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# FORESIGHT

ANALYTICAL REPORT

DEVELOPMENT  
OF MICRO-, SMALL  
AND MEDIUM-SIZED  
BUSINESS IN UKRAINE  
BY 2030



## Foresight: Development of Micro-, Small and Medium-Sized Business in Ukraine by 2030. Analytical report. Kyiv: United Nations Development Program in Ukraine, 2021, 60 p.

Foresight “Development of Micro-, Small and Medium-Sized Business in Ukraine by 2030” is research on the Ukrainian micro-, small and medium-sized enterprises (MSMEs) sector, its place and perspectives in Ukraine’s economy. The study was conducted in October-November 2021 engaging a wide range of experts, primarily representatives of business membership organizations, as well as economic experts and representatives of business education, government officials and Members of Parliament. The future of the sector was considered within the period up to 2030.

The study is structured around the following objectives:

1. To shape the **common vision** of MSME sector development in Ukraine by 2030.
2. To provide an analytical framework for the development of a national **strategy for supporting small and medium-sized enterprises**.
3. To create a **congenial community as an actor** that actively participates in the implementation of this strategy, based on trust and the shared vision.

The findings of this study will inform the national MSME Development Strategy, therefore they will be of interest to representatives of MSMEs, industry associations, public authorities and all those who care about Ukraine’s development and placement on the world economic map, which is determined by the country’s potential.

This publication was created under the Swiss-Ukrainian Project “Strengthening MSME Business Membership Organizations in Ukraine,” which is implemented by the United Nations Development Program (UNDP) in Ukraine in cooperation with the Ministry of Economy and with the support of Switzerland.

The views, conclusions or recommendations expressed in this document are those of the authors and compilers and do not necessarily reflect the views of the Government of Switzerland, the United Nations Development Program in Ukraine or other United Nations agencies.

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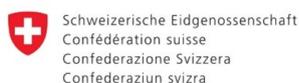
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Partners



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A person is taking a photo of a meeting on their smartphone. The meeting is taking place in a room with a wooden floor and green curtains. Several people are sitting on the floor around a table, and there are papers and a notebook on the floor. The person taking the photo is wearing a grey sweater and a green shirt. The word "Summary" is written in white outline text across the middle of the image.

# Summary

Foresight “Development of Micro-, Small and Medium-Sized Business in Ukraine by 2030” is research on Ukrainian micro-, small and medium-sized enterprises (MSME) sector, its place and perspectives in Ukraine’s economy. The study was conducted in October-November 2021 bringing together representatives of business associations, business education, economists, government officials, members of parliament and others. The research was carried out in several stages: working session (71 participants), meeting with policy makers from relevant ministries, online survey (88 participants), publication and public discussion of the report.

**The study has the threefold purpose:**

- 1. To shape a common vision of MSME sector development.**
- 2. To provide analytical data to inform the national MSME Development Strategy.**
- 3. To create a congenial community as an actor that actively participates in the implementation of this strategy based on trust and the shared vision.**

During the working session, participants identified the main trends that will affect the development of MSME sector in Ukraine over the timeframe of ten (10) years (until 2030). Overall, 75 trends were identified, including 35 invariant (existing regardless of the management actions) and 40 variable trends, as well as 13 jokers (“black swans”) which are unlikely, unpredictable but emblematic events.

Seven (7) most important variable trends were selected through voting: business ethics, organic-eco production, deshadowing, lack of qualified personnel, demonopolization/deoligarchization, uniting MSMEs, deregulation/ simplification of legislation. The two most important of these, namely deregulation/ simplification of legislation and uniting MSMEs, have created the scenario space.

## Foresight Scenario Space

		“Deregulation/ Simplification of Legislation” Trend	
		Intensifying	Not intensifying
“MSME Sector Unification” Trend	Intensifying	“Free ECONomic Sich <sup>1</sup> ” (preferable scenario)	“Pregnancy with Business Revolution” (probable scenario)
	Not intensifying	“Gym without a Coach”	“Black Hole” (inertial, undesirable scenario)

For each of the scenarios, the main characteristics, key events, winners and losers, MSMEs actions, and split point indicators were identified. Participants have chosen the preferable, undesirable, possible and inertial scenarios.

To ensure the transition from the inertial to the preferable scenario, participants developed a roadmap as a list of measures that should be implemented to create an environment conducive to the development of MSMEs. Each of the proposed measures was to be addressed to some of the actors: business (business associations), the State, or international organizations.

The results of the working session were then discussed with policymakers. Thus, the following issues were identified:

- The key strategic steps that MSMEs expect from the State are beyond the competence of the Government (judicial, anti-monopoly, tax, land reforms, etc.) There are a number of other functional problems and limitations of the State that MSMEs either are not aware of or do not understand, but are focused on the key issues of concern to them.
- Business associations have made numerous complaints about rolling back deregulation, referring to the full range of business-government interaction processes. Low economic freedom and resuming the practice of “tightening the screws” created general disappointment. A faith of business in possible effective deoligarchization/demonopolization, inspired by the Revolution of Dignity, decreased.
- According to the subjective perception of entrepreneurs, which, however, is not shared by government officials, the interests of MSMEs are not represented in government structures; it is not on the agenda of key economic decision-making centres of the State. This creates a risk that the strategy for supporting small and medium-sized enterprises will be a disappointment.

Given the problems identified, an online survey was conducted, which helped to set priorities, agree on the positions of representatives of the State and MSMEs, as well as test the hypotheses. It was conducted between 25 October and 19 November 2021, with 88 people interviewed. The survey questionnaire was created in close cooperation with the team of the MSME Development Strategy developers.

1 Hereinafter, “Sich” is referred to as a historical term representing an administrative and military centre of Ukrainian Cossacks.

The respondents were asked 15 open-ended and closed-ended questions. Their answers can be summarized as follows:

- **Question №1** (open-ended). The biggest problems MSMEs are facing in Ukraine are the lack of funding, poor tax policy (rates, laws and practices), lack of skilled labour, competencies and internal capacities of MSMEs. The vast majority of the less important issues is related to the State.
- **Question №2** (open-ended). The most problematic for MSMEs government policies in the regulatory sphere are related to taxation, tax administration, blocking tax invoices, high tax burden; as well as labour legislation, mandatory introduction of Registrar of Settlement Operations, joining monopoly networks, need to obtain licenses, permits, approvals etc.
- **Question №3** (closed-ended). More than half of the respondents believe that the conditions for doing business have become more difficult, and only a small proportion of those interviewed say that doing business has become easier.
- **Question №4** (open-ended). The main factors why doing business has become harder are the COVID-19 pandemic and quarantine restrictions, deteriorating situation with labour, frequent changes in legislation etc. However, doing business has become easier due to digitalization and the establishment of the Diia portal.
- **Question №5** (closed-ended). More than half of the respondents believe that the State economic policy on MSMEs is moving in the wrong direction, and only slightly more than a quarter of those interviewed have a positive perception.
- **Question №6** (closed-ended). Respondents were asked to assess the impact that the 22 major business problems have separately on individual, micro-, small and medium-sized enterprises. Smaller businesses suffer from underfunding and low purchasing power of consumers, while corruption and raiding are of concern to larger businesses. Constant changes in the rules of the game and uncertainty about the future, labour shortages and high taxes on labour are the problems pertinent for businesses of all sizes.
- **Question №7** (closed-ended). The respondents assess the feasibility of de-oligarchization/ demonopolization in Ukraine in the next five years as limited: the average score is 4.82 on a 10-point scale.
- **Question №8** (open-ended). Public services, the improvement of which will be the most beneficial for MSMEs, include efficient and effective Diia portal, Electronic Taxpayer's Office, digitalization and online services, ProZorro, Centres for Administrative Services (ASC).
- **Question №9** (open-ended). Areas in which entrepreneurs lack knowledge: finance and investment, marketing and sales, foreign economic activity, law and jurisprudence, personnel management, strategic planning, management accounting, etc.
- **Question №10** (closed-ended). Respondents narrowly avail themselves of state support programs or cannot evaluate them. Among the nine (9) mentioned programs, only four (4) were marked as satisfactory (over 20% of respondents), such as affordable loan program "5-7-9," regional grant support programs, Ukrainian Cultural Foundation and the Entrepreneurship and Export Promotion Office.
- **Question №11** (closed-ended). Among the 12 proposed areas of support, respondents chose three (3) potentially most effective, namely tax reduction when creating jobs, soft loans, digitalization and innovation.
- **Question №12** (closed-ended). Almost all respondents have heard of Diia.Business, the vast majority have visited the Diia.Business platform and are able to differentiate Diia and Diia.Business platforms. At the same time, only a small number visited one of the Entrepreneur Support Centers Diia.Business.

- **Question №13** (closed-ended). Among the proposed measures required for MSMEs, more than half of the respondents supported the revision of the tax system for MSMEs with an emphasis not on benefits as such, but on ease of compliance, equal rules of the game. A third of respondents supported five (5) additional measures and a quarter did so with the regard to another 11 measures.
  - **Question №14** (open-ended). Respondents generated 44 ideas to support MSMEs in six (6) areas, such as tax, regulatory, institutional, transformational, educational dimensions and public policy.
  - **Question №15** (closed-ended). MSMEs' leaders are skeptical of the idea of direct political activity of business being inclined towards a pragmatic approach to cooperation on specific issues.
- 

From all the information about MSMEs sector obtained during the foresight, the following conclusions can be drawn:

1. Staff shortage is the most acute strategic problem for MSMEs. It causes a number of sectoral imbalances and threatens national economic security. Without solving this problem, the development of the sector is not possible. The level of competencies is the biggest chronic problem. The current expertise level does not allow many entrepreneurs to escape from the circle of existing problems, while the world is moving forward rapidly. This results in the limited potential of the sector, which leaves MSMEs out of the global discourse.
2. The State as a whole is the main internal problem. A great amount of resources is spent to solve it, the constructive use of which would drastically change the state of affairs in the sector. The key strategic steps that MSMEs expect from the State are beyond the competence of the Government. Government institutions are limited by their own powers and low institutional capacity, which MSMEs are not aware of or do not understand being focused on their own major problems. According to the subjective perception of entrepreneurs, which, however, is not shared by government officials, the interests of MSMEs are not represented in government structures, the parties do not hear each other.
3. The Foresight also confirmed a deep communication problem between the State and MSMEs. Provided that after several years of reforms towards the useful public services only a third of entrepreneurs are able to indicate the well-publicized Diia app, while other services are barely mentioned by the respondents, this can be identified as a complete failure.
4. Over the past two years, the conditions for doing business have deteriorated, and state economic policy is going in the wrong direction. Business associations have made numerous complaints about rolling back deregulation. A faith of business in possible effective deoligarchization/demonopolization, inspired by the Revolution of Dignity, decreased. Low economic freedom and resuming the practice of "tightening the screws" created general disappointment, making the idea of emigration increasingly popular.
5. Transparency and consistency of the rules of the game, especially in tax and regulatory legislation, the systematic blocking of initiatives aimed at deteriorating the conditions for doing business are the main requirements of MSMEs. The Foresight participants also welcome initiatives to promote entrepreneurship, its information support, and emphasize the importance of financial literacy of the population.
6. Responding to problems with the State, such as the need to unite, is recognized by the participants as one of the two (2) main variable trends. Yet as long as MSMEs spend significant resources on solving current problems, they will not have enough time to unite and consistently generate strategic, including state-building, decisions.

# CONTENTS

<b>1. Introduction</b> .....	<b>10</b>		
<b>2. Methodology</b> .....	<b>12</b>		
<b>3. Working session</b> .....	<b>15</b>		
3.1. Key Trends .....	17		
3.2. Scenario Space .....	20		
3.3. Scenario Description .....	22		
3.4. Jokers .....	25		
3.5. Road map .....	26		
3.6. Final comments on the working session .....	28		
<b>4. Meeting with policymakers</b> .....	<b>30</b>		
<b>5. Business Membership Organizations’ Leaders Survey</b> .....	<b>33</b>		
5.1. The biggest problems of MSME sector in Ukraine .....	35	5.5. Assessment of the State economic policy .....	41
5.2. Most problematic State regulatory policies for MSME sector in Ukraine .....	38	5.6. Major problems of MSME sector in Ukraine .....	42
5.3. Overall assessment of the complexity of doing business .....	39	5.7. De-oligarchisation / demonopolisation ..	44
5.4. Complexity of Doing Business Factors ...	40	5.8. Most useful State services .....	44
		5.9. Essential knowledge .....	45
		5.10. Assessment of the programmes of State support .....	46
		5.11. Prospective programmes of State support .....	47
		5.12. Getting familiar with the Diia.Business platform .....	48
		5.13. Most necessary measures .....	49
		5.14. Ideas of MSME sector support .....	52
		5.15. Preferable format of MSME sector unification .....	55
		<b>6. Conclusions and recommendations</b> .....	<b>56</b>

# ABBREVIATIONS

AMCU	Antimonopoly Committee of Ukraine
ATO	Anti-terrorist Operation
CCI	the Chamber of Commerce and Industry
CGB	Central Governmental Bodies
EU	European Union
IDP	Internally Displaced Person
JFO	Joint Forces Operation
MSMEs	Micro, Small & Medium-Sized Enterprises
NBU	National Bank of Ukraine
RSO	Registrar of Settlement Operations
SSU	Security Service of Ukraine
UNDP	United Nations Development Program

1

АНКЕТА УЧАСТІ  
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# ЗМІЦНЕННЯ ЧЛЕНСЬКИХ БІЗНЕС-ОБ'ЄДНАНЬ МІКРО-, МАЛИХ І СЕРЕДНІХ ПІДПРИЄМСТВ В УКРАЇНІ

INTRODUCTION

Ukraine is 30 years old. For many people, this is the age evoking one deep question: Who am I? When the brightest and most emotional moments of youth have been passed, there is an irresistible urge to determine one's principled location in time, space, plenitude of ideas, events, communities, aspirations. This aspiration is finally appearing in Ukraine and among Ukrainians. Who we are?

History knows the answer to this question. Ukrainians are a people of free, enterprising people of labour, who aspired to individualism in peacetime in order to be able to independently care of themselves and their families and united in the face of a significant threat to give it a strong rebuff together. From time immemorial, Ukraine's wealth was based on a powerful class of *kurkuls*, enterprising owners who knew how to work and loved working, and therefore never were poor.

In modern context, they would be called small and medium entrepreneurs. The mass affiliation of Ukrainians to this class is due to such features of our mentality. However, during Soviet Union times, this class was deliberately exterminated. That is why today the economic achievements and indicators of small and medium-sized businesses in Ukraine are quite modest compared to other countries. The Soviet Union no longer exists on the political map of the world, and it is gradually fading away from our mentality. With the return of Ukraine and Ukrainians to the roots of small and medium-sized business development, the restoration of its status and weight in the national economy arises naturally. This is why the MSME Development Strategy and Foresight "Development of Micro-, Small and Medium-Sized Business in Ukraine by 2030" as its analytical basis are so important.

2



METHODOLOGY

Foresight “The Development of Micro-, Small and Medium-Sized Business in Ukraine by 2030” is a research on Ukrainian micro-, small and medium-sized enterprises sector, its place and perspectives in Ukraine’s economy. The study was conducted in October-November 2021 with the involvement of a wide range of experts, primarily representatives of business associations, as well as economic experts and representatives of business education, government officials and Members of Parliament. The future of the sector was considered within the period up to 2030.

### The study objectives

- ▶ To shape the **common vision** of MSME sector development in Ukraine until 2030.
- ▶ To provide an analytical framework for the development of a national **MSME Development Strategy**.
- ▶ To create **a congenial community as an actor** that actively participates in the implementation of this strategy based on trust and the shared vision.

The study used a number of futurological methods to discuss, delineate, and explore possible, probable and preferable futures.

**1. Futures Workshop** is an event involving a wide range of participants to conduct future-oriented research. It is a tool to involve key stakeholders in the discussion and the development of an action plan on issues related to their future<sup>2</sup>.

**2. Images of the Future** reflect the expectations that people have for the future. They are humanity’s tools to overcome uncertainty<sup>3</sup>. Our perceptions of the future not only reflect our hopes and fears, but also consciously and sub-consciously influence our behaviour and decisions<sup>4</sup>. The method was used as an element of the working session.

**3. Driver mapping.** In the course of the study, experts identified the main trends that during this period will shape the future of MSMEs in Ukraine in seven (7) dimensions: political, economic, social, technological, legal, environmental and human dimensions (PESTLE + human dimension). **Invariant trends** shape the **inevitable future**, which will occur regardless of the actions of management actors and is included in all scenarios of a possible future. **Variable trends** complement the inevitable future, creating a scenario space for a **possible future**. Thus, which scenario of the possible future will be implemented eventually depends on the decisions of management actors and their impact on variable trends.

2 Jungk, R. & Mullert, N. (1987) Future workshops: how to create desirable futures. London: Institute for Social Inventions.

3 Polak, F.L. (1973) The image of the future. Amsterdam: Elsevier.

4 Rubin, A. (2013) ‘Hidden, inconsistent, and influential: Images of the future in changing times’, *Futures*, 45, pp. S38–S44. doi:10.1016/j.futures.2012.11.011.

The **Jokers** (“black swans”) are also important objects of the research being unlikely, unpredictable events that have crucial impact on the possible future.

**4. Scenario development.** In technological forecasting, strategic analysis or future research, scenarios are used to find and highlight key aspects<sup>5</sup>. However, scenarios are not individual predictions or prognoses. Rather, they are a description of developments, trends, happenings and extend to which the present affects them. Scenarios are a good way to organize various statements about the future, they describe both the future situation and the course of events leading to it<sup>6</sup>. The purpose of creating scenarios is to systematically research, develop and test possible alternatives futures. Scenarios play an important role in creating long-term policies, strategies and other strategic planning documents that aim to change the future<sup>7</sup>. From a methodological point of view, the double variable method was used to construct the main scenarios of the possible future<sup>8</sup>, in which two main driving forces were selected and four scenarios were formed.

**5. Backcasting** is used after determining the preferable future and involves developing steps that need to be taken to achieve such a future<sup>9</sup>. The method was used to formulate a road map.

The study of the future scenarios of micro, small and medium-sized enterprises sector in Ukraine until 2030 was conducted in three main steps:

- 1. Working session with experts** was held on 1 October 2021 (71 participants). It was aimed at defining the framework for the research, identifying the stakeholders, main trends, drivers and scenarios, putting forward hypotheses for testing.
- 2. Meeting with developers** of the MSME Development Strategy, such as representatives of relevant ministries and experts, was held on 12 October 2021.
- 3. Online survey** was conducted between 25 October and 19 November 2021 (88 participants). It allowed to test the hypotheses, as well as to gather a large amount of data on the problems of MSMEs and strategic steps needed for the development of the sector.

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5 Amer, M., Daim, T.U. and Jetter, A. (2013) 'A review of scenario planning', *Futures*, 46, pp. 23–40. doi:10.1016/j.futures.2012.10.003.

6 Godet, M. (2000) 'How to be rigorous with scenario planning', *Foresight (Cambridge)*, 2(1), pp. 5–9. doi:10.1108/14636680010802438.

7 Glenn, J.C. and Gordon, T.J. (2009) *Futures Research Methodology Version 3.0. The Millennium Project*.

8 J. Galtung, vols. 1–6, *Essays in Peace Research*, Christian Ejlert, Copenhagen, 1998.

9 Quist, J. and Vergragt, P. (2006) 'Past and future of backcasting: The shift to stakeholder participation and a proposal for a methodological framework', *Futures: the journal of policy, planning and futures studies*, 38(9), pp. 1027–1045. doi:10.1016/j.futures.2006.02.010.



WORKING  
SESSION



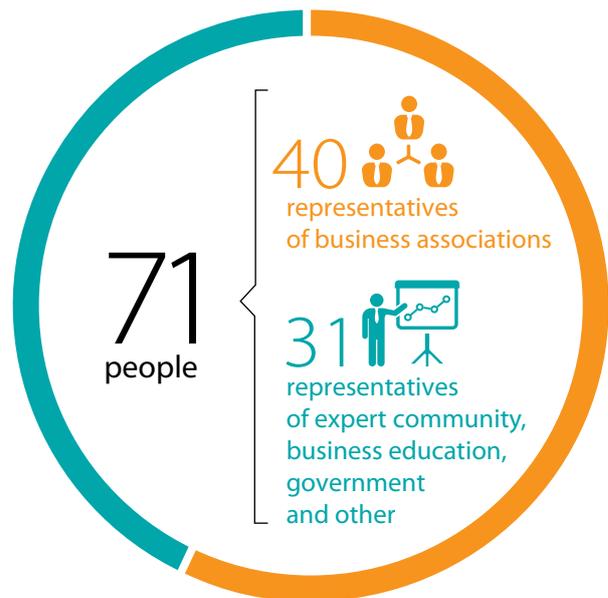
The working session was held on 1 October 2021 in Kyiv. It was attended by 71 people, including 40 representatives of business associations, 18 experts, economists and representatives of business education, as well as government officials, Members of Parliament and other. The main purpose of the working session was to define the research framework, key trends and scenarios.

In order to find key trends that will determine the development of MSME sector in Ukraine, **seven (7) groups were formed** from the participants of the working session in the following areas:

1. **Politics and International Relations**
2. **Economy, Markets, Finance**
3. **Technology**
4. **Society, Ethics, Culture**
5. **Human, Thinking and Beliefs**
6. **Law and Regulatory Sphere**
7. **Ecology, Environment**

Each group identified the main trends according to their area. In total, the participants identified 75 trends that will determine the development of MSMEs in Ukraine (some of them were repeated in different groups). Of these, 35 trends were identified as invariant, i.e. independent of the actions of stakeholders.

They will form an inevitable future, the realization of which is practically impossible to influence. The remaining 40 trends are defined as variable, i.e. those whose development will increase or decrease depending on the circumstances and decisions of certain actors.



Then, the experts chose by voting the two most important trends from the whole set of variable trends. For each of them, there were at least two (2) possible scenarios identified (progress or regress, rise or fall, etc.) In this way, a scenario space was formed from four (4) scenarios of a possible future.

Each of the identified scenarios was analysed in detail. The experts identified the main characteristics of the scenario, key events that will take place in case it has been implemented, key actors, as well as winners and losers if the scenario comes true, and breakpoints that will indicate that the scenario has already occurred. From the four (4) scenarios, the participants chose the inertial scenario, which will happen by itself if nothing is done, as well as the most preferable scenario, the implementation of which requires maximum effort, undesirable and most probable scenarios. The results of this analysis were projected onto MSMEs in Ukraine followed by a list of actions and managerial decisions for each of the scenarios.

As a result of the working session, the experts achieved a fairly clear and explicit result.

## 3.1 KEY TRENDS

In the process of group work, the participants identified the following key trends

**i** invariance or **v** variability



### Politics and International Relations

- v** Increased demand for consistency and predictability of policies and legislative initiatives
- v** Support to small enterprises and increased role of industry associations and transparency of dialogue with the authorities
- v** Deregulation
- v** Decentralization
- v** De-shadowing
- i** Glocalization as a trend towards globalization combined with localization related to digitalization and the Internet of Things
- v** International relations: growing interest in business in Ukraine
- i** Energy crisis
- i** National protectionism
- i** Imitation of work ("We are deeply concerned")



### Economy, Markets, Finance

- v** Open economies (state protectionism, business globalization)
- i** Innovation and digitalization
- v** Increased productivity, decline in employment, lack of qualified personnel
- i** International labour migration
- i** Deoffshorization, transparency instead of increasing the extent of control over business
- v** Economy structure change (de/oligarchization, de/monopolization)
- i** Digitalization of the economy
- v** Deregulation
- v** Difficulty in accessing finance and high costs associated with it – or excess liquidity and cryptocurrencies
- v** Change in the size of the state share in economy (privatization or the increased proportion of GDP redistribution through public finances)
- i** Changing the structure of the world economy (new economic centres, new economic models, such as sharing, crowd, post-/neo-capitalism)
- v** SMEs as the basis of the developed economies (not in Ukraine though)
- v** MSMEs unification (coordination of work or unwillingness to become a political actor)
- v** Logistics: localization, crafts vs global brands



## Society, Ethics, Culture

- Hybridization and cross-sectorality
- Inclusiveness
- Positive attitude towards business in society
- Eco-friendly, ethical business
- Digitalization
- Increased role of values in decision-making
- Going green in order to save the planet
- Development of steady horizontal ties
- Cybersecurity
- Ukraine as a centre of vital interests, a source of business innovations in art and culture



## Technologies

- Digital transformation (key technologies: cloud, blockchain, artificial intelligence, the Internet of things, robots, virtual and augmented reality, 3D/ Additive, mobility, big data)
- Energy saving, renewable energy
- Carbon neutrality technology, environmental protection
- Nano/biotechnology



Cybernetization of healthcare



Technologies for movement (e.g., in space, etc.)



Technological wars between States, the significant role of the State in these processes



Cyberwars, cyber defence, information wars



Smart materials



## Law and Regulatory Sphere



Effective judiciary reform



Simplification of legislation



Deregulation and reasonable regulation



Digitization of business and government



Alternative dispute resolution (outside of the courtroom)



Imitation of activity



Influence of international regulation, adaptation to EU legislation



Decentralization of power



Disproportionateness between punishment and violation



Legal nihilism



## Environment

- v Organic foods, Eco foods and their local consumption
- v Recycling, plastic rejection
- v Plant based food
- v Soil degradation
- i Sustainable water consumption
- v Renewable, green energy
- i Global warming, climate crisis
- i Lack of food, the importance of food security
- i Demand for rare earth metals
- v Organic urbanization
- i Overpopulation



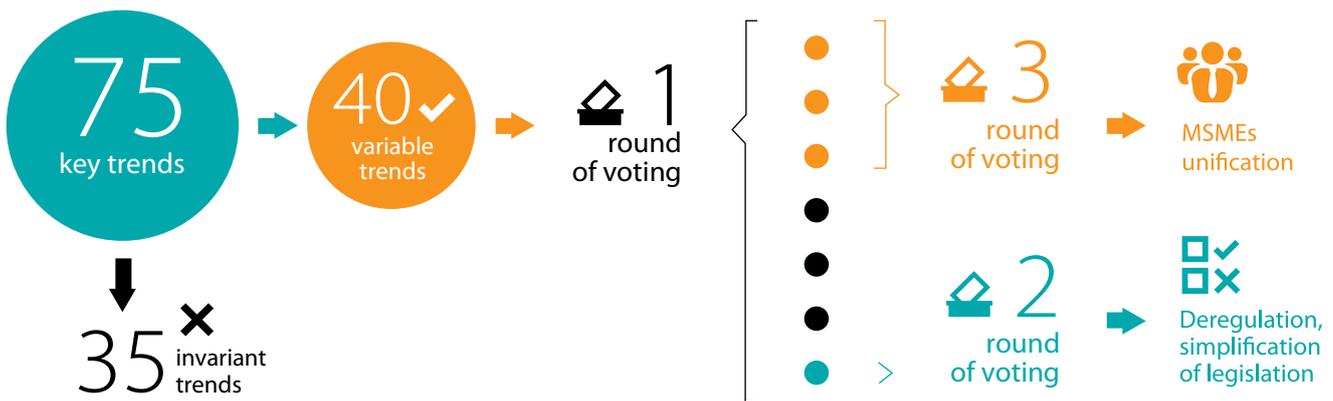
## Human, Thinking and Beliefs

- i Longevity and healthy lifestyle, mental health care
- i Dynamic thinking: focus on quick information, alternative forms of presentation
- i Some of the decision-making functions are outsourced to artificial intelligence
- i Increased role of individualism with awareness of responsibility for the planet and its future
- i Shifting from mass character to personalized, individual, metaphysical projects
- v Loyalty to the Ukrainian language remains a critical factor
- i Diminished role of marriage as an institution, the trend towards declining birth rates
- i Reducing the practice of "presence", appealing to virtualization instead
- v Building public image (status) through social media
- v Post-truth: difficulty in verifying information and possibility of technological manipulations

## 3.2 SCENARIO SPACE

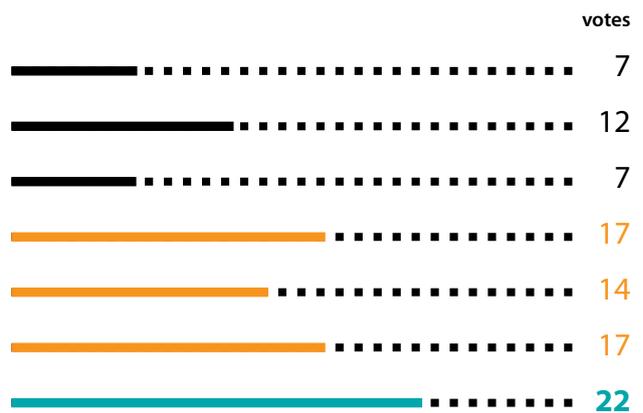
Among the 75 key trends that will determine the development of MSME sector in Ukraine in the next decade, 40 were classified as variable. The experts voted to choose the leading trends among them that will form the scenario space of the future. In the first round of voting, seven (7) such trends were

identified, which received a significant number of votes. Among them, only one (1) trend turned out to be the undisputed leader. Thus, in the second round, the three (3) most important ones were chosen from the rest, one (1) of which was supported only by the third round of voting.



### Round 2:

- Business ethics
- Organic-Eco
- De-shadowing
- Lack of qualified personnel
- Demonopolization/ deoligarchization
- MSMEs unification
- **Deregulation, simplification of legislation**



### Round 3:

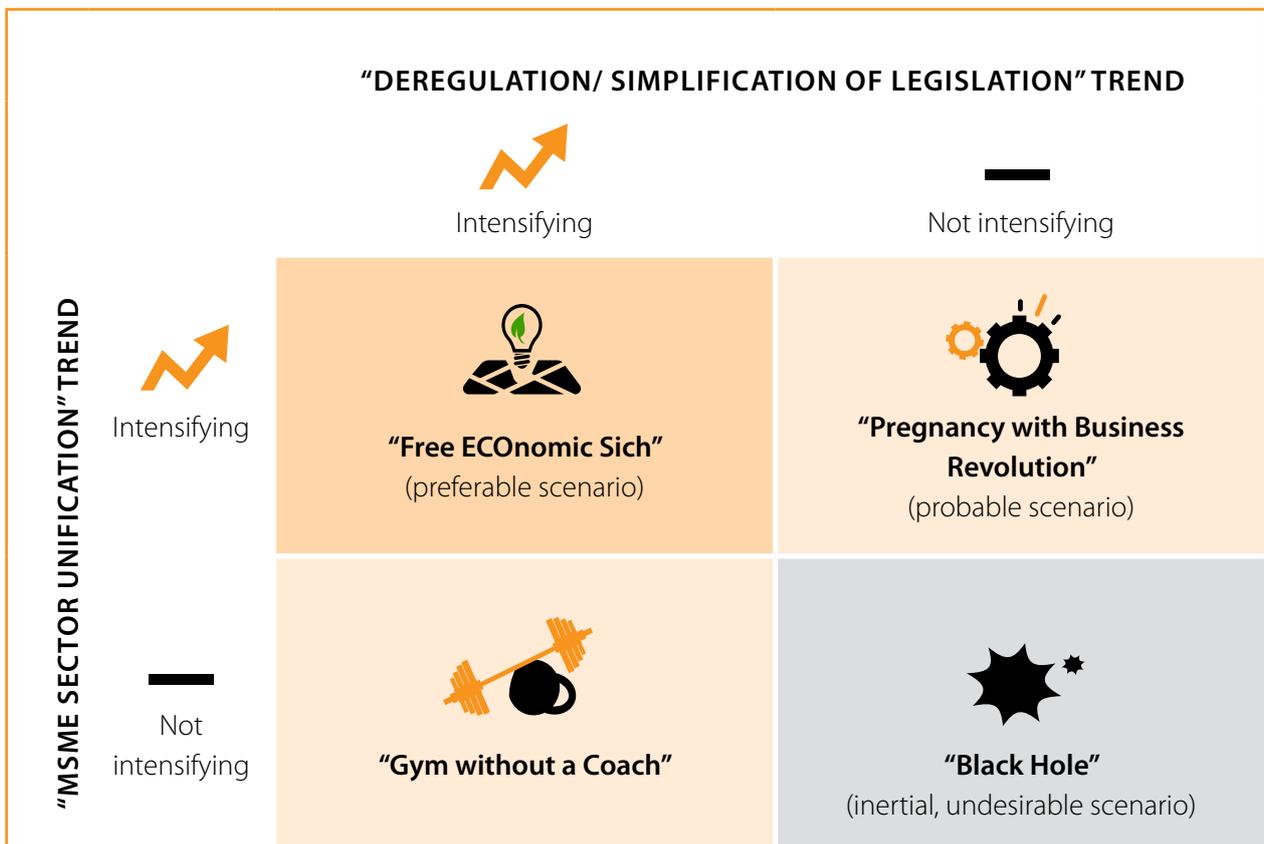
- Lack of qualified personnel
- Demonopolization/ deoligarchization
- **MSMEs unification**



As a result, the Foresight scenario space was formed by the two (2) most important variable trends, namely “Deregulation, simplification of legislation” and “MSMEs unification”. For each of the scenarios in this space, the Foresight participants chose the appropriate metaphorical name, as well as identified the preferable, inertial, undesirable and most probable scenarios. The development of managerial decisions for the transition from the inertial to the preferable scenario should eventually become part of the strategy formed as a foresight result.

Participants also selected some metaphors to describe the present and the future. Metaphor of the current state of small and medium business in Ukraine was formulated as such: “Sich<sup>10</sup> with separated *kurins*<sup>11</sup>, unable to choose the common ground, but standing against the existing state of affairs.”<sup>12</sup> Metaphor of the future of MSMEs was phrased as follows: “Globalized, ecological, high-tech Sich with *kurins* that are already working effectively for a better future.”<sup>13</sup>

Table 1 | FORESIGHT SCENARIO SPACE



10 A Sich (Ukrainian: січ) was an administrative and military centre of the Zaporozhian Cossacks.

11 Kurin (Ukrainian: курінь) was an administrative-military unit at the Zaporizhian Sich, and also a kind of hut.

12 «Січ, розрізнені курені, нездатні обрати спільне, але проти того, що є».

13 «Глобалізована, екологічна, високотехнологічна Січ – курені, що вже ефективно співпрацюють заради кращого майбутнього».

## 3.3 SCENARIO DESCRIPTION

For each of the scenarios, the main characteristics were identified, as well as key events, winners and losers, actions to be undertaken, and split point indicators.



### Scenario “Free ECONomic Sich”

#### 1. Main characteristics

- Minimal state intervention, absence of officials as intermediaries.
- Interaction process automation.
- Equal conditions of competition.
- Affordable fair taxes.
- Some of the functions of the State are performed by self-regulated business associations.
- Taxes are paid by individuals, not by businesses.
- Industry standards, codes.

#### 2. Key events (trajectory of movement)

- The Party of MSMEs established (actors with strong political influence).
- Global Meeting of the politicians from MSMEs.
- The revolution of corrupt officials.

#### 3. Key actors

- Unions of MSMEs, unions of associations.
- State institutions.
- International partners.

#### 4. Winners and losers

- All those will win, who strive to find their place.
- Corrupt officials will lose, as well as those who do not work.

#### 5. Actions/measures to be undertaken

- Develop a Code of Ethics for Public-Private Partnerships.
- Create a union of associations.

#### 6. Split point indicators (signs suggesting the scenario became real)

- Friendly legal landscape and good investment climate.
- No complaints about the inspection bodies.
- Ukraine is a prospering country, people come to work here.

#### 7. Metaphor: “Cooperation, mutual respect between kurins and hetmans<sup>14</sup>; free ECONomic Sich”

<sup>14</sup> Hereinafter, “hetman” is referred to as a political title historically assigned to military commanders, the highest military designation used by Ukrainian Cossacks.



## Scenario “Pregnancy with Business Revolution”

- 1. Main characteristics**
  - Business associations are united.
  - Strengthening state influence (by the example of Belarus or Germany).
- 2. Key events (trajectory of movement)**
  - Strengthening the functions of regulation and state control.
  - Political victory of social populists.
  - Increased barriers to entry.
  - Exodus of MSMEs from Ukraine.
  - Building the capacity of bourgeois revolution.
  - Strengthening industry lobbying.
  - European standards with weak, corrupt institutions.
- 3. Key actors**
  - Leaders of business associations.
  - Regulatory and supervisory bodies.
  - New politicians (from both actors).
- 4. Winners and losers**
  - Bureaucrats (increased corruption), “shady business” in collusion with bureaucrats, monopoly businesses, businesses with foreign jurisdiction will win.
  - MSMEs, legally operating businesses, start-ups, youth, the future, middle class will lose.
- 5. Actions/measures to be undertaken**
  - Economic and financial education for the citizens of Ukraine.
  - Rallies and political pressure.
  - New pro-business forces coming to power.
  - Scaling local and regional business success stories.

- Introducing self-regulation.
- The unified strong information channel.

## 6. Split point indicators (signs suggesting the scenario became real)

- Political defeat of the “Right” Forces vs Social Populists.
- Enhanced regulation and increased costs of doing business.
- A liberal party has been created to represent the interests of MSMEs.

## 7. Metaphor: “Pregnancy with business revolution”



## Scenario “Gym without a Coach”

- 1. Main characteristics**
  - Reduced number of regulatory acts.
  - Reduced number of public officials.
  - Reduced administrative costs.
  - Reduced number of taxes and duties.
  - Easy to start a business (permits, licenses).
  - MSMEs sector is not represented in policymaking.
  - MSMEs do not cooperate well.
- 2. Key events (trajectory of movement)**
  - Growing MSME sector and the share of MSMEs.
  - MSME sector becoming more efficient.
  - The authorities received their dividends.
  - Foreigners invest in the Ukrainian economy, foreign direct investments grow.
  - Increased competition.
  - Reduced unemployment, return of Ukrainian workers from abroad.

### 3. Key actors

- Parliament (the Verkhovna Rada).
- Cabinet of Ministers of Ukraine.
- The President's Office.
- Oligarchs.
- International partners.
- Local authorities.

### 4. Winners and losers

- MSMEs, consumers, the public budgets, local authorities will win.
- Civil servants will lose, some of whom will have to resign.

### 5. Actions/measures to be undertaken

- Advocate for deregulation and digitalization.
- Unite.

### 6. Split point indicators (signs suggesting the scenario became real)

- Statistics on MSMEs and tax revenues will improve.
- The size of the State apparatus will decrease.

### 7. Metaphor: "Gym without a Coach"



## Scenario "Black Hole"

#### 1. Main characteristics

- Ukraine lags behind the growth of the EU and Asia.
- Ukraine's GDP grows by 1% per year.
- Ukraine is a depressed territory, the population and businesses are seeking better conditions and countries.
- Monopolization of the economy.

#### 2. Key events (trajectory of movement)

- Mass protests against the authorities.
- Default.

#### 3. Key actors

- Oligarchs.
- Leaders of business movements.
- Authorities (Parliament and Government).
- International financial organizations.

#### 4. Winners and losers

- Oligarchs, businesses associated with the authorities, Russia and neighboring countries will win.
- SMBs and hired labour will lose.

#### 5. Actions/measures to be undertaken

- Unite, take power, conduct reforms.
- Unite, force the authorities to conduct reforms and deregulation, establish inclusive institutions.

#### 6. Split point indicators (signs suggesting the scenario became real)

- Increased emigration from Ukraine.
- GDP growth at 0% on average.
- Lower positions in the Index of Economic Freedom.
- Reduced number of business entities.
- Increased inequality.

#### 7. Metaphor: "Unite or Die; Black Hole"

## 3.4 | JOKERS

The Foresight participants discussed the possibility of emerging jokers, which are unlikely events that change the rules of the game.

- Ukrainian 'Elon' as a person who forms certain technological changes in society;
- Dissolution of Ukraine (feudalisation) or loss of sovereignty;
- Everyone knows everything about everyone (general disclosure of information about everyone);
- Discovery of revolutionary technology, technological breakthrough, innovation, for example, Ukrainian Sashko Nakamotny (allusion to Satoshi Nakamoto - note by transl.), or thermonuclear fusion;
- Total/ large-scale war;
- Natural cataclysm (such as pandemic) or disaster (sun, rain, locusts);
- "Digital Coronavirus" (information systems collapsed and out of control, uncontrolled artificial intelligence);
- Authoritarianism, totalitarianism, the emergence of a dictator or Ukrainian Pinochet;
- (Global) economic crisis (systemic crisis "the beginning of new dark ages") or default;
- Man-made disaster (accident, sabotage, biological weapons);
- Discovery of a new resource (deposit);
- The environmental movement of teenagers like Greta Thunberg, but in Ukraine;
- Ukraine has raised interest in global investors and tourists.

## 3.5 | ROADMAP

Then, the participants of the foresight tried to develop a road map as a list of measures which were aimed to be implemented in order to move from the inertial to the preferable script of events and to create an environment, conducive to the development of MSME sector in Ukraine under any script. Each of the proposed measures was addressed to one of the three (3) groups of stakeholders, such as business (business membership organisations), the State and international organizations. However, few concrete steps were proposed, many more complaints and abstract wishes were suggested during the discussion among participants.

Among the specific steps directed to **the State**, the most frequently cited were:

- To stop the setback of deregulation;
- To undertake antitrust reform: to strengthen the independence of the AMCU, in particular, through a transparent competitive procedure for the appointment of the chairman and state commissioners; to strengthen the investigative tools of the AMCU;
- To undertake judicial and law enforcement reform, reducing their impact on business;
- To carry out checks only on the basis of risk analysis, to establish the Bureau of Economic Security as an analytical rather than law enforcement body; the SSU should not investigate economic crimes;
- To undertake the customs and tax reform;
- To reduce the level of tax burden, simplify tax reporting;
- To liberalize conditions of employment, eliminate punitive powers of the State Labour Service of Ukraine;
- To implement deregulation based on guillotine principle and ensure business self-regulation;
- To conduct policy in a consistent and alleged manner, aimed at improving the business environment (for instance, no changes to the tax code before the start of the new year, etc.);
- To make decisions on the basis of policy analysis;
- To use public councils attached to the Central Government Bodies (hereinafter - CGB) and other similar consultative and advisory bodies as a tool for a dialogue; to ensure representation of business associations, regular work and follow-up of decisions taken;
- To develop the dual education.

At the same time, **business membership organizations** should implement the following steps:

- To carry out campaigns to attract participants of business membership organisations, to educate active leaders in their ranks;
- To unite in a political structure to protect their interests;
- To promote MSME sector through real-life examples and projects;
- To formulate an economic agenda for the government, clearly shape consolidated demands;
- To delegate personnel to serve the government and career development in the public service;
- To establish collaborative industry and cross-industry linkages;
- To create a business constitution based on Polish example.

A request was also made to the **international organizations** formulated as follows:

- To support projects in order to strengthen business membership organisations in Ukraine;
- Do not give money to the State without sustained reforms of the justice system, the security forces, etc.;
- To continue supporting public administration reform;
- To assess the real, measurable results of their assistance;
- To have a preliminary dialogue involving stakeholders in the development of cooperation programmes;
- To provide financial assistance to business media;
- To provide financial and technological support for lifelong learning to reduce skills mismatch.

## 3.6 FINAL COMMENTS ON THE WORKING SESSION

The working session ended with unique comments from the participants. A number of participants admitted that the meeting succeeded in creating a climate of trust that provided a fertile basis for agreement, common vision and productive and effective work. The participants almost unanimously identified the need for MSME sector to unite with the purpose of putting their own needs on a State's agenda. Some quotations below illustrate these generalizations, although they are sometimes contradictory.

- If we do not learn to work effectively and continue to imitate, we are unlikely to have a bright future: while the whole world moves forward, we will stand still and roll backwards. If we cooperate effectively, then there is a way forward, and if we imitate cooperation, we go backwards.
- A national MSME Development Strategy should be developed on the "leaving no one behind" principle. That means that the national strategy should take into account the wishes, interests, efforts of everyone it concerns. Otherwise, it could turn into another document that either gathers dust in the archives or becomes a bone of contention.
- Consolidation and unification of business associations is an opportunity to come up with an agenda to officials at all levels. It means a lot in a decentralized environment.
- Unification of MSME sector creates the opportunity to influence the decision-making process of the State and create the necessary business climate. Businesses must stand together on its own; the role of the State in such unification is questionable. There is, therefore, a need to unite.
- If entrepreneurs do not become subjects, they will continue to be objects for somebody. There is the need to become a subject, to form a political party.
- Among the participants, there were many business membership organizations that have existed for so long that many parties can only dream of it. Therefore, business associations should carry out their functions and parties should carry out theirs.
- As soon as the business unites and makes common offers, which do not represent the needs of one, but all being favourable to the whole country, the government immediately accepts them. If each business association has its own vision and addresses the authorities through its deputy, there is a competition of proposals leading nowhere.
- There are 150,000 business associations and 7,000 chambers of commerce and industry in the U.S. Such a number could be associated with the development of American MSME sector.

- Nowadays, business associations exert a far more profound influence on social processes than any policies or political party in Ukraine. They do not have such a tarnished reputation as political affiliations in Ukraine, which gives a winning position.
- In Ukraine, only one magic number can unite the State, micro, small and medium-sized enterprises and that number is 1 trillion dollars of GDP. Attaining to that number will change everything: value of businesses, quality of life, infrastructure. To achieve that, there will be a need to increase current figures more than sixfold, but it will bring together political, economic efforts, and change the worldview.
- We need to talk more, even scream for economic freedom. The freedom is a high-level theme in Ukraine as it is an important value. However, there is not much being said about economic freedom.
- Ukrainian society lacks trust and there are very few trust centres. The emergence of trust centres is, therefore, a core element of our future. Currently, such a centre has emerged owing to the joint work of all members of the foresight. Business associations are big trust centres nowadays. They came together and trust each other. This factor is of great value.
- Business has a huge power. MSME sector created 4 million work places. We observed the intensity of that power in this situation. There was no consensus on what to do in general, what script is desirable. However, we achieved the absolute unanimity considering what we want.
- The external environment does not give us big gifts: we see rollback of deregulation, tightening the screws, the destruction of institutions, etc. Although, the inner environment provides a huge inspiration: we are witnessing the growth and strengthening of business associations and formation of the atmosphere of trust.

Therefore, the beginning of the foresight was reasonably optimistic. MSMEs are able to trust, understand the need to unite and defend their own interests at the national level. It is a solid base for a leap. There is a need just to figure out what to do and how to do it. The answers to these questions might be found at the next stages of the foresight.



4

# MEETING WITH POLICYMAKERS

( I N I B O H Y A )

• K Y H H T H  
B e n e f i t a r i t a  
( o r g a n o z )  
B e p r o d u o .  
P A H H  
( A O S I A H )  
o r o c h o r o y  
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The outcome of a working session was discussed with policymakers and authorities on 12 October 2021. The meeting was attended by representatives of the Ministry of Digital Transformation of Ukraine, the Ministry of Economy of Ukraine, the Entrepreneurship and Export Promotion Office and the MSME Development Strategy developers team.

The participants of the meeting got acquainted with the summary of the working session results, including core trends, metaphors, scripts, etc. The discussion highlighted the following problems:

- ⊗ The core strategic steps that small and medium-sized business expect from the State are outside the government's area of competence (judicial reform, antitrust reform, tax reform, land reform, etc.). In addition, there is a lack of policy coherence among ministries (in other words, weak institutionalized cooperation mechanisms), spontaneous decision-making rather than decision-making based on policy analysis, the communication gap between the Government and Parliament (only 17% of government draft laws are passed by the Verkhovna Rada of Ukraine). More generally, the centre of economic decision-making has largely shifted from the Government to other State institutions.
- ⊗ Ministries and other government institutions are constrained by their own clearly defined powers. As a result, even significant and sometimes breakthrough results within their mandates are not properly appreciated by MSME sector, which does not know and understand these limitations but focus on core issues.
- ⊗ Business associations make numerous complaints about rolling back deregulation, understating under deregulation the full range of business-government cooperation procedures rather than classic regulatory mechanisms such as permits, quotas or licenses. These are the examples of aspects, which are most frequently cited in complaints:
  - draft law №5600 as it severely restricts the rights of entrepreneurs when interacting with tax service and expands the rights of tax authorities;
  - fear of reopening the tax militia entitled as the Bureau of Economic Security, which was originally intended to be an analytical body to combat tax evasion on a large scale, rather than as a law enforcement body;
  - collecting information on end-based beneficiaries of the business in the paper form in the presence of legitimate digital tools.

- ⊗ Low level of economic freedom and the resumption of the practice of «tightening the screws» in a climate of expectations of a subsequent wave of global crisis create a general discouragement. At the same time, the problems of the lion's share of the Ukrainian economy remain unsolved, since this refers to one third of all jobs (more than 4 million), without building a relationship of trust between the State authorities and MSME sector.
- ⊗ The confidence of business in the possibility of effective deoligarchization/demonopolization, which originated during the Revolution of Dignity, is being reduced as the oligarchical monopolistic model of the economy serves *de facto* as the basis of the social and economic system in Ukraine. An alternative idea of a «glass ceiling» for small and medium-sized business is being born in such circumstances, which involves a substantial increase in the level of economic freedom at the lower levels of the economy outside monopolized industries.

- Certain hopes are placed on the draft law «On Basic Principles of Creating Favourable Conditions for Business Activity in Ukraine (Act on Freedom of Enterprise)», approved by the National Reform Council.

- ⊗ According to the subjective sense of entrepreneurs, which is not shared by members of the government, the interests of small and medium-sized enterprises are not represented in the structures of power; MSME sector is not on the agenda of the core centres of economic decision-making of the State; traditional dialogue tools such as the public councils attached to the CGB do not work; the existing instruments of dialogue are rather the exchange of monologues, during which the parties cannot hear each other. As a result, the real priorities of MSME sector and the government's perception of these priorities differ significantly. This creates a threat to turn the MSME Development Strategy into a disappointment. The foresight has to eliminate this threat.

In view of the identified challenges, the participants of the meeting outlined the next steps, primarily conducting online survey, which helped to set priorities, harmonize the positions of representatives of the State and MSME sector as well as to test the hypotheses.

5



# BUSINESS MEMBERSHIP ORGANIZATIONS' LEADERS SURVEY

The survey was conducted from 25 October to 19 November 2021 and gathered 88 responses (considering only valid answers). The survey included both respondents, who took part in the working session, and those, who, for certain reasons, were unable to do so, but were interested in participating in the survey. Special efforts have been made to achieve regional and sectoral diversity.



The questionnaire was developed in close collaboration with the MSME Development Strategy developers team and included an assessment of the current state of affairs, key challenges and existing government initiatives, as well as promising ideas.

## 5.1 THE BIGGEST PROBLEMS OF MSME SECTOR IN UKRAINE

Respondents mentioned about a hundred different options related to the open question on problems MSME sector in Ukraine is facing. Four (4) of these options were stated so frequently that they could be considered core issues for the business community, namely:

### Unavailability of funding

This problem was mentioned by 32 respondents, brought up by every third participant. The wording was different: high interest rates, limited access to financial resources, lack of knowledge and collateral for taking out loans. *Apparently, the reform of the banking sector in 2014 – 2019 has made it a modern, coherent system. At the same time, it has created a power gap between the banking sector and MSME sector, which has evolved at a much slower pace during this time. That is the reason why MSMEs are sometimes unable to meet all banking requirements, necessary to take out loans or other forms of financing. This provides scope for systematic work to improve MSMEs' financial literacy.*

32   
respondents

### High taxes

20 respondents indicated this problem, eight (8) of which specified that labour taxes were excessive. In addition, seven (7) respondents noted an inadequate, uncoordinated, inefficient, complex, unfair, opaque tax system and poor administration of taxes and charges. Three (3) respondents considered legislation, labour supervision and control to be problematic, and two (2) others mentioned the freezing of tax invoices. *Taking into account the answers to both the size of the tax and the inefficiency of the tax system itself, the problem of taxes, in general, concerns almost one (1) in three (3) of those surveyed. This makes it comparable to access to finance.*

32   
respondents

### The question of human resources

An outflow of staff from the country, shortage of skilled personnel, low level of human capital, education level and system of education of employees were the biggest problems for 20 respondents. *Despite the fact that, in the information space, labour migration is mainly a positive phenomenon, providing the country with large amounts of remittances from workers, this is a core strategic resource problem for the MSME sector, the solution of which should be part of any adequate public policy in support of MSMEs. Noteworthy, this problem begins with MSME sector, thus, if it is left unaddressed it will subsequently damage the entire economy.*

20   
respondents

## Competencies and internal capacities of MSME sector

These are the weaknesses of the small and medium-sized enterprises that prevent them from developing as they would like to. There are many issues, concerning which entrepreneurs and businesses do not feel competent enough in this category. These include the following: business infantilism, poor management and managerial competencies, limited scale of thinking and knowledge on systematic organization of business, inability to sell, weak marketing, lack of customer orientation, low level of entrepreneurial culture and financial literacy, lack of business planning, weak systems of sales, motivation, lack of skills for working using Internet. *It is good that entrepreneurs are self-critical about their competences and adequately evaluate them. There is always room for self-improvement and even more so in Ukraine. This means that there is not only a theoretical need for a strong network of applied entrepreneurship education, but a high potential demand for it, which has not been met yet at the systemic level.*

15   
respondents

Interestingly, the two (2) biggest problems are related to financial resources and the other two (2) are connected with human resources. All four (4) of them reinforce each other: overcoming problems in one direction will alleviate the issues in the other. For example, a significant increase in the competence of entrepreneurs in all core business issues would make it easier for them to obtain financing and earn enough in order to retain decent workers in an easier way.

The following difficulties may be considered less important, judging by the frequency of the respondents' replies. Among such problems can be named:

- the lack of cohesion and poor self-organization of MSMEs (12 votes);
- corruption and lawlessness (12);
- pressure from the State («raids» by law enforcement bodies, groundless inspections, etc. - 10);
- the absence of a clear, stable, coherent, predictable public policy for enterprise development (8) + lack of a strategy for the development of MSME sector (2);
- irregular, unreformed, inefficient, weak, dishonest judicial system and consequent legal insecurity, (6) + precariousness of private property (4);
- rapid and frequent changes in operational environment, legislation, taxation (8);
- shadow economy (8);
- lack of government support of MSME sector and its effective tools (8);
- over-regulation, complex and controversial legislation (7);
- the lack of dialogue between the government and MSME sector (4);
- the absence of adequate quality public service (4);
- uneven rules of the game (4);
- the longevity and complexity of licensing procedures (3);
- introduction of registrars of settlement operations (hereinafter, RSO) (3).

The vast majority of issues concerns the State in a certain way.

The representatives of MSME sector, who participated in the survey accurately point to the inefficiency of the state apparatus as a whole (unreformed judicial system, precariousness of private property, over-regulation, uneven rules of the game, long and complex licensing procedures) resulting in destructive state actions (law enforcement and regulatory bodies' pressure on MSMEs, frequent legislative changes) and lack or absence of affirmative action (proper policies, support, services, dialogue with business). In response to this state failure, some businesses withdraw into the shadows, while for the rest of the MSME sector there appears a growing need to unite.

It is important that each problem related to the State is not critical itself for business (no more than 12 respondents' votes). Perhaps, entrepreneurs seek and often find some tactical solution in each specific case in practice. Nevertheless, all of these individual problems together constitute one huge problem that, on average, every respondent pointed out in one way or another. In the context of state reform, this means, firstly, that the problem is complex and too broad to ignore or attempt to develop MSME sector without solving it. Secondly, there is no single authority or employee in the State, who would be responsible for such a situation and could make a difference on their own.

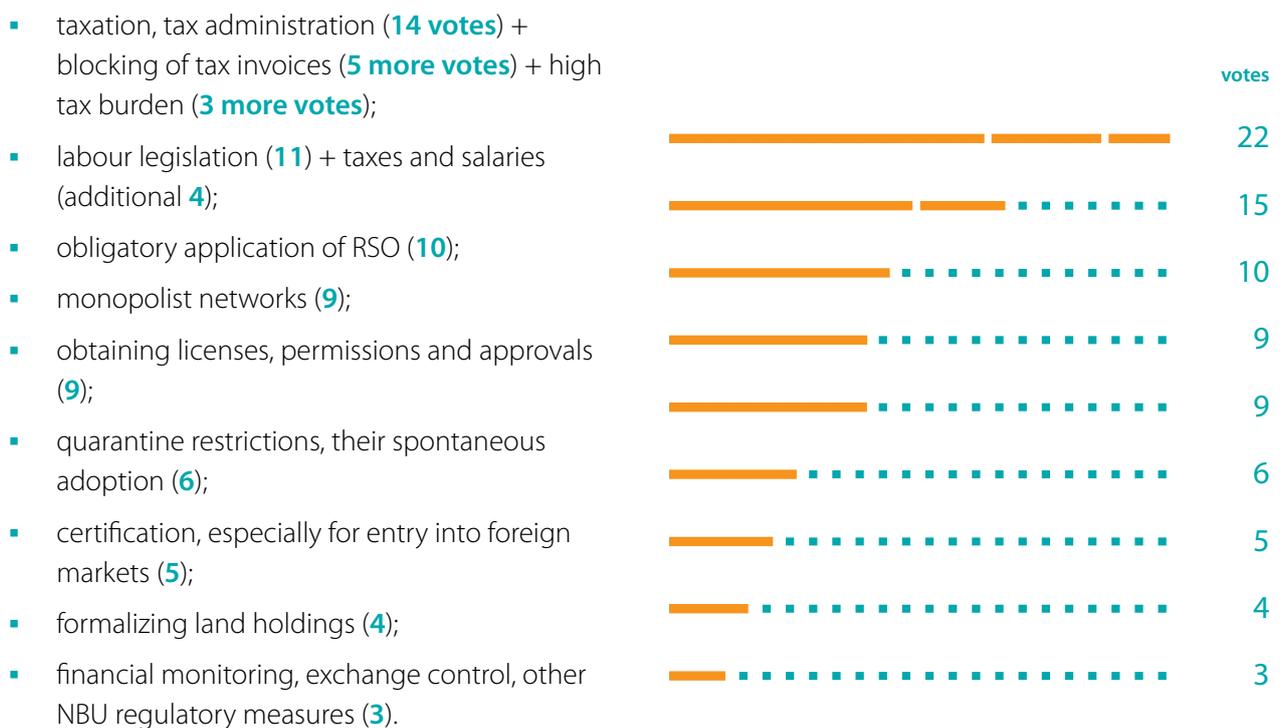
Entrepreneurs must understand that the state apparatus is not a monolith, but a piecemeal system. Each public servant joins the system with his or her own problems and competencies. In addition, since (using the football analogy) this «team» does not have a «coach», then it is necessary to sustain a proper game not by direct measures of influence, but by bypassing ways. In such a context, the way of introducing specific, small changes with this constant flow may be the best way to improve the relationship between MSME sector and the State. If business does not become a permanent initiator, then no one else can do it.

The other serious problems were not mentioned frequently enough to influence the overall picture. Noteworthy among them are quarantine restrictions (4 votes), low purchasing power of the population (4), shrinking of the domestic market (3), expensive energy (2), uncertainty about the future (2), and two (2) original problems, namely lack of entrepreneurial spirit in the country and underestimation of the importance of MSME sector, its poor public image.

Additional information is given in Section 5.6, which is essentially the same subject, but in closed format with the choice of alternatives.

## 5.2 MOST PROBLEMATIC STATE REGULATORY POLICIES FOR MSME SECTOR IN UKRAINE

The respondents identified the most problematic government policies to be followed by the MSME sector in such areas:



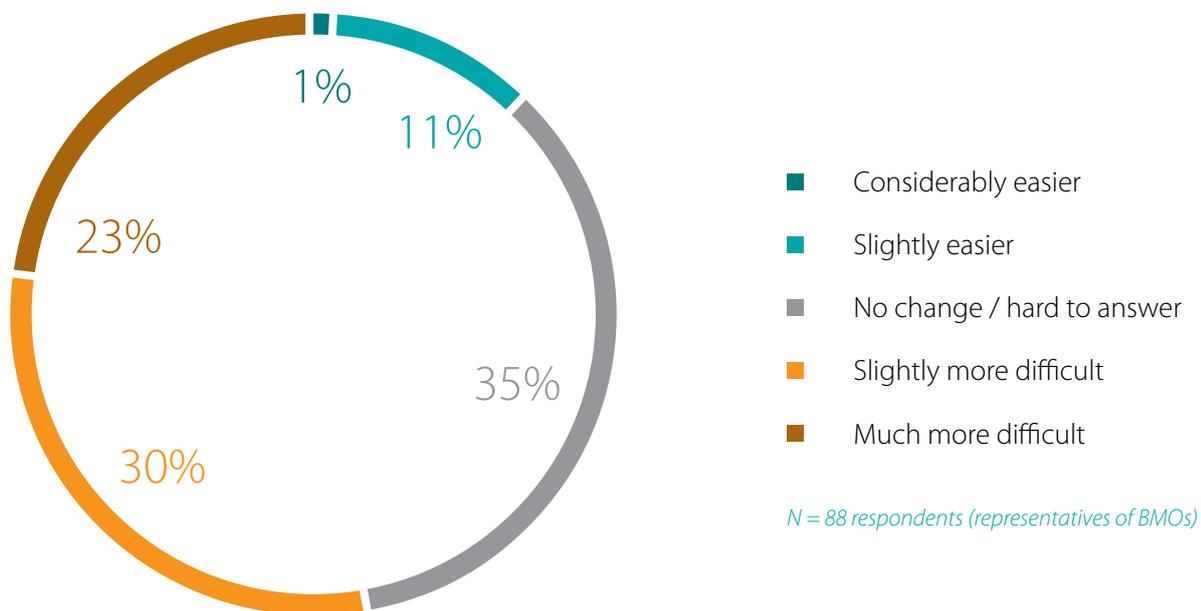
Other regulatory measures were named by one (1) or two (2) respondents, so they could not be considered the most problematic for MSME sector as a whole. At the same time, one (1) out of six (6) respondents noted that the problem was not in the regulatory measures as such but rather in the manner, in which they were applied and interpreted by the relevant authorities, who exerted pressure, exceeded already enhanced powers, exercised excessive control, often changed the rules of the game, were susceptible to corruption etc.

## 5.3 OVERALL ASSESSMENT OF THE COMPLEXITY OF DOING BUSINESS

The respondents were asked to assess changes in the business environment in 2021 compared to 2019 on the basis of interaction with the members of their business membership organizations, understanding of their attitudes and problems.

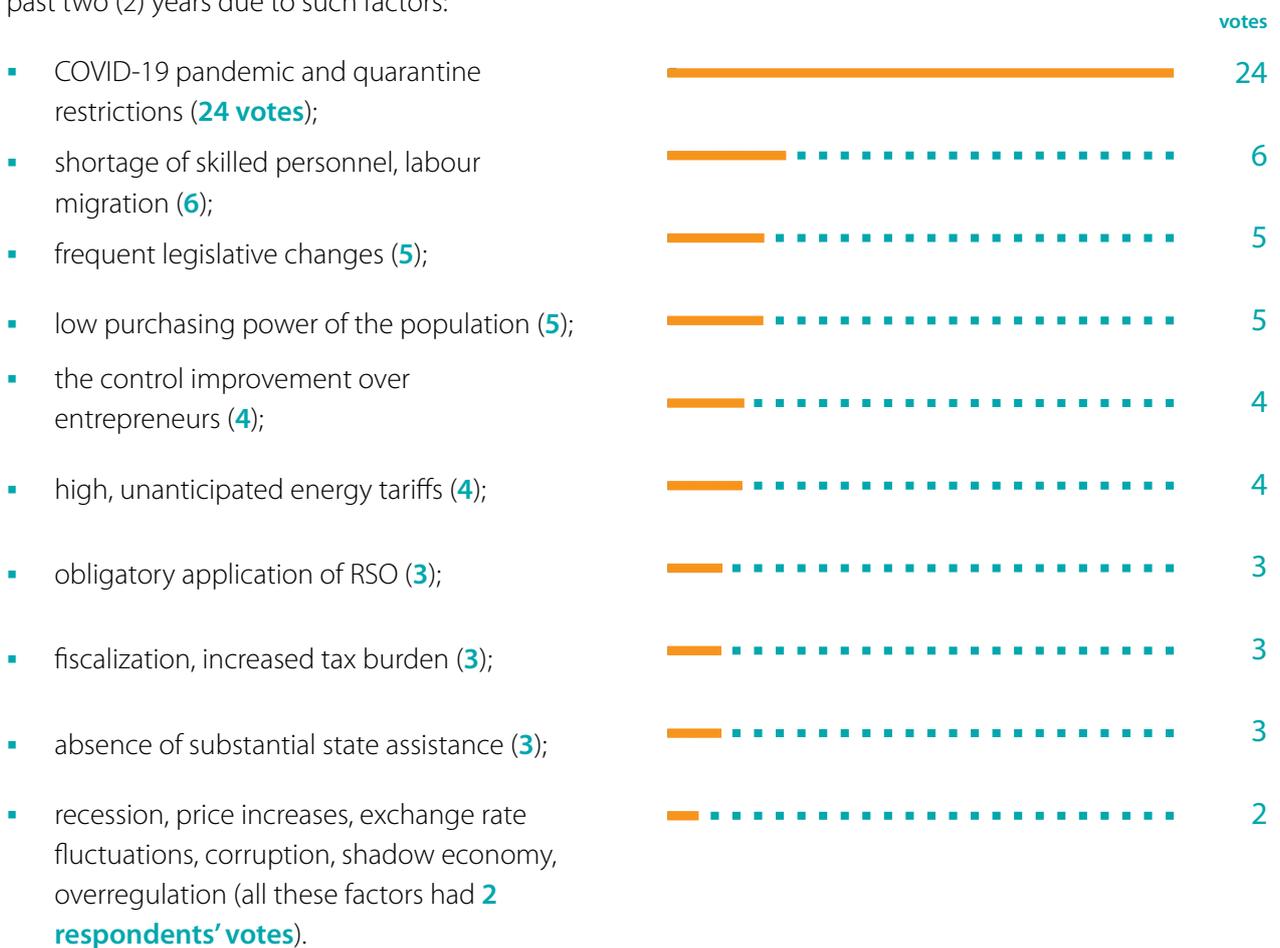
More than half of the respondents believe that the business environment has become more complex and only a small part noted that doing business has become easier.

Figure 1 | Perceptions of ease of doing business in 2021 compared to 2019



## 5.4 | COMPLEXITY OF DOING BUSINESS FACTORS

Assessing specific changes, respondents noted that the doing business became more complex over the past two (2) years due to such factors:



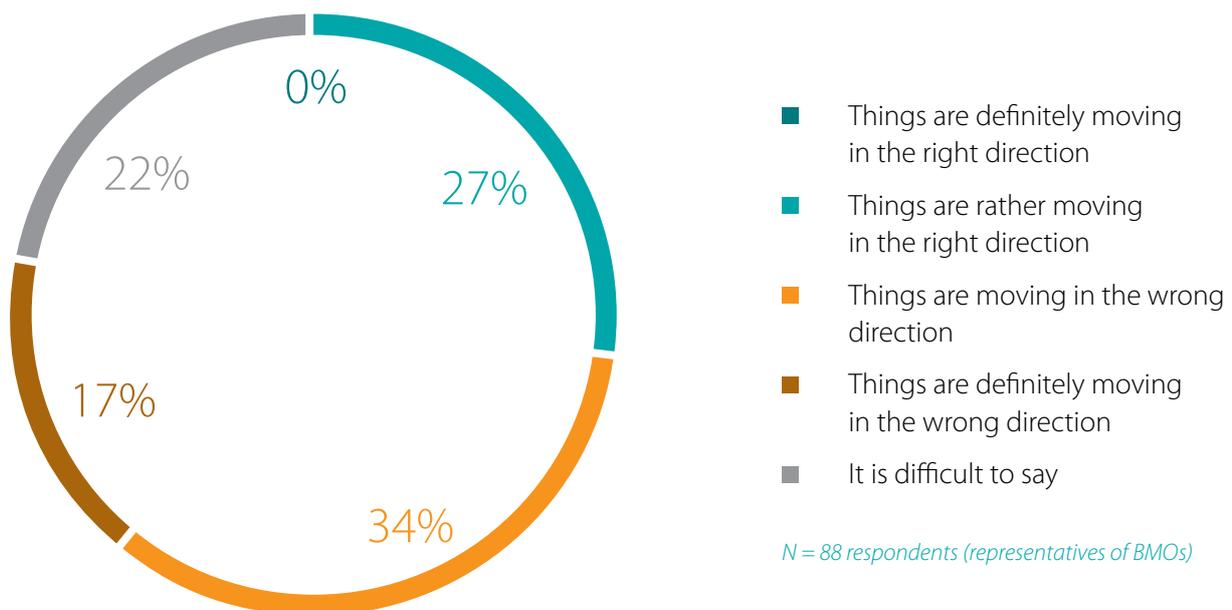
At the same time, several respondents noted the ease of doing business, which is mainly associated with digitization and the Diia app (6 votes), as well as the acceleration of the process of starting business (3 votes). However, five (5) respondents noted that nothing has changed.

## 5.5 ASSESSMENT OF THE STATE ECONOMIC POLICY

Respondents were asked to evaluate the State economic policy concerning MSME sector. More than half of the respondents believe that State economic policy towards MSMEs is going in the wrong direc-

tion and just over a quarter of surveyed have a positive perception. Noteworthy, no one has expressed confidence in the direction of economic policies development.

Figure 2 | Perceptions of economic policy concerning MSME sector in 2021



## 5.6 MAJOR PROBLEMS OF MSME SECTOR IN UKRAINE

Participants were offered to assess the major problems of MSME sector separately for each of the four (4) categories of enterprise size:



### **Individual entrepreneurship**

(up to 5 employees,  
income up to 250,000 EUR)



### **Microbusiness**

(up to 10 employees,  
income up to 2 million EUR)



### **Small business**

(10-50 employees,  
income up to 10 million EUR)



### **Medium-sized business**

(50-250 employees,  
income up to 50 million EUR)

For the assessment, the list with the following 22 problems, identified both during the working session and in the course of communication with entrepreneurs, was offered:

1. Insecurity of private property/ raiding
2. Absence of credible judiciary
3. Absence of affordable loans and sources of rapid working capital
4. High cost of financial resources
5. Low purchasing power of consumers
6. Monopolism
7. Unfair competition
8. Excessive regulation of business activity
9. Lack of digitization of processes, non-friendly, low interaction with government agencies
10. Problems of customs regulation and registration
11. The complexity of land registration
12. Difficulties in obtaining building permits
13. Difficulties in connecting to the electric grids
14. High labour tax rates
15. High income tax rate
16. High rates of taxes on land and real estate
17. Problems with tax administration
18. Lack of skilled labour
19. Bad image of the country in the world
20. Uncertainty about the future
21. Constant changes in the rules of the game, which are defined for businesses by authorities

**Table 2 | MAP OF MAJOR PROBLEMS OF MSME SECTOR**

(+ means that the problem was mentioned by more than 30% of respondents, ++ means that the problem was mentioned by more than 40% of respondents)

	 <b>Individual entrepreneurship</b> (up to 5 employees, income up to 250,000 EUR)	 <b>Microbusiness</b> (up to 10 employees, income up to 2 million EUR)	 <b>Small business</b> (10-50 employees, income up to 10 million EUR)	 <b>Medium-sized business</b> (50-250 employees, income up to 50 million EUR)
Insecurity of property / raiding				+
Absence of loans/ finance sources	++	++	+	
High cost of financial resources	+	+	+	
Absence of credible courts	+	+	+	++
Constant changes in the rules of the game	+	+	+	+
Lack of skilled labour	+	++	++	++
High taxes on labour	+	++	++	+
Low purchasing power	+	+	+	
Corruption risks		+	+	++
Uncertainty about the future	++	+		
Unfair competition		+		+

The table above presents a Map of major problems of MSME sector. As can be observed, smaller businesses suffer mainly from underfunding and low purchasing power of consumers. (which may also mean the inability to enter larger markets: for microbusiness being regional and national, for small business being national and international), while corruption and raiding are the main concerns of larger businesses. Constant changes in the rules of the game and uncertainty about the future, labour shortages and high taxes on labour are the problems pertinent for businesses of all sizes.

CONSTANT CHANGES IN THE RULES OF THE GAME AND UNCERTAINTY ABOUT THE FUTURE, LABOR SHORTAGES AND HIGH TAXES ON LABOUR ARE THE PROBLEMS PERTINENT FOR BUSINESSES OF ALL SIZES.

## 5.7 | DE-OLIGARCHISATION / DEMONOPOLISATION

Participants do not assess the possibility of practical de-oligarchization / demonopolization in Ukraine in the next five (5) years: average 4.82 on a 10-point scale. As noted above, this reflects a decline in MSMEs' hopes for a economic model change.

4.82 of 10



A possible explanation and conclusion on this issue are given in Section 4.

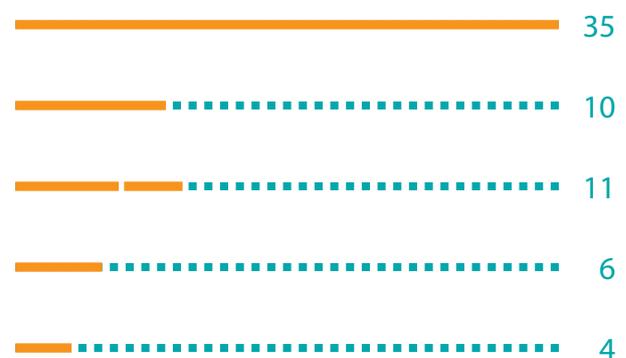
## 5.8 | MOST USEFUL STATE SERVICES

Survey participants were offered to indicate the State services, the improvement of which is most useful for MSMEs in Ukraine.

According to the respondents, the list of the most useful state services is as follows:

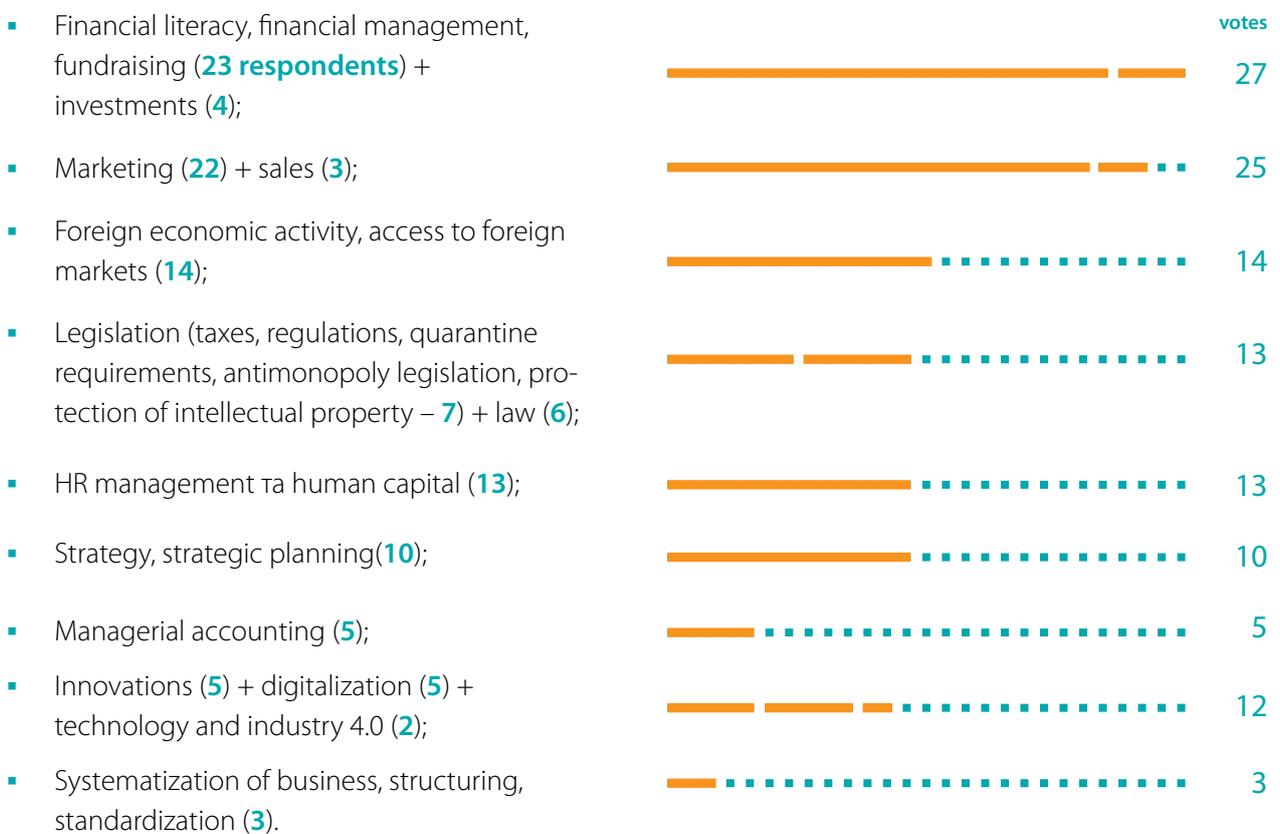
- Effective and efficient platforms Diia, Diia. Business (**35 votes**);
- Electronic taxpayer's office (**10**);
- Digitalization and online services (**7**) + obtaining and issuance of permits online (**4**);
- ProZorro (**6**);
- Centres for the provision of administrative services (**4**).

In addition to the above, respondents indicated about three dozen services, but they are considered as most useful by no more than one (1) or two (2) respondents. At the same time, nine (9) respondents (every tenth) could not indicate any useful public service.



## 5.9 | ESSENTIAL KNOWLEDGE

Further in the survey it was suggested to identify areas, in which members of business membership organizations lack entrepreneurial knowledge. According to the respondents, they and their colleagues lack knowledge in the following areas:



## 5.10 ASSESSMENT OF THE PROGRAMMES OF STATE SUPPORT

It was further assessed to what extent members of business membership organizations were satisfied with the programmes of State support for business. The list of programmes proposed for assessment is as follows:

1. Entrepreneurship and Export Promotion Office
2. Agro-industrial sector support programmes
3. Ukrainian Start-up Fund
4. Regional grant support programmes
5. Ukrainian State Farm Support Fund
6. Ukrainian Culture Fund
7. Ukrainian Social Insurance Fund (temporary disability support)
8. Programme of affordable loans at 5-7-9 percent (loan funds on concessional terms)
9. Business Ombudsman Council.



It turned out that the respondents and their colleagues use the programmes of State support on a very rare basis or cannot assess them. Among nine (9) programmes of state support indicated in the question, only four (4) were defined as satisfactory, namely the programme of affordable loans at 5-7-9 percent, regional grant support programmes, Ukrainian Culture Fund and Entrepreneurship and Export Promotion Office (with only two (2) latter programmes being assessed more positively than negatively).

The Ukrainian Social Insurance Fund activities (temporary disability support) were assessed predominantly unsatisfactorily.

## 5.11 | PROSPECTIVE PROGRAMMES OF STATE SUPPORT

The respondents were proposed to assess 12 prospective directions of support (not only from the State) for business. The following directions were defined as potentially the most effective ones:

1. Tax reduction in case of creating new workplaces
2. Concessional loans (interest rate reduction, state guarantees)
3. Introduction of digital technologies and innovations

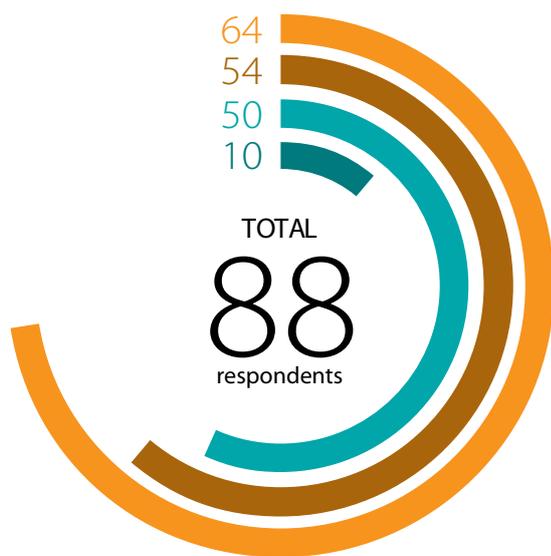
Another six (6) directions are also considered as rather interesting:

4. Business education and entrepreneurial culture development
5. Cooperation and cluster development
6. Online state services, open data
7. Single social contribution reduction
8. Export promotion
9. Reduction of other kinds of tax burden

The following three (3) potential directions did not attract significant interest or respondents:

10. State infrastructure projects
11. Advisory support for business conversion
12. Public procurement

## 5.12 GETTING FAMILIAR WITH THE DIIA.BUSINESS PLATFORM



- Heard of the Diia.Business project
- Visited the Diia.Business platform
- Know the difference between the Diia and Diia.Business projects
- Visited one of the Diia.Business entrepreneur support centres

The participants (88 respondents) are quite well aware of the platform: 64 of them have heard of the Diia.Business project, 54 of them have visited the Diia.Business platform, 50 of them know the difference between the Diia and Diia.Business projects (although it should be noted that the proportion could be higher considering the fact that survey participants are opinion leaders, suggesting there is room for development). At the same time, only ten (10) persons have visited one of the Diia.Business entrepreneur support centres. The vast majority of them have done so in Kharkiv (also the data cannot be considered valid as there were a lot of Kharkiv citizens among the respondents).

## 5.13 | MOST NECESSARY MEASURES

The respondents were proposed to define the measures that are the most necessary for the MSME sector in their opinion (not limited to the State support forms but in general). The list of measures was quite broad and included:

1. Strengthening transregional and transboundary cooperation of the Western regions
2. Tax incentives for creating clusters within the field of smart specialisation
3. Optional courses on entrepreneurship and financial literacy in school and higher education
4. Launch of “regulatory sandboxes” in the fields with the upfront development of technologies
5. Review of the tax system for MSMEs with a focus not on the benefits as such but on the easiness of performing the norms and equal rules of the game
6. Coverage of all resources in the state management by Prozorro. Sale to auction real estate, land, transport permits, fishing quotas, rights to place street furniture, trade places in markets and similar resources with limited access in a single online system available for small entrepreneurship
7. Rules on splitting the items in procurement for the participation of micro and small enterprises
8. Work of social care centres on the involvement of people with disabilities in remote business
9. Principle “No service/permit online, no service/permit at all”
10. Incentives for creating clusters within the field of smart specialisation (for example, opportunity to use one percent of the assessed income tax for the infrastructure development)
11. Provision of financial microgrants/vouchers to successful graduates of training programmes
12. Development of the infrastructure of digital commerce with the EU (eDelivery, eCustoms, eLogistics, Digital Transport Corridor, etc.)
13. National online B2B platform for the search for partners/providers and idea exchange
14. Feedback for every business planning to close in order to prevent this and provide assistance
15. National hotline for business support
16. Single social contribution compensation and tax deduction for enterprises creating workplaces in affected regions. Exclusion of double taxation for individual entrepreneurs registered in the temporarily occupied territories but working in the government-controlled area
17. Online school for improving the entrepreneurs’ skills, a system of testing and assessment of knowledge for the development of automatised recommendations on learning modules that may be useful
18. Opportunities for any enterprise to suspend the activities for a specific period in case of crisis circumstances

19. Incentives for using e-services and positive discrimination in the speed of processing applications
20. Unified repository platform for learning on the basis of the example of <https://www.fetchcourses.ie/>
21. Introduction of European e-invoicing standards
22. Harmonisation of e-commerce rules with the EU
23. Creating a national platform for crowdfunding and microinvestment
24. Expansion of the partial portfolio guarantee programme, achieving self-sufficiency
25. Online learning programmes on the participation in public procurement for MSMEs
26. Cooperation with the ATO/JFO veterans and IDPs' organisations for their targeted involvement in business learning
27. Automatic issuance of the digital signature during submitting of paper reporting or registration of individual entrepreneurship
28. Sectoral MSME sector export support programmes: learning, research, consulting and assistance in the search for partners, analysis of countries in focus and added value chains
29. Launch of field learning programmes in connection with underrepresented segments, such as social entrepreneurship, veterans' business, women entrepreneurship, etc.
30. Mentor programmes for enhancing basic digital literacy
31. Popularisation of local entrepreneurship and retaining funds in regions: local markets, "Big Ones to Little Ones" programmes



Only one (1) proposal was assessed positively **by more than a half of the respondents:**

1. Review of the tax system for MSME sector with a focus not on the benefits as such but on the easiness of performing the norms and equal rules of the game



Five (5) measures received the support **of more than a third of the respondents:**

1. Popularisation of local entrepreneurship and retaining funds in regions: local markets, "Big Ones to Little Ones" programmes
2. Opportunities for any enterprise to suspend the activities for a specific period in case of crisis circumstances
3. National online B2B platform for the search for partners/providers and idea exchange
4. Optional courses on entrepreneurship and financial literacy in school and higher education
5. Creating a national platform for crowdfunding and microinvestment



Another 11 ideas attracted the attention **of more than a fourth of the respondents:**

1. Sectoral MSME sector export support programmes: learning, research, consulting and assistance in the search for partners, analysis of countries in focus and added value chains
2. Tax incentives for creating clusters within the field of smart specialisation
3. Incentives for creating clusters within the field of smart specialisation (for example, opportunity to use one percent of the assessed income tax for the infrastructure development)
4. Development of the infrastructure of digital commerce with the EU (eDelivery, eCustoms, eLogistics, Digital Transport Corridor, etc.)
5. Coverage of all resources in the State management by Prozorro. Sale to auction real estate, land, transport permits, fishing quotas, rights to place street furniture, trade places in markets and similar resources with limited access in a single online system available for small entrepreneurship
6. Provision of financial microgrants/vouchers to successful graduates of training programmes
7. Principle “No service/permit online, no service/permit at all”
8. Online school for improving the entrepreneurs’ skills, a system of the testing and assessment of knowledge for the development of automatised recommendations on learning modules that may be useful
9. Launch of field learning programmes in connection with underrepresented segments – social entrepreneurship, veterans’ business, women entrepreneurship, etc.
10. Automatic issuance of the digital signature in the submitting of paper reporting or registration of individual entrepreneurship
11. Harmonisation of e-commerce rules with the EU

The remaining 14 ideas did not attract particular interest of the participants.

## 5.14 IDEAS OF MSME SECTOR SUPPORT

The question was formulated in the following way: “If you were proposed to form a government, what an original idea or project would you implement to MSME sector in Ukraine (without considering the proposals already being currently discussed, for example, tax on withdrawn capital, reduced personal income tax/single social contribution / value added tax, etc.)? Describe the general content of the idea or project in some sentences”.

The respondents' ideas on how MSME sector may be supported provided a lot of material for analysis. They can be grouped into six (6) directions. Evidently, not all ideas can be considered and they often contradict each other. At the same time, there is a lot of useful information on what are the directions of thinking and acting:

### 1. Tax direction:

- 1.1. Introduce the annual free income limit for micro-entrepreneurs.
- 1.2. Cancel the taxation of the minimal wage.
- 1.3. Create the opportunities to transfer part of the personal income tax to fund public associations.
- 1.4. Exempt the business from the function of tax agent.
- 1.5. Reduce the tax burden, personal income tax, single social contribution.
- 1.6. Introduce the tax on withdrawn capital, as well as the sale tax instead of the value added tax.
- 1.7. Simplify the general taxation system and introduce it as a single one for everybody.
- 1.8. Retain the simplified taxation system.
- 1.9. Introduce the simplified system with the taxation of small entrepreneurs' incomes on the basis of indirect criteria for the assessment of possible income following the example of the one that exists in the Kingdom of Spain by the name of “objective assessment method” (“El método de estimación objetiva”).
- 1.10. Provide tax benefits in the registration of business in special regions and little settlements; support MSMEs within the field of smart specialisation in regions.
- 1.11. Provide tax benefits for clusters according to the principles of industrial parks.
- 1.12. Provide tax benefits for technical re-equipment while retaining or increasing the number of workplaces.
- 1.13. Reform the tax system along with shifting the focus from income taxation to expenditure taxation.
- 1.14. Introduce the automatic comparison of the data on counteragents to form tax credit and obligation.

## **2. Regulatory direction:**

- 2.1. Reduce the number of regulatory acts.
- 2.2. Cancel the requirement for small entrepreneurship working under the simplified taxation system to use cash registers.
- 2.3. Project the legal requirements for small and micro businesses in such a way that they can be fulfilled by a person with secondary education. This was the aim of the regulatory policy and M-Test (the equivalent of the SME Test in Europe) but they have been virtually not performed since 2019.
- 2.4. Create international tools for trade funding (factoring) and financial insurance.
- 2.5. Cancel the currency control of business.

## **3. Institutional direction:**

- 3.1. Create the body implementing the state policy of entrepreneurship development (following the example of the U.S. Small Business Administration).
- 3.2. Transfer the State Regulatory Service to the management of business associations (following the example of Actal (Netherlands)).
- 3.3. Launch the national network of the centres of support for MSMEs (state ones or on the basis of NGOs).
- 3.4. Create the platform that would unite the business, representatives of authorities, politicians, related organisations to elaborate legislation considering the needs of business membership organisations.
- 3.5. Establish the institution (state or private one) that would assist in entering the external market by searching for partners, certification, participation in the foreign exhibitions.
- 3.6. Create innovative clusters of scientists, business consultants, small entrepreneurs; introduce the clusterisation and smart specialisation of regions; run the innovation and cluster development centres.

## **4. Direction of the transformation of the work of authorities:**

- 4.1. Radically increase the customs inspectors' wage.
- 4.2. Maximally digitise the activities of all supervising bodies.
- 4.3. Ensure the transparent work of tax and judicial system.
- 4.4. Create the automatised system of compliance with regulatory requirements with the use of artificial intelligence.
- 4.5. Replace the risk-oriented system of supervising the economic activities with the system of defining the basic indicators of economic activities, the performing of which excludes the state control.
- 4.6. Introduce the system of key performance indicators (KPI) for all regional authorities (oblast administrations and local councils). The number of new businesses and workplaces must become the most important KPI.

## **5. Direction of State policy:**

- 5.1. Develop the MSME Development Strategy.
- 5.2. Form a comprehensive and long-term cluster development programme.
- 5.3. Introduce support for and protection of local producers.
- 5.4. Launch the state support for export.
- 5.5. Establish the state lobby for fields and products with a high value added.
- 5.6. Pay for the participation in exhibitions and introduce state marketing.
- 5.7. Launch the support for online trading tools.
- 5.8. Stimulate quality international logistics.

## 6. Educational direction:

- 6.1. Encourage micro entrepreneurs to meaningfully learn and certify their competencies; stimulate those who have verified their level of competencies by benefits and vouchers (this model is used in Austria).
- 6.2. Launch mentor schools for labour professions with the graduates' employment being ensured.
- 6.3. Create monitoring centres where the person can receive the service of companionship with experienced mentors in terms of business development.
- 6.4. Teach persons of retirement age and prepare them for the start of their own business.
- 6.5. Teach MSME consultants at the MSME advisory school.

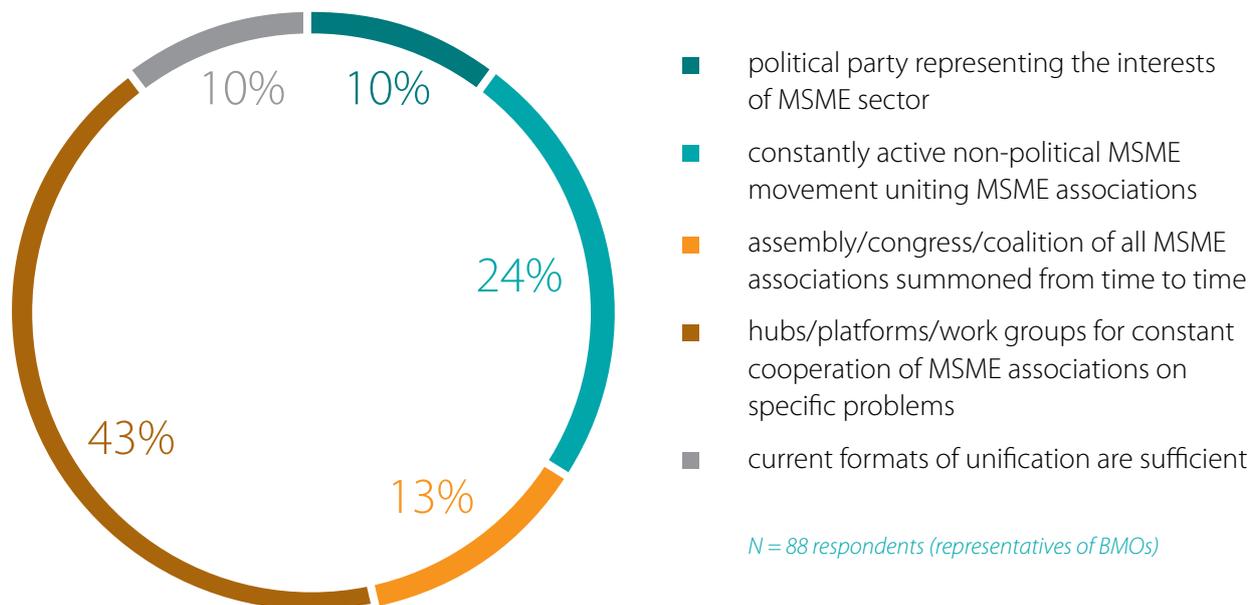
The given list demonstrates that the respondents consider reducing the tax and regulatory burden, as well as changes in the state policy (it mainly refers to the introduction of state support for specific directions) to provide the highest number of opportunities to support MSMEs. A significantly smaller number of respondents considers the internal transformation of authorities or institution development to provide opportunities. In virtually isolated cases, respondents prefer the support of MSMEs by raising their representatives' education.

## 5.15 | PREFERABLE FORMAT OF MSME SECTOR UNIFICATION

At the first stage of the foresight, MSME sector unification was defined as one of the key development factors. The survey participants were proposed to define the preferable format of such a unification.

Notably, the MSME sector leaders are sceptical about the idea of the direct political activity of business and they rather tend to use the pragmatic approach of cooperation on specific problems although the idea of constantly active non-political MSME movement is quite popular as well.

Figure 3 | Perceptions of the best cooperative strategy for MSME sector (2021)





CONCLUSIONS AND  
RECOMMENDATIONS

The foresight “Development of Micro, Small and Medium-sized Business in Ukraine by 2030” has provided a lot of information to form a clear comprehensive idea on the current state and key problems of MSME sector, as well as main strategical development directions that must be included in the national MSME Development Strategy in Ukraine. The following conclusions could be drawn from the information obtained:

- 1. Staff shortage** is the most acute strategical problem for MSMEs. It is not just about the fact that this problem appears in every chapter of the foresight: main trends, open-ended and closed-ended questions of the survey. It undermines the economic weight of MSME sector (no workers, no performed work, income, employment, aggregate economic performance), results in imbalance between MSME sector and large entrepreneurship (the latter is more attractive for employment as it is more sustainable that is crucial nowadays) and between MSME sector and the State (the latter focuses only on the fields having high performance and significant employment as a potential political resource). From a global perspective, MSMEs are the first litmus paper of the factors that Ukraine is currently losing the fight for human resources. Potentially, it is the problem of another level than only the one of MSME sector, which can ultimately threaten national security. Without resolving the problem in a principal way, the MSME development is impossible due to indicated imbalances.
- 2. The level of competencies** is the largest chronical strategical problem for MSME sector. Every sixth participant of the interview has acknowledged that they and their colleagues lack specific knowledge and skills. Considering the fact of non-capitalist conditions in Ukraine virtually until the beginning of this century when a great share of modern entrepreneurs had been already formed, this problem is relevant for at least the same or larger additional number of respondents although they do not acknowledge it. At the first glance, there is nothing critical about this. However, the entrepreneur’s competencies define the capacity of their business, on which the easiness of involving funding and labour resources as well as mobility and sustainability at the market depend. Therefore, the current level of competencies does not allow many entrepreneurs to break the vicious cycle of current problems while the world is rapidly moving forward.
- 3.** The two indicated problems critically restrict the capacity of MSME sector in Ukraine. As a consequence, MSME sector as a field is beyond the global discourse. Currently, there are tens of powerful trends that business is trying to master. Instead, Ukrainian entrepreneurs are just imprisoned in the cage of internal problems, for the resolution of which they spend all their capacity. Therefore, five (5) out of seven (7) variable trends that have advanced to the second round of voting at the working session and three (3) out of three (3) trends that have advanced to the third round are internal trends. To join the global discourse, the Ukrainian MSME sector evidently should increase its capacity and decrease the traps resulting in wasting it.
- 4. The State in general** is the main internal problem for MSME in Ukraine. There was no specific problem associated with the State sector that the majority of entrepreneurs would mention in the survey. At the same time, virtually everybody mentioned at least one problem related to the state. This may mean that entrepreneurs try to resolve the problems emerging in the process of interaction with authorities in every specific case and, in practice, they are somehow able to do this in many cases. However, in the economy, this process, in general, takes a lot of resources exhausting the capacity of the majority of entrepreneurs and their enterprises. It could be confidently mentioned that the decreased problems of interaction with the State will not just release a specific financial or human resource but become the factor of the radical transformation of MSME sector in Ukraine. In any case, the problem is comprehensive and requires a multifaceted resolution. Instead, the current tactical deteriorations and rollbacks of the regulation only exacerbate it.

5. In the opinion of the vast majority of the survey participants, the conditions for business deteriorated during two (2) years and the economic policy of the State in terms of MSME sector is on the wrong track. The constant changes in the rules of the game, uncertainty in the future, lack of workforce and high taxes on labour are the problems proper to all the MSME segments.
6. The key strategical actions expected from the State by small and medium entrepreneurship are beyond the Government's competencies (judicial reform, anti-monopoly reform, tax reform, land reform, etc.). Besides, there is policy inconsistency between the ministries (in other words, weakness of institutional cooperation mechanisms), spontaneous decision-making instead of decision-making on the basis of the policy analysis, communication gap between the Government and the Parliament and, in general, the centre of economic decision-making has significantly shifted from the Government to other state institutions. Ministries and other government institutions are limited in actions by their own clearly defined powers, due to which even significant and sometimes breakthrough results within their powers do not receive an adequate assessment by MSMEs are not aware of or do not understand being focused on their own major problems.
7. Business membership organizations complain about the rollbacks of the deregulation numerous times understanding under deregulation the whole set of the procedures of interaction between business and the State rather than classical regulatory mechanisms such as permits, quotas or licenses. There is a decrease in business faith in the opportunity to perform effective deoligarchisation/demonopolisation, which originated during the Revolution of Dignity, in conditions when oligarchical and monopolistic economic model serves as the basis of social and economic order in Ukraine. In such circumstances, the alternative idea of glass ceiling for small and medium entrepreneurship is born: a significant increase in the level of economic freedom at lower rungs of economy beyond the monopolised fields. Somebody is hopeful about the draft law "On Main Principles of Forming Favourable Conditions for Entrepreneurship in Ukraine (Act on Freedom of Entrepreneurship)".
8. Low economic freedom (127th place in the world according to the Heritage Foundation ranking) and renewed practice of tightening the screws in conditions of waiting for the next wave of the global crisis generates general disbelief and increased popularity of the idea of emigration. Without building the relations of trust between the State and MSME sector, the problems of a great share of Ukrainian economy remain unresolved as it refers to a third of all workplaces in the economy (over 4 mln).
9. By the entrepreneurs' subjective opinion that, however, is not shared by officials, the interests of MSMEs are not represented in power structures; small and medium entrepreneurship is absent in the agenda of key economic decision-making centres of the state; traditional instruments of dialogue such as public councils of central executive authorities do not work; the current instruments of dialogue are rather the exchange of monologues when the sides do not hear each other.
10. The problem associated with the State is closely related to the economic landscape, in which MSME must currently work in Ukraine. Among the main variable trends, the participants of a work session mentioned demonopolisation, deoligarchisation, deshadowing and deregulation for a reason. The matter is that the State was actually quite inert in terms of performing its functions during 30 years of independence, which, combined with a heavy Soviet regulatory and legal heritage, became a fertile ground for flourished monopolies, emergence of oligarchs and actual institutionalisation of informal sector. Ultimately, there is currently an extremely deformed landscape for MSME sector, which must be normalised. It is impossible to do so without the strong state. It means that the weakness of the state has not only a direct impact on MSME sector but also a side effect on forming extremely unfavourable and even aggressive conditions for entrepreneurship.

11. Transparency and continuity of the rules of the game, primarily in the tax and regulatory legislation, and systemic blockage of initiatives aimed at deteriorating the conditions for entrepreneurship are the main requirement of MSME sector. Review of the tax system for MSMEs with a focus not on the benefits as such but on the easiness of performing the norms, equal rules of the game and flexibility in case of crisis circumstances is considered the most preferable measure. The foresight participants also welcome the initiatives on the popularisation of entrepreneurship, information support for the search for partners, providers, investors and crowdfunders and emphasise the importance of the financial literacy of the population. There can be a great use of education centres where the entrepreneurs could receive not only knowledge necessary for them but information on state support programmes, existing business associations, their agenda and also provide the feedback on the problems of interaction with state bodies.
12. The response to the problems associated with the State (need to unite) is acknowledged by the participants of the working session as the main variable trend. However, in practice, MSMEs will lack time for uniting and systemically generating strategical decisions, in particular state-forming ones, until they spend their organisational resources on resolving current problems.
13. The foresight has also demonstrated a deep communication gap between the State and the MSME sector. Unfortunately, among useful state services, only a third of entrepreneurs could mention the Diia app, other services were mentioned even on a rarer basis. It confirms a critical need to institutionalise the communication channel between MSMEs and authorities of different levels in order to increase the MSME target audience's awareness of existing state services and improve the practice of their use and assessment of their quality.
14. The working session participants have mentioned an attractive metaphor of the preferable future of MSME, "Globalised, environmental, high-tech Sich with kurins already cooperating in an effective way for a better future". To implement it, the problems of global market, technologies and environmental protection must become the top priority ones in the agenda of most Ukrainian small and medium entrepreneurs. Evidently, it is currently absent as efforts are spent on the survival in the aggressive environment. The second important factor of implementing such a vision of the future is MSME sector unification, which has become one of two bases for the formation of scenario space, and the foresight participants directly work in this direction on a daily basis.

