



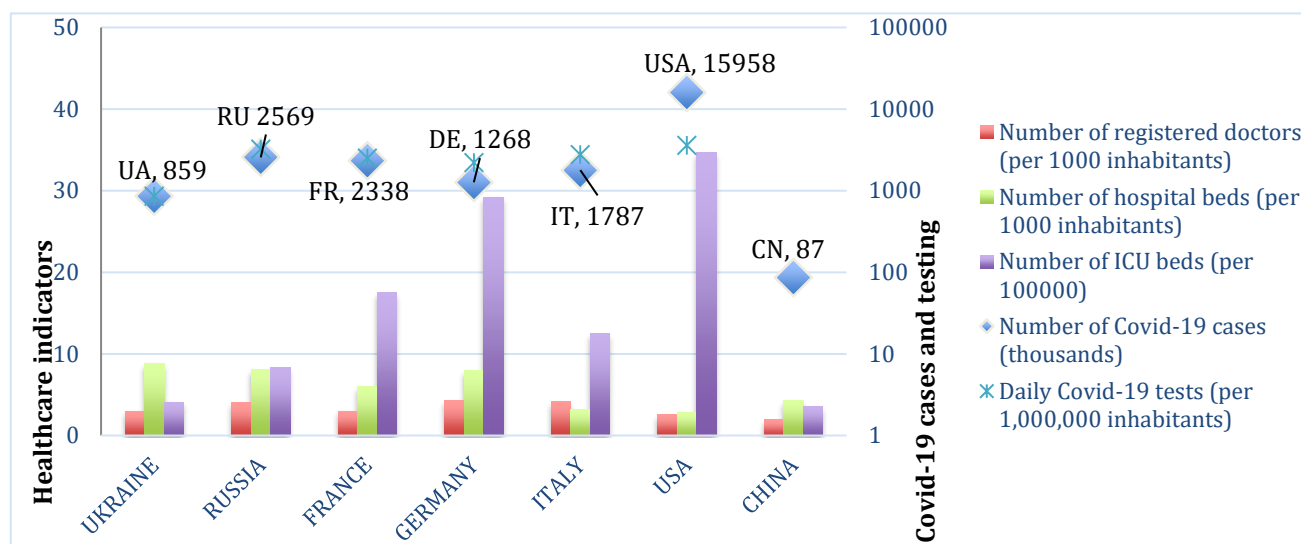
THE COVID-19 CRISIS IN UKRAINE

11 December 2020

COVID-19 update

- As of 10 December, a total of 858 714 cases of COVID-19 had been confirmed in Ukraine, including 14 470 deaths and 465 021 fully recovered¹. In the past 24 hours, 13 371 new cases were confirmed². The seven-day moving average of newly-confirmed cases stood at 12 279— lower than in recent weeks but still very elevated when compared to the rest of the year. The case fatality rate is 1.7%³.
- The country still faces shortages of medical supplies for acute care, such as masks, protective suits and ventilators (Figure 1). By 29 November, 37 789 healthcare workers in Ukraine had contracted COVID-19⁴. At the start of the crisis, Ukraine had more than 3 500 devices for artificial ventilation.⁵ This amounted to roughly 83 ventilators per million inhabitants, compared with 302 per million in Germany. The total number of intensive care bed (ICU) units in the country was 1 716.⁶ As of 15 November, 52 257 hospital beds were available for treating COVID-19, with a rate of occupancy of around 53.4%.⁷

Figure 1. Indicators of healthcare system capacity



Sources: Ukrainian Ministry of Health, OECD Health Statistics, World Health Organization, Intensive Care Medicine journal, Medvestnik.ru, aggregated national health data. Most recent country data available (2013-2018). COVID-19 case and testing data is accurate as of 10 December 2020. China is excluded from testing data because of a lack of data availability.

- The rollout of COVID-19 testing continues to proceed slowly compared with most European countries, with only 0.86 daily tests per 1000 people performed over the past 7 days (compared with 4.15 per 1000 in Lithuania and **2.5207 per 1000** in France).

¹ See : <https://www.kyivpost.com/ukraine-politics/covid-19-in-ukraine-13371-new-cases-266-new-deaths-379223-active-cases.html>

² See: <https://covid19.mbo.gov.ua/>

³ See: <https://ourworldindata.org/coronavirus/country/ukraine?country=~UKR#the-case-fatality-rate>

⁴ See: <https://ukranews.com/en/news/741685-1-161-coronavirus-infected-people-hospitalized-on-november-29-health-ministry>

⁵ See: https://health.24tv.ua/v_ukrayini_788_medikiv_zahvorili_na_koronavirus_n1327323

⁶ See: <https://www.kyivpost.com/ukraine-politics/ukraines-top-sanitary-doctor-240-hospitals-67000-beds-ready-for-covid-19-patients.html>

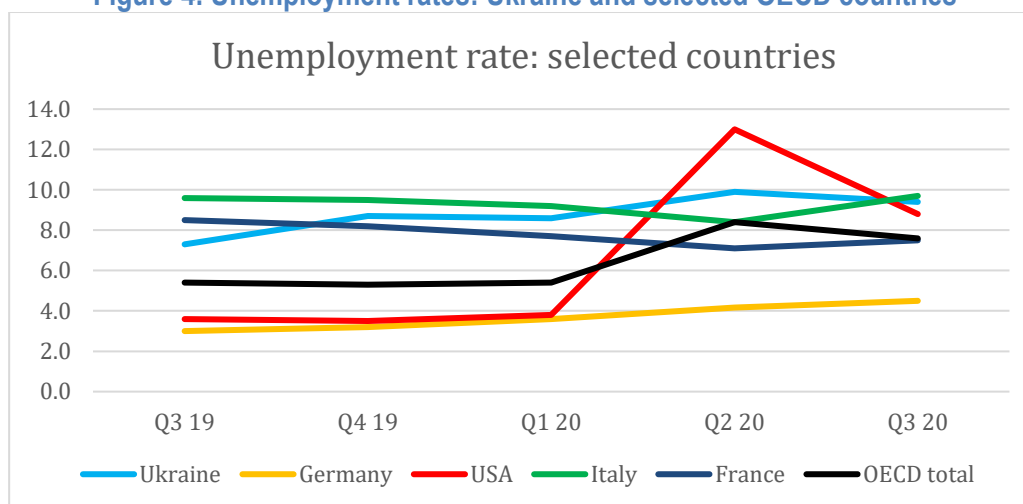
⁷ See: https://drive.google.com/drive/folders/1wZIT237-M6_639aasglXsqSoFm7qwJYi

- On October 20, six regions in Ukraine received permission to disburse state funds to private laboratories, to help address the testing backlog. Testing is free of charge.⁸
- The onset of the COVID-19 epidemic coincided with a government reshuffle in early March and the launch of its second phase of healthcare reforms (which began on 1 April). Amid concerns that the reform in its current form could lead to the dismissal of 50 000 doctors and the closure of 332 hospitals in Ukraine, the President called for changes in its design and address these issues. Since 1 July, the law has been amended to ensure that hospitals receive no less funding than last year, as well as to protect medical workers from dismissal.⁹
- The Ministry of Health has also developed a set of new rules and standards on the hospitalisation of COVID-19 patients, their emergency treatment as well as deployment of temporary hospitals. A dedicated COVID-19 website was created by the government, with information in English and Ukrainian: www.covid19.com.ua.
- On 9 November, the government imposed a new hospitalisation protocol, which prohibits planned hospitalisations and allows only urgent hospitalisations to proceed.

Economic impact

- *Situation prior to COVID-19:* The economic outlook was stable prior to the outbreak of COVID-19, with steady growth, moderate public debt and relative price and currency stability. However, a change of government in early March entailed a degree of political turmoil and reorganisation that may have slowed the initial response. Ukraine was already facing large foreign debt repayments in 2020, and negotiations with the IMF had stalled over issues like banking and land reform. Without an IMF deal, the risk of a sovereign default would increase. The unemployment rate in 2019 was above 9% of the labour force, the share of informal workers in the economy remains very high (up to 30%), and the social safety net is weak. The rise in unemployment so far has not been as sharp in Ukraine as in many OECD countries (Figure 4), although the unemployment rate reached 9.9% in Q2 2020 before falling back to 9.4% in Q3. The NBU suggests that a smaller increase in unemployment may be partly due to employment being informal, as well as the strong uptake of remote working in Ukraine, particularly among larger companies.¹⁰ Low domestic savings and limited fiscal space further constrain the ability of households or the public authorities to absorb exogenous shocks.

Figure 4. Unemployment rates: Ukraine and selected OECD countries



Source: OECD data, Ukrstat

- *Short-term indicators:* From January-September 2020, Ukraine's national budget deficit was UAH 81.725 billion, which is four times higher than the deficit for the same period last year.¹¹ On 24 September, the National Bank of Ukraine (NBU) upgraded its budget deficit forecast for 2020 (from 7.5% to 6.0-6.5% of GDP). The

⁸ See: <https://phc.org.ua/news/testuvannya-na-covid-19-v-ukraini-zdiysnyuyut-schonaymenshe-49-laboratoriy>

⁹ See: <https://zik.ua/article/pidvyshchennia-zarplaty-ta-finansuvannia-medzakhladiv-yaki-zminy-u-medytsyni-vprovadyly-z-1-lypnia-973268>

¹⁰ See: https://bank.gov.ua/admin_uploads/article/IR_2020-Q3_eng.pdf?v=4

¹¹ See: <https://uazmi.com/news/post/e1IKc31N0iHCJ8KfwiMBV4>

forecast was altered by the “strong underfunding” of existing government expenses in 2020 to date. On 13 October, the IMF released its World Economic Outlook, which forecasts that GDP in Ukraine will shrink by -7.2% in 2020.¹² On 7 December, the Ministry for Development of Economy, Trade and Agriculture announced that it estimates the decline in the gross domestic product of Ukraine (GDP) in January-October of this year at 5.2%, and forecasts that annual GDP in 2020 will contract by 5%¹³. The NBU estimates that a three-week lockdown, which has been scheduled for January 2021, will shave -0.2% off Ukraine’s annual GDP next year.¹⁴

Table 1. Key economic projections for Ukraine in 2020 (pre and post COVID-19)

	Pre-COVID-19 projections	Post-COVID-19 projections
Economic outlook 2020		
Inflation (y/y)	5.5%	8.7%
UAH/USD exchange rate	27	29.5
GDP (%)	3.7%	-7.2%
Unemployment	8.1%	9.5%
Monthly average salary (UAH)	12.5 thousand	10.7 thousand
Balance on Current Account (% GDP)	N.A.	-2.0%
General Government Net Lending/ Borrowing (% GDP)	N.A.	-8.2%
Forex reserves (USD)	29.3 bn	

Source: Cabinet of Ministers, <https://en.interfax.com.ua/news/economic/638333.html> and www.epravda.com.ua/news/2020/03/30/658678/ and International Monetary Fund, World Economic Outlook Database, July 2020.

- The surprise resignation on 1 July of NBU Governor Yakiv Smoliy, who cited “systematic political pressure” on the NBU, led to public warnings from the international community and forced the government to abort a USD 1.75 bn Eurobond sale reserving the independence of the NBU is a core principle of Ukraine’s co-operation with the IMF. The government replaced Smoliy with former Ukgasbank Chairman Kyrilo Shevchenko on July 16. On October 5, the NBU Council issued a reprimand and expression of no confidence in First Deputy Governor Kateryna Rozhkova and Deputy Governor Dmytro Sologub, who are the last remaining members of the previous NBU board – established by former Governor Valeriya Hontareva. Both board members remain in place for now. However, on 20 October, the NBU restructured the field of responsibility of Kateryna Rozhkova, making her responsible for overseeing the work of six departments which are considered of lesser importance in banking sector regulation. Despite a certain degree of policy continuity in 2020, the European Union publicly reiterated its concern about the independence of the National Bank of Ukraine in its Association Implementation Report in December.¹⁵
- *Financial markets:* At the start of the crisis, the yield on Ukraine’s long (2028) Eurobond jumped by 150 basis points, effectively locking the country out of international debt markets. By mid-May, the hryvnia (UAH) had fallen by 12% against the dollar (USD) since the beginning of the year (Figure 2). In May, the hryvnia rebounded slightly and was trading at UAH 26.7-27.0/USD in early July. On 2 July, following the Smoliy resignation, the NBU sold USD 150 million on the interbank foreign exchange market to mitigate excessive exchange-rate fluctuations. On July 23, following the confirmation of NBU Governor Kyrilo Shevchenko, Ukraine returned to international debt markets with a successful USD 2bn Eurobond sale. On 28 August, the NBU removed barriers for foreign investors to enter the Ukrainian securities market, namely, direct access to the purchase and sale of government bonds. On September 15, the NBU set the official dollar exchange rate at UAH 28/USD, following a month of dollar appreciation against the local currency. On 24 September, Morgan Stanley expressed doubts about the government’s plans to finance the UAH 208 billion deficit provided for in the draft state budget 2021 in the domestic market through the placement of government bonds, suggesting that it increases the likelihood of unscheduled placements of Eurobonds¹⁶. On 6 November, the NBU reported

¹² See: <https://www.imf.org/en/Publications/WEO> See: <https://www.imf.org/en/Publications/WEO>

¹³ See : <https://en.interfax.com.ua/news/economic/708300.html>

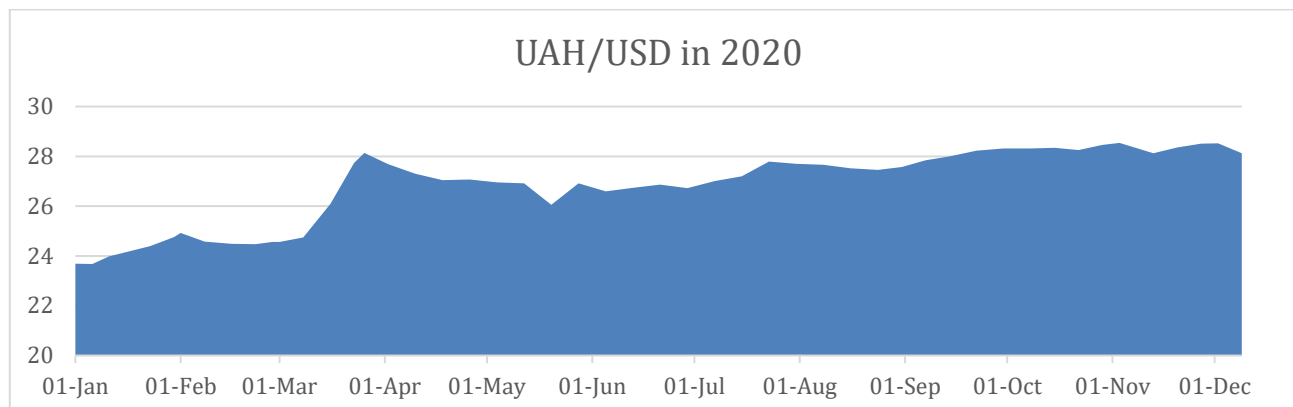
¹⁴ See: <https://en.interfax.com.ua/news/economic/709004.html>

¹⁵ See: <https://en.interfax.com.ua/news/economic/707075.html>

¹⁶ See: <https://en.interfax.com.ua/news/economic/690066.html>

that the international reserves had dropped 1.5% month on month, or \$0.4bn, to \$26.1bn in October 2020 after declining 8.7% m/m in September. If Ukraine does not receive its second scheduled IMF tranche of \$700 million this year, some analysts suggest that the only viable way for Ukraine to fill its budget gap will be a massive issue of international Eurobonds.¹⁷

Figure 2. The hryvnia has depreciated by nearly 20% against the dollar since the start of the year



Source: NBU

Policy reactions

- *Quarantine calendar:*
 - On 12 March, Ukraine imposed a three-week nationwide quarantine and shut down educational institutions and public events with over 200 people. On 17 March, the government ordered the closure of all schools, educational institutions, cafes, restaurants, gyms, shopping malls and entertainment venues. Most public transport was also shut down. Grocery stores, pharmacies, banks and gas stations remained open. Gatherings of over 10 people were also prohibited. On 25 March, the quarantine was extended until 24 April, and on 22 April the government announced a further extension to 11 May. On 4 May, the Prime Minister announced a relaxation of containment measures as of 11 May but an extension of quarantine until 22 May, whereby some enterprises were to remain closed: most public transport, intercity and foreign travel by train and air, indoor cafes and restaurants, schools and universities.
 - Since 22 May, Ukraine has been in the “adaptive quarantine” stage, which means that most of the restrictions have been lifted, but in the areas with high infection rate all quarantine restrictions are to be maintained. Decisions on easing of or return to confinement measures in cities or regions are to be taken by local and regional authorities. On 26 August, the government further extended the COVID-19 “adaptive quarantine” until 31 October, due to the worsening dynamic of new infections in the country. On 31 October, the government extended the COVID-19 “adaptive quarantine” until 31 December.
 - On 11 November, the Government introduced a weekend lockdown, starting from November 13 imposing the closure of all non-essential commerce as well as an obligation to wear a mask and have an ID in public spaces and on transport, limitation of public transport, and capacity limitations for gyms, cinemas, religious and cultural events.
 - On 9 December, Ukrainian Prime Minister Denys Shmyhal announced that a “total lockdown” will be introduced in Ukraine from 8 January to 24 January 2021. All public events will be banned, and cinemas, fitness clubs, gyms, non-food stores, theatres and shopping centres will be shuttered, while cafes, restaurants and bars will be closed except for take-away and delivery. All educational institutions, except for kindergartens, will also be sent on vacation.
 - On 9 December, Health Minister Maksym Stepanov announced that the government’s quarantine and emergency regime would both be extended until 28 February 2021.

¹⁷ See: www.intellinews.com/nbu-says-no-imf-tranche-for-ukraine-this-year-196579/

- *Digital measures:*

- On 9 April, the Ministry of Digital Transformation launched Diy Vdoma (Do it at home) mobile app to monitor the self-isolation of the citizens during the COVID-19 quarantine¹⁸.
- On 3 June, the Ministry of Health launched a [coronavirus procurement map](#). The map is being updated in real time and includes nationwide procurement coverage. It aims to ensure transparency and information accessibility of the procurement process.
- In July, the National Security and Defence Council developed an interactive map to track the spread of COVID-19 in Ukraine and worldwide: <https://covid19.rnbo.gov.ua/>
- On 22 July, the government announced the introduction of a colour-coded categorisation of Ukraine's regions. The interactive [map can be found here](#).

- *Borders:*

- From 13 March, non-citizens were banned from entering the country (except for diplomats and permanent residents). On 17 March, the Cabinet of Ministers banned all air or rail travel, although citizens could still cross the border on foot or by car. On 24 March, Ukrainian citizens were prohibited from leaving the country for tourist travel.
- On 8 April, the Cabinet of Ministers published a decree ordering the mandatory observation in hospital of all persons crossing the state border and entering into Ukraine.
- On 24 April, border restrictions were extended until 11 May. On 4 May, the Prime Minister extended these restrictions until 22 May, except for Ukrainians returning to the country.
- On 25 May, the government authorised trips by road (including abroad). On 29 May, Ukraine opened 66 of its checkpoints at border with Moldova and the EU, awaiting the opening of borders on the EU side.¹⁹ From 1 June, interregional railways and buses were permitted to resume. Domestic flights were allowed from 5 June.
- From 15 June, air travel resumed and foreigners were permitted to enter Ukraine. However, on 26 August, the Government announced a month-long travel ban (29 August to 28 September) on foreigners seeking to enter the country in an attempt to contain the rise in COVID-19 infections. The ban was lifted on 29 September, although travellers from high-risk destinations are still required to quarantine for 14 days upon arrival.
- The government previously organised the travel of Ukrainian workers for seasonal work in Europe, granting permission for workers to go abroad at the request of Germany and Finland.

- *Public areas:*

- On 3 April, the Prime Minister announced the ban on being in public areas without wearing a mask and on walking in groups of more than two people. The government also imposed a ban on visiting parks, squares, recreation areas, forest parks and coastal zones, except for the purposes of walking pets (individually). The Cabinet of Ministers also banned walking in the street without identification documents, and leaving areas for designated self-isolation, imposing a fine of between UAH 17 000 to UAH 34 000 if these measures were violated.
- On 8 April, an amendment was passed exempting workers in selected Ukrainian industries from full self-isolation rules: construction, waste collection and storage, building materials traders and workers in the postal industry. Some categories of people over 60 fulfilling the following roles were also allowed to leave their homes for work: civil servants, MPs and elected local government officials, judges, servicemen and employees of the Armed Forces, other lawful military formations and law enforcement agencies and persons taking action to prevent the spread of COVID-19. Essential workers in the fields of energy, chemicals, transport, information and communication technologies, electronic communications, banking, finance and the defence industry were also exempted from self-isolation, as well as emergency and rescue services, and workers who provide basic goods and

¹⁸ See: <https://112.international/ukraine-top-news/selfies-via-app-how-ukraine-to-monitor-coronavirus-self-isolation-regime-50365.html>

¹⁹ Commentary by Press Speaker of State Border Service. See: <https://www.pravda.com.ua/news/2020/05/29/7253672/>

services to support the life of the population (e.g. centralised water supply, sewage, electricity and gas supply, food production, agriculture, health care).

- On 11 May, public parks, gardens, recreation areas, beauty salons, hairdressers, museums, libraries, summer terraces of cafes and restaurants, shopping malls (excluding entertainment facilities), dentists, auditors, attorneys, notaries, service centres for household appliances and domestic services (dry cleaning, clothing and shoes repair shops, etc.) reopened. Wholesale and retail non-food stores were also able to resume trading from that date.
- On 22 May, the government allowed hotels to reopen. It also allowed the reopening of playgrounds and sports grounds, holding sporting events (with no more than 50 participants, unless agreed upon with the health ministry) and holding religious services (with no more than one person per square metre in the building). Ukrainian regions meeting the government's epidemiological criteria were also allowed to restore local public transportation services.
- From 10 June, sanatoriums were allowed to open (on a regional basis, assuming a low spread of the virus). The government also allowed excursions for groups up to 50 people.
- *Schools:*
 - On 25 May, the government permitted kindergartens to reopen, provided that the cities in which they were located meet a set of epidemiological criteria.
 - On 1 September, schools across Ukraine reopened for in-person classes, except for schools in "red zone" areas where rates of infection are highest. All children in the fifth grade and above are required to wear masks around schools. School closures are only possible in "red zone" localities, which remain scarce in Ukraine. On 11 October, the government encouraged local authorities to bring the start date of the autumn school holidays forward to 15 October, a week earlier than planned.
 - On 11 October, the government announced that universities in Ukraine would switch to distance learning due to the deteriorating national picture for COVID-19 and reported infection outbreaks in higher education institutions.
 - On 11 November, the government limited the attendance of educational institutions to no more than 20 people, except for pre-school, school, and after-school activities institutions. The three latter categories may not have an attendance rate that exceeds 50%.
 - Per the government's January lockdown announcement, all educational institutions (except for kindergartens) will be closed until the 24 January.
- *Regional adaptation measures:*
 - On 22 July, the government introduced a colour-coded categorisation of Ukraine's regions, assigning green, yellow, orange and red "levels of risk" at the regional and sub-regional level and according to localised public health data. The colour-coded zones are assigned based on several factors, including the number of cases in the last 14 days per 100,000 people and bed occupancy in hospitals.
 - As of 29 October, 108 Ukrainian cities had been classified as "red zone" localities, including oblast centres such as Chernivtsi, Chernihiv, Ivano-Frankivsk, Kharkiv, Khmelnytskyi, Mykolaiv, Poltava, Rivne, Sumy and Ternopil.
 - As of November 12, all regions had been re-classified as "orange" or "red" zones, with a number of major cities having been re-zoned as "red" areas.
- *Monetary measures:*
 - During mid-late March, the NBU sold foreign currency on a daily basis, in an attempt to support the Ukrainian hryvnia (UAH) against the US dollar. The NBU has said it will impose no restrictions on Ukraine's foreign exchange market, and will continue to mitigate excessive fluctuations through the sale of its foreign currency reserves.

- The NBU has introduced a long-term refinancing mechanism for banks for up to 5 years, on top of standard short-term refinancing instruments. The move will support bank lending in UAH, reinforcing the effect of other NBU measures, such as a cut of the key interest rate to 6% in June²⁰.
- On 23 March, the NBU signalled it would allow Ukrainians to postpone mortgage payments until quarantine restrictions have been lifted. The NBU also launched other initiatives to support banks during the crisis, including postponing stress testing and the introduction of capital buffers and cancelling field checks. A review of the terms of filing of annual financial statements for banks was postponed, as was a review of the business models of banks.
- Parliament has legislated²¹ against any increase in rates at which consumer credit is being offered during the quarantine period established by the Cabinet of Ministers of Ukraine or / and within thirty days after the end of such quarantine (rate changes envisaged via prior contractual obligation are still permitted). No penalties are applied for late loan repayment during quarantine.
- The National Bank of Ukraine, reported on 9 November that growth in consumer prices in Ukraine accelerated to 1%, up from 0.5% in September after falling -0.2% in August and -0.6% in July.²²
- On 9 December, the NBU elected to keep its key interest rate at 6%, despite the forthcoming January lockdown. The NBU expects inflation, which increased to 3.8% (in annualised terms) in November, to enter its target corridor of 5% + / - 1 pp at the end of 2020, with further growth in consumer prices in the coming months. The NBU also believes that the January lockdown will have a very limited impact on economic activity, consumer demand and inflation.²³
- *Fiscal measures:*
 - On 24 March, the Prime Minister announced that the government would create a UAH 200bn (USD 7.17bn) **Stabilisation Fund** to support pensioners and the newly unemployed. In order to pool resources for this fund, government departments and agencies were instructed to reconsider their investment programmes and regional development projects.
 - On 29 March, the Cabinet of Ministers submitted a draft law amending the state budget to redirect funds from non-priority state programmes to counteract the COVID-19 spread. On 13 April, Parliament passed amendments to the 2020 budget, creating a UAH 64.7bn (USD 2.4bn) **Fund to Counter COVID-19**. The amended budget will allocate an additional UAH 15.8bn (USD 600m) to the National Health Service, which is run by the Ministry of Health, to buy medications for those infected with COVID-19. It will also increase the pension fund by an additional UAH 29.7bn (USD 1.1bn). To help fund the new expenditure, the government has cut subsidies, regional budgets, financial assistance for schools and teachers, sporting programmes, expenditure on local elections and the money allocated to the government's planned census. Overall, as a result of the amendments, the 2020 budget's revenue plan has decreased by UAH 119bn (USD 4bn). The new budget assumes annualised GDP will shrink by 3.9% in 2020, which is less than the 4.8% contraction recently forecast by Prime Minister Denys Shmyhal.²⁴
 - On 13 July, President Zelensky submitted a bill "on amendments to the Tax Code of Ukraine on the state support for culture, tourism and creative industries" as a relief to the restrictive measures related to the COVID-19. The bill envisages the release from profit tax of enterprises and cultural grants that provide for projects and programmes in the field of culture, tourism and creative industries²⁵.
 - On 8 September, President Zelensky announced that approximately 20% of the government's COVID-19 crisis-fighting fund has already been spent. According to Zelensky, some of the funds from other government programmes that were used to support the crisis-fighting fund will gradually be channelled back to other projects.

²⁰ See: <https://bank.gov.ua/en/news/all/natsionalniy-bank-ukrayini-zniziv-oblikovu-stavku-do-6>

²¹ See: http://search.ligazakon.ua/l_doc2.nsf/link1/JI01790V.html

²² See: <https://bank.gov.ua/en/news/all/inflyatsiyniy-zvit-jovten-2020-roku>

²³ See: <https://en.interfax.com.ua/news/economic/708993.html>

²⁴ Increases by Ministries as follows: Ministry of finance (UAH 71.20bn), Ministry of Social Policy (UAH 19.5bn), Ministry of Health (UAH 15.7bn), Ministry of youth and sport (UAH 2.6bn), Ministry of reintegration of temporary occupied territories (UAH 1.3bn): www.epravda.com.ua/news/2020/04/13/659301/

²⁵ See: <https://www.ukrinform.net/rubric-society/3063945-support-for-culture-and-tourism-zelensky-submits-bill-on-amendments-to-tax-code.html>

- On 24 September, the Ministry of Health announced that UAH 10 billion will be allocated from the 2021 state budget to Ukrainian hospitals, in order to strengthen their capacity to respond to outbreaks of infectious diseases.
- On 30 September, the government announced that it has earmarked UAH 253 million from the state budget to increase testing capacity for COVID-19 in laboratories. On 1 October, the Health Minister announced that his Ministry had submitted a request to the draft state budget for a UAH 15 billion purchase of COVID-19 vaccines in 2021 from two companies that are currently in the third phase of COVID-19 clinical trials.
- On October 23, the Ministry of Finance announced that UAH 34.1 billion of the government Fund to Counter COVID-19 (or 52% of the earmarked total) has already been spent. Expenditures were allocated towards healthcare, social protection, ensuring law and order, supporting culture, tourism and the creative industries, as well as the construction and repair of roads.²⁶ On 6 November, the Ministry of Finance announced that 59% of the earmarked total of the Counter COVID-19 fund had been spent.²⁷
- On 11 November, the Cabinet of Ministers decided to allocate an additional UAH 895.6 million to provide oxygen to beds in medical institutions that provide care to patients with COVID-19. Previously, the Government had already allocated UAH 572 million for provision of oxygen to hospital beds.²⁸
- On 18 November, the Social Insurance Fund of Ukraine launched monthly insurance benefits for healthcare workers on the COVID-19 front line with pre-existing conditions. Workers will receive monthly insurance payments, with the amount determined by their degree of incapacity for work and average income.²⁹
- *Economic measures:*
 - Legislation was adopted on 17 and 30 March exempting certain medical supplies from import duties and VAT, allowing public sector employees to work from home and enabling businesses to adopt more flexible hours. Parliament has also suspended the requirement to pay tax on commercial real estate and land, defined COVID-19 quarantine as *force-majeure* for legal contracts, suspended tax inspections of companies, expanded the government programme of affordable bank loans at discounted interest rates for businesses, suspended the submission of income declarations until July, eased transaction registration rules for certain categories of entrepreneurs and reemphasised the right not to pay rent of citizens who cannot use their property due to quarantine. Entrepreneurs have also been exempted from having to pay social security contributions.
 - On 26 March, state-owned PrivatBank announced a “credit holiday” for small and medium-sized businesses until the end of May. Information for businesses with regards to restrictions, state support and other emergency measures is provided on: www.sme.gov.ua.
 - Joint-stock companies were allowed to delay their annual general meetings until the end of the year.
 - On 27 May, the government adopted a programme for Stimulation of Economy to Combat Effects of the COVID-19 Epidemic.³⁰
 - On 9 July, Minister of Economic Development, Trade and Agriculture of Ukraine Ihor Petrashko stated that over 300 000 jobs had been saved thanks to the partial unemployment programme put in place. The total sum of the financing is worth UAH 1.1 bn.
 - On 14 September, Prime Minister Shmyhal submitted the draft state budget for 2021 to the Rada. The draft budget includes support for citizens and businesses, regional development, infrastructure renewal, and a total of USD 695.3 million for the fight against the COVID-19 infection³¹. It is based on

²⁶ See: <https://www.ukrinform.net/rubric-economy/3124841-ukraine-already-spent-over-50-from-covid19-fund-finance-ministry.htm>

²⁷ See: https://www.mof.gov.ua/uk/news/z_fondu_borotbi_z_covid-19_vzhe_vikoristano_39_mlrd_grn-2539?fbclid=IwAR3-dpH9_7-Vipki4KYDlmiGOB4djAKcCqSiqDCsxHzvl8MsuAv6iP7oHY

²⁸ See: <https://moz.gov.ua/article/news/maksim-stepanov-urjad-dodatkovo-vidiliv-895578-mln-grn-na-zabezpechennja-kisnem-lizhok-u-medzakladah>

²⁹ See: <https://www.kmu.gov.ua/news/fssu-priznachiv-pozhittjevi-shchomisjachni-viplati-dlya-shesti-medikiv-pislya-profivorobi-na-covid-19>

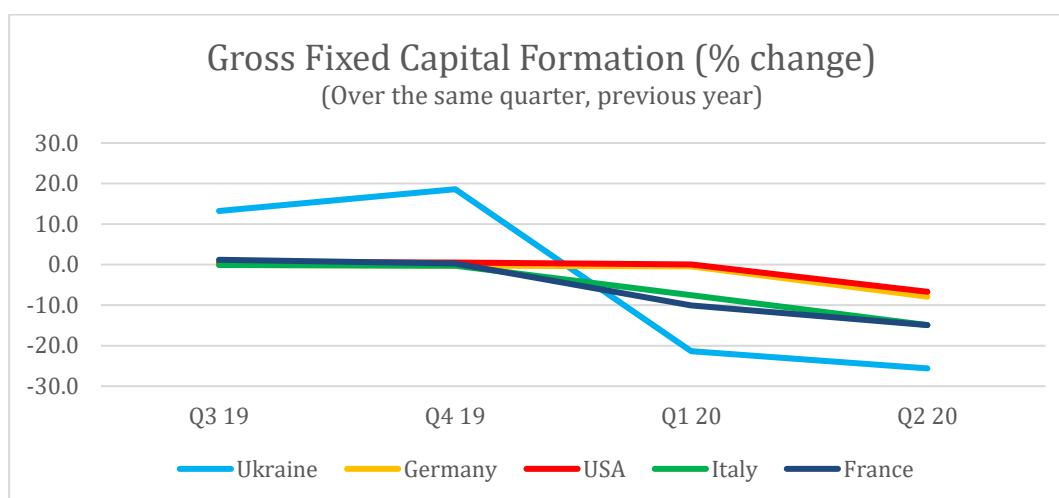
³⁰ See: <https://www.kmu.gov.ua/news/uryad-zatverdiv-z-dooopracyuvannjam-programu-stimulyuvannya-ekonomiki-dlya-podolannya-naslidkiv-epidemiyi-covid-19>

³¹ See: <https://112.international/politics/ukraines-2021-state-budget-provides-for-931-million-for-purchase-of-covid-19-vaccines-54688.html>

expectations of 4.7% GDP growth in 2021, a projected budget deficit of 6% and a UAH29 /USD exchange rate. On 5 November, the parliament supported the bill at its first reading³². According to law, the budget needs to be approved by 20 November.

- Through Q1 2020, a sharp decline in investment was noted due to net losses of large and medium-sized enterprises, which were linked to weaker foreign demand, an unclear legal framework for certain business projects (eg renewable energy facilities), the COVID-19 pandemic and the unprecedented quarantine measures introduced in some countries. The 2020 decline contrasts with the 2019 level of gross fixed capital formation, which was significantly higher in Ukraine than in many OECD countries (Figure 3). According to the NBU, this reflected high business expectations, the improved financial performance of companies in 2019 and the accelerated implementation of renewable energy projects.³³
- On 17 October, Ukraine enacted temporary amendments to the Code on Bankruptcy Procedures in order to protect businesses from the negative financial impact of COVID-19. Upon passage of the amendments, creditors are prohibited from opening court proceedings for claims (matured after 12 March 2020) on the bankruptcy of legal entities and individual entrepreneurs.³⁴
- On 16 November, the President called for improvement in the quarantine assistance programmes, in particular those for owners of small businesses and health workers. For small businesses, it was announced a partial unemployment programme to compensate part of the worker's salary. There will also be "payment holidays" for businesses under the "5-7-9 Programme", considering the weekend quarantine as force majeure. For health workers, in addition to payments in case of incapacity for work or death, sickness assistance programmes are being developed, and the deployment of insurance programmes will intensify, with some regions having already insured 60-70% of doctors.³⁵

Figure 3. Gross fixed capital formation has fallen sharply



Source: OECD data, National Bank of Ukraine.

- **Social measures:**

- Administrative requirements for enrolment in the Housing Utilities Subsidy programme have been simplified. The government also plans to subsidise utility bills for certain segments of the population during the quarantine period and to regulate the prices of essential goods in case of market abuses.
- On 1 April, a resolution was passed granting pensioners aged 80 or above a monthly UAH 500 pension top-up, while all pensioners receiving less than UAH 5000 (approximately 10m citizens) will receive a one-time cash payment of UAH 1000. Pensions were raised by 11% (indexed) in May.

³² See: <https://www.ukrinform.net/rubric-economy/3130557-parliament-supports-draft-state-budget-for-2021-at-first-reading.html>

³³ See: <https://bank.gov.ua/en/news/all/inflyatsiyniy-zvit-sichen-2020-roku> and <https://bank.gov.ua/en/monetary/report>

³⁴ See: <https://www.cms-lawnow.com/ealerts/2020/10/ukraine-temporarily-amends-bankruptcy-procedures-in-response-to-covid-19>

³⁵ See: <https://www.president.gov.ua/en/news/treba-ponoviti-ta-vdoskonaliti-programi-dopomogi-lyudyam-na-65113>

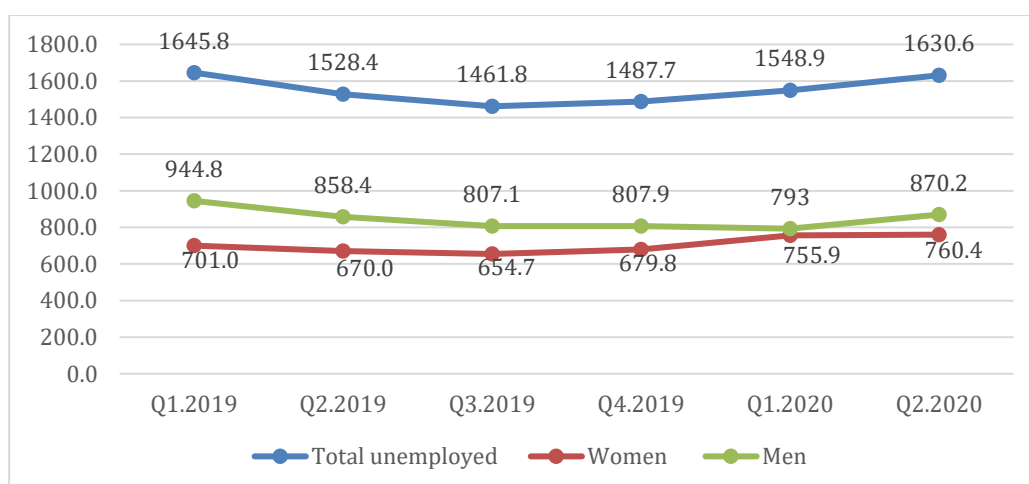
- Quarantine has been made legal grounds for claiming unemployment benefits. The Unemployment Social Insurance Fund budget was increased to support this change. Eligibility requirements for the Guaranteed Minimum Income programme have been relaxed to extend the duration of payments and enable simplified enrolment online.
- Deputy Minister of Health Viktor Lyashko announced the creation of mobile brigades that will visit the homes of people who have COVID-19 symptoms. As of 30 March, 567 brigades were active. The brigades will take a swab of an individual's nose and throat and send it for laboratory analysis. Based on the results, further treatment and, if necessary, hospitalisation can be recommended. This will help to limit the movements of people. Medical workers who are involved in fighting COVID-19 will receive a 200% monthly salary increase for the duration of the epidemic.
- COVID-19 was included in the list of diseases related to medical professions, thus allowing them to qualify for social benefits and compensation if they get sick. It also entails inquiries into reasons of sickness of medical workers (e.g. lack of PPE etc.).
- On 13 April the Parliament temporarily (until the end of quarantine) eased the requirement for appointment of top civil servants through a competition, allowing them to be appointed on a contractual basis for the time of quarantine with a competition to be held after lifting of containment measures.
- On 7 May, the Parliament passed a law providing for large scale free obligatory testing of those who have symptoms, have been in contact with infected patients or are in at-risk groups (e.g. medical workers, police). The law also provides for keeping 50% monthly amount of salary being paid to those who had to self-isolate or were hospitalised, as well as keeping 100% salary to hospitalised doctors. On May 19, the government signed a Resolution to launch mass antibody testing for COVID-19.
- The Ministry of Education YouTube channel, the National Public Broadcasting Company and 10 other TV channels broadcast online classes for children in quarantine.
- On 9 September, the Cabinet of Ministers approved the government's 2020 Action Plan. Policy priorities to deal with the impacts of COVID-19 include the following: (i) furthering the rollout of high-speed internet nationwide (ii) creating new opportunities for distance learning, (iii) creating new employment opportunities for workers, (iv) increasing economic and trade ties with the EU, (v) limiting regulatory burdens and providing tax incentives for businesses to boost their economic recovery, (vi) securing EU financing to address the budget deficit, (vii) allocating new funding to local governments to strengthen socio-economic development, (viii) developing new disease control and prevention centres in Ukraine and (ix) securing a loan agreement with the IBRD to support higher education reforms.
- On 9 November, the Verkhovna Rada of Ukraine introduced further amendments to the Labour Code. These amendments aim to introduce more flexibility with regards to remote working, and create a new framework of labour relations between the employer and the employee during COVID-19.³⁶
- *Gender impact:*
 - Currently, there are no gender-specific measures to address the socio-economic impact of COVID-19. The employment drop related to social distancing measures has a disproportionately large impact on sectors with higher women's employment shares. In addition, women are more vulnerable to health risks due to greater exposure to the virus. Women account for 82% of total health and social workers in Ukraine (compared to 70% average worldwide).³⁷
 - In addition, closures of schools and day-care centres have significantly increased childcare needs, which has a particularly large impact on working mothers. The effects of the crisis on women, particularly working mothers, are likely to be persistent: given high returns to experience in the labour market, women absent from the labour market for any extended period are likely to suffer a lasting disadvantage in terms of earnings and potential advancement.

³⁶ See: https://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=69838

³⁷ See: <https://en.hromadske.ua/posts/domestic-violence-is-a-pandemic-within-a-pandemic-un-women-ukraine-rep>

- In April, a UN Women representative for Ukraine stated that the country had seen a 30% rise in calls to the domestic violence helpline since the start of the nationwide quarantine.³⁸ UN Women data cited by Chatham House in July suggested that the increase in calls to domestic violence helplines was higher: 50% in the Donbass war zone and 35% in other regions of Ukraine³⁹. To combat domestic violence, the national police released “guidelines for its victims during quarantine”. The police also launched a chat bot in the Telegram messenger app that sends automated messages with information about domestic violence and the contact information of support services.⁴⁰
- A number of shelters have opened for female victims of domestic violence and their children, with financial support from donors (the U.K., Estonia and Canada) and in collaboration with the United Nations’ Population Fund (UNFPA). However, despite the generous levels of donor support, shelter and crisis room rollouts in Ukraine are being managed by municipal authorities, which have been slow to set them up. In Kyiv, a city that has a population of over three million people, only two shelters have been established to date (with a maximum capacity of 44 people).
- On 30 June, the German government allocated EUR 2 million in assistance for new-born babies, children and mothers in Ukraine’s Donbass region. The project will help to improve healthcare services, psychological and social care, ensure drinking water supplies, create better sanitary conditions as well as provide practical assistance such as winter clothes.
- Men represented 57% of total unemployed in Q1 2019, but as unemployment rates fell last year, men benefitted more from the positive trend than women, reaching almost equal levels by Q1 2020. However, since the beginning of the pandemic, men have been hit harder and unemployment rates have increased more sharply than for women (Figure 5).

Figure 5. Unemployment in Ukraine



Source: Ukrstat

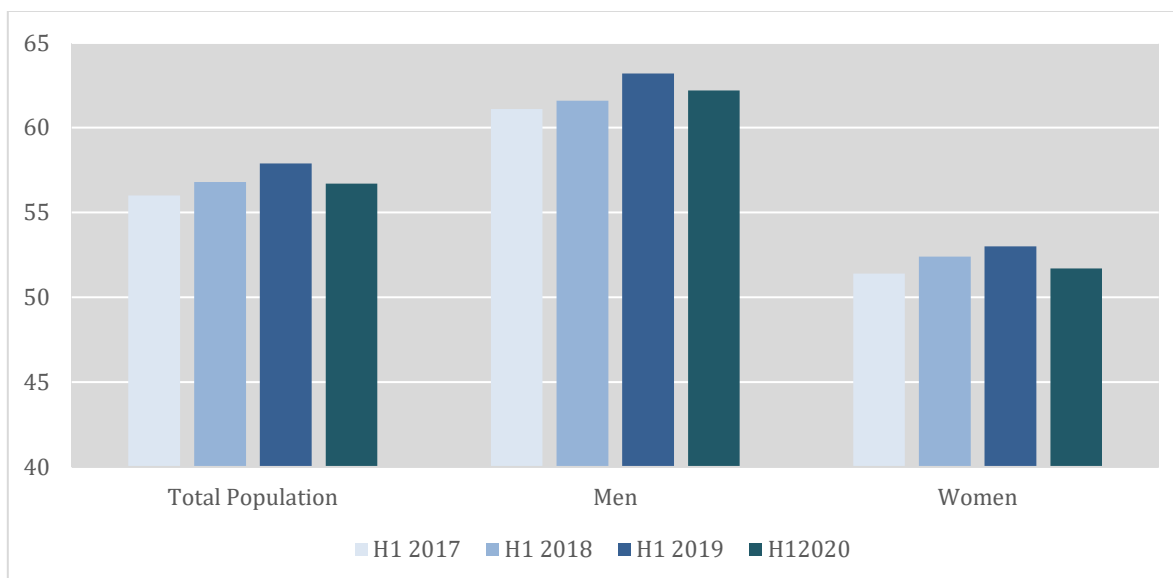
- Employment rates in Ukraine have also fallen more steeply for women than men (Figures 6 and 7). Women in employment represented 44.2% of the total population in H1 2020, a -3.18% drop (based on raw data) compared to the 45.5% they accounted for in H1 2019. By contrast, employed men represented 57.6% of the total population in H1 2020, a -2.67% fall compared to H1 2019.

Figure 6. Level of Employment in Ukraine (year on year, thousands)

³⁸ Idem

³⁹ See: <https://www.chathamhouse.org/expert/comment/domestic-violence-ukraine-lessons-covid-19>

⁴⁰ See: <https://www.kyivpost.com/ukraine-politics/under-quarantine-ukrainian-victims-of-domestic-violence-struggle-to-access-help.html>



Source: Ukrstat

- *International donor support.*

- In mid-April, the European Commission submitted to the European Parliament and Council a proposal to allocate EUR 3bn in macro financial assistance (MFA), in the form of medium-term loans, to support ten neighbouring partners in the context of the COVID-19 crisis, including EUR 1.2bn for Ukraine. The package was approved by the EU Council on 20 May.
- Ukraine and Germany agreed a EUR 150 million loan to support healthcare and social payments.
- On 17 April, the United States Agency for International Development (USAID) increased humanitarian assistance to Ukraine from USD 1.2 million to USD 9.1 million to combat the spread of coronavirus.
- On 23 July, EU Executive Vice-President Valdis Dombrovskis announced a EUR 1.2 bn emergency macro-financial assistance to help Ukraine cope with the fallout of the COVID-19 pandemic⁴¹.
- On 21 May, the IMF and Ukrainian officials reached an 18-month Stand-By Arrangement (SBA) worth USD 5bn to help Ukraine address the economic fallout of COVID-19. On 9 June, IMF Executive Board approved the SBA for Ukraine and enabled the immediate disbursement of about USD 2.1 bn (the remainder will be phased over four reviews). The new programme aims to help Ukraine to cope with COVID-19 pandemic challenges by providing balance of payments and budget support, while safeguarding achievements to date and advancing a small set of key structural reforms.
- IMF payment was conditional on delivery of certain reforms, namely legislation to improve the bank resolution framework and land market reform. Two laws addressing land reform⁴² and banking⁴³ issues were approved by Parliament on 31 March and 13 May, respectively, to comply with the IMF's loan conditions. On 15 July, the IMF publicly reiterated that safeguarding the independence of the NBU, as well as maintaining a floating exchange rate and an inflation-targeting policy, were pre-conditions of future disbursement of IMF funds to Ukraine after NBU governor resignation.⁴⁴
- On 14 November, the NBU Governor announced that Ukraine would not receive its second scheduled IMF tranche of USD 700 million this year⁴⁵. Ukraine's co-operation with the IMF has been *de facto* suspended since the Constitutional Court of Ukraine cancelled key anti-corruption legislation on 28 October, including a mandatory electronic income declaration and penalties for lying on the form,

⁴¹ See: https://ec.europa.eu/commission/presscorner/detail/en/STATEMENT_20_1401

⁴² See: https://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=67059

⁴³ See: http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=68492

⁴⁴ See: <https://www.imf.org/en/News/Articles/2020/07/14/pr20259-ukraine-statement-by-the-imf-managing-director>

⁴⁵ See: <https://www.intellinews.com/nbu-says-no-imf-tranche-for-ukraine-this-year-196579/>

effectively decriminalising corruption. Additional financing from the World Bank and the EBRD is also at stake since it also depends on the IMF deal.

- On 9 December, the European Commission disbursed EUR 600 million in aid to Ukraine under its COVID-19 related macro-financial assistance programme. The European Investment Bank also announced that it had signed three loan agreements with the Government of Ukraine, totalling 640 million EUR, for the implementation of priority infrastructure and transport projects.⁴⁶

Outlook

- As in many emerging market economies, investors in Ukraine have been liquidating their positions in local assets and moving their funds to safe haven assets such as US government debt. The policy action is very bold given the limited means available to the government and covers the groups most severely affected by the containment measures. With limited fiscal space and urgent need for IMF support, the authorities are under greater pressure than ever to meet the Fund's conditions. The sudden resignation of NBU Governor Smoliy and subsequent dismissals in the NBU management, add a layer of uncertainty to the political, financial and economic stability. If Ukraine does not receive its second scheduled IMF tranche this year, and the corruption agenda further derails, even the massive issue of international Eurobonds would not suffice to maintain the financial stability, and the country may risk insolvability in the midst of a political crisis and a weak public administration.
- In late 2019, the government's real GDP growth projection for 2020 was in the 3.7-4.8% range; however, the new government forecast points to a contraction in the range of 4-8% this year. The National Bank of Ukraine forecasts a contraction of 6-7%.⁴⁷ Nonetheless, if containment measures are extended for much longer, these scenarios may further deteriorate.
- According to the latest economic forecast provided by the Ministry of Economic Development, Trade, and Agriculture, GDP growth is forecast to reach 4.6% in 2021, 4.3% in 2022 and 4.7% in 2023.⁴⁸ Even if economic recovery is foreseeable in the years ahead, the pace and path of reforms in sectors such as energy, state-owned enterprises and decentralisation will be critical to ensure a positive outcome in the longer term.
- Due to the COVID-19 pandemic, Ukraine may face worst recession in decades, leaving more than 9 million people in poverty. UN OCHA in Ukraine reports that since the beginning of the pandemic, more than 80% households have lost income and in more than 40% of families, at least one family member has lost her/his job. Although there are no data on eastern Ukraine, the socio-economic consequences of the pandemic in the conflict-affected region will be destructive.⁴⁹

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⁴⁶ See: <https://en.interfax.com.ua/news/economic/708725.html> and <https://en.interfax.com.ua/news/economic/708711.html>

⁴⁷ See: <https://www.epravda.com.ua/news/2020/05/27/661055/>

⁴⁸ See: <https://www.ukrinform.net/rubric-economy/3072232-economic-development-ministry-ukraines-economy-to-grow-by-46-percent-in-2021.html>

⁴⁹ See: https://www.humanitarianresponse.info/sites/www.humanitarianresponse.info/files/documents/files/ukraine_humanitarian_snapshot_20201110-ua.pdf

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