



Briefing Paper on Supporting the

# RECOVERY OF CONFLICT-AFFECTED LIVELIHOODS IN THE DONBASS REGION OF UKRAINE

People in Need (PIN) May 2016

## CONTENT

1. INTRODUCTION .....	1
2. CONFLICT'S IMPACTS ON LIVELIHOODS .....	2
3. EXISTING RESPONSES .....	4
4. OPTIONS FOR PIN'S PROGRAMMING .....	6
4.1 Advocacy .....	6
4.2 Emergency Agriculture in NGCA .....	7
4.3 Livelihoods Recovery in GCA .....	8
4.4 Agriculture Development in GCA .....	10
5. ANNEXES	

## ABBREVIATIONS

<b>DNR</b>	The Donetsk People's Republic
<b>DRC</b>	Danish Refugee Council
<b>FAO</b>	Food and Agriculture Organization
<b>FSC</b>	Food Security Cluster
<b>GCA</b>	Government Control Area
<b>ICRC</b>	The International Committee of the Red Cross
<b>IDP</b>	Internally Displaced Person
<b>IOM</b>	International Organization for Migration
<b>NGCA</b>	Non-Government Control Area
<b>SES</b>	State Employment Service
<b>SME</b>	Small and Medium Enterprise
<b>UAH</b>	Ukrainian Hryvna
<b>WFP</b>	World Food Programme

## 1. INTRODUCTION

The Briefing Paper was prepared for the Czech INGO People in Need (PIN). It aims to inform and inspire PIN's upcoming support to the livelihoods of vulnerable families residing in conflict-affected areas of the Donbass region of Eastern Ukraine. It responds to a significant demand from the local families and aid agencies to **strengthen local food and income generation**, enhance resilience and, where relevant, reduce people's dependency on external food aid.

The assignment was conducted from 24<sup>th</sup> April to 7<sup>th</sup> May 2016 by PIN's Lead Advisor for Strategy and Quality Development and PIN Ukraine staff. It is based on a review of over 50 secondary resources (see Annex II) and interviews with 67 people, including the representatives of 8 implementing agencies (incl. 4 UN agencies), 2 clusters, 3 donors, 2 regional authorities, 3 agricultural companies and residents of 4 villages in the 'grey zone' areas under the Ukrainian government control (for a detailed overview, see Annex I). The report is written for PIN's internal purposes and is **not intended for wider dissemination**. It focuses on information that PIN needs for its livelihoods programming. It intends to complement existing, statistically often more representative, sources of information. While maximum effort was done to cross-check the accuracy of the provided data, the report cannot guarantee its complete precision. Prior to making a major programming decision, verify the data from other sources and please inform the author about any inaccuracies.

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## 2. CONFLICT'S IMPACTS ON LIVELIHOODS

Prior to the conflict, the economies of Donetsk and Luhansk regions accounted for 14.4% of the Ukraine's gross domestic product. Large scale coal, steel and agricultural production was among the main sources of employment. Since 2011, **the industrial production of both regions started significantly decreasing** with the most rapid decline recorded from 2013. Up until 2013, agricultural production remained at a relatively stable level with the first rapid decrease starting with the 2014 harvest.

The conflict affected the livelihoods of over one million people living in the Donbass region, decreasing their access to income, food and other essentials. 10 to 24% of population in GCA and NGCA has no work. The main source of income for almost half of the vulnerable population in GCA is **pensions and social benefits**. Since the onset of emergency, the cost of living has significantly increased across Ukraine. According to WFP, the food basket cost was 56% higher in March 2016, compared to March 2014. In late 2015, 57.4% of the households had difficulties in accessing markets, with a **higher share recorded in NGCAs** (69.1%) compared to GCAs (45.7%). FAO's survey calculated the average income of households living in the Donbass region at \$ 65.4, with 75% of households having incomes lower than the average national wage and being vulnerable from a monetary perspective. In 2015, 30.4% of households have average debts of UAH 5 934 (\$ 240). Debts have doubled in number but reduced in amount. Debt affects 62,278 households, indicating that the population is borrowing only to cover the basic cost of living (FAO, 2015).

In NGCAs, **the situation is compounded by the ban on commercial supplies** of food and medicines coupled with restricted humanitarian access. Prices of food commodities had been soaring and in mid-2015 were 70% higher than the national average. Since August 2015 they started to decrease. In parallel, an **increase of prices of agricultural inputs** and services have soared by on average 86%, reducing the capacity of rural households to invest into subsistence crop production and maintenance of livestock, further impacting food security, the availability of food on the markets and the food prices (HNO, 2016).

Among the most vulnerable are families living along the contact line, followed by those living in NGCA and vulnerable IDPs and hosting communities in different areas of Ukraine (such as women headed households or families with no source of employment income or social benefits). According to FAO estimations, in the rural areas of GCA of Donetsk and Luhansk regions there are about 171,279 people (57,093 households) in need of livelihoods assistance (FAO, 2015). Further – likely even more pressing – livelihoods assistance is required for people living in NGCA.

### EMPLOYMENT

According to a recent ILO survey on the employment of IDPs:

- the estimated **unemployment rate among IDPs is 34.1%** of all economically active IDPs, much higher than in the case of other categories of population
- the overwhelming majority of currently employed IDPs are wage and salaried workers; the number of self-employed IDPs is considerably lower (though likely to increase)
- most working IDPs are employed in the wholesale and retail trade, car repairs, construction and services – sectors known for widespread informality, job insecurity and seasonal, often casual, character of jobs
- the **majority of the unemployed IDPs are women** (68%), aged under 45 years (74%), holders of a college (22.3%) or university diploma (46.3%), with employment experience before displacement (81.3%), and active user of computer and the Internet
- half of the surveyed unemployed IDPs would accept only jobs that pay at least UAH 3,000 (approx. \$ 120) per month, and over 20 percent would like to get at least UAH 5,000 (approx. \$ 200)
- among the **top six IDPs' difficulties during their job search**, shown in decreasing priority ranking, are: low wages offered by available jobs, lack of suitable jobs that would match the education and profession of job-seekers, employers being reluctant to hire IDPs (due to uncertainty, amongst other reasons, about whether they would stay), lack of job-specific skills and relevant work experience, as well as lacking job search skills
- taking into account that many IDPs have very firm- or region-specific skills, the issue of **skills development** should be an essential element of the provided livelihoods assistance
- about 40% of unemployed IDPs would consider participating in training programs to enhance their employability, most often in a foreign language or computers courses, but sometimes also in acquiring entrepreneurial skills or job-specific skills for IT professionals, accountants, drivers, providers of beauty services, etc. (training vouchers provided by the State Employment Services are of particular importance in this respect)

- 61% of surveyed IDPs do not plan to move anywhere during the next 12 months
- relocation to rural areas is unattractive to the majority of IDPs even if they were provided with a job and housing, except those who had previously lived in rural area and those who have no permanent place to live
- the most widespread strategies to cope with financial hardship used by the surveyed IDPs are, in decreasing priority ranking: denying themselves basic necessities (food, goods, medicines), drawing up documents to obtain social assistance from state, borrowing money or sale of personal property, and delaying obligatory payments
- the most frequent **barriers to hiring IDPs** cited by the interviewed employers is the worsening economic situation in Ukraine: decline in production, no need for new workers, inability to pay wages in full even to the already hired workers, and uncertainty about how long IDPs will stay at the new place
- new employment of IDPs occurs mostly in seasonal jobs, such as construction or agriculture
- most employers who have hired IDPs have quite positive impressions, stating that IDPs are not much different from the rest of their workforce (often they are even more diligent)
- job candidate's skills and competencies are the main criterion for hiring a worker (IDP or non-IDP status is secondary)

While IDPs belong among the most affected population, the **economic situation of the hosting population living in the conflict-affected areas is often not considerably better**. Thousands of people living in GCA and NGCA lost their jobs in factories, coal mines, agribusinesses and other traditional sources of full-time and seasonal employment. They often lack the confidence, ideas and skills required for gaining a new employment or starting their own enterprise (as a result, they receive very little benefits from the INGOs' entrepreneurship-oriented livelihoods assistance). Their most preferred option is (re)gaining an employment at a local agribusiness or factory, many of which were closed due to extensive damages whose repairs would require multi-million (UAH) investments. The increasing competition for jobs alongside a perception of little support coming to the hosting population (as opposed to IDPs) contributes to **social tension**. During PIN's field-based assessments, local authorities repeatedly emphasize that aid needs to be provided to both hosting population and IDPs.

## AGRICULTURAL PRODUCTION

According to the Multi-Sector Needs Assessment (03/2015), aside from pensions, agriculture is the second most important livelihood source after industries in the Donbas region. The majority of the agricultural land is leased or owned by larger agribusiness companies (each owning at least several hundred hectares of land). In the first 18 months of the conflict, the cultivated area has decreased by some 30% or 53,000 hectares (FAO, 2015).

The vast majority of families in the rural areas are **subsistence farmers – 91% of them grow crops and 66.4% raise animals** (mainly poultry). Poultry is frequently raised for meat – chicks are purchased after the winter, first two months fed with purchased fodder and at the age of about four months sold for meat (this 'cycle' is then repeated in the second half of the year; chicken mortality is usually low). Only a limited number of poultry is kept during the winter when the fodder is scarce. Family farmers also produce nearly 90% of the region's vegetables and virtually all of the potatoes. Backyard gardening on 50 to 100 m<sup>2</sup> serves as a 'safety net', supplying families with potatoes and vegetables (tomato, cucumber, parsley, onion, garlic, paprika). According to FAO's survey (03/2015), at least 75% of total production is consumed within the household, 5-15% is sold, and 5-10% is donated. Winter production of staple crops (primarily wheat) on land nearby the villages covers on average 1.58 hectare per farmer; however, it is practiced by a smaller percentage of families as most land is rented to larger agribusinesses. Winter production has significantly decreased due to insecurity, mines and lacking inputs and most families have to rely on backyard gardening only. The **main difficulties faced by subsistence farmers** are lacking cash for required inputs (seeds, fertilizers, fodder for animals), insecurity and mines, damaged infrastructure (e.g. greenhouses) and poor access to markets (due to insecurity, checkpoints, road conditions, costs of transport, distance).

Agricultural **inputs are sold in bigger towns** of GCA nearby the contact zone (by companies and smaller market sellers; on-line sale is also available). In NGCA, agricultural inputs are reportedly sold in smaller shops in lower quantities, sufficient for backyard production; their high price is the main factor restricting people from their use. The highest demand for seeds is between February and March though people start purchasing

already from November. A visited seed shop seller in GCA reported people coming from the 'grey zone' area with large suitcases and purchasing seeds (and other inputs) for them and other farmers from their village. Furthermore, interviewed farmers reported purchasing seeds from shops located in villages nearby the grey zone (however, the choice of the input was very limited). Larger suppliers of agricultural inputs claimed to be **able to bring in even larger volume** of inputs, if required. At the same time, while the physical access to inputs is at an acceptable level, their rising prices (up by 86.2%) combined with households' decreased purchasing power mean that their financial accessibility is limited. Many producers have to rely on their own seeds and fertilizers, which ultimately erodes their productivity.

Since June 2015, the Ukrainian government prohibits commercial cargo to NGCA, including the supplies of food and medicines. While the restriction affects people living in NGCA (by increased prices, lower availability of required products), **the ban significantly harms the livelihoods of farmers living in GCA**. Along the contact line are dozens of villages and towns (such as Stanycja Luganska) whose residents used to supply urban markets – currently under NGCA control – with fresh vegetables, fruits and other products. Re-orienting their production towards markets in GCA is likely to be very difficult, primarily due to large distances, poor infrastructure, high costs, and lacking market contacts. Enabling these producers to start selling even limited quantities of fresh foods to NGCA could sustainably benefit tens of thousands of people – considerably more than any humanitarian or recovery project is capable of. Generally speaking, **marketing of agricultural production** (in any area where it represents a problem) **should receive no less attention than other types of agriculture recovery support**.

### 3. EXISTING RESPONSES

Among the main non-government, non-profit actors supporting the long-term livelihoods of conflict-affected households are FAO, IOM, UNDP, ICRC, Mercy Corps, DRC, PIN, Save the Children, ADRA and Caritas/CRS. Aside from unconditional cash grants and cash for work activities, the livelihoods recovery assistance (incl. their further plans) is relatively similar and includes:

#### LIVELIHOODS RECOVERY

##### AGRICULTURAL LIVELIHOODS RECOVERY

- distribution of *seed potatoes and vegetables seeds* (supported by, for example, FAO and ICRC)
- provision of *cash grants* for agricultural production (supported by most agencies)
- distribution of *chicks including fodder* for the first two months (FAO, ICRC)
- provision of *animal fodder* for cows, poultry and other animals (FAO)
- additional types of support planned for 2016 and 2018 include provision of *greenhouses* (incl. drip irrigation) and *agricultural tools*
- implementers generally *do not support larger-scale agricultural companies* whose businesses were damaged during the conflict and require substantial resources for recovering their production/ services and increasing employment

##### NON-AGRICULTURAL LIVELIHOODS RECOVERY

- provision of *livelihoods small-scale grants* (usually 500 – 1,000 USD) for the recovery of previous or startup of new micro-enterprises (provided by nearly all agencies), similar to PIN's OFDA livelihoods grants (with some differences such as IOM providing grants in-kind and providing two day business skills training before people develop and submit their business plans)
- provision of *larger grants to already existing SMEs* (worth 2,500 – 7,000 USD) aiming to create new employment opportunities (piloted by, for example, DRC who focuses on jobs for IDPs; also by IOM)
- supporting the State Employment Service (SES) in the provision of requalification courses (supported by IOM); SES were, among others, providing IDPs with requalification training vouchers

Aside from the provision of agricultural inputs, vast majority of livelihoods assistance in the Eastern Ukraine is provided to more entrepreneurial beneficiaries. While this approach has proven to be helping thousands of families, it **leaves aside a very large number of people who lost their jobs and do not have the ideas, confidence and experience to start their own business** (such as employees of production factories, mining industry, agricultural enterprises, etc.). Furthermore, there are only a certain number of enterprises that can be established and live off the quite limited purchasing power of people living in conflict-affected areas.

## LIVELIHOODS RECOVERY ASSESSMENTS

In addition to the reports of PIN's Assessment, Monitoring and Evaluation Unit, the most useful data for PIN's livelihoods programming include:

- FAO (09/2015) [Socio-Economic Impact and Needs Assessment](#) (note: FAO plans to update the report – fresh data collection is planned for August 2016, to be published by September 2016)
- ILO (03/2016) [Employment Needs Assessment and Employability of Internally Displaced Persons in Ukraine](#)
- Ukraine NGO Forum (03/2015) [Ukraine Multi-Sector Needs Assessment \(MSNA\)](#)
- WFP (03/2016) [Market Update](#)
- WFP (11/2015) [Food Security Assessment](#)
- RAF, [Humanitarian Map of Donbass](#)
- Food Security Assessment (incl. agriculture) currently planned by the Food Security Cluster in cooperation with the cluster members, WFP and REACH – design in May, data collection in June, result in July 2016; **PIN is encouraged to participate in the FSC's Assessment Group** (chaired by Astrid Sacristan), providing technical inputs/ questions (especially for the survey's agricultural part)
- REACH plans multi-sectoral assessment (plus other assessments – topics to be specified); FSC advocates for food security being addressed by its more in-depth Food Security Assessment; ICRC would like **REACH to focus one of its four planned assessments on market analysis** so that livelihoods interventions are based on a good understanding of the market's capacity
- in May 2016, Mercy Corps conducts an **agricultural market survey** around Stanycja Luganska and other areas where it is considering supporting farmers in the marketing of their production)
- by the end of 2016, FAO is likely to publish a **survey of agricultural cooperatives** (as a part of their livelihoods recovery and development work)

## DONORS' SUPPORT TO LIVELIHOODS RECOVERY

Note: the list is not complete as it wasn't possible to arrange meetings with all donors.

- **ECHO** – supports limited livelihoods cash grants as a part of its humanitarian assistance
- **European Delegation** – no plans for 2016; in 2017, the Delegation might announce a call for proposal for the recovery of conflict-affected areas (not decided yet) that would be suitable also for INGOs; current EU Sector Manager for Agriculture is leaving, from September will be replaced by Mr. Hell (from mid-September, it will be possible to provide the Delegation with useful data and recommendations that might contribute to informing the 2017 call)
- **UK (DFID)** – limited support to livelihoods is possible within the existing humanitarian projects; recovery will need to be funded from other sources
- **Canada (DFATD)** – provided CAD 3 million to FAO for agricultural assistance in Donbass and in 2016 does not plan to provide any further funding; only chance is within a multilateral trust fund for Donbass' recovery that is – according to the Canadian Embassy's staff - supposed to be established in the coming months
- **Japan** – reportedly provide \$ 15 million to UNDP as a part of the Recovery and Peacebuilding Program
- generally, there do not seem to be many upcoming funding opportunities for agriculture development interventions that organizations like PIN could apply for

## LONGER-TERM SUPPORT TO AGRICULTURE DEVELOPMENT

A detailed overview of agriculture development projects is provided in Annex IV. The vast majority of them focus on policy changes, support to food industry, Government's capacity building, etc. and INGOs play a minimum role in their implementation. Assistance to smallholder farmers (similar to the one supported by ENPARD in Georgia) is very limited, the major exception is UNDP's "Community Based Approach Project" supporting community-based initiatives, including the establishment of agricultural service cooperatives (<http://cba.org.ua/en>, contact: [henk.vanzyl@undp.org](mailto:henk.vanzyl@undp.org), Mr. Hendrik van Zyl; the project also developed manuals and other resources on cooperative management, etc.).

## 4. OPTIONS FOR PIN'S PROGRAMMING

This chapter proposes PIN to focus on four main areas of livelihoods-related operations: advocacy, recovery in GCA, 'emergency agriculture' in NGCA and development-oriented programming in GCA.

### 4.1 Advocacy

#### TRADE FOR LIVELIHOODS

PIN, in partnership with other aid agencies, should advocate the donors to request the Ukrainian government to introduce exemptions to the ban on commercial supplies to NGCA. The core focus should be on **enabling farmers from GCA to export their production to their previous markets in NGCA** (such as those from Stanycja Luganska who used to export to Lugansk town or those who used to supply the Donetsk market). This can be done by, for example, increasing the maximum amount of fresh foods transported from GCA to NGCA to 1,000 kg (currently, a person is not allowed to bring more than 50 kg of goods).

Accepting such exemption to the ban is likely to be more acceptable for the Ukrainian government than its complete removal (which from the humanitarian point of view would certainly be the preferred option). While the government might be opposing large scale commercial supplies being delivered to NGCA, the smaller supplies of farmers from GCA of Donbass region might be feasible. The idea was informally consulted with the staff of DFID, ICRC, WFP, UNDP, FS cluster, Mercy Corps and PIN, all responding positively and **perceiving such an initiative as worth trying**. The Canadian Embassy was more hesitant, emphasizing that such initiatives need to be channeled through humanitarian channels (e.g. OCHA), not politicians.

Based on the consultations with these stakeholders, it is recommended that PIN proceeds in the following way:

- i. discuss the initiative with the main NGO implementers (primarily Mercy Corps) and **gain their official support** (i.e. it should not be perceived as PIN's but the aid community's initiative)
- ii. jointly **prepare the arguments** that are likely to gain the highest leverage – given the political context, economic gains for Ukrainian farmers (and the Government) should be put first, followed by the likely improvements in the humanitarian situation of the ordinary Ukrainians (generally, all arguments should be phrased in a positive way, avoiding criticism of the ban)
- iii. collect **evidence supporting the argument**, such as the number of affected people (incl. producers), their humanitarian situation, the economic benefits Ukrainian people (and the Government) would gain by re-opening supply to NGCA (for details, see suggestions in Annex III; Mercy Corps offered to help with collecting the required data for the Lugansk region)
- iv. prepare a **position paper**, consult on its wording with more influential actors (DFID, WFP, ICRC – all are open to help) and secure formal support from the key implementing agencies
- v. contact DFID who offered to organize a **meeting of donors** (alternatively, consider if engaging donors through OCHA would be more appropriate)
- vi. let the donors **identify the best 'negotiator'** who will be willing to propose the request to the relevant decision makers in the Ukrainian government (this should be either OCHA or an influential donor)
- vii. provide the 'negotiators' with the required support (e.g. data) and **step back** to let the negotiation be managed at the highest level (it is safer for PIN to stay removed from this process as all responsibility for bringing up the suggestion is up to the negotiators)

According to DFID, PIN should proceed with the initiative sooner rather than later (i.e. have the position paper and supporting evidence available in several weeks). The quality of **supportive data will be crucial** for gaining donors' and politicians' buy-in.

#### AID FOR LIVELIHOODS

In order to ensure maximum coordination and effectiveness of the forthcoming livelihoods assistance to the Eastern Ukraine, PIN should advocate for the livelihoods sector to have:

- 1) **Stronger Representation**: Consider proposing to the well-performing Food Security cluster to expand its focus to both agricultural and non-agricultural livelihoods and to become a Food Security and Livelihoods cluster, bringing together agencies working on improving people's access to food and income. Such a system is common in other countries and is likely to be more effective than the currently underperforming Livelihoods and Early Recovery cluster (which is under consideration for being dissolved).

- 2) **Improved Coordination:** The relatively large number of agencies focusing on the same type of livelihoods assistance (grants for micro-enterprises) means that there is a risk of overlapping assistance, resulting in decreased aid effectiveness. Therefore, advocate relevant cluster for an improved coordination of the agencies' livelihoods recovery plans (for example, based on geographical division of the target areas). A kick-off meeting organized by a cluster where all agencies present their plans and come up with ways for preventing overlap could be a good starting point.
- 3) **Donors' Participation:** Encourage a cluster responsible for livelihoods to motivate a higher range of donors to participate in the cluster meetings at the Kiev level, creating an environment where more donors and implementers are sharing their experience and plans for further programming. Furthermore, ensure that your "Position Paper on Livelihoods Programming in Ukraine" reaches more donors and decision-makers (beyond the Livelihoods and Early Recovery cluster where the paper was presented).
- 4) **Re-Considered Targeting and Responses:** Support the cluster in stimulating discussion, assessments and response options for supporting the livelihoods of people who do not (sufficiently) benefit from the provision of agricultural inputs or are not entrepreneurial enough to apply for a grant and start own business (i.e. the prevalent types of current and planned assistance). This might require a different approach, such as providing them with an initial confidence-building and business counseling support or to cooperate with medium-scale enterprises on creating new working places.
- 5) **Better Market Understanding:** Livelihoods assistance is currently provided with an extremely limited understanding of the market's capacity, needs and opportunities. According to ICRC, REACH is open to focusing one of its assessments on market analysis – however, it needs to see a clear demand of the livelihoods-supporting actors, including PIN.

## 4.2 Emergency Agriculture in NGCA

Considering the extensive damages to the livelihoods of people living in NGCA and the complete lack of livelihoods assistance, it is recommended that PIN focuses on **emergency livelihoods assistance** aiming to enable people to meet their long-term, essential food and income-related needs. Considering that the provision of livelihoods grants is not possible, PIN should initially focus on the following types of agricultural assistance:

- **seed potatoes** for 2017 season
- **vegetable seeds** (primarily tomatoes, cucumbers, onion, carrots, dill) for 2017 season
- **fertilizers** for 2017 season
- **chicks** (from incubators in Luhansk, Donetsk) **with 2 months fodder ratio**, possible also in 2016
- **animal fodder**, especially for a period between 11/2016 and 05/2017
- in the case of the authorities' acceptance and possibility to co-select the beneficiaries, PIN should also consider the provision of **basic plastic greenhouses with drip irrigation** (esp. in areas with poor access to water) and small volume **chicken egg incubators** (e.g. ranging from 100 to 500 eggs per hatching period)

When planning such assistance, **the following points need to be considered:**

- It is crucial that PIN sticks to its humanitarian role officially approved by the DNR's Committee for Accreditation of Humanitarian Missions and **provides its new support as "emergency livelihoods assistance"**.
- The exact type of agricultural inputs needs to be consulted with the local population and selected in **cooperation with local agronomists** (Ukrainian farmers use a wide range of different seed varieties etc. and might not appreciate using inputs they aren't familiar with).
- The fact that PIN is not allowed to conduct an assessment in NGCA does not mean that its support should be provided without understanding the situation on the ground. PIN should consider proposing that relevant authorities conduct joint visits to the target areas with the official purpose of jointly designing the most effective types of assistance (e.g. seeds variety, quantity). Such visits would also allow PIN to get a better understanding of the local needs. Similarly, PIN is likely to be more successful if its beneficiary selection criteria are designed in consultation with the relevant authorities (note: this will require PIN to have an internal discussion and **decision on what level of authorities' involvement is acceptable for PIN**).

- The **experience of ICRC's** agriculture emergency support shows that livelihoods assistance is more likely to be approved by the NGCA authorities if:
  - its content and the its method of provision is closely consulted with a range of authorities, such as agricultural authorities, Recovery Management Centre and the Committee for Accreditation of Humanitarian Missions
  - the authorities have no reasons to doubt the quality of provided inputs (for example, seed potatoes imported from GCA can be perceived as being genetically amended and intended for damaging the agricultural sector in NGCA – inputs that are co-selected by the authorities or procured in Russia/ NGCA are likely to be more acceptable)
  - if any trainings are envisaged (e.g. on greenhouse vegetable production), they are provided by the DNR's agronomists, not by PIN
  - the assistance is not likely to create social tensions (arising from, for example, a situation when people are not aware of or disagree with the beneficiary selection criteria)
  - the project proposal includes very clear and specific description of the project's benefits (for example, "to help 2,000 poor families to produce at least 500 tons of potatoes in total")
  - the project proposal includes a detailed, step-by-step explanation of the aid delivery process, ensuring a maximum transparency of PIN's aid in the eyes of the NGCA authorities
  - all written documents and verbal communication avoid using sensitive words (such as assessment or monitoring), avoid requesting general information (e.g. "an overview of current situation of small-scale farmers") and present things in a positive rather than negative way (i.e. limit the "problem analysis" section of a proposal)
  - the project documentation is presented in the Russian language

Note: the approval by NGCA authorities can be very lengthy – being ready for 2017 agricultural season will **require PIN to start the negotiations latest in June 2016.**

### 4.3 Livelihoods Recovery in GCA

Based on the existing needs in GCA, it is recommended that PIN considers supporting both hosting population and IDPs with the following types of livelihoods recovery assistance:

#### **SMALL LIVELIHOODS GRANTS**

PIN's cash grants are an effective way for recovering the livelihoods of more entrepreneurial people who are capable of coming up with an idea and presenting it in the business plan application. However, this approach might be less suitable for (a large number of) people who lack the confidence, ideas and experience required for (re)starting an income generating activity, such as factory workers who lost their lifetime job. In order to make its support more inclusive, PIN should consider the following modifications:

- **provide inspiration, not just cash:** identify among the providers of livelihoods cash grants 20-30 of the most replicable and successful businesses and present them to the potential applicants for inspiration (always select those that are most relevant to the given context – i.e. avoid, for example, presenting in a poor village an example of a successful coffee shop owner)
- **first training, then cash:** first invite people for a practical training on enterprise development (covering the main topics a person thinking about starting an enterprise needs to consider) and only then ask them to submit a business plan – such an approach is likely to increase the participation of people who would otherwise lack the confidence to apply for PIN's grant
- **prioritize more vulnerable areas:** consider restricting the geographical scope of your livelihoods grants, allowing you to ensure even better beneficiary selection (incl. home visits) and giving higher priority to areas where people have very few job opportunities (i.e. nearer to the contact line)

## EMPLOYMENT CREATION AT SMEs

The number of people in Donbass region who can start and successfully sustain their own micro-enterprise is limited. The purchasing power of local residents is not high and the market can absorb only a certain number of new services and products. At the same time, a large proportion of the most affected people are families of factory workers, miners and others who lost their lifetime employment and find it difficult to start their own business. PIN should therefore focus on **identifying small to medium scale enterprises that can be supported to create new employment opportunities**. PIN's staff can start by learning from DRC's experience of providing 3,000 – 7,000 USD grants enabling SMEs to increase (or restore) their operations and employ more people.

## REQUALIFICATION + JOB SEARCHING SUPPORT

Explore possibilities for cooperation with the State Employment Service and potential employers on increasing the employability of vulnerable, conflict-affected people. This might involve, for example:

- **supporting requalification courses** that are linked to a specific employment (this would require intensive cooperation with the employers)
- providing people with **job searching skills** (preparing CVs, learning about job opportunities, attending interviews, using SES's support)

## AGRICULTURAL INPUTS

In the GCA are dozens of shops selling a range of agricultural inputs, such as seeds and fertilizers. At the same time, people are generally aware of their location; however, lack money for purchasing the inputs they need. PIN should conduct a survey assessing:

- the exact location of the shops; the range of products they sell; their capacity to re-supply if demand suddenly increases (e.g. by 200 new customers); and their willingness to participate in a voucher scheme
- people's awareness of shops; their ability to visit them and bring back what they purchase; the types of products they would like to purchase for the 2017 season; and whether they prefer receiving vouchers (enabling them to choose whatever inputs they need but requiring them to travel to the shops) or in-kind supply (when inputs are delivered directly to their village but their variety is limited)

The result of the survey will help PIN to decide which of the following modalities are most appropriate:

- **vouchers**: if shops are selling a wide variety of the inputs people need and people prefer (and are able) to 'purchase' inputs by themselves, agree with a larger number of local shops on voucher-based sale of agricultural inputs (each beneficiary should receive several vouchers of smaller denomination, so that her/his shopping is not restricted to one shop only + receive a small cash support covering the transport costs)
- **mobile shops**: if people are not able to visit the shops or if shops do not supply the required inputs, consider agreeing with a larger company on organizing a 'mobile shop' – a vehicle loaded with the required inputs which the company representative will bring directly to the target villages, enabling people with PIN vouchers to receive the inputs they need (furthermore, if people want more inputs than their voucher allows, they can purchase them with their own cash; similarly, people without vouchers can also take advantage of the mobile shop coming for several hours to their village)
- **PIN-managed fairs**: if none of the two options above are possible (e.g. due to checkpoint restrictions), PIN can agree with an agro-input company on PIN using its own vehicles to bring a range inputs to the beneficiaries, letting them choose what they want (up to a certain value, based on a pricelist) and then returning the unused inputs back to the company
- **in-kind supply**: if none of the preceding options are possible, PIN can provide inputs in-kind; the main disadvantage of such approach is that it gives people little choice and – compared to the voucher option – harms local shops as it takes away their customers

The **financial value** of the support should be based on a calculation of the amount an average family spends on purchasing essential inputs (for backyard gardening, approx. 1,000 UAH/ \$ 40 per family is likely to be sufficient). The **main benefits** of such assistance will be that: a) families will save money they would otherwise have to spend on agricultural inputs; and b) improved quality of provided inputs will likely increase the volume of families' production. Preparations for such type of assistance should start latest in September 2016, enabling people to access the required input latest by February to March 2017. Due to the **high risk posed by mines and unexploded ordnance**, it is not recommended to support crops production in the open fields near the villages and any other at-risk areas.

## PROVISION OF ANIMAL FODDER

Consider providing vulnerable families holding a limited amount of livestock with animal fodder, enabling them to **sustain their livestock and avoid selling it due to lacking feed**. Fodder is most required during the winter and also in early spring when families purchase young animals that require more of a purchased feed. Consult the choice and quantity of fodder with the target population and also with FAO (in April 2016, FAO provided packages including 50kg of wheat and 50kg corn per beneficiary/ family). Coordination with other agencies will be essential (FAO plans to provide quality assured animal feed to up to 4,167 households).

## AGRICULTURAL EQUIPMENT AND FACILITIES

Support families engaged in subsistence and semi-commercial production of vegetables, fruits and potatoes in a) repairing damaged farming equipment and facilities; and b) investing in new equipment and facilities allowing them to increase their production. Such support can include, for example:

- **greenhouse repairs and construction** enabling families to intensify their production (note: recommended only for areas where people can actually sell part of their production)
- **cash grants for the repairs** of damaged water pumps, essential machinery, equipment

Conduct a more detailed needs assessment allowing you to understand the exact extent of needs in the areas of your operations.

## SUPPORT TO AGRICULTURAL MICRO AND SMALL ENTERPRISES

Consider supporting more entrepreneurial farmers in providing commercial services that benefit a larger number of the local community members. This can include, for example:

- **operation of small capacity chicken egg incubators** (100 to 500 eggs per hatching period of 21 days) can enable dozens of farmers in a village to access chicks for relatively low prices (note: the person owning the incubators needs to have sufficient experience and commitment + small-scale generator guaranteeing continuous electricity supply)
- **production of heating briquettes from agricultural residue**, such as straw or hay, can provide people with an income generating opportunity while addressing one of the most pressing needs of many vulnerable families – lacking sources of heating; the costs of briquetting presses start around 7,000 EUR (however, such an investment should not be made without making a proper feasibility survey focusing on the technical, economic and social feasibility of such enterprise); see, for example [BIOMASSER press](#)
- **other types of services** identified based on a participatory assessment among farmers living in PIN's target areas

## MARKETING SUPPORT

The vast majority of the existing or planned agricultural assistance focuses on helping farmers to increase their production. However, for farmers it make sense to increase their production (beyond their subsistence level) only if they can access markets where they can sell it at an acceptable price. The conflict resulted in a situation where many farmers cannot access their previous markets and face significant barriers in re-orienting their production to new markets. Once PIN defines the exact areas of its livelihoods-related operations, it needs to conduct a more in-depth **assessment on farmers' barriers and opportunities to accessing (profitable) markets** and help them to address the barriers and take advantage of the available opportunities.

## 4.4 Agriculture Development in GCA

As Annex IV shows, the vast majority of agriculture development interventions in Ukraine are implemented directly by the Government's agencies in cooperation with technical assistance provided by external technical specialists. The role of INGOs has been minimal. The funding opportunities for INGOs (unless they have a very specific technical expertise) are very limited. It is recommended that PIN currently focuses solely on its livelihoods recovery programming while identifying options for interventions linking recovery and development. Increased understanding of the agricultural sector will enable PIN to be in a better position to access 'economic recovery' funding that will hopefully for allocated for the Donbass region and should include also options for more development-oriented interventions.

## 5. ANNEXES

### Annex I: List of Consulted Stakeholders

Date	Name	Position	Place	Contact
25/4/2016	Vanessa Merlet	PIN's Country Director	Kiev	
26/4/2016	Hushnid Sattarov	PIN's Head of Office	Slavyansk	
	Jess Garana	Livelihoods and Early Recovery Cluster Coordinator	Kramatorsk	jess.garana@undp.org
	Justin Lyle, Roman Lunin	PIN's Assessment and M&E Unit members	Slavyansk	
	Aleksey Makhniboroda	PIN's Deputy Manager for Livelihoods Program	Slavyansk	
27/4/2016	Kostits Maria Semenovna	Deputy Head of the Office for Development of Agricultural Production	Kramatorsk	
	Farrukh Abdualievich Toirov Andrii Volkov	FAO's Emergency Programme Coordinator FAO's Head of Kramatorsk field office	Kramatorsk	farruk.toirov@fao.org andrey.volkov@fao.org
	Irina Dobrodumova	seller of seeds in Kramatorsk	Kramatorsk	099 370 37 32
	Dmitriy Kushnir	Ogorodnik seed company branch manager in Kramatorsk	Kramatorsk	www.ogorodnik.org, 050 840 98 84 kdvdima009@gmail.com
	Kris Lizak	PIN's Livelihoods Program Manager	Slavyansk	
28/4/2016	Leonid Petrov Olga Bogdashkina	PIN's FS Coordinator PIN's FS Database Operator	Slavyansk	
	Astrid Sacristan	FS Cluster Coordinator	Kramatorsk	astrid.sacristan@fscluster.org
	Dimitriy Kalinin	Slavyansk branch Manager of "Feed and Life" fodder company	Slavyansk	050 198 24 01
	Lukasz Skoczylas	PIN's FS Program Manager (NGCA)	Slavyansk	
	Karina Pavlova Lena Motylova Boris Sanzhyra	PIN's Livelihoods Field Officer PIN's Livelihoods Database Admin PIN's Livelihoods Field Officer	Slavyansk	
29/4/2016	Bezkaravaynaia Liubov Grigorievna Dran Volodymyr Yaroslavovich	The Department of Agricultural and Industrial Development of Regional Government Administration	Severodonetsk	095 301 67 75 067 442 04 95, audit.af@i.ua
	Rula Daoud	ICRC's Economic Security Delegate (Slavyansk)	phone interview	rudaoud@icrc.org
	Brian Milakovsky	Mercy Corps' Emergency Response Coordinator	Severodonetsk	bmilakovsky@mercycorps.org

30/4/2016	Key Informants: village representative, 5 subsistence farmers (4 women, 1 man), 2 agri-businessmen		Novobakhmutovka village, Donetsk region	
	Key Informants: 2 largely subsistence farmers (male)		Lastochkino village, Donetsk region	
	Key Informants: 4 subsistence farmers (1 woman, 3 men), 1 agri-businessman		Umanskoe village, Donetsk region	
	Key Informants: village representative, 7 largely subsistence farmers (3 women, 4 men), 2 agri-businessmen		Pervomayskoe village, Donetsk region	
3/5/2016	Oleg Dzyadik Olga Antipova Dina Urazbaeva	PIN's Food Security Coordinator for Donetsk PIN's Deputy Area Coordinator for Luhansk PIN's Head of Office for Donetsk	Skype call	
	Giancarlo Stopponi	WFP's Head of Office	Kiev	giancarlo.stopponi@wfp.org
	Anastasia Lytvynova Maksym Osavoliuk	IOM's Community Stabilization Specialist IOM's Emergency and Stabilization Livelihoods Project Specialist	Kiev	alytvynova@iom.int, 067 252 41 69 mosavoliuk@iom.int
4/5/2016	Vakhtang Piranishvili	DRC's Head of Dnipropetrovsk Office	Skype call	headofficednk@drc-ukraine.org
	Imad Zouain	ICRC's Economic Security Delegate for Donetsk	Skype call	izouain@icrc.org
	Ildar Gazizullin	UNDP's Recovery Specialist	Kiev	ildar.gazizullin@undp.org
	Joanna Burton	ICRC's Economic Security Coordinator	Kiev	joburton@icrc.org
5/5/2016	Fergus Thomas	DFID's Humanitarian Advisor	Kiev	f-thomas@dfid.gov.uk
6/5/2016	Viacheslav Zub Volodymyr Seniuk Jeniffer Cooper Yulia Koba	Canadian Embassy's Program Officer Canadian Embassy's Senior Program Officer Deputy Director of Development Cooperation Section Program Analyst of Development Coop. Section	Kiev	viacheslav.zub@international.gc.ca volodymyr.seniuk@international.gc.ca jennifer.cooper@international.gc.ca yulia.koba@international.gc.ca
	Alina Zuykovskaya Victoria Grib	DTEK's Manager of Social Development Department DTEK's Head of Sustainability	Kiev	zuykovskayaaa@dtek.com gribva@dtek.com
	Enzo Damiani	EU's Sector Manager for Agriculture, Food Safety and Land Reform	Kiev	enzo.damiani@eeas.europa.eu

## **Annex II: List of Reviewed Resources**

In addition to approximately 15 different PIN documents (assessments, M&E reports, project proposals, etc.), the following external resources were reviewed as a part of the assignment:

### **Livelihoods Recovery Resources**

- HCT (11/2015) Humanitarian Needs Overview
- HCT (01/2016) Humanitarian Response Plan
- FAO (2015) Socio-Economic Impact and Needs Assessment, Donbass region
- FAO (01/2015) Joint Rapid Needs Assessment (Agriculture) in Donetsk and Luhansk Regions
- WFP (11/2015) Food Security Assessment
- Ukraine NGO Forum (03/2015) Ukraine Multi-Sector Needs Assessment (MSNA)
- ILO (03/2016) Employment Needs Assessment and Employability of IDPs in Ukraine
- Pelly, I. (03/2015) Rapid Assessment for Market (RAM) Report, Donetsk Oblast
- DRC (03/2015) Cash Based Programming Rapid Assessment & Market Snapshot
- FSC (03/2016) Ukraine Food Security Interventions During the Month of February 2016
- FSC (12/2015) Ukraine FSC: Humanitarian Response Plan 2016
- WFP (03/2016) WFP Ukraine Country Brief
- presentations of Mercy Corp, DRC, CRS/ Caritas and PIN's livelihoods assistance
- MC, DRC, CRS, PIN (03/2016) Position Paper on Livelihoods Programming in Ukraine
- cluster meetings' minutes
- OCHA (04/2016) Eastern Ukraine: Multipurpose Cash
- WFP, Consolidated Approach for Reporting Indicators of Food Security (CARI)
- FAO (2016) Saving Livelihoods Saves Lives

### **Livelihoods Development Resources**

- MAPF (2015) Single and Comprehensive Strategy and Action Plan for Agriculture and Rural Development in Ukraine for 2015-2020
- Sedik, D. and Lerman, Z. (2014) Agricultural Cooperative Development in Former Soviet Countries: The Case of Ukraine and Kazakhstan
- FAO (2013) Improving Milk Supply in Northern Ukraine
- FAO (2012) Assessment of the Agriculture and Rural Development Sectors in the Eastern Partnership countries: Ukraine
- Voloshyna, Y. et al (2015) Agricultural Cooperatives in Ukraine
- Korines, R. (2012) Сельскохозяйственная Обслуживающая Кооперация В Украине
- Heifer International (2012) First Cooperative Learning Farms Open in Ukraine
- McNeal, R. (2010) Impact of Agricultural Service Cooperatives on Subsistence Farmer Livelihoods in Ukraine
- SSSU (2014) Main Agricultural Characteristic of Households in Rural Areas in 2014
- SSSU (2014) Statistical Yearbook of Ukraine
- FAO (2013) Roundtable on Agricultural Cooperatives in the CIS Countries and Georgia
- Zinovchuk, V. (2007) Supporting Agribusiness in Ukraine: Cooperatives and Beyond
- Krylova, O. and Gazizullin, I. (2013) EC/UNDP Community Based Approach to Local Development Project
- Matrix of Projects Operating in Ukraine – Agriculture Sector

### **Annex III: Data Required for Livelihoods Advocacy**

The following data should be collected to support PIN and other agencies' advocacy efforts to allow Ukrainian farmers living in the border areas of GCA to sell to their previous markets in NGCA and in doing so improve their livelihoods and contribute to the Ukrainian economy:

- **names and number of villages and towns** in GCA whose farmers used to sell their agricultural production to the markets in NGCA
- **the total number of people** living in these areas
- **the approximate number of farmers** in these areas who would benefit if they are allowed to sell their production to NGCA
- **the approximate annual income** they could gain by selling their production to NGCA (note: calculate this by assessing the estimated income of a sample of farmers and multiply it by the total number of farmers)
- **the approximate amount of taxes** the Ukrainian government might gain from allowing farmers to sell in NGCA
- **data on the existing humanitarian situation of farmers** affected by losing their access to markets

Note: before you start collecting any data, consult the list with other INGO implementers who are likely to have useful feedback on what other data might support your advocacy efforts.

### **Annex IV: Overview of Agricultural Projects in Ukraine**

Overview of over 35 agriculture development and several agriculture recovery projects currently implemented in Ukraine is provided in a separate document and available upon request.