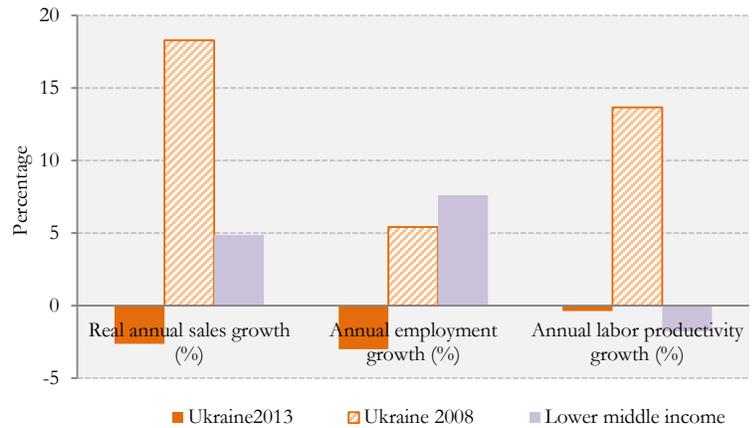


The World Bank interviewed a representative sample of the private sector in **Ukraine**, composed of 1,002 establishments, between January and November 2013. The Enterprise Survey covers several aspects of the business environment as well as performance measures for each firm. Below are the main highlights from the survey.

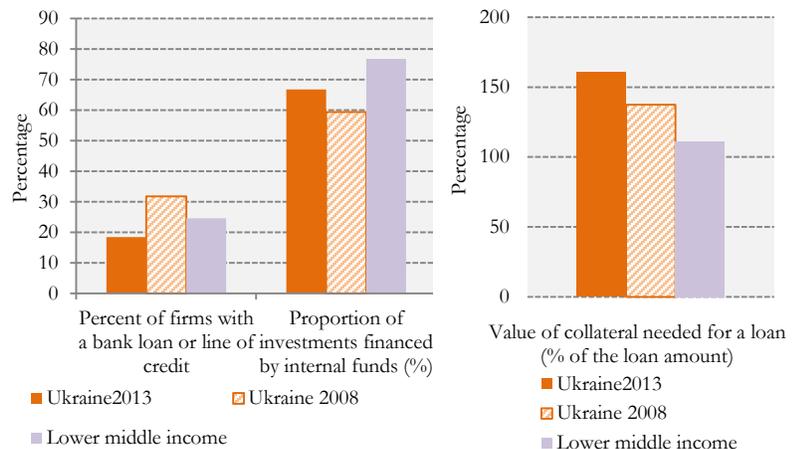
*Firm performance indicators point to a significant deterioration over the last five years*

The Enterprise Survey (ES) data indicate that firm **performance** in Ukraine has significantly deteriorated over time. Compared to ES data collected in 2008, real annual sales growth significantly decreased, from 18.3% in 2008 to 2.6% in the 2013 survey. A similar negative trend is observed in employment growth, a drop from 5.4% to -3%, and in labor productivity, a drop from 14% in 2008 to -0.4% in 2013. Although annual labor productivity growth in 2013 is negative, it is still higher than the average for lower middle income countries.



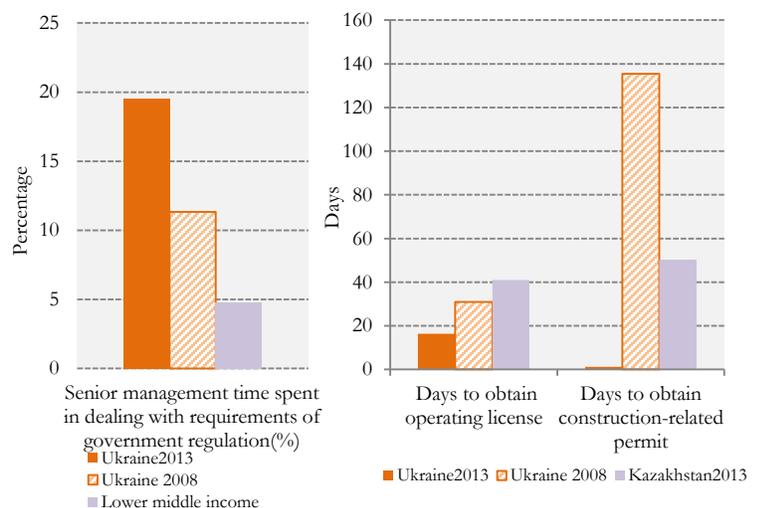
*Several access to credit indicators also reveal a deterioration over time*

Firms' access to credit seems to have worsened over time in Ukraine. The share of private firms with a bank loan or line of credit fell between 2008 and 2013 to levels below the average for lower middle income countries. Correspondingly, firms turn to their own funds as a source of **financing**: the share of fixed assets purchased with internal funds increased from 59% to 67%. Collateral requirements have also become stricter over time. As a percentage of the loan value, this requirement increased from a fairly high level (by international standards) of 138% to an even higher level of 161%.



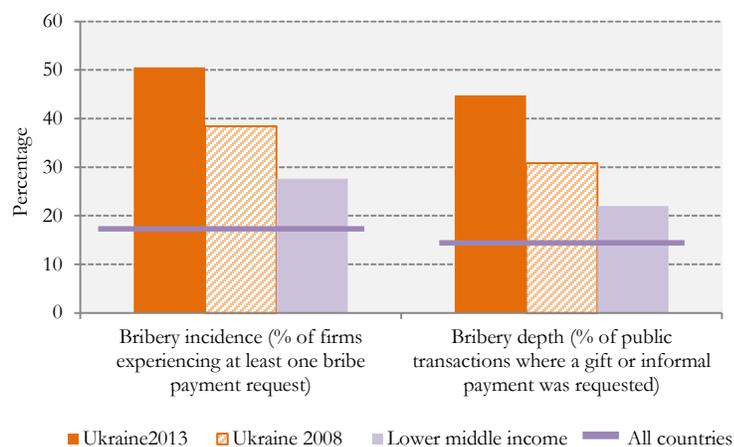
*The time tax imposed by regulations has increased despite improvements in selected indicators*

The **"time tax"**, the percentage of senior management time spent dealing with regulations, has increased significantly between 2008 and 2013. It increased from levels that were already high compared to lower middle incomes countries, at around 11% in 2008, to close to 20% in 2013, one of the highest in the world. Despite the overall increase in the time tax, the data reflect remarkable improvements in selected regulatory burden measures. In particular, the average time that it takes to obtain a construction permit decreased from 135 days to a little over one day, and the time to obtain an operating license was reduced in half, from 31 days to 16 days.



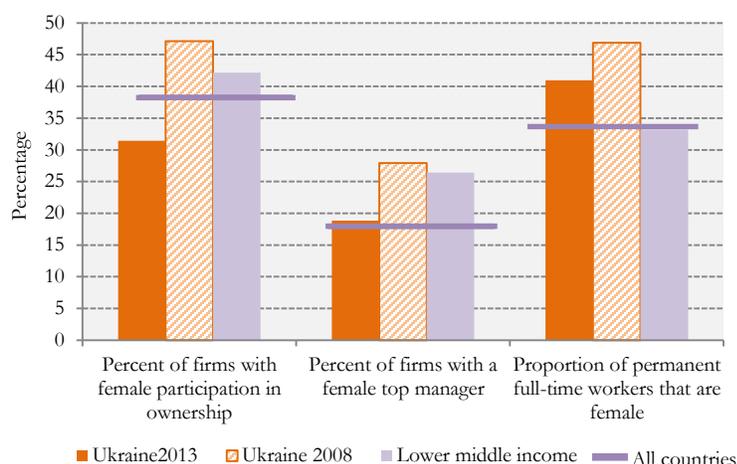
## Ukrainian firms faced a significant increase in the level of corruption

The ES data also point to another constraining factor of the business environment: **corruption**. Bribery Incidence, defined as the percentage of firms facing at least one bribe payment request when engaging in six different transactions for public services, permits, or taxes, is significantly higher than in lower middle income countries or than the average for all countries with ES data. The same pattern is observed with Bribery Depth which measures the pervasiveness of corruption by computing for each firm the percentage of transactions in which bribes were requested or expected.



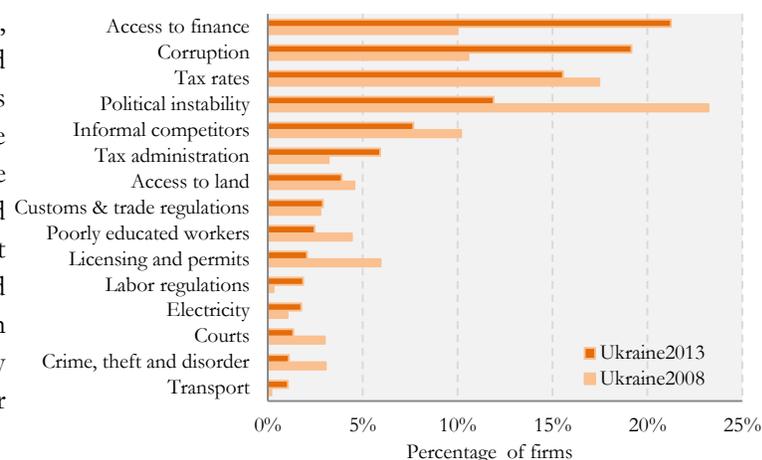
## Female inclusion in the private economy decreased over the last five years

**Female inclusion** in economic activity has also declined in Ukraine over the last five years. The percentage of firms with one or more female owners and the percentage of firms with a female top manager decreased significantly since 2008 to levels below or at par with international levels. The proportion of women in the private sector workforce also decreased in the last five years but it remains at higher levels than international averages or the average for lower middle income economies.



## Access to finance and corruption were the top obstacles chosen by the business community

Prior to the start of the Euromaidan protests, Ukrainian firms reported access to finance and corruption as their biggest **obstacles** in the business environment. These concerns correspond to the objective findings discussed above regarding finance and corruption. In 2008, respondents indicated political instability as the top business environment obstacle. However, during 2013 finance and corruption, along with tax rates, have overtaken political instability as the primary concern. Seventy percent of the private sector chose one of these four items as their top obstacle.



The Enterprise Analysis Unit is a joint World Bank and IFC team of economists and survey experts specialized in private sector development. Surveys implemented by the team reveal what businesses and firms experience across the world by interviewing representative samples of the formal, non-agricultural, non-extractive, private sector with 5 employees or more. The resulting globally comparable firm-level data is used to construct business environment indicators and measure firm performance. The findings and recommendations help policy makers identify, prioritize, and implement policy reforms that support efficient private economic activity.

For more information on the survey visit <http://www.enterprisesurveys.org>