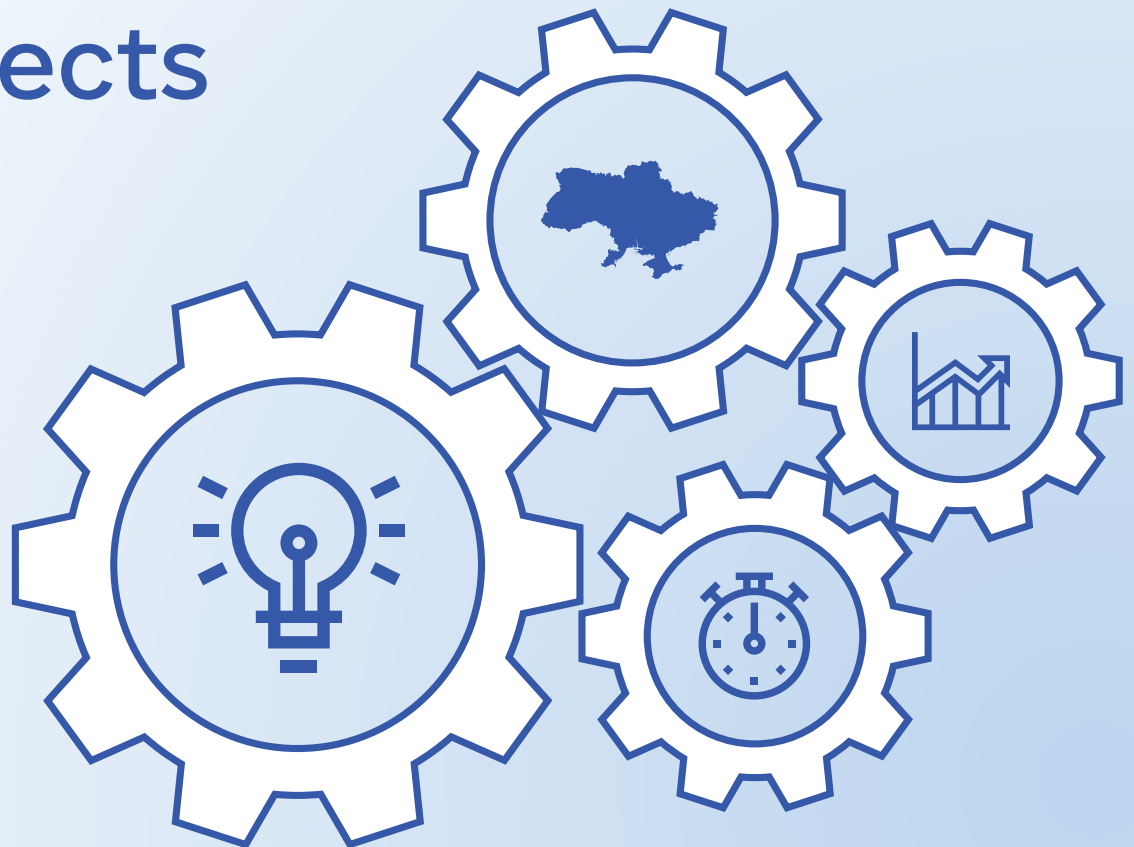


Ukraine at War: Business Environment Transformation and Investment Prospects



March 2025



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List of abbreviations

JSC	Joint-stock company
SE	State enterprise
EU	European Union
CMU	Cabinet of Ministers of Ukraine
IFI	International Finance Institutions
EIA	Environmental impact assessment
BOC	Business Ombudsman Council
LLC	Limited Liability Company
IE	Individual entrepreneur

Preamble

The Policy&Recovery Team of the Business Ombudsman Council (BOC) launched this investigation since its inception¹, developing a new direction of work and seeking to reassess the current state of the business environment in Ukraine in the context of recovery. The study covers an analysis of the country's investment attractiveness from foreign and local investors perspective. Particular attention is given to key issues affecting tactical and strategic business decisions on participation in national and regional economic recovery projects.

Methodology

This study was conducted based on a survey of national and foreign businesses representatives conducted by the Business Ombudsman Council's team. A short list of relevant issues was formed based on frequently asked questions raised by various stakeholders when interacting with the BOC. All comments and suggestions given in this study are either direct quotes from the answers provided by the respondents or summarized responses from the respondents.

Introduction

Russia's full-scale invasion of Ukraine was a watershed moment for the Ukrainian business environment, fundamentally changing its functioning, priorities, and development strategies. Despite the devastating impact of hostilities, Ukrainian entrepreneurs have demonstrated exceptional resilience, adapting to new conditions, and actively contributing to the country's economy reconstruction. At the same time, international investors' interest in the Ukrainian market remains stable and, in many sectors, is growing.

The structure of Ukraine's economy has also changed, and recovery requires developing new industries and

infrastructure. It involves integration into global supply chains, increased exports, and products manufactured in Ukraine upgrade. All of this contributes to accelerated economic development and also reflects deepening of European integration and access to transatlantic markets.

The objective of this study is to analyze the transformation of Ukraine's business environment during the war period, study key challenges and opportunities for enterprises, and assess prospects for investing in the country against the backdrop of post-war reconstruction.

¹ Since September 2024

Chapter I.

Current business climate state in Ukraine

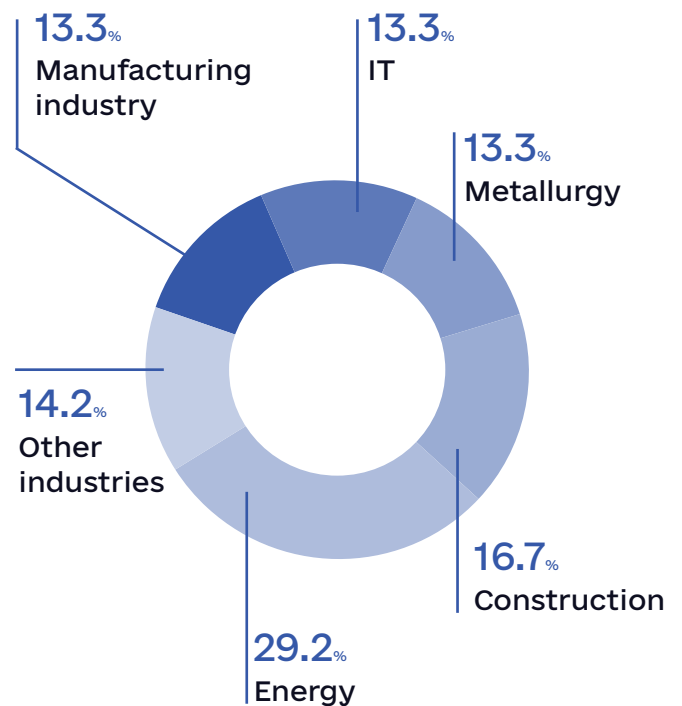
Part 1. General characteristics of business representatives who participated in the survey

1.1. Business sectors whose representatives participated in the survey

The companies that participated in the survey represent the following key Ukrainian business sectors: energy (29.2% of respondents), construction (16.7%), metallurgy (13.3%), IT (13.3%), and manufacturing (13.3%). Together, these sectors cover 85.8% of all surveyed companies.

The remaining 14.2% of respondents represent such areas as: consumer goods, retail and leisure, financial services and capital markets, consulting, engineering, construction design and management, polymer distribution, audit and tax consulting, insurance, agricultural sector, mining and extraction, health technologies, legal services and asset management.

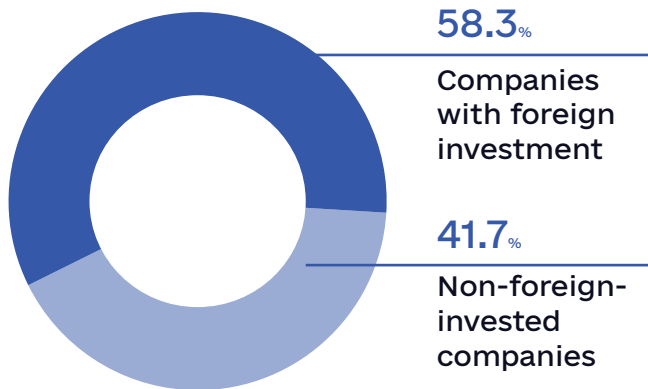
Distribution of respondents by industry



1.2. Foreign capital presence

Over half of the surveyed companies have foreign investments in their authorized capital or foreign investments attracted in other ways (58.3 %).

Distribution of companies by foreign investment



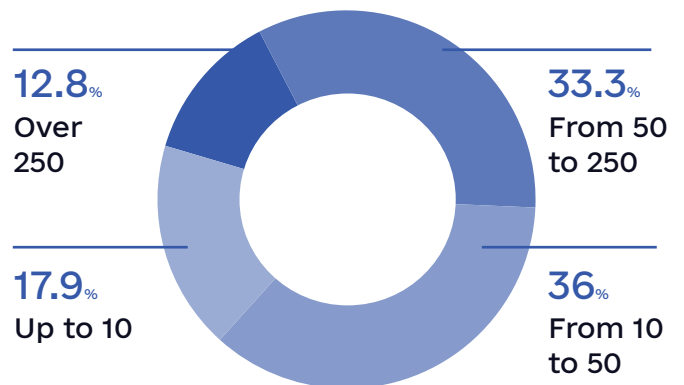
1.3. Prevailing form of business

By legal form, the majority of active businesses (81%) are limited liability companies. The rest are joint-stock companies, enterprises with foreign investments, foreign representative offices and individual entrepreneurs. It should be once again emphasized herein the limited liability company remains the most common legal form of doing business in Ukraine.

1.4. Indicators of headcount and revenues for the last financial year

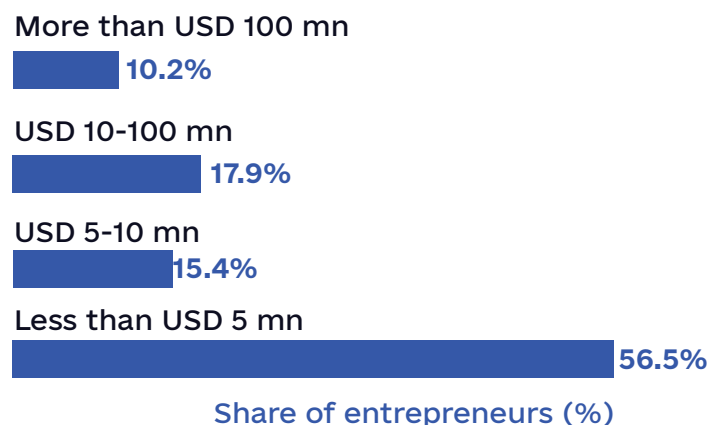
The majority of respondents have employees staff ranging from 10 to 50 people (36%) and from 50 to 250 people (33.3%). The share of enterprises with up to 10 employees is 17.9%, while companies with over 250 employees make up 12.8% of survey participants .

Distribution by company size (based on number of employees)



As to the financial condition of enterprises operating in Ukraine, the survey results show the following picture. The majority of respondents (56.5%) had revenue of less than USD 5 mn in the last fiscal year. According to the survey, 15.4% of enterprises had revenue of USD 5–10 mn, and 17.9% had revenue of USD 10–100 mn. Meanwhile, 10.2% of respondents reported revenue exceeding USD 100 mn.

Enterprises' financial income (annual)



1.5. Business relocation due to military operations

The vast majority of business representatives who participated in our survey indicated that they were not relocated (92.3% of respondents). Another 2.6% reported that their business had been relocated. In addition, 5.1% of respondents did not answer this question.

Conclusions to Part 1

Our survey involved representatives of a wide range of business sectors, which allows us to form a comprehensive picture of the general business climate state in Ukraine. Among the respondents were both representatives of purely national businesses and companies with foreign participation in the authorized capital or with foreign financing attracted in other way. Despite the full-scale war, challenges and consequences associated with it, enterprises show relatively stable financial results. The vast majority of surveyed companies have a staff of 10 to 50 employees (36%) or from 50 to 250 employees (33.3%).

Part 2. Private business participation in public procurement. Key problematic issues faced by businesses when participating in public procurement

Relevance of the issues covered

The Business Ombudsman Council paid special attention to issues covered in this part of the report, as while working with complainants, it repeatedly received complaints about problems faced by businesses in public procurement.

This is especially relevant given that a significant part of the largest projects, particularly construction and reconstruction ones, are financed from state and local budgets, or from international donors funds. The winners

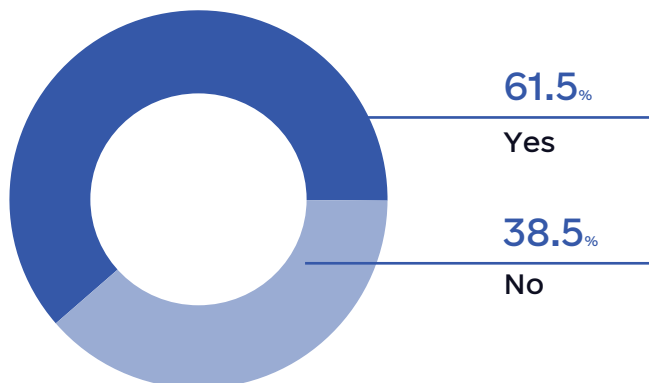
of such projects are selected taking into account provisions of the Law of Ukraine “On Public Procurement”.

In February 2025, the BOC published the report [“Challenges in Protecting and Restoring Critical Infrastructure Through Private Sector Engagement.”](#) It highlights the main problems and challenges the state and business faced in the context of protecting and restoring critical infrastructure facilities.

2.1. Experience in public procurement

Over half of the surveyed entrepreneurs reported that they had experience working with public procurement (61.5 %).

Experience with public procurement



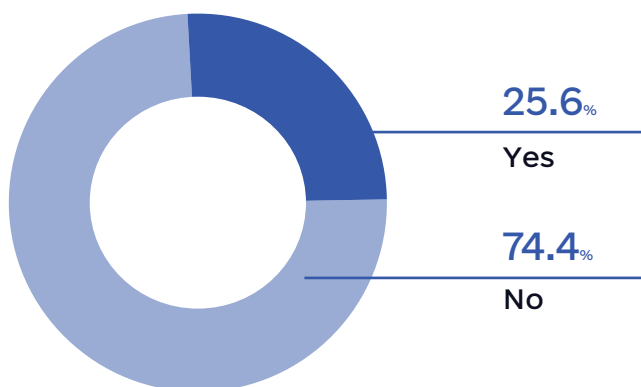
2.2. Problems with payment, delays in payment or signing of delivery and acceptance certificates when working with public procurement

The relevance of studying this issue is caused by the fact that while considering business complaints, the issue of lack of payment for works already performed, as well as numerous cases of failure to sign acceptance certificates, was repeatedly raised. This situation, in turn, causes the following: 1) bona fide contractors/work performers who have performed works and invested their funds cannot receive the earned funds; 2) significant reputational risks arise, since failure to sign acceptance certificates by the customer (provided receiving an advance payment) almost surely results in launching a criminal case against the contractor. As a result, all of the above leads to the fact that a certain part of executors/contractors: 1) goes bankrupt due to the lack of funds received (after all, such works assume millions in costs); 2) does not want to participate in works

performance in the B2G segment and prefers cooperating in only in B2B segment the future. You can read more about this issue in the second chapter of this report, [“Challenges in Protecting and Restoring Critical Infrastructure Through Private Sector Engagement.”](#)

As to issues of payment, delays in payment or drawing up delivery and acceptance certificates, the vast majority of respondents (74.4%) noted that they had not encountered such problems. At the same time, 25.6% of surveyed entrepreneurs reported cases of delays in payment or drawing up certificates when participating in public procurement.

Delays in payment or signing of acceptance documents in public procurement



2.3. Key problematic issues faced by businesses when working with public procurement

Among key issues that businesses have experienced when working with public procurement, the following should be highlighted:

1) Problems related to unfair competition and artificial restrictions on participation in public procurement:

- Corruption and unfair competition;
- Lobbying individual suppliers by setting unusual or excessive requirements formulated for a specific customer;

- Lack of an effective mechanism for appealing tender requirements;
- Uncompetitive price offers;
- Delaying the decision-making process;
- Using price as the sole or main evaluation criterion, without taking into account quality, deadlines, experience, etc.;
- Inadequate pre-qualification criteria may result in participation of financially or technically non-compliant companies in tenders, which, in turn, can slow down the process and lead the tender procedure to a dead end;
- The current system mostly allows tendering only for short-term contracts, which limits strategic planning.

2) Problems related to concluded contracts implementation:

- The impossibility of changing the standard terms of contracts by the contractor;
- It is possible for the customer to change the terms of contracts during the contract execution process;
- Lack of symmetry in penalties;
- Delays in financing, project implementation poor management by the customer;
- Delay in payments and refusal to sign certificates of works performed for ungrounded reasons.

3) Reputational risks:

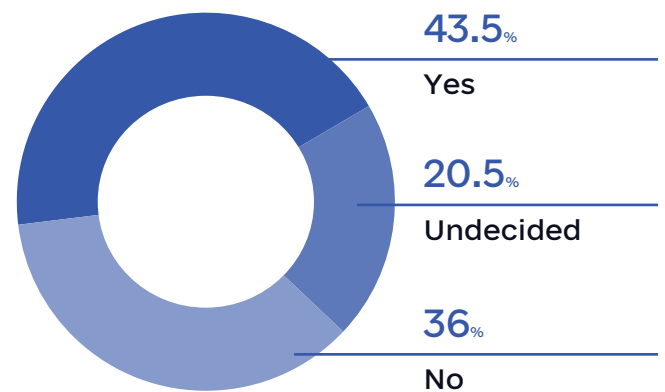
- Increased and excessive attention from regulatory authorities;
- Launching criminal proceedings as a “mandatory” component when working with public procurement.

2.4. Willingness to participate in public procurement in the future

The number of respondents who expressed their willingness to continue participating in public procurement is 43.5%. The rest 56.5% of business respondents replied that:

- 1) they no longer want to participate in public procurement (36%);
- 2) have not made up their mind yet (20.5%).

Willingness to participate in public procurement in the future



2.5. Changes to the current public procurement system

Proposals for changes that, in the opinion of respondents, should be made to the public procurement system²:

- Introducing mechanisms for transferring part of the functionality to external contractors who will work under the supervision of public organizations;
- Approach to IFI procurement procedures;
- Implementing procurement under EU legislation;
- Simplifying entry in the government orders market for defence needs;
- Cancelling the CMU Decree “On Approval of the Procedure for Exercising Powers by the State Treasury Service in a Special Regime under Martial Law” dated June 9, 2021, No. 590;

² The BOC may not share individual positions of respondents; these opinions were reflected in the report for further analysis and discussion.

- Introducing transparent and clear conditions for participation in procurement;
- Increasing transparency and speeding up public procurement procedures;
- Introducing a simplified procedure for complaints to the independent commission;
- Rejecting the approach of determining the winner solely by the lowest price criterion. Procurement should be based on a comprehensive assessment – experience, technical capabilities, financial stability, expertise, etc.;
- Improving pre-qualification criteria;
- Introducing fairer contract terms offered to contractors;
- Avoiding excessive bureaucracy on the part of government customers when checking acceptance certificates often used as a formal reason for delaying or refusing payment;
- Reducing the number of documents a company must submit to participate in the tender;
- Introducing the possibility of concluding long -term contracts.

Additionally, we would like to draw your attention to the fact that problematic aspects of the functioning of the public procurement system in the field of restoration and protection of critical infrastructure facilities were the subject of a separate study conducted by the BOC. Its results can be found in the report [“Challenges in Protecting and Restoring Critical Infrastructure Through Private Sector Engagement.”](#)

Conclusions to Part 2

According to the survey results, over half of business representatives who participated in it (61.5%) have experience in participating in public procurement. As for problems with payments, delays or signing of delivery and acceptance certificates, 75% of respondents noted that they had not encountered such difficulties, while 25% reported delays in payment or signing of certificates. At the same time, it is worth noting that only 43.5% of respondents confirmed their willingness to continue participating in public procurement. The rest (56.5%) either did not intend to do so or have not made a final decision yet.

The survey also identified key problems that businesses face in the process of interacting with the public procurement system. They can be grouped into three main categories:

1. problems related to unfair competition and artificial restrictions on participation in procurement;
2. problems arising during fulfillment of concluded contracts;
3. reputational risks for business.

The said statistics show the existence of systemic problems in the public procurement area, which significantly affect the level of trust of businesses and their willingness to participate in such procedures - even though it is public procurement that currently provides larger volumes of orders compared to the private sector. In addition, we asked respondents to express their vision of changes that, in their opinion, are the most urgent and should be implemented in the current public procurement system. These proposals are set forth in this part of the report as direct feedback from businesses on the current state of the system.

Part 3. Cases of malpractice (decisions, actions, omission) by state or local authorities in relation to business, including recovery projects implementation in the last three years

Relevance of issues covered

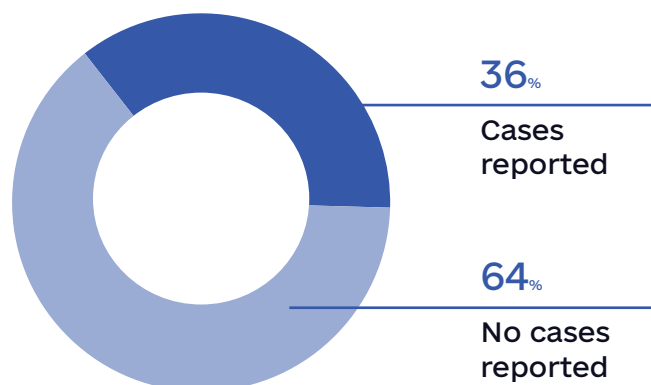
The Business Ombudsman Council attached special attention to the issues outlined in this part of the report, as while working with complainants, it repeatedly received complaints about malpractice (decisions, actions or omission) of state or local authorities in doing business, particularly within the framework of restoration projects implementation and participation in public procurement. Separately to

this report, the Business Ombudsman Council prepared recommendations aimed at improving interaction of business, state and local authorities in critical infrastructure protection and restoration published in the report [“Challenges in Protecting and Restoring Critical Infrastructure Through Private Sector Engagement”](#).

3.1. Cases of malpractice (decisions, actions, omission) in doing business, including recovery projects implementation by state or local authorities in the last three years

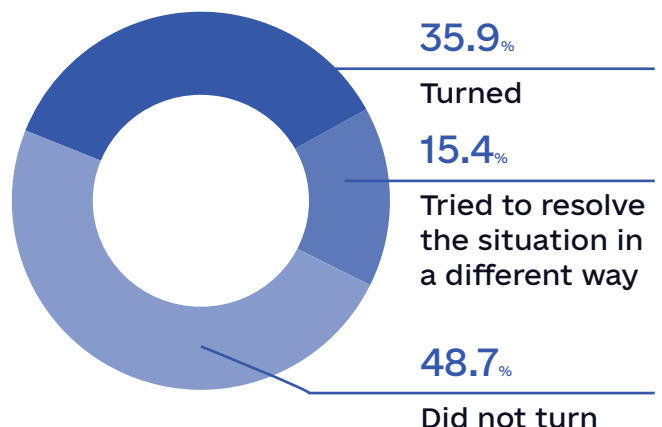
Over a third of respondents (36%) noted that over the past three years they have experienced malpractice cases by state or local authorities.

Cases of malpractice



At the same time, in malpractice cases (decisions, actions or omission) of state or local authorities towards business representatives, particularly during recovery projects implementation, only a third of respondents (35.9%) went to court or other bodies to protect their interests. In contrast, 48.7% did not turn to any authorities, and another 15.4% tried to resolve the situation in another way.

Turning to court or relevant bodies in response to malpractice



3.2. The most common examples of malpractice cases towards surveyed business representatives

Below are the most common malpractice examples that occurred in relation to surveyed business representatives:

- Ignoring tax legislation, particularly provisions on VAT refunds;
- Ignoring complaints, arguments and groundlessness in making purchasing decisions;
- Sabotage of product acceptance, threats, visits of law enforcers to the enterprise to “resolve the issue” regarding the refusal to sign the contract, extortion of bribes (from various customers and under various contracts);
- Failure to comply with the initial arrangements and terms of the signed contract; unsigned acceptance certificates;
- Establishing opaque and discriminatory requirements for tender participants to prevent them from participating in restoration or adjustment works (in particular in the energy sector);
- Delays in payments for critical infrastructure projects implementation; uncertainty over suspended critical infrastructure projects; no payment for works performed, particularly at transformer substations damaged by missile or drone attacks, as well as refusal of customers to sign acceptance certificates;
- Launching criminal proceedings against enterprises without proper grounds;
- Non-payment of the Guaranteed Buyer SE for generated electricity in full.

Conclusions to Part 3

Based on the above data, it is unfortunately observed that over a third of the surveyed business representatives have encountered malpractice cases (decisions, actions or omission) of state or local authorities while conducting economic activities, particularly within the framework of restoration projects implementation over the past three years. In these cases, only a third of the respondents went to court or other authorized bodies to protect their rights and interests.

This report presents the most common examples of government bodies' malpractice directly reported by business representatives themselves.

The information provided shows that cases of law violations by state representatives and local authorities regarding business in Ukraine still remain widespread. At the same time, the survey results once again confirm that only a third of entrepreneurs sought protection from courts or other institutions. The rest either did not take any action or tried to resolve the situation in other ways.

This data, unfortunately, shows a low level of trust in the judicial system and other government bodies responsible for protecting business rights and ensuring the rule of law.

Part 4. Business attitude towards government digital services

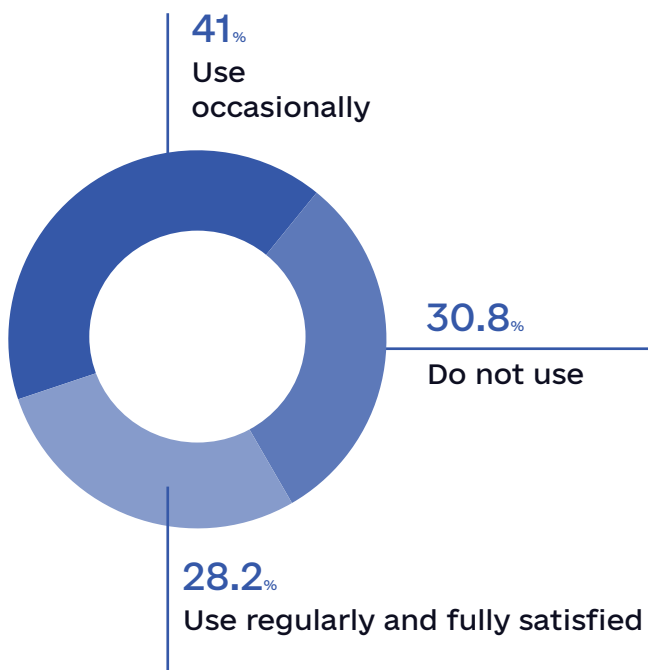
Relevance of issues covered

The issues covered in this part of the report intend to find out to what extent businesses use government digital services (particularly Diia application), as well as what key observations entrepreneurs have as regards these services functioning.

4.1. Use of government digital services (e.g., Diia)

Less than 30% of respondents indicated that they constantly use government digital services, particularly Diia application (28.2%). The rest of the respondents indicated that they use them from time to time (41%) or do not use them at all (30.8%).

Using public digital services by businesses



4.2. Comments on government digital services work

Business representatives who participated in the survey generally spoke positively about the work of government digital services, but, among other things, highlighted the following comments on the work of government digital services, which, in their opinion, are key ones³:

- Some state bodies still do not use Diia platform (due to technical impossibility or unwillingness), as a result of which applicants are often asked to duplicate documents submitted in Diia in the form of certified hard copies;
- There must be a working “paper” alternative;
- It is necessary to abolish the obligation of certain expert opinions that are financially burdensome for small businesses, or to introduce a maximum cost for such services;
- It is proposed to provide the opportunity for all government bodies to work within a single digital system (e.g., based on Diia platform).

Conclusions to Part 4

As the data shows, less than a third of respondents – business representatives – actively use government digital services. Respondents who do use digital services mostly evaluate their work positively, although they have some, in their opinion, significant remarks. These reservations have been taken into account and reflected in this report.

³ The BOC may not share individual positions of respondents; these opinions were reflected in the report for further analysis and discussion.

Part 5. Business proposals to improve the business climate and cooperation between the state and business, including the recovery area

We asked business representatives what processes they would like to improve or speed up to perform their activities more effectively, particularly in the recovery sector to improve the quality of cooperation between the state and business.

Below are the main proposals that, in the opinion of business, should be implemented to improve conditions for doing business and improve the quality of cooperation between the state and business (direct speech)⁴:

- To outsource all service functions to external contractors that are not controlled by the state;
- To provide a single platform with access to strategies, recovery plans and information on engagement with international financial institutions (IFIs) at both the national and regional levels; develop capacity for engagement with IFIs at all levels;
- To make state taxation policy more predictable, the activities of state monopolies (e.g., Ukrzaliznytsia), and inspections - do not change the “rules of the game” at least within one budget year;
- To change the punishment system to encourage conscientious behavior of persons in charge;
- To reduce the role of the state in the decision-making process affecting business;
- Local governments should not perform the funds managing function. The commercial component is devoid of profitability under transparent pricing conditions and clearly defined of works performed volumes;
- To reduce the number of officials creating excessive requirements for business neutralizing the deregulation effect;
- To carry out a full-fledged judicial reform;
- To simplify the procedure for allocating land plots for mineral deposits development; to change procedure for obtaining an environmental impact assessment with deadlines reduction;
- To accelerate decision-making by government agencies and donors, given the limited resources and the need for a rapid response;
- To start implementing the Free Trade Agreement between Ukraine and Turkey as soon as possible;
- To speed up bureaucratic processes by appointing managers and leaders ready to assume responsibility for decisions made;
- To ensure fair rules of the game from the Government.

⁴ The BOC may not share individual positions of respondents; these opinions were reflected in the report for further analysis and discussion.

Part 6. The most pressing challenges for business at the moment

As part of the study, we asked business representatives about key challenges affecting their activities the most in Ukraine.

Among challenges affecting business the most in Ukraine, respondents noted the following (in order of priority and greatest impact)⁵:

1. Employee mobilization (66-86.7%);
2. Lack of qualified workforce; changes in the tax system and tax legislation (50-60%);
3. Economic uncertainty; energy supply problems; economic policy unpredictability (20-53.3%)⁶;
4. Unfair actions on the part of the state or local authorities, law enforcement, tax and other state bodies (20-46.7%);
5. Regulatory and legal barriers (25-26.7%);
6. Illegal/unfounded court decisions; damage to facilities due to shelling; failure to fulfill contractual obligations by counterparties (20%);

7. Property rights insufficient protection (12-13.3%);
8. Demanding of improper advantage from state or local authorities; growing protectionist sentiment in some markets; unpredictability in mobilization issues (4-7.1%);
9. The need for relocation; the need for reducing personnel or production (4.2%).

Below are responses of entrepreneurs in the form of diagrams as regards what challenges are the most relevant to their business. The diagram in Ukrainian reflects the responses of national businesses, while the diagram in English reflects the responses of foreign businesses operating in Ukraine.

⁵ The BOC may not share individual positions of respondents; these opinions were reflected in the report for further analysis and discussion.

⁶ Note: The survey covered residents and non-residents operating in Ukraine separately. Therefore, the results presented in the charts reflect differences in precepting challenges by these two groups.

Which of the following challenges are the most relevant for your business at the moment



Part 7. Desire to continue doing business

Despite all the challenges mentioned above, over 92% of respondents answered affirmatively when asked whether they are going to continue doing business.

Conclusions to Section I

- Ukrainian business is much more actively involved in public procurement compared to foreign one. Public procurement is of increased interest mainly for national companies, while enterprises with foreign capital also consider this area as promising;
- Despite the fact that most respondents noted no problems when participating in public procurement, those who nevertheless experienced difficulties point out to their significance and considerable shortcomings described above;
- It is worth noting that less than half of respondents expressed their willingness to continue participating in public procurement provided that the existing shortcomings in this system persist;
- More than 1/3 of entrepreneurs have faced cases of unfair behavior of state or local authorities in the last three years, particularly during recovery projects implementation. This is an extremely high rate requiring special attention;
- In cases of unfair behavior of state or local authorities, over than half of respondents did not go to courts or other bodies to protect their interests or tried to resolve the situation in other ways. It shows a high level of distrust in the current justice system and mechanisms for appealing against of state and local authorities' unlawful actions;
- Overall, businesses are quite positive about government digital services, but note that not all authorities accept electronic documents and continue to require hard copies;
- Among key challenges affecting doing business the most in Ukraine, respondents note: mobilization of workers and lack of qualified workforce; frequent changes in the tax system and legislation; economic uncertainty; power outages; economic policy unpredictability; as well as malpractice on the part of state and local authorities, law enforcement, tax and other state structures. At the same time, in terms of negative impact, problems caused by unlawful actions of authorities and unfounded court decisions are equated to consequences of damage to facilities due to shelling.

Section II.

Ukraine's investment attractiveness current state

Part 1. General characteristics of business representatives who participated in the survey

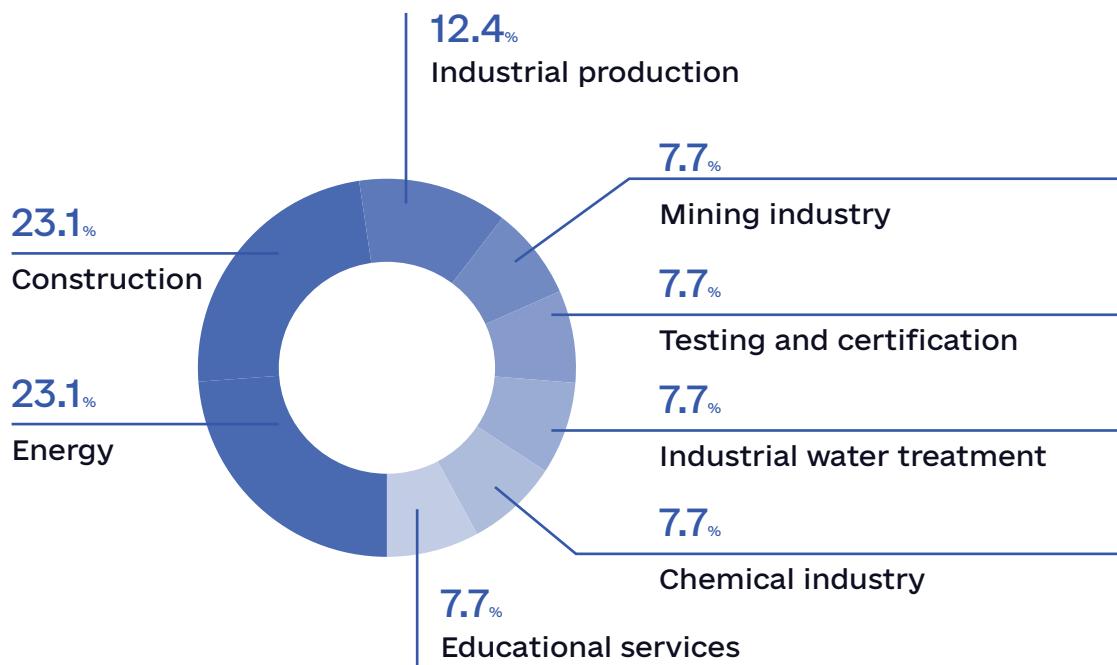
This part of the survey highlights the general characteristics of businesses that participated in the survey: country of origin, areas of activity, prevailing organizational and legal forms, as well as the size of the respondents' enterprises - in terms of the number of employees and revenue for the last fiscal year.

1.1. Countries whose business representatives participated in the survey

Business representatives who participated in our study are residents of the following countries: Poland, Germany, Canada, Great Britain, Sweden, France, Bulgaria, and Ukraine.

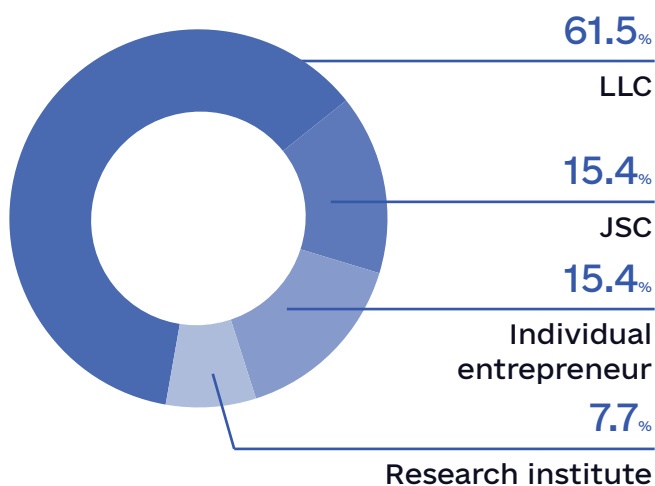
1.2. Business sectors whose representatives participated in the survey

Business representatives who participated in the survey represent the following business sectors: construction (23.1%), energy (23.1%), industrial production (12.4%), chemical industry (7.7%), industrial water treatment (7.7%), testing and certification (7.7%), mining industry (7.7%), educational services (7.7%).



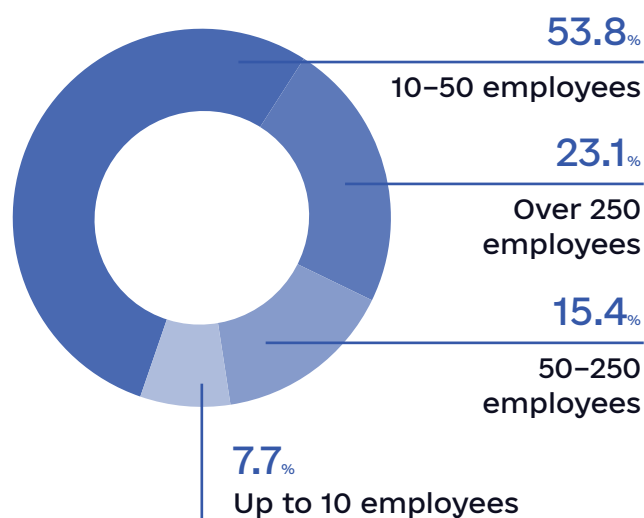
1.3. Prevailing form of business

Among surveyed foreign businesses, limited liability companies prevail by organizational and legal form – 61.5%. The share of joint-stock companies and individual entrepreneurs is 15.4% each, and the rest 7.7% are scientific institutes.

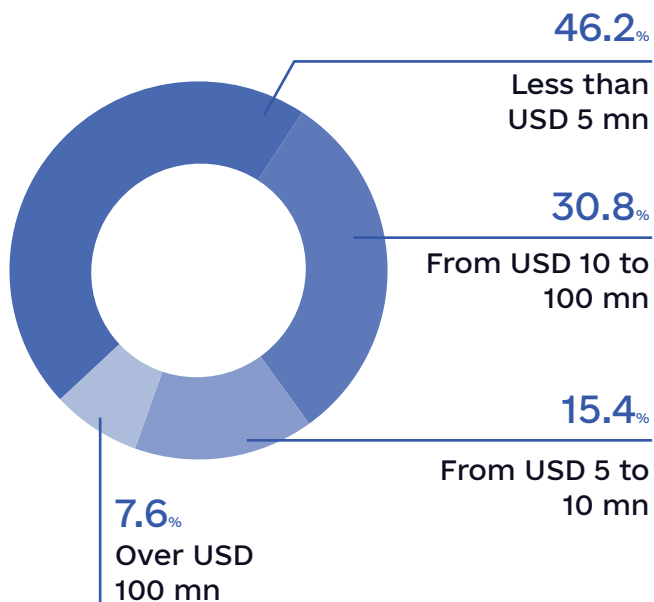


1.4. Indicators of headcount and revenues for the last financial year

Over half of respondents (53.8%) are companies with 10 to 50 full-time employees. Almost a quarter of those surveyed (23.1%) have more than 250 employees. The share of businesses with 50 to 250 employees is 15.4%, and companies with up to 10 employees inclusive is 7.7%.



As regards the financial status of the surveyed business representatives, the majority of them (46.2%) had an income of less than USD 5 mn in the last fiscal year. Almost a third of entrepreneurs (30.8%) received income ranging from USD 10 to 100 mn. The share of businesses with an annual income of USD 5 to 10 mn is 15.4%, while 7.6% of respondents received over USD 100 mn.



Conclusions to Part 1

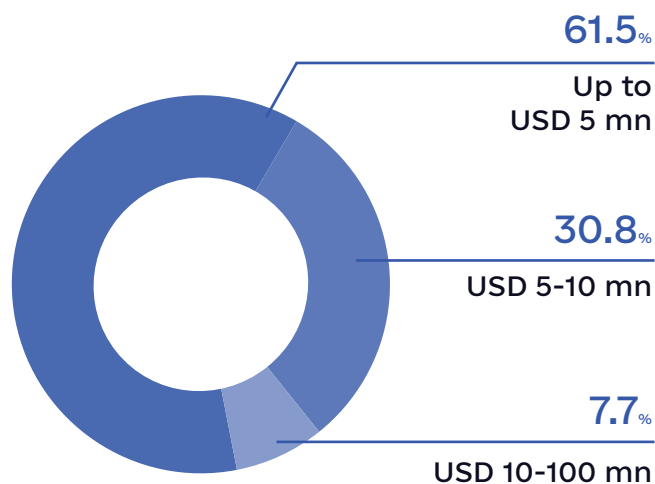
Our survey involved business representatives from different countries and various business sectors giving a broad picture of Ukraine's investment attractiveness for foreign investors. The vast majority of foreign business representatives surveyed operate in the form of business entities – limited liability companies and joint-stock companies. They mostly represent small and medium-sized enterprises with up to 50 employees (53.8%) or over 250 employees (23.1%). In terms of income, most respondents reported income of up to USD 5 mn (46.2%) or from USD 10 to 100 mn (30.8%).

Part 2. Areas of interest and investment attractiveness

This part of the survey shows the volume of investments that foreign business representatives plan to invest in Ukraine, as well as the Ukrainian economy sectors being of the greatest interest to them, and forms in which foreign investors intend to make investments.

2.1. Projected investment amount in business in Ukraine

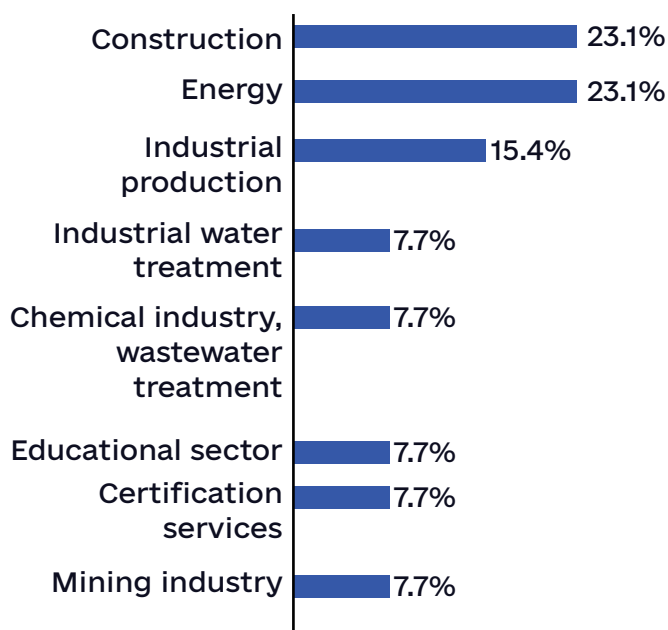
The vast majority of respondents consider the projected investment amount in Ukraine to be up to USD 5 mn (61.5%). Almost 1/3 of respondents consider the amount of investment to be USD 5-10 mn (30.8%). Meanwhile, there are investors who are ready to invest USD 10-100 mn (7.7%).



2.2. Areas of interest for foreign business in Ukraine

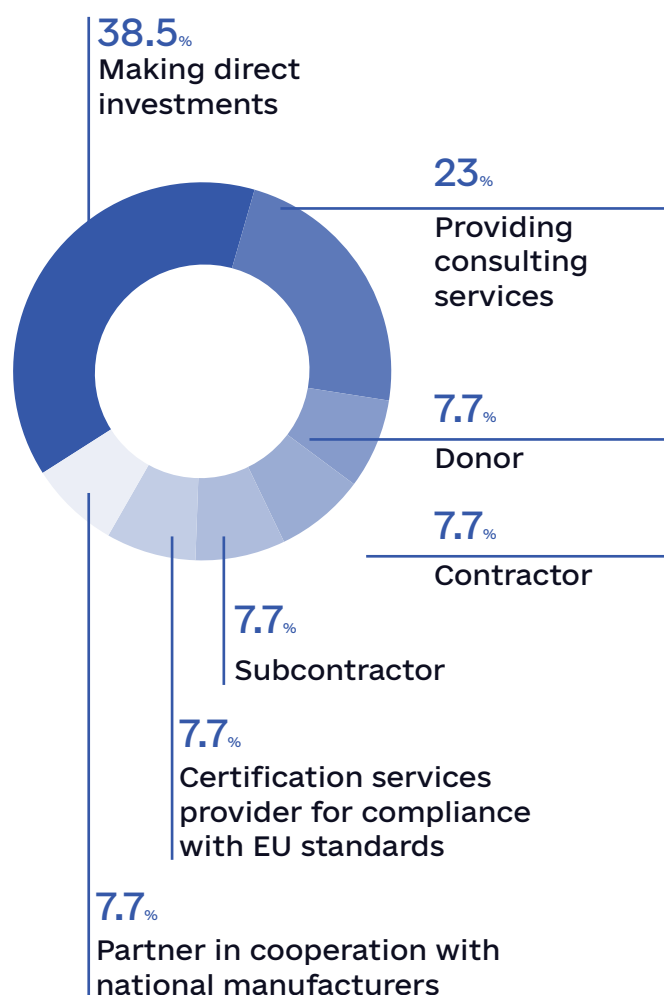
The biggest areas of interest for foreign business in Ukraine are the following industries:

1. Construction (23.1%);
2. Energy (23.1%);
3. Industrial production (15.4%);
4. Industrial water treatment (7.7%);
5. Chemical industry, wastewater treatment (7.7%);
6. Educational sector (7.7%);
7. Certification services (7.6%);
8. Mining industry (7.7%).



2.3. Forms of foreign investment in Ukraine

The majority of respondents (38.5%) are interested in making direct investments in Ukraine. At the same time, foreign businesses are interested in participating in Ukrainian projects in various roles: a consulting services provider (23.1%), a donor (7.7%), a contractor (7.7%), a subcontractor (7.7%), a certification services provider for compliance with EU standards (7.7%), and a partner in cooperation with national manufacturers (7.7%).



Conclusions to Part 2

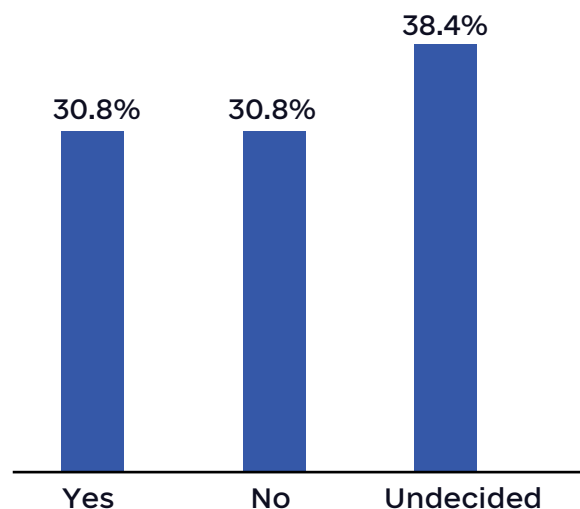
According to the data presented in this part of the survey, the majority of foreign investors plan to attract investments in Ukraine of up to USD 5 mn. At the same time, there are also respondents ready to invest much larger amounts - up to USD 100 mn.

The most attractive sectors for foreign capital remain construction, manufacturing, energy, and mechanical engineering. The majority of foreign business representatives surveyed are primarily interested in direct investments, while some respondents are also considering other forms of cooperation within Ukrainian projects.

Part 3. Business interest in participating in public procurement

This part of the survey shows potential foreign investors level of interest in participating in public procurement projects in Ukraine. It is through state tenders held within the framework of the public procurement system that the largest contracts in the B2G sector, particularly in the recovery sector, are implemented.

It is worth noting one of the peculiarities of the results obtained: among respondents, opinions on participation in public procurement were evenly distributed - 30.8% do not plan to participate in them, the same number (30.8%) declared their intention to join such procedures. Meanwhile, the largest share of respondents (38.4%) has not yet decided on their position.



Conclusions to Part 3

From the responses we received, we see that most representatives of foreign business have not yet made a final decision on participation in public procurement - almost 40% of respondents are in a state of uncertainty. At the same time, it is of interest that the share of those who plan to participate in public procurement is equal to the share of those who do not intend to - 30.8% each. Such a balance in assessments may indicate either that foreign companies do not currently consider their further activities in Ukraine as related to government orders, or that they have a biased or critical attitude towards the public procurement system and are unwilling to interact with it.

Part 4. Incentives and obstacles to investing in Ukraine

This part of the survey is aimed at analyzing key factors directly affecting the willingness of foreign businesses to invest in Ukraine, such investments volume, as well as their implementation term. Special attention is paid to identifying barriers that hinder attraction of foreign investment to Ukraine.

4.1. Legal and regulatory obstacles to investing in Ukraine after the end of hostilities

The biggest legal and regulatory obstacles that, according to respondents – foreign business representatives – hinder the desire to invest in Ukraine after the end of hostilities are: permitting procedures (15.4%), limited access to justice (15.4%), lack of effective political risk insurance (15.4%), corruption (7.7%), and military risks (7.7%).

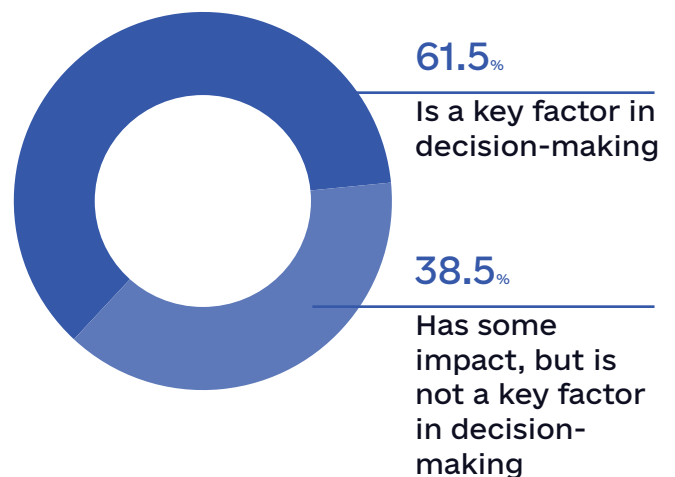
In addition, factors such as: foreign investment ineffective regulation (7.7%), problems in the activities of state executive bodies (7.7%), complexity of customs and border procedures (7.7%), tax policy (7.7%), and insufficient intellectual property rights protection level (7.7%) were noted.



4.2. Corruption issues and business transparency in Ukraine when making investment decisions

When asked how important corruption and business transparency issues were in Ukraine when making investment decisions, over half of respondents (61.5%) said that these factors are key. However, 38.5% of respondents consider them to have some influence on decision-making, but are not decisive.

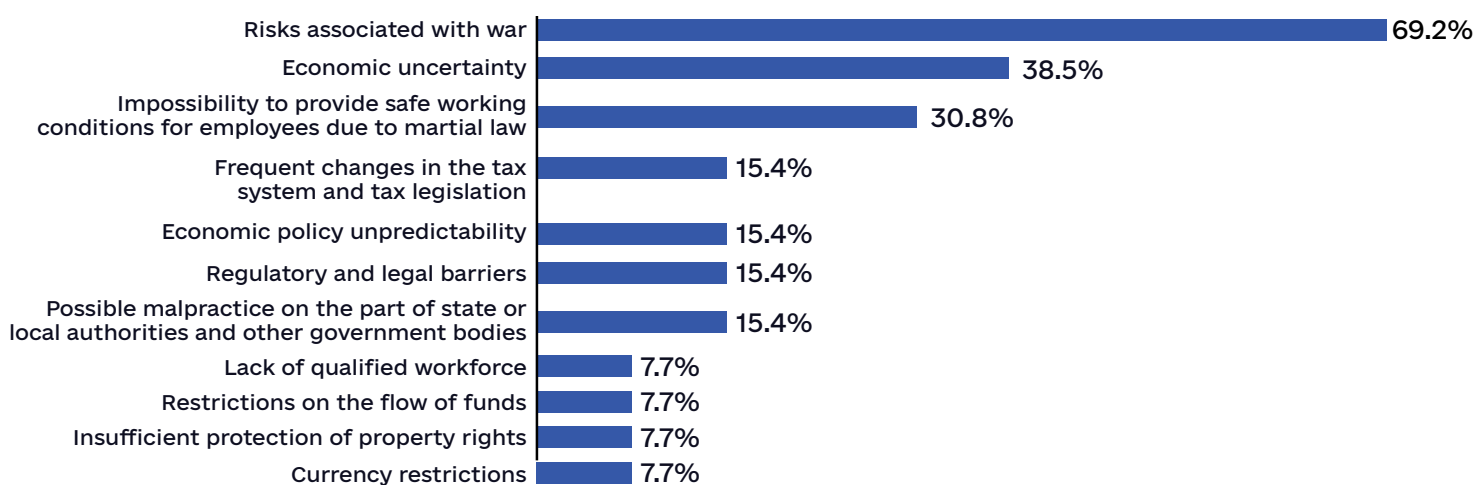
Impact of corruption issues and business transparency in Ukraine when making investment decisions



4.3. The biggest obstacles/challenges to starting a business in Ukraine

Here is a list of obstacles that, according to respondents, are the most significant when making a decision to start a business in Ukraine⁷:

1. Risks associated with war (69.2%);
2. Economic uncertainty (38.5%);
3. Impossibility to provide safe working conditions for employees due to martial law (30.8%);
4. Frequent changes in the tax system and tax legislation; economic policy unpredictability; possible malpractice on the part of state or local authorities and other government bodies; regulatory and legal barriers (15.4%);
5. Lack of qualified workforce; restrictions on the flow of funds; insufficient protection of property rights (1.7%).



4.4. The impact of war on foreign business readiness to invest in Ukraine

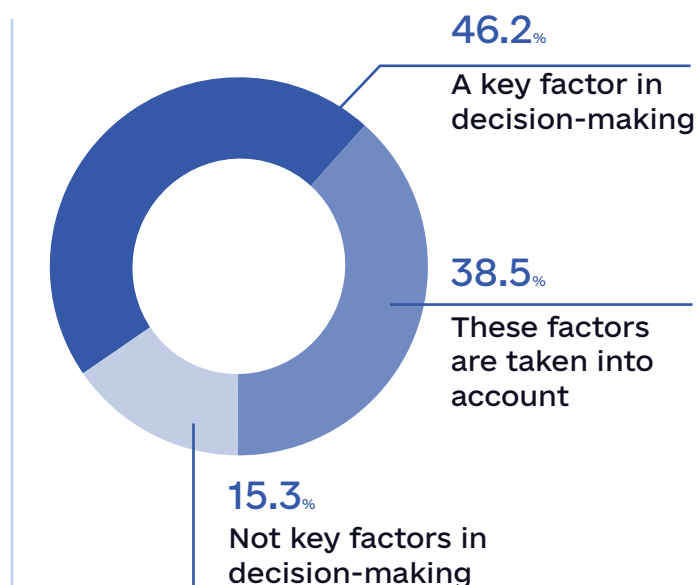
Over half of respondents (53.8%) said that the war is one of the key deterrents to investment. 23.1% of respondents said that they were waiting for the war to end before starting to invest in Ukraine. Yet, another 23.1% of respondents said that the war did not affect their desire to invest in Ukraine in any way.



⁷ The BOC may not share individual positions of respondents, these opinions were reflected in the report for further analysis and discussion.

4.5. The impact of local currency stability, inflation rate and economic growth in Ukraine on investment decisions in Ukraine

Almost half of the respondents noted that the national currency stability, the inflation level and economic growth in Ukraine are key factors when making a decision to invest in Ukraine (46.2%). 38.5% of respondents noted that they took into account the national currency stability factors, the inflation and economic growth level when making a decision to invest in Ukraine. Only for less than 1/5 of the respondents (15.3%) the mentioned factors are not key when making a decision to invest in Ukraine.

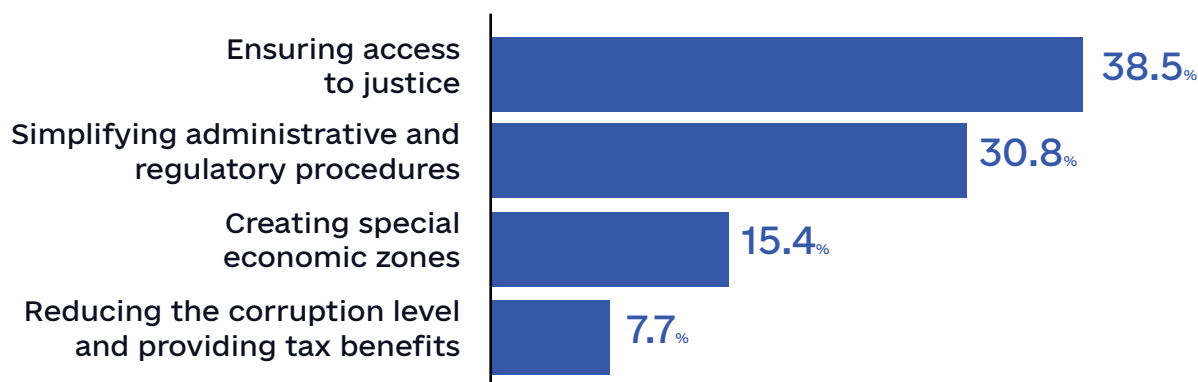


4.6. Changes to facilitate investment inflows into Ukraine

As part of the survey, respondents were asked what measures they believe the Ukrainian government and local authorities should take to improve the investment climate and attract foreign direct investment.

Below are the answers⁸:

1. Ensuring access to justice (38.5%);
2. Simplifying administrative and regulatory procedures (30.8%);
3. Creating special economic zones (15.4%);
4. Reducing the corruption level and providing tax benefits (7.7%).



⁸ The BOC may not share individual positions of respondents; these opinions were reflected in the report for further analysis and discussion.

Conclusions to Part 4

According to the analytical data of the survey, the risks associated with the war remain a key factor in making decisions about investing in Ukraine. They are followed by economic uncertainty, fluctuations in the national currency and the inflation level. Corruption Issues and business transparency also play an important role in the process of making investment decisions. In addition, respondents pointed to a number of legal and regulatory barriers that, along with war risks, affect investment activity. They also made proposals for priority changes that, in their opinion, should be implemented to increase the investment attractiveness of Ukraine.

Conclusions to Section II

- The war remains the main deterrent to investment in Ukraine. However, despite tough circumstances, foreign business retains significant interest in investing in the country.
- The greatest interest for foreign investors lies in such industries as construction, manufacturing, energy, and mechanical engineering.
- Participation in public procurement is not a priority for foreign businesses, unlike national ones.
- Among key risks that foreign investors consider when making decisions about investing in Ukraine are risks

associated with war, economic uncertainty, impossibility to guarantee safe working conditions for personnel under martial law, frequent changes in the tax system and legislation, economic policy unpredictability, as well as possible malpractice of state and local authorities, law enforcement and regulatory bodies.

Investors pay special attention to factors, such as the corruption level, access to justice, property rights protection, and the state's tax and economic policy unpredictability.



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