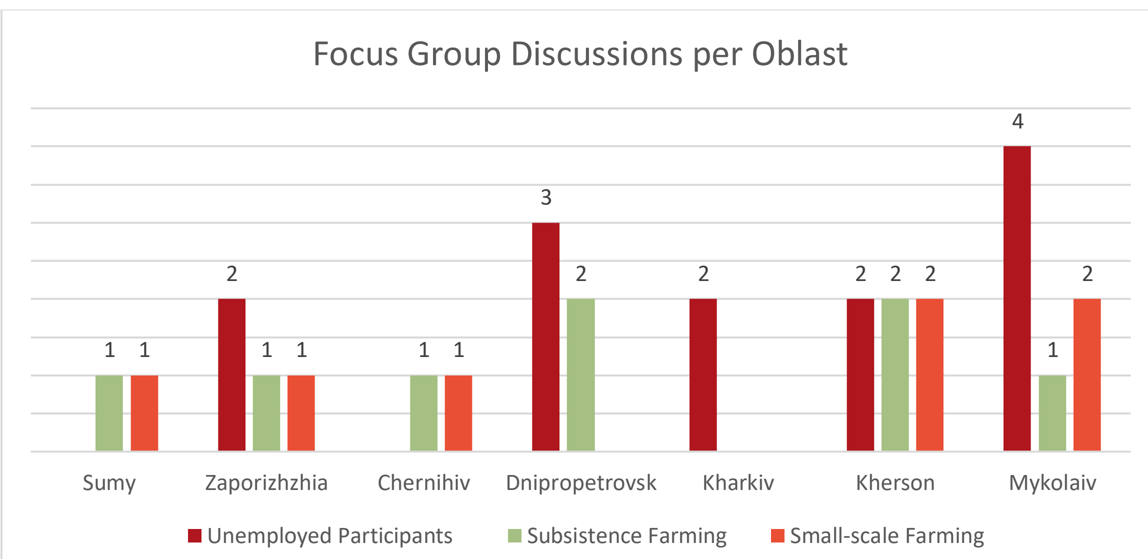

Figure 2. Focus Group Discussion per Oblast

The DRC Economic Recovery Technical Coordinator, in collaboration with the DRC Programme teams, selected raions using DRC's existing knowledge through the previous baseline evaluation (for the South and South East), existing programming in all areas of concern, as well as potential areas based on external engagement and analysis of secondary data through the Livelihoods Technical Working Group (LTWG) and the Assessment and Analysis Working Group (AAWG). Based on this selection, DRC decided to conduct KIIs with at least three informants per raion, and two FGDs per oblast to ensure robust presentation.

Data collection was carried out by DRC MEAL staff, with KIIs conducted between October 13, 2023, and November 3, 2023, and FGDs held between October 19, 2023, and November 23, 2023.

Table 1.Gender of Key Informant Interview Participants, disaggregated by Location

Oblast	Gender	Business Specialist	Service Providers	Subsistence Farming	Small-scale Farming	Agriculture Specialist
Sumy	Female	3	-	6	3	2
	Male	1	-	3	3	5
Zaporizhzhia	Female	1	1	-	-	-
	Male	1	10	-	-	2
Chernihiv	Female	6		5	3	1
	Male	7		2	2	6
Dnipropetrovsk	Female	6	7	-	-	4
	Male	1	3	-	-	3
Kharkiv	Female		5	**5**	3	1
	Male	4	4	**3**	5	4
Kherson	Female	1	-	-	-	3
	Male	5	1	-	-	1
Mykolaiv	Female	11	5	-	-	1
	Male	3	-	-	-	5
Kyiv	Female	-	1	-	-	-
	Male	-	-	-	-	-

Table 2. Gender of Focus Group Discussion Participants, disaggregated by Location

Oblast	Gender	Unemployed Participants	Subsistence Farming	Small-scale Farming
Sumy	Female	-	2	3
	Male	-	5	4
Zaporizhzhia	Female	11	8	-
	Male	3	-	9
Chernihiv	Female	-	7	4
	Male	-	-	1
Dnipropetrovsk	Female	15	15	-
	Male	-	11	-

Kharkiv	Female	7	-	-
	Male	2	-	-
Kherson	Female	14	9	3
	Male	3	4	6
Mykolaiv	Female	21	5	2
	Male	8	1	8

Limitations of Research

Building on lessons learned from the previous BHA project and other DRC-implemented projects in the oblasts selected, DRC adapted its approach to attain a more representative sample, reduce the gender imbalances observed in some FGDs (see Table 2), and address previous difficulties in reaching key informants (particularly small-scale and subsistence farmers). To overcome these barriers, DRC collaborated with key stakeholders, including local authorities, technical specialists, and community leaders. Additionally, DRC utilised direct observation, and referrals to pre-select participants.

Moreover, DRC has provided logistical support, such as reimbursing travel expenses for respondents who needed to travel significant distances. In cases where participants were unavailable to participate in FGDs, KIIs were offered as an alternative by adapting the same questionnaire. While these measures were largely effective, the constraints in reaching certain population segments may have limited the diversity of insights gathered.

The sampling framework was designed to balance regional representation and sector-specific focus, ensuring data reliability while addressing logistical constraints. While the methodology succeeded in gathering valuable insights, it is important to interpret findings within the context of these limitations.

Key Findings

Ukraine is a country with an active economy, historically characterised by a strong agricultural sector that has played a key role in its economic landscape. Agriculture has not only provided livelihoods and food security for Ukrainians but has also served as a major source of exports to neighbouring countries. Maintaining this economy amid the ongoing war presents significant challenges. These include fields contaminated by mines, restricted access to formerly productive territories now heavily impacted by the conflict, and the massive migration of economically active individuals, leaving behind an ageing population unable to sustain previous levels of productivity. Despite these challenges, there is a pressing need to generate income for vulnerable populations remaining in the country, particularly in conflict-affected areas. This includes elderly individuals, women-headed households with large families, veterans, and people with disabilities.

As stated before, Ukraine's agriculture sector is an important source of livelihood, with approximately 13 million Ukrainians living in rural areas involved in small-scale agricultural production. While enterprises account for around two-thirds of agricultural production, households produce around 32 %.[3] These activities are not officially registered but play a pivotal role in ensuring the food security, incomes and livelihoods of rural populations by providing for their food consumption as well as selling products locally, thus contributing to local supply chains.

Rural areas' dependence on agriculture was confirmed in previous key informant interviews conducted by DRC from February to March 2024[4], which indicated that in Kharkiv, Dnipropetrovsk, Chernihiv, and Sumy Oblasts, 80% of households registered agriculture as their primary livelihood, with 69% consuming most of their crops. This strong reliance on agriculture creates a critical need for agriculture-oriented livelihood interventions in these areas to increase resilience to shocks created by the conflict.

Improving Agricultural Inputs

As highlighted in the first baseline evaluation conducted by DRC[5], before the full-scale invasion Ukraine was one of the world's largest agricultural producers. The sector was characterised by a combination of small-scale farmers and large-scale commercial operations.[6] It is worth acknowledging that before the conflict the sector faced challenges. These were issues such as access to technology, outdated farming practices, as well as access to finance.[7] Issues in this sector have been exacerbated by the war, leading to outcomes such as decreased productivity, reduction of labour force and disrupted national and international markets. In addition to the

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[3] FAO, Impact of the war on agriculture and rural livelihoods in Ukraine: findings of a nation-wide rural household survey, December 2022 Ukraine: Impact of the war on agriculture and rural livelihoods in Ukraine

[4] DRC Ukraine: KI interview with potential beneficiaries of the Ukraine Humanitarian Fund cash for agricultural inputs programming. February-March 2024

[5] Livelihoods Baseline Evaluation. December 2023. Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia Oblasts, Danish Refugee Council Ukraine

[6] "Grain From Ukraine". November 2023. Ministry of Foreign Affairs of Ukraine. https://mfa.gov.ua/en/grain ukraine.

[7] "Ukraine's agriculture and farmland market: the impact of war". May 2023. VoxUkraine. https://voxukraine.org/en/ukraines-agriculture-and-farmland-market-the-impact-of-war/.

pre-existing need to develop and modernize the agricultural sector before the war, there is now a significant labour shortage that must be addressed by upskilling other groups not commonly involved before, such as women. which calls for continued understanding of how to improve the resilience and adaptability of the sector into the third year of the full-scale invasion.[8]

Reliance on Agriculture as a Primary Source of Income

The reliance of Ukrainian Nationals on agriculture as a primary source of income was reportedly sustained despite the continuation of the conflict. According to key informants, agriculture and livestock management remained a primary source of income for large segments of the population across the seven oblasts surveyed. Over 50% of the population is estimated in these areas to rely on agriculture as their main income source, according to agricultural specialists[9], This was further supported by focus group discussions with small-scale and subsistence farmers.[10]

Table 3. Proportion of the Population that Relies on Agriculture as Their Primary Source of Income by Oblast[11]

	South		South-East		East	North	
Percentage	**Kherson**	**Mykolaiv**	**Dnipro**	**Zap**	**Kharkiv**	**Chernihiv**	**Sumy**
0-25%	0 (0%)	1 (17%)	1 (14%)	0 (0%)	1 (20%)	0 (0%)	0 (0%)
26-50%	0 (0%)	1 (17%)	2 (29%)	0 (0%)	0 (0%)	2 (25%)	2 (33%)
51-75%	1 (25%)	2 (33%)	2 (29%)	1 (50%)	2 (40%)	3 (38%)	0 (0%)
75-100%	3 (75%)	2 (33%)	2 (29%)	1 (50%)	2 (40%)	3 (38%)	4 (67%)

Table 3 highlights the considerable proportion of the population that is vulnerable to the impacts of the conflict on their primary source of income. Across all oblasts, KIs reported over 51% of the population relying on agriculture. Whilst this finding is not surprising given the context of Ukraine before the full-scale invasion, it does show that households have not been able to diversify income sources simultaneously due to the growing instability of agricultural activities.

It is worth flagging Kharkiv and Kherson as particularly vulnerable oblasts. This is consistent with reporting from DRC's previous baseline evaluation, whereby 75% of residents in the south relied on farming as their primary income[12], and shows sustained vulnerability of these populations due to persistent conflict in these areas. This is of concern considering 45% of agriculture specialists estimated that over 75% of the population in these regions depend on agriculture for their

[8] Livelihoods Baseline Evaluation. December 2023. Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia Oblasts, Danish Refugee Council Ukraine
[9] Key Informant Interviews with Agriculture Specialists, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.
[10] Focus Group Discussions with Farmers, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.
[11] Key Informant Interviews with Agriculture Specialists, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.
[12] Livelihoods Baseline Evaluation. December 2023. Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia Oblasts, Danish Refugee Council Ukraine

livelihoods, with many households engaging in subsistence farming to meet their consumption needs.[13]

The baseline study captured the location by which products were sold by small-scale farmers, as a proxy to understand market access as well as potential for expanding customer bases. As Figure 3 shows, most small-scale farmers reportedly sold produce at local markets (65%), due to aforementioned barriers due to supply chain and logistics. This makes farmers vulnerable to changes in customer-base driven by displacement and changes in the conflict.

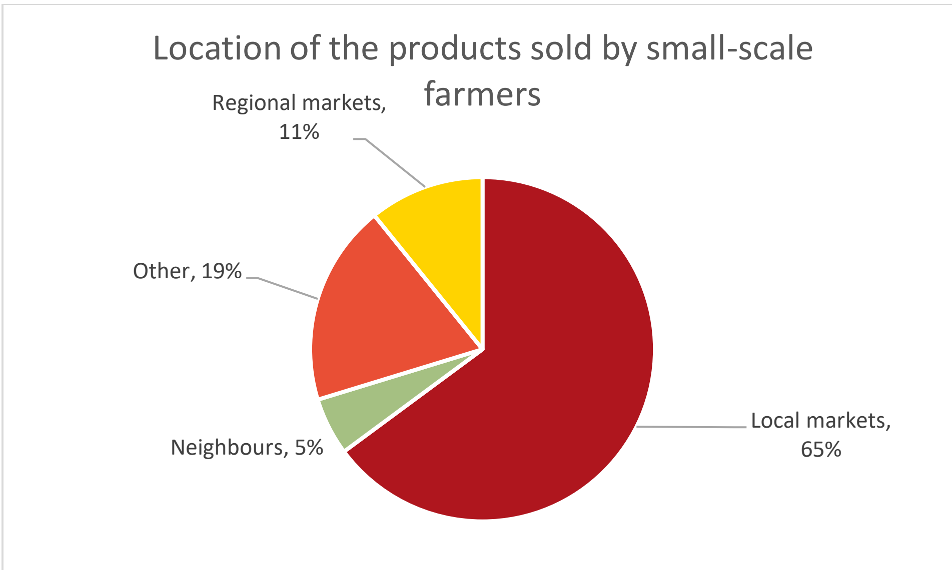

Figure 3. Location Of the Products Sold by Small-Scale Farmers

Conflict impact on subsistence and small-scale farmers

High reliance on agriculture as a primary source of income puts a large proportion of farmers across areas of concern at risk due to the known impacts of the conflict. This is particularly pertinent in consideration of reduced incomes from agricultural livelihoods, as reported by Key Informants. Agricultural specialists across all surveyed oblasts highlighted a decline in farmers' incomes over the past year for those engaging in both crop and livestock production.[14] Critically, the conflict has resulted in increased costs of key inputs (such as seeds, equipment, and utilities) which contributes to reduced yields. In tandem, contamination, as well as decreased demand due to conflict-driven displacement, has also reduced income streams due to the disruption to production and selling respectively.

[13] Key Informant Interviews with Agriculture Specialists, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.
[14] Key Informant Interviews with Agriculture Specialists, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts

As one agricultural specialist in Dnipropetrovsk reports:

“We experienced a significant decrease in income due to drought, low purchase prices, and high prices for fuel and seeds.” [15]

Please note environmental impacts will be acknowledged later in this report.

This quotation is in line with the findings of the Ukraine Crisis Analysis Team in March 2024, which reported mine and UXO contamination, destruction or damage of infrastructure, increased production costs and labour shortages, lower purchasing power and decreased demand, access to affordable inputs and services, and environmental impact as primary obstacles for farmers.[16]

Additional production costs were consistently reported as key barriers to farmers. Many farmers, particularly in Chernihiv, Kherson, and Mykolaiv Oblasts, reported incurring additional livelihood expenses following conflict-related impacts, including rising costs for seeds, fertiliser, irrigation system, veterinary care, and machinery rental.[17] This was corroborated by 75% of agriculture specialists who reported farmers incurred extra expenses to recover production or mitigate some of the war's effects.[18]

Findings from the first Livelihood baseline report in 2023 flagged the challenges that limited storage facilities and irrigation systems posed on agricultural livelihoods. This was further supported by KIs in this study.[19] Key challenges reported in selling agricultural products supported an understanding of the barriers to making an income aligned with pre-war standards. Key Informants reported that logistical issues, such as high transportation costs, poor road conditions, limited access to markets as well as insufficient storage facilities were all contributing to low-profit margins.[20] It is worth acknowledging that all these factors are being exacerbated by the conflict across Ukraine.

These barriers demonstrate the necessity to support farmers with value chain development, such as improving transportation infrastructure, facilitating direct market access, and providing affordable storage solutions to help agricultural households. To better illustrate the impact, it has been observed that producers are forced to sell at lower prices to avoid losing their harvest or production due to the lack of storage facilities that would allow for a more prolonged sales strategy. One focus group discussion participant from Kherson Oblast reported:

[15] Key Informant Interviews with Agriculture Specialists, Dnipropetrovsk Oblast.

[16] Ukrainian Agriculture: Promoting Resilience in the Face of Upheaval PowerPoint Presentation

[17] Key Informant Interviews with Farmers, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.

[18] Key Informant Interviews with Agriculture Specialists, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.

[19] Key Informant Interviews with Farmers, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.

[20] Focus Group Discussions with Farmers, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.

"After harvesting I am forced to immediately sell my grain for 5,000 UAH per ton, and now it sells for 8,000 UAH per ton, but I have no facility or opportunity to store grain."[21]

Additionally, a significant decrease in the cultivated land area was noted, driven by rising inputs costs, as well as mine and UXO contamination in certain areas. Notably, none of the specialists or focus group discussion participants reported any increase in cultivated land.[22] Some focus group discussion participants reported having to take up outside work (mostly part-time and unskilled jobs) to cover additional expenses, while some others also reported actively seeking humanitarian aid as a source of additional income.[23] This coping strategy for additional income is also reported in DRC's protection monitoring: 7% of households across the same oblasts reported in October 2024 that humanitarian assistance was their primary source of income.[24] As well, is important to highlight that "1.5 Million people derived more than half of their household income from social protection" according to IOM DTM October 2024.

Data comparing land ownership to cultivation underlines the increasing trend for farmers to reduce the cultivated area of their land due to financial or safety constraints. Kherson Oblast reported the highest average land ownership (1.39 hectares) and cultivation (0.98 hectares), reflecting its strong agricultural focus. Conversely, Zaporizhzhia Oblast had the lowest land ownership (0.39 hectares) and cultivation (0.31 hectares). Importantly, while approximately 80% of respondents reported owning agricultural land, only 65% actively utilized their land for cultivation. This 15% gap underscores the challenges faced by conflict-affected households in maximizing their agricultural potential. The underutilization was most prominent in Mykolaiv and Zaporizhzhia, where insufficient irrigation systems and security concerns hindered agricultural activity. [25]

Small-scale and subsistence farmers also reported explosive ordnance damage and contamination as a major constraint, forcing some to reduce the amount of land they cultivated or stop their agricultural activities completely. One focus group discussion participant reported:

"I don't cultivate the land now, because five bombs were dropped on our land and destroyed it completely. Only this year did we slowly return to do a little bit of work on it."[26]

Sixty-one percent (61%) of agricultural specialists also reported that agricultural assets in their area had been destroyed or damaged during the war.[27] DRC's registration data for agricultural

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[21] Focus Group Discussion with Farmers, Kherson Oblast.
[22] Key Informant Interviews with Farmers and Agriculture Specialists, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.
[23] Focus Group Discussions with Farmers, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.
[24] DRC Ukraine Protection Monitoring September-October 2024
[25] BHA Livelihoods Baseline Evaluation. November 2023. Danish Refugee Council. https://reliefweb.int/report/ukraine/ukraine-livelihoods-baseline-evaluation-mykolaiv-dnipropetrovsk-zaporizhzhia-and-kherson-oblasts-october-november-2023.
[26] Focus Group Discussions with Farmers, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.
[27] Key Informant Interviews with Agriculture Specialists, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.

inputs found further evidence of contaminated land affecting farming; 25% of respondents cited land contamination as a significant barrier to cultivation, primarily due to mines and unexploded ordnance (UXO). This issue was especially prevalent in Kherson Oblast, where 30% of respondents indicated that UXO restricted their ability to farm safely. In Zaporizhzhia Oblast, 28% of respondents reported avoiding certain plots entirely due to safety concerns, compounding the region's already low levels of land utilisation (Mykolaiv Oblast with 72.2%, and Zaporizhzhia Oblast with 70.5%).[28]

Climate change impacts such as extreme weather were also raised in interviews and focus group discussions, highlighting a need to support farmers adapt to these new realities through new approaches and sustainable irrigation solutions.[29] For instance, in addition to multiple conflict-related issues, one farmer in Mykolaiv noted the *"unfavourable weather this year, very hot and dry"* as the major challenge he faced.[30] Likewise, a farmer from Zaporizhzhia illustrated that *"this year, we planted fifteen buckets of potatoes and harvested only four because of severe drought."*[31] Operations in Southern and South East Ukraine will be closely monitored throughout the project timeline to better understand necessary tailoring in agricultural practices to cater for these changes, such as improved irrigation and drainage systems, which were regularly referenced in the first baseline evaluation in 2023, particularly in light to damages caused by the Kakhovka Dam disruption.[32]

Availability and Cost of Agricultural Inputs and Services

Access to agricultural products and services has been significantly affected since the full-scale invasion. Farmers consistently cited increased prices, especially for fertilisers and pesticides, as a key barrier to recovery and expansion of agricultural activities. The trends of increased prices for inputs and decreased prices for outputs have been confirmed by FAO[33], who found that almost all agricultural enterprises involved in crop production (93%) reported an increase in production costs, with over two-thirds of them (81%) recording significant or drastic increases (more than 25%) since the start of the war. Similarly, around two-thirds (76%) of agricultural enterprises involved in livestock production reported increases in production costs, with over half of them (60%) recording a significant or drastic increase.

Furthermore, selling products remains challenging due to high transportation costs, low-profit margins for produce, and decreased demand due to decreased purchasing power.[34] One focus group discussion participant from Zaporizhzhia Oblast reported that they are selling their milk at

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[28] DRC Ukraine Registration Data for Agricultural Inputs under BHA Grant October 2023 to September 2024.

[29] Focus Group Discussions with Farmers, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.

[30] Focus Group Discussion with Farmers, Mykolaiv Oblast.

[31] Focus Group Discussion with Farmers, Zaporizhzhia Oblast.

[32] Livelihoods Baseline Evaluation. December 2023. Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia Oblasts, Danish Refugee Council Ukraine

[33] [7] FAO, 'Impact of the war on agricultural enterprises', 2023.Ukraine: Impact of the war on agricultural enterprises

[34] Key Informant Interviews and Focus Group Discussions with Farmers, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.

the local factory at a relatively low price because transportation costs to bring their products to the market are too high, and their volume of produce is too low to make up for this.[35] Another focus group participant in Mykolaiv Oblast stated that:

"The purchasing power of people who come to the bazaar is low, while for us the selling price is not profitable and does not even cover our expenses... If a person used to buy 20 kilograms of tomatoes, now he buys only five kilograms."[36]

Transportation options have also become more limited or more expensive, with one farmer from Sumy reporting:

"A minibus used to run to Sumy and I used it to bring my honey to the market. But now it no longer runs so I cannot bring my products to the market, I don't have my means of transportation."[37]

These barriers demonstrate the necessity to support farmers with value chain development, such as improving transportation infrastructure, facilitating direct market access, and providing affordable storage solutions to help agricultural households. To illustrate, one focus group discussion participant from Kherson Oblast reported:

"After harvesting I am forced to immediately sell my grain for 5,000 UAH per ton, and now it sells for 8,000 UAH per ton, but I have no facility or opportunity to store grain."[38]

Both subsistence and small-scale farmers reported that they expect to face escalating challenges in the next six months (from November 2024 to April 2025) including rising input prices, particularly for fertilisers and animal feed, narrowing profit margins, limited access to financing, and shortages of skilled labour.[39] At the same time, it is reported that subsistence farming is increasing as a livelihood strategy for households facing economic insecurity and job losses.[40]

These financial limitations have been further compounded by a lack of access to finance. Across all Oblasts, participants expressed a relatively high reluctance to access credit, due to the insecure context and the fear of being unable to repay loans, as well as prohibitively high interest rates to access credit.[41] Only four out of 43 respondents noted decreased loan availability, suggesting financial service providers are not offering products aligned with market needs. As an alternative to taking on expensive debt, almost 50% (12 out of 29) of farmers reported diversifying into non-agricultural work, while seven stated they received humanitarian aid.[42] It

[35] Focus Group Discussion with Farmers, Zaporizhzhia Oblast
[36] Focus Group Discussion with Farmers, Mykolaiv Oblast.
[37] Focus Group Discussion with Farmers, Sumy Oblast.
[38] Focus Group Discussion with Farmers, Kherson Oblast.
[39] Focus Group Discussions with Farmers, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.
[40] Key Informant Interviews with Agriculture Specialists, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.
[41] Focus Group Discussions with Farmers, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.
[42] Key Informant Interviews with Farmers, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.

was acknowledged in interviews that whilst loans are available, the significantly increased interest rates and default risks are reducing demand[43]; as one participant from Zaporizhzhia Oblast stated:

"It is possible to get a loan without any problems, but the interest rate is very high and for larger loan amounts very significant collateral is required."[44]

Farmers estimate investment expenditures for the upcoming season to range from 8,000 UAH to 70,000 UAH per hectare, with an average of 15,000 UAH per hectare.[45] Agricultural specialists have repeatedly reported increased costs for inputs and services since the conflict began. However, a minority in Chernihiv, Dnipropetrovsk, Kherson, and Sumy observed some price decreases in the last six months.[46][47]

Markets in all oblasts reportedly remain functional, allowing farmers to procure inputs such as fertilisers and pesticides.[48] At the same time, the increased prices noted above are a significant barrier to farmers wanting to buy these inputs.[49] Most farmers source inputs locally, while in Kherson and Sumy Oblasts, online purchases were also noted. Veterinary services remain accessible according to 91 % of agriculture specialists[50], with stable or rising prices.[51] Furthermore, one focus group participant in Mykolaiv Oblast also noted that counterfeit versions of branded products have started circulating on the market[52]; these versions are much lower quality products but sold at the same high prices.

Key informants in newly targeted areas (Chernihiv, Sumy, and Kharkiv Oblasts) as well as focus group discussion participants also confirmed that markets are functional, however, some participants (particularly those in Mykolaiv Oblast) indicated that some are higher in cost and lower in quality compared to pre-escalation.[53] Furthermore, in line with findings from other regions, a participant reported that:

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[43] Focus Group Discussions with Farmers, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.

[44] Focus Group Discussion with Farmers, Zaporizhzhia Oblast.

[45] Key Informant Interviews with Farmers, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.

[46] Key Informant Interviews with Agriculture Specialists, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.

[47] Key Informant Interviews with Agriculture Specialists, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.

[48] Key Informant Interviews with Agriculture Specialists and Farmers, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.

[49] Key Informant Interviews with Farmers, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.

[50] Key Informant Interviews with Agriculture Specialists, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.

[51] Focus Group Discussions with Farmers, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.

[52] Focus Group Discussion with Farmers, Mykolaiv Oblast.

[53] Focus Group Discussions and Key Informant Interview with Farmers, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.

"Everything is accessible, but everything has become more expensive during this time, while the price we get for our vegetables has not increased much."[54]

DRC will bring its experience in addressing market constraints and reducing the costs of doing business in the South and Southeast of Ukraine to these new areas of operation.

Farmers plan input purchases ahead of the spring agricultural season, typically between August and October, to take advantage of lower autumn prices. Autumn and winter are peak trading periods for crop-related inputs, but these can and are still bought in early spring as well. February and March are critical for livestock and poultry supplies, whereas fodder can be bought at the lowest price at harvest time.[55] Many key informants and focus group discussion participants emphasised that their financial situation did not leave them much flexibility for cost-efficient procurement.[56] One farmer summarised: *"I buy when there is money."*[57]

Training Needs

Agriculture specialists advocated for training for subsistence and small-scale farmers to be more skilled, focusing on enhancing agricultural practices through improved and innovative techniques and technology, including climate-smart agriculture. For small-scale farmers, additional recommendations included entrepreneurship and record-keeping training. However, some specialists across all oblasts stated that no training was necessary for subsistence farmers as they can rely on their own experience and do not necessarily have an interest in training[58]. This provokes a considered approach to agricultural trainings in programming, targeted at areas that do not feel that they can rely on their own experience.

The training was reportedly seen as an asset and important component of required support amongst some participants: whilst they reported that they could find technical information online, some found it is not sufficiently contextualised or accurate[59]. Apart from the Internet, few farmers were aware of training opportunities or providers they could access.[60] One participant from Mykolaiv Oblast stated:

"We simply don't know what kind of training is available and who organises it. If there were organisations that would arrange something like that [training] for farmers, we would gladly participate and learn something."[61]

[54] Focus Group Discussions with Farmers, Mykolaiv Oblast.
[55] Focus Group Discussions with Farmers, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.
[56] Focus Group Discussions and Key Informant Interviews with Farmers, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.
[57] Focus Group Discussions with Farmers, Mykolaiv Oblast.
[58] Key Informant Interviews with Agriculture Specialists, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.
[59] Focus Group Discussions with Subsistence and Small-Scale Farmers, Chernihiv, Sumy, Kharkiv, Mykolaiv, Kherson, Dnipropetrovsk, and Zaporizhzhia Oblasts.
[60] Focus Group Discussions with Farmers, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.
[61] Focus Group Discussion with Farmers, Mykolaiv Oblast.

Discussions with participants showed an appetite for technical training to improve the quality and quantity of production, with fertiliser use, greenhouse cultivation, crop rotation, pest control, soil treatment, and new technologies mentioned as examples.[62] One participant from Dnipropetrovsk Oblast shared:

"We get a lot of information from the Internet, but it often happens that the information there is not fully correct. I would like to be trained by specialists who really understand agriculture, and who specialise in our region and know the specifics."[63]

Lack of time was most frequently reported as a barrier to taking trainings, with a lack of resources to pay for training and a lack of training providers also mentioned.[64]

Whilst training was mentioned in discussions, it is important to acknowledge that some did not see any need for training as they have been involved in agriculture for a significant amount of time already or could not focus on learning due to conflict-induced stress. Therefore, DRC programming must be responsive to provide skills training where these needs are in demand or leverage existing knowledge and expertise in populations who do not require it.

New Livelihood Development

The war impacted, reduced, and destroyed the livelihoods of a large proportion of respondents interviewed through several compounding factors: large-scale displacement, livelihood asset damage and destruction, and business closures. Simultaneously, individuals reported that the circumstance also created additional household and caregiver responsibilities for some groups. A lack of skilled labour and mass displacement of the workforce continued to be reported by both rural and urban enterprises as a barrier to business recovery and expansion, as found in the previous year's assessment.[65] Therefore, promoting new livelihood opportunities through access to decent employment remains critical to stimulating economic recovery.

Employment Demand and the Labour Market

The landscape of employment demand in Ukraine has changed since the full-scale invasion, with businesses reporting gaps in skilled labour. Simultaneously, in Chernihiv, Kharkiv, Kherson, and Mykolaiv Oblasts there was a reportedly higher supply than demand for unskilled labour, demonstrating labour market disequilibria both on the demand and supply side. It is worth acknowledging that in Dnipropetrovsk and Zaporizhzhia Oblasts, key informants did not specify this need for unskilled labour, suggesting demands for more skilled labour in those oblasts.

[62] Focus Group Discussions with Farmers, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.
[63] Focus Group Discussions with Farmers, Dnipropetrovsk Oblast.
[64] Focus Group Discussions with Farmers, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts
[65] BHA Baseline Report, DRC, December 2023

Table 4 shows the reported requirements for unskilled labour per oblast:

Table 4. Unskilled Labour Requirements Per Oblast

Oblast	Unskilled Labour Requirements
Chernihiv	Cooks Seamstresses Hairdressers Willingness to work: multisectoral*
Kharkiv	Drivers Cleaners Tractor Operators
Kherson	Agricultural Workers Willingness to work: multisectoral*
Mykolaiv	Willingness to work: multisectoral*
Sumy	Agricultural worker Truck operator Combine harvester operator Driver

**Willingness to work: multisectoral is the data re-coding for instances where the KI specified that they simply required an individual with a willingness to work without any skills across multiple business sectors.*

DRC consulted the Skills4Recovery report to understand what the top skilled occupations in priority economic sectors are:

SECTOR	Construction	Agriculture	Transport and Logistics	Services
OCCUPATION	• Welder • Electrician	• Agricultural Drone operator • Specialist in repair of agricultural machinery and equipment	• Forklift driver • Locksmith for the repair of wheeled vehicles	• Rehabilitation and massage specialist • IT

When it comes to wage employment, there was a clear general consensus amongst focus group and key informant interview participants that employment opportunities had deteriorated or at most stayed the same since the start of the war, with fewer vacancies available[66]. In Zaporizhzhia, Mykolaiv, Kherson, and Kharkiv Oblasts employment centre focal points reported across the board that there are more people seeking jobs than there are jobs available in their areas. However, in Dnipropetrovsk Oblast, one employment centre focal point stated that there are

[66] Focus Group Discussions with Jobseekers, Kharkiv, Dnipropetrovsk, Zaporizhzhia, Kherson, and Mykolaiv Oblasts and Key Informant Interviews with Employment Centre Focal Points, Dnipropetrovsk, Kharkiv, Kherson, Mykolaiv, and Zaporizhzhia Oblasts.

enough jobs available, while another specified that there are many job offers for men but not enough for women.[67]

In addition to noting that there are fewer jobs available now than before the full-scale invasion, some focus group discussion participants also noted increased demand for technical and practical skill-based roles.[68] Focus group discussion participants also noted the steady or increased demand for male workers in some areas, with one person from Mykolaiv Oblast reported:

"Men are needed in every field of activity, business due to mobilisation."[69]

Almost all job centres consulted indicated that there are more people seeking jobs than there are jobs available, with one centre in Dnipropetrovsk reporting that this is particularly related to job opportunities for women. When asked why the number of jobseekers is higher than the employment supply, respondents attributed the higher number of jobseekers to local businesses shutting down or relocating. The few job centres that reported balanced demand and supply relate this to displacement diminishing the labour force and also to the restoration of business activities creating new vacancies.[70]

According to findings, the sectors with the highest demand for workers were retail (20%), agriculture (15%), public administration (10%), transportation (10%), and health care and social sphere (10 %) according to employment centre key informants.[71]

Jobseeker Preferences

Given the climate of limited opportunities, jobseekers reported that the labour market did not allow them to be too selective; therefore, a large proportion of those surveyed reported a willingness to accept any job they could find.[72] This is a notable change compared to findings of a similar assessment that took place in 2023, which found a higher proportion of jobseekers only willing to consider employment in certain sectors.[73]

Employment centres reported that despite the security situation and other barriers to employment, jobseekers still mostly prefer in-person employment modalities. Only in Kherson Oblast did employment centres indicate that there was also a noticeable demand for remote jobs as a result of the security situation there, while in Dnipropetrovsk and Zaporizhzhia Oblasts the centres noted a preference for hybrid working arrangements in addition to in-person ones.[74]

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[67] Key Informant Interviews with Employment Centre Focal Points, Dnipropetrovsk, Kharkiv, Kherson, Mykolaiv, and Zaporizhzhia Oblasts

[68] Focus Group Discussions with Jobseekers, Kharkiv, Dnipropetrovsk, Mykolaiv, Kherson and Zaporizhzhia Oblasts.

[69] Focus Group Discussion with Jobseekers, Mykolaiv Oblast.

[70] Key Informant Interviews with Employment Centre Focal Points in Dnipropetrovsk, Kharkiv, Kherson, Mykolaiv, and Zaporizhzhia Oblasts.

[71] Key Informant Interviews with Employment Centre Focal Points in Dnipropetrovsk, Kharkiv, Kherson, Mykolaiv, and Zaporizhzhia Oblasts.

[72] Focus Group Discussions with Jobseekers, Kharkiv, Dnipropetrovsk, Zaporizhzhia, Kherson, and Mykolaiv Oblasts

[73] DRC, Livelihoods Baseline Evaluation in Mykolaiv, Dnipropetrovsk, Zaporizhzhia and Kherson Oblasts, 2023.

[74] Key Informant Interviews with Employment Centre Focal Points in Dnipropetrovsk, Kharkiv, Kherson, Mykolaiv, and Zaporizhzhia Oblasts.

Jobseekers reported a preference for permanent employment contracts due to the relative level of security this offers. Discussions with jobseekers highlighted the conflict between interest in entrepreneurship, as it is recognised that this comes with high earning potential, with concerns that insecurity caused by the conflict makes it a less secure option.[75] As one FGD participant in Kharkiv reported:

"*One day you open something, and tomorrow it will fly away and you will be left without a penny*."[76]

The most commonly cited entrepreneurship options were in agriculture perhaps reflecting existing skills and assets rather than its high income potential.[77] Salary expectations also guided preferred sectors for wage employment; focus group discussion participants overwhelmingly reported salary as the most important factor, while some also mentioned the work schedule.[78] Despite this, interviews with jobseekers also showed an increasing propensity to take a role despite it not reaching their exact requirements[79], highlighting the desire for employment and the fact that many jobseekers do not feel like they have a strong position in the job market.

Jobseeker preferences must be considered in the context that the primary driver of livelihood vulnerability is insufficient income. Critically, 48% of households across Ukraine earn below the minimum subsistence level (<6,471.4 UAH)[80], forcing many to take up negative coping strategies[81]. Notably, displaced female-headed households (FFHs), FHHs with children, Roma people, older people, and people with disability continue reporting discrimination and feeling pressured to accept jobs with lower salaries or riskier working conditions.[82]

It is thus important to not just provide access to employment opportunities for vulnerable groups, but also to ensure and enforce employment standards such as fair income, security in the workplace, adherence to labour policy, and equality of opportunity and treatment. According to IOM "18% of the IDPs left their previous location due to lack of livelihood opportunities."[83] This leads to a double burden following a new forced displacement, driven not only by the conflict but also by the lack of resources to sustain the household.

Barriers to Employment

There are numerous issues hampering access to employment for conflict-affected vulnerable populations. According to the most recent Multisector Needs Assessment conducted by Impact Initiative and REACH, IDP households continue to display higher needs across all sectors.

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[75] Focus Group Discussions with Jobseekers, Kharkiv, Dnipropetrovsk, Zaporizhzhia, Kherson, and Mykolaiv Oblasts.
[76] Focus Group Discussion with Jobseekers, Kharkiv Oblast.
[77] Focus Group Discussions with Jobseekers, Kharkiv, Dnipropetrovsk, Zaporizhzhia, Kherson, and Mykolaiv Oblasts.
[78] Focus Group Discussions with Jobseekers, Kharkiv, Dnipropetrovsk, Zaporizhzhia, Kherson, and Mykolaiv Oblasts.
[79] Focus Group Discussions with Jobseekers, Kharkiv, Dnipropetrovsk, Zaporizhzhia, Kherson, and Mykolaiv Oblasts
[80] This is based on the Ukraine Minimum Expenditure Basket Figure (per person per month) that the Cash Working Group provided for the 2025 HNRP (MSNA)
[81] REACH multi-sectoral needs assessment September 2024
[82] CARE Rapid Gender Analysis August 2024 CARE's PPT Template
[83] IOM Displacement tracking matrix-DTM. Employment, income, and displacement analysis section.

However, "specific demographic groups among IDPs households may remain more vulnerable in conflict-affected urban settlements than non-displaced HHs such as those households with a registered or reported disability. 74% of IDP HH with disability reported livelihood needs compared to 69% of non-IDP HH with reported with disability".[84]

Critically, factors such as mismatch labour and skills, displacement, gender, age, disability, location (urban vs rural), and limited access to transportation, intersects and compound one another. Hese overlapping challenges create significant barriers to employment, further deepening individuals' vulnerability and economic insecurity. According to the Ukraine Labor Market and Skills Needs Assessment, "8% of employers acknowledge unprepared workplaces as a barrier to employing people with disabilities. This points to a lack of accessibility infrastructure and inclusive work environments. 7% of employers cite regulatory restrictions on employing people with disabilities. This suggests potential legal hurdles and discriminatory practices within the existing labour laws. Despite acknowledging these barriers, a significant 60% of employers claim no obstacles exist, attributing the lack of people with disabilities employment to them not seeking work. This indicates a gap in understanding the challenges faced by people with disabilities"[85].

Employment centres, identified by DRC as important key informants to understand the supply and demand of the labour markets in the areas where they are active, reiterated the mismatch between the skillsets of jobseekers and local labour market demand, as well as the further disparity between salary expectations and market rates as the most significant barriers to jobseekers finding decent employment.[86] When considering skills that would make it easier to access employment, computer and IT skills were often mentioned by jobseekers, as well as Ukrainian and English language skills, and possession of a driving license.[87] In interviews with employment centre focal points, computer skills and literacy also came out very clearly, as well as the demand for technical skills related to highly specialised vocations, e.g. related to engineering and construction.[88] These findings indicate that access to certain sectors, in the context of a mismatch between skills and requirements, is further exacerbated without access to training opportunities.

Displacement was reported in the 2023 Baseline Evaluation as a key barrier to employment, with employers openly discriminating against IDPs based on perceived insecurity of their duration in the role.[89] In 2024, these issues continued to be reported. For example, IDPs reported discrimination due to being registered in their area of origin or previous displacement, leading to employer uncertainty as to whether they planned to remain in the area. One IDP focus group participant in Zaporizhzhia Oblast reported:

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[84] REACH 2024 "Multi-Sectoral Needs Assessment MSNA 2024, Ukraine"
[85] Ukraine Labor Market and Skills Needs Assessment state trends and prospects, 2024, Page 56.
[86] Key Informant Interviews with Employment Centre Focal Points, Dnipropetrovsk, Kharkiv, Kherson, Mykolaiv, and Zaporizhzhia Oblasts.
[87] Focus Group Discussions with Jobseekers, Kharkiv, Dnipropetrovsk, Mykolaiv, Kherson and Zaporizhzhia Oblasts.
[88] Key Informant Interviews with Employment Centre Focal Points in Dnipropetrovsk, Kharkiv, Kherson, Mykolaiv, and Zaporizhzhia Oblasts.
[89] Livelihoods Baseline Evaluation Danish Refugee Council Ukraine October 2023

"I've had employers ask me if I want to stay in this place and whether I'm sure I'm not going to move. They ask you if you have relatives in the area so that there is something that will keep you there."[90]

One focus group discussion participant from Kharkiv Oblast was told:

"You're not from here, we want our people, from our region."[91]

When business specialists were asked about the main barriers for IDPs accessing employment, housing and stability issues were most often referenced, as well as a lack of documentation[92], again highlighting the need to implement a multi-sectoral response.

It is worth acknowledging that one participant reported that *"in some situations, businesses are interested in hiring IDPs because they will receive payments from the state"*[93] showing some incentivisation from local government to encourage the hiring of IDPs; a change since the first baseline was conducted by DRC in 2023. While this is a positive labour market policy, careful consideration must be given to its potential impact on social cohesion between residents and displaced populations. Programs that use IDP status as the sole criterion for social protection, humanitarian, or nexus aid risk creating tension, especially in conflict-affected areas where vulnerable host communities also face structural needs and require support.

Gender also played an important role as a barrier to employment, according to participants. Some employers reportedly explicitly favour male candidates for certain roles or discriminate against women due to concerns that they might get pregnant and take maternity leave.[94] Furthermore, while there are existing instances of increased demand for women's employment in some sectors[95][96], some employers maintain the view that women are not capable of doing certain jobs, particularly those requiring physical labour. One business owner, for instance, reported

"The biggest challenge I face is a shortage of male workers, as physical strength and certain skills are required to carry out repair work done by my enterprise."[97]

Likewise, a business specialist in Chernihiv Oblast said*:*

"There are many jobs where only men can work, for example, tractor drivers, combine harvesters, drivers."[98]

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[90] Focus Group Discussion with Jobseekers, Zaporizhzhia Oblast.
[91] Focus Group Discussion with Jobseekers, Kharkiv Oblast.
[92] Key Informant Interviews with Business Specialists, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.
[93] Focus Group Discussion with Jobseekers, Zaporizhzhia Oblast.
[94] Focus Group Discussions with Jobseekers, Kharkiv, Dnipropetrovsk, Zaporizhzhia, Kherson, and Mykolaiv Oblasts
[95] REACH multi-sectoral needs assessment January 2024 p.4
[96] CARE Rapid Gender Analysis August 2024 CARE's PPT Template
[97] Key Informant Interviews with Business Owners in Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.
[98] Key Informant Interview with Business Specialists, Chernihiv Oblast.

This prejudice in limited opportunities for women is compounded by a lack of availability of men. In Kharkiv, Kherson, and Zaporizhzhia Oblasts employment centres also emphasised the reluctance of people, particularly men, to leave their homes due to fears of insecurity or conscription; meaning that labour market demand for male labour is not being met. In DRC's Protection Monitoring[99], a KI from Chernihiv Oblast stated that men live in constant fear, anxiety, and depression, hiding at home and avoiding daily activities to escape detection. Many have resigned from work, further destabilising family incomes and causing financial strain. Findings further highlighted the impact of the security situation on the willingness to do certain jobs and critically on people's mental health, which can prevent them from finding or retaining stable employment.

In addition to barriers related to perceptions of their ability to work based on their gender, female jobseekers often reported caregiver responsibilities and other household responsibilities as critical barriers to accessing employment opportunities. With many kindergartens remaining closed due to the lack of bomb shelters, women expressed a preference for part-time jobs or flexible working hours to balance family commitments.[100] For instance, one woman in Kharkiv Oblast shared:

"I have 3 children. I would like a job that would last until lunchtime or to work at night as a security guard.[101]

CARE's Rapid Gender Analysis of August 2024 confirmed that the lack of adequate childcare services is the top barrier to women's employment and that to balance paid work with household and caring roles, women increasingly seek part-time employment, occasional work, and ad-hoc short-term jobs.[102]

Business specialists also identified caregiver and household responsibilities as the most significant barriers for women seeking employment[103], further supported and confirmed by REACH's multi-sectoral needs assessment of January 2024. The assessment found that women aged 18-25 (15%) and women aged 26-50 (22%) were significantly more likely to report engaging exclusively in unpaid labour (housework, looking after children or other family members), compared to men in both age groups (1%).[104] There are numerous other sources that document increased unpaid responsibilities and the labour market not being inclusive or flexible for women who are compelled to combine paid work with unpaid care or household tasks.[105]

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[99] DRC Protection Monitoring Report, Q3: August to October 2024

[100] Key Informant Interviews with Business Specialists, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.

[101] Focus Group Discussion with Jobseekers, Kharkiv Oblast.

[102] CARE Rapid Gender Analysis, August 2024 CARE's PPT Template

[103] Key Informant Interviews with Business Specialists, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts

[104] REACH multisectoral needs assessment p.3

[105] See for instance REACH Rapid Economic Assessments in Mykolaiv Oblast and in Odesa Oblast, June 2023
Ukraine: Rapid Economic Assessment in Mykolaiv Oblast, June 2023 - Ukraine | ReliefWeb
Ukraine: Odesa Oblast Rapid Economic Assessment, June 2023 - Ukraine | ReliefWeb

In rural areas, a lack of transportation options was highlighted as a significant barrier towards employment. One focus group discussion participant in Kryvorizhkiy raion in Dnipropetrovsk Oblast, for instance, reported:

"There is poor transport accessibility, many villages cannot be reached by public transport, a bus runs at most once a week,"[106]

Similar responses came up frequently during other discussions with jobseekers.[107] This sentiment was echoed by business specialists, with one from Mykolaiv Oblast highlighting the "poor *transport connections between the village and the city."*[108]

As well as issues with transportation, rural households, those with members with disabilities, elderly households, and single-headed female households consistently report higher levels of unmet livelihoods needs compared to other groups[109] confirming the need to focus on vulnerability targeting in livelihoods programming.

Age discrimination emerged as a particularly significant barrier, especially for women. Focus group participants highlighted instances where older individuals were denied employment opportunities despite demonstrating willingness and capability. For example, one participant from Kharkiv Oblast shared:

"A new café opened in our area, and they needed girls in the kitchen. I went to apply for a position, but the owner said that I couldn't work there. I responded that they had not seen me work yet and that I would even work for free for a week. But they said no and that's it."[110]

Similarly, another participant from Kherson noted:

"People over 40 and the elderly cannot apply for vacancies; preference is given to young people."[111]

This sentiment was echoed by business specialists, where diverse barriers to employment that affect different population groups, with a distinct focus on IDPs and women. These barriers reportedly start from structural challenges such as housing instability and lack of transport to individual factors like motivation and gender-specific constraints. While some barriers are universal, others are uniquely tied to displacement or gendered roles.

General Barriers to Employment

As per below figure 8 From the general population surveyed, 38% reported facing no significant barriers to employment. However, uncertainty and lack of information were identified by 18% as a significant issue, followed by lack of motivation or desire to work (14%). Conflict-related

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[106] Focus Group Discussion with Jobseekers, Dnipropetrovsk Oblast.
[107] Focus Group Discussions with Jobseekers, Kharkiv, Dnipropetrovsk, Kherson, Mykolaiv and Zaporizhzhia Oblast.
[108] Key Informant Interviews with Business Specialists, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.
[109.] REACH Multi-Sector Needs Assessment 2024, Food Security and Livelihoods Findings, September 2024 PowerPoint Presentation
[110] Focus Group Discussion with Jobseekers, Kharkiv Oblast.
[111] Focus Group Discussion with Jobseekers, Kherson Oblast.

challenges, transport and accessibility issues, and gender and age-specific barriers were each reported by smaller groups, accounting for 8%, 6%, and 6%, respectively. Requalification (highlighted regularly by business owners and specialists in the subsequent section of analysis) needs and job availability issues were highlighted by 4%, reflecting a lesser but still noteworthy concern.

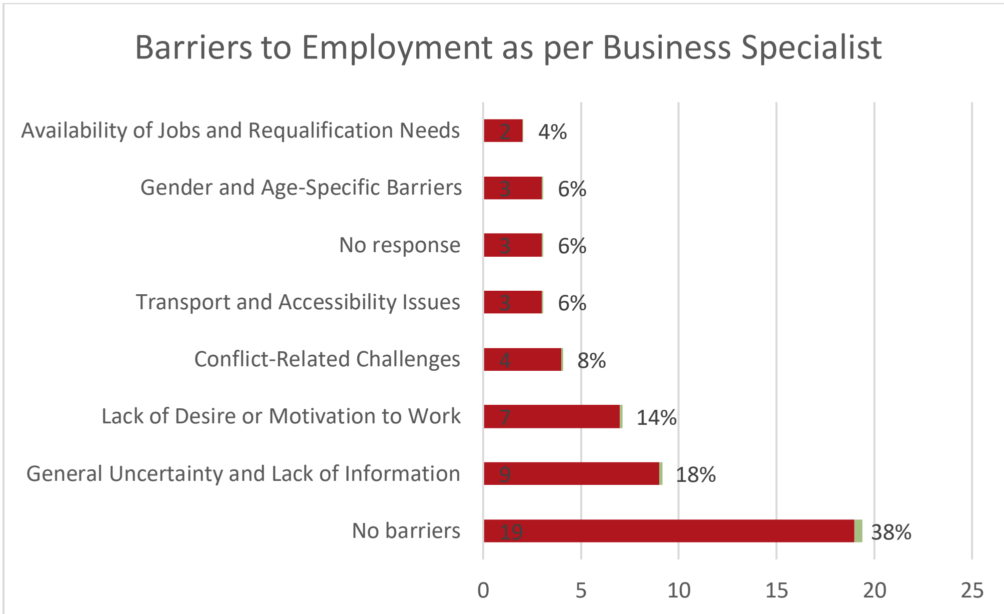

Figure 4. Barriers to Employment as per Business Specialists

Barriers to Internally Displaced People

Barriers faced by IDPs are notably tied to the instability and systemic challenges arising from displacement. The primary challenge identified was housing and stability issues, with 38% of IDPs highlighting it as a barrier to employment. This was compounded by reported issues surrounding community cohesion, with key informants reporting that individual attitudes and behaviours were the second most significant barrier, reported by 29%, indicating personal and potentially psychosocial factors at play. Furthermore, challenges related to skill mismatch (9%), lack of documentation (9%), and legal and institutional barriers (9%) reflect systemic obstacles that disproportionately affect displaced individuals.

Regional disparities, such as accessibility differences between urban and rural areas, were reported by 5%, emphasising the spatial inequities faced by IDPs in securing employment.

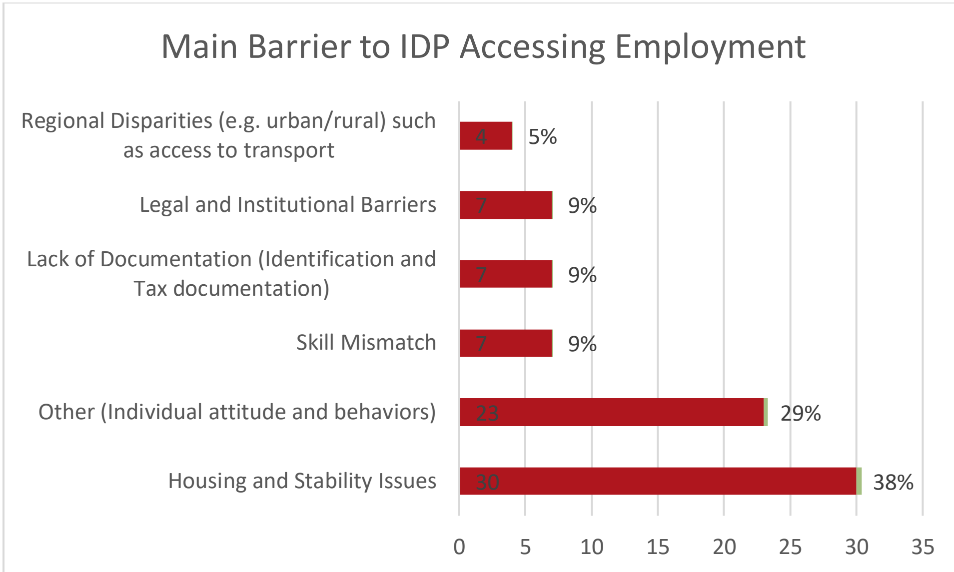

Figure 5. Main Barrier to IDP Accessing Employment

Barriers for Women

Reporting, in a continuation of findings from the previous baseline evaluation, shows that women encounter a distinct set of barriers rooted in societal and familial roles, as well as structural disparities. Childcare and family commitments stand out as the primary barrier, identified by 37% of respondents. This underscores the intersection of unpaid care work with employment challenges for women, which despite challenges due to conscription reducing the availability of men seeking and participating in the labour force, has not been eased or compensated.

Furthermore, conflict and displacement were reported by 23% of key informants as the main barrier for women accessing employment, highlighting the compounding effects of instability on women. It is further acknowledged that societal norms and stigma have resulted in systemic issues such as lack of education and training; this emerged as a barrier for 15%, reflecting a need for skills development to enhance employability.

In line with findings for other demographic groups, regional disparities such as transport accessibility accounted for 11% of reported barriers, aligning with broader infrastructure and spatial challenges.

Finally, it is worth acknowledging that personal motivation and gender-related issues were cited by only 8%; which perhaps underreports the embedded scale and nature of individual and societal constraints on women's employment opportunities; however, it can be argued that these norms are present in the aforementioned barriers, and must be considered in the building of a gender-sensitive economic recovery approach.

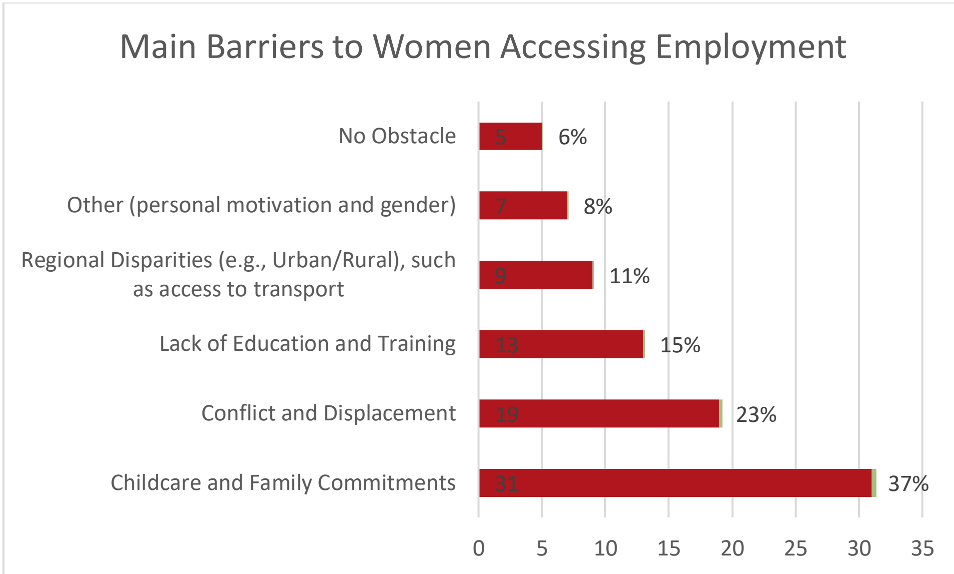

Figure 6. Main Barriers to Women Accessing Employment

Employment Services

All surveyed employment centres link individuals to training opportunities in a variety of fields, including education, retail, industry, agriculture, transportation, healthcare and social sphere, marketing, communication, public administration, and IT.[112] They also offer a variety of activities to connect jobseekers and employers, with job portals, career fairs and networking events, internship and apprenticeship programmes, and partnerships with educational institutions named most frequently.[113] Employment centres mostly indicated being active at the raion or hromada level, but not across an entire oblast without full coverage across the oblast, implying an underserving of rural and remote areas given that employment centres are usually located in more urban localities.[114] This may also result in reduced opportunities for linkages of skilled labour to fill key gaps.

In terms of challenges they face in providing job facilitation services, they reported a variety of reasons with the following as most notable: salary offered versus jobseeker expectation (26 %), jobseeker preferences (21 %), and mismatch between profiles of vacancies and candidates (19 %).[115]

Focus group discussion participants largely reported that they can access employment centres and associated services and that they are satisfied with their work, especially in Kherson,

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[112] Key Informant Interviews with Employment Centre Focal Points in Dnipropetrovsk, Kharkiv, Kherson, Mykolaiv, and Zaporizhzhia Oblasts.
[113] Employment centres mostly indicated to be active at the raion or hormada level, not within an entire oblast.
[114] Key Informant Interviews with Employment Centre Focal Points, Dnipropetrovsk, Kharkiv, Kherson, Mykolaiv, and Zaporizhzhia Oblasts.
[115] Key Informant Interviews with Employment Centre Focal Points, Dnipropetrovsk, Kharkiv, Kherson, Mykolaiv, and Zaporizhzhia Oblasts.

Mykolaiv, and Zaphorizhzia.[116] Some employment centres have started new initiatives to support jobseekers finding work. In Polohivkiy raion in Zaporizhzhia Oblast, for instance, they have started an online group called 'Space of Unity' to regularly share available vacancies.[117] Some participants did note the need to visit the centres in person is a barrier and would prefer to be able to access their services online or via phone. Separately, others reported frustration at the fact that job centres have strict eligibility criteria for people who want to obtain vocational training, citing examples such as the requirement to have a certain vulnerability profile or the ineligibility of individuals with secondary education.[118]

When jobseekers were asked about what other services they use they mentioned job search websites, HR departments of larger companies, job fairs, Telegram/Viber channels and word of mouth as parts of large informal groups looking for employment. Some focus group participants also expressed some frustration with and distrust of some of these channels.[119]

Livelihoods Restoration

Micro, small, and medium-sized enterprises (MSMEs) are the backbone of Ukraine's economy, comprising 99.98 % of all business entities in Ukraine, providing 74% of all jobs, and adding 64% of value.[120] They have remained surprisingly resilient in the face of the full-scale invasion, although it is also well-documented that the escalation of the war in February 2022 has had a significant impact on their operations as well as on the viability of new enterprises. The conflict has impacted existing businesses, in many cases forcing them to relocate, scale down, or halt operations, and stunted the creation of new businesses.

Conflict Impact and Challenges to Business Recovery

Relocation

The impact of the escalation of the war was strongly felt by business owners interviewed for this study. Conflict was reported as the main driver of business relocation. Upon the full-scale invasion, many businesses had no choice but to abandon or relocate their enterprises. Business owners in all oblasts surveyed reported that there were businesses in the area that had relocated, although the proportions differ from oblast to oblast. Fifty percent (50%) reported 'yes' in Kharkiv and Zaporizhzhia Oblasts, 40 % in Sumy, 28 % in Mykolaiv, 25 % in Dnipropetrovsk and Kherson Oblasts, and 18 % in Chernihiv Oblast.[121] The high proportion in Dnipropetrovsk and Zaporizhzhia Oblasts could be attributed to considerable relocation to Dnipropetrovsk Oblast away from the frontlines, as well as Zaporizhzhia taking on a considerable proportion of agricultural activities that were relocated from occupied hromadas of Kherson Oblast. Conflict and security concerns were reported by all business owners as behind relocation decisions. This is further supported by

[116] Focus Group Discussions with Jobseekers, Kharkiv, Dnipropetrovsk, Zaporizhzhia, Kherson, and Mykolaiv Oblasts
[117] Focus Group Discussions with Jobseekers, Zaporizhzhia Oblast.
[118] Focus Group Discussions with Jobseekers, Kharkiv, Dnipropetrovsk, Zaporizhzhia, Kherson, and Mykolaiv Oblasts
[119] Focus Group Discussions with Jobseekers, Kharkiv, Dnipropetrovsk, Zaporizhzhia, Kherson, and Mykolaiv Oblasts
[120] UNDP, Assessment of the Impact of the War on Micro-, Small-, and Medium-sized Enterprises in Ukraine, page 9
[121] Key Informant Interviews with Business Owners in Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts

the 67% of all business owners that reported economic instability attributed to conflict as a factor contributing to relocation.[122]

Each sector reportedly faced different challenges with relocation. Since primary sector companies depend on land and natural resources, many were not able to relocate, exposing them to ongoing impacts of the conflict such as shelling and contamination, as well as disrupted supply chains. Mobility for secondary sector businesses was also reportedly low, as they are dependent on long supply chains, warehouses, and other logistical infrastructures.

By contrast, there were fewer barriers to relocation for the service sector, given the relatively short value chain and relatively limited equipment required.[123] This emphasizes the necessity of a tailored support approach to different businesses based on the nature of the challenges they are facing due to the conflict. Business specialists reported that retail businesses were most likely to be able to relocate, as well as industry and construction.[124] Most likely this is related to the fact that it is easier for retail businesses to easily relocate relative to businesses in other sectors, while business specialists also reported retail to be the dominant business sector across all oblasts[125]. More detail is provided in the chart below.

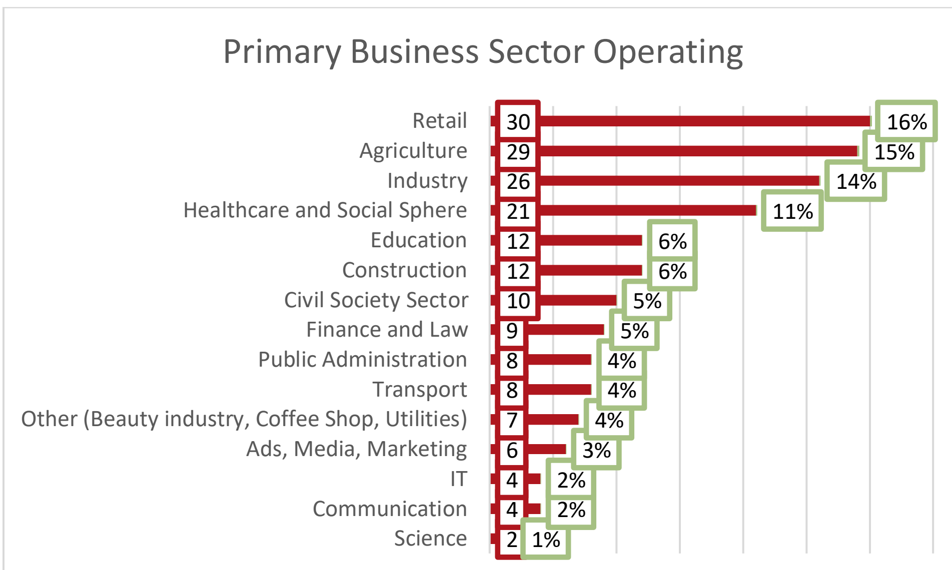

Figure 7. Primary Business Sector Operating in the Area

[122] Key Informant Interviews with Business Owners in Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts

[123] Ukrainian_SMEs_Report_compressed.pdf

[124] Key Informant Interviews with Business Specialists, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.

[125] Key Informant Interviews with Business Specialists, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.

Findings also suggest that urban businesses were more likely to relocate than rural businesses.[126] According to data from the Ministry for the Economy, 1,918 relocation applications had been filed as of November 2023. Of these, 841 (44%) companies were successful in officially relocating; however, it should be noted that only 667 (35%) were operational in their new locations. This demonstrates the importance of disaggregating between businesses that move, and businesses that were able to operate in their new location. This is further emphasized by the 52 businesses that chose to return to their original sites according to the MoE's relocation application tracking. This highlights the need for additional support for relocated businesses to succeed.

Impact on Business Functionality

In addition to forcing some businesses to relocate, the conflict has presented key challenges to business owners such as market uncertainty, access to capital, and recruitment and retention of staff. Power outages and higher costs of electricity were also considered key challenges for business operations.[127] As one business owner from Chernihiv Oblast reported:

"Rising prices for inputs are a big challenge, light is expensive, and I have to pay a lot for fuel to run a generator for 10 to 18 hours a day to keep up my operations."[128]

In line with the previous baseline report, conflict and security concerns, as well as wider economic instability came out as the most commonly reported factors impacting business closure.[129]During interviews with business specialists in all oblasts, access to finance, and a qualified workforce were named as the most important factors inhibiting business continuity, mentioned more than twice as often as market conditions and three times as much as supply chain disruptions.[130] It is also worth acknowledging that, importantly, human capital shortages also played a role (according to 26% of business specialists and 26% of business owners), confirming the importance of providing retraining opportunities. As will be referenced in the upcoming analysis, many jobseekers are struggling to access suitable training to up-skill to meet these skill demand gaps.

The key areas of impact were relocation, the impact on the cost of inputs, as well the necessity to scale down and close operations.

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[126] Key Informant Interviews with Business Specialists and Business Owners, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts

[127] Key Informant Interviews with Business Owners in Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.

[128] Key Informant Interview with Business Owner, Chernihiv Oblast.

[129] Key Informant Interviews with Business Specialists and Business Owners, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.

[130] Key Informant Interviews with Business Specialists, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.

Despite these challenges, it is notable that the findings also highlight the emergence of new businesses, even within the context of ongoing conflict. Several factors have contributed to businesses reopening or starting anew in the affected areas, as outlined in the table below.

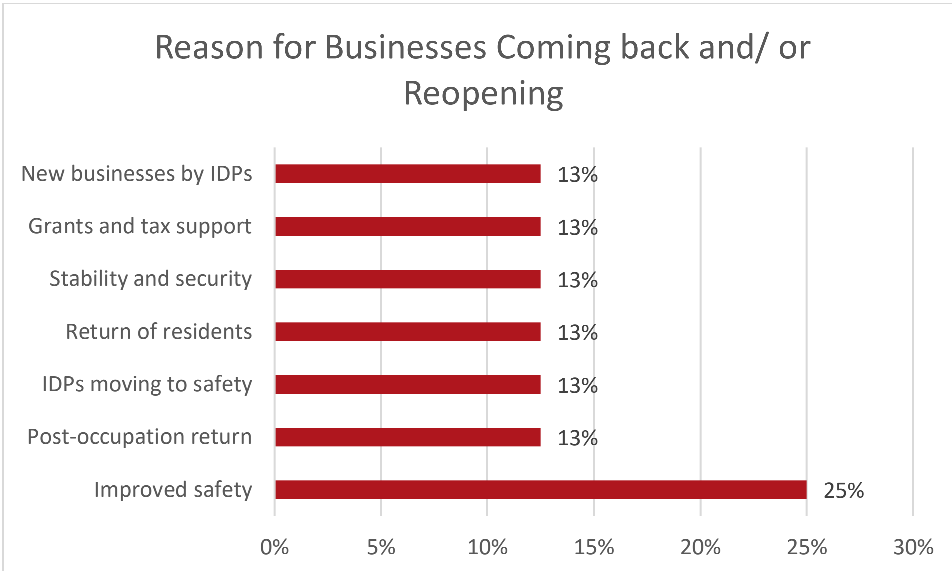

Figure 8. Reason for Businesses Coming back and/ or Reopening

These factors include increased stability and security, the return of residents, and the proactive engagement of IDPs in new business ventures. Additionally, grant support and improved tax monitoring have played a significant role in fostering a more conducive environment for business registration and operation.

The table below provides a detailed breakdown of these factors, illustrating the widespread and varied impact of the war on a variety of factors impacting business continuity.

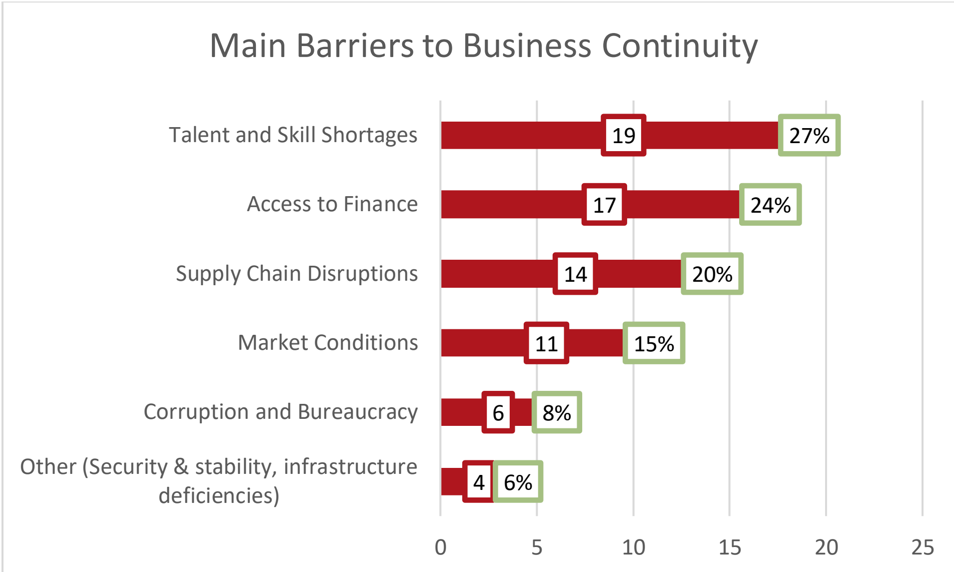

Figure 99. Main Barriers to Business Continuity

Scale Down

Analysis of the impacts of the conflict on businesses has demonstrated the induced economic instability across all business sectors, resulting in a scale-down or closure of operations in many cases. Seventy-one percent (71%) of business owners reported that their business had decreased operations since February 2022, and only 16 % reported operations had remained the same.[131] It is worth flagging that only 16% of Business Specialists reported that no businesses had closed in their area, with 12% reporting roughly half of businesses in their area had closed, 18% reporting that the majority of businesses had closed, and 54% reporting that a few businesses had closed[132], indicating there are relatively few areas where the conflict had not led to closures.

Business owners reporting correlated to the proportion of business scale-down illustrated by business specialists. At least 50% of business owners across all oblasts reported to have scaled down their operations, although there are some regional differences. For example, 65% of business owners in Chernihiv reported decreasing their operations since the full-scale invasion, 50% in Dnipropetrovsk, 75% in Kharkiv, 57% in Kherson, 89% in Mykolaiv, 70% in Sumy and 50% in Zaporizhzhia.[133] It is possible to see that, except for Zaporizhzhia, the majority of front-line oblasts are the worst affected by downscaling. Therefore, programming to support businesses in this area needs to be mindful and strategic in consideration of the shocks created by the conflict that result in downscaling, especially for businesses that cannot relocate.

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[131]Key Informant Interviews with Business Owners in Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.
[132] Key Informant Interviews with Business Specialists, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.
[133] Key Informant Interviews with Business Owners in Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.

Similarly to the challenges and barriers reported by business owners and specialists as part of this assessment, lack of financial resources, shortage of working capital, shortage of specialists, reduced consumer purchasing power, security, and governmental issues were reported as the main challenges faced by Ukrainian SMEs in the study by the Ukraine Crisis Analysis Team.[134]

New Business

Despite the challenging environment for businesses, key informants reported on new businesses being established, although reportedly this is more prevalent in oblasts no longer directly impacted by conflict. For instance, 20% of business specialists reported new businesses emerging in Chernihiv and 12% in Mykolaiv, while only 2% reported the same in Dnipropetrovsk and Mykolaiv, and 4% in Kharkiv, Sumy, and Zaporizhzhia.[135] This suggests opportunities for adaptive programming, and the importance of DRC's ongoing monitoring to identify windows of opportunity as the situation evolves in different oblasts.

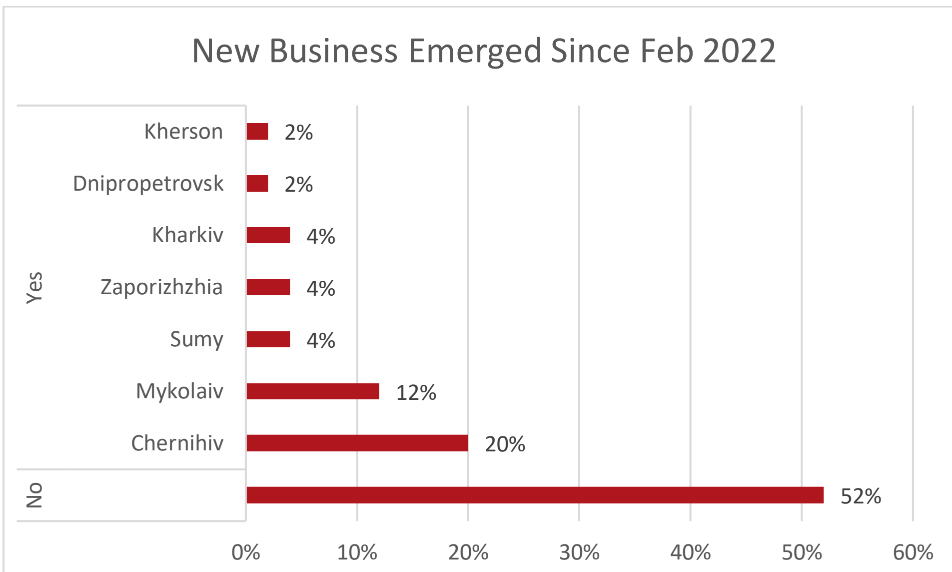

Figure 10. New Business Emerged Since Feb 2022

When asked about what they required to be able to further develop their business, access to finance was the most important thing reported by business owners and business specialists alike during key informant interviews,[136] demonstrating the importance of grant programmes to mitigate some of the current challenges of accessing financial services and products, and/or providing assistance for businesses to access state mechanisms of grant support. Apart from that, in addition to access to skilled labour and strengthening market linkages, difficult bureaucracy and corruption came out strongly in discussions with business specialists with 42% indicating it

[134] Ukrainian_SMEs_Report_compressed.pdf
[135] Key Informant Interviews with Business Specialists, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts
[136] Key Informant Interviews with Business Owners and Business Specialists, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.

as a challenge,[137] pointing to a strong need to provide legal aid support in addition to grants and other direct support to businesses.

Recruitment and Workforce Development

A lack of skilled personnel to fill recruitment gaps was repeatedly highlighted as a sustained barrier to business development and growth and reinforces a key finding from the 2023 DRC Baseline Evaluation. Findings related to new livelihood development indicated challenges for both jobseekers and employees alike.

Employment centres report that the key challenges businesses face in recruitment are a shortage of qualified staff (16%), high salary expectations (22%), and workforce displacement (20%)[138]. Business owners and business specialists echoed this and cited a lack of qualified personnel because of displacement and conscription as well as salary expectations. As one business owner in Mykolaiv Oblast reported:

"The biggest impact [of the conflict] was the emigration of the population. This affected both the workforce and the customer base."[139]

The lack of technical skills related to the job requirements, as well as motivation and dedication to the job, were the most commonly reported gaps in the jobseeker's capacity to gain employment at their company by business owners[140]. The need for the development of specialised skills to stimulate livelihoods improvement and enterprise restoration was also noted by the Ukraine Crisis Analysis Team in their February 2024 report on Ukrainian SMEs.[141]

The lack of training centres and suitable training courses were the most commonly reported barrier to skill alignment; almost two-thirds of business owners also reported that there are no training centres in their area that could help train new staff that they could then employ. Most business specialists reported that there are few training schemes available, but noted that they are not numerous.[142] Furthermore, even in cases where these facilities existed, they reportedly did not provide the qualifications needed by local businesses[143]. To further exacerbate this issue, there was a reported lack of knowledge and information about training centres and available

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[137] Key Informant Interviews with Business Specialists, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.
[138] Key Informant Interviews with Employment Centre Focal Points, Dnipropetrovsk, Kharkiv, Kherson, Mykolaiv, and Zaporizhzhia Oblasts.
[139] Key Informant Interview with Business Owner, Mykolaiv Oblast.
[140] Key Informant Interviews with Business Owners in Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.
[141] Ukraine Crisis Analysis Team, Ukrainian SMEs: Consequences, Challenges, and Opportunities, February 2024. Ukrainian_SMEs_Report_compressed.pdf
[142] Key Informant Interviews with Business Specialists, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.
[143] Key Informant Interviews with Business Owners in Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.

courses, which was reported as a slightly bigger issue by business owners than issues such as the cost of training and transportation, or caregiver responsibility barriers.

More than two-thirds of business owners reported that they provide on-the-job training and apprenticeships to support the skill development required for their businesses and to mitigate the challenge of limited training centres or limited relevance of available training courses.[144] Business specialists also reported a strong willingness and interest of businesses to train potential employees, to conduct apprenticeships, and to pay for potential employees to attend technical trainings[145], showing the importance for organisations to work with local businesses on new livelihood initiatives as upskilling and reskilling efforts directly impact local business continuity and recovery potential.

Findings with business and employment KIs demonstrated their initiative of a variety of steps to improve their ability to hire people. These steps reportedly included increasing salaries, providing flexible working arrangements, and providing transportation opportunities. Not all businesses are able to do so because of the nature of their business, however, and instead must rely on increased cooperation with the employment centres and try to increase the reach of the vacancies they post. However, it has to be noted that only 45% of business owners reported working with employment centres to find qualified employees. The proportion varies significantly from oblast to oblast, with 78% of businesses in Mykolaiv reporting they work with employment centres, 53% in Chernihiv, 50% in Dnipropetrovsk, 25% in Kharkiv, 20% in Sumy, while no businesses interviewed reported working with employment centres in Kherson and Zaporizhzhia. Some businesses that had worked with employment centres also specified that their services had not been useful in the past and therefore they had stopped working with them. In fact, 32% of business owners rated employment centre services as poor and reported that they can rarely find suitable candidates when working with employment centres. This raises a concern if employment centres continue to be a resource for jobseekers, but they are not engaged with by business owners, nor viewed as effective.

Access to Finance

Issues around access to finance were raised as a key barrier to livelihood development and growth, as also found in the first DRC Baseline Evaluation in 2023. Financial regulations have tightened since the onset of the full-scale invasion, resulting in a combination of asset freezes, restrictions according to Oblast of residence (with partially occupied oblasts being a target for tighter regulation), and high interest rates de-incentivising access to loans. It is worth acknowledging that many businesses in 2023 reported high debt due to the inability to pay off

[144] Key Informant Interviews with Business Owners in Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts
[145] Key Informant Interviews with Business Specialists, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts

loans they have accrued since the full-scale invasion, and the inability to make a profit hampered their ability to pay off these loans.[146] This was still the case for this baseline analysis a year later.

This baseline evaluation sought to assess any changes in availability and access to loans since the previous baseline. When asked what kind of financial services and products were available in their area, a large proportion of business owners mentioned bank loans, with government loans and grants also relatively widely available. Only two businesses mentioned the existence of NGO grants (one in Chernihiv Oblast and one in Kharkiv Oblast).[147] Sixty-eight percent (68%) of businesses reported unchanged access to financial services, and 6% reported that it had become easier, likely due to targeted support from government institutions as reported by KIs.[148] Nonetheless, 26% of businesses reported that this has become much harder; this is a pertinent issue when access to finance is such a critical component of business growth.

Although a high proportion of businesses reported the availability of loans, business owners reported a reluctance to access loans due to the current uncertainty related to conflict patterns, with particular prevalence in hromadas close to the red zone.[149] One business owner from Kharkiv Oblast reported:

"I do not want to take loans from banks, because it is not clear what will happen to my business, I already lost some of my equipment when our area was occupied."[150]

The issue of higher interest rates was also mentioned by business owners. *"I avoid bank loans because of the uncertainty. I've already lost equipment during the occupation,"* one business owner reported.[151]

Importantly, as aforementioned, many businesses reported an awareness of state grant and loan opportunities. However, key informants across surveyed regions reported that the conditions under which these are provided are considered strict and prohibitive in nature. As one business specialist in Chernihiv Oblast reported:

"[strict] criteria for assisting the state greatly hinder the recovery of businesses."[152]

There was also a strong feeling that government recovery efforts focused on very particular sectors that benefit the wider economy and tax base and a general agreement that many sectors

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[146] DRC Livelihoods Baseline Evaluation 2023
[147] Key Informant Interviews with Business Owners in Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.
[148] Key Informant Interviews with Business Owners in Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.
[149] Key Informant Interviews with Business Owners in Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.
[150] Key Informant Interviews with Business Owners, Kharkiv Oblast.
[151] Key Informant Interviews with Business Owners, Kherson Oblast.
[152] Key Informant Interview with Business Specialists in Chernihiv Oblasts.

were left out of government recovery programmes.[153] Business specialists across all areas reported the focus to be on the agriculture, retail, and construction sectors.[154] In addition, it was also felt that the bureaucratic complexity of government recovery programmes is cumbersome to apply for, with specialists suspecting they may be susceptible to corruption, and favour larger businesses. As one business owner from Chernihiv Oblast said:

"All state grants and loans are for big business. We do not see government policies to support small businesses."[155]

This sentiment was echoed by a business specialist in Kharkiv Oblast, who reported:

"it is much more difficult for a small business to get any loans."[156]

A lack of awareness amongst both businesses and government was reported as a barrier to solving these issues; demonstrating that there could be an important role for non-governmental organisations to engage in advocacy and awareness raising. It was not felt that government recovery programmes prioritised either rural or urban businesses, but instead, businesses viewed as strategic or with sufficient revenue.[157]

[153] Key Informant Interviews with Business Specialists, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.
[154] Key Informant Interviews with Business Specialists, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.
[155] Key Informant Interview with Business Owner, Chernihiv Oblast.
[156] Key Information Interview with Business Specialists, Kharkiv Oblast.
[157] Key Informant Interviews with Business Specialists, Mykolaiv, Kherson, Dnipropetrovsk, Zaporizhzhia, Kharkiv, Sumy, and Chernihiv Oblasts.

Conclusion

The war in Ukraine, which escalated in February 2022 has had and continues to have a major impact on agricultural production and activities, as well as the restoration and creation of livelihoods. This baseline has outlined challenges faced and needs expressed in terms of recovery and development across the crescent area along the frontline, covering Chernihiv, Sumy, Kharkiv, Dnipropetrovsk, Zaporizhzhia, Kherson, and Mykolaiv Oblasts. The data presented in the report is a continuity of knowledge from our first baseline that took place at the end of 2023, project monitoring and endline data collected from that project, along with secondary data analysis.

This report has provided valuable insights, both from a contextual and sectoral perspective, into the clear negative impacts of the international armed conflict on Ukraine's economy, as well as on the access to livelihoods and employment for conflict-affected Ukrainians. The conflict has created direct impacts in terms of damage, destruction and contamination, directly impacting agricultural households and enterprises, and causing large-scale displacement of people who had to find livelihood opportunities in new locations. It has also created uncertainty about the future, making households and enterprises alike reluctant to make long-term investments, while also facing effects such as increasing interest rates; further discouraging these groups from making any productive investments.

Finally, increased costs of inputs and decreased purchasing power, as well as increased difficulties and soaring prices for accessing electricity, impacts individual households, small-scale farmers, and enterprises alike. Naturally, these factors also hamper the creation of new livelihood opportunities and therefore we can continue speaking of a negative cyclical relationship between conflict, livelihood restoration, and new livelihood development, which underscores the interconnectedness of these challenges.

This report has examined the various impacts mentioned above and outlined impacts on agricultural restoration, livelihood restoration, and new livelihood development. Overall, they demonstrate a clear need for comprehensive evidence-based strategies addressing financial access, safety concerns, and skill development to promote sustainable recovery and development in Ukraine, which DRC will offer through its Economic Recovery programming in 2024 and 2025.

Recommendations

The assessment reveals critical challenges faced by subsistence and small-scale farmers, MSMEs and jobseekers in Ukraine, including access to finance, increased cost of inputs, shortages of skilled labour, and gender- and displacement-status-specific employment barriers. These challenges align with the DRC's programme focus on providing sectoral cash assistance to subsistence and small-scale farmers, promoting the recovery and continuity of business operations of MSMEs, and facilitating access to decent employment opportunities through training and job facilitation. It is imperative to tailor these efforts to the specific needs identified in the assessment, ensuring the programme effectively supports sustainable livelihood recovery and resilience among the affected communities.

Key initiatives include sectoral cash assistance to support farmers and rural households in addressing the rising costs of agricultural inputs and market disruptions. This support aims to ensure the continuity of agricultural productivity, not only to meet the farmers' household subsistence needs, but also to enable the sale of their produce and generate much-needed income. Second, providing tailored grants to micro- and small-sized enterprises-MSME to help them manage conflict impacts and increased difficulties of accessing financial services and products and providing training opportunities to address labour market disparities and barriers to employment. That will enable the labour market and economy active and generate employment opportunities for others.

The findings outlined in the report clearly underline the need to consider a multi-sectoral response to ensure a comprehensive approach to addressing the needs and challenges identified in the assessment. Such a response can combine livelihoods support with explosive ordnance risk education and demining operations which prevent livelihood restoration in many areas, protection support for those facing mental health issues that prevent them from accessing livelihood opportunities, legal assistance for those (aspiring) entrepreneurs struggling with Ukraine’s complex bureaucracy and regulatory environment, as well as working with duty bearers to advocate for service provision that is further aligned with the needs of people of concern, to be able to engage in referrals and to disseminate information about services products made available by the state.