



CENTRE
FOR ECONOMIC
STRATEGY



CONSTRUCTIVE CAPITAL IN UKRAINE

RESEARCH PRESENTATION

DATE: 30/11/2023
PREPARED: Volodymyr Landa, senior economist
Olexandra Myronenko, junior economist

CONTENTS

1. Types of capital
2. Previous research of Corrosive Capital
3. Quantity and consolidated financials of Ukrainian companies
4. Types of capital evaluation in the Ukrainian economy
5. Further development of Constructive Capital



TYPES OF CAPITAL

The Center for International Private Enterprise (CIPE) distinguishes between two types of capital:

Corrosive Capital — opaque capital flows lacking market orientation with motives to exploit governance gaps to influence economic, political, and social developments in recipient countries.

Constructive Capital — well-governed investment flows that serve transparent, market-oriented, and accountable purposes at both funding sources and destinations.

TYPES OF CAPITAL

Features of corrosive capital:

- Non-transparent origin of capital
- Improper management of assets
- Exerting political influence
- Corruption flows

Features of constructive capital:

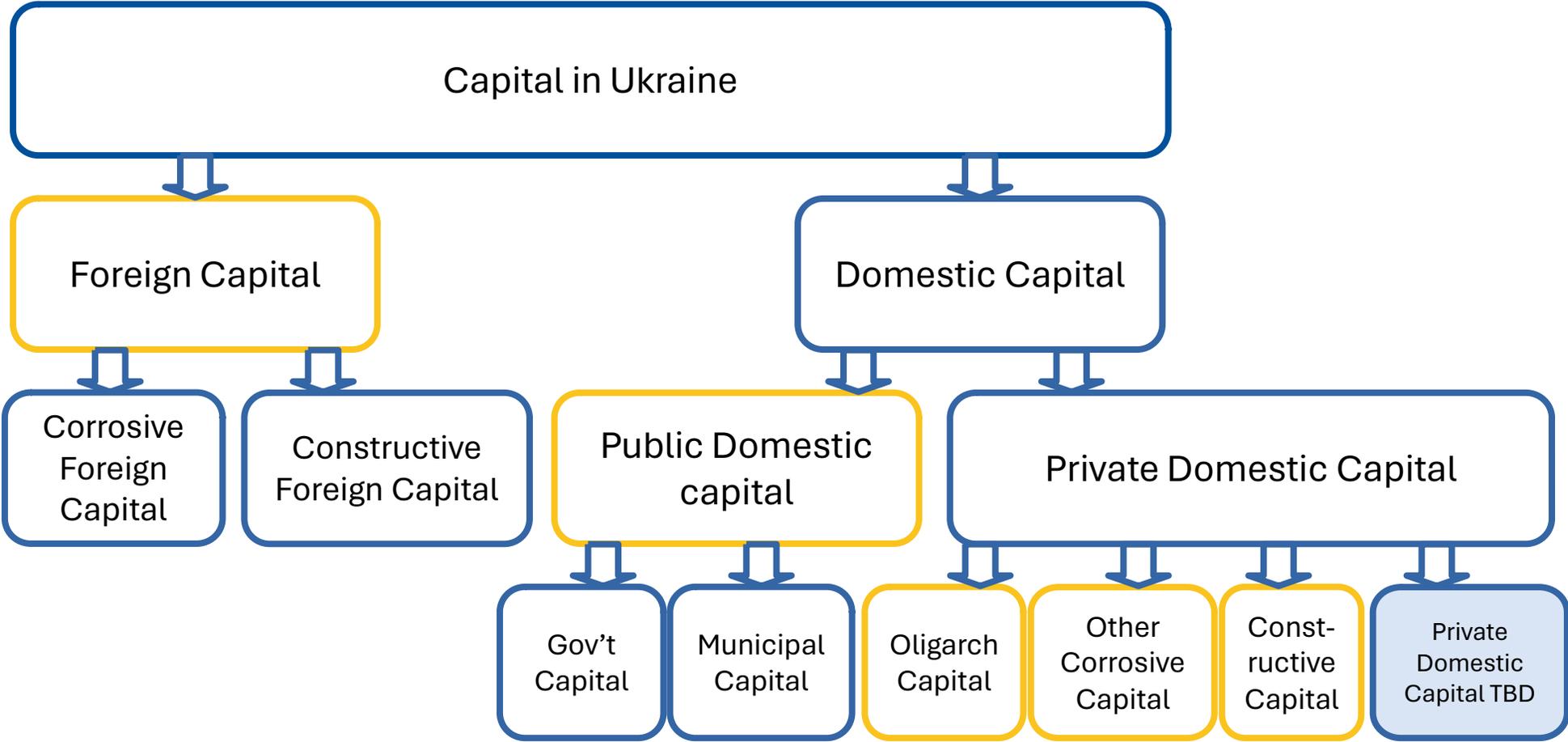
Economic environment

- Rule of law
- Integrity and accountable institutions
- Encouragement of fair competition
- Economic inclusion
- Human capital development

Companies

- Transparent financial flows
- Corporate, social responsibility and sustainable development
- High standards of management
- No corrosion footprint

CAPITAL TYPES IN UKRAINE



PREVIOUS CORROSIVE CAPITAL STUDIES

Russian economic footprint in Ukraine



RUSSIAN ECONOMIC FOOTPRINT IN UKRAINE



AUTHORS:

Daria Mykhalyshyna, economist,
Bohdan Prokhorov, economist,
Myroslava Savisko, intern,
Valentyn Litvinov, junior economist,
Dmytro Yablonskiy, deputy director

DATE:

September 14, 2020

Chinese economic footprint in Ukraine



CHINESE ECONOMIC FOOTPRINT IN UKRAINE



The research was conducted with the support of the Center for International Private Enterprise (CIPE)

AUTHORS:

Dmytro Gorunov, Senior Economist, CES
Bohdan Prokhorov, Economist, CES
Hanna Sakhrin, Economist, CES

DATE:

September 24, 2021

Oligarchic Ukrainian Capital



OLIGARCHIC UKRAINIAN CAPITAL
POLICY PAPER



This publication was created with the support of the Center for International Private Enterprise (CIPE). The content of this publication represents the opinions, research and analysis of the authors and does not necessarily reflect those of CIPE or any of its employees. The information included in this publication is presented AS IS as of the date of publication.

Copyright © 2023 Centre for Economic Strategy (CES). All rights reserved.

AUTHORS:

Dmytro Gorunov, Senior Economist, CES
Bohdan Prokhorov, Economist, CES
Maksym Samoliuk, Junior Economist, CES
Vladyslav Nazarenko, Communication Director, CES

DATE:

February, 2023

TYPES OF COMPANIES IN UKRAINE

Employers	Annual revenue			
	<€2 mln	€2-10 mln	€10-50 mln	€50 mln+
1-10	Micro	Small	Medium	Medium
11-50	Small	Small	Medium	Medium
51-250	Medium	Medium	Medium	Medium
250+	Medium	Medium	Medium	Large

NUMBER AND NET INCOME OF BUSINESS ENTITIES BY TYPE

Type of business entities	Quantity				Revenue			
	2021	2022	% of total quantity in 2022	2022 to 2021	2021, \$bln	2022, \$bln	% of total quantity in 2022	2022 to 2021 in \$ terms
Individual entrepreneurs	1.585 mln	1.471 mln	84.9%	-7%	50,3	2,7*	0,8%*	-95%*
Legal entities:								
Micro companies	304 650	206 213	11.9%	-32%	31,6	20,8	6,0%	-34%
Other small companies	48 072	40 434	2.3%	-16%	62,8	44,2	12,8%	-30%
Medium companies	17 811	14 783	0.9%	-16%	216,2	151,7	44,1%	-30%
Large companies	610	494	0.03%	-19%	188,4	124,4	36,2%	-34%
TOTAL	1.956 mln	1.733 mln	100.0%	-11%	549,3	343,9	100,0%	-37%

*The Centre for Economic Strategy sent a request to the State Statistics Service to explain the unusual dynamics of the financial results of individual entrepreneurs in 2022

APPROACH FOR CONSTRUCTIVE CAPITAL ASSESSMENT

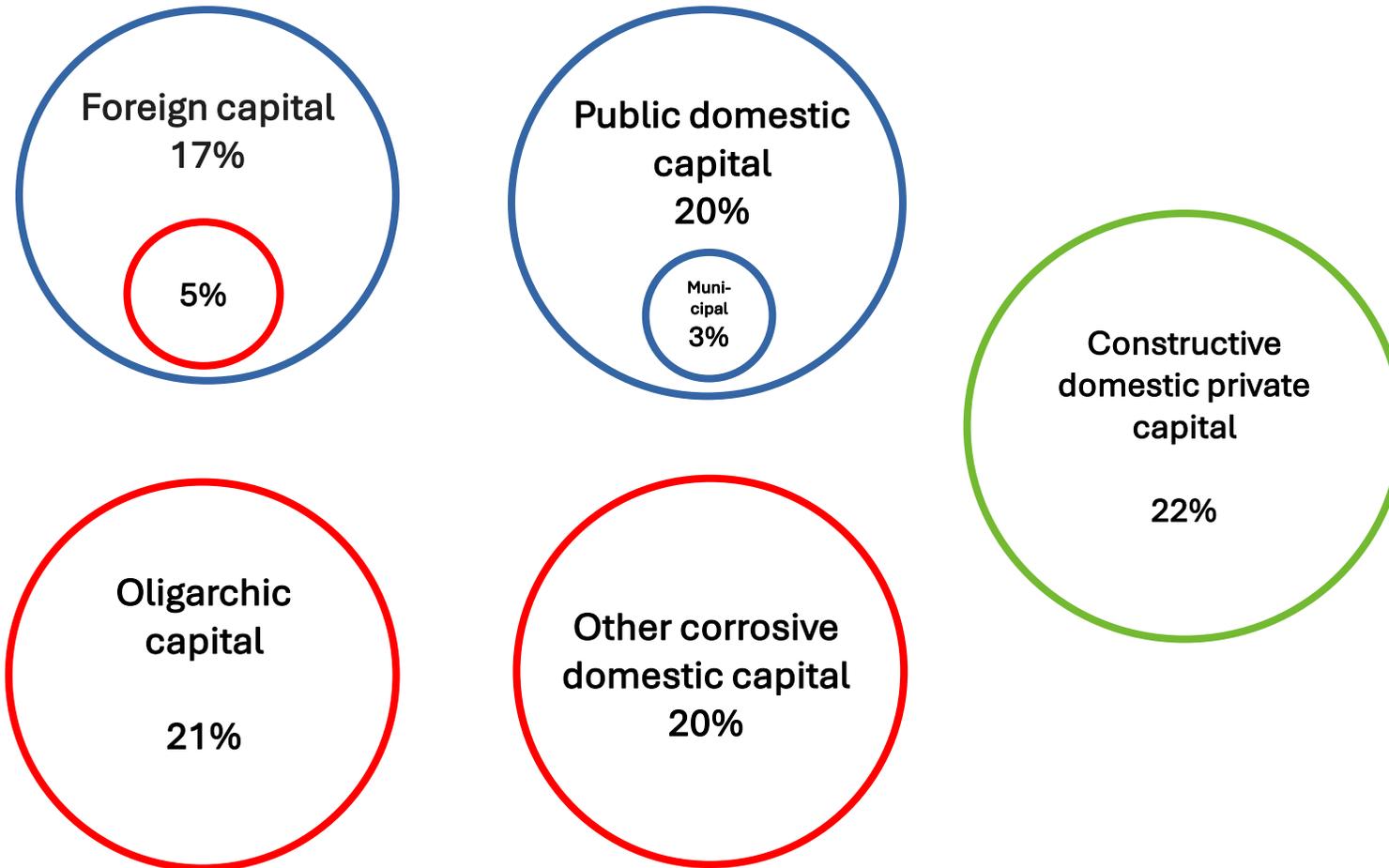
	Revenue \$bln	Share in revenue, %	Assets \$bln	Adjusted Share in assets*, %
Top-300 companies	142	41%	144	27%
Other companies and individual entrepreneurs	202	59%	291	58%
Banks	-	-	81	15%
Total	344	100%	516	100%

*For the purposes of this report, the latest available financial results have been used. Since the latest available periods are different for companies and banks, deviations within 2 p. p. are possible due to different exchange rates in these periods.

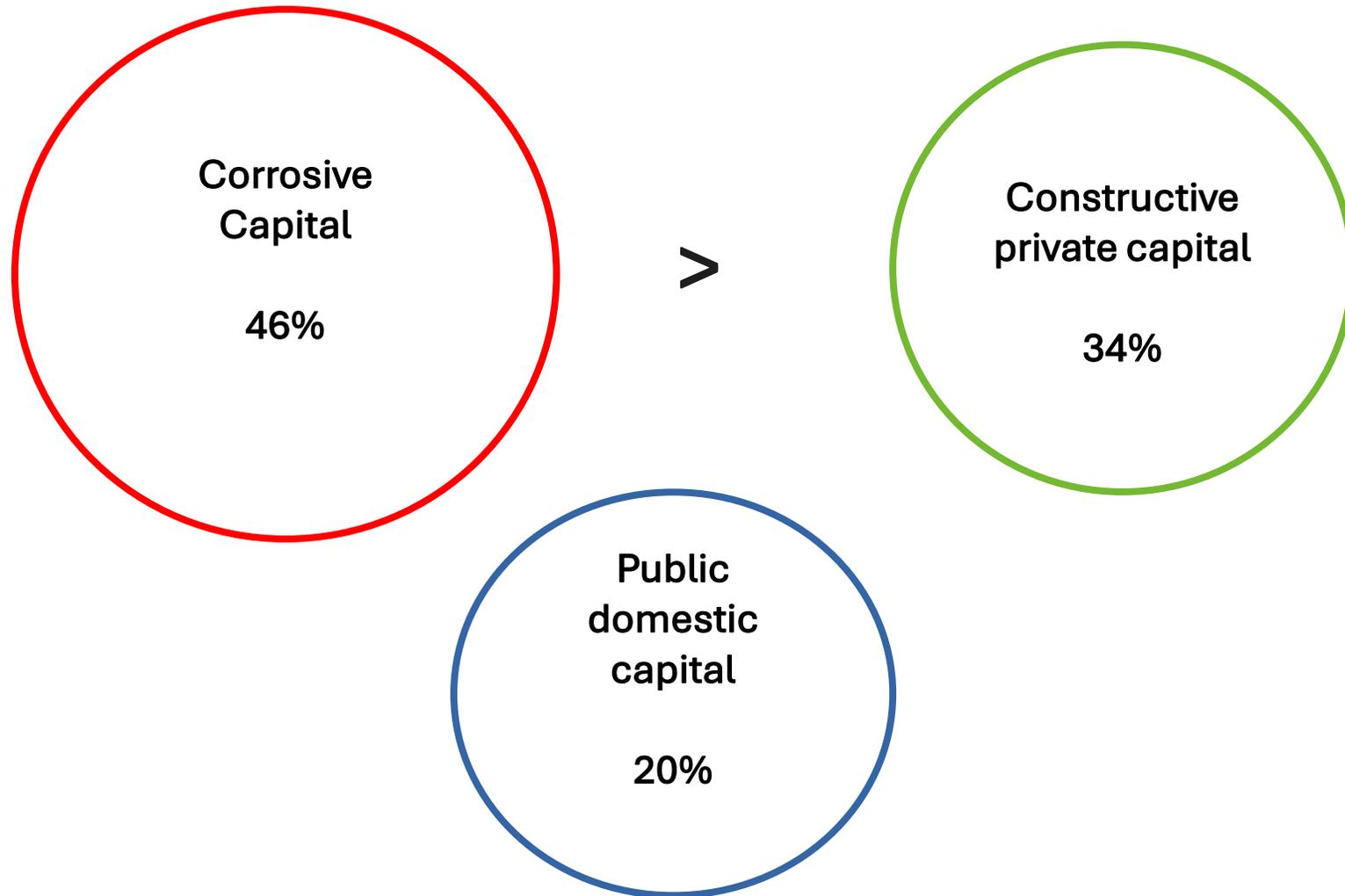
SHARES OF CAPITAL TYPES

Weight	Category	Foreign Constr.	Foreign Corrosive	Gov't	Municipal	Oligarch	Other corrosive	Constructive	To be determined
<i>27%</i>	Top 300 companies	10%	5%	22%	1%	28%	6%	12%	16%
<i>58%</i>	Other companies	10%	4%	2%	2%	15%	20%	20%	27%
<i>15%</i>	Banks	21%	7%	53%	0%	11%	1%	4%	2%
100%	All capital	12%	5%	15%	2%	18%	13%	15%	20%
100%	All capital with estimated "TBD" breakdown	12%	5%	17%	3%	21%	20%	22%	-

TYPES OF CAPITAL SHARES IN UKRAINE



TYPES OF CAPITAL SHARES IN UKRAINE



INTERVIEWS WITH STAKEHOLDERS

Interviews were conducted about the establishment, development and problems of Constructive Capital in Ukraine.

- CEOs/founders of businesses representing Constructive Capital
- representatives of business associations
- policy makers: representatives of the government and parliament



«The difference between
constructive and corrosive
capital is morality»

KEY TASKS

1. Uniform rules for all

Clear and predictable rules of the game; no selective justice; no undue influence from the state

2. Deregulation

Stimulation of entrepreneurship development; increase in investment; creation of new jobs

OTHER KEY STEPS: BUSINESS VIEW

Rule of law

- Protection of property rights
- Judicial reform
- Anti-corruption reform

Compact state

- Comprehensive privatization
- Customs reform
- Tariff liberalization

Tax changes

- Predictable tax policy
- Implementation of the tax on repatriated capital

Others

- EU and NATO integration
- Adjustment of the education system to labor market requirements
- War risk insurance



THANK YOU