

Syracuse University

SURFACE at Syracuse University

International Programs

International Programs

Summer 8-12-2021

How Does Corruption Affect Small And Medium Sized Businesses In Ukraine?

Anastasiia Imedidze

Follow this and additional works at: <https://surface.syr.edu/eli>



Part of the [Entrepreneurial and Small Business Operations Commons](#)

The views expressed in these works are entirely those of their authors and do not represent the views of the Fulbright Program, the U.S. Department of State, or any of its partner organizations.

Recommended Citation

Imedidze, Anastasiia, "How Does Corruption Affect Small And Medium Sized Businesses In Ukraine?" (2021). *International Programs*. 160.

<https://surface.syr.edu/eli/160>

This Poster is brought to you for free and open access by the International Programs at SURFACE at Syracuse University. It has been accepted for inclusion in International Programs by an authorized administrator of SURFACE at Syracuse University. For more information, please contact surface@syr.edu.

How Does Corruption Affect Small and Medium Sized Businesses in Ukraine?

Introduction

World Bank Group defines corruption as “the abuse of public office for private gains”¹. We can differentiate several types of corruption, such as bribery, embezzlement, fraud, extortion, favoritism².

According to Corruption Perception index* provided by Transparency International, in 2020, Ukraine took 117th place out of 180 countries⁴. It is reported that “corruption is a systemic issue in Ukraine, with 93.7% of Ukrainians reporting that it is one of the three most important issues in the country...”⁵.



In recent years Ukraine took active steps to crack down on corruption and established NAPC (National Agency for Prevention of

Corruption), SAP (Specialized Anti-corruption Prosecutor’s Office), NABU (National Anti-corruption Bureau of Ukraine) and Anti-corruption Court. But obviously we still have a lot of work to do.

Although corruption penetrates all spheres of social life in the country, the economy is the most evident indicator of corruption’s negative impact. *Corruption is an impediment to the growth of both Ukrainian businesses (especially small and medium sized) and foreign investments.*

* “The term Corruption Perception Index (CPI) refers to an index that scores countries on the perceived levels of government corruption by country”³.

Obstacle in 1: Corruption in the Judicial System

Ukrainian’s judicial system experiences widespread corruption.

- “Businesses report that irregular payments and bribes in exchange for favorable judgments are common (GCR 2015-2016)...
- The process of dispute settlement is ineffective because of an inadequate legal framework and poor enforcement of arbitration decisions which further weakens investor confidence (ICS 2017 as cited in Ukraine Corruption Report 2020)”⁶.



- “Foreign investors cite corruption in the judiciary, poor infrastructure, powerful vested interests, and weak protection of property rights as some of the major challenges to doing business”⁷.

- Most of the citizens do not believe Ukrainian courts as court decisions may be easily bribed⁸.

Obstacle 2: Corruption in Public Services

- There are “high risks of corruption within the country’s public services”⁹ in Ukraine.
- 23.9% of the companies told that in order to obtain a service from an energy company (there may be electricity, heat state suppliers) they needed to ask for help of acquaintances with clout, 8.2% reported that they had to provide company officials with gifts or money, 3.2% claimed that they had to make donations on the specified accounts¹⁰.

Obstacle 3: Corrupt Tax and Customs Officials

- “Corrupt tax officials are a pervasive problem for small and medium-sized businesses (FitW 2016)”¹¹.
- During tax audit of one of Ukrainian companies violations of tax legislation were discovered. After that a corrupted tax official extorted bribe in the amount of UAH 1 million (approx. USD36,000) for reducing penalties

from a company and not sending the documents to the law enforcement bodies¹².

- “Corrupt activities at the border represent the single most problematic factor for trade, and burdensome tariffs and demanding customs procedures increase business costs (GETR 2016)”¹³.
- Customs officials may reevaluate and increase the price of imported goods without sufficient reasons.



Conclusion

As a result, entrepreneurs cannot be sure about how to play the game. The state cannot give guarantees that rules are unchanged and equal for all participants. While the state is unable to protect property rights, anyone can be deprived of their own property with impunity. All these create huge disincentives for the business development and economic potential in Ukraine.

References

- ¹ The World Bank Group. (1997). *2. corruption and economic development: Helping Countries Combat Corruption: The Role of the World Bank*. <http://www1.worldbank.org/publicsector/anticorrupt/corrupt/cor02.htm#note1>.
- ² Amundsen, I. (2000, January 17). *Corruption, Definitions and Concepts*. ETICO. https://etico.iiep.unesco.org/sites/default/files/corruption_definitions_and_concepts.pdf.
- ³ *Corruption perceptions: Index 2020 for Ukraine*. Transparency International. (n.d.). <https://www.transparency.org/en/cpi/2020/index/ukr>.
- ⁴ Bak, M. (n.d.). *Armenia, Azerbaijan, Belarus, Georgia, Moldova and UKRAINE: Overview of corruption and anti corruption*. U4 Anti-Corruption Resource Centre. <https://www.u4.no/publications/armenia-azerbaijan-belarus-georgia-moldova-and-ukraine-overview-of-corruption-and-anti-corruption>.
- ⁵ Kenton, W. (2021, August 2). *Corruption perceptions index (cpi)*. Investopedia. <https://www.investopedia.com/terms/c/corruption-perception-index.asp>.
- ⁶ Risk & Compliance Portal. (2020, November 5). *Ukraine corruption Report*. GAN Integrity. <https://www.ganintegrity.com/portal/country-profiles/ukraine/>.
- ⁷ Debevoise, L. (2021, July 19). *Ukraine - United States Department of state*. U.S. Department of State. <https://www.state.gov/reports/2020-investment-climate-statements/ukraine/>.
- ⁸ Mazurok, A. (2019, July 29). *Ukrainians on Courts: We don't know them but don't trust Them: Transparency International Ukraine*. *Трансперенція Інтернешнл Україна*. <https://ti-ukraine.org/en/blogs/ukrainians-on-courts-we-don-t-know-them-but-don-t-trust-them/>.
- ⁹ Risk & Compliance Portal. (2020, November 5). *Ukraine corruption Report*. GAN Integrity. <https://www.ganintegrity.com/portal/country-profiles/ukraine/>.
- ¹⁰ Volosevych, I. (2020). *Standard corruption Survey 'Corruption in Ukraine 2020: Understanding, Perception, Prevalence'*. *Corruption in Ukraine 2020: Understanding, Perceptions, Prevalence*. <https://euaci.eu/what-we-do/resources/standard-corruption-survey-corruption-in-ukraine-2020>.
- ¹¹ Risk & Compliance Portal. (2020, November 5). *Ukraine corruption Report*. GAN Integrity. <https://www.ganintegrity.com/portal/country-profiles/ukraine/>.
- ¹² SSU. (n.d.). *Ternopil region: SBU exposes corrupt STATE Fiscal Service official*. SSU. <https://ssu.gov.ua/en/novyny/na-ternopilshchyni-sbu-vykryla-vysokoposadovtsia-podatkovoi-inspektzii-na-khabari-v-milion-hryven>.
- ¹³ Risk & Compliance Portal. (2020, November 5). *Ukraine corruption Report*. GAN Integrity. <https://www.ganintegrity.com/portal/country-profiles/ukraine/>.