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UNITED NATIONS
UKRAINE



UNITED NATIONS RECOVERY
AND PEACEBUILDING PROGRAMME (UN RPP)

SUPPORT TO ECONOMIC RECOVERY OF EASTERN UKRAINE



Photo: Artem Getman

FINAL PROJECT REPORT

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SUPPORT TO ECONOMIC RECOVERY OF EASTERN UKRAINE

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Project Summary

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IMPLEMENTING PARTY	United Nations Development Programme in Ukraine within United Nations Recovery and Peacebuilding Programme (UN RPP)

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

The Programme is supported by ten international partners: the European Union, the European Investment Bank and the governments of Canada, Denmark, Japan, the Netherlands, Norway, Poland, Sweden and Switzerland.

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ACRONYMS

BSSB	Big Stories of Small Businesses
HoReCa	Hotels, restaurants, catering industry
IDP	Internally Displaced Person
MSMEs	Micro-, small and medium-sized enterprises
SES	State Employment Service
SGP	Small Grants Programme
UNDP	the United Nations Development Programme
UN RPP	the United Nations Recovery and Peacebuilding Programme

EXECUTIVE SUMMARY

The armed conflict in eastern Ukraine has greatly affected every aspect of local communities' lives. It has had a particularly severe impact on access to livelihoods and customary economic ties in the region. A significant proportion of infrastructures has been damaged or ruined, traditional service and market networks have been disrupted, and more than 1.5 million people have had to leave their homes, losing their jobs and businesses.

In response to the growing needs of the people affected by the conflict in eastern Ukraine, UNDP Ukraine collaborated with the Government of Japan to develop and implement the "Support to Economic Recovery of Eastern Ukraine" project. The current project is a follow-up to the previous partnerships implemented by the UNDP in Ukraine and the Government of Japan in 2015-2017 - was to continue contributing towards the sustainable recovery of living standards among the conflict-affected population. This was to be achieved through the promotion of entrepreneurship, support to business skills development and provision of grants for starting new businesses.

Foremost, 539 conflict-affected people improved their professional and entrepreneurial skills through training programmes, followed by a business grants provision to the top business plans from the waiting list formed during the previous business grants contest. The applicants are willing to start up, re-launch or expand their micro, small or medium-sized businesses received up to USD 10,000 to implement their business plans. Seventeen new businesses were supported through this programme, which created 58 new jobs for the local population and IDPs (31 women, 27 men). To support

businesses to run and grow their existing enterprises, qualified business consulting support was provided to 179 entrepreneurs, including 17 (5 women, 12 men) project grantees. It was followed by an experience exchange visit to Lviv, western Ukraine, for 20 (14 women, 6 men) entrepreneurs working in the hospitality industry (hotels, restaurant, catering, tourism).

Finally, to promote and create significant visibility of Micro-, Small and Medium-sized Enterprises (MSMEs) with local products and services from Luhansk and Donetsk oblasts, a Business Expo 'East Expo 2018' was held in Lviv, western Ukraine, on 1-2 November. In total, 70 businesses (33 women, 37 men) participated with exhibitions at a two-day event as part of XVIII Lviv International Economic Forum. Aiming to inspire IDPs and the conflict-affected population to start their own businesses, the UNDP partnered with the Molodiya Social Advertisement Festival to run the "Big Stories of Small Businesses" information campaign about successful entrepreneurs from eastern Ukraine. In total, [seven video stories](#) about UNDP grantees and participants of 'East Expo', have been filmed and presented at the [7th International Festival of Social Advertising](#) followed by presentation events in [Mariupol](#), [Kramatorsk](#), [Rubizhne](#), [Sievierodonetsk](#) and extensive advertisement and promo campaign.

With a budget of USD 400,000 provided by the Government of Japan, actual Project implementation took 12 months. It is planned that entrepreneurship support, along-side with business skills development and creation of new jobs, will bring more benefits to the local communities and the peace-building process. Thus,

the Project initially planned to achieve the following results:

1. At least 200 IDPs and local conflict-affected population (including at least 100 women) increased their knowledge and skills on starting and improving businesses;
2. At least 50 new jobs created for IDPs and local conflict-affected population (including at least 25 new jobs for women);
3. At least 50 micro and small businesses provided with business consulting services and technical assistance;
4. At least 15,000 people reached by information campaigns and MSMEs promotion events.

Therefore, the Project has overachieved its expected results (as per the Project Document) as summarized in the table below.

Table 1.

Targets as of 1 March 2018 and results achieved by 28 February 2019

Project Indicator	Target	Actual Result	Source
Number of IDPs and local conflict-affected population with increased knowledge and skills on starting and improving businesses (disaggregated by sex)	200 (100 women, 100 men)	539 (322 women, 217 men)	Training Feedback Forms
Number of new jobs created for IDPs and local conflict-affected population (disaggregated by sex)	50 (25 women, 25 men)	58 (31 women, 27 men)	Reports from the grantees, Project monitoring
Number of micro and small businesses provided with business consulting services and technical assistance (disaggregated by sex)	50	179 (81 women, 98 men)	Project monitoring
Number of people reached by information campaigns and MSMEs promotion events	15,000	200,000*	Media and outreach analysis

* Such significant overachievement in information dissemination is explained by using effective channels of information dissemination (Intercity speed trains, business expo, public employment services centres, the web, social media and outdoor – see annex 6). This activity was co-funded by the government of Poland.

IMPLEMENTATION STRATEGY

A number of approaches were used to implement the Project to ensure it is complied with UN RPP's general principles for recovery and development interventions.

An inclusive approach to identifying and prioritizing the recovery needs

To ensure the most effective use of the Project's resources, the greatest possible positive impact and local ownership of Project's results, a participatory strategy was chosen for the implementation.

The Project established connections among the local business communities and business membership organizations, as well as the local authorities, to encourage upholding a reasonable regulatory environment for doing business and facilitated networking amongst active members of the communities through various activities at the regional and national levels.

Women's economic empowerment

The role of women is often emphasized in the context of peacebuilding in eastern Ukraine, but their contribution to the region's recovery is often ignored. However, they play an active role in local economies by actively engaging in employment, entrepreneurship, re-skilling, upskilling and business promotion programmes.

The Project based on the previous lessons learned included gender analysis into project design and

communications. Women entrepreneurs success stories were pitched to the media and promoted through UN RPP online channels (see section IV 'Communication and visibility'). The Project team ensured that gender is mainstreamed across all its activities. Over 60% of training participants are women as well as over 50% of all employees hired due to the grants support programme.

Sustainability of the results

The assessment of UN RPP's Small Grants Programme conducted in January-February 2018 shows that up to 40% of the businesses supported by the UN RPP SBG programme demonstrated a high level of sustainability and can survive without any further financial assistance. Another 40% continue to use equipment purchased through the UN RPP grant to generate additional revenue but are not able to expand or develop their businesses. And only around 20% of businesses that received financial support in 2015 and 2016 were officially closed by the end of 2017, according to the State Register of Legal Entities of Ukraine. It is expected that the current Project will have similar results as the same implementation approach was applied.

The training programme also shows some tangible results with almost 5% of the graduates started business without any financial support from the UN RPP. The unemployment rate among the training participants has decreased by 5% and some 26% of the graduates received UN RPP small business grant or other financial support to facilitate the creation and expansion of their businesses.



Photo: Oleksandr Ratushniak

Women entrepreneurs from Luhansk Oblast participating in 'East Expo 2018', Lviv 1 November 2018.

PROJECT RESULTS

Activity 1: Training on business origination, management and MSMEs development

Before the conflict, large industrial enterprises fully dominated the Donbas region's economy. The traditional way to generate income for a person living in this region was to work at one of the large local industrial enterprises, rather than operate a private business. As evidenced by REACH Capacity and Vulnerability Assessments, local economic networks have changed significantly due to the conflict, this model has become less feasible and attractive, prompting more people to consider small and medium businesses as both their possible occupations and a tool to create new jobs for others; or stimulate economic growth/revitalization of the region.

To support the entrepreneurial aspirations of the local population, UN RPP continued its business development training programme and launched a series of business skills training events. In partnership with experienced business training providers, the Project has conducted 19 training sessions in eight cities of Donetsk and Luhansk oblasts (including the areas along the contact line)

for all those willing to become entrepreneurs or develop a business, including women and persons with disabilities. The course included lectures and workshops on business planning, legal and registration issues, finance, marketing, business communications, branding, Hazard Analysis and Critical Control Points (HACCP) and other business-related topics.

In September 2018 and later in February 2018, a call for registration for the training courses was announced on [UNDP Facebook page](#) and announcements were sent out to the regional media, advertisement platforms and various partners, such as State Employment Service Centres, regional authorities and business membership organizations (including chambers of commerce, value chains and business service providers). In January-February 2019, three last training sessions from the series of 19 were delivered covering the topics of business communications and branding delivered by the Ukrainian leading

marketing and branding agency [Madcats](#). The demand for business development training is steadily high and exceeds the number of places available. The Project formed the waiting list of those willing to participate in the training courses and sends them the notification once the new training is announced.

The online application form with user-friendly design and comprehensive information regarding the training programme and the schedule of training sessions was published on [UNDP Facebook page](#) and the [Contractor's](#) social media channels. Upon submitting an application,

each participant completed the questioner to assess his/her entrepreneurship aptitude and motivation.

The training courses met the following objectives:

- Motivate the conflict-affected persons to start, re-start or extend their businesses;
- Strengthen entrepreneurial and management skills;
- Provide information on starting up a business (registration, accounting, legal procedure, marketing, etc.);
- Provide support in the development of business plans to seek external funding (grants, loans, etc.).

As a result of the training activity, in total 539 people (322 women, 217 men) gained new skills and knowledge on how to launch, develop or restore businesses. Over half of the trainees were actual entrepreneurs and had an existing business.



Photo: Artem Getman

Training on branding by Ukraine's leading marketing agency 'Madcats', Kramatorsk, 24 January 2019



Photo: Galyna Balabanova

Training on business communication for entrepreneurs in Mariupol, 21 February 2019.

Activity 2: Grants for MSMEs to stimulate the creation of jobs

Provision of financial support to those who are willing to launch private enterprises and already have business plans has been instrumental in UN RPP's efforts to promote income-generating opportunities in the region. It has become even more important given that local businesses lack access to loans at reasonable interest rates because of security concerns and high interest rates. The grants programme was designed to support the launch, recovery or development of micro, small and medium-sized businesses with grants of up to USD 10,000. Applications had to demonstrate a high level of quality, have long-term prospects to generate income, be based on realistic market indicators, and foresee

the creation of new employment opportunities and jobs. The sizes of the business grants ranged from USD 1,500 to USD 10,000, depending on the expected number of jobs they would create. The contest was open for all residents of the government-controlled areas of Donetsk and Luhansk oblasts, both locals and IDPs and was **announced** back in July 2017. In total, 948 business plans (618 from Donetsk Oblast, 330 from Luhansk Oblast) were submitted to the UN RPP, of which 60% of applications were submitted by men and 40% by women. The technical and quality assessment of business plans was completed by professional business consultants in October 2017. As a result of the selection process,



Iryna Makarova, 28, with support from UN RPP and the government of Japan (USD 5,000) launched a photo studio in Rubizhne, Luhansk oblast and created two jobs.

the Evaluation Committee formed a 'waiting list' of 120 solid business plans, under which up to 386 new jobs could be created. Thus, the Project provided 17 (5 women, 12 men) grants to the top-ranked business plans from the 'waiting list' in June 2018. Within these business plans, the supported entrepreneurs created 58 jobs (31 women, 27 men).

The variety of fields and locations covered by the grants programme is very wide. IDPs from more urbanized functional areas of Donetsk and Luhansk oblasts brought with them both demand and new ideas for the production of various goods and provision of services. Some of the most interesting and promising business initiatives supported by the Project included a greenhouse agricultural site, cheese production line, thermal modernization services, photo and design studio and others. Four businesses were supported in the areas close to the contact line: two in Avdiivka and two in Selydove, Donetsk oblast. The maximum amount of the grant provided to support the implementation of a business plan depends on the number of jobs created under this business plan. Successful applicants required to



Olena Zhyilkina opened a children entertainment center in Avdiivka, Donetsk Oblast, a town right near the contact line. With support from UN RPP and Japan (\$5,000) she created two jobs.

contribute by at least 25% of their business project's total costs:

- Up to USD 10,000 allocated for the business plans aiming to create at least 4 jobs;
- Up to USD 8,000 allocated for the business plans aiming to create 3 jobs;
- Up to USD 6,000 allocated for the business plans aiming to create 2 jobs;
- Up to USD 3,000 allocated for the business plans aiming to create one job (including self-employment).

Activity 3: Provision of Business Development Services for MSMEs

Another step to support employment and entrepreneurship in conflict-affected communities was the provision of remote and in-person consulting services. The access to services was provided for 179 entrepreneurs (81 women, 98 men) in eastern Ukraine, including 17 MSMEs financially supported by the Project and entrepreneurs who participated through an open registration. These services cover legal counselling on registration, obtaining permits, certificates, accounting, bookkeeping, audit, reporting, marketing, trade facilitation services and other relevant business-related topics.

Procedures and a mechanism have been designed to record and monitor consultations (a

consultation log containing the enterprisers' names, the number of the voucher for each consultation, the dates of the consultations, their topics and duration).

The voucher system for providing consultations has been put into operation and is functioning, the IDPs getting access to legal, accounting, business development, marketing and trade facilitation advice.

The monitoring system has been developed for the process of voucher delivery of consultations and workshops/group consultations. Three workshops/group consultations conducted in the following cities: Sievierodonetsk (Luhansk Oblast),



Photo: Victor Moskaliuk

Master-class and presentation of modern professional cooking equipment during the experience exchange visit to Lviv, 30 January 2019

Kramatorsk and Mariupol (both Donetsk Oblast). Feedback has been obtained from consulted recipients.

In late January, UN RPP organized an experience exchange visit to Lviv for 20 MSMEs (6 men, 14 women) from HoReCa and tourism industry of Donetsk and

Luhansk oblasts. The agenda was developed together with [HoReCa Show Lviv festival](#) and included over 15 accommodation and catering facilities, meeting with relevant departments of Regional State Administrations, meetings with managers and chefs of top Lviv restaurant and hotel chains.

Activity 4: Promotional events for MSMEs

To promote and create significant visibility to MSMEs with local products and services from Luhansk and Donetsk oblasts, UN RPP initiated Business Expo 'East Expo 2018' in Lviv. The aim was to facilitate business partnerships, ensure visibility and promote the expansion of enterprises from eastern Ukraine outside of the local area as well as to build solid relationships with various local and national business. 'East Expo 2018' was supported and co-founded by three international donors: the government of Japan, the government of Poland and the U.S. Embassy in Ukraine.

For the first time in the history of Ukrainian entrepreneurship, almost 70 businesses (33 women, 37 men) from Donetsk and Luhansk oblasts came to Lviv to show that even if eastern Ukraine is affected by the conflict, it is still a region of admir-



Participants from Donetsk oblast presenting their honey products at 'East Expo' in Lviv, 1 November 2018

ble resilience, talent and innovation. For two days, Lviv residents and visitors had the opportunity to find new business partners, attend training sessions on various topics, and debunk the myth of the absence of business activity in the eastern part of the country.

All the expo participants had the opportunity to attend panel discussions at the [18th International Economic Forum](#), a major event for the economy of western Ukraine.

Over 30 businesses from Donetsk and Luhansk oblast found potential business partners at business-to-business meetings facilitated by the Lviv Regional Chamber of Commerce. The entrepreneurs learned about marketing, crowdfunding, and business cases at the 'East Expo 2018' thematic training sessions conducted by Ukraine's leading experts.

Many entrepreneurs took part in the exhibition, showcasing a



Photo: Oleksandr Ratushniak

From left to right: Oleg Syniutka, governor of Lviv oblast; Osnat Lubrani, United Nations Resident Coordinator in Ukraine; Stepan Kubiv First Vice Prime Minister of Ukraine, Minister of Economic Development and Trade of Ukraine; Joanna Jurewicz, Counsellor of the Embassy of Poland in Ukraine; co-owner of Donmet factory from Kramatorsk at East Expo, Lviv, 1 November 2018

variety of businesses, ideas and success stories. For example, the 'Farm 3D' company was started because the co-owner of the company assembled the printers himself. Today, the company creates souvenir products, assembles 3D printers, teaches 3D design to youth and produces custom-made prosthetics and special footwear for children with disabilities.

Valencia, a confectionery maker, has not only treated Ukrainians with sweets for eight years, the company has also created new jobs for conflict-affected women and men in Sloviansk, Donetsk Oblast, both in production and retail sector.

The Sievierodonetsk-based company 'Spetstent' has launched production of polyvinyl chloride fabrics and makes tents for trucks and vending booths. They have commercial orders from all over Ukraine and from abroad. The 'Donmet' enterprise, a welding torch maker, has been in the market for 28 years and sells its products in 14 countries around the world.

All the expo participants and 250 MSMEs from Donetsk and Luhansk oblasts were compiled in the [online catalogue](#) on the 'East Expo 2018' website and promoted through the UN RPP's social media channels and partner networks. Some 70

percent of the companies at 2018 Expo participated in the previous 'East Expo in 2017' and around 20 percent of them received business support grants from the UN RPP (see results of the participants surveyed in Annex 9).

In 2018, UN RPP continued the 'Big Stories of Small Businesses' information campaign which has been consistently supported by the Government of Japan since 2016. The campaign showed seven stories of micro, small and medium enterprises from eastern Ukraine. There are UN RPP grantees and participants of the 'East Expo' among the selected companies this year.



Premiere screening of "Big Stories of Small Businesses 2018" at Molodiya Festival in Kyiv, 4 November 2018

The premiere screening of these videos was held in Kyiv on 4 November during the [7th International Festival of Social Advertising](#) followed by presentation events in [Mariupol](#), [Kramatorsk](#), [Rubizhne](#), [Sievierodonetsk](#) and extensive advertisement and promo campaign. The events gathered in total 240 people: entrepreneurs, young moviemakers, the representatives from advertisement, online marketing and creative industries. The premiere screening event and the stories of the businesses were broadcast by one of Ukraine's most popular national TV channels - [STB](#). In late November, the UN

RPP launched a public vote for the most inspiring video story with its media partner [Delo.ua](#). The three winning videos were broadcast on TV, intercity trains, state employment centres, co-working hubs and the UN RPP's online channels reaching the audience of over 200,000 people. As a follow-up to the advertisement campaign, UN RPP produced a [book](#) with 50 stories about UN RPP grantees, half of them are those supported by the Government of Japan. These stories also demonstrate the achievements of Donetsk and Luhansk oblasts in the recovery and development of the region.

As part of the entrepreneurship promotion efforts in eastern Ukraine, the UN RPP created a documentary film about one of the most successful Ukrainian innovation startups – Petcube (video can be [viewed](#) on UNDP Youtube channel). Upon the request of Luhansk Oblast State Administration, the UN RPP created a [video](#) to promote investment attractiveness of the Luhansk Oblast called "Time to Invest". It was officially presented by Luhansk Oblast State Administration in November 2018, and widely shared on the internet and promoted at various events.

COMMUNICATIONS AND VISIBILITY

Communications were a crucial part of project implementation for two reasons. Firstly, the local communities in Donetsk and Luhansk oblasts still feel the aftermath of the psychological trauma they went through. Reminders of the support that is coming to the region from the international community are yet another way to mitigate the feeling of insecurity and promote reconciliation in local communities and stable development of the region. Secondly, the Government of Japan is making generous commitments to support the people of Ukraine through technical assistance and loans to the Ukrainian Government. Clear visibility for Donor assistance both in the media and during public events has demonstrated the proper use of the funds and ensured general accountability. Therefore, the actual activities were focused on the three main goals outlined below.

An inclusive approach and participation

In order to ensure that the Project actions meet the communities' needs and lay the ground for future ownership of the results, UN RPP made all possible efforts to communicate its plans and progress on employment support. Actual participation of local community members and IDPs was also crucial to the promotion of employment and entrepreneurship in the region.

Local media were chosen as a convenient and influential channel to disseminate this information. The tools

used for their engagement included official delegation visits, success stories of the supported entrepreneurs, dissemination of press releases, interviews with UN RPP representatives, and site visits.

Accountability

Proper use of the recovery and development funds is an important issue for eastern Ukraine to show the conflict-affected communities that the support from the international community and the government is distributed fairly and transparently. Together with UN RPP's commitment to open and transparent project implementation, this principle guided Project communications with the local and wider Ukrainian audience, as well as local authorities. It was also crucial to keep our colleagues and partners in other countries informed about the recovery progress.

Demonstration of support

Information about the assistance that is coming to eastern Ukraine from various international donors serves to mitigate the feeling of insecurity that most of the local population experiences. To ensure that joint efforts by UN RPP and the Government of Japan are clearly visible, a number of branded items were designed and procured. This includes: banners, flags (large and small formats), signs bearing acknowledgements and stickers at the supported business facilities, equipment and stationery used during training, forums and meetings.

Media

Regional, national and international print, online and broadcast media were approached and pitched systematically, including through media briefings, media advisories, press releases, newsletters, and interviews.

Throughout the project's duration, there were over 400 media mentions (UN RPP estimate) of the Japan/UN RPP partnership. The milestones were the announcement of training courses in business skills, 'East Expo' in Lviv, and the launch of 'Big Stories of Small Businesses' promo campaign.

UNDP, within UN RPP, widely used social media ([Twitter](#), [Facebook](#), [Instagram](#) and [Flickr](#)) to promote the project's multimedia content, events, success stories and articles. With Facebook being most popular social media platform in Ukraine, an average post would reach over 5,000 people. UN RPP's effort to highlight success stories of IDPs and local population in eastern Ukraine resulted in numerous media pitching. For example, Ukrainian national TV channel 112 launched a special project "[The Near East](#)" where they cover the stories of entrepreneurs from Donetsk and Luhansk oblasts, including UN RPP grantees supported by the Government of Japan.

THE KEY MEDIA OUTLETS COVERING THE PROJECT'S ACTIVITIES INCLUDE:

National:

[STB](#), [5th Channel](#), [Espreso TV](#), [Hromadske TV](#), [Segodnya newspaper](#), [112 TV channel](#), [24th Channel](#), [Business magazine](#), [Delo newspaper](#), [Ukrinform](#), [Deutsche Welle Ukraine](#), [ZIK](#), [Golos Ukrainy newspaper](#), [Delo.ua](#), [Gazeta.ua](#), [Facts newspaper](#), [Marketing Media Review](#).

Regional:

[C-Plus TV](#), [IRTA](#), [STV](#), [UA Donbas TV](#), [Ostrov](#), [Donbas Public TV](#), [Delovoy Sloviansk](#), [Mariupol Express](#), [Donbass Comments](#), [Vchasno](#), [sd.ua](#).



'East Expo' promo video screened at intercity train, October 2018

Multimedia content on UNDP-owned online channels

Multimedia content on UNDP-owned online channels
Press releases were issued for every announcement or project launch, milestone or success. In total, 7 original releases, or news stories about Japan/UN RPP recovery activities were published on the UNDP website:

- [Delegation from the Embassy of Japan to Ukraine visits Luhansk Oblast to monitor UNDP and UNICEF programme implementation](#)
- [Entrepreneurs from eastern Ukraine to showcase their businesses in Lviv](#)
- [Lviv brings together 70 businesses from eastern Ukraine for East Expo 2018](#)
- [Seven big stories of small businesses: Online voting for the best success story](#)
- [Big Stories of Small Businesses: Winners of the video contest announced](#)
- [A woman entrepreneur teaches children science in Ukraine's conflict-affected town](#)
- [Big Stories of Small Businesses: The collection of stories](#)

Twelve video clips and social media posts promoting the 'East Expo' and 'Big stories of Small Businesses'

campaign were produced and published on the UN RPP's online channels, screened at intercity trains throughout the country, at the branches of Ukraine's Chamber of Commerce and the biggest retail chains in Lviv and eastern Ukraine:

- [East Expo 2018 – the first Donbas MSMEs exhibition in Lviv](#)
- [Donetsk region is going to present its salt business at East Expo 2018](#)
- [Nataliia will present her handmade products at East Expo 2018](#)
- [Olena and Oleksandr will present their business at "East Expo 2018"](#)
- [Prosthetic devices, special children shoes - how make business on 3D printing](#)
- [Donbasceramics, Volnovakha](#)
- [Kontakt, Druzhkivka](#)
- [Rubizhne Hosiery Manufactory](#)
- [Kramtechcentre, Kramatorsk](#)
- [Aeromeh, Kreminna](#)
- [Spetstent, Severodonetsk](#)
- [Water treatment technologies, Severodonetsk](#)



LESSONS LEARNED

The feedback collected from the Small Grants Programme (SGP) potential grantees shows that additional training sessions on topics related to modern agriculture technologies and agro-processing in rural areas are in high demand. There is also an opportunity to boost the development of MSMEs through the provision of the necessary equipment to the already operating businesses (especially to those located close to the contact line) to stimulate the creation of new jobs.

To enhance the impact of SGP and expand business opportunities, it is important to identify and disseminate Project's success stories through various communication channels to motivate more people to choose entrepreneurship and create their own start-ups. At the same time, some of the SGP activities should be targeted at youth to encourage youth to create new business to realize their own creativity and innovation.

The analysis of the previous tranches of SGP shows that up to 20-22% of grantees may close their newly-established businesses after the 4-6 months of operation. A significant part of these business failures is related to the recent changes in national legislation. The national minimum wage threshold and the unified social tax rate increased on 1 January 2018 to 3,723 UAH and 819 UAH, respectively and starting from 1 January 2019 to 4,173 UAH and 918 UAH. These changes negatively affected the potential profitability of some business plans submitted for funding. Therefore, many of those plans had been re-adjusted and updated taking into account the new business environment.

An increasing number of women and men want to start their own businesses following the examples of the success stories highlighting previously supported SGP businesses. In addition, many businesses confirmed their

willingness to create business membership organizations in order to advocate their joint/common interests, develop new networks and learn from the peers.

It can be practical to train successful UN RPP grantees as business-trainers and to create a mechanism allowing them to consult another grantee or start-upper in the region.

Based on labor market analysis, youth is one of the groups that are least welcomed by employers due to lack of practical experience and professional knowledge. Young graduates in eastern Ukraine are especially vulnerable when they are looking for employment opportunities on the local job markets. Thus, providing occupational training and establishing a paid internship mechanism for the conflict affected young women and men is necessary. It is also needed to extend consulting services for the participants of business training courses who seek to launch or develop a business without grant support.

Since more women are interested in participating in business training courses (but less women received grants), it is necessary to increase efforts to encourage women's participation in business grants competitions through various motivation/information and capacity building measures.

Study tours for businesses proved to be not only an experience sharing process but also a natural way for MSMEs to unite and create informal and/or formal networks, associations and clusters. It is recommended to widen the range of businesses participating in study tours by including MSMEs from the construction, tourism and transport/logistics industries.

CONCLUSIONS AND RECOMMENDATIONS

Scale up the business training programme. There is a high demand among the local population, in Donetsk and Luhansk oblasts, to participate in training sessions due to the proven high quality and good visibility of these training activities in the region. The UN RPP has already identified a number of cases (5% from total amount) when the participants of the training courses opened successful businesses without grant support from the UN RPP. Many residents of the areas close to the contact line expressed interest in participating in training courses on business skills development, should they be conducted in their towns or villages. The settlements in this area are the most affected by the armed conflict and require the presence of businesses in the field of services, repairs, catering and processing of agricultural products. Therefore, it is recommended to provide more targeted training on business development for the people living in these communities. One of mandatory parts of these training should be the development of business plans that can be implemented independently through self-employment or with the support of different international organizations that currently propose grants for business development or through regional support programs (like “Ukrainian kurkul” in Donetsk Oblast). Online courses are another option of how to increase capacity of local population, especially those living in areas close to the contact line.

Increase the institutional sustainability of supported businesses. UNDP, within UN RPP, has to keep implementing periodic monitoring, within 6-9 months from the date of the grant reception. Monitoring should identify training and consulting needs, as well as barriers to business development. Next, based on this information, tailored capacity building support and expert assistance should be provided.

Lastly, entrepreneurs should be assisted in the preparation of business plans and other documentation necessary for receiving credit funds or alternative funding.

Identify success stories and use them to launch public motivational campaigns, which will increase the positive impact of the project by inspiring people to launch businesses and creating a positive image of the entrepreneurs in the region and throughout the country.

Suggested follow-up action. The experience gained within the previous and current phases of the project clearly show that the approach of addressing the needs of IDPs and other groups of the conflict-affected women and men by giving them more economic opportunities and helping to sustain their lives themselves works well. The recent assessment of the Small Grants Programme conducted by independent evaluators in 2018 also confirmed that the assistance provided within the project is both effective and highly relevant to the existing situation. However, under the current phase of the project only a small part of potential beneficiaries (approximately 20%) can be covered due to budget limitations. Therefore, it is advisable and recommended as a follow-up action to extend activities of the project both in scale and geographical coverage to include the areas along the contact line and to develop alternative financing mechanisms (e.g crowdfunding).

To sustain the project’s results and promote positive changes in the MSME sector, it is strongly recommended to continue a systematic organization of workshops on business planning and development, as well as promotional events (Business Expos) for producers from eastern Ukraine. Expertise and best practice exchange

in business development are also important for the innovative development of local MSMEs. Conflict-affected beneficiaries who are looking for promising business ideas, as well as those who already have a business idea but are exploring ways for its launching, benefit from participating in exchange visits to similar business entities. These types of activities are recommended to be included in the follow-up actions.

The MSMEs supported by the project, representing a **similar industry or regional cluster**, demonstrated the tendency to cooperate among themselves and create value-added chains. It is recommended to enhance this effect through additional support tools. It is recommended to conduct systematic surveys of the business development situation by assessing challenges and barriers to business development. These surveys would ensure timely consideration of existing challenges and an ensuing improvement of the quality of business support. Thus, it is advisable to identify cluster initiatives in traditional industries at the city/district level, create new business niches for MSMEs in the region, as well as identify business niches which have the potential to sell goods and services outside the region, given the low purchasing capacity of the local population. The support of concessional lending for grantees, who demonstrate growth and readiness to expand their business and create new jobs for the conflict-affected women and men, could also prove highly beneficial.

Despite the huge unemployment rate in the conflict-affected regions of Ukraine, there is a **big gap in the skills of local unemployed people** and those demanded on the regional labour market. Many entrepreneurs emphasize the lack of highly qualified staff for their businesses. Thus, the UN RPP training courses contributed to resolving these issues, however, more targeted and advanced vocational training is needed. Such targeted training is strongly recommended to be included as an activity in the follow-up actions to support the economic recovery of conflict-affected oblasts of Ukraine.

After the active phase of the conflict, the regional infrastructure still remains severely damaged and, in some cases, not only as a result of shelling – some roads and bridges were and is still being damaged through their use by heavy military machinery. The damaged socio-economic infrastructure includes hospitals, schools, social service centers, rehabilitation centers, important elements of transport infrastructure, water supply systems, water pumping and water filtration stations. It is critically important for the development of local MSMEs to have access to properly functioning infrastructure, as it enables economic activity in the region and improves business connectivity with business from other oblasts. The restoration of such critical infrastructure facilities is recommended to foresee in the future projects.

