

Livelihoods Baseline Evaluation

Mykolaiv, Dnipropetrovsk, Zaporizhzhia, and Kherson Oblasts
October-November 2023

USAID's Bureau for Humanitarian Assistance (BHA)

Danish Refugee Council



Assistance in the rehabilitation and support of agriculture. ©DRC Ukraine, December 2023, Oleksandr Ratushniak.

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1. Overview

DRC, through an award from the USAID's Bureau for Humanitarian Assistance (BHA) aims to address the most critical livelihood needs across the four oblasts of Mykolaiv and Kherson (southern Ukraine) as well as Zaporizhzhia and Dnipropetrovsk (eastern Ukraine), through evidence-based activities including sectoral cash to conflict-affected subsistence farmers, training and employment facilitation for vulnerable job seekers, and MSME support to conflict-affected business owners. Collectively the proposed activities will support mitigating the most acute economic recovery needs created because of the war.

This baseline report maps out findings from the baseline data collection conducted between 13 October 2023 and 23 November 2023. Data collection applied a mixed-method approach of both qualitative and quantitative methods, using a snowball sampling approach to ensure and enable flexibility of respondents based on the context of the oblast.

The findings from this baseline will support DRC's decision-making in finalising location targeting and programme design. This will be built on DRC's existing knowledge and operations in these four areas of concern.

2. Key Findings Summary

Improving Agricultural Inputs

- I) **The war has significantly increased the difficulty for farmers to access commercial loans and other financial resources.** This is primarily due to surging interest rates and regional sanctions in areas partially or fully beyond the control of the Government of Ukraine. The high-interest rates (sometimes between 30% and 40%) are particularly prohibitive for small-scale subsistence farmers. Therefore, many farmers who had taken loans before the Russian Federation military offensive to invest in agricultural inputs, found themselves unable to use these inputs effectively due to the war. As a result, they accrued interest on these loans without generating revenue, and could not secure new loans to restart their businesses.
- II) **The increase in production costs and the displacement of consumers have severely impacted farmers' income.** Selling produce has become less profitable due to lower margins, additional logistical challenges, and the need to find alternative markets. Access to both markets and agricultural inputs has been reported as a significant barrier. This includes difficulties in procuring machinery and equipment due to damage, theft, or fear of looting in the areas that recently went beyond the control of the Government of Ukraine. Furthermore, there has been a marked increase in the prices of key agricultural inputs such as fertilizers and fuel. This increase is attributed to factors like mass migration, decreased demand, and disruptions in export channels.

- III) **The war and its resultant displacement, mobilization, and impact on living conditions have led to both unsafe areas for farming and a lack of skilled labour.** The lack of available labour is attributed to many residents not returning to the conflict-affected areas. A considerable safety risk has emerged due to landmines and unexploded ordnances (UXOs) in many farming areas, which affects the land available for cultivating harvests and grazing livestock. This also impacts the willingness of large-scale farmers to loan necessary equipment due to the risk of damage from UXOs.

In addition to the requirement for skilled labour, **farmers also expressed a need for training in various aspects of agriculture**, including livestock management, cooperative creation, and agricultural enterprise financing. The shortage of veterinarians in certain areas has also led to a knowledge gap in mitigating and managing livestock diseases.

Access to water for irrigation has become a significant challenge, affecting the quality of harvest. This is compounded by issues like flooding, which destroys crops and impedes farming practices. In response to the increased demand for agricultural products, particularly in oblasts like Zaporizhzhia, some households have altered their production strategies, such as increasing the range and volume of vegetables produced.

Livelihood Restoration and New Livelihood Development

- I) The Russian Federation military offensive has significantly disrupted small and medium-sized enterprises (SMEs), affecting the viability of livelihood opportunities. **The conflict has led to substantial impacts on existing businesses and hindered the creation of new ones due to mass migration and a lack of skilled workers.** A cyclical relationship exists between the conflict, livelihood restoration, and new livelihood development. Local governments face challenges in financing business development and restoration, especially in conflict-affected hromadas, with governmental support being inconsistent and often dependent on specific criteria.
- II) **Significant shifts in business trajectories have been observed, particularly in rural areas where agriculture and retail were predominant.** Urban areas have also seen changes, especially in industrial production. The war led to a marked decrease in operational businesses, especially in areas close to the front line, including a decline in retail trade and relocation of companies within Zaporizhzhia Oblast. **Major industrial centres like Mykolaiv and Kherson Oblasts have been significantly impacted, with blocked seaports and damaged industrial production facilities.** Safety concerns for personnel, repeated destruction of equipment, and loss of logistic routes and ports have discouraged large businesses from returning to operation.
- III) **There is a widespread deficit of labour across all areas;** whilst the reasons for labour market shortages are shared, there is variability in the extent to which labour market gaps are felt across areas. Dnipropetrovsk and Zaporizhzhia Oblasts face a significant shortage of qualified employees mainly due to large-scale displacement and security concerns. High unemployment rates are common across the regions, with a substantial disparity between the availability of job seekers and the scarcity of employment opportunities. A critical challenge for businesses across Ukraine is the shortage of skilled workers, particularly in the southern regions, which has been exacerbated by the Russian Federation military offensive launched

on 24 February 2022. Businesses are actively participating in state employment programmes to attract new employees, but effectiveness varies by region. Business owners are offering on-the-job training, adaptive working hours, and transportation support.

- IV) **There are significant barriers to accessing dignified employment for key persons of concern such as IDPs, women, and isolated men.** For example, there is often discrimination towards the employment of IDPs despite government expectations to do so. Furthermore, gender-specific challenges in the job market include apprehension towards physically demanding jobs by men due to exposure to conscription, and limitations faced by women due to entrenched gender roles and responsibilities at home.
- V) FGDs with unemployed individuals revealed **disparities in what employers offer compared to their expectations.** Despite the availability of employment centres and training programmes, barriers exist in utilising these services, such as time constraints, location preferences, and financial limitations. Engaging in training often means forgoing immediate income, a challenging compromise for those with limited financial resources. Employment centres often refer individuals to jobs that do not align with their location preferences, exacerbating difficulties for those unable to relocate.

3. Methodology

The baseline evaluation adopted a mixed methods approach to triangulate data sources to understand better overall livelihood needs across Eastern and Southern Ukraine. This methodology enabled DRC to capture needs across multiple sectors — Improving Agricultural Inputs, Livelihood Restoration, and New Livelihood Development — to ensure that differing perspectives, including those who are most vulnerable. The evaluation used secondary data as a point of departure as well as the needs assessment conducted at the proposal stage of the award. Nonetheless, the evaluation predominately relied on the collection of primary data for its analysis.

The baseline study was used to collect information on specific outcome indicators before implementation begins, which will be subsequently used to identify participants for selection. Critically, the baseline served to strengthen the intervention design and approach. For the baseline, qualitative research methods as well as a quantitative market survey were adopted. Key Informants (KIs) and Focus Group Discussion (FGD) participants were selected through snowball sampling, in order to enable the flexibility of respondents based on the context of the oblast.

The evaluation consisted of 40 KI interviews and 16 FGDs across the four Oblasts of Mykolaiv and Kherson (southern Ukraine) as well as Zaporizhzhia and Dnipropetrovsk (eastern Ukraine). The data was collected by the DRC MEAL team with the support of programme staff. The data collection for the KIs took place between 13 October 2023 and 03 November 2023, whilst FGDs were conducted between 19 October 2023 and 23 November 2023.

Table 1: Sampling Framework

Subsector	Intervention Indicator(s)	Survey Design	Population-Based or Beneficiary-Based	Sampling Frame/ Units	Sample Size	Actual Sample
Improving Agricultural Production	Number of hectares under improved management practices or technologies with BHA assistance	Baseline	Population Based	Agricultural Specialists / Government Officials Farmers	<u>Specialists:</u> 12x KI surveys (4 per Oblast) <u>Farmers:</u> 8x FGDs (2 per Oblast) with a minimum of 5 individuals per group	<u>Specialist KIs:</u> Mykolaiv – 4 Khersonska – 4 Dnipropetrovsk – 4 Zaporizhzhia – 4 <u>FGDs:</u> Mykolaiv – 3 Khersonska – 0 Dnipropetrovsk – 2 Zaporizhzhia – 2
Improving Agricultural Production	Number of individuals who have applied improved management practices or technologies with BHA assistance	Baseline	Population Based	Agricultural Specialists / Government Officials Farmers	<u>Specialists:</u> 12x KI surveys (4 per Oblast) <u>Farmers:</u> 8x FGDs (2 per Oblast) with a minimum of 5 individuals per group	<u>Specialist KIs:</u> Mykolaiv – 4 Khersonska – 4 Dnipropetrovsk – 4 Zaporizhzhia – 4 <u>FGDs:</u> Mykolaiv – 4 Khersonska – 0 Dnipropetrovsk – 2 Zaporizhzhia – 2

Economic Recovery and Market Systems (ERMS)	Percent of participants reporting net income from their livelihoods	Baseline	Population Based	Micro-small and medium enterprises specialists/ Government Officials Business Owners	<u>Specialists:</u> 12x KI surveys (4 per Oblast) <u>Business Owners:</u> 8x FGDs (2 per Oblast) with a minimum of 5 individuals per group	<u>Specialist KIIs:</u> Mykolaiv – 4 Khersonska – 4 Dnipropetrovsk – 4 Zaporizhzhia – 4 <u>FGDs:</u> Mykolaiv – 6 Khersonska – 0 Dnipropetrovsk – 4 ¹ Zaporizhzhia – 2
New Livelihoods Development	Percent of participants reporting net income from their livelihoods	Baseline	Population Based	Micro-small and medium enterprises specialists/ Government Officials Unemployed	<u>Specialists:</u> 12x KI surveys (4 per Oblast) <u>Unemployed:</u> 8x FGDs (2 per Oblast) with a minimum of 5 individuals per group	<u>Specialist KIIs:</u> Mykolaiv – 4 Khersonska – 4 Dnipropetrovsk – 4 Zaporizhzhia – 4 <u>FGDs:</u> Mykolaiv – 6 Khersonska – 0 Dnipropetrovsk – 6 Zaporizhzhia – 2
New Livelihoods Development	Percent of participants actively practising in their new livelihoods	Baseline	Population Based	Micro-small and medium enterprises specialists/ Government Officials Unemployed	<u>Specialists:</u> 12x KI surveys (4 per Oblast) <u>Unemployed:</u> 8x FGDs (2 per Oblast) with a minimum of 5 individuals per group	<u>Specialist KIIs:</u> Mykolaiv – 4 Khersonska – 4 Dnipropetrovsk – 4 Zaporizhzhia – 4 <u>FGDs:</u> Mykolaiv – 6 Khersonska – 0 Dnipropetrovsk – 6 Zaporizhzhia – 2
New Livelihoods Development	Number of full-time equivalent off-farm jobs created with BHA assistance	Baseline	Population Based	Micro-small and medium enterprises specialists/ Government Officials Unemployed	<u>Specialists:</u> 12x KI surveys (4 per Oblast) <u>Unemployed:</u> 8x FGDs (2 per Oblast) with a minimum of 5 individuals per group	<u>Specialist KIIs:</u> Mykolaiv – 4 Khersonska – 4 Dnipropetrovsk – 4 Zaporizhzhia – 4 <u>FGDs:</u> Mykolaiv – 6 Khersonska – 0 Dnipropetrovsk – 6 Zaporizhzhia – 2

4. Limitations of the Research

A decision was made during baseline design to remove the household-level data collection and instead conduct this at the registration stage. This was to:

- Be able to benefit from baseline data to inform more refined targeting for the household level data collection and beneficiary registration.
- Avoid duplication of a large-scale household-level data collection in close succession (baseline data collection, and household registration for project implementation) which could result in beneficiary fatigue, as well as ensuring cost efficiency with the same data collection outcome.

¹ One FGD discussion with unemployed were conducted with Mariupol Employment centre (currently located in Dnipro, Dnipropetrovsk oblast)

- To avoid increased staff exposure to insecure regions, particularly due to the insecure context of Zaporizhzhia and Kherson Oblasts, which are areas regularly subject to shelling and intensified air strikes.

Findings from the household-level registration will be provided as an annexe to this report following data collection.

Whilst this assessment aimed to encompass a diverse range of beneficiary perspectives by employing a mixed methods approach, it is crucial to acknowledge certain limitations in ensuring a fully representative sample. Despite DRC's commitment to inclusivity, challenges were encountered in achieving a complete gender balance and capturing diverse socioeconomic statuses (see Table 2 for the gender breakdown of participants). The constraints in reaching certain segments of the population may have impacted the breadth of insights gathered; therefore, it is important to consider these limitations when interpreting the findings.

Table 2: Gender of Interview Participants, disaggregated by Location and Type of Interview

FGD/KIIs	Dnipropetrovsk	Zaporizhzhia	Mykolaiv	Kherson
KIIs with Agricultural Specialists	Male – 6 Female – 2	Male – 0 Female – 4	Male – 2 Female – 2	Male – 0 Female – 4
KIIs with Business Specialists	Male – 1 Female – 3	Male – 3 Female – 1	Male – 1 Female – 3	Male – 1 Female – 3
FGD with Business Owners and Government Officials	N/A	Group 1: Male – 5, Female – 0 Group 2: Male – 3, Female – 3	Group 1: Male – 5, Female – 1 Group 2: Male – 4, Female – 5	N/A
FGD with Unemployed Participants	Group 1: Male – 0, Female – 10 Group 2: Male – 0, Female 7	Group 1: Male – 2, Female – 6 Group 2: Male – 4, Female – 4	Group 1: Male – 3, Female – 11 Group 2: Male – 2, Female – 5	N/A
FGD with Agricultural Farmers	Group 1: Male – 4, Female – 4 Group 2: Male – 5, Female – 4	Group 1: Male – 0, Female – 9 Group 2: Male – 1, Female – 10	Group 1: Male – 1, Female – 6 Group 2: Male – 0, Female – 4 Group 3: Male – 2, Female – 5	N/A

In addition, DRC could not conduct FGD discussions in Kherson Oblast due to increased shelling during the data collection period. To ensure the safety of participants as well as DRC staff, it was decided to conduct all KIIs with informants remotely via phone.

It is worth noting that DRC faced barriers when contacting key informants including business specialists such as representatives of the Chamber of Commerce in both Mykolaiv and Dnipro Cities.

This has resulted in increased reliance on FGDs with the unemployed to understand the barriers to employment.

5. Key Findings

The key findings are disaggregated by factors impacting the improvement of agricultural inputs, and subsequently barriers to livelihood restoration, and new livelihood development.

Challenges to Improving Agricultural Inputs

Before the escalation in conflict, Ukraine was one of the world's largest agricultural producers. Moreover, Ukraine accounted for over 50% of global sunflower oil, 15-20% of barely, 15% of corn, and 10% of wheat.² The country's agriculture sector was characterised by a mix of small-scale subsistence farming and larger commercial operations.³ The fertile soil and favourable climate of regions like Eastern and Southern Ukraine contributed significantly to the country's agricultural output.⁴

Even before the escalation in conflict, the Ukrainian agricultural sector faced challenges. These included issues related to land ownership and usage rights, outdated farming techniques and machinery in some areas, and challenges in accessing finance for small and medium-sized farmers. Additionally, the sector was impacted by global trends such as fluctuating commodity prices and the need for sustainable farming practices.⁵

Issues in the agriculture sector before the escalation in conflict have been compounded by the war. This has resulted in decreased agricultural productivity, disrupted domestic and export markets, and increased financial strain on farmers. The conflict's impact has also underscored the need for greater resilience and adaptability in the sector, including the adoption of more modern farming practices and technologies.⁶

The reliance on agriculture across the four oblasts of concern places these regions in both critical need of livelihood interventions, as well as vulnerable to existing shocks due to the ongoing trajectory of the conflict. This section assesses the region's reliance on agriculture as a primary source of income, as well as the ongoing challenges to sustain farming in the region.

² "Grain From Ukraine". November 2023. Ministry of Foreign Affairs of Ukraine. <https://mfa.gov.ua/en/grain-ukraine>.

³ "Ukrainian agriculture in wartime". November 2023. Transnational Institute. <https://www.tni.org/en/article/ukrainian-agriculture-in-wartime>.

"Ukrainian agriculture in wartime". November 2023. Transnational Institute. <https://www.tni.org/en/article/ukrainian-agriculture-in-wartime>.

⁵ "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/>.

"Ukraine: Impact of the war on agriculture and rural livelihoods in Ukraine". 2022. European Commission. https://knowledge4policy.ec.europa.eu/publication/ukraine-impact-war-agriculture-rural-livelihoods-ukraine_en

⁶ "Six Key Challenges Facing Ukrainian Farmers in the Midst of War". January 2023. Progressive Farmer.

<https://www.dtnpf.com/agriculture/web/ag/crops/article/2023/01/19/six-key-challenges-facing-ukrainian>

"Ukraine: Impact of the war on agriculture and rural livelihoods in Ukraine". 2022. European Commission:

https://knowledge4policy.ec.europa.eu/publication/ukraine-impact-war-agriculture-rural-livelihoods-ukraine_en

"Ukraine: Impact of the war on agricultural enterprises". February 2023. FAO.

<https://www.fao.org/documents/card/en/c/cc5755en>

Reliance on Agriculture as a Primary Source of Income

Across areas of concern in eastern and southern Ukraine, agriculture was reported as the primary source of income, particularly in rural areas.

In both east and southern Ukraine, KIs reported that farmers typically grow one crop cycle within one calendar year (autumn to spring), with some (less than 10%, depending on the status of irrigation) being able to cultivate two crop cycles.⁷ In eastern Ukraine, it is common for individuals to have their own plots close to their homes, with approximately 0.2 to 1 hectare of land. Those with land exceeding 5 or more hectares commonly rent this land out to large-scale farmers; a practice that remains unimpacted in areas with no direct hostilities.⁸ Those with livestock commonly sell meat, dairy, and eggs, and those with farming sell vegetables, fruits and berries.⁹ Small-scale subsistence farmers will typically sell excess of their harvest pending the quality and quantity of what they produce; KIs estimated that up to 50% of farmers are able to sell excess, especially in Zaporizhzhia Oblast.

In the South, KIs provided estimations that approximately 75% of residents relied on farming as a primary source of income, making a considerable proportion of the population vulnerable to the impacts of the escalation in conflict and the impact on the agricultural sector. Like farming plots in the East, farming plots were between 0.25-1 hectare of land, however, a smaller proportion reported enough excess to sell on (20-30% compared to the 50% estimated in Dnipropetrovsk and Zaporizhzhia Oblasts).¹⁰

Table 3: Average plot size of smallholder farmers and percentage of smallholders who sell excess.

Oblasts	Average Hectares per Plot	Proportion who Sell Excess
Dnipropetrovsk and Zaporizhzhia	0.2-1	Up to 50%
Mykolaiv and Kherson	Villages: 0.2-1 Towns: Up to 0.2	20 to 30%

Challenges to Sustain Agricultural Practices

The onset of the escalation in conflict has directly impacted and exacerbated barriers to making an income aligned with pre-war standards of living. KIs and FGD participants across the region reported that the ongoing conflict has had a direct impact on agricultural livelihoods. In addition, the onset of the escalation in conflict subsequently impacted access to finance due to banks' lack of willingness to provide loans or loans at acceptable interest rates, as well as the changing landscape of markets for both selling goods and seeking labour.

An important contextual factor to the analysis below is the breaching of the Kakhovka Dam on 06 June 2023, which resulted in considerable flooding along the lower Dnipro River. This impacted both Kherson oblast due to the flooding, destroying farming plots along the banks of the Inhulets River in particular, but also impacted areas in Dnipropetrovsk, Zaporizhzhia, and Mykolaiv Oblasts, which

⁷ Key Informant Interviews with Agricultural Farmers, Dnipropetrovsk, Zaporizhzhia, Kherson, and Mykolaiv Oblasts.

⁸ Key Informant Interviews with Agricultural Specialists, Dnipropetrovsk and Zaporizhzhia Oblasts.

⁹ Focused Group Discussions with Agricultural Farmers, Dnipropetrovsk, Zaporizhzhia, Kherson, and Mykolaiv Oblasts.

¹⁰ Key Informant Interviews with Agricultural Specialists, Kherson and Mykolaiv Oblasts.

relied on connecting reservoirs to feed irrigation systems.¹¹ Furthermore, Kherson oblast was extensively mapped pre-June 2023 for locations of mines, to protect both farmers and forecast necessary demining activities. With the extensive flooding, mines were dislodged and subsequently moved, resulting in a current deficit of knowledge of where these mines are now located. The breach of the dam has exacerbated existing challenges to agricultural inputs, making it harder for farmers in the East and South of Ukraine.

Shelter Damage as a Result of the Conflict

Due to the proximity to the frontline, including areas that have been formerly beyond the control of the Government of Ukraine, damage to shelter and animal feed storage was most prominently reported across KIs and FGDs in Mykolaiv, Kherson and Zaporizhzhia Oblasts (see Table 4). In addition, farmhouses and agricultural buildings such as storage for harvest have been reportedly damaged.¹² KIs in Kherson and Mykolaiv Oblasts noted that, critically, they did not have space to store harvest due to this damage, which greatly impacted their ability to sell on local markets, or store over winter to feed animals.¹³ This greatly hindered the necessary infrastructure to support agricultural activities, impacting subsequent income generation and therefore also access to livelihoods.

One KI highlighted:

*“Unfortunately, neither the state nor the city budget allocates funds for the restoration and reconstruction of businesses and their assets, this seems to be reserved for only the restoration of housing and infrastructure. Although a three-year programme for the development and support of small businesses (2021-2023) exists with funds allocated, the current resolution of the Cabinet of Ministers and the Treasury does currently not allow for this to be put into effect”.*¹⁴

The limited government and humanitarian support, as noted in the key informant's statement, highlights a significant gap in the recovery and support mechanisms for the agricultural sector.

This is also supported by secondary data, confirming that with the onset of the escalation in conflict, operational farmers have been left largely unsupported by humanitarian and government programmes, despite the estimation that 4 million subsistence farmers who manage approximately 38% of Ukraine’s total agricultural land and account for 41% of Ukraine’s gross agricultural output¹⁵.

The current situation not only reflects the immediate impacts of the conflict but also sheds light on broader systemic challenges within Ukraine's agricultural infrastructure. The need for focused recovery efforts, including the rebuilding or restoration of agricultural assets and storage facilities, and streamlined access to government support and credit is crucial for the resilience and sustainability of the agricultural sector in Ukraine.

Table 4: Damage Described per hromada according to KIs with Agricultural Specialists in Mykolaivska and Kherson Oblasts.

Oblast	Raion	Hromada	Damage Described
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¹¹ Key Informant Interviews with Agricultural Farmers, Dnipropetrovsk, Zaporizhzhia, and Mykolaiv Oblasts.

¹² Key Informant Interviews with Agricultural Specialists, Mykolaiv, Kherson, and Zaporizhzhia Oblasts.

¹³ Key Informant Interviews with Agricultural Specialists, Zaporizhzhia and Dnipropetrovsk Oblasts; Focus Group Discussion with Agricultural Farmers, Zaporizhzhia and Dnipropetrovsk Oblasts.

¹⁴ Key Informant Interviews with Agricultural Specialists, Dnipropetrovsk Oblast.

¹⁵ “Assessing the role of small farmers and households in agriculture and the rural economy and measures to support their sustainable development”. 2021. Kyiv School of Economics.

Mykolaiv	Mykolaiv	Pervomayska (Blagodatne Village)	Complete destruction of buildings including cellars and barns
	Bashtanka	Berezneguvatska	Destroyed infrastructure and housing High number of land mines still exist
	Mykolaiv	Pervomaiska	
	Bashtanka	Snigurivska	
Kherson	Beryslav	Kalynivska	Villages along Ingulets river (e.g. Davydov Brod, Bylogyrka) destroyed Partial destruction of barns Destroyed infrastructure and housing High number of land mines
		Velyko-Oleksandrivska	
		Kochubievska	Destroyed infrastructure and housing
		Vysokopilska	Destroyed infrastructure and housing High number of land mines

Access to Finance

Access to finance in the form of commercial loans has become increasingly challenging for farmers to access due to two primary reasons. Firstly, due to the increase in interest rates charged, and secondly according to the oblast where the loan is requested from; oblasts partially beyond the control of the Government of Ukraine are applied the same sanctions as those fully not under the control of the Government of Ukraine. Whilst farmers did acknowledge a great availability of agricultural inputs (seeds, fertiliser, fuel, farming equipment) and services, the main issue was purchasing power due to financial barriers.¹⁶ This issue was cited amongst both small- and large-scale farmers, with even the larger corporate farmers reporting that they simultaneously had outstanding loans and could not access further financing.

The rapid increase in interest rates reportedly impacted farmers in the areas of concern. FGD participants nearly unanimously agreed that subsistence farmers are not willing to take out loans due to the acute upsurge of interest rates.¹⁷ Although large-scale farmers have a better incentive to make use of loans, small-scale subsistence farmers struggle with interest rates, at times between 30% and 40%. One FGD participant highlighted:

*“Access to lending would allow us to develop, but we can't afford such high interest rates. For example, the exchange rate of hryvna to dollar has risen by 30%, and the price of equipment has risen by 100%, so it is impossible to develop”.*¹⁸

With the general increase in prices for inputs such as raw materials as well as tools and machinery, small-scale subsistence farmers fear being unable to pay their debts. Debts were cited in particular amongst farmers who had taken loans before the war to invest in the purchase of agricultural inputs. The use of these inputs for agricultural production was interrupted following the Russian Federation

¹⁶ Key Informant Interview with Agricultural Specialists, Kherson and Mykolaiv Oblasts.

¹⁷ Focus Group Discussions with Agricultural Farmers, Dnipropetrovsk, Zaporizhzhia, and Mykolaiv Oblasts.

¹⁸ Focus Group Discussion with Agricultural Farmers, Dnipropetrovsk Oblast.

military offensive, meaning the farmers still accrued interest on the loans while not generating any revenue to repay the loans. Simultaneously, they could not apply for new loans to kick-start their agricultural business again. One KI reported:

“The situation with loans is not very good. Farmers used to take out loans in order to buy machines but with the onset of the full-scale invasion these assets were destroyed. Banks are now asking them to pay the loan back. When farmers are unable to, their accounts become automatically frozen, and there is no government programme to reimburse this, or at least put it on hold”¹⁹

In November 2023, the Ministry of the Reintegration of the Occupied Territories (MinTOT) amended the provision of loans to areas suffering from active hostilities. When considering the provision of loans, a consistent policy and response are applied at the oblast level, with no differentiation made between hromadas considered either government or non-government controlled. Consequently, businesses in Kherson and Zaporizhzhia Oblast were blocked from accessing loans or financial support²⁰, regardless of their geographic location within the oblast.

Access to Markets and Agricultural Inputs

Access to markets, as well as agricultural inputs, were reported across both regions as a key barrier to profit generation to sustain livelihoods. This includes the availability of machinery and equipment. Large-scale farmers face issues with either damaged or stolen equipment (e.g., tractors, combine harvesters, sprayers). This was commonly cited concerning areas that had been recently went beyond the control of the Government of Ukraine.²¹ As a result, these large-scale farmers are reportedly unwilling to lease new equipment due to fear of looting or damage from UXOs in contaminated areas. This, in turn, created difficulties for subsistence farmers who used to benefit from large-scale farmers offering the use of their agricultural equipment for land owned by smallholder farmers for free or at a very low cost. As the availability of affordable machinery for large-scale farmers diminishes, subsistence farmers now face the choice of either paying the full price for the use of machinery to cultivate or resorting to manual methods.²² This aforementioned issue is compounded by the fact that many farming areas are still heavily mined. KIs in the south of Ukraine estimated that 30-60% of agricultural fields have mines.²³ Local large-scale farmers oftentimes do not want to wait for state service clearing due to long delays and the need to continue working, and thus undertake this task at their own expense with private teams, which does not abide by national mine action standards nor ensure the full clearance. Consequently, KIs reported instances of remaining UXOs²⁴ posing a significant safety risk regarding land available for grazing livestock and cultivating harvest.

Whilst inputs were reportedly available on markets, lack of access to finance was the most commonly reported barrier to attaining inputs. KIs cited that they used to purchase parts produced by companies close to the front lines. With that option now impossible, they have to find other sellers, often at prices above market rate, as these were typically imported from China.²⁵ Furthermore, KIs from

¹⁹ Key Informant Interviews with Business Specialists, Kherson Oblast.

²⁰ Ministry of Reintegration of Temporary Occupied Territories of Ukraine. November 2023.
<https://zakon.rada.gov.ua/laws/show/z1668-22#Text>

²¹ Key Informant Interviews with Business and Agricultural Specialists, Mykolaiv and Kherson Oblasts.

²² Key Informant Interview with Agricultural Specialists, Mykolaiv Oblast.

²³ Key Informant Interviews with Business and Agricultural Specialists, Kherson and Mykolaiv Oblasts.

²⁴ Key Informant Interviews with Business Specialists, Kherson and Mykolaiv Oblasts.

²⁵ Focus Group Discussion with Agricultural Farmers, Dnipropetrovsk Oblast.

Dnipropetrovsk reported an inability to find and purchase spare parts for machinery, which is critical given the lack of available machinery.²⁶

The average expense of subsistence farmers for agriculture was reported 5000 to 6000 UAH per household whilst for large-scale farmers (vegetables) expenses can reach up to \$5,000 per 1 hectare (Mykolaiv)²⁷ or \$800 (Dnipropetrovsk)²⁸. For livestock holders, the cost depends on the kind of livestock kept and their quantity. For instance, for cows the cost starts from 10,000 UAH per livestock²⁹. Furthermore, the cost of keeping livestock in the winter was reportedly higher, leading to some farmers decreasing their number of livestock during the winter season. In Mykolaiv, Zaporizhzhia, and Dnipropetrovsk oblasts, KIs reported that to sell products in the markets, particularly for livestock holders, they must also go through institutionalized medical checks in order to be able to sell milk and meat on markets³⁰. These costs reportedly start³⁰ adding additional expenses on already anticipated low-profit sales.

Subsistence farmers growing vegetables and seeds (for human consumption) reportedly also struggle with a substantial increase of input costs (such as fuel, fertilizers, seeds, tools, and machinery) while receiving decreased prices for their finished agricultural products.³¹ For instance, before the onset of the escalation in conflict, farmers were reportedly able to sell their wheat production for 5000 to 6000 UAH per tonne, now earning only 3500 UAH³² (see Table 5 and 6 for additional examples).

Table 5: Type of Agricultural Item, compared between Pre-2022 and Current Sale.

Item	Pre-2022 Sale	Current Sale	% Change
Wheat Production (per tonne)	5000-6000 UAH	3500 UAH	-42%
Sunflower (per tonne) ³³	17 000 UAH	7000 UAH	-59%

Fertilizers, on the other hand, used to cost 12 000 UAH per tonne, now reportedly costing 30 000 to 35 000 UAH. Furthermore, fuel was reportedly increased from 37 UAH to 55 UAH per litre.³⁴ This is a marked increase across key agricultural inputs.

Table 6: Type of Agricultural Input, compared between Pre-2022 and Current Sale.

Item	Pre-2022 Price	Current Price	% Change
Fertilizer (per tonne)	12,000 UAH	30,000 – 35,000 UAH	+191%
Fuel (per litre)	37 UAH	55 UAH	+49%

²⁶ Key Informant Interview with Agricultural Farmers, Dnipropetrovsk Oblast.

²⁷ Key Informant Interview with Agricultural Specialist, Mykolaiv Oblast.

²⁸ Key Informant Interviews with Agricultural Farmers, Dnipropetrovsk Oblast.

²⁹ Key Informant Interviews with Agriculture Specialists, Kherson and Mykolaiv Oblasts.

³⁰ Focused Group Discussion with Agricultural Farmers, Mykolaiv, Zaporizhzhia, and Dnipropetrovsk Oblasts.

³¹ Key Informant Interviews with Agricultural Specialists, Dnipropetrovsk and Zaporizhzhia Oblasts.

Focus Group Discussion with Agricultural Farmers, Dnipropetrovsk Zaporizhzhia Oblasts.

³² Focus Group Discussion with Agricultural Farmers, Dnipropetrovsk Oblast.

³³ Key Informant Interview with Business Specialists, Dnipropetrovsk oblast.

³⁴ Focus Group Discussion with Agricultural Farmers, Dnipropetrovsk oblast.

These price increases are likely due to compounding factors such as mass migration away from the east resulting in decreased demand. Furthermore, there is the disruption of supply chains including export channels, where farmers could sell for higher prices.

Decreased Income

The substantial increase in production costs, as well as the lack of consumers, was consistently reported as an obstacle to generating income across all assessed regions in Ukraine.³⁵ Both large-scale and small-scale subsistence farmers reported that pre-war systems to generate income changed due to changing access and engagement with markets. KIs acknowledged that in areas such as eastern Ukraine, farmers are able to sell approximately 50% of their harvest, pending the quality and quantity of this yield. However, all respondents acknowledged the decreasing profit margins from sales, the additional logistical burden of securing storage due to damage (further analysed in the subsequent sections), as well as travel to urban centres; this is primarily due to the mass migration of individuals from conflict-affected areas and increased cost of agricultural production.³⁶

In addition, KIs and FGD groups from all assessed regions consistently reported the challenge of finding consumers to sell their finished products to due to displacement. In coping with this, farmers reach out to potential buyers on the internet (e.g., through instant messaging platforms such as Viber), sell their produce to friends, and neighbours, or travel to bigger cities to access markets.³⁷ This is particularly straining for farmers in rural areas since they have to accrue additional transportation costs which further reduces the profit on sales.³⁸ As a result of limited income, farmers are not able to purchase agricultural inputs for their production in the right season, greatly affecting their quality and quantity of harvest, and thus ability to generate income.

Access to Labour

KIs in the south of Ukraine reported the lack of skilled farming labour due to the displacement caused by the war. Furthermore, due to the continued conflict and its impact on the living conditions, a substantial number of residents have not returned.³⁹

Farmers reported effective livestock management (e.g., increasing animal weight), how to create cooperatives⁴⁰, financing an agricultural enterprise, how to become an effective farmer and different farming activities⁴¹ as topics of interest for additional training. In Dnipropetrovsk oblast, due to the lack of veterinarians, respondents also reported interest in better understanding common livestock diseases and best practices regarding treatment. One KI reported that as a result of a low number of veterinarians, livestock farmers are oftentimes required to diagnose and administer medications to their livestock without supervision despite their lack of expertise on this topic.⁴² This undoubtedly increases the likelihood of improper diagnosis and treatment, increasing the risk of losing livestock and therefore the livelihood.

Barriers to Accessing Irrigation

³⁵ Focus Group Discussion with Agricultural Farmers, Mykolaiv, Zaporizhzhia, and Dnipropetrovsk oblasts.

³⁶ Key Informant Interview with Agricultural Specialists, Dnipropetrovsk and Zaporizhzhia oblasts.

³⁷ Focus Group Discussions with Agricultural Farmers, Mykolaiv, Zaporizhzhia, and Dnipropetrovsk oblasts.

³⁸ Focus Group Discussions with Agricultural Farmers, Mykolaiv, Zaporizhzhia, and Dnipropetrovsk oblasts.

³⁹ Key Informant Interview with Business and Agricultural Specialists, Mykolaiv and Kherson oblasts.

⁴⁰ Key Informant Interview with Agriculture Specialists, Dnipropetrovsk oblast.

⁴¹ Key Informant Interview with Agriculture Specialists, Zaporizhzhia oblasts.

⁴² Focus Group Discussion with Agricultural Farmers, Dnipropetrovsk oblast.

The conflict's impact on freshwater resources and water infrastructure has significant implications for both local residents' livelihoods and the global food supply. Ukraine's extensively modified and industrialized water sector encompasses various components such as multi-purpose reservoirs, hydropower dams, cooling facilities for nuclear plants, water reservoirs serving industrial and mining purposes, and a comprehensive network of water distribution canals and pipelines catering to irrigation and domestic needs. Predominantly situated in the eastern and southern regions known for intensive agricultural activities, this water infrastructure plays a crucial role.⁴³

Reporting from this baseline consistently demonstrated access to water – and therefore sufficient irrigation - as a barrier to successful harvesting. The most commonly reported factors across all regions of concern were that farmers have either decreased or no access to water for irrigation, or the quality of available water is poor. For instance, in Apostolivska hromada (Dnipropetrovsk oblast) respondents reported challenges with irregular water availability due to the destruction of the Kakhovka hydroelectric power station.⁴⁴ This has reportedly also led to a significant increase in prices for water in Zaporizhzhia oblast.

Additionally, farmers in Pervomaiska hromada (Mykolaiv Oblast) highlighted that the community faces substantial challenges with the lack of water for irrigation. A FGD participant highlighted that historically, two water pipes served the area, providing drinking water and technical water for irrigation. However, the drinking water is no longer universally accessible, and its salinity makes it unsustainable for both drinking and irrigation purposes. The technical water was previously flowing through a reservoir connected to irrigation canals. The reservoir, now under the ownership of a bankrupt private company (sugar factory), lacks maintenance for the technical water supply. However, according to the respondent another company is in the process of acquiring it, potentially enabling the resumption of water supply for the community.⁴⁵

This in turn significantly impacts the quality of harvest. In addition, Kalinivska and Snihurivska hromadas (estimated 400 households) faced floodings following the Kakhovka Dam breaching which destroyed crops. KIs estimate that villages with similar economies along the riverbank will have been equally impacted by this breach.⁴⁶ This significantly impacted the ability to continue farming practices. Furthermore, KIs in Zaporizhzhia oblast reported that the extensive flooding in Kherson has resulted in an increased demand for agricultural products from Zaporizhzhia, which would have otherwise been met by farms in Kherson. In order to meet the increase in demand, some households in Zaporizhzhia have increased the range and volume of vegetables produced.⁴⁷ This requirement to upscale needs to be considered in light of the barriers to increasing agricultural outputs, such as finance.

Summary of Key Needs for Agricultural Inputs

- The Russian Federation military offensive launched on 24 February 2022 has significantly increased the difficulty for farmers to access commercial loans and other financial resources. This is primarily due to surging interest rates and regional sanctions in oblasts partially or fully beyond the control of the Government of Ukraine. The high-interest rates (sometimes between 30% and 40%) are particularly prohibitive for small-scale subsistence farmers.

⁴³ Shumilova, O., Tockner, K., Sukhodolov, A. *et al.* Impact of the Russia–Ukraine armed conflict on water resources and water infrastructure. *Nat Sustain* 6, 578–586 (2023). <https://doi.org/10.1038/s41893-023-01068-x>.

⁴⁴ Focus Group Discussions with Unemployed Participants, Dnipropetrovsk oblast.

⁴⁵ Focus Group Discussions with Agricultural Farmers, Mykolaiv oblast.

⁴⁶ Key Informant Interview with Agricultural Specialists, Kherson oblast.

⁴⁷ Key Informant Interview with Agricultural Specialists, Zaporizhzhia oblast.

- Many farmers who had taken loans before the Russian Federation military offensive to invest in agricultural inputs found themselves unable to use these inputs effectively due to the war. As a result, they accrued interest on these loans without generating revenue, and could not secure new loans to restart their businesses.
- The increase in production costs and the displacement of consumers have severely impacted farmers' income. Selling produce has become less profitable due to lower margins, additional logistical challenges, and the need to find alternative markets.
- Access to both markets and agricultural inputs has been reported as a significant barrier. This includes difficulties in procuring machinery and equipment due to damage, theft, or fear of looting in areas that recently went beyond the control of the Government of Ukraine.
- A considerable safety risk has emerged due to landmines and unexploded ordnance (UXOs) in many farming areas, which affects the land available for cultivating harvests and grazing livestock.
- There has been a marked increase in the prices of key agricultural inputs such as fertilizers and fuel. This increase is attributed to factors like mass migration, decreased demand, and disruptions in export channels.
- The conflict and its resultant impact on living conditions have led to a lack of skilled labour, as many residents have not returned to the conflict-affected areas.
- Farmers have expressed a need for training in various aspects of agriculture, including livestock management, cooperative creation, and agricultural enterprise financing. The shortage of veterinarians in certain areas has also led to a knowledge gap in managing livestock diseases.
- Access to water for irrigation has become a significant challenge, affecting the quality of harvest. This is compounded by issues like flooding, which destroys crops and impedes farming practices.
- In response to the increased demand for agricultural products, particularly in oblasts like Zaporizhzhia, some households have altered their production strategies, such as increasing the range and volume of vegetables produced.

These key findings reflect the multifaceted challenges facing small-scale subsistence farmers in Ukraine, highlighting the need for targeted interventions and support to address these issues effectively.

Barriers to Livelihood Restoration & New Livelihood Development

The onset of the escalation in conflict impacted micro, small and medium-scale enterprises (MSMEs), as well as the viability of livelihood opportunities. The conflict has impacted existing businesses, and stunted the creation of new businesses, both due to the large-scale migration of business owners and employees alike, as well as the absence of skilled workers. This in turn resulted in the lack of skilled workers that can be hired in new businesses. A lack of market-informed training programmes means that there are few pathways for the unemployed or underemployed population.

Changes in business trajectory since the beginning of the Russian Federation military offensive

KIs recognised as business specialists reported that in rural areas, the primary business ventures revolve around agriculture, in line with findings from the previous section. This also includes retail, such as small shops and stores for food and clothing. In most urban areas, industrial production (e.g.,

processing industry for oil, cereal, and berries) was the main reported services. KIs in the South, particularly in rural areas, acknowledged public service roles as a significant employer as salaries and labour conditions were satisfactory.⁴⁸

The onset of the escalation in conflict has significantly decreased the number of businesses, with emphasis on areas close to the front line.⁴⁹ KIs in Dnipropetrovsk and Zaporizhzhia Oblasts reported that the majority of production companies continue to function but with decreased capacity. The largest proportion of business closures were observed in retail trade, as residents left the region.⁵⁰ KIs reported that 2200 companies were relocated to Zaporizhzhia Oblast. This also included approximately 300 companies that were relocated to Zaporizhzhia Oblast from Donetsk Oblast.⁵¹

Additional emphasis in KI interviews was placed on Mykolaiv, due to its former major ship-building industries, as its seaports accounted for 4% of Ukraine's total export operations, making them a regional economic centre. These ports are now blocked and many of these businesses faced the closure of industrial production due to the onset of the escalation in conflict. Many industrial factories were either damaged by shelling or had machinery stolen. Incentives for large businesses to return were reportedly low due to ongoing safety concerns for personnel, repeated destruction of equipment⁵², and issues stemming from the loss of logistics routes and ports.⁵³

Access to finance

Similar to findings amongst agricultural KIs, local governments face limitations in financing business development and restoration, particularly in hromadas where active hostilities were ongoing. Support provided by the government was inconsistent across oblasts and dependent on pre-requisites such as hiring demographics and the geographic location of the business.⁵⁴ For instance, small local businesses can reportedly benefit from government support through four existing compensation programmes⁵⁵ only when they can prove that they hired either registered unemployed residents or Internally Displaced Persons (IDPs).⁵⁶ These can range from 150 000 UAH to 250 000 UAH (up to a maximum of UAH 1,000,000).⁵⁷ In contrast, in Nikopol of Dnipropetrovsk Oblasts, KIs reported that 453 business premises were damaged, including facilities housing shops, bakeries, and large enterprises; no support was provided for restoring these business assets as the majority of governmental support is geared towards the restoration of housing and infrastructure⁵⁸.

⁴⁸ Key Informant Interviews with Business Specialists and Unemployed Participants, Kherson and Mykolaiv Oblasts.

⁴⁹ Key Informant Interviews with Business Specialists, Zaporizhzhia Oblasts.

⁵⁰ Key Informant Interviews with Business Specialists, Dnipropetrovsk Oblasts.

⁵¹ Key Informant Interviews with Business Specialists, Zaporizhzhia Oblasts.

⁵² Key Informant Interviews with Business Specialists, Mykolaiv Oblasts.

⁵³ Key Informant Interviews with Business Owners, Mykolaiv Oblasts.

⁵⁴ Key Informant Interviews with Business Specialists, Dnipropetrovsk and Zaporizhzhia oblasts.

⁵⁵ Key Informant Interviews with Government Official in Zaporizhzhia Oblast. The following examples were reported: Cabinet of Ministers of Ukraine (CMU) Resolution 738, CMU Resolution No. 124, CMU Resolution No. 338, CMU Resolution No. 331, CMU Resolution No. 696, and CMU Resolution No. 893.

⁵⁶ Key informant Interview with Business Specialists, Zaporizhzhia Oblast.

⁵⁷ CMU Resolution No. 738 of 21.06.2022.

⁵⁸ Key Informant Interview with Business Specialists, Dnipropetrovsk Oblast.

Access to Labour

Key informants report widespread employment challenges, with regions facing either a shortage of skilled labour or high unemployment rates due to business closure. Business KIs in Dnipropetrovsk and Zaporizhzhia Oblasts were reportedly grappling with a significant shortage of qualified employees primarily due to the large displacement of residents and lingering security issues.⁵⁹ Conversely, KIs from Mykolaiv and Kherson Oblasts reported widespread business closures, leading to limited employment opportunities. Consequently, high unemployment rates were commonly cited amongst all KIs. In Bashtansky rayon, a KI reported an estimation of approximately 53 unemployed residents for every opened vacancy.⁶⁰ This highlights the high unemployment rate due to the lack of employment opportunities.

Businesses in need of personnel across all regions of concern in Ukraine reported that the main challenge is the shortage of skilled workers. In the southern regions, this issue reportedly predated February 2023 and has only been exacerbated with the escalation of the conflict. One reason reported by business KIs is the lack of interest, particularly among young people, in manual labour compared to office-based work.⁶¹

Overall, both large and small enterprises across all regions of concern in Ukraine reportedly actively cooperate with and participate in state employment centre programmes to attract new employees. However, these methods differ according to the region and the barriers to accessing labour show willingness from businesses to meet these gaps. Business owners are reportedly making additional efforts to expand their activities and tailor vacancies to the needs of potential employees, offering on-the-job training, adaptive working hours, and transportation to and from work.⁶² Entrepreneurs in the south noted that finding qualified personnel through state employment centres is still challenging; instead, they find it easier to discover potential employees through referrals. To secure tax benefits, entrepreneurs then refer these newly hired employees to the state employment centres for registration.⁶³

FGDs with unemployed individuals simultaneously highlighted a disparity in what employers could provide in comparison to their expectations. For example, businesses demanded specialized work experience, whilst simultaneously not providing working conditions and salaries aligning to expectations. Furthermore, critically, IDPs' inaccessibility to jobs were reported in the south as a substantial barrier.⁶⁴ Participants reported that in some cases, they were demanded to report their intentions to stay in the area or displace to their area of origin in the interview, hampering employment prospects immediately.⁶⁵ In rural areas, respondents mentioned low salaries and transportation costs as additional challenges. In Mykolaiv, for instance, the average salary expectation starts from 15,000 UAH, in Voznesensk from 12,000 UAH, and in rural areas from 10,000 UAH. However, they are offered an average of 3000 to 5000 UAH less.⁶⁶

⁵⁹ Focus Group Discussions with Agricultural Farmers, Dnipropetrovsk, Zaporizhzhia, and Mykolaiv Oblasts.

⁶⁰ Source Mykolaiv Unemployment Center <https://mik.dcz.gov.ua/analytics/65>

⁶¹ Focus Group Discussion with Business Owners, Mykolaiv Oblast.

⁶² Key informant Interview with Business Specialists, Dnipropetrovsk and Zaporizhzhia Oblasts.

⁶³ Focus Group Discussion with Business Owners, Zaporizhzhia Oblasts.

⁶⁴ Focus Group Discussion with Unemployed Participants, Dnipropetrovsk and Zaporizhzhia Oblasts.

⁶⁵ Focus Group Discussion with Unemployed Participants, Dnipropetrovsk and Zaporizhzhia Oblasts.

⁶⁶ Focus Group Discussion with Business Owners, Mykolaiv oblast.

Findings suggested gendered barriers to employment. On one hand, male respondents expressed apprehension towards physically demanding and hazardous jobs and fear of a higher risk of mobilization for a low salary in comparison.⁶⁷ Female respondents from the east suggested entrenched gender roles limited their employment opportunities to the confines of their home, due to some schools now being online, and the expectation of women to supervise children studying from home. Therefore, women were reportedly unable to take jobs with fixed working hours, and instead, reported preference for remote jobs or flexible working hours which were subsequently more difficult to find⁶⁸ (ibid). In the south, Business KIs reported that they are not inclined to hire women for work that involves physically demanding labour. One business owner reported that there are still some restrictions that business owners need to consider when hiring women for certain jobs, given the national manual handling weight limits are lower for women than for men⁶⁹, and thus to move the same volume of goods, the business owner needs to hire more women.⁷⁰

Availability of Trainings

Across all oblasts of concern, KIs did not attribute a lack of existing employment centres to either a lack of employment opportunities or a lack of work experience; most businesses reportedly have access to employment centres and trainings most of the time.

The main barrier to using these services was individuals time to go to the centre, as well as access to training. This issue is particularly pertinent for women, as aforementioned. Participants in FGDs also reported that access to training is at a cost of immediately earning income as the time spend. And thus, participating in potential trainings is time that participants could have invested in earning an income; often a decision those with limited income cannot compromise. In addition, participants reported that employment centres often would refer jobs where employment was available, which in many cases did not align to a location preferred. This often made it difficult for individuals with children, or who could not afford to relocate, specifically for upfront rental costs.

Summary of Key Needs for Livelihood Restoration and New Livelihood Development

- The escalation in conflict has significantly disrupted small and medium-sized enterprises (SMEs), affecting the viability of livelihood opportunities. The conflict has led to substantial impacts on existing businesses and hindered the creation of new ones due to mass migration and a lack of skilled workers.
- A cyclical relationship exists between the conflict, livelihood restoration, and new livelihood development, indicating that the conflict affects current business operations and shapes potential for future business development and employment opportunities.
- Significant shifts in business trajectories have been observed, particularly in rural areas where agriculture and retail were predominant. Urban areas have also seen changes, especially in industrial production.
- The war led to a marked decrease in operational businesses, especially in areas close to the front line, including a decline in retail trade and relocation of companies within Zaporizhzhia Oblast.

⁶⁷ Focus Group Discussion with Unemployed Participants, Dnipropetrovsk and Zaporizhzhia Oblasts. Key Informant Interviews with Business Specialists, Mykolaiv Oblast.

⁶⁸ Focus Group Discussion with Unemployed Participants, Dnipropetrovsk and Zaporizhzhia Oblasts.

⁶⁹ Order №248. 2014. Ministry of Health in Ukraine. <https://zakon.rada.gov.ua/laws/show/z0472-14#Text>

⁷⁰ Focus Group Discussion with Business Owners, Zaporizhzhia Oblast.

- Major industrial centres like Mykolaiv and Kherson oblasts have been significantly impacted, with blocked seaports and damaged industrial production facilities.
- Safety concerns for personnel, repeated destruction of equipment, and loss of logistic routes and ports have discouraged large businesses from returning to operation.
- Local governments face challenges in financing business development and restoration, especially in conflict affected hromadas, with governmental support being inconsistent and often dependent on specific criteria.
- There is a widespread deficit of labour across all areas, with localized reasons. Dnipropetrovsk and Zaporizhzhia oblasts face a significant shortage of qualified employees mainly due to large-scale displacement and security concerns.
- High unemployment rates are common across the regions, with a substantial disparity between the availability of job seekers and the scarcity of employment opportunities.
- A critical challenge for businesses across Ukraine is the shortage of skilled workers, particularly in the southern regions, which has been exacerbated by the escalation in conflict.
- Businesses are actively participating in state employment programmes to attract new employees, but effectiveness varies by region. Business owners are offering on-the-job training, adaptive working hours, and transportation support.
- There are significant barriers for IDPs in accessing jobs, especially in the South. FGDs with unemployed individuals revealed disparities in what employers offer compared to their expectations.
- Gender-specific challenges in the job market include apprehension towards physically demanding jobs by men and limitations faced by women due to entrenched gender roles and responsibilities at home.
- Despite the availability of employment centres and training programmes, barriers exist in utilizing these services, such as time constraints, location preferences, and financial limitations.
- Engaging in training often means forgoing immediate income, a challenging compromise for those with limited financial resources.
- Employment centres often refer individuals to jobs that do not align with their location preferences, exacerbating difficulties for those unable to relocate.

6. Conclusion

The onset of the Russian Federation military offensive has resulted in impacts on agricultural production, as well as the restoration and creation of livelihoods. This baseline has demonstrated and outlined both the unique and common challenges that the East and South of Ukraine are facing in terms of recovery and development going forward, and what is required to support these industries going forward.

Agricultural farmers grapple with financial difficulties, including limited access to loans due to surging interest rates and regional sanctions. The increase in production costs, displacement of consumers, and safety risks from landmines further compound challenges, impacting income and access to crucial resources like water for irrigation.

On the broader economic front, the conflict disrupts MSMEs, hindering both current operations and the development of new livelihood opportunities. Widespread deficits in labour and high unemployment rates are observed across regions, with varying challenges such as skilled worker shortages, safety concerns, and financial limitations for business development. The cyclical relationship between conflict, livelihood restoration, and new livelihood development underscores the interconnectedness of these challenges.

Both sectors face common hurdles, including a shortage of skilled labour and gender-specific challenges in employment. Businesses actively engage in state employment programmes, offering on-the-job training and flexible working conditions, but the effectiveness varies by region. Despite the availability of employment centres and training programmes, barriers persist, including time constraints, location preferences, and financial limitations.

In conclusion, the conflict's impact on agriculture and broader livelihood opportunities highlights the need for comprehensive and region-specific strategies addressing financial access, safety concerns, and skill development to promote sustainable recovery and development in Ukraine, which DRC will offer through its Livelihood Programming in 2024.

7. Recommendations

The assessment reveals critical challenges for small-scale subsistence farmers and MSMEs in Ukraine, including access to finance, increased agricultural input costs, market disruptions, labour shortages, and gender-specific employment barriers. These challenges align with the DRC's programme focus on providing sectoral cash assistance, market access support, and targeted training. Therefore, enhancing this assistance, expanding training programmes, and addressing safety concerns is imperative. It's crucial 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 in Ukraine as identified in the assessment.

Key initiatives include sectoral cash assistance to manage increased agricultural input costs and market disruptions, tailored financial support programmes for accessible loans and grants, and market access and linkage initiatives for better integration into local and global markets. Additionally, the recommendations emphasize the importance of training and skill development in agriculture and business management, safety measures including UXO risk education and de-mining operations, and support for SME revitalization. Employment services enhancement, gender-sensitive employment strategies, community engagement, market assessments, and robust monitoring and evaluation are also integral to these recommendations, ensuring a comprehensive approach to addressing the challenges identified in the assessment.

The recommendations are organised according to the theory of change statement:

IF subsistence farmers are supported with sectoral cash assistance to provide the necessary resources to access critical inputs and mitigate market inflation and other distortions caused by the conflict and **IF** beneficiaries are supported with demand-driven and context relevant training opportunities and **IF** businesses are supported with comprehensive support to meet their needs and mitigate the impacts of the conflict

THEN economic recovery will be fostered in the target areas of intervention, and sustainable access to employment will be created; mitigating the micro and macro impacts of the ongoing conflict.

Section 1: IF subsistence farmers are supported with sectoral cash assistance to provide the necessary resources to access critical inputs and mitigate market inflation and other distortions caused by the conflict.

Activity	Recommendation(s)	Outstanding Inputs
DRC will provide a one-off cash distribution to subsistence farmers to enable them to afford the increased cost of agricultural activities.	<ul style="list-style-type: none"> Provide in-kind or cash support for accessing critical agricultural inputs and equipment targeted towards both small-scale subsistence farmers and large-scale farmers. Explore partnerships with formal finance facilities, such as banks and microfinance institutions, to de-risk investments to agricultural businesses and offer loans with favourable terms and conditions. 	Baseline at registration to explore negative coping strategies, and how to mitigate

	<ul style="list-style-type: none"> • Introduce a sectoral cash modality specifically tailored for subsistence farmers lacking access to existing governmental loan schemes. • Focus on unregistered farmers working less than 1 HA of land, providing timely and flexible assistance to meet their specific needs, indirectly supporting market functionality. • Implement market systems approaches to strengthen agricultural value chains, providing support to actors involved in critical functions such as storage, transportation, and processing. • Advocate for the introduction of alternative irrigation methods which ensure sustainable water management practices. • Adapt lessons learned from existing DRC Shelter programming targeting farmers (cash for shelter rehabilitation) to support farmers' allocation of cash support to those efforts. 	
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Section 2: IF beneficiaries are supported with demand-driven and context-relevant training opportunities and IF businesses are supported with comprehensive support to meet their needs and mitigate the impacts of the conflict.

Activity	Recommendation(s)	Outstanding Inputs
<p>The intervention will target individuals with on-the-job and off-site training in order to provide access to skills and opportunities for employment in sectors which are in high demand in target areas.</p>	<ul style="list-style-type: none"> • Support vocational and technical training providers in offering skills training programmes to bridge identified skill gaps, focusing on climate-sensitive agriculture, veterinary services, and livestock management. • Address the lack of veterinarians by facilitating skill transfer training for livestock holders, ensuring proper livestock management. • Offer training on market-relevant skills and coaching services for unemployed women, encouraging their active participation in the agricultural sector. • Incentivize the private sector to recruit women by establishing work-based learning opportunities and providing wage subsidies. • To support firms to provide transportation options or to train the local unemployed in market-demanded skills. • Improvement of Employment Centre Networks to Improve Training Facilities for 	<p>Mapping of employment centres and existing facilities</p>

	<p>Skilled Labour. Supporting through apprenticeship opportunities (practical experience).</p>	
<p>The proposed intervention will directly support market functionality and productivity, and support people in need to have better access to basic goods and services through the revival of key businesses. Providing access to finance to micro, small and medium businesses in tandem with the provision of critical coaching services to businesses amid these changing market conditions will strengthen the local level resilience of these businesses.</p>	<p><i>The provision of support to existing rather than new businesses was viewed as a key lesson learned from DRC's 2015-2016 OFDA-funded interventions as it leads to a greater possibility for business success and employment creation through business support, as target businesses are already established as viable in their markets.</i></p> <ul style="list-style-type: none"> • Business grants for small entrepreneurs and incentives to generate sustainable access to employment. The proposed intervention will directly support market functionality and productivity, and support people in need to have better access to basic goods and services through the revival of key businesses. • Financing to Small and Medium Businesses, including Farmers as well as providing technical mentorship. 	