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REPORT

SURVEY RESULTS

IMPACT OF THE COVID-19 PANDEMIC AND QUARANTINE MEASURES ON UKRAINE'S FORESTRY SECTOR COMPANIES

The survey was conducted by PPV Knowledge Networks with support by USAID Competitive Economy Program (CEP)

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EXECUTIVE SUMMARY

During May 2020, PPV Knowledge Networks economic development agency studied the impact of the COVID-19 pandemic and quarantine measures on Ukraine's forestry sector companies. The forestry sector includes all industries that work with wood—timber harvesting, wood processing, furniture, fiber/chipboard, and pulp and paper industries. The study included a poll of forestry sector companies, a focus group with key stakeholders of the sector, an analysis of business support programs, and the development of recommendations.

The poll sample included 95 forest sector companies from 15 oblasts of Ukraine. Most respondents work for small businesses (47%), while 30% work for micro-businesses (including self-employed), and 17% work for medium-sized enterprises.

The quarantine lockdown, together with the imposed restrictions, coupled with the reduced purchasing power, has affected the forestry sector as a whole significantly (in the opinion of more than 90% of respondents). Over 80% of responding companies have been affected substantially by the pandemic—they had to suspend or reduce production. Almost half of the companies already reduced sales of their goods or services to 50% or more of their annual sales and another half is expecting it to drop to that level until the end of the year.

Companies of the sector are engulfed in a deep liquidity crisis. While 48% are short of funds for tax payments, 56% have issues with paying their employees, while 62% keep increasing their accounts payable.

Almost all of the respondent companies reduced the working hours of their personnel or furloughed their employees, with more than 20% having downsized the personnel.

It is difficult for forestry sector companies to move online because the production depends heavily on manual labor (this factor was mentioned by 71% of respondents).

On average, the companies from the sector would be able to operate under the corona crisis for not more than three months; 26 percent of them would only be able to keep up for one month.

The companies believe that they would be able to restore their sales to a pre-pandemic level within six months (51% of the companies), while some of the organizations need a year (32%) or two (17%) to do so.

The COVID-19 pandemic resulted in a slump in demand for forestry sector goods and, accordingly, a shortage of working capital and an increase in accounts receivable. These factors affect the forestry sector companies the most, regardless of the business size and the specific industry.

Respondent companies believe that the negative impact of the quarantine on the sector can be mitigated, first of all, by measures aimed at postponing the settlement of liabilities, including short-term tax breaks, grace periods, wage subsidies for employees. In turn, demand stimulation programs would help companies restore their production processes, increase sales, and reduce accounts receivable.

However, forestry sector companies hardly make use of the available business support programs. Support program utilization level ranges from 1% to 23%, depending on the program. Forestry sector stakeholders point toward difficulties with using national SME support programs, such as the “5-7-9% Affordable Loans”, caused by complicated procedures.

Under the quarantine, the demand for the automation of production processes at the enterprises has become more pronounced because this would contribute to reducing the use of manual labor (according to 50% of the companies).

Forestry sector companies do perceive the need for changes in the format and methods of communication aimed at attracting customers or selling goods. More than half of respondents pointed toward the need for support to the development of the necessary skills in online sales or the recruitment of online marketing specialists.

Forestry sector stakeholders keep mentioning the need for supporting the companies in identifying and utilizing new online sales channels as well as exploring new export markets through consortia or clusters.

The analysis of the current business support programs available in Ukraine and the needs of forest sector companies is indicative of a gap between the SMEs' needs and the tools implemented by the Government to support them. Tax breaks and employment support are minimal in terms of size and scope. The 5-7-9% Affordable Loan Program is a tool best suited for the needs of SMEs. At the same time, the program is not popular among companies in the sector due to its complex procedures and the lack of trust on the part of SMEs. No demand stimulation initiatives are currently included in the list of initiatives of the Stabilization Fund (May 2020), although it would be desirable for the SMEs.

The following is our suggested approach toward the anti-crisis support for the forestry sector:

- Online marketing is a key assistance area.
- As regards anti-crisis support, it would not be appropriate to assist with the digitalization of production processes.
- The grant support will not help preserve non-competitive businesses. Those with the potential, will be able to co-fund their projects.
- The sector is burdened with loans; it requires assistance with the loan service during the economic downturn period.

The following are recommended priority instruments and focus areas of the development of Ukraine forestry sector SME support policies and programs.

1. Marketing Digitalization Support Program.
2. Support for the Access to the 5-7-9% Affordable Loan Program.
3. Marketing and Sales Cooperation Support Program.

SURVEY RESULTS

During May 2020, PPV Knowledge Networks economic development agency surveyed the impact of the COVID-19 pandemic and quarantine measures on Ukraine’s forestry sector companies. The forestry sector includes all industries that work with wood—timber harvesting, wood processing, furniture, fiber/chipboard, and pulp and paper industries. The survey included a poll of forestry sector companies, a focus group with key stakeholders of the sector, an analysis of business support programs, and the development of recommendations.

The poll sample included 95 forestry sector companies from 15 oblasts of Ukraine (67% from Ukraine’s West, 21% from the North, 11% from the Center, and 1% from the East of Ukraine). Most respondents represent wood processing and furniture industries (Figure 1). The companies were able to specify several areas of operation or suggest additional areas, including biomass-based energy (6), wood processing (as an additional activity, 13), and veneer production (2).

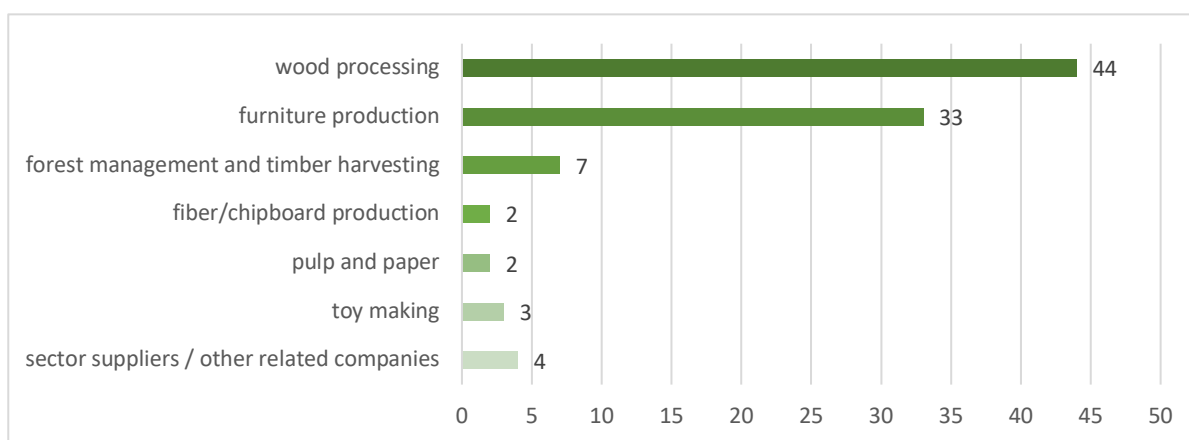


Figure 1. Industry Structure of Respondent Companies of the Forest Sector (by Core Business)

The sample matches the structure of the sector—most respondents work for small businesses (47%), while 30% work for micro-businesses (including self-employed), and 17% work for medium-sized enterprises (Figure 2).

Almost 50% of respondents represent limited liability companies (TOV); about 30% of them are sole traders (FOP); almost 14% are private enterprises (PP), while 7% more make use of other organizational forms (public joint-stock companies (PAT), private joint-stock companies (PrAT), state-owned enterprises (DP), an education establishment, a cooperative).

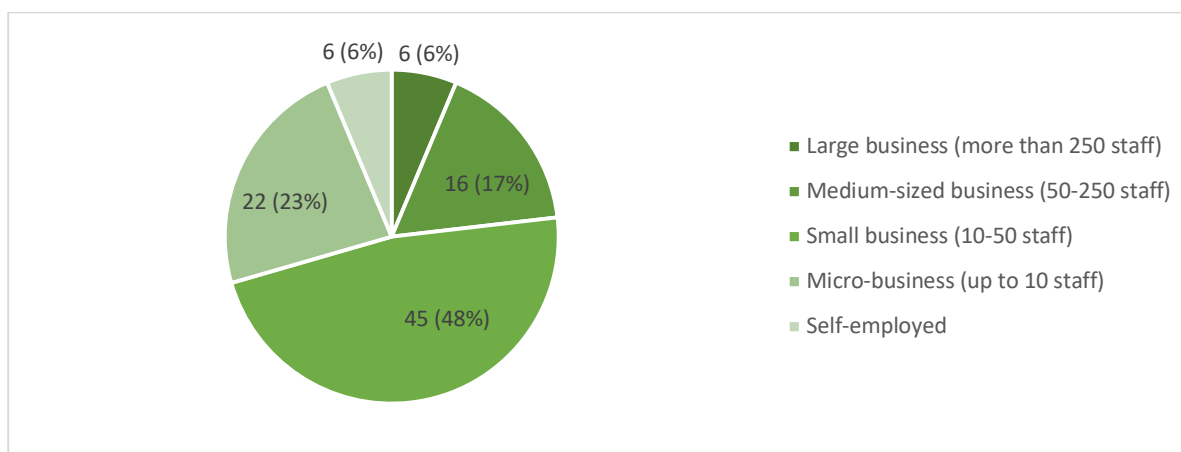


Figure 2. Distribution of Respondent Companies by Business Size

Over 80% of responding companies have been affected substantially by the pandemic—they had to suspend or reduce production (*Figure 3*). One-third of respondents keep surpluses of the finished products in their warehouses—they were stock-piling due to their strategy or due to a drop in demand. Respondents mentioned the overall deceleration of the economic activity with the increased lead times and payment periods, frozen contracts, etc.

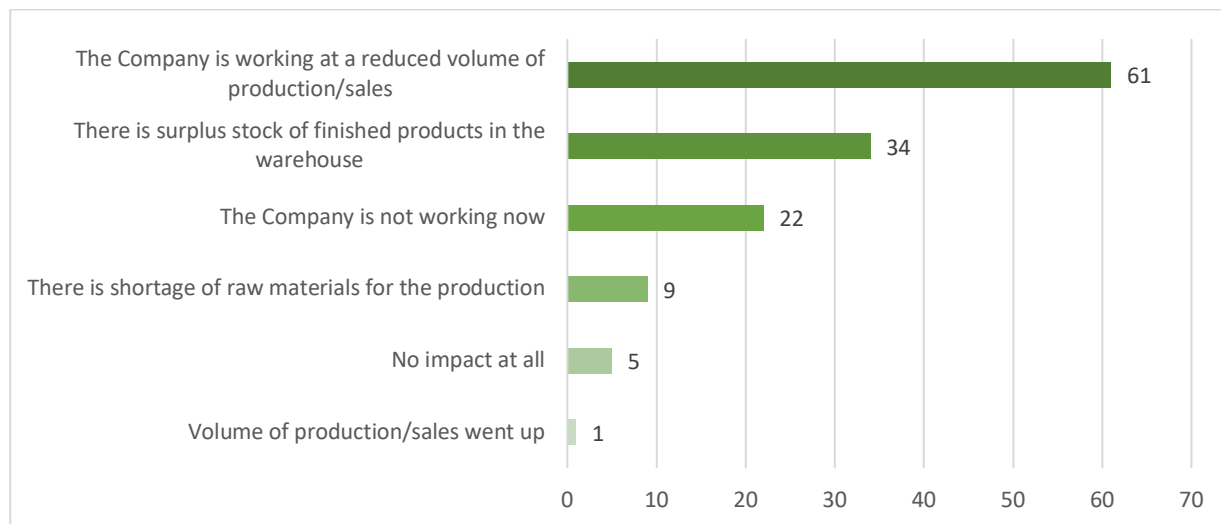


Figure 3. *Impact of the COVID-19 Pandemic and Quarantine Measures on the Operation of Companies*

46.2% of the companies responded that the sales of their goods or services had dropped already to 50% or more of their annual sales; 46.2% of the respondents expect sales to drop by more than 50% over the year (*Figure 4*). The larger the business – the more optimistic it is about the corona crisis impact, e.g. while 72% of micro-businesses expect their annual sales to drop by 50% or more, this expectation is shared by 40% of small businesses and only 25% of medium-sized enterprises. Almost 63% of medium-sized companies (with 50 to 250 employees) expect sales to drop by up to 30%.

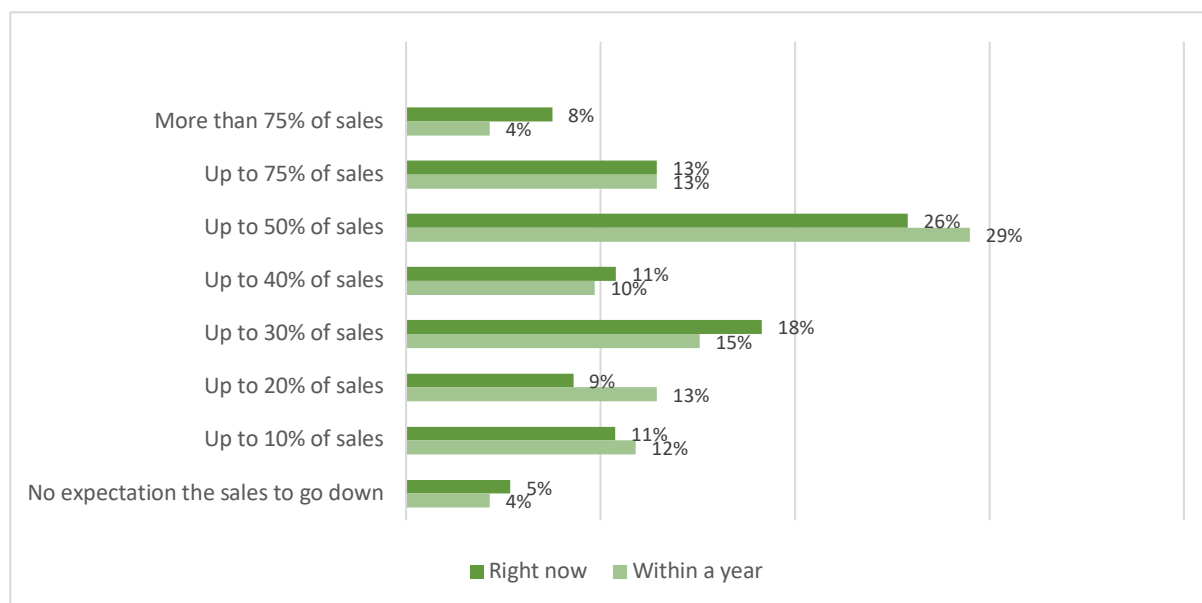


Figure 4. *Indicators of the Drop in Sales of Goods or Services Now and Within a Year due to the COVID-19 Pandemic*

Companies of the sector are engulfed in a deep liquidity crisis (*Figure 5*) — 48% are short of funds for tax payments, 56% have issues with paying their employees, while 62% keep increasing their accounts payable.

Almost all of the respondent companies reduced the working hours of their personnel or furloughed their employees, with more than 20% having laid off personnel (*Figure 6*). Companies of the sector were able to adapt to the situation - 20% have all or part of their employees working remotely.

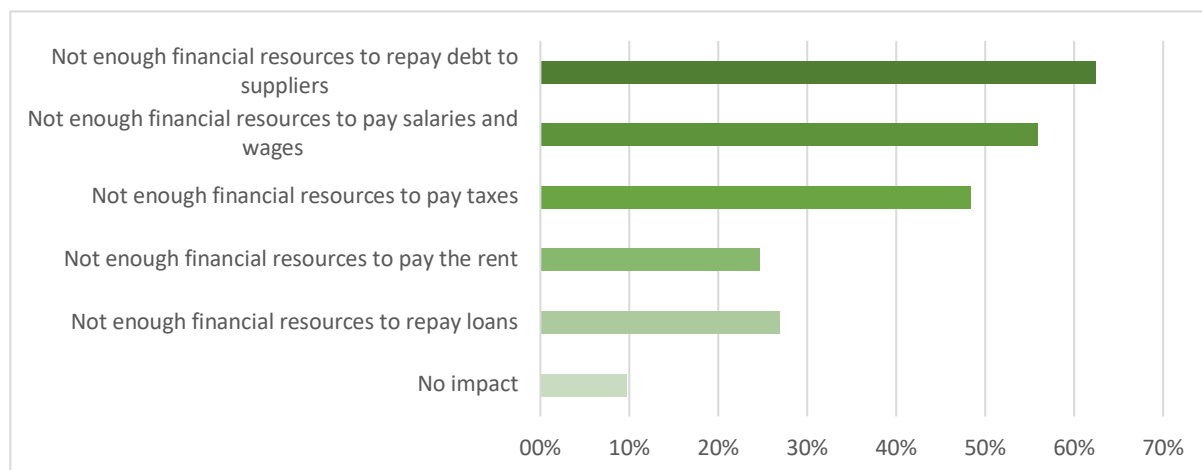


Figure 5. *Impact of the COVID-19 Pandemic on Settlement of Liabilities*

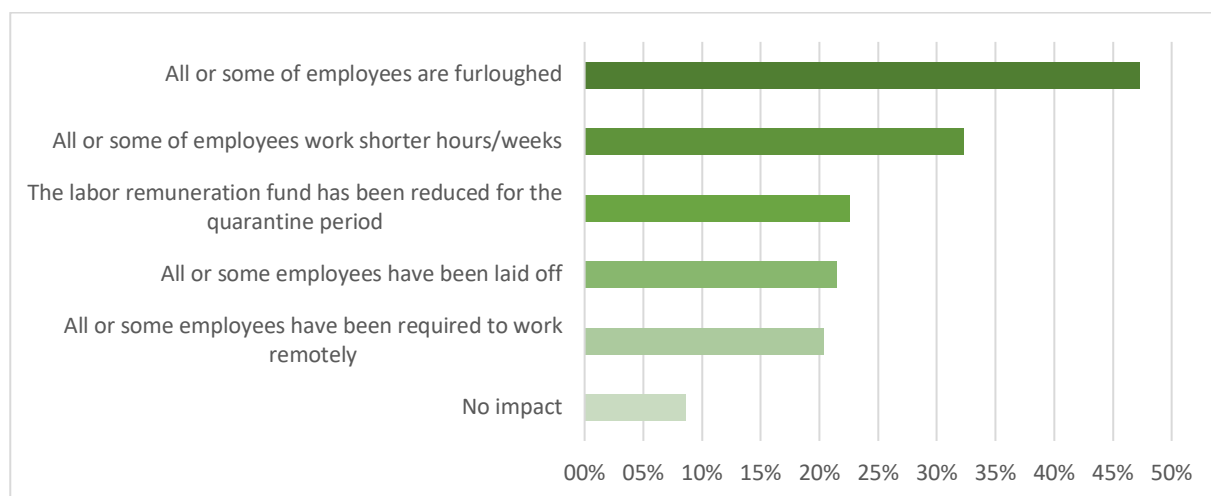


Figure 6. *COVID-19 Pandemic Impact on Employment Status*

71% of respondents were or are, in principle, unable to move online because the production depends heavily on manual labor. Some of the companies (mainly furniture producers) managed to move management and sales processes fully online.

As the survey shows, the companies from the sector would be able to operate under the corona crisis for not more than three months on average, with 26% of them only able to keep up for one month.

The companies will be able to restore their sales to a pre-pandemic level within six months at the earliest (51% of the companies), while some of the organizations will need a year (32%) or two (17%) to do so.

The COVID-19 pandemic resulted in a slump in demand for forestry sector goods (on the domestic Ukrainian and European markets) and, accordingly, a shortage of working capital and an increase in accounts receivable. These factors affect the forestry sector companies the most, regardless of the business size and the specific industry (*Figure 7*).

Because major negative impacts of the corona crisis are associated with the lack of financial resources (*Figures 5 and 7*), respondent companies believe that the negative impact of the quarantine on the sector can be mitigated, first of all, by measures aimed at postponing the settlement of liabilities (*Figure 8*), including short-term tax breaks, grace periods, wage subsidies for employees. In turn, demand stimulation programs would help companies restore their production processes, increase sales, and reduce accounts receivable.

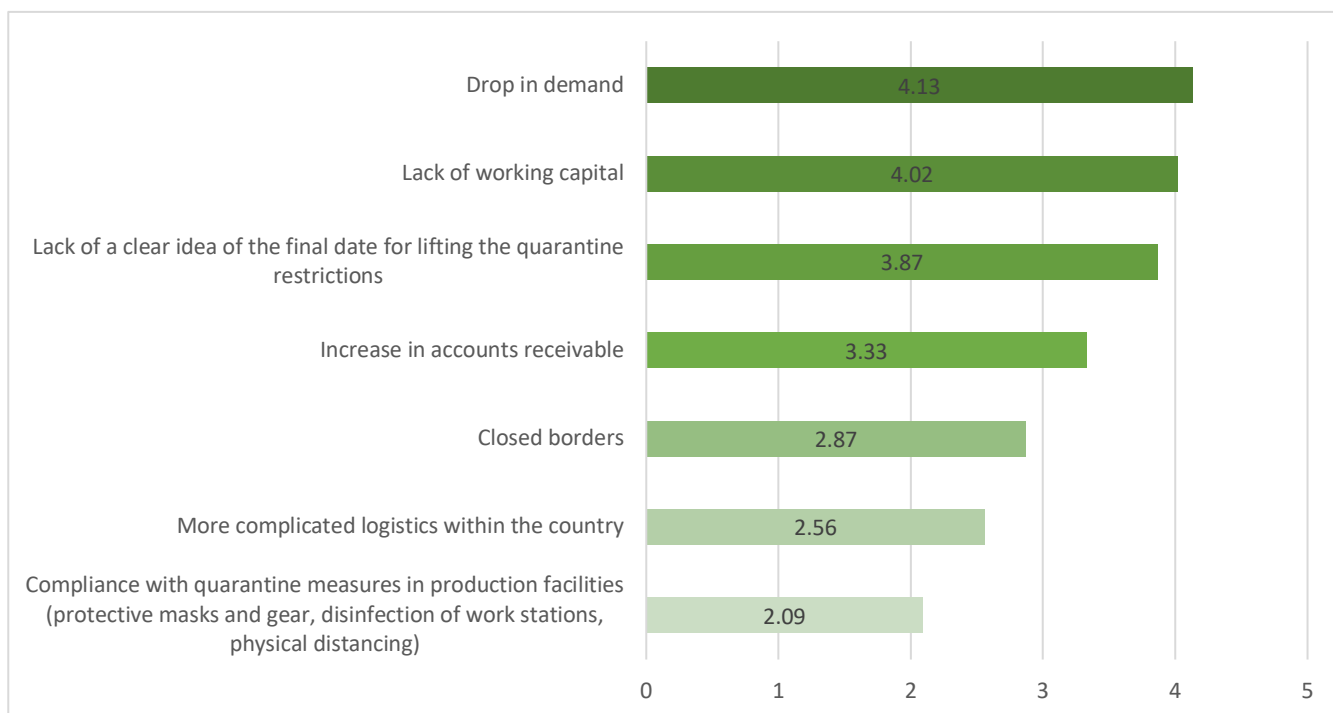


Figure 7. Significant Quarantine Impact Factors

However, the survey has demonstrated that forestry sector companies hardly make use of the available business support programs (*Figure 9*). For instance, only 11% of respondents use grace periods, and only 4% of respondents have made use of preferential loans under the 5-7-9% Affordable Loan Program. We can also see the low level of awareness of business support programs among companies in the sector, with 20% not aware of the available opportunities. 60% of the companies have not used any of the above-mentioned support programs, although 20% of them have considered applying for all or some of the support programs.

The quarantine lockdown, together with the imposed restrictions, coupled with the reduced purchasing power, has affected the forest sector as a whole significantly (in the opinion of more than 90% of respondents). However, furniture producers are the most affected by these factors. The 2019 price shock on the EU markets has affected mainly the medium-sized and small wood processing companies, as well as the medium-sized forestry and timber harvesting companies.

Under the quarantine, the demand for the automation of production processes at the enterprises has become more pronounced because this would contribute to reducing the use of manual labor (according to 50% of the companies).

Forest sector companies do perceive the need for changes in the format and methods of communication aimed at attracting customers or selling goods. However, the companies lack the knowledge needed to configure online sales and marketing processes; for this reason, 53% of the companies would require consultancy assistance (*Figure 11*).

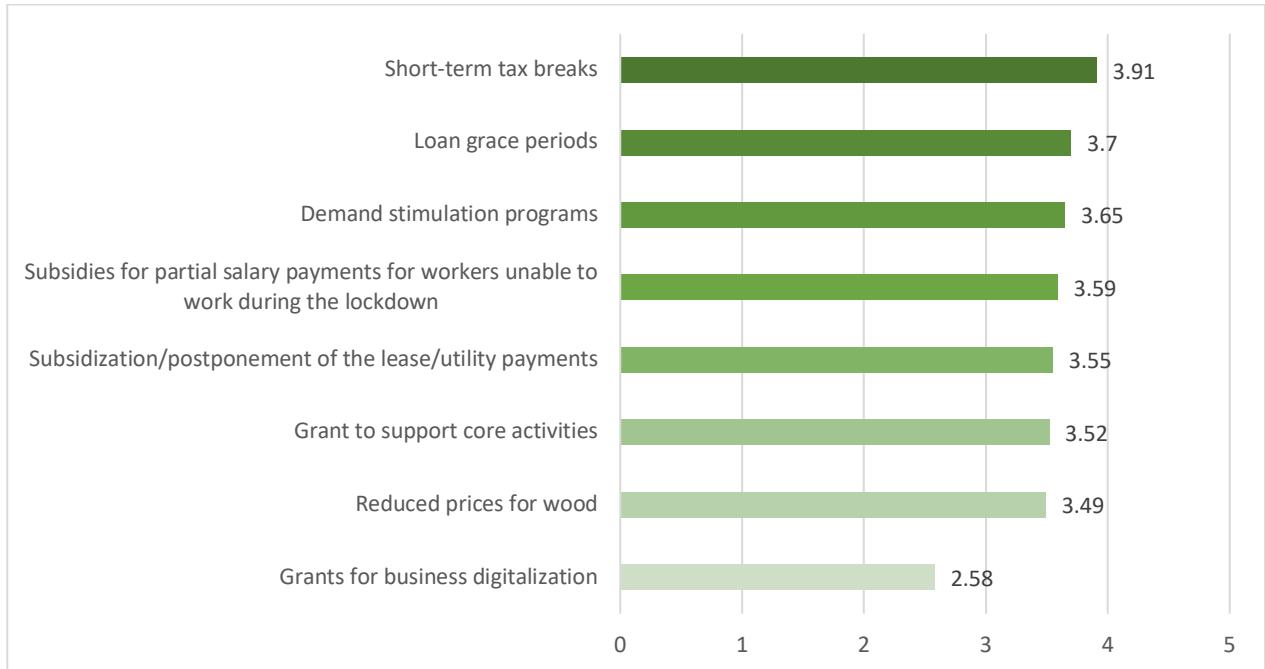


Figure 8. Measures to Mitigate the Negative Impacts of COVID-19

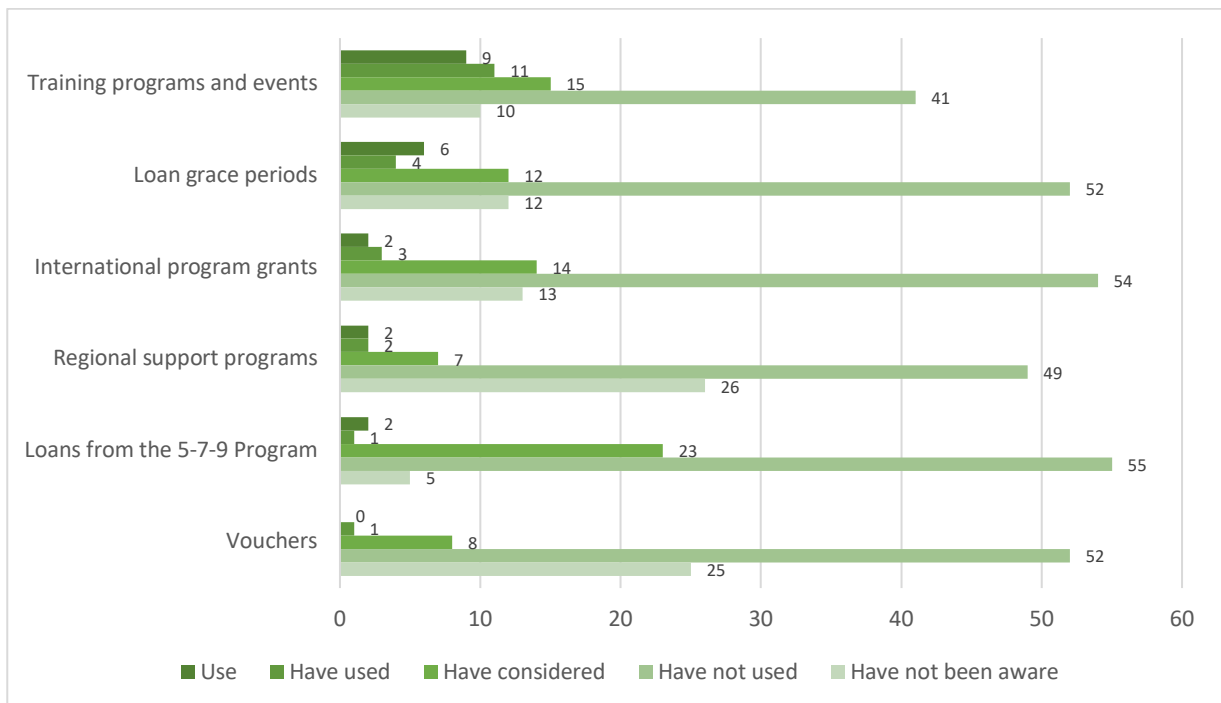


Figure 9. Support Programs Used by Respondent Companies

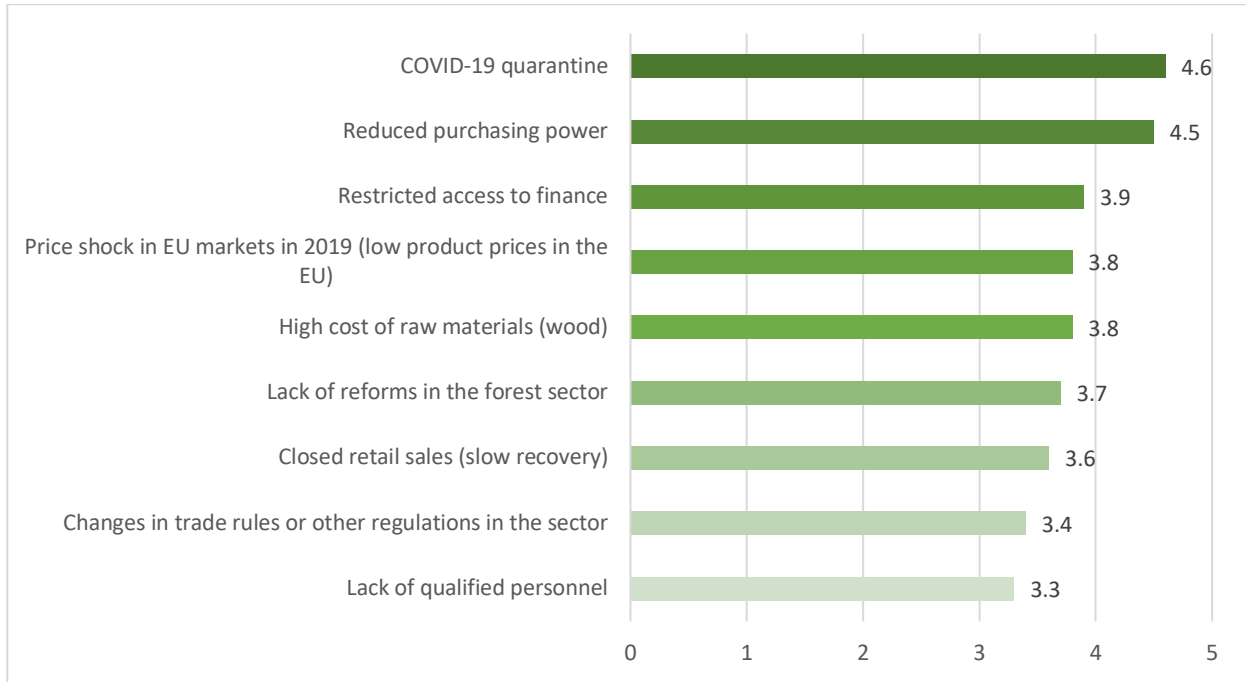


Figure 10. Overall Impact of Material Factors on the Sector as of April 2020

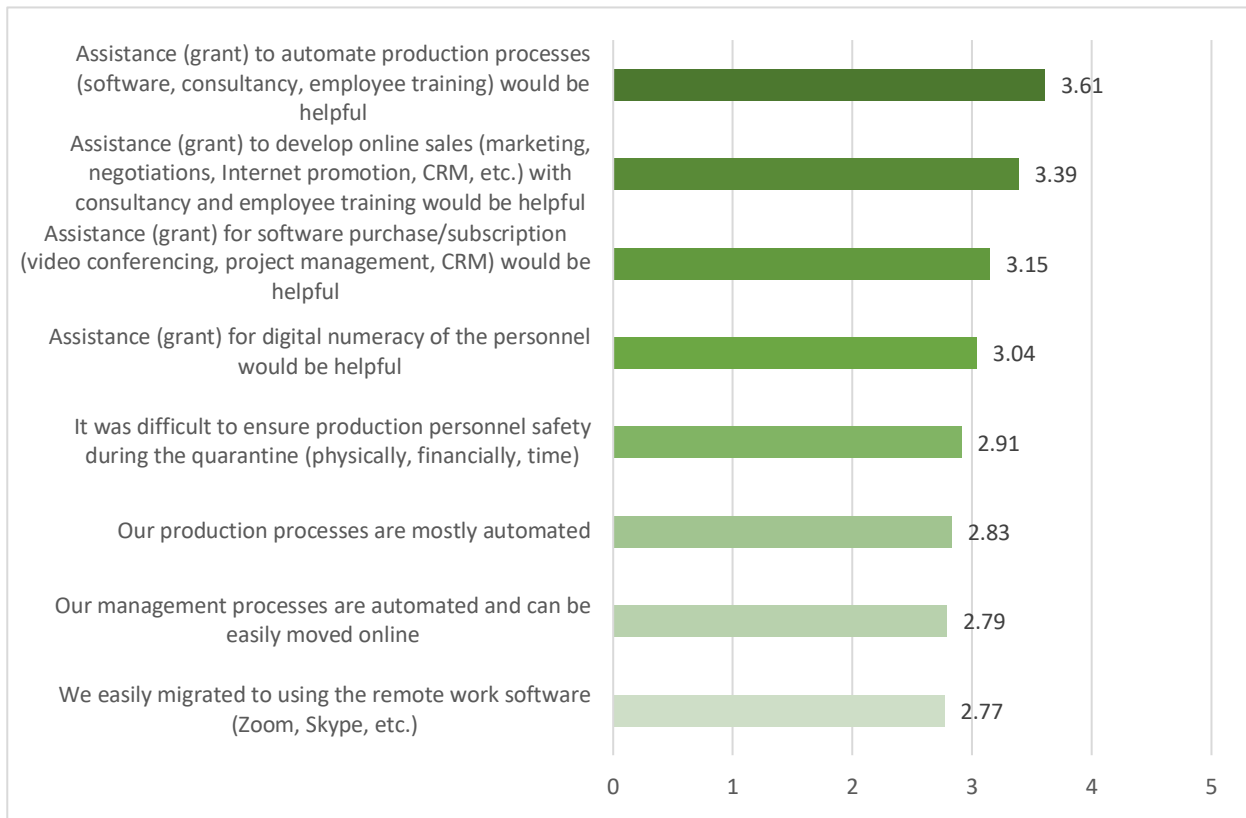


Figure 11. Assessment of Digitalization Process Needs of the Companies

AVAILABILITY AND USE OF SME SUPPORT PROGRAMS

In April and May 2020, the Cabinet of Ministers of Ukraine has been gradually implementing initiatives to support SMEs during the corona crisis and revive the economy or modifying the existing support programs. The following is a list of key initiatives from the forest sector's standpoint¹:

1. the exemption from fines and penalties for tax violations during the quarantine period;
2. the exemption from the land fee (land tax and rental fee) for the state-owned and community-owned land (some forestry sector businesses (especially state-owned) operate on the state-owned land);
3. the exemption of sole traders from the single social contribution (SSC) payment during the quarantine period (a lot of micro and small businesses in the forest sector operate as sole traders);
4. the partial unemployment benefit paid as the reimbursement of employees provisionally employed part-time during the quarantine period for a portion of their salaries²;
5. changes in the national 5-7-9% Affordable Loan Program that permit refinancing the existing loans (up to UAH 3 million, up to 5 years, at 0%) and working capital loans (up to UAH 3 million, up to 2 years, at 3%).

Other measures that have been introduced either hardly affect the forestry sector businesses or are not directly relevant for them. One legislative initiative which called for the suspension of the rent charges on commercial real estate during the quarantine period could have greatly influenced the forest sector SMEs; however, this provision was eventually watered down in the final version of the Law, so that it was up to parties to the lease relationship to make a decision on the lease (effectively, nothing has changed for SMEs). For this reason, this initiative is not listed above.

On the other hand, the following types of support were mentioned as preferable by the forestry sector SMEs (see above):

1. short-term tax breaks;
2. grace periods for loans; access to credit;
3. demand stimulation;
4. employment support (partial labor remuneration);
5. rent reduction/postponement.

¹ <https://sme.gov.ua/covid19-ga/#ga2>

² <https://dcz.gov.ua/novyna/detalna-instrukciya-yak-robotodavcyu-oformyty-dopomogu-po-chastkovomu-bezrobittyu>

The following is a comparative table of initiatives implemented by the Government and expectations of the forest sector SMEs:

	Exemption from fines and penalties	Exemption from the land fee	Exemption of sole traders from the SSC	Partial unemployment benefit	Changes in the national 5-7-9% affordable loan program
Short-term tax breaks		◆	◆		
Grace periods for loans, access to credit					◆◆
Demand stimulation					
Employment support (partial labor remuneration)				◆◆	◆◆
Rent reduction/postponement					

Legend

- ◆◆◆ denotes a well thought through policy with a clear implementation mechanism matching business needs and expectations
- ◆◆ denotes a well thought through policy matching business needs and expectations, but with an unclear implementation mechanism
- ◆ denotes a policy somewhat compatible with business needs and expectations

The table visualizes the gap between the measures the SMEs need, and the policy instruments implemented by the Government to support the SMEs. Tax breaks and employment support are minimal in terms of size and scope. The 5-7-9% Affordable Loan Program is an instrument best suited for the needs of SMEs. At the same time, the Program suffers from complex procedures and the low awareness and trust on the part of SMEs (see above). The rent reduction tool could not be introduced, while demand stimulation initiatives are only considered as proposals for the Stabilization Fund (May 2020).

At a regional level, the SME support programs relevant for forest sector SMEs involve loan interest refund initiatives (similar to the national 5-7-9% Affordable Loan Program). Programs of this kind were announced in Lviv, Poltava, Ternopil, Ivano-Frankivsk, Rivne, and Sumy Oblasts. However, these programs are only applicable to investment projects (such as equipment procurement), and, as of May 2020, the calls for proposals under these programs have not yet been launched (due to the quarantine and the relevant budget restrictions at a regional level). On the whole, there are no significant small business support programs at a regional level that would be relevant for forestry sector SMEs.

The Anti-Crisis SME Support Initiative Plan developed by the Economic Recovery Center (May 2020) calls for simplifying access to finance using the mechanism of new loan guarantees, launching new grant (“New Money”) and loan refinancing programs. Effectively, these initiatives extend and expand the 5-7-9% program components. The Plan also calls for grants to support the digitalization of activities of the SMEs and the development of the business support infrastructure. The plan has no demand stimulation initiatives. It can be assumed that the USAID CEP can help forestry sector companies to use the national 5-7-9% program, offer grants to support the digitalization of companies until similar national programs are launched (this process can take too long for SMEs to remain competitive), and implement demand stimulation programs that are not considered at the national level.

RECOMMENDATIONS OF STAKEHOLDERS

Interviews respondents and focus group members referred to the following facts:

- representatives of forestry sector's industries point toward difficulties with using national SME support programs, such as the 5-7-9% Affordable Loans Program. For many companies (especially micro and small businesses), the process of obtaining a loan under the Program is too cumbersome because entrepreneurs do not understand the regulatory framework, are unable to structure the application, etc.
- Sector stakeholders mentioned a new challenge that has come into existence as a result of quarantine-related restrictions—the postponement and cancellation of sectoral exhibitions that used to be a conventional promotion and sales tool in the sector. This applies, first of all, to manufacturers of furniture, wood-products, and wood-working equipment. Focus group members mentioned that their companies faced a threat of the drastic decline in sales and were in need of new ways to promote their products. The importance of the shift toward online sales is evident; for this reason, the respondents indicated the need for support to the development of the necessary skills or the recruitment of online marketing specialists.
- Focus group members also indicated that forest sector companies (especially micro and small businesses) were in a crisis-prone situation due to the reduced demand for products they were offering on the market. They mentioned as important support for new sales channels set up (e.g. online marketplaces, etc.), and support for collaborative entry to new export markets, e.g. through clusters or in consortia.

RECOMMENDATIONS FOR USAID CEP

The following is our suggested approach toward the anti-crisis support for the forestry sector:

- The dropping demand and market access (due to the closure of retail shops and difficulties with the exportation, etc.) are the key challenges facing the sector. Preserving and increasing the operating income is more important than gaining access to finance and preserving the jobs because, without income, companies in the sector will not be able to service their loans or keep their personnel.
- Online marketing is a key assistance area. The survey demonstrated that forestry sector companies were not prepared for challenges related to promoting their products and searching for customers online because of the cancellation of exhibitions and other shops, and retail chain operation restrictions. Online marketing and online sales are a method to support and restore the income for companies in the sector; with that, they will be able to retain qualified workers and technical staff and recover financially.
- As regards anti-crisis support, it would not be appropriate to assist with the digitalization of production processes; often, this work requires upgrading equipment assets, prolonged training, and implementation. The unclear demand situation undermines the rationale for such investments (and, accordingly, the grant support).
- The grant support will not help preserve non-competitive businesses. Companies with strategies, competitive products, and key abilities can co-fund the projects contributing to their competitiveness. It is not appropriate to support companies that have closed completely.
- The sector is burdened with loans (54% of respondents mentioned this fact as an issue); it requires assistance with the loan service during the economic downturn period in the form of loan restructuring or subsidization, etc. This assistance would be the goal of the new anti-crisis component of the 5-7-9% program, which the sector does not use because of the lack of awareness.

The following are recommended priority instruments and focus areas for the forestry sector SME support policies and programs.

1. Marketing Digitalization Support Program

Intervention Logic

- More than 50% of respondents mentioned that support to configuring online sales processes, including software procurement, consultancy, internal processes, personnel training, etc. would be helpful. This percentage even larger among furniture companies and large businesses (the larger business, the more relevant this activity is).
- The digitalization of online marketing and sales would help companies in the sector retain existing clients (by finding a new method of engaging their customer groups) and expand to new target audiences.
- The digitalization of marketing would help create new employment opportunities or re-profile existing employees. Focus group members agreed that it was important to digitize marketing in order to make companies in the sector more competitive, as the digital marketing competencies will remain necessary even after the quarantine during the economic recovery.

- The cancellation, postponement, or format modifications of exhibitions—a traditional sales and marketing channel for the forestry sector—made many companies re-profile their units directly responsible for participation in exhibitions.
- Larger SMEs from the forestry sector would be the target audience of the marketing digitalization support program. Potentially, the size (at least 20 employees) can be used as a support criterion; however, it is difficult to monitor it properly because of the reliance on contracts with sole traders as contractors, rather than employees.

Recommended Support Mechanism (Support Program Design)

- Grants for the implementation of marketing and sales digitalization projects, the development of the online marketing business process (including re-profiling available personnel or setting up new jobs), the development or improvement of online shops, the entry into Internet platforms, the development or upgrade of online assets, the promotion in social media, online tools (visualizers, calculators, order tracking services, etc.), the software procurement and configuration, the advisory services related to planning and implementing appropriate business processes, the configuration of online marketing and sales for foreign markets (export sales), etc.
- The projects are to be implemented within 3 to 12 months.
- Grants would range from up to UAH 1 million for small businesses and up to UAH 1.5 million for medium-sized businesses.
- The minimum co-financing level is 10%.
- To facilitate the impact assessment, applicants must provide data on the availability or lack of online sales, the online marketing development level (e.g., the availability of personnel, the web-site traffic data, details of web pages in social media, etc.) in the application form.

Recommended Scope of Support and Impact

- The recommended number of grants is 30. The average amount of a grant would be UAH 800,000, with the program total of UAH 25 million.
- The expected impact is a 100% increase in online sales (doubling) within a year, the number of re-profiled (preserved), or new jobs (2 per project on the average, at least 50 for the Program as a whole).
- The marketing digitalization program can be combined with the SME advisory support program offered by the EU4Business initiative implemented by the EBRD (it covers 50% of the cost of consultancy projects, including those in the field of digital marketing). Thus, the forestry sector SMEs benefiting from the CEP Program will be able to keep developing their digital marketing with the assistance of the EBRD advisory program.
- The Program can cooperate with the Merezha.com.ua project. It is a business consultant search platform developed within the scope of the EU4Business initiative.

2. Support for the Access to the 5-7-9% Affordable Loan Program

Intervention Logic

- The survey indicated that forestry sector companies were not aware of the opportunities offered by the national 5-7-9% program and anti-crisis changes to the Program and were

generally distrustful of public support programs. The Program offers reimbursement for the interest and guarantees (no need for collateral) for loans up to UAH 3 million.

- The 5-7-9% program is a new tool for Ukraine; it has been in existence since the beginning of the year lacking a properly developed mechanism and aggravated by the incoherent implementation combined with the inertia of the banking sector.
- Respondents, who are aware of the Program or have already tried to make use of it, consider the access to this Program to be burdened by the large transaction cost of obtaining a loan due to the need to develop a concept of an investment project and a model for lending (which legal entity, which amount, what time frames, etc.), the negotiation with banks, and attention to the execution, etc.
- Companies can be assisted by business consultants. The payment for consultancy services is not a priority for forestry sector companies during the crisis.
- Unlocking and facilitating access for forestry sector companies to the 5-7-9% program and, especially, its anti-crisis component (liquidity loans and refinancing loans) can help them obtain cheap long-term funding to support viable companies in the sector at a relatively low cost for USAID CEP (leverage effect).

Recommended Support Mechanism (Support Program Design)

- Offer grants to forestry sector companies for securing funding from the 5-7-9% Affordable Loan Program by letting them develop a concept of an investment project and a model for lending (which legal entity, which amount, what time frames, etc.), negotiate terms with banks and support the execution, etc. Companies can prepare documents for all the components of the 5-7-9% program (both for its anti-crisis component and for the regular investment projects).
- Grants can be fixed (UAH 40,000 or UAH 60,000) for securing 5-7-9% program loans of under UAH 1 million or over UAH 1 million, respectively.
- A grant would only be disbursed after a loan agreement is signed with a bank (as a success fee). This condition will prevent the disbursements to shady applicants without the actual need for loan funds.
- Applicants would be able to use the funds to employ external consultants or to pay their employees tasked with the development of the documents.
- Applicants would have to submit a declaration of integrity to confirm that they do not have a ready project and a confirmation from the bank at the time of the submission.
- Applicants would have to fill out a form with key performance indicators (personnel, sales, etc.) and key issues caused by the COVID-19 pandemic (one can make use of the questionnaire for this survey).
- Project reporting would involve submitting a confirmation (statement) from a bank with the key parameters of the granted loan (amount, tenor, interest rate, date of application to the bank) and indicating a contact person for the verification of the data and the integrity of the borrower. A CEP project manager will be able to verify the data together with the relevant bank manager before approving the report.

Recommended Scope of Support and Impact

1. The anti-crisis component of the 5-7-9% program is to remain in operation for 90 days after the end of the quarantine. For this reason, the end of August 2020 is suggested as the deadline for the implementation of the 5-7-9% access support program.

2. The expected number of grants to support access to the 5-7-9% program is 50. The average amount is UAH 50,000, with the total amount of grants UAH 2.5 million.
3. An expected average 5-7-9% program loan is UAH 1.2 million. The total amount of loans raised is UAH 60 million.
4. The expected average number of jobs maintained or created by the Program is 5 per application. Taken together, this would amount to 500 jobs maintained.
5. If the Program is efficient, it can be expanded to the other sectors of the economy and extended past August 2020 (for investment loans).
6. The mechanism of such a 5-7-9% access support program can be transferred over to the Ministry of Economy, the Entrepreneurship Development Fund (current administrator of the 5-7-9% Affordable Loan Program), and the SME Development Office (SME.DO) to integrate into 2021 state budget (convert into a state-funded instrument / program).

3. Marketing and Sales Cooperation Support Program

Intervention Logic

- Respondents named a drop in the demand as the most significant consequence of the quarantine. More than half of respondents expect the annual sales to drop by more than 50%. The stimulation of the new demand and the recovery of the lost/displaced demand (due to the closure of points of sale and retail chains, the postponement of purchases by consumers) are the key areas of support for the forestry sector.
- The demand stimulation is a need equally shared by the companies of the sector regardless of the industry or size. Pursuing joint marketing campaigns is a logical project for associations, clusters, and consortia of companies.
- Such marketing campaigns can be focused on promoting goods of a particular category (e.g., Ukrainian toys, summer houses made of the Ukrainian wood, new kitchens, summer terraces) or implemented as a finished solution whose implementation may involve several companies from the sector (e.g., the rehabilitation of wooden hotel buildings).
- Other formats of the joint search for new sales channels can include joint marketing events at targeted export markets to negotiate commercial agreements or promote products already available on the market (not market studies). Projects may also include the performance of large-volume commercial contracts by several companies (the formalization of processes within a temporary association for the contract performance).
- The role of associations, networks, and other associative organizations becomes more prominent during a crisis. They can coordinate or manage joint marketing campaigns or demand recovery projects on the markets, where their member companies operate.
- The support for projects implemented by several companies of the sector under the auspices of an association can amplify the importance and role of such business support organizations also in the period of economic normalcy. The establishment of new entities to implement projects may result in the rise of new associations, especially at a regional level.

Recommended Support Mechanism (Support Program Design)

- Grants for the implementation of marketing and sales digitalization projects, the development of the online marketing business process (including re-profiling available personnel or setting up new jobs), the development or improvement of online shops, the entry into Internet platforms, the development or upgrade of online assets, the promotion in social media, online tools (visualizers, calculators, order tracking services, etc.), the software procurement and configuration, the advisory services related to planning and implementing appropriate business processes, the configuration of online marketing and sales for foreign markets (export sales), etc.
- Grants would support marketing cooperation projects—marketing campaigns on the Ukrainian domestic market, campaigns to promote Ukrainian products on foreign markets, the joint performance of large contracts, etc. The projects would be focused on stimulating and recovering the demand for products of the Ukrainian forestry sector companies.
- Projects can be implemented by consortium member companies with the involvement of external contractors (marketing or communication agencies, etc.) or in reliance on their own resources.
- Applicants would include company associations, partnerships, or consortia (based on a memorandum where one consortium member operates as a coordinator). The minimum number of beneficiary companies in a marketing campaign would be 3.
- The campaign should be designed so as to enable monitoring of the campaign efficiency (promotion codes for product sales, the direct offering of the goods on the campaign site, etc.) and reporting the performance indicators.
- The projects are to be implemented within 3 to 12 months.
- Grants would be up to and including UAH 1 million.
- The minimum co-financing level is 10%.

Recommended Scope of Support and Impact

- The recommended number of grants is 5. The average amount of a grant would be UAH 800,000, with the program total of UAH 4 million.
- The expected impact would be a direct increase in sales of consortium member companies by UAH 10 million during the campaign period and UAH 20 million more for one year after the end of the campaign.
- The indirect impact would be the improvement of the institutional capacity of at least three existing associations or the establishment of new associations of market players.
- USAID CEP's communication channels could amplify marketing campaigns to be implemented within the scope of this support instrument.



PPV KNOWLEDGE NETWORKS — economic development agency. We develop businesses and cross-sectoral relations. Our Practices: Creative Economy, Green Economy, SME Development, Local Economic Development, Business Consulting, Grant Management. We provide services in project management, consulting, analytics for business and organizations. The Agency was established in 2008. We are based in Lviv (Western Ukraine)

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