



UNITED NATIONS  
UKRAINE



# UKRAINE COMMON COUNTRY ANALYSIS



Data as of March 2021



UNITED NATIONS UKRAINE



Resident UN Agencies



Non-resident UN Agencies



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# ACRONYMS AND ABBREVIATIONS

<b>AA</b>	Association Agreement with the EU	<b>OECD</b>	Organisation for Economic Cooperation and Development
<b>AIDS</b>	Acquired immunodeficiency syndrome	<b>OHCHR</b>	Office of the United Nations High Commissioner for Human Rights
<b>CA</b>	Conflict Area in Eastern Ukraine	<b>OHS</b>	Occupational Health and Safety
<b>CEDAW</b>	Convention on the Elimination of All Forms of Discrimination against Women	<b>PLHIV</b>	People living with HIV
<b>COVID-19</b>	Coronavirus Disease	<b>PLWA</b>	People living with AIDS/HIV
<b>CSOs</b>	Civil Society Organizations	<b>PETS/QSDS</b>	Public Expenditure Tracking Survey (PETS) and Quantitative Service Delivery Survey (QSDS)
<b>DCFTA</b>	Deep and Comprehensive Free Trade Agreement	<b>PPP</b>	Public Private Partnership
<b>EBRD</b>	European Bank for Reconstruction and Development	<b>RGAs</b>	Rapid Gender Assessment
<b>EECP</b>	Entry/exit check point	<b>SDGs</b>	Sustainable Development Goals
<b>EIB</b>	European Investment Bank	<b>SGBV</b>	Sexual and Gender-Based Violence
<b>EU</b>	European Union	<b>SME</b>	Small and Medium Enterprises
<b>GCA</b>	Government Controlled Area ( in Donetsk and Luhansk regions of Ukraine)	<b>SMS</b>	State Migration Service
<b>GDP</b>	Gross Domestic Product	<b>SOP</b>	Standard Operating Procedure
<b>GHG</b>	Greenhouse gas	<b>SSSU</b>	State Statistics Service of Ukraine
<b>GoU</b>	Government of Ukraine	<b>TB</b>	Tuberculosis
<b>FAO</b>	Food and Agriculture Organization of the United Nations	<b>UAH</b>	Ukrainian hryvnia
<b>FDI</b>	Foreign direct investment	<b>UN</b>	United Nations
<b>HIV</b>	Human Immunodeficiency Virus	<b>UNCT</b>	United Nations Country Team
<b>HRMMU</b>	United Nations Human Rights Monitoring Mission	<b>UNDS</b>	United Nations Development System
<b>IDPs</b>	Internally Displaced Persons	<b>UNECE</b>	United Nations Economic Commission for Europe
<b>ILO</b>	International Labour Organization	<b>UNIDO</b>	United Nations International Development Organization
<b>IMF</b>	International Monetary Fund	<b>UNPF</b>	United Nations Partnership Framework
<b>IOM</b>	International Organization for Migration	<b>UNDP</b>	United Nations Development Programme
<b>Mas</b>	Minsk Agreements	<b>UNDRR</b>	United Nations Office for Disaster Risk Reduction
<b>MOH</b>	Ministry of Health	<b>UNESCO</b>	United Nations Educational, Scientific and Cultural Organization
<b>MPs</b>	Members of Parliament	<b>UNFPA</b>	United Nations Population Fund
<b>MTEF</b>	Medium-term Expenditure Framework	<b>UNHCR</b>	United Nations High Commissioner for Refugees
<b>M&amp;E</b>	Monitoring and Evaluation	<b>UNICEF</b>	United Nations Children’s Fund
<b>NCD</b>	Non-communicable diseases	<b>UNOPS</b>	United Nations Office for Project Services
<b>NEET</b>	Not in employment, education, or training	<b>UN Women</b>	United Nations Entity for Gender Equality and the Empowerment of Women
<b>NFI</b>	Non-food Item	<b>WASH</b>	Water, Sanitation and Hygiene
<b>NGCA</b>	Non-Government Controlled Area (in Donetsk and Luhansk regions of Ukraine)	<b>WHO</b>	World Health Organization
<b>NGOs</b>	Non-Governmental Organizations	<b>WPS</b>	Women, peace and security
<b>OCHA</b>	United Nations Office for the Coordination of Humanitarian Affairs		

# EXECUTIVE SUMMARY

## THE UN CCA AND ITS PURPOSE

Ukraine's 2021 Common Country Analysis (CCA) has been designed to reflect the United Nations integrated, forward-looking and evidence-based joint analysis of the context for sustainable development in the country, and its progress towards achieving the 2030 Agenda and its Sustainable Development Goals (SDGs). It is informing implementation of the UN-Ukraine Partnership Framework 2018-2022, and will shape the design of the new UN Cooperation Framework 2023-2027 for the country. The CCA is a live document and will

be constantly updated by the UN team to reflect and anticipate possible risks and changes.

The CCA provide insights into Ukraine's progress towards fulfilling the 2030 agenda, highlights risks and opportunities for development acceleration through transformations across specific areas, sectors and SDG domains: society and institutions, economic growth, environment and climate change, demographics, migration, and conflict resolution.

## CONTEXT

Agenda 2030 is part of Ukraine's key long-term development framework, along with the EU Association Agreement. In recent years, Ukraine has achieved significant progress towards many SDGs: from poverty reduction and better health outcomes to gender equality and energy transformation. At the same time the country faces several structural obstacles that impede more inclusive and peaceful development. The CCA focuses on identifying these decelerators and outlines possible opportunities for joint action between the UN, the Government of Ukraine, and the development community.

The 2019 presidential and parliamentary elections ushered in an entirely new leadership in Ukraine. President Volodymyr Zelenskyy won power in an unprecedented landslide victory in April 2019 on the basis of three key promises: to restore peace, to combat corruption, and to bring about economic revival. The newcomer to politics' popular mandate and his newly formed party, "Servant of the People" – which won an overall majority in the parliament for the first time in Ukraine's history – points to a severe disillusionment with old-style politics. Less than two years later, however, both President Zelenskyy and

his party have seen their popularity plummet as promises remain unfulfilled, and **renewed political instability** remains a real threat.

One of the main decelerators of development in Ukraine is the simmering **armed conflict in the east of the country**. Since losing control of about 7% of its territory in 2014 – including Crimea and parts of the eastern Donetsk and Luhansk regions – domestic reforms and peace negotiations have taken place against a backdrop of ongoing armed conflict in the east and the overall political dynamics in the post-Soviet space. In the last seven years, over 13,000 Ukrainians have been killed (including over 3,000 civilians), another 40,000 were injured (including over 7,000 civilians), 3.4 million are in need of humanitarian assistance and 734,000 are internally displaced (IDPs). The challenges are aggravated by restricted movement across a 427 km-long 'contact line' separating the government-controlled areas (GCA) of Donetsk and Luhansk regions and non-government-controlled areas (NGCAs). The NGCAs remain under the *de jure* sovereignty of Ukraine but are controlled by local separatist *de facto* authorities, who are supported by the Russian Federation.

## DEVELOPMENT CHALLENGES

**The lack of an official definition of people in situations of vulnerability** results in policies and budget allocation patterns that are not adapted to ensure access to social and economic rights, and which do not reach the most vulnerable populations and do not provide protection from discrimination. In reflecting on the principle of Leaving No One Behind, this report identifies 14 main vulnerable groups: the populations in the conflict-affected areas; persons living below the poverty line; persons with disabilities; persons with mental health conditions and disorders; vulnerable categories of women experiencing multiple forms of discrimination; the Roma population; older persons; asylum seekers, refugees and stateless persons; persons living in institutionalized settings, including those deprived of their liberty; homeless persons; LGBTQI+ people; workers in vulnerable situations; victims of trafficking; COVID first responders and health care workers; and unemployed young people. In many cases people belong to several of these groups, causing multiple challenges.

The **temporary occupation of Crimea** and the **ongoing conflict in eastern Ukraine** led to significant induced displacements, especially in the first three years of the conflict. Half of the IDPs are elderly and 59% women. In October 2019, 1.4 million IDPs were registered by social protection bodies, mostly in Donetsk region (up to half a million) and Luhansk region (up to 300,000) in Kyiv and Kyiv region (up to 200,000 in total), as well as in Kharkiv, Dnipropetrovsk and Zaporizhia regions. The average per capita income of IDP households is a third lower than national average, and also lower than the actual subsistence level calculated by the Ministry of Social Policy; therefore, many IDPs rely on state support.

**Climate change** will significantly affect Ukraine until and beyond the SDG horizon. Hazards will likely become more frequent, causing significant economic loss and threatening food security. Increasing droughts and heightened weather volatility will make forest fires more frequent and desertify Ukraine's south and south-east. The Carpathian mountains and densely populated areas in the Dniester, Dnieper and smaller river basins are highly vulnerable to floods, while port cities in Odesa, Kherson and Mykolayiv regions in southern Ukraine may be partially submerged by rising levels of the Black and Azov seas. Meanwhile, access to water resources, including drinking water, will likely fall, adding to the reduction of irrigated land by some 15% this century so far. Atypical diseases for Ukraine (malaria, dengue, etc.) may spread. Adaptation requires significant policy change to increase Ukraine's resilience. Continuing water crisis in temporarily occupied Crimea caused by the suspension of the supply of fresh water from Dnieper and the inability of the Russian Federation to

provide the population and economy of the peninsular with sufficient water resources leads to irrevocable environmental degradation, collapse of agriculture and the decrease in the living standards, including access to safe drinking water, for the population of many parts of Crimea. Water crisis feeds political tensions around Crimea with speculations around possible securitisation of the issue by the Russian Federation and escalation of the situation at the Crimea administrative boundary line.

Ukraine's progress towards Agenda 2030 and its ability to achieve needed economic and social transformation will directly depend on the successful finalization of a number of **foundational reforms** currently being implemented: anti-corruption and judicial reform, public administrative reform, decentralization, land reform, and health care reform.

The **economy** faces several challenges. A 2019 World Bank Growth Study found that with the pre-pandemic yearly growth rate of 3%, it would take almost 100 years for Ukraine to reach the current income level of Germany and about 50 years to reach that of Poland. An estimated contraction of 4.5% means COVID-19 has had a heavy toll on the economy and society. The UN estimated pre-COVID that aggregate productivity is 4.4 times lower than Germany's. In 2019 21% of total employment was informal, with agriculture, trade, vehicle repair and construction among the main informal sectors. Foreign direct investment has fallen in recent years. Meanwhile, the estimated losses of GDP per capita in Donetsk and Luhansk are 42% and 52% respectively, compared to a 22% drop for Ukraine. An estimated 70% of enterprises in GCA have reported decreased investment and revenues, disrupted trade relationships, lack of demand for products and shrinking workforces. All of this undermines the enabling environment for business, leads to greater vulnerability, and limits the sustainability of economic growth.

While it is difficult to estimate the total cost of poor **governance**, which results in loss of revenue, tax evasion, direct corruption and stolen assets, the economic cost is undoubtedly significant. A local think tank estimates governance reforms could bring US\$26.6 billion to the Government, with an additional US\$8.6 billion annually, i.e. 5.6% of 2019 GDP. This could reduce national debt substantially.

The absence of up-to-date **census** data also significantly hampers development planning and good governance. The country's last census was conducted in 2001. This means that the current population cannot be accurately estimated. This is a significant challenge, as budgeting and provision of people-centred goods and services requires up-to-date, accurate, reliable and disaggregated population data

Affecting the economy and society more broadly are networks of **corruption** which prevent the country fully releasing its human, democratic and economic potential. The Corruption Perception Index places Ukraine in 2019 only ahead of Russia among its neighbours. As in other post-Soviet and post-communist transition countries, corruption has affected governance, economic development and public trust, resulting a political economy that continues to mostly benefit national, regional and local economic and political élites. Oligarchs with vested interests have fought against reforms which could undermine their monopolistic positions or eliminate sources of rent, resisting efforts to establish a rules-based system and regulations.

While Ukraine has high proven reserves of mineral resources, the country uses materials and energy inefficiently with outdated technologies and highly depreciated fixed assets, especially in mining and metallurgy. Thus, Ukraine's **high energy intensity** of production (estimated at 0.34 toe/US\$1,000 in 2013 by the IEA) is some 50% higher than the EU average. Sustainable strong economic growth – necessary for SDG attainment – requires markedly reducing the carbon intensity of Ukraine's economy. Key obstacles to the transition include lack of diversification of Ukraine's economy, outdated and inefficient production capacity, and subsidies in energy pricing (including in the tax-benefit system, and owing to lack of internalization of externalities from greenhouse gas emissions).

With **public spending on health care** at 3.2% of GDP in 2019 - considerably behind central European neighbours– along with declining levels of consolidated government spending on health and the spotlight the global COVID-19 pandemic has placed on health system weaknesses and poor resourcing practices, the Government has restarted discussions on ways to better fund health. Spending per capita increased in real terms by 20% from 2015 to 2020, but this is partly explained by a 2.9% decline in population and was much slower than economic growth. If current trends continue into 2021, real health spending per capita is expected to decrease by 8.4%. Health has not been prioritized in the state budget, but has been crowded out by investment in economic infrastructure and security.

COVID-19 has added to Ukraine's **social protection** challenges. The system requires structural reform to remedy low coverage and access for the poorest and socially excluded, insufficient quality and gender-responsiveness of social services and growing funding deficits. As a result of the pandemic, at least 6.3 million more people are projected to have been living in poverty in 2020, of whom 1.4 million will be children. The pandemic severely affects individuals and groups in vulnerable situations. Older persons, persons with disabilities, homeless people, Roma, asylum seekers, IDPs and refugees, Ukrainian migrants who have lost their work abroad, people living in conflict-affected areas, and women and families with children are particularly affected.

**Pensioners**, one of the most vulnerable groups in Ukraine (27% of the total population), have seen average pensions decreasing from 50.1% of average salary in 2011 to 28.3% in 2020. Of 11.3 million pensioners 82.7% receive pensions below the subsistence budget, while 20% of pensioners (2.23 million persons) have disabilities and require additional assistance. Pensioners in the NGCA have had particular problems accessing their pensions as they need to travel to the GCA to access them.

**Sexual and gender-based violence** is widespread and systematic in Ukraine and remains a significant risk for women, children and adolescents, especially in the conflict-affected areas in eastern Ukraine. According to a 2019 survey, one in seven women in the country say they experienced a form of physical violence at the hands of an adult before they were 15 years old, compared to the average 27% in the EU.

The situation in Ukraine is considered critical with regard to cross-border trafficking of **illicit firearms**. In 2018, the Small Arms Survey estimated there are almost 3.6 million unregistered firearms in the country compared to approximately 800,000 registered firearms, and the country has been the scene of an intense illicit proliferation of small arms and light weapons, fuelled by the continuing armed conflict. While most illicit firearms trafficking takes place within the country, fears of illicit firearms trafficking from Ukraine into the European Union have increased.

# KEY DEVELOPMENT OPPORTUNITIES

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Given this wide range of challenges, the CCA highlights the potential scope of future UN action that could have maximum impact. The 17 agencies, funds, programmes and departments of the United Nations family operating in Ukraine will continue to accompany and support the country to fulfil citizens' aspirations for sustainable development, justice and democratic transformation. In doing so, with other international partners in Ukraine, the United Nations in Ukraine reaffirms its commitment to remain a strong, reliable and long-term partner of the country.

Supported by the UN and the international development community, Ukraine needs to commit to integrated progress along all of the challenging development dimensions outlined, putting people at the core of public policies, providing a safety net for everyone, protecting workers, prioritizing environmental sustainability, and making better public health a driver of well-being, productivity and a safeguard of peace, security and prosperity.

## 1. *Meaningfully promote Agenda 2030 and the SDGs as a framework for policy decisions*

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The SDGs must remain the basis for policy decisions to ensure recovery and resilience, in the COVID response and beyond. **Localizing Agenda 2030** requires additional efforts for true incorporation in the national development framework, to ensure an integrated approach towards development, and foster multiple positive change across many SDGs, cognizant of possible impact on vulnerable populations, and not conducting one-off actions that could have negative trade-offs. The current country SDG monitoring mechanisms are well established and benefit from political support, but are unable to provide a systematic assessment of the situation of vulnerable groups or sex and age disaggregated data. National planning and reporting do not include any form of rigorous "Leave no one behind" progress report.

The UN's role in co-chairing the Development Partners' forum with the EU is an opportunity to drive SDG localization in government frameworks, as well as in development partners' strategies and programmes. Piloting a regional network of cities championing Agenda 2030 could be an opportunity to exchange best practices and peer learning, and leverage joint solutions to development challenges across sectors and borders.

**UN-led vulnerability analysis** for the Government and development stakeholders could be systematically engaged to ensure development does not create new inequalities but makes growth inclusive and creates access to opportunities for all. An inclusive society is a key element of resilience and fosters preparedness for future possible crises or emergencies.

Country-specific findings and recommendations of the Universal Periodic Review (UPR), CEDAW Committee and other human rights mechanisms, multilateral environmental agreements, as well as various pieces of UN guidance on "leaving no one behind" provide an important basis for highlighting gaps and corresponding obligations that could be immediately addressed.

The UN Socio-Economic Impact Assessment's Vulnerability and Gender Analysis in the context of COVID-19 is a powerful example of how various forms of intersectional discrimination and exclusion need to be systematically addressed as part of the COVID-19 response, tracking the groups most exposed to risk and the new vulnerabilities that they face as a result of the pandemic, and ensuring their rights and interests are at the core of the policy response.

## 2. *Address conflict as key development decelerator and foster national unity*

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**Peacebuilding**, restoration of trust at various levels, strengthening dialogue among citizens, respect for human rights and gender equality, accountability, environmental protection, upholding the rule of law, and the creation of a common vision for the country are important pre-conditions for advancing sustainable development.

The primary goal of **humanitarian action** in Ukraine should continue to be the provision of life-saving assistance and protection in line with humanitarian principles, until such time as the conflict comes to an

end. Efforts should be made to help build a bridge between short-term assistance and medium-term outcomes. Development actors (the Government, bilateral donors and international finance institutions), on the other hand, need to deliver development programming and financing that will extend the reach of development outcomes to include the most vulnerable in order to reduce needs, vulnerability and risk. In line with the Secretary-General's Sustainable Peace agenda, such solutions would also help to mitigate drivers of conflict, such as inequalities, exclusion and (perceived) discrimination.

### 3. *Stimulate green growth and good governance, and invest in resilience and climate adaptation*

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Climate change will have significant consequences for Ukraine both before and after 2030. The main risks to national security in the context of climate change are: increased economic losses and numbers of people suffering as a result of extreme weather events; significant water shortages due to the reduction of water resources, which is exacerbated by increased water use; increased risk of forest fires; increase in the scale of hazards and loss of biodiversity; threat to food security; the need to overcome hazards associated with hydrometeorological conditions and fires; depletion and damage to forests, deterioration and loss of ecosystems and biodiversity; loss of territories due to flooding of coastal areas.

Addressing the **climate emergency** is central to resilient recovery and sustainable development. Governance, access to information, public participation, access to justice, the rule of law, and transparency in environmental matters must be further strengthened, in order to step up environmental protection and build the resilience of communities, especially the most vulnerable groups, against the increased environmental risks. Greening the development path by reforming environmental governance and supporting transition towards a green and circular economy will help Ukraine overcome the extensive and polluting industrial legacy of the Soviet era.

Eliminating environmentally harmful direct and indirect subsidies, and re-allocating part of the budgetary resources thus freed up to provide economic incentives for **green growth** (and for SDG attainment in other areas, e.g., social protection, livelihoods, health and

education, assistance to IDPs) is an accelerator policy. At the same time, it is critical for addressing climate change in both production and consumption, and for sending the right signals to investors and financing entities about investments in energy, to avoid misallocating scarce resources and locking the country into high-emission technologies for decades. For example, developing infrastructure to produce and use hydrogen in Ukraine will facilitate national recovery in an environmentally friendly manner.

Integrating the perspective of gender-responsive **disaster risk reduction** and climate change vulnerabilities in multi-sectoral policy decisions will foster preparedness and mitigate impact on critical sectors such as agriculture and food systems, and will reach the groups who are disproportionately affected by disasters. The UN will support development of a comprehensive National Disaster Risk Reduction (DRR) Strategy based on existing national initiatives such as the Environmental Security and Climate Change Adaptation Strategy.

Improving **multidimensional SDG risk analysis** and management in Ukraine would foster better preparedness and resilience. The SDG multidimensional risk framework proposed in Annex I outlines the main risks that could affect Ukraine's development in the coming years. **Risk-informed** societies and economies are more stable and resilient. A set of Early-Warning Indicators could be further developed and regularly updated to trigger policy systems to take early action to more efficiently identify, assess, manage and prevent key SDG risks.

### 4. *Focus on human capital as the basis for sustainable development and competitive economic growth*

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Failure to adequately invest in human capital limits Ukraine's ability to achieve the SDGs. Human capital is a central driver of sustainable growth and poverty reduction. Advocacy is necessary towards developing the NES 2030 into a National Sustainable Development Strategy 2030 that would prioritize economic, social and environmental development equally and pave the way towards comprehensive, multi-sectoral and needs-based national development. Political and economic mobilization against the pandemic creates a window of opportunity and broad consensus about increased public and private investment not only in health, but overall, in human capital and in particular education. The ample potential of over 3.2 million Ukrainians – including many successful entrepreneurs and researchers – residing abroad permanently could be mobilized to support the country. **Human capital develop-**

**ment** should be brought back to the centre of economic strategy, to ensure necessary investment in human capital throughout the life course, aiming for universal **social protection** systems, including floors, universal **health coverage**, and inclusive and **digital education** solutions. Together, these will provide the best foundation for sustainable growth, preparedness and resilience against future pandemics and risks.

In designing human capital investment plans, specific attention should be given to allocating adequate budgeting to meet the needs of the most vulnerable groups. Guided by the recommendations of the various human rights mechanisms, **just and fair distribution of resources** across the regions should be ensured, paying particular attention to rural areas and areas along the contact line. Increasing

equal opportunities for women's participation in the work force and closing the pay gap between women and men will have a positive impact on economic growth in Ukraine. The New Ukrainian School (NUS) concept, based on the European competency framework and strongly promoted by the Government, has the potential to boost small and medium entrepreneurship, and support youth and women's self-employment and entrepreneurship in rural areas, in close cooperation with decentralized and empowered local authorities.

Child protection efforts remain fragmented across sectors, especially those directed to prevention of family separation and institutionalization and the number of children separated from their families remains high (around 100,000 according to the MOSP). Meanwhile, the alternative family and com-

munity-based care solutions remain limited. Children with disabilities represent an increasing proportion in state residential institutions including in boarding schools (internats).

Ukraine's **transition to a modern, democratic market-oriented society and economy** and ability to generate **sustainable economic growth** requires important transformations aimed at reinforcing the state's role as regulator, harnessing digitalization solutions for development of human capital and productivity while taking account of demographic challenges. The country also needs to genuinely improve the investment climate by addressing governance and corruption issues (including through use of open contracting data on the public e-procurement system), and stimulating green recovery and growth based on a robust and agile SME sector.

## 5. Promote gender mainstreaming and women's and youth economic empowerment

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Advancing the 2030 Agenda requires a consistent commitment to **gender equality**, gender mainstreaming and human rights-based approaches across strategies, policies, budgets and programmes. Human rights are a vaccine to hunger, poverty, inequality, and possibly – if they are taken seriously – to climate change, as well as to many of the other ills that face humanity. Promotion of human rights is the key ingredient for effective recovery and for Ukraine's resilience and sustainable development.

Discriminatory gender norms and stereotypes, unequal economic participation of women and men, and the high burden of unpaid care work on women are the structural barriers that limit progress towards attaining gender equality and unlocking the full potential of both women and men in the labour market, in leadership, and beyond. Such progress contributes

to better health and well-being, social cohesion and sustainability. Accordingly, the accelerator in this area is closing the gap in women's economic and political participation, and eliminating sexual and gender-based violence (SGBV) and violence against children and discriminatory gender stereotypes.

Promotion of **increased participation of women and young people in employment** in the public and the private sectors, and women's full participation in the labour market, are significant economic transformations that could contribute to the country's development and reduce inequalities. Specific attention should be paid to addressing the needs of vulnerable groups who are at greatest risk of being left behind (including, among others, women with disabilities, IDP women, women with many children, single mothers and Roma women).

## 6. Consider demographics and migration as both development amplifiers and risks

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Ukraine's population is shrinking, as a result of low fertility rates, high mortality rates, and growing levels of increasingly permanent emigration combined with low immigration rates. **Population dynamics** affect virtually all national and subnational development objectives in Agenda 2030. Ukraine requires a wide-ranging and comprehensive strategy in order to capitalize on the opportunities presented by changing population dynamics. Public policy should foster sustainable development by moving beyond remittance-dependent and consumption-led economic models towards an investment-led model.

There is high interest in investing in local infrastructure projects, especially by long-term migrant workers in EU countries.

Only a human rights-based, gender responsive and non-discriminatory approach will have a positive influence on the decisions people take about the size and composition of their families, fully leverage the **development potential of migration**, and allow all individuals including those who are vulnerable and marginalized to fully contribute to society.

## 7. Harvest the developmental effect of digitalization on governance, economy and social cohesion

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The ongoing **digital transformation** has the potential to significantly accelerate positive shifts, as well as cover current data gaps and facilitate innovation, if steered towards reducing inequalities and ensuring inclusive coverage of its benefits. Ukraine has declared political commitment to sustainable development, reinforced by a strong focus on **digitalization**. This is reflected in fast-rising use of internet and computer technology in the home and in schools. For example, the proportion of the population who reported using the internet over the previous 12 months increased from 48.9% in 2015 to 70.1% in 2019. Meanwhile, new challenges are also emerging, such as privacy, legal accountability, and potentially increasing inequalities among groups resulting from unequal access to devices and internet and to digital literacy skills. These issues need to be closely managed in order to avoid the new digital divide in the society. Considering the significant impact on human capital, special attention should be given to children who have not been able to access distance education services during COVID-19 as they lack access to internet or computers and tablets, and to rural women who do not have access to internet at home.

Digitalization of business is a key priority for the Government in overcoming the negative impact of the COVID-19 pandemic on the economy. Realizing the benefits of digital transitions and solutions must be balanced by a conscious effort from various stakeholders to address the interrelated risks for human rights, including data protection and privacy, cybersecurity and protection against digital fraud, ensuring a safe

working environment, and preventing discrimination. Failure to address any of these issues will negatively impact the trust that businesses and consumers have in digital solutions, regardless of their purpose.

Therefore, the most vulnerable, underprivileged populations should not be left *behind* or *excluded* from discussions when services are digitalized. Ukraine has many marginalized communities, including IDPs, retirees, people with disabilities, people who lack identification documents or proper registration/residency permits, women who may have to balance child-rearing with work or running a business, persons with low income and those who have recently become unemployed, rural dwellers, veterans returning to civilian life and others. Hence, human rights and a human-rights based approach are central to e-governance reform and should guide the overall process, from scope, design and implementation to monitoring, adaptation and evaluation. For this to succeed, engagement is critical on the part of duty bearers to ensure an active and meaningful dialogue with rights-holders and oversight bodies and the integration of the most vulnerable groups into the service design.

Significant improvement in **data** collection, disaggregation, and analysis is needed to meaningfully monitor SDG progress, including for those belonging to the most vulnerable groups. This should include conducting a national census. Reliable data will strengthen the evidence base for more informed policies and more effective planning, and enable measurement of progress and improved accountability.

## 8. Foster and lead new partnerships for development and improve strategic communication

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Joint and coordinated action of all stakeholders will deliver better impact across many SDGs. In Ukraine, as globally, new **development partnerships** are the main precondition for achieving any notable progress towards Agenda 2030 including through systematic and meaningful participation of population, civil society and business.

The UN's partnership environment in Ukraine benefits from a shared political commitment to Agenda 2030 that is widely supported by a development community co-led by the UN RC. The UN's role in co-chairing the Development Partners' forum with the EU is an opportunity to drive SDG localization in GoU frameworks, as well as in development partners' strategies and programmes.

The EU and EU development banks (EIB, EBRD), as well as key IFIs (IMF, World Bank) allocate the bulk

of financing for Ukraine's macro-economic stability and various support programmes. **Integration of SDG, human rights, gender sensitive, "leave no one behind", and green growth indicators** into EU and IFI conditionalities will ensure that development cooperation does not create new inequalities but actually makes growth inclusive and creates access to opportunities for all.

The current CCA has benefitted from extensive consultations with **civil society**, including representatives of vulnerable groups, business associations, think tanks and development partners. In its own engagement the UN approaches civil society in its broader term, encompassing individuals, human rights defenders, independent media and journalists, community leaders including religious leaders, trade unions, women's groups, youth groups, social movements and social media communities that

are purposefully pursuing transformation of the socio-political, economic, moral and cultural parameters of society. Civil society can be an agent of transformation and change in societies – a trend that has been on the rise in Ukraine since the Revolution of Dignity. Engagement with civil society enhances the UN’s visibility and impact and helps maintain support from the local population – a solid basis that the UN needs to build on.

Dedicated UN outreach country strategies towards the **private sector** and civil society in advancing Agenda 2030 could result in significant development impact. CCA and CF consultations should be continued to act as a platform for development coordination and alignment. Furthermore, a series of recently launched **UN Policy papers** on key challenges (social protection, universal health coverage, SGBV, migration, land reform, labour code, census) provide excellent engagement frameworks towards **joint advocacy**, and serve as a basis to track policy progress towards Agenda 2030.

Recent polls reveal relatively low awareness in the general population about the UN’s role and wide-ranging mandate. Specific media coverage mostly relates to sporadic project-level cooperation. **UN communication needs to be streamlined** in line with key normative and country support frameworks, and to work with new media and innovative communication channels. More strategic use of feedback and data generation and exchange would raise general awareness on UN values and priorities, and engage the population in responsible co-creation of development. The Decade of Action framework must be leveraged to activate this local action through regular public consultations and increased use of responsive digital communication solutions. Furthermore, enhanced strategic communications should be initiated with key development partners and IFIs to reinforce SDG related messages and raise the impact of joint advocacy.

# 1 UKRAINE'S DEVELOPMENT CONTEXT

Ukraine's **Common Country Analysis** is an independent, collective, forward-looking and evidence-based analysis of the country context by the UN agencies. It focuses on analysing the main opportunities for the achievement of the SDGs, highlighting possible gaps, risks and early warning indicators that could potentially disrupt development. Development of the UN CCA has been guided by the principles of "Leave no one behind", human rights, gender equality and the empowerment of women, and resilience and sustainability aimed at reducing need, risk and vulnerability.

The analysis builds on the results from Ukraine's first Voluntary National Review (VNR) completed in July 2020. The Ukraine CCA was conducted in close coordination with the Humanitarian Country Team (HCT) to ensure integration and complementarity with the Humanitarian Needs Overview (HNO) and to identify those drivers of humanitarian need which can be reduced through strengthened development activities.

The CCA is a live document and will be constantly updated by the UN team to reflect and anticipate possible risks and changes. It is informing the implementation of the UN-Ukraine Partnership Framework 2018-2022, and will shape the design of the new UN Cooperation Framework 2023-2027 for Ukraine.

The analysis also identifies how COVID-19 has exacerbated Ukraine's vulnerabilities, using findings from the Joint UN COVID-19 Socio-Economic Impact Assessment completed in September 2020.

The following chapters provide insights into the country's progress towards fulfilment of the 2030 agenda, highlights risks and opportunities for development acceleration through transformations across specific areas, sectors and SDG domains: society and institutions, economic growth, environment and climate change, demographics, migration, and conflict resolution.

## KEY NATIONAL DEVELOPMENT PRIORITIES

An inclusive process in 2016-2017 to adapt the **SDGs** for the Ukrainian context resulted in a national SDGs system consisting of 86 national targets with monitoring indicators,<sup>1</sup> which have been incorporated in 162 Governmental regulatory legal acts (4,300 planned actions).<sup>2</sup> The Decree of the President of Ukraine "On the Sustainable Development Goals for Ukraine up to 2030" (September 2019) consolidates the SDGs as benchmarks for policy and legislation,<sup>3</sup> alongside the EU-Ukraine Association Agreement and the Paris Agreement on Climate Change. An important milestone for implementation of the SDGs was preparation and presentation of the **first**

**Voluntary National Review** (VNR), and this remains a key reference for long term strategic planning in Ukraine. Strategic partnership with the EU under the **EU Association Agreement** is a clear enabler and opportunity for the Agenda 2030 in Ukraine. The Government of Ukraine has also developed a **National Economic Strategy up to 2030**, its implementation will need to be grounded in a human-rights based, gender responsive, and consultative approach. The GoU is further implementing a **set of foundational reforms** aimed at restoring economic growth and bringing the country closer to the EU.

1 *SDGs: Ukraine, National Report, 2017*, <https://bit.ly/2JAGZ72>

2 Ukraine 2020 Voluntary National Review, [https://sustainabledevelopment.un.org/content/documents/26295VNR\\_2020\\_Ukraine\\_Report.pdf](https://sustainabledevelopment.un.org/content/documents/26295VNR_2020_Ukraine_Report.pdf)

3 Order of the President of Ukraine №722/2019 "On the Sustainable Development Goals by 2030" <https://www.president.gov.ua/documents/7222019-29825>

## KEY DEVELOPMENT OPPORTUNITY: LEVERAGING BROAD PARTNERSHIPS AND JOINT DEVELOPMENT PROGRAMMING TO PROMOTE AGENDA 2030

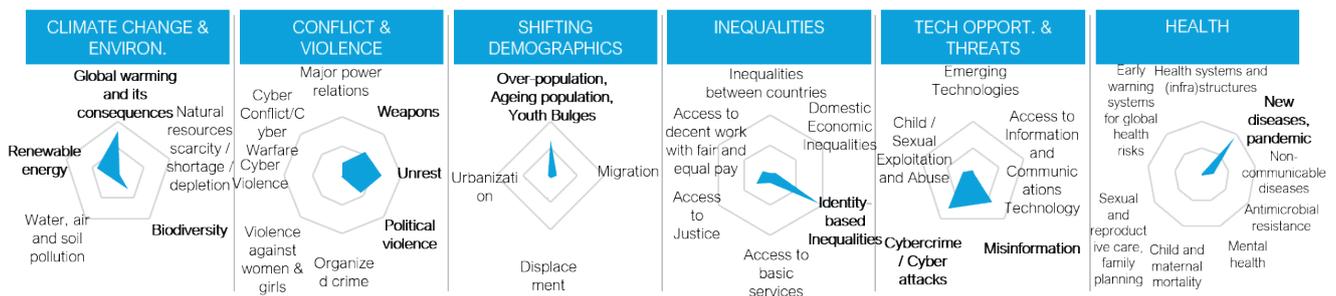
Currently, the Government and development partners have multiple, at times competing strategic programming frameworks. UN's partnership environment in Ukraine benefits from a shared political commitment to Agenda 2030, widely supported by a development community that is co-led by the UN RC The EU and EU development banks (EIB, EBRD), as well as key IFIs (IMF, World Bank) allocate the bulk of financing for Ukraine's macro-economic stability and various support programmes. The UN has a key role in convening this, and the UN is exploring dedicated EU and IFI engagement engagement strategies to foster joint programming and advocacy on key developmental issues. The UN's role in co-chairing the Development Partners' forum with the EU is an opportunity to drive SDG localization in GoU frameworks, as well as in development partners' strategies and programmes.

If implemented effectively, this could allow strategic high-quality cost-effective planning, increased, more predictable and transparent financing for development, as well as increased trust and multi-stakeholder engagement towards the SDGs.

### Public opinion and awareness on national development priorities and challenges

The impact of the GoU's efforts to promote a shared strategic vision of Ukraine's long-term development is limited by weak civic participation and response. The recent **UN 75<sup>th</sup> Anniversary survey** provides an interesting insight into public opinion. The survey revealed that conflict and violence, tech opportunities and health are the most visible issues in the Ukrainian media coverage, but the general population has little trust in the Government's ability to

address these issues. Little awareness was revealed of the policy, normative and programmatic support that the UN provides. This raises the issue of **UN visibility and perception** by society at large, significantly affecting the effectiveness of UN action to engage the wider population in development, benefit from new partnerships, and crowdsource for ideas, among other factors.



Source: Edelman Intelligence Discovery+ | Ukraine | Ukrainian | Date range: May 2019 – May 2020, Visibility of the key issues at large

**KEY DEVELOPMENT OPPORTUNITY: Streamline UN communication** on key normative frameworks and country support, find new media and explore innovative communication channels, and enable more frequent feedback and data generation and exchange to raise general awareness on UN values and priorities, as well as to engage the general population into development.

# PROGRESS TOWARDS ACHIEVEMENT OF AGENDA 2030 IN UKRAINE

Ukraine's progress towards achieving the internationally defined targets for Agenda 2030 has been mixed. By 2020, the targets for reducing poverty and inequality had already been achieved (though COVID-19 may have reversed some of this advance). The SDG dashboard below gives more details of progress towards the international goals<sup>4</sup>.

in 2018. Progress was achieved through improving labour remuneration standards and the coverage of housing subsidies (from 12% in 2014 to 64% in 2017). The minimum wage increased from UAH 1,271 to 4,173 (3.28 times), though the average gender pay gap remains at 22%.

## Current Assessment



## Trends



Meanwhile, Ukraine has made progress towards its nationally defined targets under 15 of the 17 SDGs, according to the first Voluntary National Review (VNR). Significant progress has been made towards 63% of the target indicators set for 2020. In March 2021, the State Statistics Service of Ukraine (SSSU), responsible for collection the SDG indicators data in Ukraine, issued a publication with the UN RC Office providing updates on the nationally developed indicators. The text below summarizes some of these statistics, while drawing on other sources where indicated.<sup>5</sup>

Ukraine has seen significant success in reducing poverty. In 2015, 58.3% of the population were living below the subsistence minimum, falling to 43.2%

Some progress has been made in improving food security and promoting sustainable agriculture, with more Ukrainians regularly consuming meat, vegetables, and fruit in 2019 than in 2015 (for instance, vegetable consumption increased from 160.8kg per person in 2015 to 164.7kg in 2019). Consumption of dairy products has fallen, however. Some gains have also been made in improving labour productivity in agriculture. Of particular note is progress in reducing volatility in food prices: the consumer price index fell from 144.4% in 2015 to 108.3% in 2019, close to the target of 105.0% set for 2020.

Ukraine has made significant progress in developing policies to support good health and wellbeing (SDG3). Health sector reforms have reduced exces-



4 <https://dashboards.sdindex.org/profiles/UKR>

5 [http://www.ukrstat.gov.ua/csr/prezent/ukr/st\\_rozv/publ/SDGs\\_Ukr\\_2020\\_Monitoring\\_Report\\_eng.pdf](http://www.ukrstat.gov.ua/csr/prezent/ukr/st_rozv/publ/SDGs_Ukr_2020_Monitoring_Report_eng.pdf)

sive out-of-pocket payments and improved access to good quality healthcare, including primary health care. This has included the Affordable Medicines Programme, which includes coverage for some outpatient medicines for patients diagnosed with cardiovascular diseases, type 2 diabetes or bronchial asthma. In support of SDG3, Ukraine has also committed to reducing HIV and AIDS, TB; improving quality of life and life expectancy; and reducing morbidity, disability and mortality through establishing and operating effective, innovative and flexible systems that ensure quality and affordable prevention, diagnosing, treatment, care and support services based on human and patient rights and needs.<sup>6</sup> Notable achievements include declining rates of neonatal and maternal mortality, improvements in health-care access and expansion of immunization programmes. AIDS-related deaths have decreased, while the number of people on ARV treatment increased from 22,697 in 2010 to 136,105 in 2019 and the national programme to prevent mother to child HIV transmission has reduced transmission rates from 27% (2000) to 2% (2018), according to official data.<sup>7</sup> At the same time further progress is needed on the successful implementation of this ambitious health reform for it to embrace Universal Health Coverage as an explicit objective, as well as to improve tracking and targeting of vulnerable populations affected by the reforms.

Progress towards national education indicators is mixed. Pre-school coverage fell from 70.6% in 2015 to 69.1% in 2019, with a greater reduction in rural areas (57.4% to 54%). Academic achievement at Ukrainian language worsened in villages between 2016 and 2020, but improved in cities. The number of full-time pupils per secondary school teacher increased from 8.5 in 2015 to 9.39 in 2019, close to the target for 2020 of 9.39. The proportion of the population in formal or informal forms of education and vocational training fell from 9.2% in 2015 to 8% in 2019, far from the target value of 2020 of 10%. The proportion of the population who reported using the internet over the past 12 months increased from 48.9% in 2015 to 70.1% in 2019: proportionately the greatest increase was among those aged 75 and older, (4.2%-12.9%), but in percentage terms the highest was for those under 15 (36.6%-64.8%). At the same time the proportion of rural full-time secondary schools with internet access rose from 85.9% in 2015 to 95.2%, and the proportion using computers for education increased from 72.3% to

98.7%. The aspiration of a higher proportion of male school teachers was not met – the proportion fell from 14.% in 2015 to 13% in 2019, away from the target of 17% for 2020. Finally, the proportion of schools with inclusive education rose from 9% in 2016 to 35.1% in 2019.

Progress towards gender equality continues, but is hampered by lack of fully disaggregated statistical data, insufficient financial support from the state for gender equality programming and strategies, and the existence of a highly conservative “anti-gender” movement, along with deeply entrenched patriarchal attitudes and gender stereotypes. The share of women in Parliament increased from 9% to 21% following the parliamentary elections in 2019, and the 40% gender quota for party lists included in the new Electoral Code should further increase the number of women representatives. While women’s economic activity rates are relatively low,<sup>8</sup> women in managerial positions represented 45.2% as compared to 30.5% for men in 2019.<sup>9</sup> Also, there are no significant differences between women and men and girls and boys in access to internet and digital technology. While the most up-to-date data on prevalence of violence against women and girls (VAWG) dates from 2014,<sup>10</sup> there is sufficient evidence to suggest that VAWG remains widespread and has risen during the COVID-19 pandemic, especially in the Eastern part of Ukraine.<sup>11</sup>

Access to centralized water supply fell between 2016 and 2019 in rural (29%-26%) and urban (99%-89.5%) areas. Water quality standards are still to be clarified at national level, but the proportion of samples testing not safe by microbiological parameters is increasing steadily for drinking water in urban and rural areas, and in centralized and decentralized systems. The percentage of the urban population with access to centralized water drains fell sharply from the low-to-mid 90s in 2015-2018 to 77% in 2019. However the volume of polluted water discharged into water bodies has been falling since 2017 (997.3 million m<sup>3</sup>) and in 2019 stood at 737.2 million m<sup>3</sup>, with the biggest reduction seen in wastewater from industry. Water content of GDP has been falling, though not as fast as indicated in the target.

Ukraine is not on target for power generation, electric power distribution losses and heat losses in heat networks. However, the country has introduced a retail and full-scale electricity markets. It has diversi-



6 National Strategy on HIV/AIDS, Tuberculosis and Viral Hepatitis Response for the Period until 2030. Ratified 27 November 2019.  
 7 WHO report *“Towards a healthier Ukraine: progress on the health-related Sustainable Development Goals, 2020”*  
 8 [https://ukrstat.org/en/operativ/operativ2017/rp/eans/eans\\_e/Arch\\_eansmv\\_e.htm](https://ukrstat.org/en/operativ/operativ2017/rp/eans/eans_e/Arch_eansmv_e.htm)  
 9 ILOSTAT, data as of 2019, ISCO-08 job classification.  
 10 <https://ukraine.unfpa.org/sites/default/files/pub-pdf/GBV%20prevalence%20survey%20%20EN.pdf>  
 11 [www2.unwomen.org/-/media/field%20office%20eca/attachments/publications/2020/06/rapid%20gender%20assessment\\_eng-min.pdf?la=en&vs=3646](http://www2.unwomen.org/-/media/field%20office%20eca/attachments/publications/2020/06/rapid%20gender%20assessment_eng-min.pdf?la=en&vs=3646)

fied its petroleum imports: in 2015 99.9% were from one country (company) but by 2019 this had fallen to 76.7%. The country has seen the share of all energy consumed produced from renewable sources increase from 5% in 2015 to 8.1% in 2019; however this is far from the 2020 target of 11%.



GDP was increasing steadily before 2020. Use of high and medium technology was stagnating. Due to support to SME the positive balance of foreign trade in ICT has grown 2.5 times. However, labour productivity was not improving fast. The country had achieved its target for reducing youth not in employment, education or training.



Most of Ukraine's targets under this SDG looked unlikely to be achieved. The volume of transported goods fell between 2018 and 2019, with road transport seeing the steepest drop. The number of passengers fell every year between 2015 and 2019, with rail travel more than halving. Indicators for the proportion of value added from medium and high-technology in production costs both fell, though the proportion of workers engaged in these industries grew slightly from 21.2% in 2015 to 21.5% in 2019. Expenditure on scientific research and development fell from 0.55% of GDP in 2015 to 0.43% in 2019, instead of getting closer to the 2020 target of 1.5%. The proportion of researchers under 40 years of age fell from 36.7% in 2015 to 32% in 2019. However, internet subscription rose from 14% in 2015 to 46% in 2019; the growth in Kyiv region (outside the city) rose from 9% to 69% over the same period (it should be noted that a different methodology was used in 2019, which makes the change even more striking).



Most of Ukraine's indicators for this indicator, including income targets for the poorest 40% and lack of access to health services or transportation, were getting worse or stagnating. In 2019, the 40% least well off had 24.4% of the total income of the population, compared to 25.5% in 2015. The average pension was 33.1% of the average wage in 2019, compared to 31% in 2015. The proportion of rural households without a medical facility near their homes increased from 26.3% in 2015 to 29.6% in 2019.



1,029 amalgamated territorial communities have been established in Ukraine (decentralization reform) and state support for local development has grown 41.5 times, while the Government has also adopted a comprehensive National Regional Development Strategy 2021-2027 inspired by EU Cohesion Policy, that focuses on improving social cohesion

and competitiveness of empowered decentralised regions. Access to housing and integrating planning targets were being achieved in 2019. There were concerns about pollutants and about timely public alert of emergencies.

Resource consumption and food loss in transport are reducing. In 2018, the ratio of CO<sub>2</sub> emissions to GDP fell to 83.8% of its 2015 value, with smaller reductions for water, energy and materials. However, the ratio of waste generated to GDP was 4% higher. Meanwhile, the proportion of burned and recycled waste has stagnated.

The greenhouse gas emission and other SDG 13 targets have been missed and require significant progress. Greenhouse emissions rose from 33.8% of their 1990 value in 2015 to 36.1% in 2019.

The discharge of polluted wastewater as a proportion of total discharges into the marine environment fell from 29% in 2015 and 27% in 2018 to 1% in 2019. This is explained by a sharp decrease in quantitative data in the volume of return. Targets for sustainable management of marine and coastal ecosystems look difficult to achieve, with the indicators increasing only marginally between 2015 and 2019.

The natural reserve fund grew slowly between 2015 and 2019, making 2020 targets look very unlikely to be achieved. Forested territory and stock levels were not updated over the period. Correspondingly, plans to reduce the proportion of arable land were not met, and in fact the proportion increased slightly. The area of land used for organic production rose from 410,550 hectares in 2015 to 468,000 in 2019

Ukraine is on track for some indicators. For instance, the level of confidence in the court system among participants in court proceedings rose from 16% in 2015 to 34% in 2019. However, many indicators, such as for violent crimes (which have generally seen reductions between 2015 and 2019), legal aid and recovery in Donetsk and Luhansk regions are still to be clarified. The index of perception of corruption in the public sector by the business community has remained stable high at 120-131 between 2015 and 2019 (in 2018 it was 126).

Foreign direct investment has fallen instead of increasing, from net \$3.012 billion in 2015 to US\$2.422 billion in 2019. However, the ratio of gross external debt to exports of goods and services fell from 245.8% in 2015 to 192% in 2019.



# CHALLENGES TO ACHIEVEMENT OF AGENDA 2030



## Impact of conflict

The conflict in eastern Ukraine, well into its seventh year, continues to undermine Ukraine's ability to meet the SDG targets, as well as overall development prospects. It has paralyzed economic development in the country's eastern industrial heartland, arrested investor confidence, and divided the political sympathies of the population across the entire country. While severe humanitarian impacts continue to be felt, particularly in the NGCAs and along the line of contact that divides the NGCAs and GCAs, these are increasingly accompanied by mid to long-term development challenges such as widespread job loss, impact on service delivery, infrastructure and urban development, and a large IDP population, putting additional pressure on Ukraine's already overstretched social protection systems. Furthermore, the conflict has led

to an increase in defence spending which crowds out investment in other sectors. Defence spending has increased more than three times since 2013 (before the conflict began), from approx. 1% to approx. 3% of GDP in 2020, and currently consumes about 9% of the budget. The conflict has also resulted in serious damage to the infrastructure, limiting access of around 2.8 million people in the conflict zone to basic social services. A political solution to the conflict would go a long way to redressing these obstacles, but the cost of recovery and reintegration grows exponentially as each year passes and there is a real concern that at one point the cost of political resolution and reintegration will exceed the cost of territorial abandonment, including in terms of Ukraine's ability to adhere to the SDG agenda.



## Health care services

The COVID-19 pandemic has exacerbated vulnerabilities in the health care system, demonstrating the need for: a strengthened public health system; a qualified, fairly remunerated and empowered health workforce; and better coordination. Problems are particularly acute in the areas of the country affected by conflict, as a result of damaged health care infrastructure, lack of medical workers, and a higher concentration of the most vulnerable and disadvantaged population, including families with children. COVID outbreaks are also having a negative impact on access to fundamental health care services such as routine immunization, and supervision of pregnancy and newborn health.

Preventing outbreaks of other communicable diseases, like HIV, TB and vaccine preventable diseases require ensuring that services are continuously provided to the population. However, the vast majority of mortality and morbidity in Ukraine still results from non-communicable diseases, so there is a need to strengthen the infrastructure and service delivery to ensure that the health system can provide good quality, timely, and patient-centred health services – from prevention and promotion to treatment, rehabilitation and palliative care that are affordable and inclusive.



The pandemic has further exacerbated existing gender disparities and inequalities in terms of access to care. Elderly women, women with disabilities, women diagnosed with chronic diseases and/or HIV have limited access to the necessary health services or specialized goods due to the COVID-19 restrictions (lack of public transport, availability of necessary medicines in pharmacies, etc.).<sup>12</sup> Given that women constitute 82.8% of health care workers in the country and play a central role as front-line responders, they are particularly exposed: according to National Public Health Centre, around 20% of all infected are medical workers.

Ukraine has made significant progress in reducing child mortality, but rates of neonatal mortality remain a concern. The main causes of neonatal mortality in Ukraine – birth complications and congenital abnormalities – are also key causes for developmental delays and disabilities among survivors. Poor diagnosis and inadequate support mean important opportunities for early interventions are missed. Low vaccination rates for children are indicative of extremely weak preventive care systems in Ukraine, but this weakness is less an issue of access than one of trust. Adolescent health is under prioritized, and the gradual closure of Youth Friendly Clinics (YFC) under the healthcare reform is a matter of concern.



## Education

Ukraine's education system faces longstanding challenges, including low quality learning, inadequate skills, and deteriorating public trust in education. Ukraine spends more of its GDP on education than most EU and OECD countries, but those resources

are not used efficiently. Access to early learning remains problematic, particularly in rural areas. Many children with disabilities are marginalized from mainstream education. In the areas of the country affected by the conflict, boys, girls and teachers

12 UN Women "Rapid Gender Assessment of the situation and needs of women in the context of COVID-19 in Ukraine" (At: <https://eca.unwomen.org/en/digital-library/publications/2020/05/rapid-gender-assessment-of-the-situation-and-needs-of-women?fbclid=IwAR36T71bzBMC5Dtws8iRKILuY49jFGESEhKVOa83j3pMTH5u-SDmMb951Pg>)

living on both sides of the contact line continue to experience its immediate and cumulative impacts and over 400,000 of them are still in need of education-related assistance. The COVID-19 pandemic resulted in an unprecedented school and preschool closures in Ukraine, affecting 5.4 million children and increasing risks to children's education, protection and wellbeing. The pandemic has also deepened existing inequities in access to education, social and other services.

Since 2018 Ukraine has been implementing a major education reform programme: *The New Ukrainian School*. Attracting, retaining and continuous training of qualified teachers, along with developing high quality flexible and competency-based curricula, are among the most crucial parts of education reform. However, the reform process has been uneven and additional efforts are needed to ensure its success and continuity.<sup>13</sup>

## FOCUS: OUT-OF-SCHOOL CHILDREN

UNICEF estimates that there are about 76,000 children in Ukraine living or working on the streets who have severely limited access to education and other services requiring access to catch-up programmes, re-engagement programmes focused on development of transferrable skills and vocational training. Other groups of out-of-school children include children with disabilities, children from minorities and children in conflict-affected areas.

Efforts to provide programmatic support to children who might be deprived of education services or are in risk of dropping out from school in Ukraine are traditionally hampered by inconsistencies in child-related data collection and monitoring across sector agencies. This fragmented approach and broken cross agency coordination prevent the building of national consensus around the issue. The absence of a clear and contextualized definition of out-of-school children and dropout and understanding of multiple profiles of related risk groups as well as the deficiencies of the national Education Management Information System (EMIS) are among the most immediate actions that need to be taken to improve policies and develop targeted programming.

The recent comprehensive mapping of existing systems of children-related data collection completed by UNICEF revealed that more than 36,000 children aged 6-18 are currently captured by various fragmented systems as being outside the full cycle of secondary education. Evidence also shows that data systems fail to provide any enrolment data on almost 9,000 school-aged children and suggested an urgent need for further improvements to the EMIS and identifying areas of potential joint programming on out-of-school children and dropout prevention.

## Good governance and justice

Since Ukraine's independence, surveys have shown a consistently low level of public confidence in State institutions. Perceptions of corruption, nepotism and a selective application of justice remain high, with the rule of law remaining a major source of concern. Low trust in the judicial and law-enforcement systems and a lack of real progress in tackling corrupt connections between the judiciary and the power elites continues to impede any transformative change, and in the country's aspiration to achieve Agenda 2030, it is crucial for Ukraine to implement anti-corruption reform by ensuring the independence and effective functioning of key anti-corruption institutions. Current judicial reform is also an essential element that needs to continue and be finalized as an independent judiciary is key to the fight against corruption and establishing the rule of law.

Torture and ill-treatment by law enforcement officials remain systemic in Ukraine. While investigation and prosecution of torture and ill-treatment by law enforcement officials has increased considerably compared with previous years, still a lot is yet to be done. The implementation of the Istanbul Protocol<sup>14</sup> is one of the ways to effectively prevent and prosecute torture and ill-treatment by law enforcement. Despite a significant decrease in the number of children in detention and in the length of their stay in detention, the Ukrainian judiciary system lacks special expertise to work with children and the approaches used are more punitive rather than restorative.

13 World Bank, *Sectoral Review*, 2019

14 <https://www.ohchr.org/documents/publications/training8rev1en.pdf>

In August 2019, the President established a working group charged with developing a legal framework for the reintegration of the temporary occupied territories and of its population, and in September 2020, the working group submitted to the President a draft State Policy Framework on the Protection and Restoration of Human Rights and Fundamental Freedoms during Armed Conflict and Combatting Its Consequences, which outlines a transitional justice model for Ukraine. However, progress remains limited, due to a lack of knowledge and expertise and the political sensitivity of the project.

### **Data quality and availability**

Significant improvement in **data collection and disaggregation** (sex, age, geographical location, and so on) is needed to meaningfully analyse and monitor SDGs progress against the 86 nationalized SDG indicators, including for the most vulnerable, in order to strengthen the evidence basis for informed policies that are human rights based and gender responsive, for more effective planning and budgeting, and for measuring and ensuring accountability. The lack of a **definition of people in situation in vulnerability** results in policies and budget allocation patterns that are not adapted to ensuring access to the rights for those belonging to the most vulnerable groups and for ensuring policies are not discriminatory.

During the VNR preparation process, however, experts emphasized the need to revise and update

### **Juvenile Justice**

Despite some progress met in addressing the Juvenile Justice system like introduction of models of mediation and diversion, probation and the overall coordination at national level, Ukraine still lacks adequate measures to ensure a child-friendly justice system in order to protect rights of children in contact with the law. This includes children being witnesses to crime, being victims of crimes and violence, children deprived of parental care, neglected or abused.

the national baseline report on the SDGs as the “national targets and indicators” developed are to some extent quite different from the global ones. Indicators for rights-based monitoring for gender equality, i.e., the United Nations Minimum Standards Indicators, could be utilized to better explore the gaps between the national targets and SDG goals.

A 2018 report on the capacity of the State Statistical Service of Ukraine found that, while streamlining had taken place, staffing was still high. However, it expressed concern that the overall financial resources available did not leave any room for development activities and future investments in infrastructure, repair of the building and the creation of a modern working environment, or salary levels that would attract and retain highly qualified staff.<sup>15</sup>

#### **KEY DEVELOPMENT CHALLENGE: DELAYED CENSUS AFFECTS THE DESIGN OF RELEVANT POLICIES**

Ukraine conducted its last census in 2001 – the first time since 1989 and since independence – when the population was found to be 48 million. The current population is estimated at 42 million.

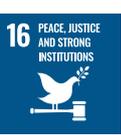
Only a traditional census can generate the granular, sex-disaggregated and reliable data to measure government agreed SDG indicators, and ensure efficient resource allocation in line with GoU decentralization plans. In addition, only a traditional census takes accurate account of marginalised members of society, IDPs and migration patterns. A traditional census supported by an awareness campaign can serve as a “national project” and so build identity and citizen engagement. Reflecting this, the United Nations fully supports GoU efforts to complete a full census at the earliest possible date, and welcomes the GoU’s approval of the plan to conduct the census in 2023.

#### **KEY DEVELOPMENT OPPORTUNITY: NATIONAL DEVELOPMENT STRATEGY 2030**

The Government is developing a National Economic Strategy 2030 (NES 2030), which the UN has commented to ensure that it is inclusive and consultative, designed bottom-up, and outcomes-oriented, supported by a proper monitoring system, and largely owned and accepted by the Ukrainian people. Systematic tracking of vulnerability, ensuring the principles of leaving no one behind, human rights, gender equality and empowerment of women, resilience, sustainability and accountability should be explicitly reflected and guide the implementation of the NES 2030.

Human capital development should be brought back to the centre of the economic strategy, to ensure necessary investment in human capital throughout the life course, aiming for universal social

<sup>15</sup> <https://www.efta.int/sites/default/files/publications/statistics-eso/reports/2017-03-ukraine.pdf>



protection systems, including floors, universal health coverage, and inclusive and digital education solutions. Together these will provide the best foundation for sustainable growth, preparedness and resilience against future pandemics and multidimensional SDG risks. Advocacy is necessary towards developing the NES 2030 into a National Sustainable Development Strategy 2030 that would prioritize economic, social and environmental development equally and pave the way towards comprehensive, multi-sectoral and needs-based national development.

### SDG Accelerators in Ukraine

A “Mainstreaming, Acceleration and Policy Support” (MAPS) mission<sup>16</sup> in 2018 identified a number of concrete flagship priority policy steps the Government could take to accelerate progress towards the SDGs. Along with the need to progress toward addressing the ongoing conflict in eastern Ukraine and its adverse effects on development, those accelerators included:

- Implementing a youth employment plan, transitioning to the formal economy;
- Removing remaining direct and indirect fossil fuel subsidies to stimulate green growth and increase fiscal space;
- Building an integrated, fiscally sustainable system of social protection services and benefits, taking into account the needs of the conflict-affected population including those residing in NGCA;
- Building an effective justice system including a fully independent judiciary;
- Developing and implementing an integrated, coherent, and adequately funded National Health Program to improve health and well-being for all; and
- Closing the existing gender gaps, including in women’s economic and political participation, eliminate discriminatory provisions in the legislation, address gender stereotypes



## LEAVING NO ONE BEHIND: PEOPLE WE MUST REACH

The United Nations internationally has the following definition of vulnerability to guide its work<sup>17</sup>:

*“...people who are left behind in development are often economically, socially, spatially and/or politically excluded – for example, due to ethnicity, race, gender, age, disability or a combination of these, leading to multiple discriminations. They are disconnected from societal institutions, lack information to access those institutions, networks, and economic and social support systems to improve their situation, and are not consulted by those in power. They are often not counted in official data – they are invisible in the development of policies and programmes. They have no voice. People left behind are those most at risk of not enjoying their civil, cultural, economic, political or social rights.”*

Different groups of people in Ukraine experience different forms of vulnerability, discrimination and marginalization. These vulnerabilities are highly intersectional, multi-layered and cross-cutting. This overview of vulnerable groups in Ukraine is explicitly positioned at the beginning of the CCA to keep

the attention on the main promise to leave no one behind and ensure the most vulnerable groups – those exposed to multiple forms of discrimination, exacerbated by the COVID pandemic and related restrictions – remain at the centre of national and international development action.

**Note:** The list of those left behind below is evolving as the situation changes and new data become available. It will be regularly reviewed and updated to guide ongoing and planned UN programmes and advocacy.

### Populations in the conflict-affected areas (an estimated 3.5 million people) including:

- **IDPs:** 734,000 people are estimated by the UN to be displaced, of whom 58% are women.<sup>18</sup> IDPs from both eastern Ukraine and Crimea live throughout Ukraine, with an estimated 340,000

16 Contribution to Ukraine’s roadmap to achievement of SDGs Agenda 2030. MAPS Mission, Ukraine August 2018.

17 Leaving No One Behind: A UNSDG Operational Guide for UN Country Teams. <https://unsdg.un.org/ru/node/685>

18 Humanitarian Response Plan, June 2020.

in the GCA of Donetsk and Luhansk regions. IDPs have limited or no access to justice; restrictions to mobility due to COVID-19 and conflict limited access to basic socio-economic rights; at risk of eviction as they lost income sources; family separations, psychological stress and loneliness; some live at collective centres where they are at higher risk of infection and without adequate protection/sanitation.

- **Persons living along the 'contact line'** (conflict-affected persons) face risks to their physical safety. They face death or injury as a result of shells, small arms fire and mines/unexploded ordnance. Their homes are damaged. Along the contact line, jobs have disappeared, and the authorities struggle to provide services. Some communities do not have access to water, electricity and gas; others lack medical services, public transportation and shops for buying food. **Women** account for over half of people in need (56%), and many of these are heads of household. A generation of over half a million children (more than 16% of people in need) are growing up surrounded by violence and fear, which will have a long-lasting effect on their future, and on the social fabric.
- **Persons with disabilities (PWDs) living on the contact line** and in NGCAs in Donetsk and Luhansk regions. Almost 15% of the population in areas close to the 'contact line' has a disability, much higher than the average of 6% across Ukraine.<sup>19</sup> They have limited access to essential health and social services, justice, and livelihood opportunities. In addition, PWDs living near the 'contact line' face serious personal security issues due to shelling, inaccessibility of bomb shelters, and absence of infrastructure to provide protective facilities, including basements in multi-story buildings.<sup>20</sup> Pre-pandemic, persons with disabilities, particularly women and girls, already experienced higher rates of violence than the general population. The prolonged isolation and reliance on family members and caregivers during lockdown presents heightened risks of violence. They also often lack accessible information sources.
- **Persons living in NGCAs** must travel long distances at considerable expense and through dangerous territory to government-controlled areas (GCA) in order to maintain family ties and access administrative and social services (e.g., birth/death registration, issuance and renewal of passports/IDs, banking, pensions, access to justice,

etc.). Such travel has been further restricted since the COVID-19 pandemic.

- **Children living in conflict-affected areas:** The hostilities are estimated to have affected over 700,000 children and teachers in more than 3,500 education facilities in eastern Ukraine. Over 250,000 children living near the 'contact line' regularly experience shelling and exposure to landmines and explosive remnants of war, which has made them more prone to physical injuries and mental health issues.<sup>21</sup>

Additional problems have arisen because the 2020 school year has been mainly conducted via remote learning, leaving many children who live along the 'contact line' with no real way to continue their education. This is mainly due to limited internet connectivity and insufficient access to the necessary digital learning tools. The emotional trauma caused by movement restrictions, school closures and isolation have intensified the already high levels of stress with which vulnerable children in frontline communities have to contend. In addition to daily physical and psychological threats, school-aged children see their education interrupted because of the targeting of education facilities. This is despite Ukraine becoming the 100<sup>th</sup> state to endorse the Safe Schools Declaration in 2019. School-aged children living in NGCA also face numerous obstacles in using regular or simplified procedures when seeking to continue higher education outside of these territories.

- **People over 65 years of age** make up more than a third of the people in need in eastern Ukraine (37%) and 41% in isolated settlements, the highest proportion of older people in need in any humanitarian setting in the world. As an estimated 56% of families in NGCA rely on pensions as the main source of income, pensioners from NGCA must cross into GCA to collect their pensions, which, while the checkpoints are operational, makes them even more vulnerable to exposure to COVID-19.<sup>22</sup> With the closure of the five checkpoints in March 2020 and only a partial reopening of two checkpoints in June 2020, the number of monthly crossings fell by more than 90% (by 98% in October 2020). As a result, most pensioners in NGCA have not been able to cross the 'contact line' to access their pensions in GCA. The number of NGCA pensioners able to access GCA pensions has dropped significantly from 42% pre-COVID-19 to 13% in October 2020.<sup>23</sup>

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19 REACH, 'Humanitarian Trend Analysis 2019'.

20 [www.unhcr.org/ua/wp-content/uploads/sites/38/2019/08/2019-08-19-PA\\_ENG.pdf](http://www.unhcr.org/ua/wp-content/uploads/sites/38/2019/08/2019-08-19-PA_ENG.pdf)

21 Education Cluster

22 REACH, 'Multi-Sectoral Needs Assessment in NGCA', February 2020.

23 REACH, 'Humanitarian Situation Monitor', October 2020

- Persons residing in Crimea and residents of mainland Ukraine with Crimean addresses in their passport are considered “non-residents” for banking purposes under Ukrainian legislation. This creates significant obstacles for maintaining bank accounts and conducting financial transactions. The “non-resident” policy has enabled some banks to continuously violate the property rights of current and former Crimean residents by blocking access to their savings and bank accounts. Ukrainian legislation also requires all Crimean residents to go through a judicial procedure (rather than an administrative procedure) before registering a birth or a death in mainland Ukraine, which can be a burdensome and costly process.
- **Crimean Tatars residing in Crimea** face human rights violations as described in successive General Assembly resolutions and monitoring reports.<sup>24</sup> Remote monitoring by UN and international organizations indicates a deteriorating human rights situation in temporarily occupied Crimea and Sevastopol city. Since 2014, OHCHR has documented credible allegations of human rights violations such as arbitrary detentions and the enforced disappearances of 39 men and 4 women, including pro-Ukrainian activists, affiliates of Crimean Tatar institutions and journalists, most of whom were detained, held incommunicado, and later released. Access to education in or of the Crimean Tatar language remains a challenge, while Ukrainian language education has dramatically decreased since 2014.

### **Persons living below the poverty line including children**

18-21 million **persons live below the poverty line**, including children. A further 6-9 million people have been pushed into poverty as a result of COVID-19, including an additional 1.4-1.8 million children. Households with more than three children and households with children below the age of 3 are especially vulnerable. The challenges facing persons living in poverty include lack of access to savings; limited or inaccessible unemployment benefits for

certain categories such as informal workers; limited social assistance coverage; no access to medicines or PPE (unaffordable; scarcity) and health care (undocumented migrants, asylum seekers; cannot afford informal payments to health care practitioners or medicines); no child care available after school, nursery and kindergarten closures; and no or limited access to network of support due to lockdown or separation from families.

### **People with disabilities**

As of 1 January 2020, 2,703,006 persons with disabilities were registered in Ukraine. Of these, 163,886 were children (42.7% female). The actual number of people with disabilities in Ukraine is likely to be higher as the Government only counts persons registered as having a disability, and several barriers exist to registering. Women with disabilities living on the contact line and in conflict-affected rural areas are face more limitations and barriers due to pre-existing inequalities and exclusion.<sup>25</sup> About 4% of IDPs are persons with disabilities; they encounter difficulties passing through checkpoints and are cut off from support services.<sup>26</sup> In Ukraine, persons with disabilities face discrimination in accessing public services, facilities and information, including in health care, education, justice, social protection,

public transportation and sports, leisure and culture. This is because public services and facilities have not been designed to be accessible by all and regulatory provisions to ensure reasonable accommodation remain weak. Persons with disabilities also face multiple barriers in personal mobility. Good quality technical aids and assistive devices are not available for free and often persons with disabilities living in remote communities have limited access because of the cost of transportation, the distance lack of clarity on their eligibility and poor referral pathways. Support services, such as personal assistance and auxiliary aids are also a challenge for the majority of those in need. Community-based support services for persons with intellectual and psychosocial disabilities are nearly absent.

### **Persons with mental health conditions and disorders**

In Ukraine, more than 1.6 million citizens are registered at psychiatric and narcological clinics and units. IDPs, older persons and those living in the East are especially vulnerable. Close to a third of the population are estimated to have experienced

at least one mental disorder in their lifetime. Gender differences exist with PTSD and alcohol use disorders more common among men, while depression and anxiety disorders are more common among women. Ukraine has one of the highest suicide rates

24 UNGA Res. 71/205, 19 December 2016; Res. 72/190, 19 December 2017; Res. 73/263, 22 December 2018.

25 UN Women “Rapid Gender Assessment of the situation and needs of women in the context of COVID-19 in Ukraine” (available at: <https://eca.unwomen.org/en/digital-library/publications/2020/05/rapid-gender-assessment-of-the-situation-and-needs-of-women?fbclid=IwAR36T71bzBMC5Dtws8iRKiLuY49jFGESEhKVOa83j3pMTH5u-SDmMb951Pg>)

26 Rights of Persons with Disability in the Armed Conflict in the East of Ukraine, Analytical Report of the Ukrainian Helsinki Human Rights Union, Kiev, 2016.

in Europe region (15.3 per 100,000 in 2017).<sup>27</sup> Poor mental health in Ukraine is tightly interconnected with poverty, unemployment, and feelings of insecurity, compounded by the effects of the conflict.

### **Vulnerable categories of women experiencing multiple forms of discrimination**

Women in Ukraine face multiple forms of discrimination, amplifying their vulnerability. Gender discrimination is highly intersectional with other forms of social, economic and political vulnerability mentioned in this chapter. Vulnerable groups of women in Ukraine who experience multiple forms of discrimination include (but are not limited to): survivors of domestic violence and SGBV (over 1.1 million women a year); single mothers (20% of all families); women and girls with disabilities

Most people affected may not seek help at all due to lack of trust in the old system, stigma and other barriers.<sup>28</sup>

(who experience higher rates of abuse): older women in rural, isolated or conflict-affected regions; women IDPs and those living in conflict-affected areas; women living with HIV; and lesbian, bisexual, trans and queer (LBTQ) women. These women face a range of issues increasing their vulnerability, including discrimination and stigma, difficulties accessing services, heavy volumes of unpaid care responsibilities, low representation and limited involvement in decision making.

### **Roma population, specifically Roma women and children**

UNHCR estimates that 400,000 Roma people live in Ukraine.<sup>29</sup> Conditions for Roma communities living in informal settlements are particularly harsh; most of these are located in the west of Ukraine,<sup>30</sup> with some informal settlements also found in the south and near large cities throughout the country. Informal settlements often lack access to on-site water and sanitation and

are over-crowded, putting residents at particular risk of COVID-19. Children face major challenges accessing health care. Roma girls are more frequently subject to early marriage than other girls in Ukraine and are more likely to drop out of school. This contributes to their further marginalization and increased risk, exacerbated by widespread discrimination and stigma.

### **Older persons, particular pensioners with pensions below subsistence levels and those living in rural and remote areas**

The 11 million people over the age of 65 in Ukraine make up 27% of the population; 3 million are men, 8 million are women, and 2 million live alone. About half of all older people have a disability.<sup>31</sup> Older people are exposed to extreme poverty, have limited access to services, and have seen average pensions fall from 50.1% of average salary in 2011 to 28.3% in 2020. Pensioners are among the most vulnerable groups in Ukraine. Of 11.3 million pensioners 82.7% receive pensions below subsistence

level, while 20% of pensioners (2.23 million persons) are people with disabilities requiring additional assistance. Older people often face overlapping vulnerabilities such as chronic diseases, disability and dire financial constraints, with a high proportion of older women amongst the conflict-affected population. Other vulnerabilities include isolation, limited mobility, loss of livelihoods, lack of access to and difficulty affording health care services and heightened risk of abuse.

### **Asylum-seekers, refugees and stateless persons**

According to UNHCR's statistics, as of 31 December 2019, there were 2,172 refugees and 2,430 asylum-seekers residing in Ukraine.<sup>32</sup> While some refugees and asylum-seekers have managed to learn Ukrainian, find a job, start a business and integrate, others have encountered challenges in integrating and becoming self-sufficient due to their specific

needs. Refugees also face discrimination, legislative inconsistencies, corruption,<sup>33</sup> as well as language or administrative barriers which prevents them from accessing employment opportunities.<sup>34</sup> One of the major challenges for integration is lack of appropriate documentation and a low refugee recognition rate<sup>35</sup> on the part of the government.

27 <http://documents1.worldbank.org/curated/en/310711509516280173/pdf/120767-WP-Revised-WBGUkraineMentalHealthFINALwebvpdfnov.pdf>

28 <https://en.moz.gov.ua/article/news/mental-health-system-transformation-in-ukraine-improving-mental-health-services-and-bringing-mental-health-care-in-line-with-international-standards>

29 UNHCR estimates, 2020.

30 Especially in Zakarpattia region, including the two largest known settlements in Berehove and Mukacheve with up to 7,000 residents each. See OHCHR/HRMMU Briefing Note 'Impact of COVID-19 Pandemic on Roma communities in Ukraine', Kyiv, 15 May 2020.

31 Report of the Special Rapporteur on the rights of persons with disabilities, Catalina Devandas-Aguilar, A/74/186, para 4, 17 July 2019

32 Of which, a vast majority are assisted by UNHCR. Of 978 newly registered asylum-seekers, refugees and beneficiaries of complementary protection who approached UNHCR partners for assistance in 2019, 23% are women, 17% children and 2% aged 60+.

33 As mentioned by refugees during participatory assessments conducted by UNHCR.

34 In theory, asylum-seekers have the right to obtain work permits, but in practice, the system does not allow asylum-seekers to obtain legal employment. The requirements are not realistic: asylum-seekers must obtain a job offer with a salary amounting to ten minimum wages (41,730 UAH, or about US\$1500). Asylum-seekers do not receive financial support from the Government.

35 Recognition rate: # of persons who have applied for asylum/# of persons who have been recognized as refugees or granted with a complementary protection status. The recognition rate in 2019 was 21%, a fall from 2018 (26%) and 2017 (29%).

## Adults and children living in institutionalized settings

- Child protection efforts remain fragmented across sectors, especially those directed to prevention of family separation and institutionalization and the number of children separated from their families and living in institutions remains high- around 100,000 according to the MOSP. Meanwhile, the alternative family and community-based care solutions remain limited. Children with disabilities represent an increasing proportion in state residential institutions including in boarding schools (internats).
- The 13,000 people living in the 286 Ministry of Social Policy-managed **residential institutions** are among the most vulnerable groups in Ukraine. They are at high risk of COVID-19 infection because of underlying medical conditions (most are elderly or disabled), scarcity of PPE for both the residents and the staff and their inability to implement social distancing as they often depend on close contact with staff to tend to their basic needs.<sup>36</sup>
- **Prisoners and penitentiary staff:** Currently in Ukraine there are 32,900 people in prison and 20,000 in pre-trial detention, alongside 28,000 penitentiary staff. These groups are at significant risk of COVID-19. While the government has adopted measures to limit the spread of COVID-19 in penitentiary institutions, this has not included early release programmes for older persons and those with underlying health conditions, nor alternatives to detention to reduce the health risks associated with the COVID-19 pandemic among detainees. The COVID-19 pandemic has exacerbated pre-existing deficiencies in health care in pretrial detention facilities and penal colonies, such as a lack of specialized medical care, including sexual and reproductive health services, and a shortage of psychologists. In addition, transfers of prisoners and detainees to hospitals have delayed due to COVID-19-related restrictions, and family contact has also been limited due to restrictions imposed on visits. There is also a presence of children in prisons where often no education or protection is provided.

## Homeless persons

There are no reliable statistics on the overall number of homeless men and women in Ukraine. Civil society organizations (CSOs) estimate that the numbers in Kyiv vary between 5000 and 40,000, while about 200,000 people are estimated to be homeless overall in Ukraine.<sup>37</sup> Social services for homeless people are unevenly spread across Ukraine because they depend on the good will and funding of local authorities. In six regions of Ukraine, there are no municipal shelters for homeless people. According

to the Ministry of Social Policy of Ukraine, social protection facilities in Ukraine have the capacity to provide shelter to 1600 persons. This figure is well below the 21,700 homeless persons counted by the local authorities in 2019. The real demand for shelter may be many times higher given that not all homeless persons apply for services and that there are cities, towns and regions in Ukraine which do not offer services that register and count homeless people.

## Lesbian, gay, bisexual, trans, intersex and queer (LGBTIQ) persons

LGBTIQ persons have seen a deterioration in their security situation since 2014, increases in the number of serious crimes committed against them, such as murder and grievous bodily harm, the use of explosives, and attacks on LGBTIQ organizations and events. These crimes are usually not classified as hate crimes due to shortcomings in legislation. In Ukraine societal views towards LGBTIQ people remain highly contaminated by stigma, and LGBTIQ persons themselves report that keeping their identity

hidden is key to their survival. Lesbian, gay, bisexual, trans and gender diverse (LGBTIQ) persons are also subject to discriminatory practices that limit their employment. While the Labour Code is one of the only laws in Ukraine that specifically protects persons from discrimination based on sexual orientation and gender identity, this does not seem to be enforced, with many reported cases of discrimination, mobbing and stigmatization.<sup>38</sup>

## Workers and micro, small and medium-sized entrepreneurs in the informal economy especially women and youth, small farmers and rural households in remote areas

- **Unprotected workers:** In total 15.7 million people were classed as unprotected workers (13 million) or unemployed (2.6 million) in 2019. This included irregular workers that work without employment contracts; Ukrainian migrant workers, who are frequently informal workers in their

36 Report of the Special Rapporteur on people with disabilities, 17 July 2019, para. 4.

37 OHCHR, "Briefing note: Impact of Covid-19 and its prevention measures on homeless people in Ukraine", 16 June 2020. [http://www.un.org.ua/images/documents/4970/Briefing\\_Note\\_Homeless\\_People\\_ENG.pdf](http://www.un.org.ua/images/documents/4970/Briefing_Note_Homeless_People_ENG.pdf)

38 Report of the Independent Expert on protection against violence and discrimination based on sexual orientation and gender identity 2019 Visit to Ukraine (2020), [www.un.org/en/ga/search/view\\_doc.asp?symbol=A/HRC/44/53/Add.1](http://www.un.org/en/ga/search/view_doc.asp?symbol=A/HRC/44/53/Add.1)

host countries (3.2 million<sup>39</sup>); foreign migrants in Ukraine, especially those who are undocumented; undocumented stateless people, refugees and asylum-seekers; retired persons; unemployed people; people with disabilities; and people in the care economy.

- **Small farmers and rural households** are considered to be the social groups most vulnerable

### Victims of trafficking (VoTs)

A June 2020 IOM Ukraine rapid assessment revealed that over 84% of surveyed former VoTs had seen their financial situation worsen and over 50% had lost their jobs (67% men, 33% women) due to COVID-19 quarantine measures. Due to loss of income, former VoTs and their families were further pushed into extremely exploitative situations, making them more vulnerable and prone to re-trafficking. In 2020 there was also an almost 30% fall in the number of people granted VoT status by the Ministry of Social

### COVID-19 First-responders and health care workers

Over 400,000<sup>41</sup> people work in health care in Ukraine, including people caring for persons with disabilities, and staff in medical and allied facilities, including nursing homes and residential care. Women make up 83% of health care workers, and most workers in the care economy and on the front line of the pandemic. Health care workers in Ukraine are underpaid, receiving salaries below the national average and not providing for a decent living for them and their families. There are concerns about lack of pay security, transparency, accountability, equal pay for work of equal value and the gender pay gap. Health care workers lack healthy and safe working conditions, in particular due to lack of: sufficient PPE; effective infection prevention and control measures in the workplace; and mental health and psychosocial support services. Health care workers also suffer

to the impacts of climate change within the agriculture sector.

- **Returning migrants:** Nearly 350,000–400,000 migrant workers<sup>40</sup> have returned to Ukraine due to the COVID-19 pandemic, and the absence of work opportunities has put former migrant workers at risk of destitution and inability to pay for their basic needs, which often leads to acceptance of exploitative labour practices.

Policy (MSP), compared to 2019. Quarantine restrictions and diversion of funding due to the pandemic further limited access to state assistance for VoTs. Social protection structures' focus has shifted to the COVID-19 response activities, meaning certain high-risk groups vulnerable to violence, exploitation and abuse, including VoTs, receive very limited state attention. There is inadequate legislation in terms of international adoptions, surrogacy and Ukraine has become a supplier of trafficked children.

from increased workloads and insufficient time to rest. Meanwhile, those with other caring responsibilities – mainly women due to prevalent gender roles in Ukraine – face the increased burden of unpaid care work, especially during periods when the Government suspended care and education services in response to COVID-19. Health care workers also lack adequate social protection.

**Unemployed young people:** Youth unemployment (15-25 years of age) stood at 18.8% in 2019. The share of young people not in education, employment, or training (NEET) was around 13% for young men and 19% for young women in 2017. A key obstacle to improving youth employment is the skills mismatch. Lack of opportunities for young people creates persistent barriers to their future inclusion.

## FOCUS: ANALYSIS OF MAIN BARRIERS TO THE FULFILMENT OF THE BASIC HUMAN RIGHTS OF VULNERABLE POPULATIONS IN UKRAINE IN THE CONTEXT OF COVID-19<sup>42</sup>

The COVID pandemic has significantly worsened the situation of those who are already vulnerable, and / or who are unable to diversify income, work remotely, access basic services, and remain connected. As the socio-economic impact of COVID will be long term and in some dimensions, such as education and human capital, may have detrimental generational effects, the most vulnerable groups left the furthest behind must be in the centre of the GoU's and development partners' attention.<sup>43</sup>

39 European Commission (April 2020) *The Impact of Labour Migration on the Ukrainian Economy*. At [https://ec.europa.eu/info/sites/info/files/economy-finance/dp123\\_en.pdf](https://ec.europa.eu/info/sites/info/files/economy-finance/dp123_en.pdf).

40 IOM estimates based on analysis of SGBS data and supported by interviews with several national migration expert interviews

41 Calculation based on UNFPA vulnerability dashboard, retrieved on 17 July 2020.

42 UN Socio-economic Impact Assessment of COVID-19 in Ukraine, September 2020

43 For more on this, see: UN Socio-economic Impact Assessment of COVID-19 in Ukraine (SEIA, at <https://ukraine.un.org/en/103300-assessment-socio-economic-impact-covid-19-ukraine>); and the thematic report Impact of COVID-19 on human rights in Ukraine (<https://ukraine.un.org/index.php/en/104994-impact-covid-19-human-rights-ukraine>).

## **KEY DEVELOPMENT OPPORTUNITY: UN-POWERED VULNERABILITY ANALYSIS TO GUIDE DEVELOPMENT PARTNERS AND IFIs ON INCLUSIVE POLICIES**

The lack of a national definition of people in situations of vulnerability, as identified above, is a key development challenge in Ukraine. Systematic tracking of vulnerability, ensuring no one is left behind, human rights, gender equality and women's empowerment, resilience, sustainability and accountability should be a key UN contribution to the national strategic framework and guide development of international technical assistance programmes and IFI financing.

When mainstreamed across the development community, this unique UN added-value service could significantly improve the quality and inclusiveness of public policies, improve access to social and economic rights and effectively reach the most vulnerable populations by ensuring policies are not discriminatory. In particular, a thorough vulnerability analysis of groups of populations that are at risk of being left behind by proposed economic measures should be included in the draft National Economic Strategy 2030, along with a set of mitigating and protecting measures.

Country-specific findings and recommendations of the Universal Periodic Review and other human rights mechanisms, as well as various UN guidance on "leaving no one behind" can provide an important basis for highlighting gaps and corresponding obligations that could be addressed in national, development partner and IFI planning. UN standard internal instruments, such as guidance on the Gender Scorecard, Human Rights Due Diligence Policy could be adapted and brought to UN external partners as useful instruments and inclusion checklists.

**Finally, participation of social partners and representatives of vulnerable groups in decision-making** is a significant opportunity to have their voices heard.

In 2020 the UN RCO initiated a series of civil society consultations, involving representatives of the vulnerable groups, around key policy issues.

- The **UN Dialogue with civil society on COVID and assistance to vulnerable people** to understand the vulnerabilities of certain groups, some of whom were outside of the focus of the society and development partners (for instance, homeless people and Roma).
- The **UN Dialogue with civil society on climate change challenges, risks and opportunities** on how climate change exacerbates social injustice and affects realization of human rights.
- The **UN Dialogue with civil society on hate speech – manifestations, consequences, prevention** on operationalizing the UN Strategy and Plan of Action against Hate Speech.
- **The UN Dialogue with civil society on digitalization** on how digital transformation of Ukraine can be supported and how COVID-19 can be an opportunity to ensure its inclusivity

# 2 POLITICAL AND INSTITUTIONAL ANALYSIS

Since gaining independence in 1991, post-Soviet Ukraine has embarked upon a long and uneasy **transition**, sometimes marked by mass civil unrest (e.g., the Orange Revolution in 2004 and the Revolution of Dignity in 2013-2014) that has expressed popular demand for democratic and development reforms. Surveys and vote results indicate that **aspirations** for deeper, transformational and systemic reforms are enduring political expectations.

Entering the **30<sup>th</sup> year since independence** (1991) and the seventh year after the Maidan protests (2013-2014), Ukraine continues to face simultaneous **challenges**: a complex post-Soviet transition aimed at reforming institutions and the political culture; a dire security environment in the context of the conflict in eastern Ukraine; and the socio-economic and political impact of COVID-19.

**The two main concomitant and crucial “battlefronts”** are deepening and sustaining domestic reforms and the cross-cutting anti-corruption fight, together with the simmering armed conflict in eastern Ukraine. This is against a generally tense **geopolitical context**, marked by a gradual erosion of multilateralism and divergence among member states in bilateral contacts and international organizations on the interpretation of various international events and disagreement on how to respond, including on Ukraine.

## DOMESTIC POLITICS

European and Euro-Atlantic integration has been Ukraine’s **foreign policy priority** since the 2013–14 Revolution of Dignity. Ukraine signed an Association Agreement (AA) with the European Union – fully entered into force 2017 – including a Deep and Comprehensive Free Trade Area (DCFTA) – entered into force 2016 – and obtained EU visa liberalization in 2017. The EU is Ukraine’s largest trading partner, with gradually rising trade.

While AA implementation remains a priority, Ukraine continues to stress **EU rapprochement**. Since 2014, relations with the Russian Federation have largely deteriorated, resulting in **mutual restrictive measures** and a significant drop in bilateral trade. Relationships with neighbouring EU countries are sometimes tense, as Ukraine’s language, media and education laws are perceived as infringing national

From 2014, the political situation became more turbulent, with frequent party realignments, ruling coalition readjustments and Cabinet reshuffles (2014–16; 2019–20), but there has not been any wider political instability.

There has been **continuity in Ukraine’s European and Euro-Atlantic foreign policy course** since 2014. Ukraine aspires to become a regional governance leader and a **leading reformer** in the Eastern Partnership group of six countries, three of which – Ukraine, Georgia and Moldova – signed Association Agreements (AA) with the European Union and remain hopeful of obtaining NATO membership.

Since losing control of about 7% of its territory in 2014 – including Crimea and areas in the eastern regions of Donetsk and Luhansk – domestic reforms and peace negotiations have taken place against the backdrop of the ongoing armed conflict in the east and the overall political dynamics in the post-Soviet space.

Ukraine has followed recent regional events closely, including in Belarus and Nagorno-Karabakh, and is conducting a broad diplomatic campaign to draw more attention globally to the situation in Crimea, to include the launch of an International Crimea Platform, in Kyiv in August 2021.

minorities’ rights. However, the new administration has made active efforts to address these issues.

Ukraine is a parliamentary-presidential republic with a unicameral parliament of 450 seats. Its party system is rather fragmented and unstable, but there have been timely and **credible elections** since the Maidan protests. The 2019 parliamentary and presidential elections resulted in a peaceful transfer of power, and were followed by local elections on 25 October 2020. Over time, local elections may result in the hoped-for and genuine devolution of power to local communities and citizens according to subsidiarity principles.

Numerous internal and external partners’ voices argue for dismantling the “old ways”, especially networks of **corruption** which prevent the country fully releasing

its human, democratic and economic potential. As in other post-Soviet and post-communist transition countries, corruption has affected governance, economic development and public trust, resulting a political economy that continues to mostly benefit national, regional and local economic and political élites.

Ongoing reforms in **public administration** and **decentralization** are considered key for Ukraine's transformation. However, vested interests are often seen as undermining reform, and the perceived persistent oligarchic influence in politics, public administration, judiciary, law enforcement and media means that state institutions and reforms can appear fragile.

President Zelenskyy, a political outsider, came to power on 20 May 2019 with promises of accelerated economic and anti-corruption reforms and of bringing peace to eastern Ukraine. The parliamentary elections generated a **single-party dominated Cabinet and Parliament majority**, giving him the necessary political backing for his ambitions.

The 2019 elections refreshed the political scene, with 80% of MPs elected for the first time, nearly a third of whom (30%) are under 35. A new Electoral Code introduced a 40% gender quota, which helped double the share of women MPs to 21%. However, only 3 of the *Rada's* 23 Committees are chaired by women and only 3 of 22 Cabinet members are female.

Though his popularity is slipping, President Zelenskyy remains Ukraine's most trusted politician, and is still seen by many as the catalyst for reform. His party, Servant of the People, fared poorly in the local elections in October 2020, which may affect party discipline and its parliamentary majority, as well as the speed and depth of reform and, potentially, the pace of peace negotiations.

**International partners** have shown their commitment to Ukraine. For instance, the European Union allotted around €15 million, the highest support for a third country in the last six years. Support is based on the "more for more" principle, on the condition that the Government of Ukraine meets the **expectations and aspirations of Ukrainian citizens** for democratic and accountable governance and inclusive and sustainable economic growth.

Freedom House classifies Ukraine as "partly free", with room to improve on political rights and civil liberties, suggesting an unfinished transition from a hybrid regime. The Corruption Perception Index places Ukraine in 2019 only ahead of Russia among its neighbours. With 30 out of 100 points, Ukraine ranks 126<sup>th</sup> out of 180 countries.

While it is difficult to estimate the total cost of poor governance, which results in loss of revenue, tax evasion, direct corruption and stolen assets, the economic cost is undoubtedly significant. A local think tank<sup>44</sup> estimates governance reforms could bring US\$26.6 billion to the Government, with an additional US\$8.6 billion annually, i.e. 5.6% of 2019 GDP. This could reduce national debt.

Efforts should continue to reduce the level of corruption and **rebuild trust** in authorities by such measures as sustaining an independent and professional judiciary and support for anti-corruption bodies, (such as the Specialized Anti-Corruption Prosecutor's Office, NABU and the State Bureau of Investigations), to enable a transparent and open privatization process.

Despite considerable progress since 2014, governance reforms are not generally seen as **irreversible**. Without sustained effort, there are perceived risks of backsliding and regressive policies.

### KEY DEVELOPMENT OPPORTUNITY: ANTI-CORRUPTION AND PUBLIC ENGAGEMENT EFFECT OF UKRAINE'S DIGITAL AGENDA

The Government has launched an E-Governance action plan for 2018–20 and established the Ministry for Digital Transformation to design and implement state policy on digitalization. The Government regulates and monitors emergency procurement via open contracting data on ProZorro, the public e-procurement system. Since March 2020, entrepreneurs can access online events via Business Information Support Centres (BISCs) and the *Merezha* platform. According to the Ministry of Digital Transformation, E-service and E-participation systems may save citizens up to 1.3 billion UAH (US\$45 million) a year.

44 <https://ces.org.ua/ua-how-much-does-the-budget-lose-due-to-the-lack-of-good-governance/>

## CONFLICT RESOLUTION

In the last seven years, as a result of the ongoing hostilities in eastern Ukraine, over 13,000 Ukrainians have been killed (including over 3,000 civilians), another 40,000 were injured (including over 7,000 civilians), 3.4 million are in need of humanitarian assistance and 734,000 are internally displaced persons (IDPs). Ukraine has half-a-million veterans, many facing psychological, medical, economic and social challenges while attempting to reintegrate into civilian life. The **simmering armed conflict** in eastern Ukraine is a potential breeding ground for security incidents linked to illegal weapons and ammunitions possession.

The Minsk Agreements (MAs), the only framework endorsed by the UN Security Council, is the foundation for the international community's commitment to **restore peace** in eastern Ukraine. Ukraine has signalled an intention to "update/"upgrade" the documents adopted in 2014 and 2015, while the

Russian Federation argues for their implementation as they are. On 27 July 2020 negotiated "additional measures to strengthen the ceasefire" entered into force, leading in the last nine months to the lowest ever levels of military engagement and of conflict-related civilian casualties along the entire 'contact line'. However, without progress on other provisions of the MAs, the ceasefire seems fragile in the long term. Most of the points agreed for implementation at the Paris Normandy Four **Summit** (9 December 2019) are still pending, with negotiations dragging on new Entry-Exit Checkpoints (EECPs), new areas of disengagement, de-mining security-related issues, and also the MAs' political components. Ukrainian MPs and citizens seem to need more preparation for what some see as **necessary compromises** in peace negotiations, but others consider **unacceptable concessions**. Women's participation in conflict prevention, resolution and post-conflict recovery efforts remains limited.

### FOCUS: PEACE NEGOTIATION ARCHITECTURE

The so-called Minsk process, or the established formats of negotiations based on the Minsk Agreements (2014 and 2015), is the main politico-diplomatic framework for peaceful settlement of the conflict in eastern Ukraine. It consists of the Normandy Four (Ukraine, Russia, France and Germany), who meet at various levels and with fluctuating periodicity; the Trilateral Contact Group (composed of four working groups: political, security, humanitarian and economic); and other support mechanisms, such as bilateral channels of negotiations. International facilitators include OSCE mediators and member states, France and Germany. There is an expectation in Ukraine, and more broadly, of a re-engagement by the new US Administration on key regional issues.

The continuation of the conflict exacerbates the increasingly divergent developments in the GCA and NGCA, rendering economic rebuilding and social reconciliation more difficult during expected **reintegration**. The COVID-19 crisis has generated a situation in which connectivity across the 'contact line' through the existing five crossing points (with plans for two more EECPs to open) has fallen by 93%, according to OCHA.<sup>45</sup> The Government of Ukraine, especially through the Ministry of Reintegration and Temporary Occupied Territories (MRTOT), is working to develop a coherent policy for sustainable peace and social cohesion, and an inclusive vision for reintegration. International partners also support the approach to create an **enabling environment** for eventual reunification and **reduced alienation**.

Since 2019, President Zelenskyy has promoted a model of **national unity** and **social cohesion** in Ukrainian society, and of reconciliation and reaching out to

Ukrainian citizens on the other side of the 'contact line' controlled by the two self-proclaimed entities. This policy is aimed at **decreasing "polarization"** inside the country caused by the armed conflict, providing more space for dialogue, and increasing respect for ethnic, linguistic and cultural identities. It is also seen as a part of Ukraine's **reintegration strategy** for non-government-controlled areas in Crimea, Donetsk and Luhansk regions. This has reinvigorated both domestic debate and the internationally-facilitated peace talks. In January 2021, the MRTOT published for consultation a comprehensive draft law on state policy for the transition period, encompassing various phases identified as "de-occupation" and "reintegration". This initiative, if passed by Parliament, could improve national legislative coherence and facilitate the ongoing negotiations for peaceful settlement of the conflict in eastern Ukraine. Ukraine also announced that a Crimea International Platform is planned for 2021.

45 <https://reliefweb.int/sites/reliefweb.int/files/resources/OCHA%20Ukraine%20Situation%20Report%2C%202027%20October%202020%20%5BEN%5D.pdf>

In recent months, additional measures to strengthen the **ceasefire**, which entered into force on 27 July 2020 and were agreed in the Trilateral Contact Group format, have dramatically reduced civilian casualties and levels of violence. From 27 July 2020 to 31 January 2021, active hostilities (shelling, small arms fire and drone strikes) caused four civilian casualties (all injuries); other civilian casualties in this period were caused by mines, explosive remnants of war and road incidents involving the military. In comparison, in the preceding six months, active hostilities resulted in 65 civilian casualties (8 killed and 57 injured).

However, the current security situation remains **fragile and could be easily reversed** as, on both

### UN support for reforms and conflict resolution

Support for the **settlement of the conflict** in eastern Ukraine takes the form of backing for peace negotiations in the established formats. The United Nations Secretary-General, António Guterres, expressed support for the Normandy, Trilateral Contact Group and other negotiation formats, within the framework of the Minsk Agreements. The United Nations, including the Secretary-General, has consistently reaffirmed its unwavering support for the **independence, territorial integrity and sovereignty of Ukraine within its internationally recognized borders**.

The United Nations has not been formally associated with any of the **negotiation formats** employed to reach a peaceful resolution of the conflict in eastern Ukraine. The Secretary-General has, however, used any available opportunity to advocate for dialogue, de-escalation and a sustainable peace. Since 2014, various resolutions have been adopted in the UN

sides of the 'contact line', military capabilities have been maintained should the **political will** and commitment to peace recede in absence of further progress in peace negotiations.

The sustainability of the ceasefire is questioned in the absence of progress in conflict resolution, but also given unilateral actions and the new realities constantly created on the ground and deepening separation across the 'contact line'. In this context, since March 2021 mutual accusations of a military build-up have increased. Any potential escalation of hostilities, arguably in support of political objectives, would most likely negatively affect the local population whose endurance has been severely tested in the last seven years.

Security Council and General Assembly (GA) on the situation in Ukraine, while the matter remains on the Security Council and the GA agendas.

The United Nations in Ukraine, mainly through its **three pillars** – gender-responsive development, humanitarian and human rights – has been contributing substantially to a **conducive environment** for peace and the continuation of reforms at all levels.

The UN is committed to **long-term engagement** to support Ukraine, in partnership with the Government and other national stakeholders and in concert with international partners. The UN's efforts are directed towards supporting a culture of dialogue, **participation and inclusivity**, promoting the **development and peace agenda** and national unity and social cohesion. This strategic approach supports the implementation of key objectives and targets within SDG 16.



### FOCUS: WOMEN, PEACE AND SECURITY AGENDA

The Government has taken important steps to design and draft its second-generation action plan on the Women, Peace and Security (WPS) agenda. The creation and implementation of National Action Plan 1325 is an important commitment to advancing the WPS agenda, but is not exhaustive. Ahead of the 20<sup>th</sup> anniversary of the UN Security Council's resolution 1325, women's groups have been calling on states to address root causes and make concrete, ongoing, financially supported and consistent commitments.<sup>46</sup>

In Ukraine, UN Women supports women's equal representation and participation in peace processes and security efforts. UN Women leads – with the help of other UN entities – on supporting the authorities and civil society to implement the WPS agenda through research initiatives, data collection, learning exchange, and documentation of good practices for ensuring information support to policy and programming. Support has been provided to the Government's efforts to translate the WPS agenda from policy to practice, and to work on strengthening the capacity of and increasing opportunities for women at national, regional and local levels. UN Women works with the Government to implement, monitor and evaluate the National Action Plan on Implementation of UN Security Council Resolution 1325 on WPS and its localization at regional and community levels. UN Women also works with security sector institutions to integrate the WPS agenda into security sector reform.

46 [www.peacewomen.org/node/103512](http://www.peacewomen.org/node/103512)



## REGIONAL AND CROSS-BORDER DYNAMICS

Ukraine plays an important role in the Central Europe region, with the EU Association Agreement providing a legal basis for enhanced regional and cross-border cooperation.

The EU Eastern Partnership (EaP) initiative covering six participating countries (Armenia, Azerbaijan, Belarus, Georgia, the Republic of Moldova and Ukraine) provides a key strategic framework for regional cooperation, especially for Georgia, Moldova and Ukraine, the DCFTA countries enjoying deeper integration with the EU.

The latest EaP strategy, “The Eastern Partnership beyond 2020: Reinforcing Resilience,” strongly shifts the focus of regional cooperation towards resilience. Ukraine’s future internal and external reform agenda will be largely shaped by the new EaP policy: to promote further integration of the economies and societies of DCFTA and EU countries; joint strengthening of governance and rule of law; and migration frameworks, with significant emphasis on maintaining and expanding the civic space towards resilient and inclusive societies.

Expansion of the EU Digital Single Market towards the EaP region provides an opportunity to exploit the Government’s strong digital agenda and ensure it is based on EU standards. It can also increase e-governance and improve the transparency and accountability of Ukrainian institutions, thus potentially addressing some of the key development challenges around governance, societal trust and corruption.

The European Green Deal and aspirations towards climate neutrality is another regional channel where Ukraine will see its role increased, considering its large energy transformation plans, including coal transition, as well as climate adaptation of its significant agriculture sector (please refer to *Economic transformation analysis* chapter below for details).

Ukraine’s active regional role is also prominently featured under several regional EU flagship initiatives, such as EU4Environment, EU4Energy, EU4Business, EU4Digital and the Covenant of Mayors and Mayors for Economic Growth. Engaging local authorities

in cross-border activities, networking and capacity building within the EaP region and beyond reinforces decentralization reform in Ukraine. These local level networks and thematic coalitions have significant potential to operationalizing economic, social and environmental regional integration, centred around the EU’s values, and broadly based on Agenda 2030 (please see below).

In order to promote technological disaster risk reduction and comply with global commitments under the Sendai Framework for Disaster Risk Reduction, Ukraine could access the UNECE Convention on the Transboundary Effects of Industrial Accidents. The Convention covers prevention of, preparedness for and response to industrial accidents capable of affecting neighbouring and riparian countries, including the transboundary effects of industrial accidents that were caused by natural disasters. In 2018, Ukraine decided to accede to the Industrial Accidents Convention: this will enable it to significantly strengthen prevention and preparedness to chemical and industrial accidents, and contribute to avoiding the significant human and economic costs of accidents that may occur across the state border, thus also strengthening transboundary cooperation with neighbouring countries in the area of industrial safety. Moreover, the Industrial Accidents Convention can support the country to implement the EU Seveso III Directive, helping with approximation to EU industrial safety and environmental protection standards and with its accession to the EU.

The situation in Ukraine is considered critical with regard to cross-border trafficking of illicit firearms. In 2018, the Small Arms Survey estimated there are almost 3.6 million unregistered firearms in the country compared to approximately 800,000 registered firearms, and the country has been the scene of an intense illicit proliferation of small arms and light weapons, fuelled by the continuing armed conflict. Currently most of the illicit firearms trafficking takes place within the country. However, fears of illicit firearms trafficking from Ukraine into the European Union have increased. Between 2016 and 2019, several consignments of trafficked small arms were seized on Ukraine’s borders with Poland and the Republic of Moldova.<sup>47</sup>



47 [https://www.unodc.org/documents/firearms-protocol/2020/UNODC-EU-Report-A8\\_FINAL.pdf](https://www.unodc.org/documents/firearms-protocol/2020/UNODC-EU-Report-A8_FINAL.pdf)

## KEY DEVELOPMENT OPPORTUNITY: VOLUNTARY LOCAL REVIEWS OF AGENDA 2030

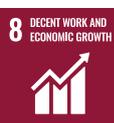
Voluntary Local Reviews (VLRs)<sup>48</sup>, conducted by cities and regions and modelled after the Voluntary National Reviews (VNRs), are becoming an important instrument to localize the SDGs. The first reviews available are mostly from the EU. The UN Decade of Action, emphasizing the importance of local action for Agenda 2030, provides another strong framework for VLRs.

Considering Ukraine's strategic orientation to the EU, piloting a regional network of cities championing Agenda 2030 could be an opportunity to exchange best practices and peer learning, and leverage joint solutions to development challenges across sectors and borders. This approach would promote synergies with similar regional initiatives focusing on specific aspects of sustainable development (such as the Covenant of Mayors for Climate and Energy and Mayors for Economic Growth) and allow an integrated SDG approach at local and regional levels.

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48 <https://sdgs.un.org/topics/voluntary-local-reviews>

# 3 ECONOMIC TRANSFORMATION ANALYSIS



**Ukraine's transition to an efficient market economy** still faces serious political, economic, and security challenges, and reform is still needed. A **World Bank Ukraine Growth Study**, said that with the pre-pandemic yearly growth rate of 3%, it would take almost 100 years to reach the current income level of Germany and about 50 years to reach the level of Poland.<sup>49</sup>

In recent years Ukraine has made progress in addressing many of its challenges; for instance land reform is expected to boost agriculture investment and productivity (see the Land reform box in the Environment and climate change analysis). Prosperity is still held back by low productivity due to low saving and investment rates; over-reliance on commodity-based exports and limited global economic integration, with Ukraine's export structure still highly concentrated in a small number of basic commodities: either metals or farm products; and weak institutions impacted by delayed reforms, rent seeking and weak commitment to rule of law.

The World Bank Ukraine Growth Study identifies key recommendations:

- Policy changes to **improve productivity** and encourage capital accumulation would make growth faster. Capital's contribution to supporting growth is constrained by a low domestic savings rate and low foreign direct investment (FDI). Demographics and emigration mean that the labour force will decline significantly in the next decade. Ukraine's aggregate productivity is still low: ILO estimates show it to be 4.4 times lower than Germany's. If these trends continue, Ukraine's economic growth

is estimated to be close to zero, and positive growth in potential productivity will be offset by a declining contribution of labour and capital.

- Policies that distribute economic growth dividends fairly across society by creating access to opportunities for all would **make growth more inclusive**. Economic growth is only sustainable if it does not leave vulnerable groups behind. The current model falls short of this goal. In recent years, the recession, depreciation and reduced public spending hit disposable incomes. Sharing benefits of growth depends on creating new jobs which itself depends on attracting new investment in the production of tradable goods and services and in expanding trade.
- Parts of the economy continue to be dominated by **oligarchs**. Political divisions remain between reformist and status quo fractions influenced by **vested interests**. These groups especially fought against reforms which could undermine their monopolistic positions or eliminate sources of rent. Vested interests have resisted efforts to establish a rules-based system and regulations. As a result, formal economic institutions, including courts, have remained weak, and **corruption** has been high. This has undermined commitments to property rights and created legal uncertainty.

Ukraine has already started laying the foundations for a new growth model. Structural reforms in the past two decades are already prompting gradual realignment of resources to more productive uses. However, more reforms are needed.

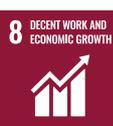
## Projected long-term growth scenarios, average annual growth rates in %

	Annual GDP growth rate		Annual per capita GDP growth rate	
	2020-24	2025-29	2020-24	2025-29
<b>No reforms: low productivity, low investment (TFP 1%, I/Y=16%)</b>	<b>-0.1%</b>	<b>0.1%</b>	<b>0.5%</b>	<b>0.8%</b>
Low productivity, high Investment (TFP 1%, I/Y =30%)	0.8%	1.0%	1.9%	2.1%
High productivity, low investment (TFP 3%, I/Y=16%)	2.1%	2.5%	2.7%	3.2%
<b>High productivity, high investment (TFP 3%, I/Y =30%)</b>	<b>3.6%</b>	<b>3.9%</b>	<b>4.2%</b>	<b>4.6%</b>

Source: World Bank Ukraine Growth Study, World Bank calculations. Note: Simulations using the LTGM-PC calibrated to Ukraine, I/Y is the share of total investment in total domestic production; TFP = total factor productivity.

49 <http://documents1.worldbank.org/curated/en/543041554211825812/pdf/Ukraine-Growth-Study-Final-Documents-Faster-Lasting-and-Kind.pdf>

## MACROECONOMIC OVERVIEW



Ukraine, a lower middle-income country, has substantial reserves minerals, ores, favourable agricultural conditions, a well-educated workforce and a strong industrial base.

Since 2016, GDP growth has been about 2%, with a continued upward trend projected until 2020, when the pandemic hit. High external debt, low central bank reserves and lingering expectations of currency devaluation amid banking system fragility and falling bank deposits have left the country vulnerable to shocks, tension in society, and an economy unable to generate the level of savings and investment that would underpin sustainable, rapid socio-economic development.

An estimated contraction of 4.5%<sup>50</sup> means COVID-19's economic impact has been less than in most other countries, but the pandemic has had a heavy toll on households and weakened government commitment to critical reforms. Only a partial recovery in GDP growth of 3.8% is expected in 2021, given high uncertainty regarding rollout of the vaccine and the slow pace of structural reforms to address bottlenecks to investment and safeguard macroeconomic sustainability. Recent anti-corruption reforms suffered setbacks due to adverse court rulings in late 2020.

### Foreign direct investment<sup>51</sup>

FDI in Ukraine decreased substantially after the financial crisis of 2008 and fell more between 2012 and 2014. In 2016, inflows recovered to 3.6% of GDP, but in 2019 they declined to about 2% of GDP, the

### External position<sup>52</sup>

Following accession to the World Trade Organization (WTO) in 2008 and the EU Association Agreement, including the DCFTA, in 2014, Ukraine has slowly opened up its economy. Exports and imports combined declined from 107.8% of GDP in 2015 to 99% in 2018. The EU-28 accounted for about 42% of total merchandise exports in 2018; other significant trading partners were the Russian Federation (7.7%), China (4.7%) and Turkey (5%). Most of Ukraine's exports in 2018 were agricultural products and metals, and their level of complexity was modest. Ukraine's index of merchandise concentration of exports that Ukraine's export basket is the most diversified in the sub-region, followed by Belarus and Moldova. In 2018, seed oils (8.1%), semi-finished iron (7.8%), maize (6.9%), wheat (6.06%) and iron ore (5.6%) were

The COVID-19 outbreak redirected government policy from structural reforms towards ad-hoc reactive measures. As a result, macro-fiscal risks have increased. Public sector financial needs are expected to grow due to increases in minimum wages and social transfers, limiting space for public investment, and fuelling inflationary pressures in a supply-constrained economy. Additionally, large government domestic borrowings are crowding out much needed private investment. Holdings of government securities already represent close to 30% of total assets of the state-owned banks while corporate lending continues to stagnate. Stronger fiscal discipline is needed to reduce risks for medium-term growth prospects.

Lower energy and higher commodity prices resulted in the most favourable trade terms for the last decade. Combined with import falls, this resulted in a current account surplus of 4.4% in 2020. Remittances were relatively resilient, down only 5.3% year-on-year in 2020, while private capital inflows also recovered in the second half of 2020. Thus, international reserves reached US\$29.1 billion at end-December 2020, equal to 4.7 months of the next year's imports.

second lowest share of FDI in the EESC subregion. Most FDI goes to mining, real estate, electricity and gas, finance and ICT.

among the most exported products. The remaining exports were mainly machines, chemicals, foodstuffs and wood products.

By increasing the complexity of goods and diversifying exports, Ukraine could shift the focus of the production structure towards a more balanced trade portfolio. In the 2020 Competitive Industrial Performance (CIP) index, Ukraine ranked 69<sup>th</sup> of 152 economies, the second highest in the region after Belarus (47<sup>th</sup>), indicating reasonable levels of industrial production. However, on the 2019 Global Competitiveness Index, Ukraine ranked only 85<sup>th</sup> out of 141; it would have ranked lower had it not been for its good performance on indicators such as market size and skills.

50 <https://openknowledge.worldbank.org/handle/10986/35273>

51 [https://unece.org/fileadmin/DAM/ceci/icp/Capacity\\_building/IPO\\_launch/IPO\\_2020\\_FULL.pdf](https://unece.org/fileadmin/DAM/ceci/icp/Capacity_building/IPO_launch/IPO_2020_FULL.pdf)

52 Ibid.

## Economic outlook

Ukraine / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
<b>Real GDP growth, at constant market prices</b>	3.3	3.4	-4.5	3.8	3.0	3.5
Private Consumption	8.9	11.9	-3.0	4.6	3.8	3.5
Government Consumption	0.1	-5.0	1.8	1.5	0.0	0.0
Gross Fixed Capital Investment	14.3	15.0	-27.4	9.7	8.4	7.5
Exports, Goods and Services	-1.6	6.7	-7.4	3.4	2.0	4.4
Imports, Goods and Services	3.2	6.3	-11.5	6.8	5.0	4.8
<b>Real GDP growth, at constant factor prices</b>	3.3	3.4	-4.6	3.9	2.9	3.5
Agriculture	7.8	1.3	-7.0	5.0	4.5	5.0
Industry	2.0	-2.0	-4.0	2.0	3.0	4.5
Services	3.0	5.7	-4.4	4.4	2.6	2.9
<b>Inflation (Consumer Price Index)</b>	9.8	4.1	4.8	5.0	5.0	5.8
<b>Current Account Balance (% of GDP)</b>	-3.2	-0.9	4.4	-1.3	-2.8	-3.3
<b>Net Foreign Direct Investment (% of GDP)</b>	1.9	2.1	2.2	2.4	2.6	6.2
<b>Fiscal Balance (% of GDP)</b>	-2.0	-2.0	-6.1	-5.4	-4.0	-2.5
<b>Debt (% of GDP)</b>	60.6	50.4	63.2	62.4	59.7	57.8
<b>Primary Balance (% of GDP)</b>	1.4	1.1	-2.4	-0.9	0.1	1.8
<b>Lower middle-income poverty rate (\$3.2 in 2011 PPP)<sup>a,b</sup></b>	0.4	0.2	0.3	0.2	0.2	0.2
<b>Upper middle-income poverty rate (\$5.5 in 2011 PPP)<sup>a,b</sup></b>	3.4	2.5	3.0	2.5	2.0	1.6

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.

Notes: e = estimate. f = forecast.

(a) Calculations based on ECAPOV harmonization, using 2019-HLCS. Actual data: 2019. Nowcast: 2020. Forecast are from 2021 to 2023.

(b) Projection using neutral distribution (2019) with pass-through = 0.87 based on GDP per capita in constant LCU.

Source: World Bank Europe and Central Asia Economic Update, Spring 2021 : Data, Digitalization, and Governance

Ukraine's economic recovery in 2021 is expected to be 3.8% given uncertainty over vaccine rollout and policies regarding investment bottlenecks and safeguarding macroeconomic sustainability. The projection is underpinned by positive base effects in agriculture and processing, and factors in possible further temporary lockdowns in the first half of 2021. The 2021 budget has a 5.4% deficit. Together with 10.5% GDP debt amortization and 1.3% GDP

private sector arrears, this will increase total fiscal financing needs to 17.2% of GDP (vs. 15% of GDP in 2020). The minimum wage increase will push the public wage bill to over 11% of GDP and create additional pressures on current account imbalances and inflation. Prudent fiscal policy is needed to address inflationary pressures. Accelerating reform momentum is key to faster economic growth and poverty reduction.

## BUDGETARY SPACE FOR FULL REALIZATION OF ECONOMIC, SOCIAL AND CULTURAL RIGHTS

### Overall public expenditure<sup>53</sup>

Between 2014 and 2016, Ukraine weathered the economic crisis through bold structural reforms and fiscal consolidation that removed macro-fiscal imbalances and reduced public debt from 4.9% of GDP in 2014 to 1.8% in 2017. By 2016, growth was restored, inflation significantly reduced and international reserves partly recovered. In 2020, the Government increased its deficit to 7.5% of GDP through substantial new borrowing. The macro-fiscal feasibility of the new deficit financing plans depends on the prospects of cooperating with the IMF.

Ukraine's public expenditure as a share of GDP is high by global standards (11<sup>th</sup> in the world in 2012

at 48.97%), so further increases in tax rates are not feasible. Even after spending reductions, in 2019 it was still well above average for advanced economies, at 41.51% of GDP, with 47.41% expected at the end of 2020. The Government did not expect a decrease in 2020.

Expanding fiscal space – expanding overall expenditure – by additional debt or taxes would jeopardize Ukraine's macro-fiscal stability. Both immediately and in the longer term, the key potential source of extra fiscal space is improved revenue administration. Ukraine's revenue administration suffers gaps in organization, management and oversight

53 [www.euro.who.int/\\_data/assets/pdf\\_file/0007/463327/UKR-Budgetary-space-for-health.pdf](http://www.euro.who.int/_data/assets/pdf_file/0007/463327/UKR-Budgetary-space-for-health.pdf)

of the tax and customs systems, which undermine fairness, enable corruption, and compromise government revenue. Implementing gender-responsive

budgeting can help to tackle corruption and may provide potential sources of extra fiscal space at both national and local levels.

### FOCUS: BUDGETARY SPACE FOR HEALTH<sup>54</sup>

With public spending on health care at 3.2% of GDP in 2019 – considerably behind central European neighbours (OECD, 2020) – along with declining levels of consolidated government spending on health and the spotlight the global COVID-19 pandemic has placed on health system weaknesses and poor resourcing practices, GoU has restarted discussions on ways to better fund health. Spending per capita increased in real terms by 20% from 2015 to 2020, but this partly explained by a 2.9% decline in population and was much slower than economic growth (Table 1). Consolidated health spending as a percentage of GDP declined from 3.6% to 3%. If the trend continues at the same rate into 2021, **real health spending per capita is expected to decrease by 8.4%.**

Health spending did not grow on a par with GDP because state spending overall was shrinking and, in the smaller budget, health was not prioritized. In consolidated spending health has been crowded out by investment in economic infrastructure, education and security.

In recent years no extra budgetary space has been created for health care resulting from reallocation of budget shares from other sectors. It is important to consider the position health occupies in terms of prioritization and impact on health on human capital development, multidimensional poverty reduction and economic growth.

## THE HEALTH AND SOCIO-ECONOMIC IMPACT OF COVID-19

**Health and economic shocks are closely intertwined.** The better countries control COVID-19, the more limited will be the health and economic shocks. Conversely, if an economic shock grows larger, adverse health and social effects will be greater.

From April to September 2020 UNCT Ukraine developed a comprehensive **UN Socio-Economic COVID Impact Assessment (SEIA) and UN Socio-Economic Response Plan (SERP)**. The assessment was based

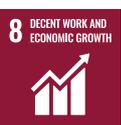
on primary data collected through 60 field surveys investigating areas of impact triangulated with secondary data from various sources.<sup>55</sup> The assessment findings are organized around the five pillars of the *UN Framework for the immediate socio-economic response to COVID-19*: 1. health systems and services; 2. social protection and basic services; 3. economic response and recovery; 4. macroeconomic response and multilateral cooperation; and 5. social cohesion and community resilience.

### KEY DEVELOPMENT OPPORTUNITY: UN SOCIO-ECONOMIC RESPONSE PLAN

The UN Socio-Economic Response Plan in Ukraine (SERP) focuses on supporting the Government to tackle the health emergency while addressing the pandemic's social and economic impact. Additionally, it aims to reduce Ukraine's vulnerability to the pandemic allowing a transparent, human rights compliant, gender-sensitive and effective recovery process, paying attention to populations for whom the emergency compounds pre-existing marginalization, inequalities, and vulnerabilities fostering participation and voice within Ukraine's special context, where social cohesion and community resilience need specific attention. The 76 proposed projects focus on strengthening social cohesion and community resilience; supporting economic recovery while protecting the most vulnerable workers and facilitating the greening and digitalization of SMEs; contributing to the health response; and expanding access to social protection.

<sup>54</sup> [www.euro.who.int/\\_data/assets/pdf\\_file/0007/463327/UKR-Budgetary-space-for-health.pdf](http://www.euro.who.int/_data/assets/pdf_file/0007/463327/UKR-Budgetary-space-for-health.pdf)

<sup>55</sup> These include the Voluntary National Review of 2020, the Decree of the President of Ukraine On the Sustainable Development Goals for Ukraine up to 2030 of September 2019, and the UN Ukraine Partnership Framework 2018-2020.



Furthermore, political and economic mobilization against the pandemic creates a window of opportunity and broad consensus about increased public and private investment not only in health, but overall, in human capital and in particular education. While the long-term generational effect of previous and possible future lockdowns on education is still to be assessed, early research shows these effects may be substantial including for inequalities and economic growth. Therefore, it is vital to explore this opportunity to transform society across all dimensions of human development: health, modern education, gender equality and youth empowerment.

The full SEIA and SERP documents are available at: <https://ukraine.un.org/en/103300-assessment-socio-economic-impact-covid-19-ukraine>.

## Social protection

In 2018, the overall poverty rate in Ukraine was 43.2%, with child poverty at 49.9%.<sup>56</sup> In 2019, every second Ukrainian was financially unprotected<sup>57</sup> and could not afford unexpected necessary household expenditure.<sup>58</sup> Every fifth Ukrainian (21.1%) could not pay rent, mortgages, debts or utility payments in full and on time.<sup>59</sup> Poverty risks are increasing in single-parent households, and women constitute 92% of all single parents in Ukraine.<sup>60</sup>

World Bank data show that between 2014 and 2018, Ukraine's social protection system covered about 60% of the population, and coverage of the poorest quintile increased from 60% to about 80%. Public expenditure on social protection and social services has stood around 9% of GDP with a downward trend in 2018 and 2019, and in a context of a longer-term decline as a share of GDP.<sup>61</sup> However, government spending on social protection reached 23% of the total budget in 2019, with pensions accounting for more than half of expenditure.

The minimum pension falls below subsistence level and pensions are projected to cover not more than 36% of pensioners by 2050.

With lower individual incomes, women generally face higher risks of poverty and are more likely to be in vulnerable categories, including low-income elderly populations. They are thus more dependent on social

assistance and social services than men and **make up most of the low-income population applying for state social benefits**. In 2018, 1.2 million people were registered as receiving assistance in territorial social services centres, of whom 870,900 (72.2%) were women.<sup>62</sup>

COVID-19 has added to Ukraine's social protection challenges. At least 6.3 million more people are projected to have been living in poverty in 2020, of whom 1.4 million will be children. The pandemic severely affects individuals and groups in vulnerable situations. Older persons, persons with disabilities, homeless people, Roma, asylum seekers, IDPs and refugees, Ukrainian migrants who have lost their work abroad, people living in conflict-affected areas, and women and families with children are particularly affected.

The pandemic has often caused the loss of informal income and the closure of care and nursing facilities, adding to women's unpaid care work at home, and limited access to income, health care, education, social benefits and pensions. By 2019, some 600,000 pensioners in the NGCA had lost access to their pensions due to movement restrictions and complex administrative requirements. In 2020, a further 270,000 NGCA residents were unable to make pension withdrawals inside the GCA due to restrictions on crossing the 'contact line'.

## KEY DEVELOPMENT OPPORTUNITY: SOCIAL PROTECTION REFORM

Social protection is a human right set forth in the Universal Declaration of Human Rights and the International Convention of Economic, Social and Cultural Rights. States are obliged to bring social protection to full realization using their maximum available resources. As a signatory to the Social Security Convention 102, Ukraine has committed itself to maintaining internationally accepted minimum standards in all nine branches of social security benefits.

56 Adult equivalent expenditure below actual subsistence minimum, <http://www.ukrstat.gov.ua/>

57 Самооцінка домогосподарствами доступності окремих товарів та послуг, 2019, <http://www.ukrstat.gov.ua/>

58 By comparison, this indicator was 32.5% in the 28 European Union countries (EU-28).

59 For comparison, this indicator was 8.9% in the EU-28.

60 <https://eca.unwomen.org/en/digital-library/publications/2020/05/rapid-gender-assessment-of-the-situation-and-needs-of-women?fbclid=IwAR36T71bzBMC5Dtws8iRKiLuY49jFGSEhKVOa83j3pMTH5u-SDmMb951Pg>

61 [https://ukrstat.org/uk/druk/publicat/kat\\_u/2020/zb/07/zb\\_szn\\_2019.pdf](https://ukrstat.org/uk/druk/publicat/kat_u/2020/zb/07/zb_szn_2019.pdf)

62 [http://ukrstat.gov.ua/druk/publicat/kat\\_u/publizahist\\_u.htm](http://ukrstat.gov.ua/druk/publicat/kat_u/publizahist_u.htm)

Ukraine's social protection system requires structural reform to remedy low coverage and access for the poorest and socially excluded, insufficient quality and gender-responsiveness of social services and growing funding deficits.

Reform must utilize up-to-date and comprehensive, disaggregated data to develop a human rights-based, inclusive and gender-sensitive approach based on accepted international standards, methodologies and best practices.

Old-age pension reform should ensure maximum coverage including for residents of NGCAs, as well as gender-equity, adequacy of payments, funding security, It should also be accompanied by measures to enhance labour market participation rates and reduce informal and undeclared work.

Please refer to the UN Policy Paper on Social Protection for further details: <https://ukraine.un.org/en/resources/publications>.

### ***Pension system: large gaps exist in coverage, benefit levels, and sustainability***

In 2017 the Government reformed pensions to increase the level of payment into pensions and to severely restrict future pensions. An ILO analysis on the future of the Ukrainian system shows that further changes are needed to improve adequacy, coverage and sustainability.<sup>63</sup>

This analysis shows that the current formula does not secure the benefit level required by ILO Convention No. 102, ratified by Ukraine in 2016. The current benefit rate is 30% after 30 years of contribution and the minimum pension is about 1,640 UAH (less than €50 per month). The pension formula should be increased to secure a benefit rate of at least 40% after 30 years of contribution.

Currently only 36% of the population aged 15–64 contributes to the state pension system. Low coverage implies that in the long run more than 60% of older persons will not be entitled to pensions. Notably women are particularly affected by this, due to their role in the informal sector and unpaid work. There is an urgent need to increase coverage of all types of employment contracts and to improve compliance with reporting economic activities and paying contributions.

Due to gender-based discrimination in the labour market and unequal distribution of unpaid domestic work during a lifetime older women **are more marginalized and economically vulnerable than older men**. The gender wage gap leads to a gender pension gap. In 2018 the gender pension gap in Ukraine was 32.1%.<sup>64</sup> Older women, who make up 67% of people aged 65 and over, are more marginalized and economically disadvantaged than older men.

Since 2016 State Pension Fund revenue has decreased significantly due to the reduction in the single social contribution rate. As a result, more than 40% of the Fund's total expenditure is financed by the state budget. In 2018 4.2% of GDP was transferred from the state budget to the State Pension Fund, one third of which was spent to cover the deficit of the Fund. Revenues of the pension funds need to be built up in order to improve long-term sustainability.

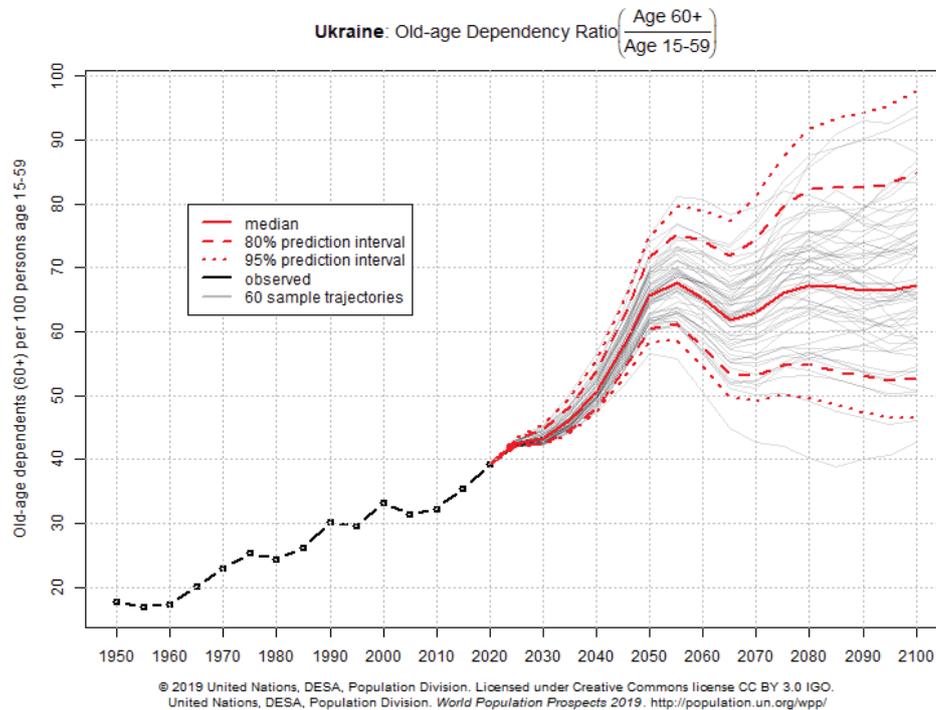
Pensioners, one of the most vulnerable groups in Ukraine (27% of total population), have seen average pensions decreasing from 50.1% of average salary in 2011 to 28.3% in 2020. Among 11.3 million pensioners 82.7% receive pensions below the subsistence budget, **while 20% of pensioners (2.23 million persons) are persons with disabilities who require additional assistance**.



63 ILO (2020) Future of the Ukrainian Pension System: Adequacy, Coverage and Sustainability.  
64 [http://ukrstat.gov.ua/druk/publicat/kat\\_u/publzhist\\_u.htm](http://ukrstat.gov.ua/druk/publicat/kat_u/publzhist_u.htm).

The expected sharp increase in the age-dependency ratio, puts pension system sustainability at significant risk. Beyond necessary pension reform, labour policies need to significantly improve to allow

investment in life-long learning and continuous improvement of meaningful employment opportunities, (about 26% of Ukrainian pensioners are employed in 2020).



### FOCUS: NGCA PENSIONS

As of August 2014, 1.28 million pensioners were registered in the non-government-controlled area (NGCA). In November 2019, the Pension Fund reported that only 622,200 pensioners with residence registration in the NGCA continued receiving pensions. The proportion is still under 50%.



As Government institutions ceased operating in certain areas of Donetsk and Luhansk regions in November 2014, persons from the NGCA have only been able to receive pensions if they travel to the government-controlled area (GCA) to register as IDPs. In 2016, strict verification procedures were introduced. Over time this linkage between IDP registration and eligibility for pensions has disenfranchised many people, all holding the legitimate right to receive pensions.

All Ukrainian citizens should have equal access to pensions regardless of their place of residence or registration as IDPs. This entails:

- Resuming payment of pensions to all irrespective of place of residence or registration;
- De-linking the payment of pensions from IDP registration;
- Adopting a draft law to enable NGCA residents to receive pensions without registering as IDPs. They can receive their pensions in the GCA through Ukrainian banks; and
- Establishing a procedure to pay pensions that have accumulated in arrears.

## LABOUR MARKETS AND THE RIGHT TO DECENT WORK

Key labour market challenges for the country remain low employment rates with a pronounced gender gap, high labour emigration, elevated youth unemployment and inactivity, and a significant skills mismatch. The global health crisis has negatively affected Ukraine's performance in several of these areas and made addressing structural labour market issues even more urgent. Key challenges in the area of working conditions and social protection are a lack of prevention culture concerning safety and health at work, increased levels of informality, high wage arrears, a notable gender pay gap, and the social insurance system's insufficient coverage and financial sustainability. Social dialogue needs to be intensified, covering key topics of labour and social policies.

Long-standing structural problems – including weak governance, fragmented institutions and burdensome regulations – are compounded by further challenges, such as political stand-off and the armed conflict in eastern Ukraine. These have adversely affected the Ukrainian enterprise sector, swelled the number of IDPs to some 3.5% of the population, and boosted emigration (leading to discernible brain-drain), further dampening productivity growth. The combination of emigration, declining birth rates, and relatively high mortality among men of working age is dangerously eroding human capital of Ukraine and thus, the basis for sustainable development.

Less than half of working age people (12.8 million out of 28.5 million) worked with protection guarantees of their labour rights in 2019.<sup>65</sup> Another 15.7 million (65% of the total) worked unprotected, without employment

contracts. These workers include the most vulnerable of Ukrainian society: the unemployed, people with disabilities, people in the household sector,<sup>66</sup> the homeless, ethnic minorities, undocumented persons, asylum seekers, IDPs, refugees and stateless persons, especially women and youth.

Not all labour rights are respected in Ukraine. There are cases of discrimination against unionized workers and breaches of the right to strike. Other issues include workplace violence and harassment (gender-based violence in particular), as well as stigma and discrimination against vulnerable workers including women, people with disabilities, or people living with HIV. ILO supervisory bodies looked into some of these problems and sent direct requests to the Government<sup>67</sup> calling for fundamental rights to be respected.

The **informal economy** is pervasive in Ukraine. In total, 21% of total employment is informal (2019),<sup>68</sup> with men accounting for almost 60% of informal workers. Informal employment is concentrated in agriculture, forestry, and fisheries (42.3%), wholesale and retail trade, repair of motor vehicles and motorcycles (17.3%), and construction (17%). These sectors were more severely hit by the COVID-19 crisis, yet informal workers are not adequately protected. High levels of informality also hold back urgently needed productivity growth (labour productivity is 10% of that in the EU28). Informality reduces incentives to invest in human capital, hampers business innovation, and limits fiscal space for public administration.

### High inactivity of youth caused by skills mismatches

Ukraine's labour market shows severe signs of non-inclusiveness. Employment indicators have recently worsened disproportionately for youth, women, and rural residents. Youth unemployment is a key concern (see **Leave no one behind** at the end of Chapter 1). Formal educational attainment in Ukraine is very high. Around 52% of the active population has attained higher education compared to the OECD average of 36% (2015). However, further education does not lead to better labour market outcomes as unemployment rates do not vary significantly across groups with different educational attainment. Companies responding to business surveys regularly report that graduates do not meet their skills needs, particularly because the economy tends to generate demand for specialized blue-collar jobs. Curricula in formal education and in training are focused on theory

rather than on skills relevant to the workplace. Studies recognize that corruption in the education sector has an impact on quality.<sup>69</sup>

While the average monthly wage has almost doubled to 10,497 UAH in 2019 (equivalent to US\$373 at the market exchange rate), its low level seriously undermines sustainable livelihoods.<sup>70</sup> **Ukraine remains one of the lowest-wage countries in Europe**, despite having the highest tertiary education enrolment – highlighting low returns on investment in education. Importantly, low wages have not boosted competitiveness, as happened in many Asian economies, reflecting Ukraine's export structure and limited integration into international value chains. The minimum wage was raised in September 2020 to 5,000 UAH (US\$178).

65 [www.ukrinform.net/rubric-economy/2846907-only-45-of-working-age-population-in-ukraine-officially-employed.html](http://www.ukrinform.net/rubric-economy/2846907-only-45-of-working-age-population-in-ukraine-officially-employed.html)

66 Ibid.

67 [https://www.ilo.org/dyn/normlex/en/f?p=1000:13100:0::NO:13100:P13100\\_COMMENT\\_ID:3962783](https://www.ilo.org/dyn/normlex/en/f?p=1000:13100:0::NO:13100:P13100_COMMENT_ID:3962783)

68 [https://ukrstat.org/en/operativ/operativ2017/rp/eans/eans\\_e/Arch\\_nzn\\_smpsz\\_e.htm](https://ukrstat.org/en/operativ/operativ2017/rp/eans/eans_e/Arch_nzn_smpsz_e.htm)

69 OECD 2018

70 Source: State Statistical Service of Ukraine.

## KEY DEVELOPMENT OPPORTUNITY: IMPLEMENTING A YOUTH EMPLOYMENT PLAN, TRANSITIONING TO A FORMAL ECONOMY

Ukraine's competitiveness and productivity remains low (85<sup>th</sup>/141) with a significant lag in innovation ecosystem and capability (Global Competitiveness Report 2019). Given the declining working age population, brain-drain and emigration, non-inclusiveness of the labour market, skill erosion, overeducation and informal employment, innovative labour market and education policies are required to foster investment in human capital focusing on entrepreneurship as central competence.

The New Ukrainian School (NUS) concept, based on the European competency framework and strongly promoted by the Government, has the potential to boost small and medium entrepreneurship, and support youth and women's self-employment and entrepreneurship in rural areas, in close cooperation with decentralized and empowered local authorities.

## GENDER EQUALITY AND WOMEN'S ECONOMIC EMPOWERMENT

In the 2018 Gender Inequality Index (GII), Ukraine was ranked 60<sup>th</sup> out of 162 countries, lower than in 2016 (55<sup>th</sup> position).<sup>71</sup> In the Gender Development Index (GDI), Ukraine scored 0.995 in 2018, putting it in 88<sup>th</sup> position out of 189.

Despite some progress towards achieving gender equality in Ukraine's labour market, certain factors seem to prevent it from accelerating. **Gender-based discrimination in the labour market** is one of the most pressing challenges. Women are substantially less likely than men to participate in the labour market, and once in the workforce they are also less likely to find jobs than men; their access to quality employment opportunities remains restricted. In 2018, 56.8% of women aged 15-70 in 2018 were economically active, compared to 69% of men's, 69%.

In Ukraine women are concentrated in low paid sectors (horizontal professional segregation), and at mid and junior-levels positions with lower salaries and limited decision-making opportunities (vertical professional segregation):

- The overall men-to-women ratio among managers of organizations and entrepreneurs is 60% vs 40%. At the same time, women make up only 30% of heads of legal entities.<sup>72</sup>
- **The share of women self-employed in the informal sector is larger than the share of men.** Informal labour relations prevailed among the self-employed, with 71.9% of their total number involved in informal sector jobs, while among hired employees this number only came to 12.2%. The share of the self-employed was also higher among women than among men (74.6% vs 70.1%), as well as in rural areas as compared to urban areas (91% vs 42.2%).<sup>73</sup>
- **Women are mainly employed in the public sector**

**where salaries are generally lower, which leads to horizontal employment segregation.** In early 2019, women prevailed in health care and social welfare sectors (83.1% of the number of registered regular employees); in education (78%); in finances and insurance (71.9%); in arts, sports, entertainment and recreation (68%); in public administration and defence sector, compulsory social insurance (67.5%); temporary accommodation and catering (67.3%); professional, scientific and technical services (54.3%); and in wholesale and retail trade (53.5%). Most of these jobs are low-paid, except for finance and insurance, as well as public administration and defence where salaries have been rising recently.

- **Men are mainly engaged in private-sector economic activities where salaries are higher.** Thus, in early 2019, men predominated in the construction industry (81.0% of registered regular employees); agriculture, forestry, fishery and fish farming (69.6%); transport, warehousing, postal and courier activities (62.3%); industry (61.4%); administrative and support service activities (58.3%); real estate sector (56.7%); information and telecommunications (52.2%); and other service provision industries (50.7%).<sup>74</sup>

Because of the gender pay gap, women have limited opportunities to save and are more vulnerable in economic crisis. Systemic and structural gender-based discrimination in the labour market means the average gender pay gap was 22.3% in 2018;<sup>75</sup> in 2019 it went up slightly to 22.8%.

Finally, equality in employment is seriously impaired when women are subjected to SGBV. Workplace sexual harassment is both a human rights and a health and safety problem, and disadvantages women in connection with employment, including recruitment or promotion.

71 [Partnership Framework](#), Government of Ukraine, 2018-2022.

72 <https://socialdata.org.ua/edrpou-gender/>

73 [www.ukrstat.gov.ua/druk/publicat/kat\\_u/2019/zb/07/zb\\_EAN\\_2018.pdf](http://www.ukrstat.gov.ua/druk/publicat/kat_u/2019/zb/07/zb_EAN_2018.pdf)

74 [http://ukrstat.gov.ua/druk/publicat/kat\\_u/publzhahist\\_u.htm](http://ukrstat.gov.ua/druk/publicat/kat_u/publzhahist_u.htm)

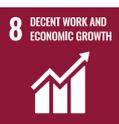
75 Ibid.



## KEY DEVELOPMENT OPPORTUNITY: WOMEN'S ECONOMIC EMPOWERMENT

Making progress toward gender equality helps to unlock the full potential of both women and men in the labour market, in leadership, and beyond. It contributes to better health and well-being, social cohesion and sustainability, prosperity and growth. Accordingly, the accelerator in this area is closing the gap in women's economic and political participation and eliminating gender-based violence and discriminatory gender stereotypes. Increased participation of women in employment in the public and the private sectors and women's full participation in the labour market could significantly contribute to the country's economic development, reduce inequalities and enhance women's agency.

Increasing equal opportunities for women's participation in the work force and closing the pay gap between women and men will have a positive impact on economic growth in Ukraine. The business case for closing the gender gap is compelling. In times of skills shortages and demographic change, Ukraine cannot afford to underutilize women's talent. Full participation by women in the labour market supports GDP growth through both more hours worked and higher productivity owing to the availability of more qualified human resources in production, addressing concrete targets under SDGs 4, 5, 8 and 10 and supporting all of the others.

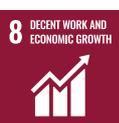


### *Role of the SMEs and private sector in creating decent jobs*

In Ukraine, SMEs generate 80% of employment and 20% of GDP. According to the SSSU, in 2018 the country had 446 large enterprises and 1,839,147 SMEs, which constituted over 90% of all formally operating enterprises. Four-fifths of all SMEs were self-employed individuals in a context where 75% of women participating in the labour force are self-employed. The number of persons employed by SMEs increased by 500,000 between 2015 and 2018; Ukraine's position in the Doing Business ranking improved by 17 places to 64 in 2019; and the share

of value added against production costs of SMEs increased from 58.1% in 2015 to 64.3% in 2018.

Although Ukraine has significantly improved its SME environment since 2016 as demonstrated by the OECD SME Policy Index scores for Ukraine,<sup>76</sup> in most dimensions the country lies behind the regional average, given its high level of state-owned enterprise activity, significant distrust in state institutions, and high corruption risks.



76 [www.oecd-ilibrary.org/docserver/8b45614b-en.pdf?expires=1604390046&id=id&accname=guest&checksum=DD72A8762B971C82C80165035D4B750B](http://www.oecd-ilibrary.org/docserver/8b45614b-en.pdf?expires=1604390046&id=id&accname=guest&checksum=DD72A8762B971C82C80165035D4B750B)



## KEY DEVELOPMENT OPPORTUNITY: SME as drivers of green growth and digitalization

It is important to provide SMEs with the information they need to adopt green practices, develop new markets through green public procurement, and take measures to improve the business case for SME greening. SMEs have the potential to be key drivers in the shift to a greener economy, and to be engines of competitiveness and innovation in the process.

**SME greening** can improve the efficiency of resource use, enable participation in green supply chains, and contribute to a cleaner environment and improved public health. This could include: **financial support measures** such as loans, loan guarantees and tax abatement for SMEs that can be made conditional on environmental improvements; **regulatory systems** that provide incentives for better environmental performance, by encouraging firms to exceed environmental standards or to self-report issues; and **providing clear and simple procedures to apply to regionally based business support mechanisms and business incubators**, to encourage more enterprising SMEs to graduate from the informal to the formal sector.

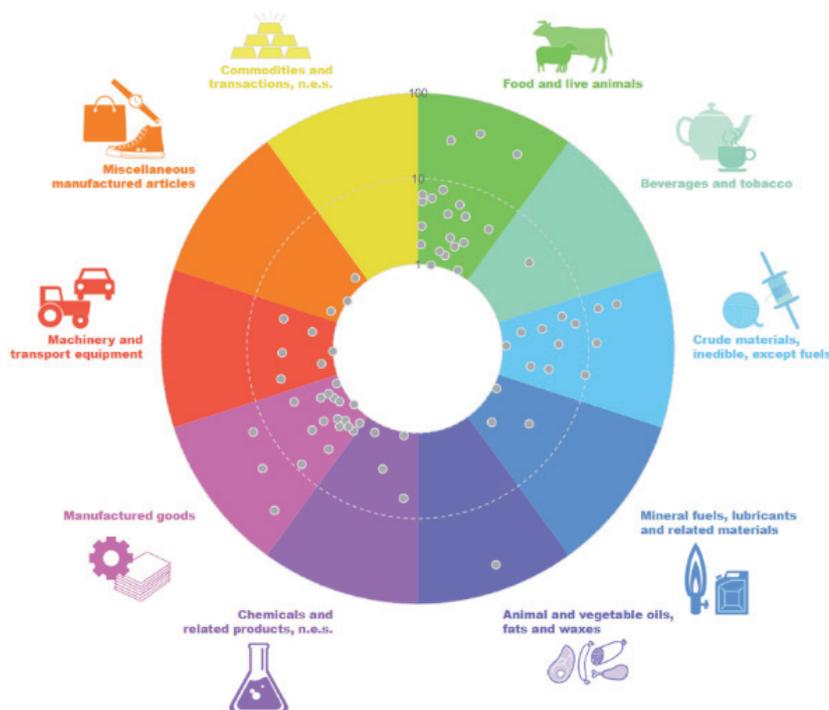
Digitalization offers opportunities for Ukraine to improve public service delivery, increase access to online schooling and telemedicine, and provide SMEs with new ways to reach customers and transform business processes to ensure significant efficiency gains. The following measures could be envisaged for SME digitization: **retraining of employees**, **increased uptake of teleworking**, development of **e-commerce and digital platforms** to promote trade, and encourage the development of new and innovative business models that leverage digital technologies.



## UKRAINE INDUSTRY COMPETITIVENESS PROFILE<sup>77</sup>

The competitiveness of manufacturing sectors and subsectors is reflected through the Revealed Comparative Advantage (RCA) method, which explores sectors' and subsectors' competitiveness through analysis against global levels. The figure below demonstrates Ukraine's RCA in manufacturing sectors and subsectors. Ukraine's iron and steel manufacturing,

animal and vegetable oils, as well as certain woodworks, and grains including wheat, maize and barley are comparatively competitive. however, for mineral fuels, chemicals, clothing, footwear and apparel, and manufactured goods, the competitiveness of Ukraine is lower than global levels.



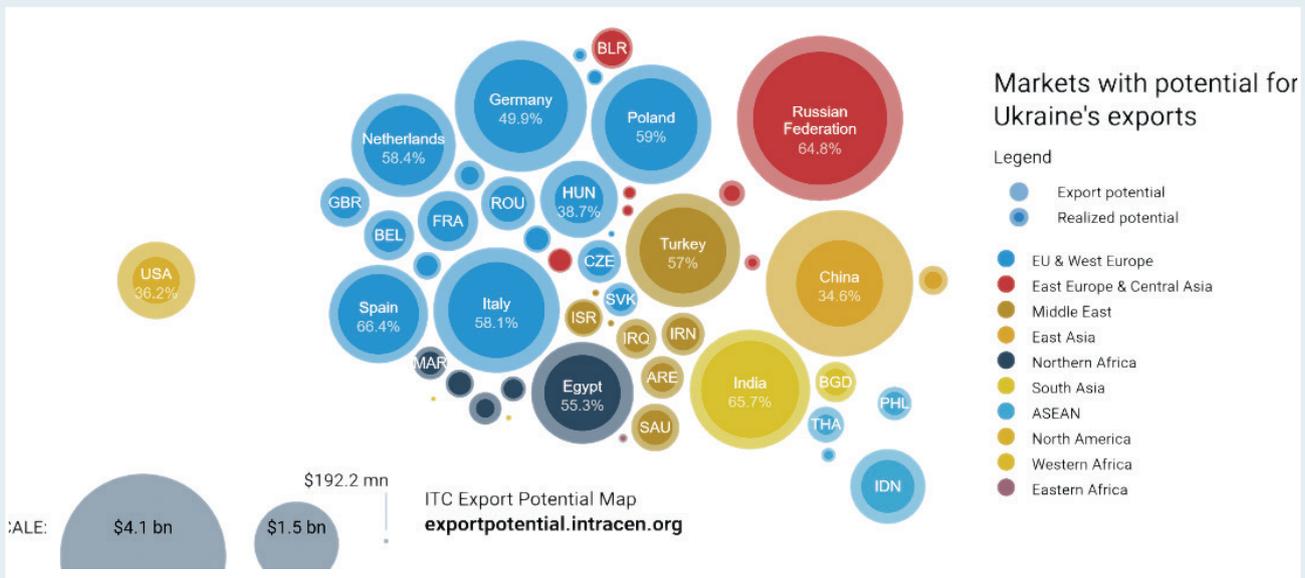
<sup>77</sup> Based on the Country and Industry Profile of Ukraine developed by UNIDO.

According to UNIDO, in 2018, manufactured goods comprised 71.8% of Ukraine's total merchandise exports. It means that the country has good competitiveness levels when it comes to manufactured

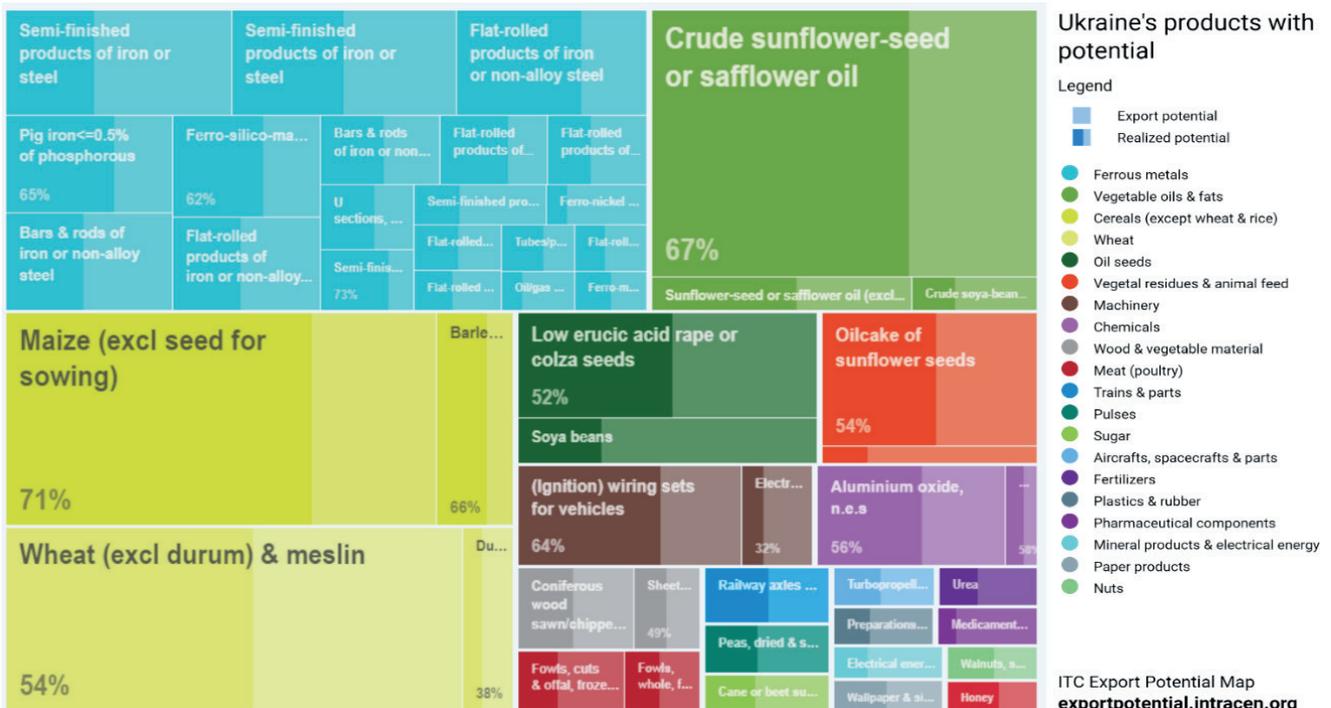
products in the regional and global markets. Manufacturing industry is led by food and beverages, metals, machinery, chemicals, minerals, and machine and transport equipment.

### FOCUS: UKRAINE'S EXPORT POTENTIAL

According to ITC estimates the markets with greatest potential for exports are the Russian Federation, China and Germany. China shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth \$2.2 billion.



The products with **greatest export potential** include crude sunflower-seed or safflower oil, maize (excluding seed for sowing), wheat (excluding durum) and meslin. Wheat and meslin show the largest difference between potential and actual exports in value terms, leaving room for potential exports of US\$2 billion. Ukraine's best options for **export diversification** include timber, cobalt and intermediate products; as well as ammonium nitrate.



## INNOVATION PERFORMANCE OUTLOOK

According to the **2020 UNECE Innovation Performance Outlook**,<sup>78</sup> despite socioeconomic challenges that slow progress, innovation in Ukraine is growing steadily. The country enjoys great potential for innovation, with a well-educated labour force, a long tradition of science and technology resources, natural endowments, market access, a large and successful diaspora, and a nascent but successful ICT sector. Despite significant reform momentum, political and economic instability, corruption and the low quality of institutions and overall governance continue to constrain Ukraine's ability to enable and promote the broad experimentation with ideas and technology – or innovation – needed for the country to put its economy on a solid, diversified and well-integrated foundation for long-term sustainable development.

In the 2019 Global Innovation Index (GII), Ukraine ranked 47<sup>th</sup> out of 129 economies in innovation performance. It has been classified as an innovation achiever for the past six years, exceeding expectations for its level of development.

Overall enterprise expenditure on innovation rose in 2017–2019, especially in the regions of Dnipropetrovsk and Zaporizhia. Disparities between regions underscore the need to provide more support for private sector development and engagement in innovation to improve the competitiveness of firms and build synergies between them. The share of R&D expenditure in GDP in 2018 (0.47%) was higher than the sub-regional average (0.34%), surpassing Georgia (0.3%) and the Republic of Moldova (0.25%) but lagging behind Belarus (0.61%). Of greater concern is the gradual decline in the share of GDP allocated to R&D up to 2017, with only a slight increase in 2018.

Ukraine faces three major barriers to developing innovation policy: (1) regulations that are inadequate, contradictory and at times poorly enforced; (2) the absence of certain institutions; and (3) the low capabilities of policymakers to successfully formulate and implement policy initiatives.

Human capital remains the central input to innovative development in Ukraine, but policy tools have yet to optimize the quality and relevance of human capital.

### KEY DEVELOPMENT OPPORTUNITY: ENGAGING DIASPORA NETWORKS

According to Ukraine's UNECE Innovation Policy Outlook, although Ukraine has no comprehensive national strategy for mobilizing its diaspora, separate initiatives with limited scope exist, such as the Forum of Ukrainian Research Diaspora of the National Academy of Sciences of Ukraine (NASU) and conferences organized by the International Institute for Education, Culture and Cooperation with Diaspora (2014). According to the Ministry of Social Policy, over 3.2 million Ukrainians – including many successful entrepreneurs and researchers – resided abroad permanently as of 2018. This ample potential should be leveraged for development at home.

78 [https://unece.org/fileadmin/DAM/ceci/icp/Capacity\\_building/IPO\\_launch/IPO\\_2020\\_FULL.pdf](https://unece.org/fileadmin/DAM/ceci/icp/Capacity_building/IPO_launch/IPO_2020_FULL.pdf)

# 4 ANALYSIS OF COMPLIANCE WITH INTERNATIONAL HUMAN RIGHTS, NORMS AND STANDARDS

## HUMAN RIGHTS STRATEGY AND IMPLEMENTATION

In 2015, Ukraine's first comprehensive National Human Rights Strategy (referred to as the Strategy) and Action Plan for its Implementation (the Action Plan) were adopted. The Strategy outlines 34 strategic goals, within which approximately 160 expected outcomes should be achieved. To accomplish these ambitious objectives, the Action Plan includes 134 thematic blocks and almost 700 specific actions.

The Universal Periodic Review of Ukraine's human rights situation found that Ukraine would find it easier to achieve the SDGs if it established independent mechanisms to monitor progress and treat beneficiaries of public programmes as rights holders who can claim entitlements. Implementing the SDGs on the basis of the principles of participation,

accountability and non-discrimination would ensure that no one is left behind. Given low level of public confidence in state institutions, perceptions of corruption and nepotism, a human rights based approach is needed to rebuild trust between rights bearers and duty holders.

The 2020 Assessment of the National Human Rights Strategy Implementation,<sup>79</sup> identified several gaps and challenges that should be addressed including wide coverage and too-broad wording, duplication of other strategic documents, lack of disaggregated statistics, lack of well-defined activities as well as the need to provide specific funding for delivering on the commitments. As a result, civil society assessed the Strategy as **28% implemented**.

### FOCUS: KEY RECOMMENDATIONS OF UNIVERSAL PERIODIC REVIEW

**The newly adopted Human Rights Strategy offers significant opportunity to implement the key recommendations made by the UN Committee on Economic, Social and Cultural Rights in 2020<sup>80</sup>:**

- Undertake a human rights impact assessment of its macroeconomic and budgetary policies with a view to maximizing the resources available to achieve the full realization of economic, social and cultural rights;
- Increase the level of social spending, paying particular attention to disadvantaged and marginalized individuals and regions with high levels of unemployment and poverty;
- Take rigorous measures to combat tax evasion, particularly the practice of undeclared wages;
- Disseminate the necessary information and guidance to local authorities so that they can provide adequate and affordable social services to people in their localities;
- Ensure the enforcement of anti-corruption laws and combat impunity for corruption;
- Enhance the independence of the judiciary with a view to strengthening its capacity to combat corruption;
- Adopt a comprehensive and coherent anti-discrimination legal framework, including for IDPs and Roma;
- Continue efforts to promote increased participation of women in employment and reduce gender pay gap; and
- Adopt a national mental health policy aimed at making mental health services available and accessible to all and ensure its implementation at both the national and regional levels.

In 2020, the United Nations provided technical expertise to elaborate amendments to the National Human Rights Strategy. It is currently supporting

the Government to develop a new human rights action plan for 2021-2023; as well as to develop a methodology for monitoring and evaluation.

79 [www.ua.undp.org/content/ukraine/en/home/library/democratic\\_governance/the-national-human-rights-strategy-assessment.html#:~:text=The%20first%20National%20Human%20Rights,to%20an%20end%20in%202020](http://www.ua.undp.org/content/ukraine/en/home/library/democratic_governance/the-national-human-rights-strategy-assessment.html#:~:text=The%20first%20National%20Human%20Rights,to%20an%20end%20in%202020).

80 Committee on Economic, Social and Cultural Rights, *Concluding observations on the seventh periodic report of Ukraine*, E/C.12/UKR/CO/7 (CESCR 2020)

On 23 March 2021, the President of Ukraine approved a new National Human Rights Strategy. Most of UN's recommendations were included in the Strategy, which is more thorough and encompassing than the 2015 Strategy. As recommended, a separate consultative body representing authorities,

civil society and international organizations will monitor and assess Strategy implementation on a regular basis. A new Action Plan for implementing the Human Rights Strategy in 2021-2023 should be adopted by June 2021.

### KEY DEVELOPMENT OPPORTUNITY: NATIONAL HUMAN RIGHTS STRATEGY AND ACTION PLAN

The UN has supported the Government to elaborate the National Human Rights Strategy. This provides a framework for monitoring human rights commitments and ensuring progress towards gender equality, countering gender-based violence, and combating discrimination against vulnerable groups. The UN advocated for a shorter human rights action plan to be elaborated, with well-defined activities linked to clear objectives and appropriate indicators. Human rights are a vaccine to hunger, poverty, inequality, and possibly – if they are taken seriously – to climate change, as well as to many of the other ills that face humanity. Promotion of human rights is the key ingredient for effective recovery and for Ukraine's resilience and sustainable development.

### FOCUS: NATIONAL STRATEGY ON ROMA INTEGRATION

Roma people in Ukraine are subject to discrimination, hate crimes and racist incidents, including discrimination by law enforcement officials. Roma women face multiple forms of discrimination, due to ethnicity/race, sex, gender and social status. The *Concluding Observations of the UN Committee on Economic, Cultural and Social Rights on the Seventh Periodic Report of Ukraine*<sup>81</sup> note that Roma continue to face obstacles and barriers in their access to and equal enjoyment of Covenant rights, including in employment, housing, health care and education. While many Roma lack identity documents, they rarely turn to the courts owing to a lack of legal knowledge and cash.

Roma girls are especially at risk of dropping out of school due to the persistence of child marriage in some communities and other aspects of gender inequality, including the perception that schooling is less important for women than men. In many Roma communities, when girls reach adolescence they increasingly are busy with household chores and taking care of siblings.<sup>82</sup>

Development of a new 2030 Roma Strategy and Action Plan is a significant opportunity to update national strategy and follow recommendations of the *Gender-Responsive Evaluation of the Roma Strategy* conducted in 2019.<sup>83</sup>

## COMMUNICATION AND ACCESS TO INFORMATION

UNESCO has documented<sup>84</sup> 16 killings of journalists in Ukraine since 1995. In 2020, Ukraine informed UNESCO of ongoing investigations in all cases of killings of journalists since 2006. None of these cases has yet been resolved.

In 2020, Ukraine was ranked 96<sup>th</sup> out of 180 countries on Reporters Without Borders' press freedom ranking. This was a slight improvement from 2019, when Ukraine ranked 102<sup>nd</sup>. The Council of Europe's

platform to promote the protection of journalism and safety of journalists currently counts 57 active alerts of incidents threatening media freedom in the country.<sup>85</sup>

The Government continues to increase its efforts to counter disinformation and propaganda in the context of conflict-related developments. It is imperative for the UN that fundamental freedoms are safeguarded while countering threats to national security.

81 <http://docstore.ohchr.org/SelfServices/FilesHandler.ashx?enc=4sIQ6QSmIBEDzFEovLCuWxT7OYZyYjJGL8qwRLmzDL%2FvGZyEn3i0uiQ8QMBjeVxr4Joon5%2FgI7IPnOTr2gopfl3jrLZXaYp9bJQEOGGa9vo56YHJo%2BRUVpQf%2Fq%2Bjp0Gh>

82 [https://minorityrights.org/wp-content/uploads/2019/05/MRG\\_Rep\\_Ukraine\\_EN\\_Apr19.pdf](https://minorityrights.org/wp-content/uploads/2019/05/MRG_Rep_Ukraine_EN_Apr19.pdf)

83 <https://eca.unwomen.org/en/digital-library/publications/2020/04/gender-responsive-evaluation-of-the-strategy-for-the-protection-and-integration-of-the-roma-minority>

84 <https://en.unesco.org/themes/safety-journalists/observatory/country/223833>

85 [www.coe.int/en/web/media-freedom](http://www.coe.int/en/web/media-freedom)

## UNIVERSAL HEALTH COVERAGE: ENSURING HEALTH IS ACCESSIBLE TO ALL<sup>86</sup>

Health is a fundamental human right. Universal health coverage (UHC) means that all individuals and communities receive the health services they need without suffering financial hardship. COVID-19 has demonstrated the importance of modern health systems with the ability to respond effectively to health

crises and pandemics. People-centred quality health services that ensure financial protection facilitate early case detection, identification of contacts and treatment. Ukraine is in the middle of transformative health financing reforms towards this end.

### FOCUS: HEALTH REFORM IN UKRAINE

In 2015, the Government of Ukraine initiated transformative reforms of its health system to improve population health outcomes and ensure people had financial protection from excessive out-of-pocket payments. This was to be achieved through increasing efficiency, modernizing the obsolete service delivery system and improving access to better quality of care. The 2019 joint WHO–World Bank review of Ukraine’s health finance reforms found the overall design of the reforms was in line with international good practice to improve access, quality and efficiency of health services,<sup>87</sup> stating that Phase I of the reforms (2016–19) had significant achievements including a benefit package emphasizing equity and the human rights approach, compulsory general tax funding pooled at national level and managed by a single purchaser (the National Health Service of Ukraine), and the principle of money following patients and not buildings.

Implementation of Phase II of the reforms, where new financing mechanisms at hospital level were introduced, coincided with the unprecedented public health challenge of COVID-19. In Ukraine, Phase II had to be adapted to these new circumstances, including a softer transition to case-based payments (paying providers based on type and number of cases treated and not number of beds and staff).

Ukraine’s overall fiscal environment remains difficult. Thus efficiency gains, particularly through hospital restructuring, will be key to demonstrating results from reforms. Ensuring the stability of overall health budgets and prioritizing public health (health promotion and disease prevention) and primary health care will enable improved frontline services.

## FIGHTING GENDER-BASED VIOLENCE

Sexual and gender-based violence (SGBV) and violence against children is widespread and systematic in Ukraine and remains a significant risk for women, children and adolescents, especially in the conflict-affected areas in eastern Ukraine. According to a 2019 OSCE survey, one in seven women (14%) in the country say they experienced a form of physical violence at the hands of an adult before they were 15 years old, compared to the average 27% in the EU.

Children and women are the most vulnerable groups to domestic violence: 45% said that they encountered domestic violence in their childhood (predominantly as a victim), 31% encountered domestic violence in their adulthood, with women having a share greater (39%) than men (22%); 29% of adults would ignore emotional abuse of a female partner by a male one (53% for abuse of a male partner by a female one).

There are strong social norms of acceptance of some

forms of domestic violence against children – 42% of parents believe that emotional violence against a child is acceptable for educational purposes. In all, 14% accept corporal punishment of children in education. Moreover, 44% of adults believe that witnessing (and 43% of adults believe that being a victim of) domestic violence in childhood does not lead to violent behaviour in adulthood.

Meanwhile, formal support services for child survivors and witnesses of violence continue to be lacking at national and local levels, creating even more obstacles for those who consider seeking help. And when child victims do find the courage and strength to ask for help, most turn to those they know personally, such as family or friends, rather than seeking professional help.

Moreover, Ukraine lacks comprehensive measures to address all forms of violence against children and fails to ensure the compliance of domestic legislation with the

86 UN Ukraine Policy Paper on UHC, September 2020.

87 [www.euro.who.int/en/health-topics/Health-systems/health-systems-financing/publications/2019/ukraine-review-of-health-financing-reforms-20162019-2019](http://www.euro.who.int/en/health-topics/Health-systems/health-systems-financing/publications/2019/ukraine-review-of-health-financing-reforms-20162019-2019)

Optional Protocol to the Convention on the Rights of the Child on the sale of children, child prostitution and child pornography. Nevertheless, in the past 2-3 years there are some efforts to address certain forms of violence, such as online violence, bullying or domestic violence.

Another challenge for Ukraine is the lack of an age-disaggregated, secure, comprehensive and harmonized data system to properly document, respond to and manage reported cases of violence. Alongside limited systematic and survivor-centred case management practices, proper information and records management is often missing. Also, despite the adoption of the new Law on Domestic Violence, there are no clear protocols and procedures that would include training for social services, medical and education professionals, child protection authorities and other community-level professionals to identify violence, report to relevant institutions to avoid revictimization and address the psychosocial, medical and protection needs of survivors. In addition, almost no services for physical and psychological recovery and social reintegration of child victims or witnesses are available.

SGBV and domestic violence (DV) remain both among the most widespread and underrated type of offences in conflict-affected areas. The conflict in eastern Ukraine exacerbated SGBV challenges by breaking family support systems and undermining men's ability to fulfil their traditional gender roles: this led to negative coping mechanisms including intimate partner violence and DV. Sexual violence has been reported against conflict-related detainees in both the NGCA and GCA in the conflict-affected area.<sup>88</sup> Women and girls face the risk of SGBV and associated health burdens, stress and trauma. A UNDP survey found that 72% of women in eastern Ukraine felt safe at home at night, compared to 85% of surveyed men, likely due to their fear of SGBV/DV. Interviewed women were more inclined than men to refer to domestic violence and sexual harassment. Women whose partners participated in the armed conflict are more likely to experience physical or sexual abuse.<sup>89</sup> The lack of shelters, social housing, and safe spaces for SGBV survivors emerged as a major gap in service provision in eastern Ukraine, especially Luhansk Oblast.<sup>90</sup>

#### **FOCUS: IMPACT OF COVID-19 ON THE HUMAN RIGHT OF PERSONS WITH DISABILITIES<sup>91</sup>**

According to the SSSU, 2.7 million persons with disabilities were registered in Ukraine as of 1 January 2020. Of these, 163,886 were children, of whom 42.7% were girls. Of 136,300 persons who registered their disability for the first time in 2019, 44% were women. The actual number is likely to be higher because the Government only counts persons who are registered as having a disability, and a number of barriers exist to registering, including medical examinations and evaluation by a socio-medical commission. The official statistics are also lower than the World Health Organization (WHO) estimate of 15%. A Help Age International survey conducted in eastern Ukraine in May 2020 reveals that 41% of older persons reported at least one significant or total disability according to the Washington Group Questionnaire, but only 4.8% had their disability status officially recognized.

Pre-pandemic, availability of social services was already an issue for many people with disabilities, but COVID-19 response measures have exacerbated these shortages, especially when assistance is required to accompany a person with disability to access goods and services. The additional one-off UAH1,000 for these persons in the conflict-affected areas is insufficient to make up for their limited access to basic services and infrastructure. Pre-pandemic, persons with disabilities, particularly women and girls with disabilities, experienced higher rates of violence. The prolonged isolation and reliance on family members and caregivers during lockdown presents heightened risks of violence, including lack of accessible information and help.

The COVID-19 crisis has also exposed a large gap between social services available in the community and the needs of persons with disabilities. It has also highlighted and added to the urgent need for deinstitutionalization of persons with disabilities.

In the pandemic context, all prevention and response measures introduced by the Government, including health-related information, health services and medical protocols, as well as socio-economic recovery measures should be equally accessible to persons with disabilities in line with the CRPD (Art. 9). Reasonable accommodation should be provided to ensure that persons with disabilities can enjoy and exercise their human rights and fundamental freedoms on an equal basis with others (Art. 2), for example, the right to education via telecommunication technology.<sup>5</sup> Population, migration and mobility

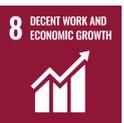
88 [https://www.ohchr.org/Documents/Countries/UA/29thReportUkraine\\_EN.pdf](https://www.ohchr.org/Documents/Countries/UA/29thReportUkraine_EN.pdf)

89 [www.osce.org/files/f/documents/1/3/440312\\_0.pdf](https://www.osce.org/files/f/documents/1/3/440312_0.pdf) and [https://www.osce.org/files/f/documents/f/f/444157\\_0.pdf](https://www.osce.org/files/f/documents/f/f/444157_0.pdf)

90 IMPACT, Gender-based Violence Service Provision in Selected Communities of Luhansk and Donetsk oblasts, January 2021.

91 OHCHR Briefing note, October 2020.

# 5 POPULATION, MIGRATION AND MOBILITY



## POPULATION DYNAMICS

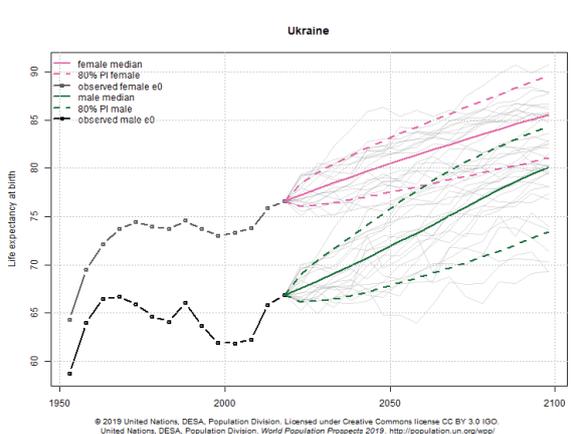
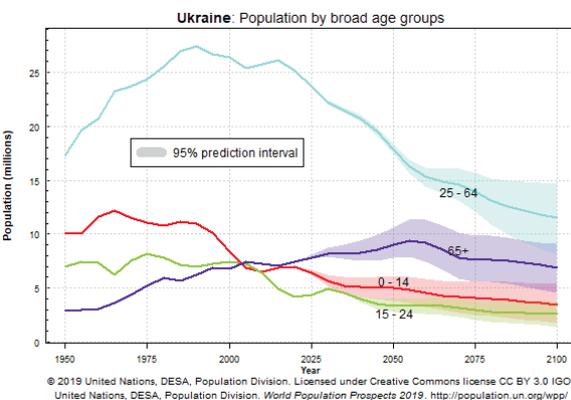
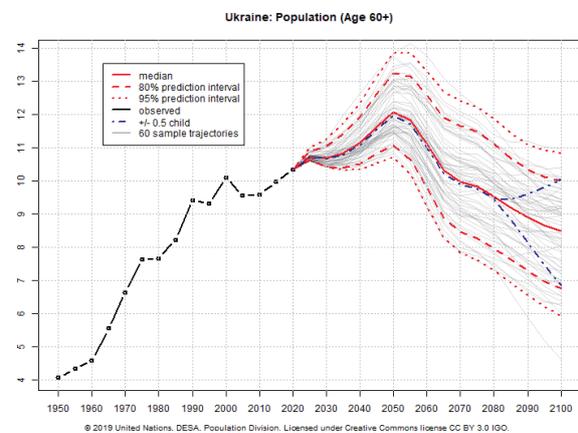
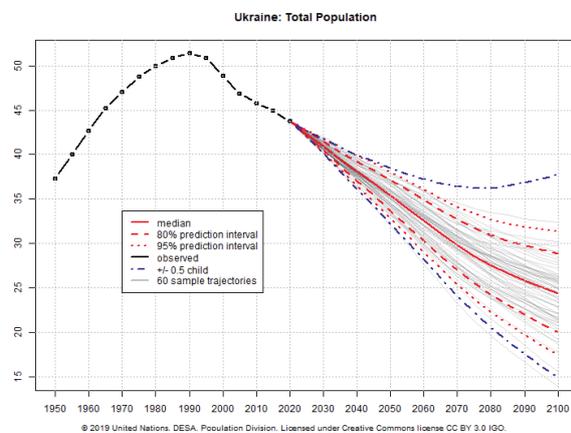
Ukraine has not held a census since 2001, meaning the current population cannot be accurately estimated. This is a significant challenge, as budgeting and provision of people-centred goods and services requires up-to-date, accurate, reliable and disaggregated population data. Population dynamics affect almost all national and subnational Agenda 2030 objectives, and strategies to address them must factor in the effects of changes in population and dependency ratio, and the impact of migration, including internal displacement.

Low fertility rates, high mortality rates, continued emigration and low immigration are the main causes of Ukraine's shrinking population. No single remedy could fully offset this. Adaptive human rights-based measures are needed to ensure sufficient social protection and fiscal sustainability, positively influence family composition, and allow all individuals

including the vulnerable and marginalized to fully contribute to society. Investment is needed in human capital throughout the life course, particularly health, education, poverty reduction, decent work and social protection.

It is important for Ukraine to establish a comprehensive migration governance framework, as envisaged the Global Compact for Safe, Orderly and Regular Migration (GCM) and the Ukraine-EU Association Agreement, to fully leverage migration's development potential and attract foreign migrants to meet labour market needs. Migration-related policies should address political, social and security-related push and pull factors, in addition to economic factors.

Ukraine will face significant economic cost due to demographic decline. Globally the share of older



persons is expected to increase from 9.3% in 2020 to 16% in 2050.<sup>92</sup> Ukraine's population is projected to fall by 20% by 2050, despite a significant increase in the 65+ population.

Against these demographic dynamics, IMF projections<sup>93</sup> show that GoU expenditure is expected to gradually decrease from 46.9% of GDP in 2020 to 43% of GDP 2025, creating pressure on health and social protection spending, including pensions, until 2030 and beyond. Thus population ageing in the medium and long term significantly affects fiscal sustainability (see section on social policy above), but also inequalities and productivity. As the dependency ratio worsens, possibly only partially offset by increased longevity and longer economic participation of older persons, significant labour productivity increase will be needed to sustain growth.

Responding effectively to Ukraine's population trends is central to promoting sustainable development. No single remedy will address demographic pressure or fully offset its negative effects. Adaptive measures are needed to ensure sufficient levels of social protection, foster productive per capita economic growth and ease fiscal pressures.

Financial incentives to increase fertility are costly with relatively small impact. Gender-sensitive policies are needed to boost gender equality, promote equal distribution of unpaid care work and a better work-life balance, and increase women's labour market participation. This includes increasing access to quality sexual and reproductive health care, affordable child and older person care arrangements, flexible work schemes and more equal parental leave provisions. Boosting productivity in the context of a declining workforce is critical. The Government must continue building strong and efficient institutions that apply the rule of law and property rights to boost investment, encourage efficient allocation of capital, and foster investment in human capital.

Policies should effectively manage emigration in a human-rights-based and gender-sensitive way, stimulate permanent and temporary Ukrainian migrant and diaspora return and stimulate foreign worker inflow together with incentives to remain. Policies need to be effectively established to protect working migrants in Ukraine, including simplifying access to labour market of currently marginalized populations, such as the Roma and migrants.

## MIGRATION OVERVIEW AND IMPACT ON DEVELOPMENT<sup>94</sup>

Migration in Ukraine is affected by various factors, including the temporary occupation of Crimea and the conflict in eastern Ukraine and their economic effects; the launch of important yet insufficient reforms; progress in European and Euro-Atlantic integration, including the visa-free regime with the EU introduced in 2017; and emigration experience and diversified migration networks developed in years of labour migration abroad.

The economic situation improved in 2016–2018 with social adaptation to crisis conditions. Emigration of Ukrainians has stabilized but remains high. Immi-

gration – mainly labour-related – though lower than emigration, is rising, indicating the need for a clear immigration policy. Given the unfavourable demographic trends, a population outflow could hinder economic development, particularly if emigrants do not return, undertake circular migration or are unable to harness the productive benefits of social and economic remittances. Ukraine will continue lagging behind its neighbours in terms of welfare in the mid-term. Therefore, external migration will likely continue and could increase in the hostilities in the east worsen and the internal situation deteriorates.

### *Characteristics of internal migration*

According to the SSSU, each year over 500,000 Ukrainians officially change their places of residence. However surveys have found that 12% of adult Ukrainians, or up to 30% in large cities, do not live in their registered places of residence. Rural to urban migration, mainly labour and educational migration of youth, is **depopulating remote rural areas**. Between 2001 and 2019, each year an average

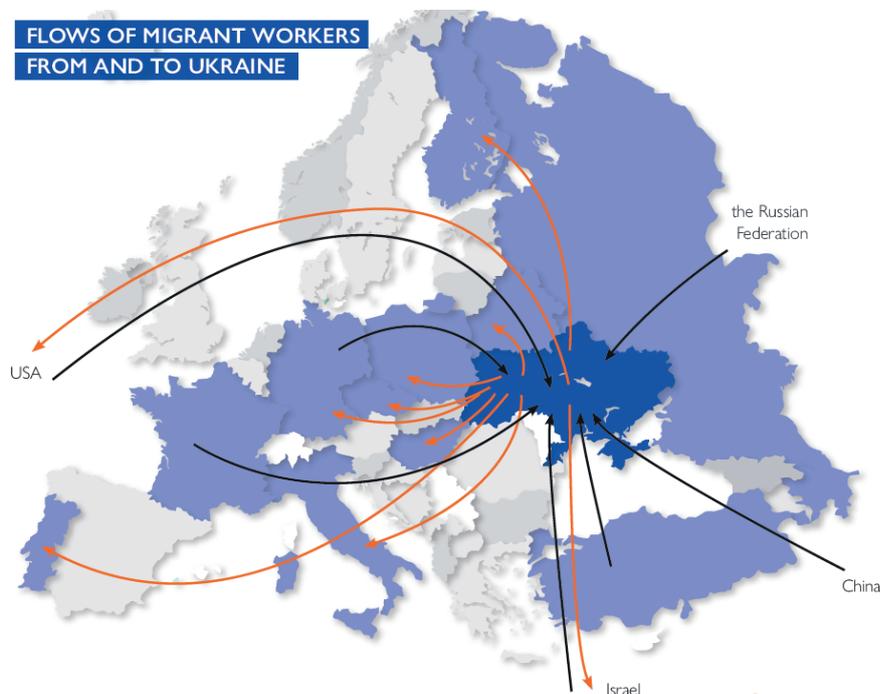
of 19 villages disappeared in the country. As many as 66.7% of Ukrainians lived in cities according to the 1989 census; the figure was 71.1% on 1 January 2019. Kyiv and other regions with large cities – Dnipro, Kharkiv, Odesa and Lviv – traditionally have a migration surplus because of quality education, more work and better remuneration.

92 [www.un.org/development/desa/pd/news/world-population-ageing-2020-highlights](http://www.un.org/development/desa/pd/news/world-population-ageing-2020-highlights)

93 [www.imf.org/en/Publications/FM/Issues/2020/09/30/october-2020-fiscal-monitor#Full%20Report%20and%20Executive%20Summary](http://www.imf.org/en/Publications/FM/Issues/2020/09/30/october-2020-fiscal-monitor#Full%20Report%20and%20Executive%20Summary)

94 [www.iom.org.ua/sites/default/files/iom-ukraine\\_facts-eng\\_2019.pdf](http://www.iom.org.ua/sites/default/files/iom-ukraine_facts-eng_2019.pdf), [www.iom.org.ua/sites/default/files/iom-ukraine\\_facts-eng\\_2019.pdf](http://www.iom.org.ua/sites/default/files/iom-ukraine_facts-eng_2019.pdf)

## FLOWS OF MIGRANT WORKERS FROM AND TO UKRAINE



580,491

short-term residence permits issued to Ukrainians in the EU Member States for the reason of employment in 2017<sup>5</sup>

437%

increase as compared to 2012

94%

of permits were issued for the residence in Poland



42%

of companies surveyed by EY Ukraine experience difficulties with hiring and retaining workers due to labour out-migration<sup>6</sup>



65%

two-year increase of foreign migrant workers officially employed in Ukraine (from 2016 to 2018)<sup>7</sup>



5.9 mln Diaspora

8th largest diaspora globally<sup>8</sup>



USD 14.4 bln (11.4% of GDP)

remittances received in 2018 almost doubled from USD 7.4 bln in 2014<sup>9</sup>

Ukraine is the largest recipient of remittances in the region

Source: IOM Migration Snapshot Ukraine

## Internally displaced persons

The temporary occupation of Crimea by the Russian Federation<sup>95</sup> and the ongoing conflict in eastern Ukraine led to significant induced displacements, especially in the first three years of the conflict. Displacement from NGCA has stabilized, with the number of internally displaced persons (IDPs) now around 734,000.<sup>96</sup> Half of the IDPs are elderly and 59% women;<sup>97</sup> survey data shows that 8% are unemployed.<sup>98</sup> In October 2019, 1.4 million IDPs were registered by social protection bodies, mostly in Donetsk region (up to half a million) and Luhansk region (up to 300,000) as well as in Kyiv and Kyiv region (up to 200,000 in total), as well as Kharkiv, Dnipropetrovsk and Zaporizhia regions. The **average per capita income of IDP households is a third lower than national average**, and also lower than the actual subsistence level calculated by the Min-

istry of Social Policy; therefore, many IDPs rely on state support. The most pressing problem of IDPs is lack of housing: 89% see this as the key obstacle to integration in the new community. In June 2020<sup>99</sup>, 56% of IDPs aged 20–64 were employed, compared to 67% in the same age group in the general population. Meanwhile, surveys show that 39% in June 2020 of IDPs did not intend to return to their former homes even after the conflict, and this share is steadily growing.

The 2020 IDP Integration and Durable Solutions to Internal Displacement Strategy<sup>100</sup> focuses on local integration as the durable solution for IDPs, and does not consider the two other customary options: voluntary return (because of the security situation) and voluntary resettlement.

95 "Crimea" refers to the "Autonomous Republic of Crimea and the city of Sevastopol, Ukraine, temporarily occupied by the Russian Federation," under General Assembly resolution 68/262 on the territorial integrity of Ukraine, and subsequent General Assembly resolutions on human rights in the Autonomous Republic of Crimea and the city of Sevastopol, Ukraine.

96 [www.msp.gov.ua/news/13732.html](http://www.msp.gov.ua/news/13732.html)

97 [www.un.org.ua/en/publications-and-reports/un-in-ukraine-publications/3700-humanitarian-needs-overview-in-ukraine-2016](http://www.un.org.ua/en/publications-and-reports/un-in-ukraine-publications/3700-humanitarian-needs-overview-in-ukraine-2016)

98 International Labour Organization, *Employment Needs Assessment and Employability of Internally Displaced Persons in Ukraine: Summary of Survey Findings and Recommendations*, ILO, 2016.

99 <https://dtm.iom.int/reports/ukraine-%E2%80%94-national-monitoring-system-report-situation-internally-displaced-persons-june>

100 <https://zakon.rada.gov.ua/laws/show/909-2017-%D1%80#Text>

## Increasing international mobility of the population

Approximately three million Ukrainians are working abroad at any given time, primarily because of difficulties finding well-paid jobs at home. Since 2015, economic factors of migration have been bolstered by political and security factors, which have significantly increased intention to migrate. In recent years the trend has been away from Russia towards the EU, mainly Poland. The visa-free regime agreed in 2017 with the EU increased cross-border mobility. Between

June 2018 and June 2019, Ukrainian citizens made 2.35 million visa-free visits to the EU, 4.2 times more than between June 2017 and June 2018. On average around 900,000 Ukrainians are employed in the Polish economy at a time (57% of labour trips last less than three months so do not require residence permits). The SSSU reports that around 70% of emigrants are from western Ukraine. However, migration from other parts of Ukraine is gradually increasing.

## Migrant remittances to Ukraine

Ukraine is the largest recipient of remittances in Eastern Europe and one of the top ten recipients globally. Private remittances were steadily growing (except during the global financial and economic recession) and exceeded US\$8.5 billion in 2013. However, in 2014, remittances fell by 24% because of security, political and economic problems in Ukraine and its weak financial system. Certain internal improvements and intensified external labour migration again increased the volume of remittances to US\$12 billion in 2019, about 8% of GDP. This was more than four times higher than the volume of direct foreign investment.

On average a long-term migrant worker earns four times more than people residing in Ukraine. It is estimated that a long-term transnational Ukrainian household's net income is US\$24,150,<sup>101</sup> of which 39% is spent abroad and 61% is gross savings (before remittances). This **savings rate** is higher than other regional countries, such as Moldova (58%), Romania (49%) and Albania (37%).

An IOM study found that about 40% of all migrant remittances in 2014 was spent on consumption. About 20% was invested, primarily in construction, purchase

or renovation of housing. Over 40% was saved. Reportedly, 21% of Ukrainian migrant workers would like to invest, yet to date there are no programmes to leverage migrants' skills or encourage migrants and diaspora investments. Ukrainian migrant workers clearly prefer informal channels when sending remittances to Ukraine. An IOM survey suggests 53% of remittances are sent through informal channels.

The expected fall in remittances to Ukraine due to the COVID-19 pandemic, related mobility constraints, economic cooling and lockdowns did not occur. *According to the National Bank of Ukraine (NBU)*, in 2020 migrants transferred a record US\$12.1 billion to Ukraine (1.7% more than in 2019). This might be explained by increased reliance on formal remittance transfer channels, stable demand for workforce from Ukraine and quick adjustment of labour migrants from Ukraine to new travel rules and regulations. The World Bank uses different methodology, which indicates that remittances to Ukraine declined from US\$15.8 billion in 2019 to US\$13.7 billion in 2020. The *NBU has projected* that in 2021, remittances will increase by a further 8% to US\$13 billion.

## Migrant vulnerabilities to human trafficking, abuse and exploitation

Due the economic slowdown, employment is difficult to find for returnees, especially if their skills do not match domestic demand for labour. Following the pandemic, without sufficient and meaningful livelihood alternatives emigration from the country could increase. Without safe channels, people may revert to unsafe migration practices, leading to smuggling, trafficking and exploitation; youth and women are

among the most vulnerable groups. IOM identified and assisted 842 (71% men) victims of trafficking (VoTs) in the first six months of 2020, 40% more than the same period of 2019; the vast majority had been trafficked for labour exploitation. Gaps in the state-led National Referral Mechanism's adaptiveness to new challenges have become more evident

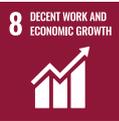
## Reintegrating returning migrants and impact on communities during the COVID-19 pandemic

Labour migration can relieve pressure on unemployment in countries of origin. The inability of seasonal migrants to take up their traditional jobs places an additional load on the already fragile Ukrainian domestic labour market: there were more than 456,750 unemployed persons registered with the State Employment Centre on 4 May 2020, a 47% year-on-year increase, or 21% compared to pre-quarantine (end of February 2020). Since the announcement of quarantine, the number of new vacancies advertised has halved while the number of new applications is increasing,

suggesting a growing demand for employment that cannot be fulfilled.

The IOM has found that migrant workers in Ukraine work predominantly in trade (frequently as market sellers), services and construction. Several measures adopted by the Government to reduce COVID-19's spread, including lockdowns and market closures, have diminished migrant revenue. Foreigners in Ukraine are particularly vulnerable as they lack access to the formal and informal safety nets that benefit nationals.

101 [https://iom.org.ua/sites/default/files/iom\\_migration\\_as\\_an\\_enabler\\_of\\_development\\_in\\_ukraine.pdf](https://iom.org.ua/sites/default/files/iom_migration_as_an_enabler_of_development_in_ukraine.pdf)





## KEY DEVELOPMENT OPPORTUNITY: WELL MANAGED MIGRATION AND MOBILITY TO REDUCE IN-EQUALITIES AND SUPPORT INVESTMENTS TOWARDS POVERTY REDUCTION

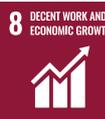
Public policy should foster sustainable development by moving beyond remittance-dependent and consumption-led economic models towards an investment-led model. Data shows high interest in investing in local infrastructure projects, especially by long-term migrant workers in EU countries. Almost every fifth long-term migrant worker expressed an intention to invest, ideally in their local communities in Ukraine.

UN could facilitate regular mobility pathways for Ukrainian citizens through win-win solutions for Ukraine and destination countries (promoting labour migration schemes, ethical recruitment of migrant workers, protection of migrant workers); setting up an adequate policy, legislative and administrative framework on labour migration in Ukraine, mainstreaming migration into national sectoral and cross-sectoral strategies; and creating an enabling environment for investment. Engagement of migrant communities abroad and Ukrainian Diaspora groups could contribute to development (transfer and productive use of remittances, and investment in local and national development initiatives).

# 6 ENVIRONMENT AND CLIMATE CHANGE ANALYSIS



While Ukraine has high proven reserves of iron, manganese, titanium and zirconium ores, coal, graphite, china clay and sulphur, the country uses materials and energy inefficiently with outdated technologies and highly depreciated fixed assets, especially in mining and metallurgy.<sup>102</sup> Thus, Ukraine's energy intensity of production (estimated at 0.34 toe/US\$1,000 in 2013 by IEA) is some 50% higher than the EU average.<sup>103</sup>



Sustainable strong economic growth – necessary for SDG attainment – requires markedly reducing the carbon intensity of Ukraine's economy. Key obstacles to the transition to low-carbon growth include lack of diversification of Ukraine's economy, outdated and inefficient production capacity, and subsidies (including in the tax-benefit system, and owing to lack of internalization of externalities from greenhouse gas [GHG] emissions) in energy pricing.<sup>104</sup> Industry, electricity and heat production, transport and the residential sector have high potential for emission reductions.<sup>105</sup>



Ukraine's eastern region is fragile ecologically, dominated by coalmining, ferrous and nonferrous metallurgy, chemical and petrochemical industries, which pollute air and water. Operating and abandoned coal mines discharge highly mineralized water that exerts serious ecological pressure and makes water unfit for domestic use. Many areas lack centralized wastewater collection, and most wastewater treatment facilities need renovated or replaced. Ecological monitoring of industrial pollution is largely unsystematic. Unfiltered industrial waste is reportedly accumulating in many riverbeds in the east of Ukraine, creating massive long-term health hazards for inhabitants.

Climate change significantly affect Ukraine over the SDG horizon. Hazards will likely become more frequent, causing significant economic loss and threatening food security. Increasing droughts and heightened weather volatility will make forest fires more frequent and desertify Ukraine's south and south-east. The Carpathian mountains and densely populated areas in the Dniester, Dnieper and smaller river basins are

highly vulnerable to floods, while port cities of Odesa, Kherson and Mykolayiv regions in southern Ukraine may be partially submerged by rising levels of the Black and Azov seas. Meanwhile, access to water resources, including drinking water, will likely fall, adding to the reduction of irrigated land by some 15% this century so far. Atypical diseases for Ukraine (malaria, dengue, etc.) may spread.<sup>106</sup>

In temporarily occupied Crimea the suspension of the supply of fresh water from Dnieper and the inability of the Russian Federation to provide the population and economy of the peninsular with sufficient water resources, aggravated by the cyclic drought, significantly affects the economy, environment and population of the peninsula. Lack of access to water caused the decline in irrigation agriculture, primarily visible in crops production that used to sustain communities in the north and east of Crimea. The arable land has shrunk to 10% in size between 2013 and 2017 in an agricultural sector 70% dependent from the North Crimea Canal.

Efforts aimed at compensating for the lack of access to Dnieper water by extensive drilling and reorientation of natural and artificial water streams have led to irrevocable environmental effects, including the drop in water table levels and salination of fresh water horizons in many parts of Crimea as well as erosion of ecosystems sustained by local small rivers. Importantly the water crisis in Crimea brings negative implications for the local population. With lowering water levels in artificial reservoirs used to supply urban centres the population in some of them faces rationed supply and decreased quality of water undermining the basic human right for safe drinking water. Water crisis in Crimea adds to political tensions around the peninsula providing grounds for debates while, at the same time, limiting the space for addressing the humanitarian aspect of water shortage, including by restraints for international access and reporting on the situation. Turning the humanitarian problem of water shortage into a security issue that is widely speculated upon is a threat that might further aggravate the situation in

102 Contribution to Ukraine's roadmap to achievement of SDGs Agenda 2030. MAPS Mission, Ukraine August 2018.

103 Ministry of Economic Development and Trade, 2016 Report on Green Transformation in Ukraine, based on OECD Green Growth Indicators.

104 Recent years have brought a marked reduction in fossil fuel subsidies, particularly in the direct and indirect subsidies in the gas sector, cross-subsidies in electricity consumption, and subsidies to state-owned coalmines. However, considerable subsidies still remain. See [www.oecd.org/env/inventory-of-energy-subsidies-in-the-eu-s-eastern-partnership-countries-en.htm](http://www.oecd.org/env/inventory-of-energy-subsidies-in-the-eu-s-eastern-partnership-countries-en.htm)

105 [www.undp.org/content/dam/ukraine/docs/EE/DIW/Towards a low-carbon economy](http://www.undp.org/content/dam/ukraine/docs/EE/DIW/Towards%20a%20low-carbon%20economy) gives a dated but good overview.

106 [www.niss.gov.ua/articles/2223/](http://www.niss.gov.ua/articles/2223/) and <https://ua.boell.org/en/2017/06/16/climate-change-ukraine-be-continued>

and around Crimea, being a conflict driver that could lead to further deterioration of regional dynamics.

If business-as-usual continues, agricultural crops are expected to suffer, necessitating significant investment in climate change adaptation, such as irrigation technologies and temperature change-resistant crops. Hazards or migration to adapt to climate change could displace entire settlements. The threat to biodiversity is also substantial, with a fall in the number of useful species, changes in forests and fauna, soil degradation and changes in the species composition of soil flora and fauna.<sup>107</sup> Climate change impacts will likely also increase societal tensions and conflict risks as competition over resources intensify.

Climate change will exacerbate land degradation. Decades of intensive production have led to serious erosion and depletion of soil organic matter and nutrients in Ukraine's famously fertile and extensive black soil areas. The soil has become acidic, saline, or alkaline due to unsustainable agricultural practices, such as excessive use of mineral fertilizers and outdated technologies. Ukraine loses an estimated 500 million tonnes of soil to erosion annually from arable land (a loss of some US\$5 billion in nutrient equivalent), lowering soil fertility across 32.5 million hectares.<sup>108</sup>

Green growth has not yet taken hold in Ukraine so far. National Green Growth Indicators and sectoral analyses have been developed in energy and agriculture to support transitioning to a green economy. The Government adopted the **Green Energy Transition Concept**<sup>109</sup> in 2020, with the key goal of reducing GHG emissions, thus ensuring Ukraine's socially positive transition to climate neutrality by 2070. The Concept outlines proposals to boost energy-efficiency and renewable energy, improve waste management and promote circular economy, foster decarbonization of the economy and the housing sector, create an eco-friendly transport system, and boost research and innovation, but actual wide-ranging implementation has yet to begin.

Ukraine has continued enhancing environmental monitoring and assessment for improved decision making to support sustainable natural resources management and a shift towards a circular and green economy. The country participates actively in the UNECE Working Group on Environmental Monitoring and Assessment and the Joint Task Force on Environmental Statistics and Indicators, has increased the capacity to producing UNECE environmental indicators and has established a Shared Environmental Information System.



### KEY DEVELOPMENT OPPORTUNITY: STIMULATE GREEN GROWTH, INVEST IN RESILIENCE AND CLIMATE ADAPTATION

Greening the development path by reforming environmental governance and supporting green business will help Ukraine overcome the technological lock-in of the extensive and polluting industrial legacy of the Soviet era. Eliminating environmentally harmful direct and indirect subsidies, and re-allocating some of the freed up budgetary resources to provide economic incentives for green growth will accelerate SDG achievement.

More generally, policies should facilitate moving toward greener growth. Important components include higher costs on producers and consumers emitting GHGs through a combination of carbon pricing and an Emission Trading System (ETS); liberalizing the energy market, revamping regulation of the heating and electricity sectors, and improving residential buildings' insulation. This could be complemented by promoting private investment in innovative clean technologies, and exploring scope for obtaining climate change financing support and technology transfers from abroad through international commitments on carbon emissions under the Paris Agreement. All line ministries should review their policies to mitigate climate change and introduce adaptation measures. Public administration reform in the Ministry of Environment and Natural Resources can mainstream environmental actions into economic growth, agriculture, energy, democracy and governance activities, and into disaster risk reduction, including measures to reduce displacement risk in line with the Sendai Framework (see below).

Ukraine is party to the UNECE Convention on Environmental Impact Assessment in a Transboundary Context (Espoo Convention) and its Protocol on Strategic Environmental Assessment. Strategic Environmental Assessment (SEA) and transboundary environmental impact assessment (EIA) in accordance with these

two UNECE treaties enable Ukraine to mainstream environmental, climate and health objectives into draft governmental plans, programmes, other strategic documents, and private and public projects. Both SEA and EIA are tools towards achieving the SDGs and greening post-COVID-19 economic recovery initiatives.

107 [www.niss.gov.ua/articles/2223/](http://www.niss.gov.ua/articles/2223/)

108 [www.fao.org/3/a-i3905e.pdf](http://www.fao.org/3/a-i3905e.pdf), p. IX.

109 [https://mepr.gov.ua/files/images/news\\_2020/14022020/eng\\_pdf\\_%D0%B7%D0%B5%D0%BB%D0%B5%D0%BD%D0%B0%20%D0%BA%D0%BE%D0%BD%D1%86%D0%B5%D0%BF%D1%86%D1%96%D1%8F%20\(1\).pdf](https://mepr.gov.ua/files/images/news_2020/14022020/eng_pdf_%D0%B7%D0%B5%D0%BB%D0%B5%D0%BD%D0%B0%20%D0%BA%D0%BE%D0%BD%D1%86%D0%B5%D0%BF%D1%86%D1%96%D1%8F%20(1).pdf)

Ukraine is party to the UNECE Convention on Long-range Transboundary Air Pollution. However, the country has not yet ratified and implemented the most recent protocols to the Convention (Protocol on Heavy Metals,

Protocol on Persistent Organic Pollutants (POPs) and the Protocol to Abate Acidification, Eutrophication and Ground-level Ozone (Gothenburg Protocol).

### KEY DEVELOPMENT OPPORTUNITY: Hydrogen – an innovative solution to carbon neutrality<sup>110</sup>

Ukraine is seriously considering developing hydrogen energy both for internal transport infrastructure, agriculture, metallurgy, and residential heating, as well as for the EU through the existing pipeline system. In December 2019 the European Commission (EC) introduced the European Green Deal. This strategy includes an emissions reduction target for 2030 with a 50-55% cut in GHG emissions, replacing the current 40% objective and help reach net-zero global emissions by 2050. In the European Green Deal, the EC recognizes the role of hydrogen in decarbonizing industry and increasing the share of renewable energy sources more quickly.

To forward plan hydrogen energy in Ukraine, decision-makers could already consider the recommendations of the UNECE Group of Experts on Gas. Electrolyser development and deployment could be accelerated. Behavioural change could be stimulated through market design including quotas, targets, dedicated programmes and support schemes. Work to retrofit and repurpose current gas infrastructure could begin immediately. Finally electrolysers could be connected to the electricity grid, ideally supplied with renewable or low-carbon electricity.

To stimulate Ukraine's active green transition, the UN supported the Government to draft a Roadmap for production and use of hydrogen for a green post-COVID-19 recovery. Developing infrastructure to produce and use hydrogen in Ukraine will facilitate national recovery in an environmentally friendly manner.

## DISASTER RISK REDUCTION AND CLIMATE CHANGE VULNERABILITIES

### KEY DEVELOPMENT RISK: CLIMATE CHANGE-RELATED NATURAL DISASTERS

With climate change, Ukraine is expected to have an expanded summer season as well as higher temperatures and prolonged heat waves during summer months.<sup>111</sup> Climate change is also expected to shift boundaries of spring frosts, with adverse impacts on the agriculture sector.

Water resources will be affected by changing temperatures and precipitation regimes, which will have long-term implications for the amount and quality of water available. Given Ukraine's vast networks of rivers, catchments and aquifers, changes in precipitation can result in high risk of flooding. There is potential for damaging and life-threatening river floods across the country. Meanwhile, droughts may become more frequent in the north and west due to reduced precipitation and river runoff decrease, as well as increased demand and consumption from economic development and population growth. With the adoption of the Sendai Framework for Disaster Risk Reduction in 2015 the shift from hazard-centred disaster management to proactive disaster risk management and disaster risk reduction has become the first priority.

Prolonged drought in turn is projected to worsen potential for forest fires and shorten growing seasons. While warming trends have led to increased productivity in the country's boreal forests, there has also been a related increase in hazardous forest and peat fires, resulting in disruption of the stability of ecosystems, replacement of some species, and a growing probability of population explosions among forest pests.

Higher temperatures will increase aridity and may adversely affect agricultural areas and growing seasons, and pose additional and significant risks to population health, especially vulnerable groups. Extreme events are expected to increase in frequency and intensity.

110 [https://unece.org/fileadmin/DAM/energy/se/pdfs/CSE/comm29\\_Nov.20/ECE\\_ENERGY\\_2020\\_8\\_Hydrogen\\_final.pdf](https://unece.org/fileadmin/DAM/energy/se/pdfs/CSE/comm29_Nov.20/ECE_ENERGY_2020_8_Hydrogen_final.pdf)

111 <https://climateknowledgeportal.worldbank.org/country/ukraine>



Ukraine is working through the Sendai Framework to improve disaster preparedness and response by consistently integrating modern technology and policies to increase resilience to natural hazards. In 2014 the Government approved the Risk Management Concept for Technogenic and Natural Emergency Situations under the Hyogo Framework for Action 2005–2015. The country has since then built a new safety management system based on a risk-based approach. In 2017, in order to pursue Sendai Framework for Disaster Risk Reduction 2015–2030 recommendations, the Cabinet of Ministers approved the *Strategy for Reforming the State Emergency Service of Ukraine*, which, *inter alia*, en-

visages full-scope State Emergency System Reform and improvement of its capacity to combat natural and man-made hazards.

National and international actors have been increasing support to prevent, prepare and protect communities and infrastructure since 2019. Efforts are currently underway to support local authorities to effectively prepare for and respond to conflict-related risks as well as to put in place mitigation measures against industrial and ecological risks, but disaster risk reduction and management needs to be strengthened, especially at local level.



## FOCUS: ILLEGAL LOGGING, DEFORESTATION AND CLIMATE CHANGE

Illegal logging is a major environmental and economic problem in the Carpathian region. The old-growth forests of the Carpathians and their unique biodiversity are disappearing at alarming rates as timber is illegally cut and transported across and beyond the mountain range. This has removed large chunks of forests that soak up excess water and provide a buffer against flooding, and worsened several devastating floods in recent years that are partly linked to climate change.

Fuelled by corruption, illegal logging has recently been raised in the Government. UNEP believes the State Forest Enterprises may be implicated in illegal logging, making investigation and prosecution difficult. The average annual volume of illegal logging has been estimated between 20,000 m<sup>3</sup> (in 2008 by the State Forest Agency) and 1.25 million m<sup>3</sup> (by a Swiss-Ukrainian Forest Development Project in 2010). Sanitary logging is considered the principal means of illegal logging since the late 1990s. In 2017, around 30–40% of the total harvest was estimated to be sanitary logging. In a 2010 survey, Ukrainian forest experts reported many unregistered sawmills, and a system for purchasing stolen timber in the Ivana-Frankivsk area. Incidents of corruption in the same area were also reported, including bribing forestry officials, land fraud and issuing illegal harvesting permits.<sup>112</sup> The State Forest Resources Agency State reports losses from illegal logging of more than UAH 1 billion, while in 2019 illegal logging in Ukraine increased sevenfold. Meanwhile, environmental defenders often face persecution for fighting against illegal deforestation.

Cross-border action, such as between Ukraine and Romania around normative instruments such as the Carpathian Convention, is vital to protect these precious ecosystems. This is the only existing instrument to address crises in the subregion in a holistic manner.



## KEY DEVELOPMENT OPPORTUNITY: NATIONAL RISK PROFILE

In November 2020, work began on the Environmental Security and Climate Change Adaptation Strategy by 2030 under Presidential Decree 392/2020, “On National Defence and Security Strategy of Ukraine,” of 14 September 2020. The Strategy is intended to reduce the impact of climate change and increase the level of environmental safety in Ukraine by strengthening the adaptability and resilience of social, economic and environmental systems to climate change and enable implementation of the adaptation policy to climate change, among other things.

The UN will support development of a comprehensive National Disaster Risk Reduction (DRR) Strategy based on existing national initiatives such as the Environmental Security and Climate Change Adaptation Strategy. As part of this process, in 2021 the UN will facilitate a multi-hazard national risk profile of Ukraine based on up-to-date information about hazards, structural and non-structural vulnerabilities, exposure, coping capacities and institutional structures for disaster risk reduction. This will improve the risk knowledge of DRR stakeholders in Ukraine.

The key hazards that Ukraine faces are:

112 [https://ec.europa.eu/environment/forests/pdf/Country\\_overview\\_Ukraine\\_03\\_10\\_2018.pdf](https://ec.europa.eu/environment/forests/pdf/Country_overview_Ukraine_03_10_2018.pdf)

- **Natural:** including floods, such as those in western parts of the country in summer 2020; and wildfires, such as those in the north in spring 2020, and in the east in autumn 2020;
- **Technological:** specifically, industrial risks related to infrastructure in the conflict-affected east and obsolete infrastructure elsewhere; and conflict-generated explosive hazards in the east as Ukraine is consistently one of the world's most affected countries by explosive ordinance, particularly anti-vehicle mines;
- **Slow-onset climate change:** the wetter regions face increased precipitation, while the drier ones face increasing scarcity; and
- **Biological:** the ongoing COVID-19 pandemic; invasions of forest pests and other species reportedly induced by climate change and other factors; the collections of pathogens inherited from the Soviet era in specialized facilities.
- Disasters disproportionately affect those most vulnerable, including conflict-affected populations, especially elderly women; residents in remote rural or mountainous areas; those in areas of intense seasonal labour migration, and population groups who face barriers to accessing critical social infrastructure and digital services.<sup>113</sup>

## CLIMATE CHANGE'S IMPACT ON AGRICULTURE<sup>114</sup>

The agricultural sector has always been one of the priority spheres of Ukraine's development. In recent years, it has been almost the only sector of the economy that has increased production and exports; it now accounts for 30% of nominal and 11.7% of real GDP.

At the same time agriculture contributes 14% to Ukraine's total GHG emissions. This necessitates increased ability to adapt to climate change's adverse effects, reduce climate risks, and obtain potential benefits from climate change. The **Forecast of agro-climatic conditions for main crops by 2030 is that** Ukraine's agro-climatic indicators will

significantly change, affecting agricultural context. In particular, increasing average annual temperature in Ukraine by 0.5–0.8°C up to 2030 will affect the duration of seasons and growing periods, enabling a larger set of agricultural crops and their varieties. Meanwhile the frequency of "heat waves" and droughts is forecast to increase by 1.5 times, and long periods of heat with temperatures up to +35° C will spread to the north and west, leading to premature maturation of spring crops and decreased yields. Analysis also shows that gradual increase of temperatures may **reduce the productive humidity of soil**, therefore increasing risks for agriculture production and decreasing crops.

### *General approach of adaptation to climate change in agricultural sector*

The following key risks and issues in the sector may be identified: (i) an extended vegetation period would improve distribution of individual species and enable the planting of new more heat-loving species or secondary crops; (ii) reduction of interstage periods from blooming to ripening would negatively affect the yields; and (iii) there is increased risk of pests, diseases and weeds with potential crop losses and increased use of pesticides and veterinary drugs.

The key adaptation actions for the sector include: conducting vulnerability and risk assessment, developing a sectoral adaptation plan; ensuring sustainable growth of agricultural sector productivity with minimized loss of organic soil components, ensuring state food security, and strengthening resilience to the effects of climate change.

If nothing is done, global warming could negatively affect agriculture of Ukraine. At the same time if global warming is limited to 2°C there is an opportunity to use improvement in certain conditions for crop production in some districts. Thus, a strategy and medium-term plan is appropriate and necessary for agricultural sector adaptation to climate change.

As Ukraine has mostly concentrated efforts on combating climate change on reducing GHG emissions, adaptation has not received enough government attention. Adaptation measures tend to require significant financial resources and can be very diverse. The expected results can hardly be forecast due to a high uncertainty about the scale and timing of climate change impacts.

113 UNDP, *Strengthening Disaster Risk Reduction and Recovery Project Report*, 2020.

114 FAO, *Priorities for Prevention of Climate Change and Adaptation to Climate Change in Agriculture, Forestry and Fisheries of Ukraine by 2030*, 2018.

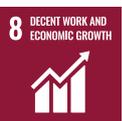


## IMPACT OF FOOD SYSTEMS ON CLIMATE CHANGE

The food system currently contributes about 30% of global GHG emissions; agriculture significantly contribute to climate change. To curb emissions cutting food waste is important, but more important is shifting towards plant-based diets, reducing use of meat, dairy and eggs.

In the latest Ukraine's Greenhouse Gas Inventory

1990-2017, GHG emissions in the agriculture sector were estimated at 39,100 kiloton CO<sub>2</sub>-equivalent in 2017. The largest contributor was agriculture soils (71%), followed by enteric fermentation (22%) and manure management (5%). The main GHGs from agriculture in 2017 were nitrous oxide, N<sub>2</sub>O (73%), methane (25%), and carbon dioxide (2%).<sup>115</sup>



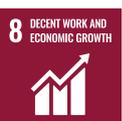
### FOCUS: SMALL FARMERS AND THE IMPACT OF CLIMATE CHANGE

Small farmers (owning or leasing land plots of 0.5-100 ha) have an important village-forming function, ensure the biodiversity conservation, and are an essential element in shaping overall food security. In Ukraine, **small farmers account for 43% of agricultural production and about 46% of agricultural land**. However, small farmers and rural households are particularly vulnerable to climate change, because of (i) their high reliance on ecosystem goods and services that are under increasing pressure as a result of climate change, (ii) their low capacity to adapt to changes.



In 2020, droughts severely affected agricultural production in southern Ukraine, reducing the cereal harvest, including maize and technical crops such as sunflower and sugar beet, leading to estimated losses of US\$0.5 billion, and exacerbating the already difficult living conditions of the rural population. The increased severity of droughts and floods caused by climate change are a significant risk to small farmers oriented on extensive low-productive practices on a very small-scale production level. Reduced agriculture production results in the decreased income of the small farmers, putting their household well-being and food security at risk.

There are several consequences of climate change for rural and small farmers. Land can become less productive, and soil erosion increases. There can be insufficient access to drinking water and water for agricultural purposes, including competition for access with big agriculture producers (for example, in July 2020, wheat production was estimated to have declined by 11.7% from 2019 due to scarce precipitation during March and April 2020).<sup>116</sup> Crop productivity can be lost due to shifting cultivation periods and increased need for crop rotation. The problem of pests can increase because of more favourable conditions for their wintering. Livestock and productivity of livestock can reduce due to long heatwaves and lack of proper livestock keeping conditions. Finally, natural hazards and hydro-meteorological phenomena become more frequent and intensive (intense precipitation, hailstones, squall winds, drought etc.).



### KEY DEVELOPMENT OPPORTUNITY: LAND REFORM

A growing and productive Ukrainian agricultural sector is key to advancing sustainable economic, rural and social development that leaves no one behind. The Moratorium on Agricultural Land Sales has deprived millions of landowners of their constitutionally enshrined property rights and has been a major impediment to furthering these goals.



The 31 March 2020 *Rada* decision to adopt draft land turnover law 2178-10 was an important step toward realising the agricultural sector's development potential. It must now be quickly accompanied by a wider package of government proposed complementary land reform legislation. So far, only two of five relevant draft laws have been approved.

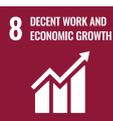


A functioning land market should first and foremost benefit landowners, smaller farmers and local communities. Further concentration of land in a few hands must be prevented. To take full effect, smallholders and smaller farms must be supported with well-targeted financing instruments, including state support, access to credit and Partial Credit Guarantees (PCG).

115 <https://unfccc.int/documents/195605>.

116 FAO, *The Current Status of Agriculture Drought Damage and Losses in South Regions of Ukraine*, 2020.

Land consolidation mechanisms are needed to prevent land fragmentation and aid smallholders' development into commercially viable farms. Land reform must follow a gender-responsive, human-rights based approach with the interests of the most marginalized groups at their centre.



### **FOCUS: DIGITAL SOLUTIONS TO SUPPORT SUSTAINABLE SOIL RESOURCE MANAGEMENT AT FARM LEVEL AND LEVERAGE LAND REFORM<sup>117</sup>**

In 2017, Ukraine produced 60 million tonnes of grain, and exported 40 million tonnes. Experts estimate that Ukraine has the potential to produce 100 million tonnes of grain a year. While Ukraine has one of the greatest areas of arable land in the world, it must ensure that it can maintain the current level of crop production in a context of climate change and intensified agribusiness.

Although there are data on soil and land conditions in Ukraine, many farmers lack systematic knowledge of soil conditions. This results in soil quality depletion and degradation, leading to decreasing sustainability and worsening livelihood conditions in rural areas.

Recent research proposes a national soil monitoring system based on analysis of all existing cartographic, climatic, organizational and economic information; farm soil survey archival materials; and high-resolution satellite imagery. The system could be widely adopted and further incorporated into the national environmental monitoring system to provide the required information on soil conditions. Based on this farmers can use the science-based patterns to monitor the soil conditions of their fields and agro-landscape and optimize production activities while adopting sustainable natural resource management approaches.

### **Green finance options**



#### **KEY DEVELOPMENT OPPORTUNITY: Implementation of Paris Agreement**

Under the Paris Agreement Ukraine has submitted its Nationally Determined Contribution (NDC) in 2016. According to the first NDC, Ukraine is obliged to reduce the GHG emissions by 60% till 2030. The second NDC is planned to be adopted by the Cabinet of the Ministers of Ukraine in April-May 2021 and aims at reducing the GHG emissions by 65% till 2030. The main feature of the second NDC is that this document will contain an adaptational component to inform the parties of UNFCCC on the related plans and activities. The targets will be set for the country in general and for specific sectors. This document is supposed to contain targets and data (currently unavailable) for the NGCA in eastern Ukraine and Crimea (which constitute about 7% of the entire country).

GHG emissions in Ukraine can be reduced in a range of ways. These include optimizing land tenure via afforestation; developing and scaling up agriculture technologies towards carbon sequestration; addressing broken crop rotation, uncontrolled pest management, and decreased biodiversity in Ukraine; providing economic and monitoring motivation for farmers to adopt change mitigation practices; and utilizing sustainable feeding and breeding practices for livestock.

According to 2018 EBRD estimates, meeting the Paris Agreement NDC would require US\$420-560 billion by 2030. The Green Finance Accelerator tool could help facilitate a green and sustainable development strategy for Ukraine. The Accelerator could assist financial institutions and/or funds to pre-check the bankability of sustainable projects in Ukraine. A Green Finance Platform could facilitate development of such projects, their mapping and communication with investors. Such a Platform could help reduce political and market risks and provide access to the expertise of international financial institutions while selecting and conducting green and sustainable projects.

Green and sustainable finances can be mobilized in Ukraine through instruments such as green bonds issued by both state and private sector actors. In order for green bonds to be successful, a robust tracking and verification system is needed, potentially following guidelines elaborated by International Capital Market Association. Applying carbon pricing under the EU initiated Carbon Border Adjustment (CBA) mechanisms will also support demand for green finance.

117 <http://www.fao.org/3/ca7761en/CA7761EN.pdf>

# 7 DEVELOPMENT – HUMANITARIAN – PEACE LINKAGE ANALYSIS



## Addressing the impact of conflict

The situation in the conflict-affected regions of Donetsk and Luhansk regions in eastern Ukraine, now in its seventh year, continues to take a significant toll on the lives of more than five million people, and indirectly affects the whole country. Despite a renewed commitment to a ceasefire in July 2020, sporadic shelling, landmines and unexploded ordnances still pose a threat. Community infrastructure and civilian assets are also targeted, putting millions at risk of losing access to water, health, education and heating, and social and economic ties have been disrupted.

Economic activity in Ukraine's eastern industrial heartland has been severely affected. Prior to the conflict, Donetsk and Luhansk accounted for 12.5% of Ukraine's population and generated 15.7% of the country's GDP and a quarter of its exports. The estimated losses of GDP per capita in Donetsk and Luhansk are 42% and 52% respectively, compared to a 22% drop for Ukraine. An estimated 70% of enterprises in GCA have reported decreased investment and revenues, disrupted trade relationships, lack of demand for products and shrinking workforces.

The 'contact line' has also disrupted the pre-crisis network of basic services, hampering access to health, education, and jobs for millions. People on both sides of the 'contact line' now look further afield for services, often in new urban centres, so placing a significant burden on their infrastructure and services. Many of

the urban centres in GCA require additional investment to be able to absorb a much larger client base.

Flows between the GCA and NGCA of Donetsk and Luhansk are of critical importance from a peacebuilding and recovery perspective. Prior to COVID-19, some 600,000 residents from NGCA crossed the 'contact line' on a monthly basis. This was up to 20% of the NGCA population based on latest UN estimates. The primary reasons why people cross are to access pensions, withdraw cash, visit relatives and address administrative matters.<sup>118</sup>

Ukraine's decaying industries pose a significant environmental risk to the country, particularly in the cities where the industrial sector is prominent, including Kyiv, Chernivtsi and Dnipro. Environmental impact assessments have been carried out, but these represent a small proportion of the work that needs to be done.

Abandoned coal mines are a concern. They risk contaminating underground water resources and causing subsidence in populated areas. Functioning mines with inadequate exhaust treatment systems cause heavy air pollution with particles of pm2.5 and pm10. Lack of investment in the water and mining sectors means companies have highly energy-consuming equipment and huge water losses. In 2013, non-revenue water was estimated to have reached 30%.<sup>119</sup>



## OPERATIONALIZING THE HUMANITARIAN-DEVELOPMENT-PEACE COOPERATION IN GCA

One of the overarching strategic goals of the 2021 Humanitarian Response Plan (HRP) is to operationalize certain aspects of humanitarian-development cooperation in the GCA. The HRP aims to: 1) increase national and regional Government ownership and responsibility for the provision of humanitarian services; 2) strengthen the capacity of local responders to complement the Government-led response; and 3) enable a multi-year outcome to implement transitional programming, ensuring complementarity between humanitarian and development actions, and to build

the resilience of conflict-affected population, which should be aligned with the UNSDCF.

In the past six years, humanitarian funding has totalled US\$1.373 billion, with an average of 45% coverage, but this investment fell short of reducing need. The UN, through the CCA and UNSDCF framework, should enhance its systems of analysis, planning, programming and implementation of humanitarian, development and peace interventions by utilizing the principles of the Triple Nexus (humanitarian-development-peace).

118 <https://www.unhcr.org/ua/en/eecp-monitoring-2020>

119 <https://sos.danubis.org/eng/country-notes/ukraine/>

The Ukrainian Humanitarian Fund (UHF) offers a strong incentive to coherently operationalize this strategic outcome. An envelope of US\$2.5 million is allocated for humanitarian projects implemented in close collaboration with local authorities and development actors, following an area-based approach in prioritized GCA locations. Priority is given to proposals that follow a multi-sector approach and demonstrate strong collaboration with, and planned transfer of responsibility to, local authorities and development actors. The project partners were requested to ensure coherence towards a common humanitarian-development vision, especially to facilitate eventual transfer to local authorities.

This UHF pilot initiative attempts to combine several elements of successful humanitarian-development cooperation. By deliberately allocating funds towards joint project implementation, the initiative overcomes one of the main hurdles of donor division along traditional humanitarian and development lines. Collaboration is promoted throughout the project

cycle, with priority given to projects with an area and multi-sector approach planned in humanitarian-development partnerships and consortiums. Lastly, it ensures the implementation of humanitarian projects set up with a strategic goal to transfer responsibility to development actors and/or local authorities, fostering capacity building and a unified government approach in the process.

The needs of IDPs also need to be addressed in a holistic way. The UPR calls for the development and adoption a new comprehensive national strategy and action plan for the integration of internally displaced persons and their access to economic, social and cultural rights for the period beyond 2020. It also calls for raising public awareness of the challenges they face, meeting their need for mental health services, and accelerating establishment of a compensatory mechanism for property lost or destroyed during the armed conflict.



## UKRAINE HUMANITARIAN NEEDS OVERVIEW 2021<sup>120</sup>

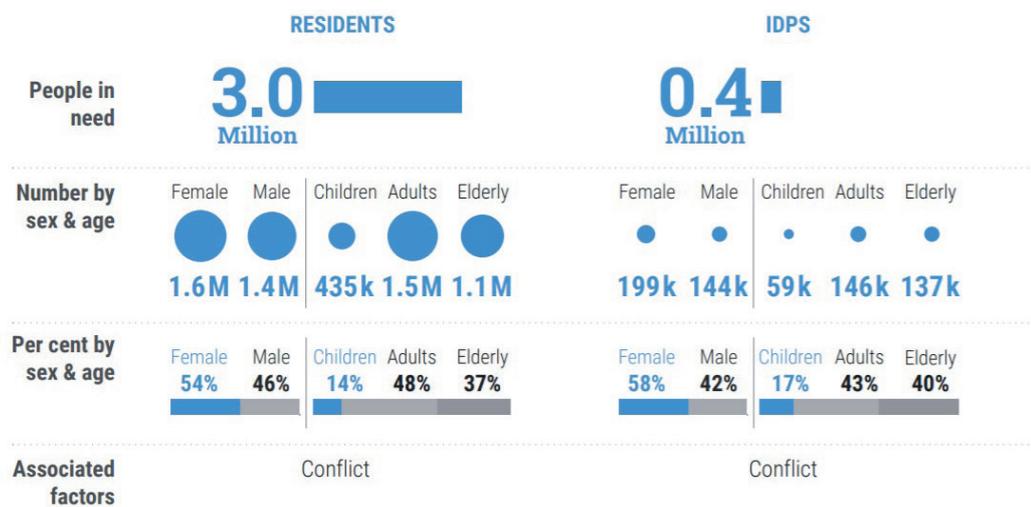
The consequences of the armed conflict on people, their needs and the severity of those needs are examined along three dimensions. Firstly, people in affected areas face critical problems related to their physical and mental well-being. These could be related to shelling and landmine contamination, direct damages to housing and civilian infrastructure, lack of access to health care and water and hygiene, as well as the risk of COVID-19 infection.

Secondly, people in affected areas face both the direct and indirect impact of the conflict – exacerbated by COVID-19 – on their access to basic services and their ability to meet basic needs and to live a life of dignity. Numerous drivers of needs are related to living standards, such as challenges in access to health care, water and hygiene, inadequate health care

capacities, limited freedom of movement, curtailed access to social benefits and civil documentation, as well as winterization needs, and have aggravated the socioeconomic situation.

Lastly, people in affected areas face critical problems as their coping mechanisms become exhausted and individuals, households, communities and systems face growing challenges to their ability to recover from the crisis. These coping mechanisms could be linked to reducing health care expenditure, spending savings or resorting to borrowing money or food.

For a list of vulnerable groups in conflict, see **Leaving no-one behind** at the end of Chapter 1. The summary diagram of the groups is provided here:



120 <https://reliefweb.int/report/ukraine/ukraine-humanitarian-needs-overview-2021-february-2021-enuk>

## FOCUS: ACCESS TO SAFE DRINKING WATER

The primary cause of increased vulnerability of the population of Eastern Ukraine is insecurity, particularly along the 'contact line' and in densely populated urban settings. Water, sanitation, electricity supply and transportation services have been disrupted or reduced, or have become unreliable for people living in conflict areas. Much of the damage remains unrepaired to date, partly due to a lack of access, but mostly because of the financial resources required to repair centrally managed urban water and sanitation systems are not available.

In 2019, continued deliberate and indiscriminate attacks damaged civilian infrastructure, injured personnel and interrupted the power that keeps complex and interconnected WASH systems running in a region where water is inherently scarce. In 2019, 88 violent incidents affected civilian water facilities, averaging one every four days and 9% more than 2018. Advocacy against indiscriminate attacks should be continued as long as water infrastructure is targeted.

The conflict in eastern Ukraine has amplified problems with water and sanitation service provision that already existed at national level, stressing the vulnerability and critical situation of a sector that directly affects the health and wellbeing of Ukrainians, especially children and women. The most serious challenges facing the water and sanitation sector include, but are not limited to: the absence of sound, efficient and consistent national policy in the sector; a lack of strategic development and long-term planning; ineffective water management; ageing networks without proper operation and maintenance; poor service levels in terms of quality, safety and reliability of services; and inefficient resource allocations directed mainly to day-to-day operations/emergency repairs. Most water utilities use outdated equipment and operate deteriorated, leaky pipeline networks. High losses and high energy consumption are the main challenges for water companies. On average water pumps are around 30 years old, and 80-85% are still old Soviet models; about 50% of all assets need replacement, but just 1.3% has been replaced due to lack of financing. Ukrainian water and sanitation sectors face significant shortages of funds countrywide to address the rising problems. The sector urgently requires reform and modernization.

### **Humanitarian risks**

The two main risks projected for the near future in Ukraine are a rapid increase of COVID-19 cases, specifically in conflict-affected areas, and the risk of a return to political stalemate. The fragile health care systems could be put under extreme pressure in the first scenario, particularly in the NGCA, due to

the limited capacity of hospitals and laboratories. COVID-19 also profoundly affects political negotiations, causing missed opportunities to capitalize on the political breakthrough achieved in 2020. The uncertainty created by the pandemic increases the risk of politicization and the stalling of implementation.

## FOCUS: SCORE INDEX FOR EVIDENCE-BASED POLICIES

The Social Cohesion and Reconciliation Index (SCORE) for eastern Ukraine is a joint initiative funded by USAID and implemented by the Centre for Sustainable Peace and Democratic Development (SeeD), in partnership with the United Nations Recovery and Peacebuilding Programme (UN RPP). SCORE is an analytical tool calculated on an annual basis and designed to improve the understanding of societal dynamics in Ukraine in order to provide a solid evidence base for developing policies and programs that strengthen national unity and social cohesion.

*The most recent SCORE findings* demonstrate that GCA and NGCA residents have many needs in common, in particular concerning service provision and improving human security; those living in close proximity to both sides of the 'contact line' face greater adversities. In terms of economic security, for example, 13% of households in the GCA and 20% in the NGCA reported a lack of money to buy food. Overall, residents on both sides of the 'contact line', especially those living closer to it, feel a sense of abandonment: they have less access to services, which leads them to think that the authorities do not care about them; this in turn reduces trust in central institutions and law enforcement bodies, and fuels perceptions that justice and health sector providers are corrupt.

At the same time, however, people living in close proximity to the 'contact line' demonstrate greater resilience (than those living elsewhere in the region and Ukraine), and a stronger sense of belonging,

to both their settlements and Ukraine. Although some coping mechanisms evolved in the absence of an official presence during the armed conflict (for example, service delivery and the provision of security), these are not sustainable. Grievances will continue to increase over time as fatigue sets in, and if there is no restoration of services, including transport and communications. It is also worth noting the higher levels of citizen passivity, which is likely linked to greater personal insecurity/safety and fewer opportunities for engagement with local authorities.

*The SCORE analysis* also highlights the important role played by commuters from the NGCAs, who are more supportive of reintegration than those who do not cross the 'contact line'. Commuters are more likely to be positively disposed to the Ukrainian authorities and identify as citizens of Ukraine. Crossing the 'contact line' remains a significant channel for maintaining people-to-people contacts and for delivering services to, and sharing information with, those living in the NGCAs.



### Access to justice

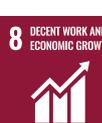
Respondents in eastern Ukraine report the following barriers to access to justice: lack of personal power and wealth; low efficiency of the justice system; and fear for own safety. Those who had experience dealing with the courts expressed higher confidence in being able to obtain justice (67%) than those who had no such experience (54%). Although residents of Donetsk and Luhansk regions are mostly aware of the availability of government-appointed (free legal aid) lawyers, those in rural areas rely on local administrations to a greater extent, as they have fewer options when it comes to seeking legal advice.



### Health and Peace Strategy

Complementing the Peacebuilding Fund for Ukraine, WHO globally has undertaken extensive research on the linkages between health and peace and initiated its Global Programme of Work (GPW). This includes interventions dedicated to achieving universal health care coverage, protecting people in health-related emergencies and conflict reconciliation processes.

In Ukraine, health care is consistently a priority concern among people and equally a source of connectivity, inter-dependence and mutual interest that can generate incentives for trust, cooperation and confidence. The scale of the COVID-19 pandemic has weakened the already low levels of public trust in



### Economic recovery in eastern Ukraine

The election of Volodymyr Zelenskyy as President of Ukraine in April 2019 marked the emergence of a new approach to the conflict in eastern Ukraine. The Government's near-term priorities include improving living conditions in the east, inclusive access to basic services, easier access to pensions, and repairing infrastructure. However, the region's problems are not only related to infrastructure. Even before the onset of the conflict, the region was facing diminishing economic prospects as its traditional industries gradually lost competitiveness internationally and

Nearly two-thirds of residents in eastern Ukraine think the National Police, one of the primary security service providers, ends up solving problems in their communities.<sup>121</sup> At the same time, the gap in police presence between urban and rural areas remains significant: 84% and 52% of respondents respectively reported having police officers in their communities.<sup>122</sup> Police largely lack mechanisms for regular communication. Most respondents (76%)<sup>123</sup> indicated that the police rarely or never hold meetings with community members about their security issues.

state institutions and in health reform. In response, WHO is fostering greater and improved health care provision at conflict locations on both sides of the 'contact line'. This includes training for health staff and, of particular relevance with the onset of COVID-19, the sharing of international standards and best practices which improves infection prevention and control and clinical management. WHO is also undertaking prevention activities throughout the country, with a special focus on dialogue and mediation at community level to increase understanding, tackle underlying frustrations with the health system and reduce its potential for igniting additional tension and conflict.

its population aged rapidly with low fertility and the emigration of its youth.

The conflict has exacerbated these problems, as well as creating new challenges and divisions. It is within this context that the World Bank has committed to deliver evidence-based analysis and recommendations on the economic recovery of the region to help guide Government and international partner strategy, policies and investments in eastern Ukraine.

121 *Security and Justice in Ukraine: Perspectives from Communities in Three Oblasts, 2019-2020.*

122 *Security and Justice in Ukraine: Perspectives from Communities in Donetsk, Luhansk and Zhytomyr Oblasts, 2018.*

123 *Security and Justice in Ukraine: Perspectives from Communities in Three Oblasts, 2019-2020.*

# 8 FINANCIAL LANDSCAPE ANALYSIS

The UN in Ukraine is currently implementing a Joint Programme: Promoting strategic planning and financing for sustainable development on national and regional level in Ukraine. As part of the programme, a national **Development Finance Assessment (DFA)** is expected to be finalized by the end of 2021. The DFA will identify the current status of and prospects for the financing flows opportunities and suggest a roadmap of key financing solutions. The landscape of public and private finance will be

mapped as comprehensively as possible to identify priorities for: (i) enhancing alignment with the SDGs; (ii) redirecting financing; and (iii) identifying potential savings.

The early findings presented below are part of the draft report, 'Analysis of institutional environment and legal framework relevant for the public SDGs financing,' produced by the Joint Programme, and will be updated once the DFA is finalized.

17 PARTNERSHIPS FOR THE GOALS



## SDG FINANCING IN UKRAINE

On 30 September 2019, the President approved a Decree on Sustainable Development Goals for Ukraine until 2030.<sup>124</sup> It required the Cabinet of Ministers, along with other stakeholders, to analyse and improve forecasting and programme documents, as well as to introduce the monitoring system for implementation of the SDGs. The monitoring results are to be published annually by 1 March. In January 2020, the Ministry for Development of Economy, Trade and Agriculture (MDETA) prepared the monitoring report, *SDG: Ukraine, 2019*.<sup>125</sup> In June 2020, the first *Voluntary Review on SDG in Ukraine* was published by MDETA.<sup>126</sup>

The MDETA assessment shows that the SDGs are already part of national strategic and policy documents, with 145 strategic and policy documents in line with the SDGs. In September 2020, the SSSU introduced the monitoring instrument on its website<sup>127</sup> (with the support of independent analysts VoxUkraine). This allows the monitoring of progress on the SDG achievements at national level, with data starting from 2015. It also enables identification of policy areas that need acceleration to achieve SDGs by 2030.

Achieving the SDGs by 2030 requires a robust strategic planning system. The establishment of an effective Integrated National Financing Framework (INFF) is suggested to ensure better implementation of SDGs and their alignment with the budget. The

INFF helps policymakers to map the financing of sustainable development and lay out a strategy to increase, and make most effective use of, investment. It also supports the coordination of technical and financial cooperation and the management of financial and non-financial risks, and ultimately helps achieve the priorities articulated in the national sustainable development strategy.<sup>128</sup>

Additionally, an INFF enables domestic and international stakeholders, including IFIs, to better understand national policies, as well as have a full picture of the financial resources (domestic, international, public and private) available to support the implementation of SDGs.

The INFF approach is based on the DFA and budget tagging exercises. The DFA was developed by UNDP for countries to ensure financing of the SDGs. It includes: analysis of the quality of national development strategies; an assessment of available financing for SDGs; the identification of opportunities to mobilize additional financing (both public and private); and an evaluation of the efficiency of SDG financing. In this way, the DFA will better align budget financing with national priorities and results. Any recommendations to the Government arising from the DFA concerning the adjustment of national strategies, priorities and finance allocation can feed into the INFF.

124 [www.president.gov.ua/documents/7222019-29825](http://www.president.gov.ua/documents/7222019-29825)

125 [http://ukrstat.gov.ua/csr\\_prezent/ukr/st\\_rozv/publ/SDGs13.01.2020\\_engl.pdf](http://ukrstat.gov.ua/csr_prezent/ukr/st_rozv/publ/SDGs13.01.2020_engl.pdf). The report was drafted following the Prime Minister of Ukraine Order 33598/1/1-19 of 3 December 2019, approved in the implementation of the Presidential Decree.

126 <https://bit.ly/346ly5c>

127 [http://ukrstat.gov.ua/csr\\_prezent/ukr/ukr4/index.html](http://ukrstat.gov.ua/csr_prezent/ukr/ukr4/index.html)

128 'Integrated National Financing Frameworks: Inception Phase', Working Draft, January 2020.

The DFA is required in Ukraine as there is a **no robust strategic framework or clear hierarchy of planning documents**. There is also a challenge in agreeing the lead role in strategic planning within government. The role is currently distributed among the Secretariat of the Cabinet of Ministers (SCMU), the Ministry of Finance and Ministry of Justice, as these bodies should provide their agreement on all activities that require approval by the Cabinet of Ministers.

The Ministry of Finance and Ministry of Justice often fail to form an independent opinion, while the SCMU block some decisions without providing independent expertise<sup>129</sup>. Moreover, there is a dispute between the SCMU and MDETA on their role in setting strategic priorities. This resulted in the prolonged discussion on the draft law on strategic planning, which has not yet been approved.

The Government Programme is an essential document that defines strategic priorities, and which each Cabinet of Ministers of Ukraine (CMU) should approve on assuming office. Such programmes ensure the indirect implementation of many SDGs, as they envisage better health, education and higher standards of living. However, financing the SDGs, as well as a lack of continuity in policies, is a challenge, with almost every new CMU and minister creating strategies from scratch.

One of the documents which does enable continuity of policies is the Association Agreement between Ukraine and the EU, signed in 2014. The Government approved the Action Plan for Implementation of the Association Agreement,<sup>130</sup> which envisages both new legislation or updates to current legislation in order to comply with the step-by-step priorities. A lack of resources and political will has resulted in delays in implementation of the Agreement.<sup>131</sup>

Implementing the SDGs is also hampered by **the lack of a medium-term budget framework in Ukraine**, though it is already in the Budget Code. A 2018 amendment to the Code did introduce a medium-term budget framework, so that strategic priorities can be included in budget planning. The three-year Budget Declaration was defined as a document for medium-term budget planning, designed to align strategic goals with fiscal financing. It is to take into account national goals and priorities, as set out in the President's Annual Address to the Parliament, the Government's programme, and social and economic forecasts. The medium-term

Budget Declaration is to be a base for the preparation of national budget legislation and forecasts for local budgets.

Until now, budget preparation in Ukraine has been an annual process: this does not enable the efficient allocation of resources over the medium term for strategic priorities, even if they are defined. Further, the Government does not usually conduct comprehensive discussions on priorities and policy options. Typically, the key spending departments submit budget requests to the Ministry of Finance that are above available financing, so the Finance Ministry often sets expenditure ceilings, which are based on current fiscal parameters.

Some elements of a medium-term budget expenditure framework are in use. In particular, key spending departments must submit three-year budget requests to the Ministry of Finance. These requests should clearly define both the objectives for each programme and key performance indicators (KPIs) to help assess efficiency and effectiveness. However, analysis shows that the KPIs rarely follow the SMART approach; rather the objectives are declarative and it is unclear in how they relate to the Government's priorities.

Another key element of a medium-term budget framework is costing, which is compulsory for all policy documents (drafts of orders, resolutions or laws). The author should provide a cost assessment, i.e. a calculation of the financing required for the implementation of the new or updated regulation and how it affects state and/or local budgets. The Ministry of Finance updated the costing methodology in December 2019.<sup>132</sup> The author of any draft regulation from the CMU, or law which is to be submitted by the CMU to the Parliament, is required to complete a table showing the objectives and compliance with the government programme and other strategic documents, as well as clear costings for a three-year period. However, the evidence indicates that this task is not always done properly.

This **lack of proper costing** appears to be because of an apparent political reluctance to have proper finance assessments. For example, while assessing the capacity of two line ministries to conduct forward baseline expenditure estimates, the IMF concluded: "The two ministries appear to have the capability to prepare expenditure baselines with the right instructions".<sup>133</sup>

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129 <https://youtu.be/ImXWEBsORF0>

130 <https://zakon.rada.gov.ua/laws/show/1106-2017-%D0%BF#Text>

131 The progress in the implementation of the AA can be monitored through the Instrument, 'Pulse of the agreement': <https://pulse.eu-ua.org/>

132 <https://zakon.rada.gov.ua/laws/show/z0075-20#Text>

133 <https://www.imf.org/en/Publications/CR/Issues/2019/11/22/Ukraine-Technical-Assistance-Report-Enhancing-the-Medium-Term-Budget-Framework-and-Preparing-48835>

The **efficiency of budget spending** is another concern. Spending reviews were introduced to assess the efficiency of expenditure against budgets.<sup>134</sup> The aim of these reviews is to improve efficiency through a range of measures, including streamlining programmes and setting correct KPIs. The spending reviews were also to develop recommendations on public-private partnerships (PPPs) that put people first PPPs, to finance some programmes, as well as to consider only private finance for some activities.

However, most of these spending reviews are yet to be completed.

Overall, in the absence of sufficient resources to finance implementation of all the SDGs, there is a clear need for the DFA, as this would allow the mapping of available public financing for some SDGs and indicate other areas in which private finance is required. A more efficient financial regime will help the Government achieve better results in SDG implementation.

## PROSPECTS OF IMPACT INVESTMENT

Impact investing, where investments are made with the intention to generate positive, measurable social and environmental impact alongside a financial return, has been a key model to align monetary profit with positive development impact.

The impact investing market has shown rapid growth, with assets under management reaching US\$715 billion at the end of 2019, from US\$502 billion in 2018.<sup>135</sup> The International Finance Corporation (IFC) estimates investor appetite to be as high as US\$26 trillion.<sup>136</sup> However, despite strong growth globally, geographical disparities persist in the allocation of impact capital. Around 45% of impact assets are allocated to countries in North America and Western Europe. Eastern Europe, Russia and Central Asia accounted for only 6% of total impact assets in 2019. The Annual Impact Investor Survey 2020 by GIIN finds that the lack of high-quality investment options with a track record remains a significant barrier to the growth of SDG investments.<sup>137</sup>

UNDP SDG Impact recently launched the 'SDG Investor Maps', an impact intelligence product focused specifically on deriving SDG-aligned investment opportunities. The aim is to empower investors,

through impact intelligence products around bankable investment areas in countries with significant SDG needs. Moreover, blending the UNECE people-first approach to PPPs with the principles of impact investing can provide practical ways for the investment community to engage in partnerships to support projects that address environmental and social problems.

Ukraine's impact investing ecosystem is still at an early stage of development. The main challenges include a lack of conceptualized impact investing mechanisms and the corresponding institutional environment to attract impact assets. Nevertheless, some enterprises can already be classified as creating impact and capable of generating financial returns. However, most do not position themselves as impact enterprises, and as a result are often left out of the pool of businesses capable of attracting suitable investors. Ukraine's vast, largely untapped potential could help the country develop a robust impact investment ecosystem that could encourage the necessary inflow of investments, making it easier to address its development challenges.

134 In 2019, spending reviews were conducted as pilots. In October 2019, the MinFin approved the Order on spending reviews of state budget, No.446, to introduce spending reviews as the regular measure to be used by the key spending units with the aim to increase efficiency.

135 <https://thegiin.org/research/publication/impinv-survey-2020>

136 [https://www.ifc.org/wps/wcm/connect/publications\\_ext\\_content/ifc\\_external\\_publication\\_site/publications\\_listing\\_page/promise-of-impact-investing](https://www.ifc.org/wps/wcm/connect/publications_ext_content/ifc_external_publication_site/publications_listing_page/promise-of-impact-investing)

137 <https://thegiin.org/research/publication/impinv-survey-2020>.

# CONCLUSIONS: KEY CHALLENGES AND OPPORTUNITIES FOR ADVANCING AGENDA 2030 IN UKRAINE

Ukrainian society faces significant structural divisions and polarizations affecting not only progress to sustainable development, but the very societal foundations. The CCA identifies numerous development opportunities, that need to be prioritized and continuously updated to promote integrated solutions, delivering multiple positive shifts across development sectors and SDGs, bringing **sustainability** as a key decision-making and policy prioritization factor.

Coherent UN support, engaging necessary partners and stakeholders, must be leveraged to address key challenges using a **human rights based approach** mainstreamed across strategies, policies, budget and programmes, paying special attention to the groups left furthest behind, identified in this analysis. Essential in advancing the 2030 Agenda is a continuous commitment to **gender equality**, the empowerment of women and youth.

For better developmental outcomes, the SDG framework, already widely acknowledged as universal policy orientation in Ukraine, should truly become the policy benchmark to **foster sustainability and resilience** across sectors and decisions. The ongoing establishment of an **Integrated National Financing Framework** is a significant opportunity to advance Agenda 2030, ensure better SDG implementation and alignment with the national budget. The INFF enables policymakers to map the landscape for financing sustainable development and set out a strategy to increase and effectively use investment for sustainable development, coordinate technical and financial cooperation received, manage financial and non-financial risks, and ultimately achieve the priorities articulated in the national sustainable development strategy. The INFF has a significant role emphasizing how all stakeholders can directly contribute and finance development.

**Ongoing conflict** erodes every dimension of human activity. In Ukraine's contemporary context,

**sustainable peacebuilding** is a priority that applies not only to ending the armed conflict in the east of the country and the restoration of Ukraine's sovereignty and territorial integrity, within its internationally recognized borders<sup>138</sup>. It also requires the **restoration of both vertical and horizontal trust** at various levels, which entails strengthening the social contract through increasing more active participation in building unity, promoting freedom of expression and strengthening dialogue among citizens, and the creation of a common vision for the country. The second National Action Plan for implementing the UNSCR 1325 on Women, Peace and Security is a positive step in this direction.

**Rebuilding societal trust** in institutions by assisting them to address impunity, deliver fairly and be accountable and competent to steer development could help address the root causes of slow progress for many SDGs. The UN should be committed to **promoting voices and meaningful participation, especially those of women**, including women human rights defenders **and youth**, in order to influence decision-making, as well as give visibility to the different needs of men and women from the various social groups, especially the most marginalized and vulnerable, it is essential to address the aftermath of the pandemic and promote progress to Agenda 2030.

Sustainability, preparedness and **resilience** considerations should reactivate a more meaningful discussion on **environment and climate change impact on society and economy**. Policies to support greening of the economy can improve the efficiency of resource use, enable participation in green supply chains, contribute to a cleaner environment and improved public health, as well as generate new sustainable jobs and even improve fiscal space. In addition, inter-sectoral cooperation in integrated water resources management (including water, sanitation and health policies and actions) as well as support to transboundary dialogue with the ri-

138 The UN GA resolution 68/262 reaffirms the commitment to the sovereignty, political independence, unity and territorial integrity of Ukraine, within its internationally recognized borders.

parians over water resources will enable the country to become more resilient to climate change leading also to building regional integration and sustainable development.

Not **investing in human capital** to make the most of it severely curtails Ukraine's ability to achieve the SDGs. Human capital is a central driver of sustainable growth and poverty reduction, must receive necessary attention and financial resources from the Government and all development actors. **Education, social protection and access to health** are human rights and directly contribute to social and economic development. Ensuring **necessary investment in human capital** can turn the tide on inequality by strengthening systems to ensure universal provision of quality services such as health care, education, and social protection; identifying, collecting and communicating disaggregated data on vulnerable groups, and empowering all segments of society, especially the most vulnerable ones, by investing in jobs and livelihoods in resilient and sustainable sectors.

An **economy of wellbeing** means that beyond beating COVID-19, the political will must flow from politicians, economic leaders, CSOs and people from across the country of all backgrounds to create a better society that is fair and safe for everyone and where no one is left behind.

In this context the ongoing **decentralization and focus on land reform and local development** could be a great enabler of transformative pathways in Ukraine, if designed and implemented fairly and taking under account the need to support those in lower socio-economic brackets, offering the possibility to reboot corrupt power dynamics and empower local communities to sustainably manage their territories and assume their responsibility as development co-creators and owners. Decentralization and land reform can also be powerful ways to reduce poverty, especially given that already today poverty levels in rural Ukraine are twice as high as in urban settings.

Empowered local authorities can also be better placed to fine-tune necessary accelerators of the area-based systems, including **formalization of local economy, women's economic empowerment, SME and skills development** with a focus on employment generation. Coupled with **well managed migration and support to investment** these bottom-up measures are capable to positively transform local economic and financial landscape, even if necessary national enabling conditions are delayed.

Significant opportunities for multidimensional advance of SDGs are linked to a strong **digital co-operation agenda** promoted by the government. Digitalisation can deliver benefits across key challenging action areas: from social cohesion and anti-corruption to human capital development.

Several technical issues, such as a **national census** that could be organised as soon as the pandemic limitations are eased, could potentially notably improve the quality of policymaking driven by reliable data, fill data gaps on the most vulnerable populations, increase trust, acceptance and compliance with necessary transformational policy decisions, but also allow tracking and demonstrating positive progress towards SDGs.

Census data is also central to adequately assess demographic characteristics and migration issues. Ukraine will face significant economic cost due to **demographic decline** in the next decade, that will impact all aspects of socio-economic development, putting significant pressure on macro-economic stability, labour market, health systems. Taking due account these demographic trends and building up a "demographic resilience" approach will be of utmost importance for the sustained and sustainable growth.

Finally, **corruption** is also the most visible and main cross-dimensional decelerator of development that need to be systematically addressed, to become a cross-cutting UN focus along with human rights and gender equality. It is impossible to implement any of the needed societal and economic transformations, improve business enabling environment, increase social cohesion and trust in the society that makes society more resilient towards any risks, without addressing the core problem of corruption in its wider sense: economic corruption and bribery, breach of trust and populism, ignorance and incompetence, but also pollution and irresponsible and unsustainable consumption and production patterns.

An interrelated prerequisite to enable progress in all these areas is the need for a continuous effort to protect **freedom of expression**, support pluralist and independent media and the safety of journalists, as well as to enforce the **right to access reliable information** for all groups in society, especially critical in times of COVID-19 and vaccination programmes being rolled out. In this regard, a free, independent and pluralist media ecosystem has an essential role to protect and promote information as a common good.

# ANNEX I - MULTIDIMENSIONAL SDG RISK ANALYSIS

According to INFORM Country Risk Profile,<sup>139</sup> Ukraine has a higher global risk index than any bordering country. Ukraine is ranked to highest risk for Current Conflicts Intensity (10/10), Epidemic (7.9/10), Flood (7.1/10) as well as the Corruption Perception Index (6.8/10). Prevalence of corruption also indicates a significant lack of coping capacity due to eroded good governance and obsolete physical infrastructure. The risks intensified with the onset of the conflict in 2014 but since then remain relatively stable. The World Bank GFDRR risk profile for Ukraine<sup>140</sup> indicates that its population and economy are exposed to earthquakes and floods with the latter posing the greater risk. The annual average population affected by flooding in Ukraine is about 600.000 and annual average GDP lost is about US\$1 billion.

Several threats to Ukraine's development with high likelihood and potential impact require constant monitoring as part of the country's own development accountability framework. The continuing

COVID-19 pandemic, ongoing conflict, political instability, distrust in institutions, impact of climate change on economy and society along with high connectivity and reliance on external support make SDG progress uneven, unstable and vulnerable to sudden setbacks. Early warning indicators need to be closely tracked to try to reduce or avoid identified and emerging risks. This multidimensional SDG risk analysis reveals the need for resilience and preparedness in Ukraine, as opposed to crisis response.

The National Security Strategy<sup>141</sup> adopted in September 2020, covering 25 current and potential risks, is the first step towards systematic risk assessment and DRR as well as its integration as a cross-cutting horizontal GoU coordination issue. It should be further operationalized and enriched with multidimensional SDG risk analysis, to facilitate the development of a **National Disaster Risk Reduction Strategy of Ukraine**.

SDG	Risk area and description	Early warning indicators	Impact on vulnerable groups	Mitigation measures and responsible actors
3,17	<b>Public health</b>			
	<ul style="list-style-type: none"> <li>Uncontrolled development of COVID-19, new pandemic</li> </ul>	<ul style="list-style-type: none"> <li>Number of new cases and fatalities per 1,000 population</li> <li>Reduced relative share of public health spending in the national budget</li> </ul>	<ul style="list-style-type: none"> <li>Decreased access to essential health services for older populations and other vulnerable groups, such as vulnerable categories of women and persons with pre-existing conditions</li> <li>Disruption to immunization services for children</li> </ul>	<ul style="list-style-type: none"> <li>Support COVID response, implementation of national testing and tracing strategies</li> <li>Ensure effective MoH strategic planning, decentralization, capacity-building and supervision</li> <li>Empowered and competent local authorities invest in accessible multi-sectoral integrated services</li> </ul>

139 <https://drmkc.jrc.ec.europa.eu/inform-index/INFORM-Risk/Country-Profile/moduleId/1767/id/386/controller/Admin/action/CountryProfile>

140 <https://www.gfdr.org/sites/default/files/Ukraine.pdf>

141 <https://zakon.rada.gov.ua/laws/show/392/2020#n7>

ALL SDGs	Ongoing conflict			
	<ul style="list-style-type: none"> <li>• Ongoing conflict in eastern Ukraine, continues disrupting livelihoods and equal access to opportunities, intensifies social exclusion and neglect of environmental sustainability, diverts attention from development and reform needs</li> <li>• Ecological and industrial risks in conflict-affected areas from obsolete industry, shelling near hazardous infrastructure, flooding coal mines (see Donbas Environment Information System mapping)</li> <li>• Large and growing mined area, which will need to be made mine-free</li> <li>• Large stock of ammunition, small arms and light weapons in conflict area but also throughout country</li> </ul>	<ul style="list-style-type: none"> <li>• Increased fatalities</li> <li>• Broken cease-fire</li> <li>• Disruption of negotiation process</li> <li>• Polarization of public opinion over peace perspectives as demonstrated by surveys</li> <li>• Exacerbation of all existing inequalities in society, human rights, tolerance, and non-discrimination challenges are more visible</li> <li>• Increase of criminal cases involving arms</li> <li>• COVID-19 pandemic could result in step back from human rights values and decrease tolerance in the society</li> </ul>	<ul style="list-style-type: none"> <li>• Residents of GCA and NGCA, especially older persons, people with disabilities, women-headed households, households with children exposed to hostilities, women from vulnerable groups (women with disabilities, Roma women, single mothers, women experiencing violence, including conflict-related sexual violence, women and girls living with HIV/AIDS, older women) in high need of critical services, water supply, sanitation, and food</li> <li>• Risks for further marginalization of IDPs and their low integration in the society</li> </ul>	<ul style="list-style-type: none"> <li>• More dedicated government capacity for stabilization, proactively containing conflict contagion and escalating social strains through peacebuilding and reconciliation of population on both sides of 'contact line'.</li> <li>• Increased humanitarian response</li> <li>• Increase the role of local authorities to identify and implement development activities, foster area-based development</li> </ul>
ALL SDGs	Good governance and political stability			
	<ul style="list-style-type: none"> <li>• Rollback or decorative course of fundamental reforms: effective anti-corruption, judiciary, public administration, independence of key institutions, decentralization, healthcare</li> <li>• Unrealistic/populist strategic planning, budgeting, financing for government activities, absence of participative accountability framework</li> <li>• Even greater distrust of the population in institutions and government ability to address development challenges</li> <li>• Constitutional crisis</li> </ul>	<ul style="list-style-type: none"> <li>• Inconsistent, slow progress or lack of communication with public through clear progress benchmarks</li> <li>• Regularity of IFI financing against structural conditionalities</li> <li>• Adoption/delay of key reform legislation (land laws, Anti-Corruption Strategy, etc)</li> <li>• Attacks on key reform institutions</li> <li>• Budget regularity and shifts</li> <li>• Inclusiveness of public consultations over long-term development strategies</li> <li>• Efficiency of roll-out of decentralization reforms, particularly in east where there are military-civil administrations.</li> </ul>	<ul style="list-style-type: none"> <li>• Increased poverty levels for most vulnerable populations</li> <li>• Decreased access to basic services, including healthcare</li> <li>• Narrowing of economic empowerment opportunities, especially for youth and women, due to non-conducive business environment</li> <li>• Aggravated inequalities and weaker social cohesion leading to more discrimination</li> </ul>	<ul style="list-style-type: none"> <li>• Unwavering government commitment to rule of law, equality before justice system and independent judiciary</li> <li>• All parties (GoU, civil society, business, civil and DPs) and resources align behind shared objectives, including gender equality, and the most important reforms</li> <li>• Local self-governments empowered in line with European Charter of Local Self Government, ensuring long-term sustainability of new municipalities</li> <li>• Fostering long-term planning and budgeting framework with clear accountability indicators</li> </ul>

12-17	<b>Environment, climate change and food security</b>			
	<ul style="list-style-type: none"> <li>• More frequent disasters induced by natural hazards</li> <li>• The Carpathian mountain regions and densely populated areas in the Dniester, Dnieper and smaller river basins are highly vulnerable to floods, while port cities of Odessa, and of Kher-son and Mykolaiv regions in southern Ukraine may be partially submerged owing to rising levels of the Black and Azov seas</li> </ul>	<ul style="list-style-type: none"> <li>• Increasing droughts</li> <li>• Heightened weather volatility</li> <li>• Frequency of forest fires and desertification of Ukraine’s southern and south-eastern regions.</li> <li>• Illegal logging and de-forestation</li> <li>• Spread of not typical dis-eases for Ukraine (malaria, dengue, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• Significant economic losses and threatening food security and livelihoods, especially for all population in rural, remote, conflict affected areas</li> <li>• Curtailed access to drink-ing water</li> <li>• Aggravated effect of cli-mate change on women’s livelihoods</li> </ul>	<ul style="list-style-type: none"> <li>• All line ministries review policies to mitigate climate change and introduce ad-aptation measures.</li> <li>• Public administration re-form in Ministry of En-vironment and Natural Resources to mainstream environment in econom-ic growth, agriculture, energy, democracy and governance, and disaster risk reduction in line with Sendai Framework</li> <li>• Develop and endorse Na-tional DRR Strategy using multi-hazard and multi-stakeholder approach</li> </ul>
1, 5, 10, 17	<b>Social cohesion, inequalities, non-discrimination</b>			
	<ul style="list-style-type: none"> <li>• Gender inequality in in-come opportunities result in increased vulnerabil-ity and poverty risks for women</li> </ul>	<ul style="list-style-type: none"> <li>• Changes in population poverty profile and com-position</li> <li>• Exclusion of ethnic minor-ities</li> </ul>	<ul style="list-style-type: none"> <li>• Highest risk for poverty among families with many children, single wom-en-headed households and older persons women</li> <li>• Poverty risk and multiple deprivations in terms of access to public serv-ices and infrastructure is higher among vulnerable categories of population, especially women</li> <li>• Deprivation from safe housing, income, employ-ment and access to ser-vices for conflict-affected population</li> </ul>	<ul style="list-style-type: none"> <li>• Social protection reforms ensure protection of most vulnerable populations and reduce household dependence on state</li> <li>• Reallocate resources from housing and remaining fossil fuel subsidies / tax expenditures; using gains from curtailing exemp-tions/tax rate reductions, and bringing informal ac-tivities under tax net</li> <li>• Build decentralized social services with effective in-tergovernmental income equalization transfers, en-suring minimum stand-ards for social services</li> </ul>
ALL SDGs	<b>Macroeconomic stability</b>			
	<ul style="list-style-type: none"> <li>• Macroeconomic instability</li> <li>• Increasing external financ-ing gap</li> <li>• Depreciation of exchange rate</li> <li>• Increased inflation</li> <li>• Deteriorating business en-vironment and investment profile due to inability to cope with corruption and secure independent ju-diciary</li> <li>• Supply shocks due to dis-rupted production, trade and transport</li> </ul>	<ul style="list-style-type: none"> <li>• Dynamics of key indicators, GDP/Debt ratio, domestics demand and investment, exchange rate and infla-tion</li> <li>• Availability and dynamics of external financing (IFI and commercial loans, bond yield, EU MFA, FDI)s)</li> <li>• Weakened balance sheets of households, businesses, and banks</li> </ul>	<ul style="list-style-type: none"> <li>• Insufficient social safety net for most vulnerable</li> <li>• surge in poverty as income and consumption suffer from quarantine and lower remittances</li> <li>• Particular vulnerability of informal employment sector</li> </ul>	<ul style="list-style-type: none"> <li>• Strong commitment to foundational reforms</li> <li>• effective dialogue with development partners and cooperation across the humanitarian and devel-opment areas</li> </ul>
	<b>Population dynamics</b>			
	<ul style="list-style-type: none"> <li>• Increased depopulation, impact of demographic decline on economy and society</li> </ul>	<ul style="list-style-type: none"> <li>• Trends in population and migration indicators</li> </ul>	<ul style="list-style-type: none"> <li>• Unsustainable social secu-rity and pension systems impacting poorest pop-ulations</li> </ul>	<ul style="list-style-type: none"> <li>• Developing a “Demo-graphic Resilience” ap-proach to Population issues</li> <li>• Investment in human cap-ital as budget priority;</li> <li>• Migration and mobility governance framework</li> </ul>



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