

# REPORT

## Micro, Small and Medium Enterprise Survey

**CIPE**



**Prepared for the Centre for International Private Enterprise Office  
by INFO SAPIENS, Ltd.**



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# I. Survey Summary

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- The quarantine exacerbated the barriers Ukrainian entrepreneurs had been mentioning for many years before: the high fiscal burden and the low consumer purchase demand. That way, limitations on business operations have been, first and foremost, due to a slump in demand on the domestic market. Enterprises regardless of their size rank the factor first by its negative effect and suffer from it in a nearly identical way: almost 70% respondents estimated the effect as either 'Rather negative' or 'Negative'.
- The quarantine has had the most negative effect on public service providers - 90% them mentioned it quarantine measures severely restricted their operations – while the agricultural, IT and construction sectors resulted the least affected.
- Micro enterprises had it the hardest with 70% their representatives describing the limitations as rather punishing. The opinion is shared by more than a half of small and medium enterprises (56% and 53% respectively).
- While by the end of Q1/2020 the majority of MSMEs would describe their development phase as 'stable one', by middle Q3 (as of the survey date) the share of 'stable' enterprises halved from 66% to 32%. The proportion of those on the brink of decline or closure increased by the order from 7% to 59%. Representatives of micro enterprises are the most pessimistic: 60% respondents view the current situation as a downturn with 42% medium enterprises sharing this account. The share of those assessing their development phase as 'growth' has also dwindled from 25% to 5%.
- The epidemics and quarantine measures have pushed one in every five micro enterprises and every tenth small one to the brink of closure. Some 40% micro and small businesses as well as 35% medium ones report material losses. Medium enterprises have been the most successful in staving off the pandemic and quarantine impact with 30% them reporting the epidemics either did not affect their income at all or even made it grow and another 30% sustaining insubstantial losses (for micro enterprises, the figures stand at 17% and 22% respectively). The reduction of income of micro enterprises has been due also to them trying to fight back the pandemic with price-cutting while small and medium enterprises started from payroll cuts and pushing their staff to work from home.
- Evaluations of government support measures are considerably dependent on company size; e.g. micro enterprises (just to remind, almost 50% of the sample comprises self-employed individuals) primarily hailed the relief of self-employed individuals from their personal single social contribution dues. Meanwhile, small

and medium enterprises have been much more appreciative of the support in the form of changes to the Labour Code to relieve limitations on unpaid leave duration. Still, experts are sceptical towards business support measures introduced by the government: in their opinion, by no means all of the enterprises were ultimately able to make use of these measures and the measures that could be easily used were inadequate.

- As regards reforms to support business development, more than a half of respondents in each enterprise group gave preference to the two reforms, the one on fight against corruption and the fiscal and customs reform. While experts have been unanimous in the estimates of the necessity of reforms for enterprises, they put the judiciary reform first. One of the first-hand measures to support MSMEs mentioned by the respondents included the payroll tax cut.
- Business associations (including chambers of trade and industry, small enterprise unions etc.) take the lead by the level of trust with nearly a half of the respondents either having confidence or being rather confident in these. The justice system and the parliament traditionally were also the leaders but on the opposite end of the scale. The proportion of enterprises that are members of business associations grows proportionately to the business size: just 13% among respondents in the micro enterprise group, double than that (24%) in the small enterprise group and three times as many (38%) of the medium ones.

# II. Methodology and Respondent Profile

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## Survey Methodology

The subject matter of the survey were medium, small and micro enterprises (self-employed individuals included).

Micro business entities (hereinafter referred in the Report as 'micro') are:

- natural persons registered under the statutory procedure as self-employed individuals with the average number of employees in the reporting period (calendar year) not exceeding ten and the annual income from any type of operations not exceeding the amount equivalent to Euro2 million as per the annual average exchange rate administered by the National Bank of Ukraine;
- legal entities as economic agents regardless of their form of incorporation or ownership with the average number of employees in the reporting period (calendar year) not exceeding ten and the annual income from any type of operations not exceeding the amount equivalent to Euro2 million as per the annual average exchange rate administered by the National Bank of Ukraine.

Small business enterprises (hereinafter referred to in the Report as 'small') are:

- natural persons registered under the statutory procedure as self-employed individuals with the average number of employees in the reporting period (calendar year) not exceeding 50 and the annual income from any type of operations not exceeding the amount equivalent to Euro10 million as per the annual average exchange rate administered by the National Bank of Ukraine;
- legal entities as economic agents regardless of their form of incorporation or ownership with the average number of employees in the reporting period (calendar year) not exceeding 50 and the annual income from any type of operations not exceeding the amount equivalent to Euro10 million as per the annual average exchange rate administered by the National Bank of Ukraine.

Medium business enterprises (hereinafter referred to in the Report as 'medium') are:

- legal entities as economic agents regardless of their form of incorporation or ownership with the average number of employees in the reporting period (calendar year) between 51 and 250 and



the annual income from any type of operations not exceeding the amount equivalent to Euro50 million as per the annual average exchange rate administered by the National Bank of Ukraine.

The main data collection technique was the quantitative survey of micro, small and medium enterprises (MSMEs). The tool for data collection during the quantitative survey was the computer-assisted telephone interviewing (CATI).

The sample size: one thousand and eight (1,008) interviews with micro, small and medium enterprises (MSMEs), of them 506 with self-employed individuals and 502 with legal entities.

The sample for legal entities is representative by enterprise size (micro, small, medium), region and core economic activity type; the sample for self-employed individuals is representative by region and core economic activity type.

The above sample size allows for the margin of theoretical sampling error of not more than 3.1% for the total sample and not more than 4.4% separately for self-employed individuals and legal entities (95% confidence interval).

The quantitative survey respondents were enterprise owners, heads or top-level managers (in case of legal entities) and self-employed individuals proper.

The survey covered all spheres of business. For analysis purposes, the spheres of business have been grouped as follows:

**Table 1. Sectoral Distribution of Respondents**

Wholesale and retail trade	25%
IT (information technologies)	13%
Manufacturing	11%
Public services (education, healthcare, hotel and catering)	9%
Agriculture, forestry and fisheries	8%
Finance, business (consulting, audit, legal services)	8%
Building industry	8%
Rental, logistics, transport	8%
Other services	10%

The survey involved all Oblasts of Ukraine excluding certain individual Raions of the Donetsk and Luhansk Oblasts temporarily beyond the control of the Government of Ukraine. The survey was carried out in population centres of all types. For analysis purposes, the enterprises have been grouped in macro regions:

**Table 2. Distribution of Respondents per Region**

Centre (Vinnytsia, Dnipropetrovsk, Kirovohrad, Poltava, Khmelnytskyi and Cherkasy Oblasts)	22%
West (Volyn, Transcarpathian, Ivano-Frankivsk, L'viv, Rivne, Ternopil and Chernivtsi Oblasts)	18%
South (Zaporizhzhya, Mykolaiv, Odesa and Kherson Oblasts)	17%
East (Donetsk, Luhansk, Kharkiv Oblasts)	14%
North (Zhytomyr, Kyiv, Sumy and Chernihiv Oblasts)	12%
City of Kyiv	17%

A total of 789 micro enterprises (incl. self-employed individuals), 177 small and 42 medium enterprises were surveyed.

The quantitative MSMEs survey was amended with qualitative survey of experts. The data collection tool for the qualitative survey comprised in-depth interviews with expert community representatives. The in-depth interviews were carried out remotely by phone or video link (Skype, Zoom etc). During the survey, some 20 interviews were held with the following categories of experts:

- business representatives (3 interviews);
- representatives of business associations (3 interviews);
- NGO representatives (5 interviews);
- economic media reporters (5 interviews);
- Oblast state administration representatives (4 interviews).

The complete list of experts together with the quantitative survey questionnaire and the qualitative survey guide have been included in annexes hereto.

The quantitative survey was held on 22 July through 20 August 2020.

The qualitative survey was held on 11 August through 2 September 2020.

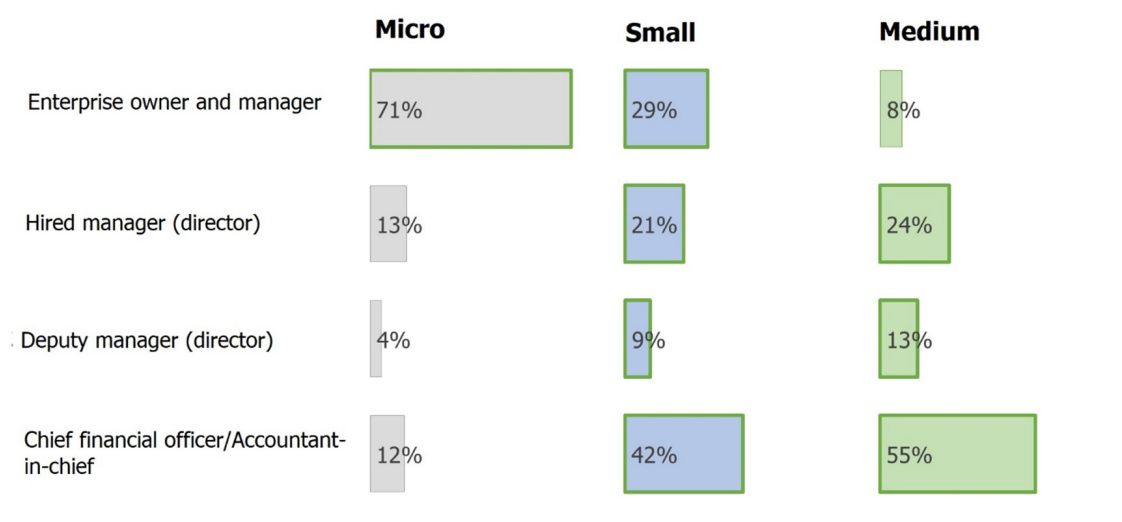
## Quantitative Survey Respondent Profile

According to the research objective, the survey was offered to company owners or top managers. CFOs or accountants-in-chief were invited to take part in the survey only after it was clarified they had to perform the executive function in director's absence.

For the micro enterprise group, 71% respondents were business owners; for the small enterprise group the share was at 29% and for the medium one, only 8%. However, the share of hired employees and deputies was the highest for medium enterprises.

Figure 1. Respondent Position<sup>1</sup>

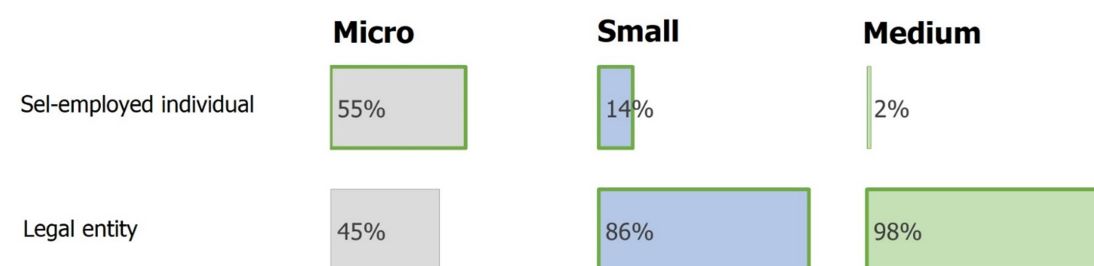
### Question S1. We would like to talk to the enterprise manager. What is your position?



More than a half of surveyed micro enterprises (55%) are registered as self-employed individuals. The majority of small and medium enterprises (86% and 98% respectively) are registered as legal entities.

Figure 2. Economic Agent Form

### Question S3. What is the type of economic agent?



<sup>1</sup> Hereinafter the shares of respondents in each enterprise group who selected respective type of response are presented in per cent. Differences between group at 95% level have been outlined in green.

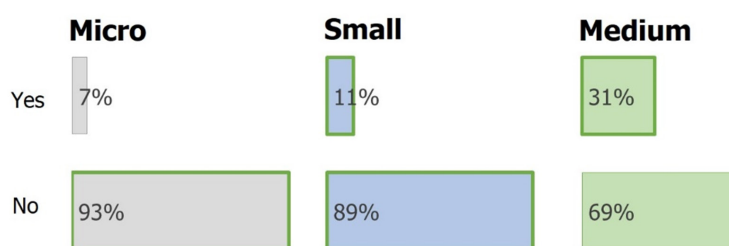
Only a smaller share of micro and small enterprises (7% and 11% respectively) is engaged in exports. One in every three medium enterprises is engaged in exports.

Sector-wise, export operations are most prevalent among IT companies (18%), manufacturing enterprises (19%) and providers of financial, consulting and other services to businesses. Meanwhile, it is IT companies that receive more than a half of their revenues from exports.

No substantial regional specifics affecting absence/presence of export potential has been observed.

Figure 3. Foreign Economic Activity

**Question S8. Do you export your goods?**

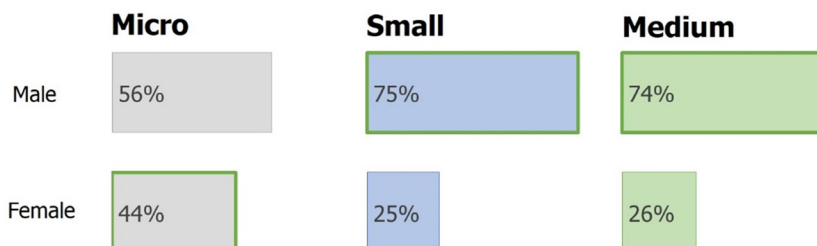


Men make the majority among the top management of small and medium enterprises (only one in four top managers is female). The proportion of women in micro enterprises stands at 44%.

The proportion of women is at its highest in enterprises providers of services (public, individual or business services) and its lowest among agricultural and building enterprises.

Figure 4. Sex of Enterprise Manager

**Question S7. What is the sex of the enterprise manager?**



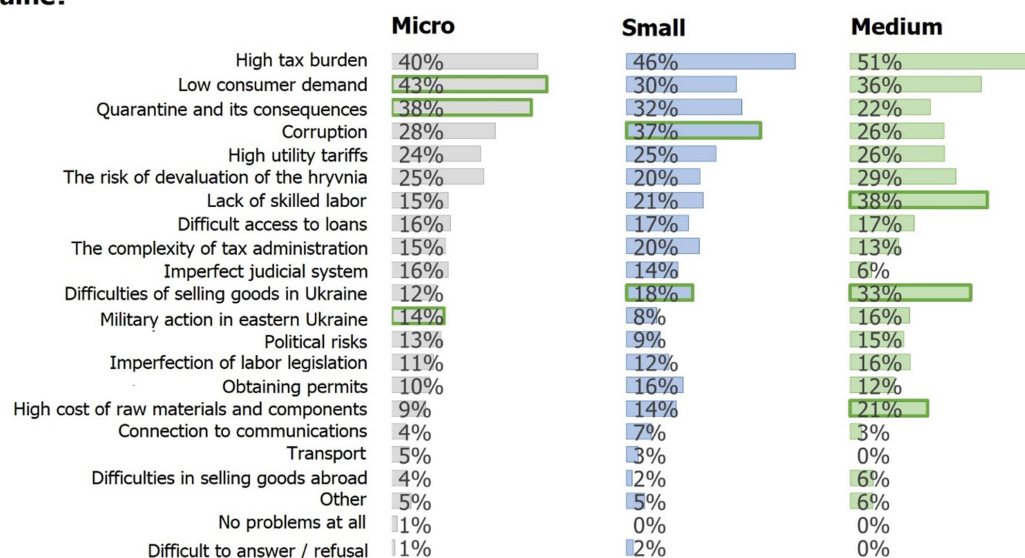
# III. Current Issues of the Environment in Which MSMEs Operate

Responding to the question on barriers to business in Ukraine, the enterprises, depending on their size, would name different factors. Still, the one of 'high fiscal burden' is among the top three barriers for businesses regardless of their size. Mentioned by 40% micro, 46% small and 51% medium enterprises, it therefore ranked first for SMEs.

For micro enterprises, the most relevant barriers to business also included 'low consumer demand' and 'quarantine and its impact' (43% and 38% respectively). For small businesses, the second important factor was corruption (37%) while for medium ones, the lack of skilled workforce (38%).

Figure 5. Key Barriers to Business in Ukraine

**Question A8. What, in your opinion, are the key barriers to doing business in Ukraine?**



Respondents' feedbacks as to barriers to business somewhat differ depending on the sector or region. 'Quarantine and its impact' was named among the top three by enterprises of all sectors except for the building and the agricultural ones and the 'finances and business' cluster (the latter named 'the risk of Hryvnia devaluation' among their top three instead).

**Table 3. Top Three Barriers to Business per Sector**

Wholesale and retail trade	<ul style="list-style-type: none"> <li>→ <b>Low consumer demand</b></li> <li>→ Quarantine and its impact</li> <li>→ High fiscal burden</li> </ul>
IT (information technologies)	<ul style="list-style-type: none"> <li>→ <b>Corruption</b></li> <li>→ Quarantine and its impact</li> <li>→ Low consumer demand</li> </ul>
Manufacturing	<ul style="list-style-type: none"> <li>→ <b>High fiscal burden</b></li> <li>→ Low consumer demand</li> <li>→ Quarantine and its impact</li> </ul>
Public services	<ul style="list-style-type: none"> <li>→ <b>Quarantine and its impact</b></li> <li>→ Low consumer demand</li> <li>→ High fiscal burden</li> </ul>
Agriculture, forestry and fisheries	<ul style="list-style-type: none"> <li>→ <b>High fiscal burden</b></li> <li>→ Corruption</li> <li>→ High prices for raw materials and components</li> </ul>
Finance, business	<ul style="list-style-type: none"> <li>→ <b>High fiscal burden</b></li> <li>→ Corruption</li> <li>→ Risk of Hryvnia devaluation</li> </ul>
Building industry	<ul style="list-style-type: none"> <li>→ <b>High fiscal burden</b></li> <li>→ Corruption</li> <li>→ Low consumer demand</li> </ul>
Rental, logistics, transport	<ul style="list-style-type: none"> <li>→ <b>High fiscal burden</b></li> <li>→ Quarantine and its impact</li> <li>→ Low consumer demand</li> </ul>
Other services	<ul style="list-style-type: none"> <li>→ <b>High fiscal burden</b></li> <li>→ Low consumer demand</li> <li>→ Quarantine and its impact</li> </ul>

As regards regional differences, businesses from the Eastern region were more often to point at the factor of 'military action in the east of Ukraine' (30%) while one in four metropolitan businesspersons would lament the faulty Judiciary. Also, the issue of high utility tariffs is more relevant for enterprises from the Southern and the Eastern regions (it is mentioned by roughly a third of respondents in these regions).

Expert estimates of the business barriers in Ukraine have been generally in line with those of respondents in the quantitative survey.

*'I'd say the crackdown on the simplified system is the biggest problem for today. It's the prospect of fiscalisation. And even for some businesses, the introduction of mandatory statutory book-keeping. For a great deal of businesses, it's the death sentence. Because they will be simply turned into auditees. So those businesses who have lobbied it, they will use targeted tax probes to crush their competitors.'* (GI №2 NGO)

Concerning the factor of COVID-19 pandemic, the experts are of opinion the pandemic did flare up existing problems both for the government and businesses.

*'...in my view, COVID is a big yet not the only problem that will await us... COVID has simply demonstrated us the extent of our own lack of preparedness for anything; I'd say, to paralyse the whole economy and to frighten people, I can't see how has it helped. We can see it for ourselves: we only shoved the economy into a complex situation with our own hands yet still refused from any strict quarantine limitations.'* (GI №5 Business)

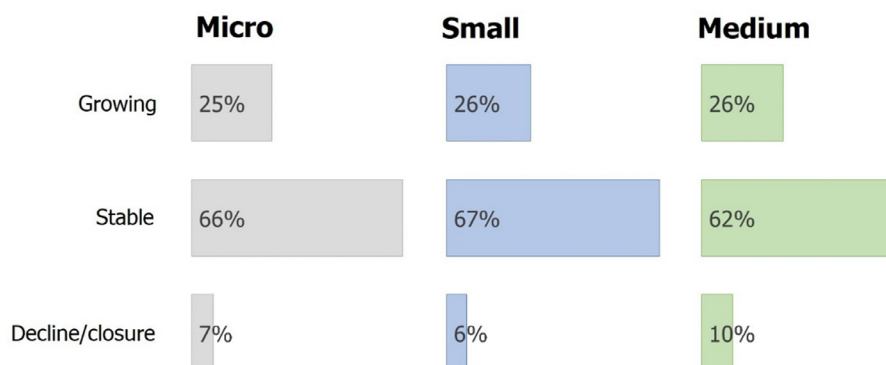
*'There's a trite trope of inefficiency of exactly small and medium business; here COVID surely comes second for if you are not efficient as company and have little safety margin and you are inflexible COVID will simply finish you off. Should you have your processes ticking, should you simply weather it out or promptly change somehow, something like that, you would have it easier. This efficiency, it's such a multifaceted thing.'* (GI №3 Business associations)

Overall, in spite of the barriers most of which have become endemic for the business landscape in Ukraine, businesses before Q1/2020 (start of quarantine) were in a rather strong position: the majority (two thirds) of them would deem themselves stable with one in four enterprises in the growth phase and just up to 10% reporting a downward trend.

Enterprises from the public service and IT sectors were more often than others to describe their pre-quarantine development phase as the one of growth (38% and 34% respectively). Building, manufacturing and agricultural businesses more frequently opted for 'downturn/closure' option (9%, 11% and 12% respectively). In terms of regional specifics, enterprises from the Western region were more often to report the downward slope before the quarantine (12%) while metropolitan businesses were more like to describe their position as a 'stable one' (70%).

Figure 6. Business Development Phase Until March 2020

**Question A5.1. How would you estimate your company growth before the quarantine?**

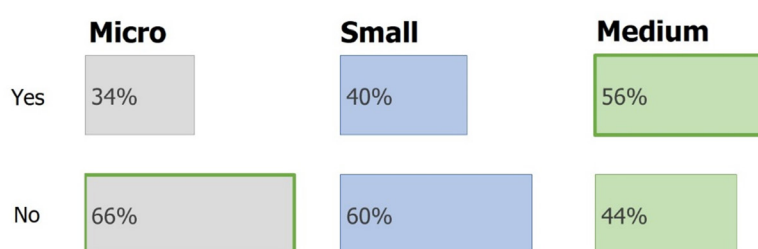


**Extent of MSMEs Access to Loans and Other Financial Resources**

As regards the issue of access to financial resource, only 16-17% entrepreneurs checked the ‘Lack of access to loans and financial resources’ among other factors (please refer to Figure 5; the respondents could tick off up to five key barriers). The direct question of ‘Do you need access to loan and financial facilities?’ was positively answered by a third of micro, 40% small and 56% medium enterprises.

Figure 7. Need of Access to Financial Resources

**Question A9. Do you need access to credit and financial resources for your business to grow?**



Noteworthy, the smaller an enterprise is the less is the possibility of it needing financing for development. A micro enterprise may have no intent to become small and then medium. According to experts, this is because the bigger an enterprise is the more attention it will attract from fiscal and supervisory authorities – and Ukrainian entrepreneurs are not eager to be in the focus of such attention.



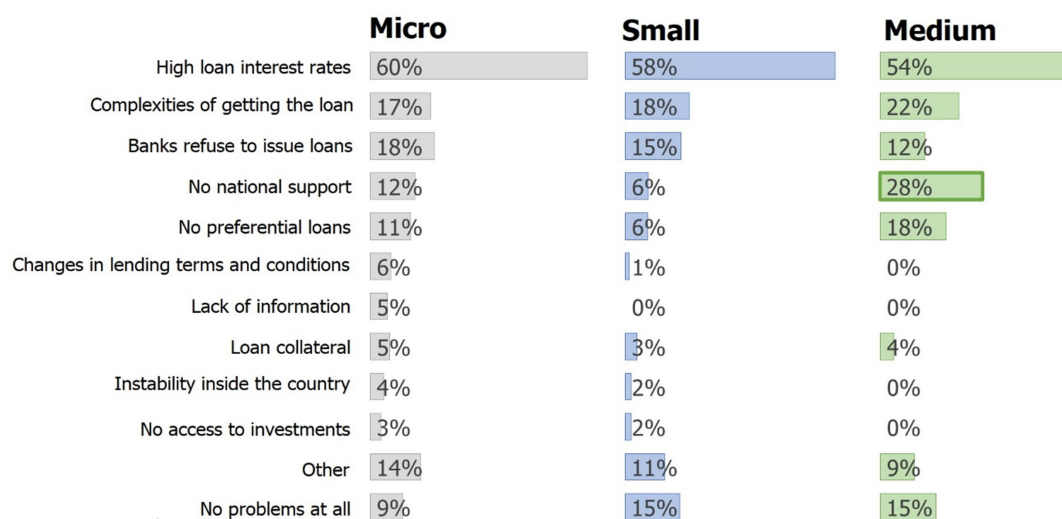
*'Small enterprises in Ukraine often remain small to avoid attention from law enforcement and inspection officers. They stay with the simplified taxation system – which is actually more expensive than the general one. That is, one could say small enterprises pay to go unnoticed by law enforcement and inspectors.'* (GI №12 NGO)

While no regional differences in the need of financial resources have been identified, there are some substantial response variations between sectors: the majority (58%) of agricultural enterprises did confirm the need for financial and loan facilities. Loans have also been in demand among almost a half (46-47%) of building and manufacturing enterprises.

High interest rate has been named among the key barriers to access financial resources with other factors trailing far behind. It should be noted the medium enterprises cited the lack of state support as the second worst, something both micro and small enterprises barely mentioned for not expecting one.

**Figure 8. Issues with Access to Financial Resources (for Question to Respondents Requiring Access to Financial and Loan Facilities please refer to Figure 7)**

### Question A10. What are the issues with access to these resources?



# IV. Quarantine Measures Due to Pandemic

The quantitative survey respondents were put several questions on the extent of impact of measures imposed by the government during the 'strict' and 'adaptive' quarantine periods. They were also suggested to assess losses from the above measures and the impact of each individual measure in particular.

The respondents shared their experience on measures that had helped them keep their business afloat and evaluated the relevance of business support measures used by the government.

## Impact of Quarantine Measures on MSMEs Operations

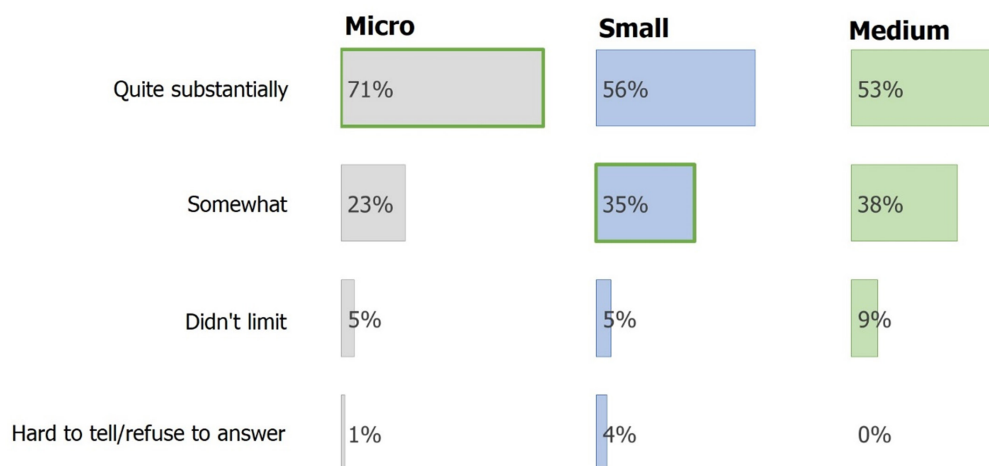
Micro enterprises were the most affected by government measures during the 'strict' quarantine; more than 70% respondents stated quarantine measures had strongly limited their operations. One in four enterprises witnessed a partial limitation of its activities.

More than a half of small and medium enterprise representatives (56% and 53% respectively) deemed the limitations as 'rather strict ones' and 35% small and 38% medium enterprises faced the average impact.

The proportion of MSMEs that have felt no limitations ranges from 5% for small and micro, and 9% for medium businesses.

Figure 9. Effect Of 'Strict' Quarantine Measures on Business Activities

### Question A3. To what extent did the measures imposed by the government during the hard quarantine limit your business operations?



Experts underscore the impact of quarantine measures on businesses depends on the are of business operations.

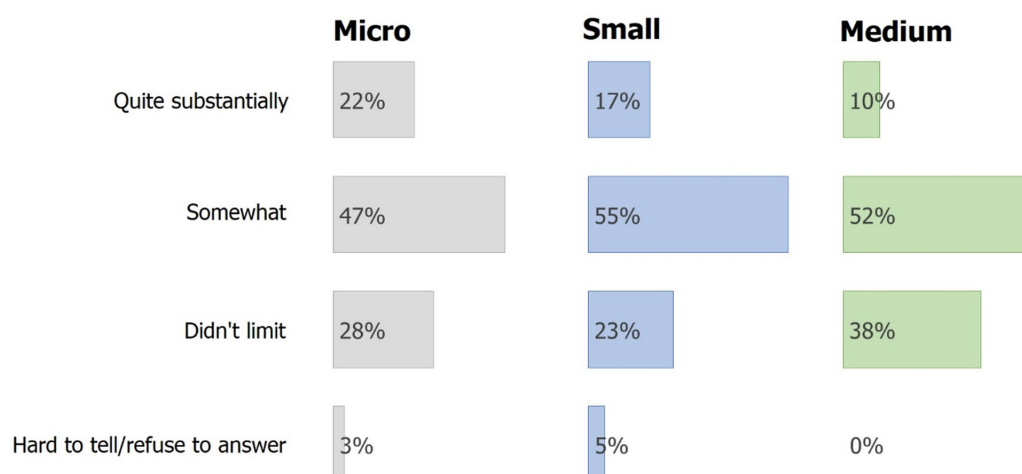
*'Yes, COVID has had an impact, which rather depends on the sector.'* (GI №4 Journalists)

This conclusion has been corroborated by the results of the quantitative survey which showed the most brunt was born by enterprises providers of public services (90% them mentioned a rather strong impact the quarantine measures have had on their operations). Agricultural, IT and building enterprises felt the least limitations though even in these sectors rather strong limitations were reported by respectively 42%, 48% and 54% entrepreneurs.

**Table 4. Impact of 'Strict' Quarantine Measures on Business Operations, by Sector**

Sector	A3. To which extent have measures imposed by the government during the strict quarantine impacted your business operations?			
	Rather strongly	Partially	No limitation	Hard to tell
Wholesale and retail trade	70%	24%	5%	0%
IT (information technologies)	48%	44%	7%	0%
Manufacturing	69%	24%	5%	1%
Public services	90%	6%	3%	1%
Agriculture, forestry and fisheries	42%	53%	6%	0%
Finance, business	60%	29%	8%	3%
Building industry	54%	40%	0%	6%
Rental, logistics, transport	57%	32%	6%	5%
Other services	85%	11%	2%	3%

In respect of impact from 'adaptive' quarantine measures, it has been reported as 'rather strong' by 22% micro, 17% small and 10% medium enterprises. Still, the majority of respondents evaluated it as 'partial'.

**Figure 10. Impact of 'Adaptive' Quarantine Measures on Business Operations**
**Question A4. To what extent have the measures currently imposed by the government limited your current business operations?**


Concerning the sectoral specifics, the public services sector is still heavily affected by the limitations; 30% entrepreneurs have said measures prolongation by the government rather strongly limit their business operations. 32% of finance and business sector enterprises have also stated they have been negatively affected.

Limitations during the 'adaptive' quarantine have been the least perceived

by wholesale and retail traders and IT businesses (33%). Nevertheless, the lifting of limitations on trade has failed to lead the sector from the woods as it still has it worse than others (please refer to Table 6).

**Table 5. Impact of 'Adaptive' Quarantine Measures on Business Operations, by Sector**

Sector	A4. To which extent have measures prolonged by the government now limited your current business operations?			
	Rather strongly	Partially	No limitation	Hard to tell
Wholesale and retail trade	20%	45%	33%	2%
IT (information technologies)	11%	51%	33%	6%
Manufacturing	29%	51%	16%	4%
Public services	30%	49%	20%	1%
Agriculture, forestry and fisheries	23%	46%	27%	4%
Finance, business	32%	47%	21%	0%
Building industry	20%	54%	21%	4%
Rental, logistics, transport	20%	45%	31%	5%
Other services	10%	54%	30%	6%

Limitations on business operations have been largely due to a slump in domestic demand. The factor is even more important given the low purchasing power has traditionally been the main barrier to business development in Ukraine and pandemic and quarantine consequences only deepened the negative effect of the factor. Enterprises of all sizes ranked the factor the first for its negative effect and have been suffering from it in a nearly identical way; roughly 70% respondents assessed the impact as 'Rather negative' or 'Negative'.

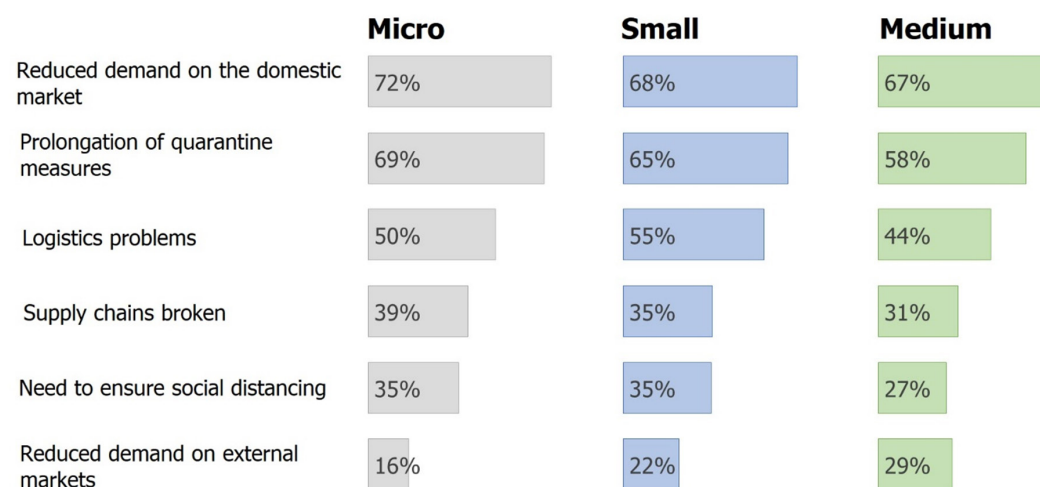
The continuation of quarantine measures ranked second with negative effect of it mentioned by 69% micro, 65% small and 58% medium enterprises.

Problems with logistics negatively affected nearly a half of quantitative survey participants.

The remaining limitations like supply chain disruptions and the need to exercise social distancing negatively affected nearly one out of three enterprises while demand reduction on international markets was felt only by exporters.

**Figure 11. Assessment of Negative Effect of Limitations Caused by COVID-19 Pandemic (cumulative 'Rather negative' and 'Negative' responses).**

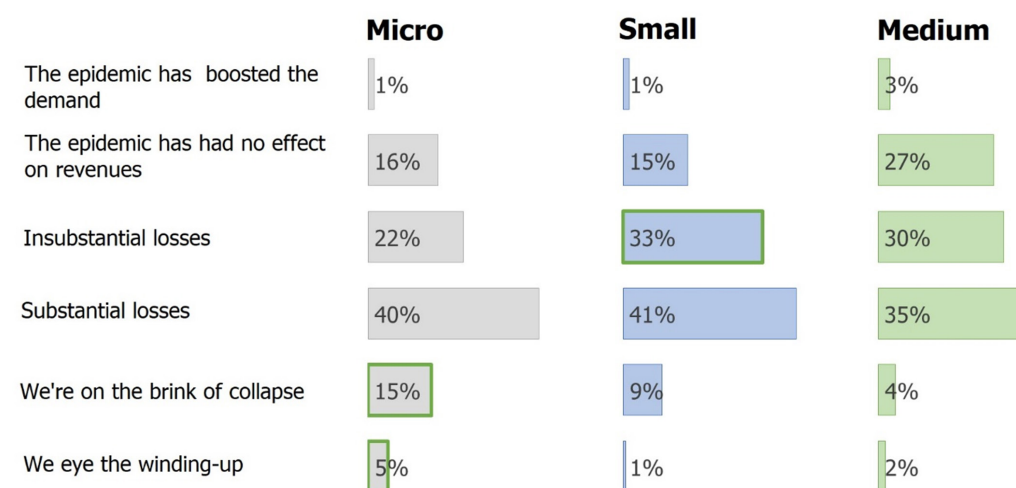
**Question A13. I will read to you the list of limitations cause by the pandemics and you will tell how these have affected your business**



The epidemics and quarantine measures have put one in every six micro enterprises and every tenth small enterprise on the brink of collapse. Substantial losses have been reported by 40% micro and small and 35% medium enterprises.

**Figure 12. Assessment of Business Losses from Epidemics and Quarantine Measures.**

**Question A1. What is your estimate of losses from the epidemic and quarantine measures?**



Medium enterprises were the most successful in staving off pandemic and quarantine consequences: for 30% them the epidemics has either had no effect on their income or even led to its increase; another 30% felt insubstantial losses (17% and 22% respectively for micro businesses).

There is a substantial variation in the estimates of losses from the epidemics and quarantine measures by sector: when more than a half of agricultural enterprises reported no losses at all, commercial, public services and manufacturing businesses were most often to tell they were either ready to close or in the process of winding-up (27%, 26% i 22% respectively).

**Table 6. Assessment of Business Losses from Epidemics and Quarantine Measures by Sector**

Sector	A1. What is your estimate of your own losses from the epidemics and quarantine measures?			
	No losses	Insubstantial losses	Substantial losses	Winding-up/ ready to close
Wholesale and retail trade	9%	19%	44%	27%
IT (information technologies)	37%	29%	31%	3%
Manufacturing	9%	20%	50%	22%
Public services	12%	17%	45%	26%
Agriculture, forestry and fisheries	53%	28%	11%	8%
Finance, business	22%	34%	35%	9%
Building industry	17%	33%	34%	17%
Rental, logistics, transport	17%	26%	49%	8%
Other services	7%	29%	48%	16%

## Measures Taken by MSMEs

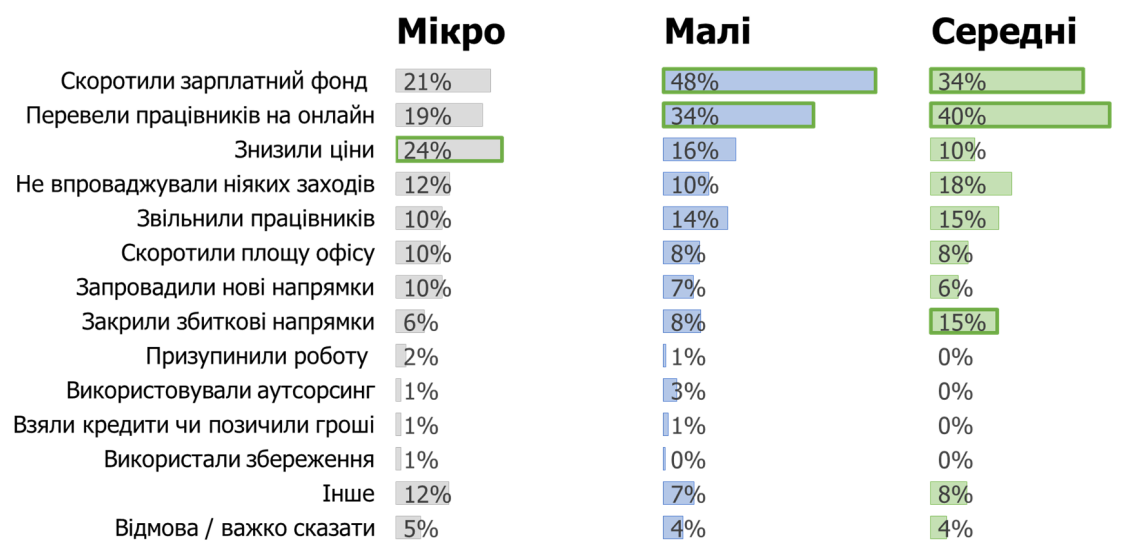
The two undisputed leaders among the measures taken by MSMEs were: payroll reduction (also due to furloughs) and sending the staff to work remotely, most often online. These two have been the most popular with small and medium enterprises as the principal countermeasures to take. Micro businesses, however, started with price reductions in an obvious attempt to retain the dwindling demand.

In general, micro businesses tended to resort to a greater variety of anti-quarantine measures while small and medium enterprises acted in a more focused way.

Layoffs were an extreme measure used by 10-15% respondents (mostly at medium enterprises); the medium businesses were also more often to close loss-making activities.

Figure 13. Measures Taken by MSMEs During Quarantine Limitations.

### Питання А2. Які заходи допомогли або допомагають вам пережити цей період?



In terms of sectoral specifics, price reduction was practiced, first of all, by wholesalers and retailers, and more IT, financing and corporate service enterprises that others opted for remote/online work mode for their staff (essentially, the sectors with capacity to do so). The rest of businesses went predominantly for payroll cuts. Agricultural enterprises were the most frequent to respond 'No measures taken'.



**Table 7. Top Three Measures Taken by MSMEs During Quarantine Limitations, By Sector**

Wholesale and retail trade	<ul style="list-style-type: none"> <li>• <b>Price reductions for goods and services</b></li> <li>• Payroll cuts</li> <li>• Switch to online work</li> </ul>
IT (information technologies)	<ul style="list-style-type: none"> <li>• <b>Switch to online work</b></li> <li>• Payroll cuts</li> <li>• No measures taken</li> </ul>
Manufacturing	<ul style="list-style-type: none"> <li>• <b>Payroll cuts</b></li> <li>• Layoffs</li> <li>• Price reduction</li> </ul>
Public services	<ul style="list-style-type: none"> <li>• <b>Payroll cuts</b></li> <li>• Switch to online work</li> <li>• Layoffs</li> </ul>
Agriculture, forestry and fisheries	<ul style="list-style-type: none"> <li>• <b>No measures taken</b></li> <li>• Price reduction</li> </ul>
Finance, business	<ul style="list-style-type: none"> <li>• <b>Switch to online work</b></li> <li>• Payroll cuts</li> <li>• Office space reduction</li> </ul>
Building industry	<ul style="list-style-type: none"> <li>• <b>Payroll cuts</b></li> <li>• Price reduction</li> <li>• Switch to online work</li> </ul>
Rental, logistics, transport	<ul style="list-style-type: none"> <li>• <b>Payroll cuts</b></li> <li>• Price reduction</li> <li>• Switch to online work</li> </ul>
Other services	<ul style="list-style-type: none"> <li>• <b>Payroll cuts</b></li> <li>• Price reduction</li> <li>• No measures taken</li> </ul>

## Remote Employee Performance Evaluation

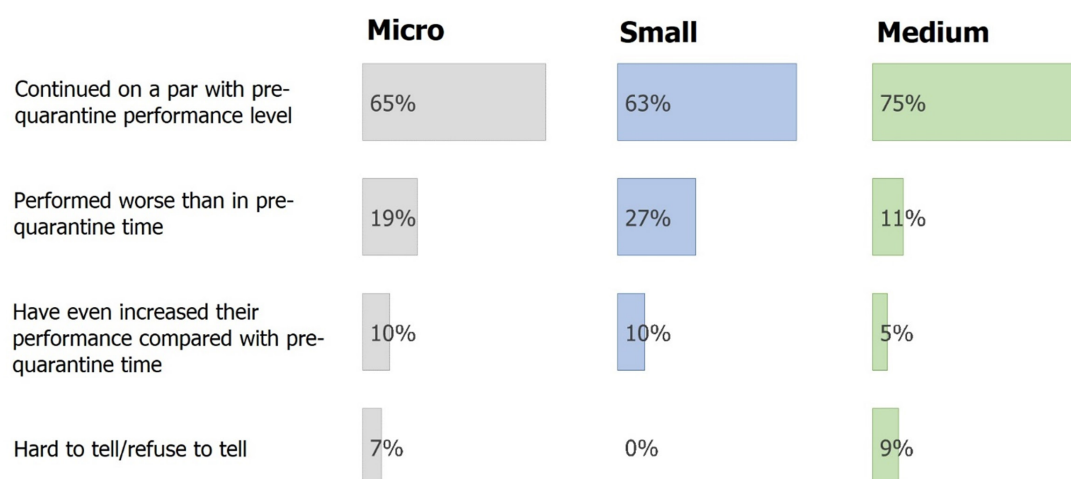
There was a separate set of questions asking respondents who introduced remote/online work to evaluate the new performance and share plans to continue with the practice after the quarantine is over.

The majority of those questioned mentioned their employees' remote performance was on a par with the pre-quarantine time. One out of ten small and micro enterprises even reported better performance in the remote mode.

Meanwhile, 27% small business representatives expressed less satisfaction with remote work results noticing their employees becoming more relaxed (the share of not satisfied employers among micro and medium businesses made 19% and 11% respectively).

**Figure 14. Remote Employee Performance Evaluation (for Question to Respondents Who Introduced Remote Employment please refer to Figure 13).**

### Question A2.1. While working remotely, your employees...



Still, in spite of the generally positive experience with the shift for online work, the majority of small and medium enterprise representatives view remote work as a workaround measure in force majeure circumstances and would want their employees back to their working places once the quarantine is over.

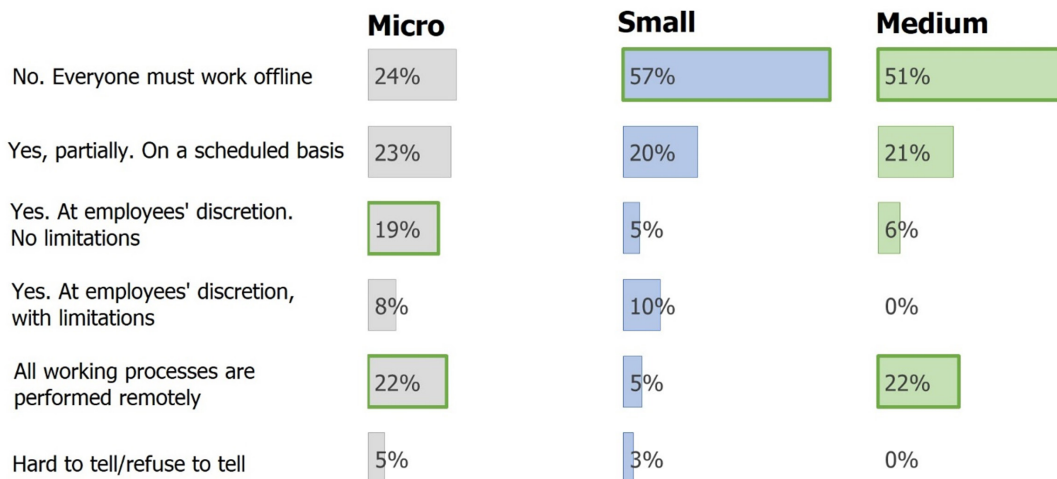
Here micro businesses show more flexibility with three out of four respondents being ready to continue the experiment with remote work even after the quarantine and being ready weigh options (partially, at employee's discretion etc.) all the way to switching completely to online (22%). Interestingly, the proportion of 'radical' medium-sized enterprises ready to switch to remote work completely is the same: 22% respondents.

Experts also expect the remote working experience will be further used after the quarantine and forecast the emergence of enterprises that will service this line of operation.

*'... it seems to me even after the pandemic is over and the situation is back to at least the level it was at before there will be lots of companies that will learn their lesson and shift their employees to remote operation – or will do some of their business not from their offices. I think coworking spaces that are currently on the rise, they will also get their customers: people have understood it they do not need that much those regular offices.'* (GI №9 Journalists)

**Figure 15. Plans to Develop Remote Employment (for Question to Respondents Who Implemented Remote Work please refer to Figure 13)**

**Question A2.2. Have you kept/plan to keep the remote work option even after the quarantine?**



## Evaluation of Governmental MSME Support Measures for the Duration of Pandemic

The respondents were asked to evaluate governmental measures of business support during the pandemic in terms of their relevance.

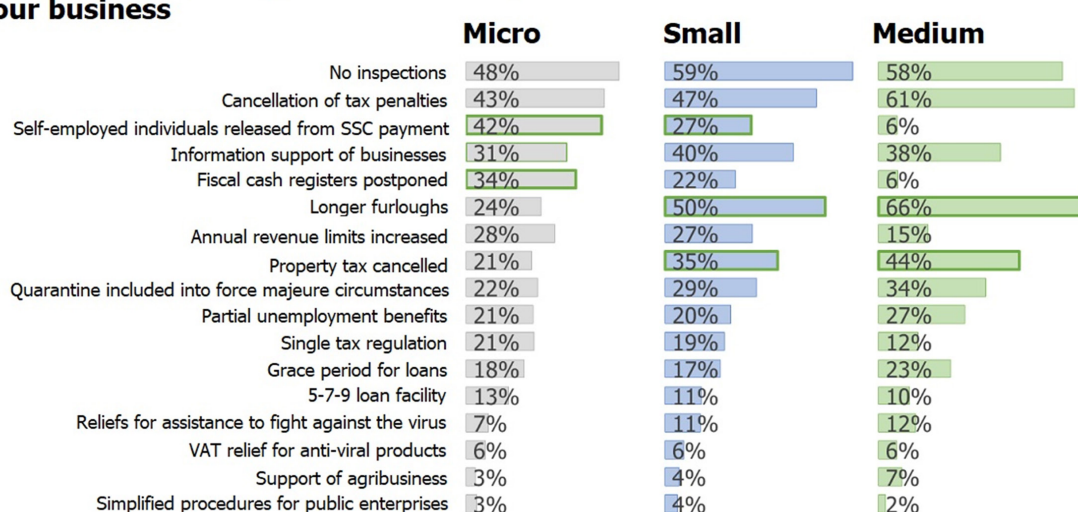
It is worth noting the respondents have been rather informed about the said measures with only an insubstantial proportion of them opting for 'It's the first time I hear about it' in response to the most of governmental measures. The participants were least aware of the measure of 'Authorising the local self-government to make decisions to change single tax rates' with 15% respondents reporting the measure was relevant for them but it was the first time they heard about it.

The evaluations of governmental measures have considerably varied depending on business size. E.g., micro enterprises (may we remind comprising almost 50% self-employed in the sample) were more appreciative of the release of self-employed individuals from the single social contribution payable by them for themselves; meanwhile, small and medium enterprises found more support in amendments to the Labour Code, in particular, to cancel limitations to the duration of unpaid leave.

Besides the above variations, the top three support measures for all enterprise categories include the following two: the ban on desk audits and ex post reviews and the ban on punitive damages for tax law violations. Herewith, small and medium enterprises tend to evaluate these support measures much higher than the micro businesses.

**Figure 16. Evaluation of Governmental Business Support Measures (cumulative of 'Considerable support' and 'Some support').**

### Question A14. I will read to you the list of business support measures implemented by the government and you will tell how these have affected your business



The remainder of governmental measures have not been appreciated by entrepreneurs as of support during the pandemic. E.g., the governmental business loan facility '5-7-9' was praised as supportive at the time of quarantine by only slightly more than 10% respondents.

The experts have been critical to measures implemented by the government to support business. In their view, far and away not all enterprises have been able to use the measures and those that could be easily used have been insufficient.

*'...these are some instruments you could use provided you have a clear and very good understanding of the law, are able to hire legal counsels (or have them on board) – or you are a lawyer yourself and are able to dig it. An unsurmountable task to weigh for micro and small enterprises.'*  
(GI №7 NGO)

*'To my mind, there is not a single instrument that businesses would praise as 'super great one'. Suppose you've been run over by a train – would someone with a band-aid be of any real help to you? Just one thousand Hryvnias-worth less of single social contribution or personal income tax when you bleed millions in losses. Or take fiscal burden reduction for self-employed individuals, or two thousand Hryvnias of financial aid to a self-employed with kids. That's ridiculous.'* (GI №8 Business associations)

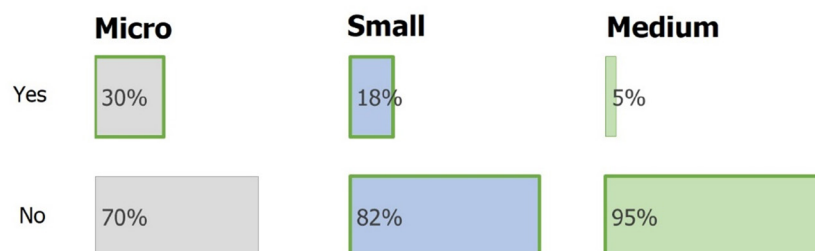
Meanwhile, in experts' view, some measures may even be detrimental if used by unscrupulous businesses.

*'For unscrupulous businesses it's a possibility of abuse. And it creates huge problems for the society well-being, particularly when it's about inspections related to suspected adulteration of processes important for public livelihood.'* (GI №7 NGO)

The information support (public services and online information resources) have earned quite a praise from respondents, 30% to 40% them (depending on business size) mentioning this type of support as 'considerable' or 'some'. The direct question about perceived lack of information has most often received positive answers from micro businesses (30% perceiving the lack of information); however, the greater is the business size, the more knowledgeable its top management is. The key information that the respondents have been lacking concerns measures to support businesses during the pandemic and general information about the COVID-19 pandemic and its impact on businesses.

Figure 17. Information Support of Businesses During Quarantine Limitations.

**Question A11. Do you perceive the lack of information for businesses or the impact of quarantine measures on the latter?**



The experts have expressed several ideas of support that businesses lack. The key problem is the lack of targeted assistance to businesses that have suffered the most.

*I mean, the primary shortcoming was in the lack of assistance to the sectors that were the first to suffer. The government should have given those sectors money – it could even print those bills to take them from the market afterwards – just to relieve them as much as possible. They had a bad time not because of being like inefficient or not competitive against others; they exactly suffered because of the government. It would've benefited the whole of economy – but they didn't do it.' (GI №13 NGO)*

*The measures should have been focused, first and foremost, on identifying those in need of relief. The support itself, it's about gratuitous financial aid to certain businesses, a one-off, give-and-forget one. That is, it's not something passive – and it's not a loan either. Secondly, it's about creating conditions to spurt the demand proper.' (GI №7 NGO)*

Further ideas of support included tax holidays for businesses and restoration of consumer purchasing power.

*I think the most important thing to be done would be to announce tax holidays, at the very least, for the most affected sectors we've mentioned. Single social contribution and personal income tax should be cancelled, because employees have not been laid off. Those entrepreneurs have to pay taxes in full.' (GI №14 Business)*

*Surely if it would be possible to send people to the employment agency for them to get at least 70% salaries it would influence the consumer purchasing power; it would make a certain support and would help small and medium businesses.' (GI №15 Business)*

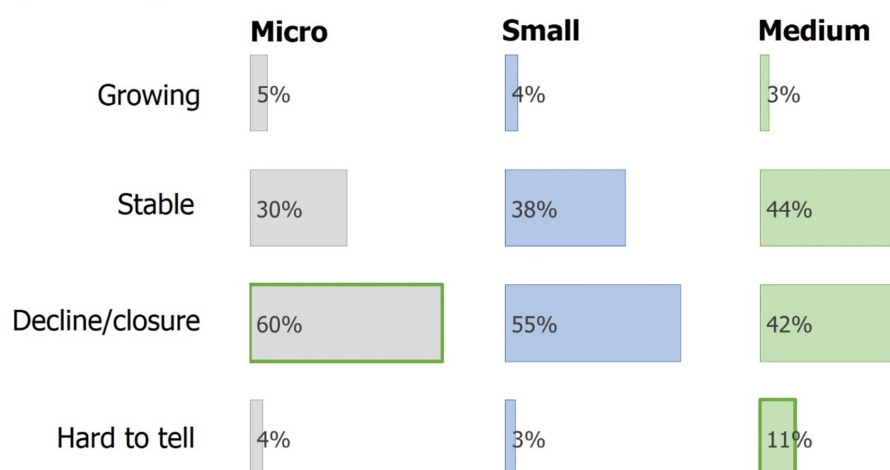
# V. Expectations of MSMEs in 2020 and 2021

Naturally, the COVID-19 pandemic has become the key factor to shape business expectations in 2020 and 2021. When at the end of Q1/2020 the majority of MSMEs deemed their development phase a stable one (see Figure 6), by mid-third quarter (at the time of survey) the share of 'stable' enterprises halved while that of enterprises facing decline or even closure increased almost by an order. Micro business representatives have been the most downhearted with 60% respondents in the group estimating the current situation as a downturn; the opinion is shared by 42% medium enterprises.

There has also been a several-fold decrease in the number of enterprises estimating their own development as a 'growth' period.

Figure 18. Phases of Business Development at the Time of Survey.

**Question A5.2. How would you estimate the current phase of your company development?**

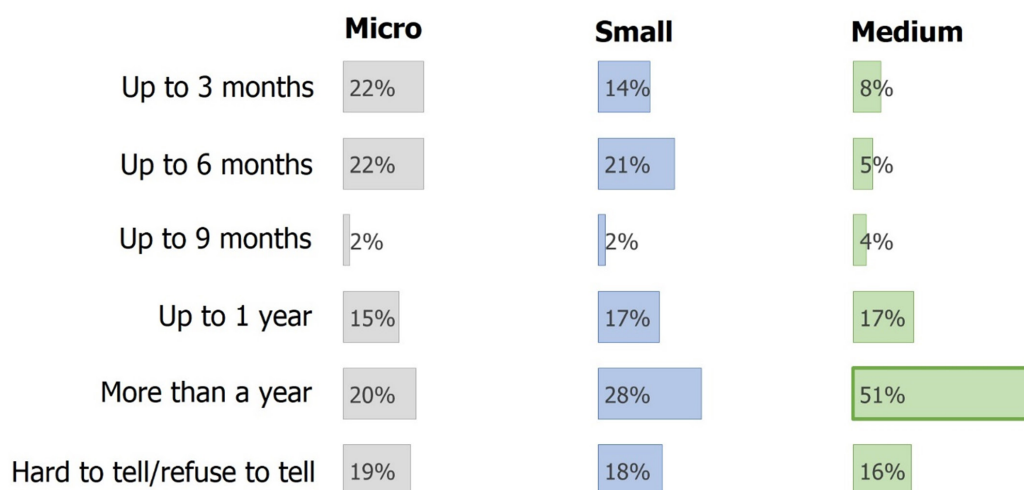


Regionally, the most pessimistic attitudes reign in the Western region where 65% respondents have stated their business is either contracting or nearing closure. The feeling of stability has been more proper for businesses in the Central and the Southern regions with 38% and 37% respective respondents of opinion their business is stable.

**Table 8. Phases of Business Development at the Time of Survey by Region**

Region	A5. What is your estimate of your own company development at this time?			
	Growth	Stability	Decline/closure	Hard to tell
Centre	5%	38%	52%	5%
West	6%	27%	65%	3%
South	5%	30%	61%	4%
East	6%	28%	61%	6%
North	4%	37%	54%	5%
City of Kyiv	5%	34%	59%	1%

Even for businesses facing decline the evaluation of viability may differ because of their size. E.g., small and micro businesses for the most part are ready to stay afloat for at most six months (44% micro and 35% small ones) when more than a half of medium businesses are ready to survive for more than a year even during decline phase.

**Figure 19. Evaluation of Business Viability (for question to respondents during the decline phase please refer to Figure 18)**
**Question A6. In your view, for how many might your business survive?**


Region-wise, the least resilience is shown by enterprises in the Central region where one in four enterprise managers says his company will only survive for three months. The most resilient enterprises can be found in the metropolitan area with more than 30% them ready to weather the decline for more than one year.



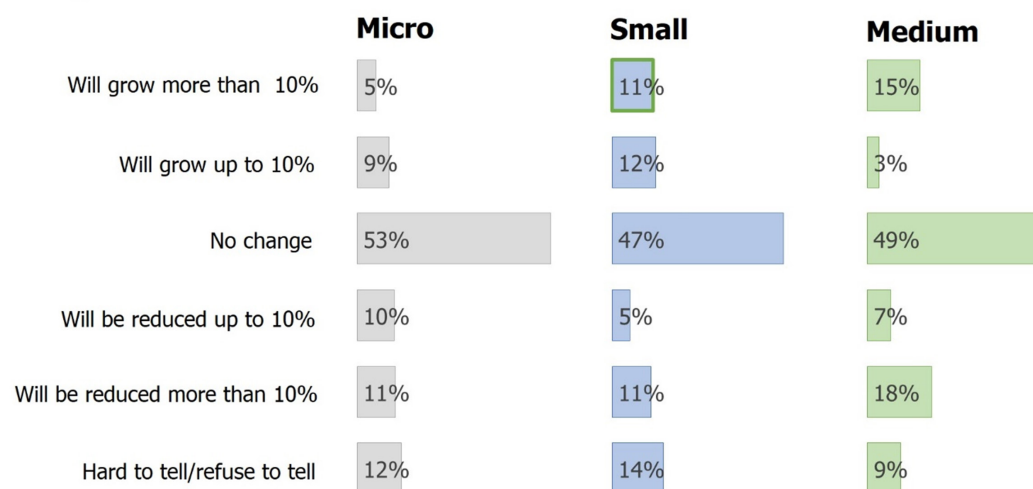
Table 9. Evaluation of Business Viability by Region

Region	A6. In your opinion, how many months would your business hold out?			
	Up to three months	Up to six months	Up to one year	More than a year
Centre	26%	21%	19%	19%
West	18%	22%	19%	23%
South	21%	23%	13%	21%
East	18%	17%	25%	18%
North	13%	24%	21%	23%
City of Kyiv	22%	22%	9%	31%

Enterprises in stable or growth phase would rather not rush to change the investment dynamics: a half of respondents said their business investments in 2020 will be no different from 2019.

Figure 20. Evaluation of Business Investment Dynamics (for question to respondents in stable or growth phase please refer to Figure 18)

### Question A7.1. Will your investments into business grow this year compared with 2019?



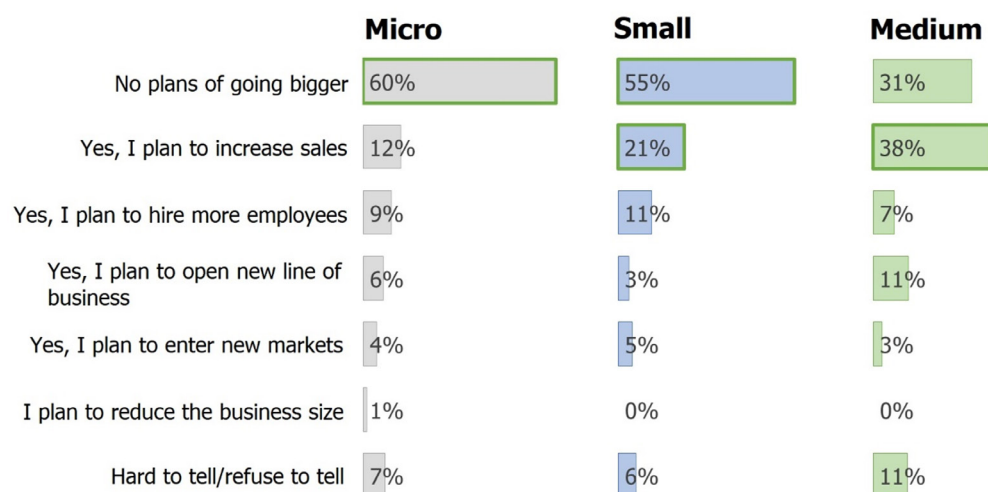
Meanwhile, there are cases of businesses being able to use the crisis situation to spur growth.

*'Well, in my case we have been able to use the crisis to grow. Massively. On the first week I was in trance: What should we do if everyone gets sick? What about the payroll? Our salaries are not sky-high, not really small but far from IT sector. I understood our reserve was for two months at max, then all the guys will come to me asking for 'At least some advance payment' – everyone needs to survive. I was really nervous about it all. We started making protective suits for the medics we knew, volunteer organisations. It all began as a crowdfunding effort and we spent a whole month making those PPE suits. Some of them we would give away, some would sell; some have been sitting stocked in the warehouse because the government switched to imports. It helped us survive for two or three months, just to retain the staff. Our key customers used to be hotels and restaurants; we saw the foodstuffs sector develop instead. Meat packing companies have been placing many orders, even during the pandemic. Agribusiness has been growing and ordering from us. It was not as big as before the quarantine. So, we have decided to spend the time on upgrades to some company divisions inviting more skilled professionals and managers to help their division grow better. We launched three new software programmes, the managerial accounting one, a CRM system and a new accounting and reporting programme. For three months we have been actively involved in training and now we are able to optimise any sales process and sell five times more in less time, something we have never been able to before. That is, there was always something preventing us from it before. We did know we needed it; we did know we had no time for it; there always has been time for other resources. Now I've invested my own savings into this growth and we start seeing some results already.'* (GI №10 Business)

Still, the absolute majority of enterprises in their growth or stability phase aim for keeping their business afloat at its current level, and only a small portion of small and medium enterprises harbour plans to increase their sales (the planned increase to be from their internal reserves without hiring new staff, entering new markets or exploring new lines of activity).

**Figure 21. Evaluation of Business Development Prospects**  
(for question to respondents in growth or stability phase please refer to Figure 18).

**Question A7.2. Do you plan to grow your business or increase the number of employees in the coming year?**



In experts' view, the decline in consumer purchasing power and the lack of adequate business protection measures may trigger a wave of shutdowns in autumn.

*'Meanwhile, some sectors did suffer from it and some businesses were forced to close. This is not the end of it though because many are still on their last leg but if the quarantine goes on like this – and the quarantine does affect the consumer purchasing power and sentiments – then we should expect more business to close in September, October or November.'*

*'Even with a variety of support programmes available now like the governmental '5-7-9' and other, businesses are not always able to use them without preparing first: when a business was not completely legal, not fully efficient etc. it may not be eligible for this money. Hence, whether '5-7-9' or other aid, it might be not enough.'* (GI №8 Business associations)

We asked the experts to sketch a worst- and a best-case scenario of developments due to the Corona crisis. The majority of them agree that one of the factors to contribute to the worst-case scenario is related to depressed mood of the public and government's inadequate response to the crisis.

*First apprehension concerns general psychological attitudes among the population, the mood in the society. Even before that the emotional state of the Ukrainians wasn't at its best public due to hostilities in the East. The issue hasn't been resolved and is still hanging over us, and it definitely affects us. Now add here this [COVID] situation: to my mind, the governmental PR campaign has been a bit skewed, they are like intimidating people and this brings a depressing mood and from here, reduction of performance, of purchasing power, it kills the desire to do something or change or move anything, This is first. The second thing is about some steps of the government that will limit one's ability to work and degrade livelihood of businesses. Actually, the only message for the last four months has been: 'Stop working'. Not every business can be just stopped for good. How is that even possible? The business owner has to pay salaries, where will he get money for that from? A nonsensical thing.'* (GI №15 Business)

The experts have linked the best-case scenario to vaccination or a natural decline in the epidemics (like it was with the bird flu or the swine flu).

*An optimistic one is when COVID disappears all by itself in the same way it appeared – it is often like this with epidemics when it leaves the plateau and for some reasons unbeknownst to us some natural immunisation happens. This is reason number one. The number two will be when they really discover a vaccine which, even if unable to cure everyone, will give us hope, a possibility, a mechanism to stop it somehow.'* (IIN№9 Journalists)

*The best-case scenario in the pandemic is we all will contract it but in a benign form and then it will just go away leaving us to come back to the life we used to have before. I think the revival of the economy will take two or three years. Now we are going to work at a leisurely pace. Those who were able to use the idling time for improvement purposes, will be more content with the outcomes and it will be easier for them to break out from this crisis. Those who has been just chilling and enjoying the vacation time will have to adapt harder or look for some innovations that can also be related to pandemic challenges.'* (GI №10 Business)

## MSMEs' Key Requirements to National Policy of MSME Development

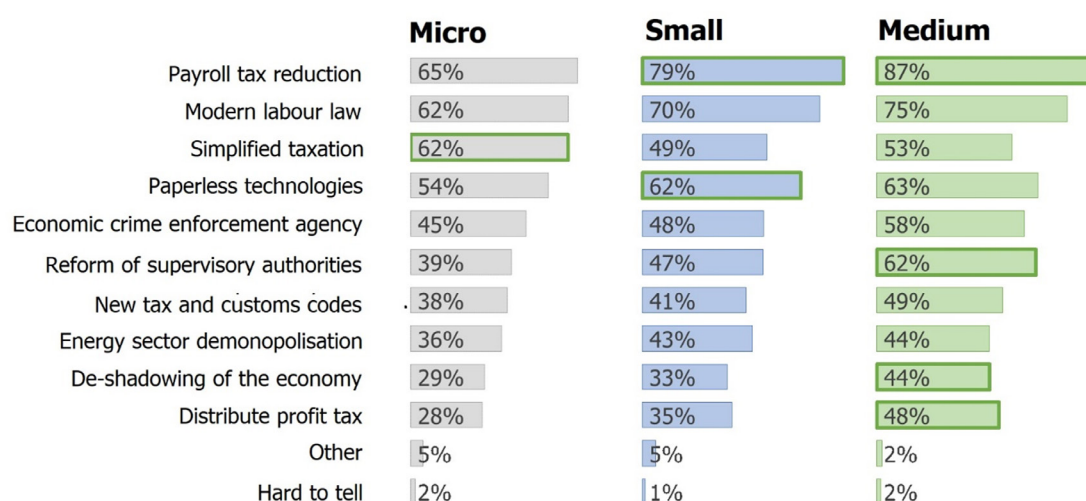
To assess priorities of business development in Ukraine, the respondents were offered a range of 10 priority options to select from. The list of priorities for the survey was developed by Info Sapiens experts in close collaboration with CIPE consultants.

The respondents could select any number of priorities – and they did: micro enterprise representatives selected four to five responses while small enterprise representatives generally opted for five, and medium enterprises had six priorities selected in average.

Representatives of all the target groups put first the factor of 'Reduction of fiscal burden on the payroll'; the factor has been of particular importance for small and medium businesses which selected it in 79% and 87% cases respectively. 'Implementation of modern labour law; simplification of tax administration and reporting; reduction of punitive damages for labour law violations' ranked second among all types of businesses. 'Preservation of simplified taxation system' became the third priority for micro enterprises while small businesses had 'Implementation of paperless technologies; prevention of government authorities from requesting information from public databases' on the second place and for medium businesses the second most important priority was about 'Institutional reform of supervisory and inspection authorities; implementation of personal liability, risk-based approach to inspections and open calls to fill in top management vacancies'.

Figure 22. Priorities of Business Development in Ukraine

### Question A17. Which of the priorities of business development in Ukraine presented below best correspond to your business needs?



## Need of Reforms

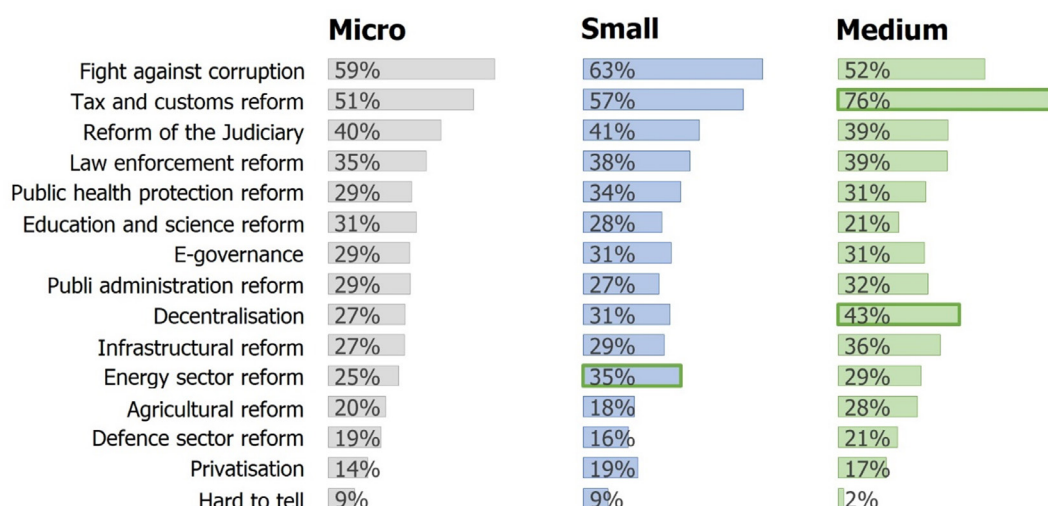
As regards the need of business development reforms, more than a half of respondents in each business group gave preference to the two reforms, the one on fight against corruption and the tax and customs reform (it should be noted medium enterprises, unlike small and micro ones, have by a long shot preferred the tax and customs reform).

The reform of the Judiciary and of law enforcement ranked second-third for all types of businesses.

Other reforms to mention include that of the power sector (mostly required by small enterprises) and the decentralisation reform of importance for medium businesses.

Figure 23. Need of Reforms for Business Development

### Question A16. In your view, which reforms are the most necessary in Ukraine for your business to grow?



Experts, while unanimous in their views of businesses' need of reforms, give top preference to the Judiciary reform.

*I think it is the reform of the Judiciary that should be the main one. With normal courts it will be possible to resolve conflicts with the government in due process without any corruption. Speaking of priorities I would place first the judiciary reform.'* (TIN#4 Journalists)

*'... all investors when asked why wouldn't they come to Ukraine name the same three factors, that is, corruption, lack of protection of ownership title and arbitrariness of courts.'* (TIN#5 Journalists)

# VI. Prospects of MSME Consolidation into Public Business Associations

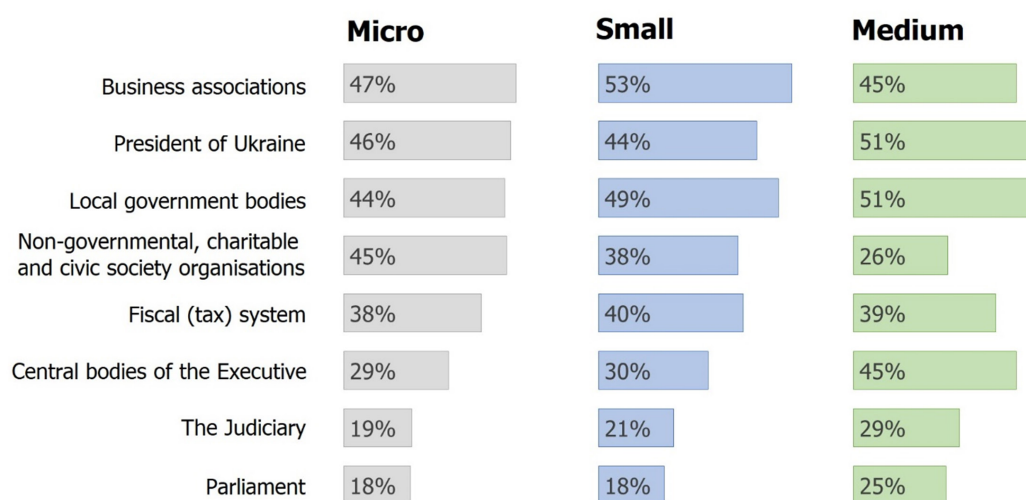
## Level of Trust

Business associations (incl. chambers of commerce, small enterprise unions etc.) take the lead by the level of trust; almost a half of those interviewed either have complete trust or would rather trust such associations. The cumulative proportion of “I have complete trust” and “I rather trust” shows the level of trust identical to that of the President of Ukraine though the share of respondents who opted “I have complete trust” in respect of the President is two times higher (the sample average has 13% completely trusting the President with business associations having to put up with just 6%).

The Judiciary and the Parliament are the traditional leaders from the other end of the scale.

Figure 24. Assessment of Level of Trust in Institutions. (cumulative ‘I have complete trust’ and ‘I rather trust’ answers).

### Question A18. To what extent do you trust the following Ukrainian institutions?..



Commenting on the matter of trust between businesses and the government, most experts have emphasized the relationships between the two are either antagonistic or, at best, neutral (or non-existent).

The view is shared by representatives of NGOs, the journalistic community and businesspersons proper.

*'From the viewpoint of a business – say, of the one I work in – I perceive absolutely no support or interest from the government whatsoever. Businesses rather exist, as the saying goes, 'in spite' rather than 'thanks to'. Sad but true. It has clearly and vividly manifested itself during the time of crisis.'* (GI №15 Business)

*'... the government does not always understand the conditions in which small and medium enterprises have to operate in or what are their real challenges. Because of that it focuses its attention on secondary issues and fails to provide correct solutions.'* (GI №12 NGO)

*'It seems to me the relationships with the government have been rather strained possibly already for seven to eight years. From that moment when they started talking about either cancelling the simplified taxation system or bringing it closer to the general one. Those regular attempts to changes something in the simplified system, to enforce fiscal cash registers, they put a bit of strain on small businesses. Better said, it doesn't make one more willing to pay taxes because, on the one hand, the government demands more transparency in accounts, less cash on hand, more reports; and, on the other hand, there still exist inspections, there still exists some pressure from tax administration authorities (and not only from them).'* (GI №5 Journalists)

Meanwhile, representatives of Oblast state administrations maintain there are no problems in relations between the government and businesses and state the government 'does hear' what businesses have to say.

*'We have partner relationships between small and medium enterprises. At least, it works nicely in our Oblast. For any matters in need of solution when the government has to step in, we have an advisory body, the Regional Council of Entrepreneurs, successfully working. There is trust among businesspersons in that body. We also create the environment for them to work in a normal way.'* (GI №11 OSA)

Low level of trust is a problem indeed and the majority of experts are of opinion the task of raising the level is conditional on several related components that can be resolved with successive steps.



*'Surely, the low level of trust is not just a problem but a top one. This puts any processes, even the best and boldest one, on hold. It can be solved with a set of measures. To put it briefly, one has to set off to resolve it by getting together the experience of what the Eastern Europe did, what other countries with much higher trust levels did. Trust appears wherever all parties to the process play by the book, wherever there is rule of law. The first and the most important step will be for an entrepreneur of whatever size to know he is able to protect his rights, to know his rights are protected.'* (GI №4 Journalists)

One such component is about setting up a regular feedback between the core group of entrepreneurs and government authorities at all levels.

*'...No feedback is the most frustrating thing. Meanwhile, hundreds of entrepreneurs in Ukraine face some problem on a daily basis. The problem is somehow reported to the government, the local and the central one. Taking into account the local government, it's about thousands of entrepreneurs. Sometime problems are solved and everything checks ok. Definitely not in the majority of cases. The majority of cases face thunderous silence. Why it is like that? Because government officials are used to never recognise their own mistakes...*

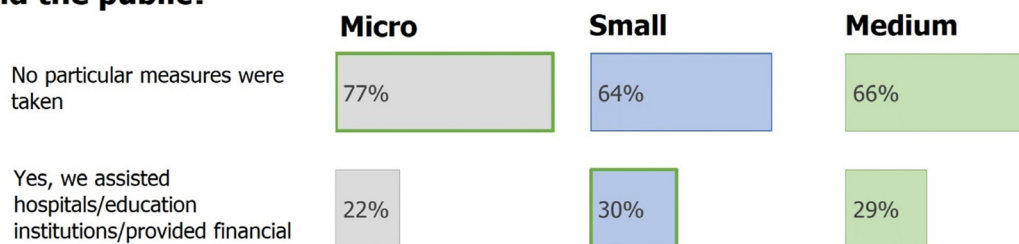
*'It seems all the entrepreneurs say the cabinet is not doing enough in the enterprise development area. The government isn't doing enough. There are some strategic documents – everybody says these are bad too. But there is no joint assessment of what went right, what went wrong, which strategic decision was correct and which wasn't.'* (GI №2 NGO)

## **Business Support of the Public During Pandemic**

The COVID-19 pandemic became a factor in involving businesses in processes of social interaction with the government because of the fight against the coronavirus. Almost 30% of small and medium-sized enterprises and more than 20% of micro-enterprises have joined the fight against coronavirus providing assistance to the public, helping hospitals and/or educational institutions, distributing financial assistance etc.

Figure 25. Business Support of the Public During Pandemic

**Question A15. At the beginning of the quarantine, some businesses joined the fight against the coronavirus providing assistance to the government. Did your business engage in any particular measures to aid the public?**

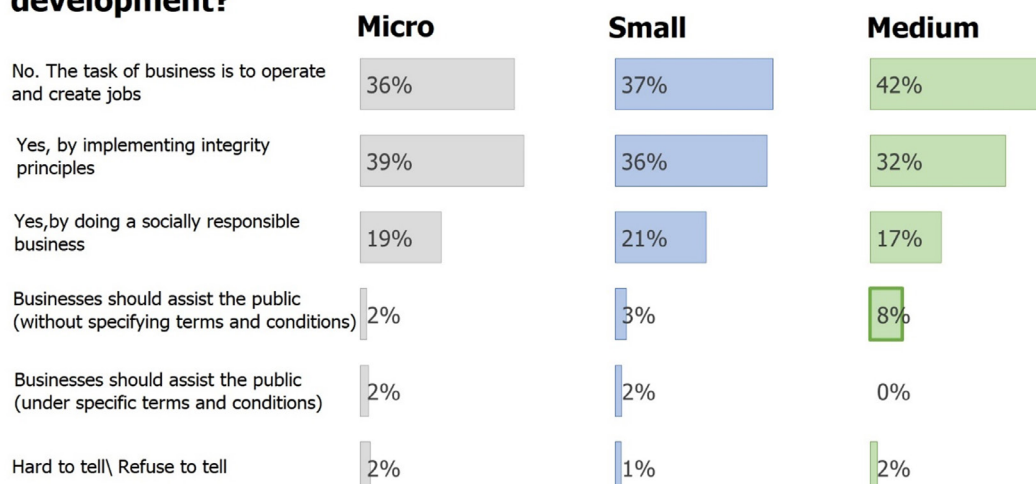


Summarizing the question of whether businesses ought to help the society not only in crisis situations but to promote development in general, a smaller proportion of respondents believe that the task of businesses is limited to job creation and tax payment. Most respondents believe businesses should in this or that way interact with the society supporting the principles of integrity (intolerance of corruption; non-application of shadowy schemes; corporate ethics), doing a socially responsible business (caring about the environment and community well-being) etc. There have been no significant differences in the positions of micro, small and medium entrepreneurs. Experts from TG on Business have supported the idea too.

*It undoubtedly should accept it. Because, let's put it like this, we live in the society and do it not for the sake of work but for life – for better life. All of us are clearly somehow interconnected and the well-being of a citizen or a business, be it small or big, it's interrelated, right? All of us have to contribute and to work as a single organism.' (TIN<sup>o</sup>15 IIA Business)*

Figure 26. Social Responsibility of Business

**Question A15.1. Would you agree businesses should help the public not only in crisis situations but also to generally assist the development?**



However, not every expert is pleased with such a proactive involvement of businesses in the community life. Some experts think social development projects belong to the State domain while the task of businesses is to pay their taxes, which the State would efficiently manage. It is because of the lack of mutual trust between businesses and the State that businesses try to take over governmental function of community support and development.

*'I'd say each one has a task of its own to do. The task of businesses is to properly do their job providing these or those goods and services. Also creating new employment. And diligently paying taxes in the process. By doing this, businesses could also show their social responsibility.'* (GI №13 NGO)

*'I think the key link between businesses and the national development is in their payments to the budget. It's way better to pay transparent than backdoor salaries finding additional funds to renovate a street or do something similar.'* (GI №4 Journalists)

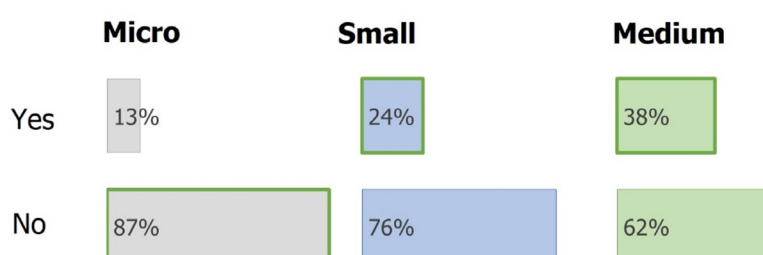
*'Let us be honest on that: businesses of today have not enough trust in the government to pay the taxes they should have paid in full; consequently, the State is poor. Parallel to that, some businesses are ready to invest in social projects bypassing the government and redistributing their resources directly to where they are needed. With transparent and normal mechanism of tax collection and further administration businesses would pay more taxes and the government would collectively solve those problems. Hopefully, the decentralisation reform will be a partial solution to that as businesses will be able to have a clearer view of where does money go in amalgamated communities. Still, at the moment we have to do each own work; let the government administer and solve global problems while businesses will create new jobs and pay taxes.'* (GI №8 Business associations)

## Participation in Business Associations

The share of enterprises members of business associations grows in proportion to increase in business size: When membership in associations has been mentioned only 13% respondents in the micro enterprise group, the share doubles (24%) for medium businesses and is threefold (38%) for medium-sized ones.

Figure 27. Participation in Business Associations

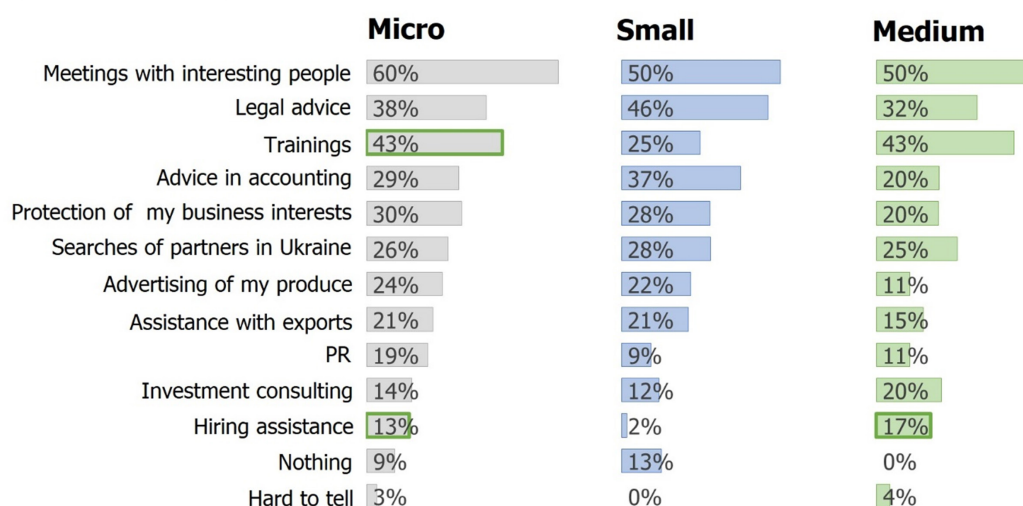
### Question A19. Is your enterprise a member of at least one business association?



Networking (meeting interesting people, professional communication) has been the key benefit of membership in business association for entrepreneurs: it has been mentioned by a half of small and medium enterprise managers and 60% micro business managers. Legal advice and trainings ranked second.

**Figure 28. Assessment of Benefits from Participation in Business Associations.** (for question to respondents who are participants in business associations please refer to Figure 27)

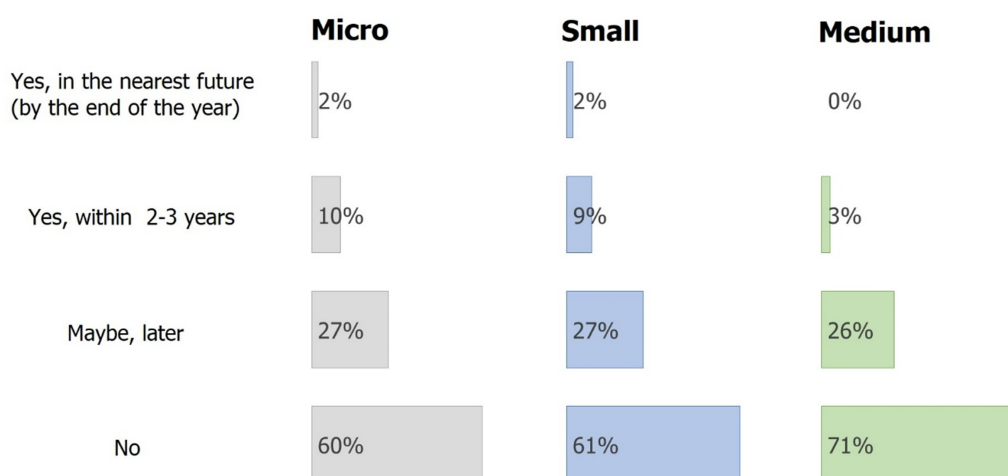
**Question A20. What are the business benefits of membership in such associations?**



However, the share of entrepreneurs not thinking of the prospect of membership in business associations or enterprise unions remains high at 60 to 70% depending on the size of business. Medium enterprises are more categorical in their reluctance to join association; not a single respondent has expressed intention to join any such organisation within a year and only 3% will possibly consider it within the span of two to three years. In small and microbusiness, every tenth respondent considers the Prospects of joining a business association within two to three years are on the table of one of every ten small and micro respondents.

**Figure 29. Plans of Participating in Business Associations.** (for question to respondents who are not participants in business associations please refer to Figure 27)

**Question A21. Would you consider joining a business association or professional union?**



Experts are unambiguous in their positive estimate of the role of business associations. While business people see the primary role of such association in protecting their own interests, other categories of experts see the potential of business associations in broader analytical work rather in protection of interests of their individual members.

*‘Business associations are definitely a positive phenomenon, like a collective mind of a kind. It is easier to join resources and reach the set objectives that way.’ (GIN#15 Business)*

*‘Speaking of performance of business associations as a measure of efficiency and effectiveness of their involvement in the process of designing and shaping the national policies on enterprise or other areas, my take is they are efficient in a figurative way. There are success stories but I would not say they are the driving force promoting the agenda of reform of enterprise. They rather focus on problems understandable for this narrow circle of participants, those membership clubs inside the association. In only rare cases we see business associations fostering tiny analytical units that try to work in a more systemic way than in response to isolated initiatives voiced by member companies.’ (GIN#12 NGO)*

In experts’ opinion, over a longer timeframe business associations may be able to shape the national policy not only on private enterprise but also in the field of science and education.

*'I can confirm this is rather important. Overall, I would say this is a current trend, a return to Medieval times of sorts with their guilds. Those craft and trading guilds were the exact foundation used to resolve even matters of national importance; everything that was good for the guilds was also good for the nation, them being the main driving force of the economy and in all other aspects. ... Also, I think these associations will – will have to – move towards education programmes, towards science. I think, they will either replace or compete with the education system because the education system lacks competences, and not only because it is weak but also because it cannot catch up with the changes in education, on markets and so forth. This is why they establish all sorts of schools, design programmes for professionals and greenhorns and so on. I think this their move towards education will be an important step, something along these lines, yes.'* (GIN<sup>o</sup>9 Journalists)

As regards payments for services provided by business associations, legal advice and protection of business interests were named first by both current and prospective association members. Consultations and trainings for accountants ranked second. Other services are in less demand. Interestingly, prospective members of business associations (those ready to join within a few years) are more optimistic about their readiness to pay for services of such associations than the respondents who have been already using such services.

**Figure 30. Readiness to Pay for Services Rendered by Business Associations.** (for question to respondents not members of business associations please see Figure 27; for those ready to join within some years please go to Figure 29)

**Question A24. What association services do you pay/would be ready to pay for?**

