



THE COVID-19 CRISIS IN UKRAINE

25 February 2022

DISCLAIMER

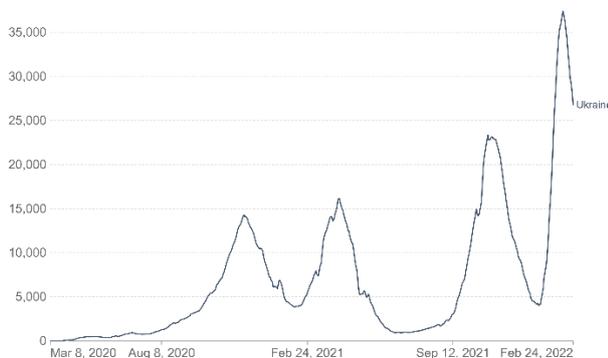
This note provides a picture of the situation in Ukraine due to the COVID-19 pandemic as well as measures to fight and mitigate its effects, prior to Russia's large scale aggression against the country.

COVID-19 Epidemiological Update

- Since mid-January 2022, Ukraine has been facing its fifth COVID-19 wave, due to the Omicron variant. As of 24 February, the seven-day average for new infections reported stood at 26,739¹. The highest number of daily infections since the start of the pandemic was recorded on 4 February 2022, with 43,778 new cases. According to the health authorities, the Omicron wave peaked in early February, and is expected to last until April². According to the World Health Organization³, there has been 4.4 million infection cases in Ukraine since the beginning of the pandemic, resulting in 105,505 deaths by 25 February. As of 25 February, the fatality rate stood at 2.2% and the recovery rate at 84.4%⁴.

Figure 1: Daily confirmed COVID-19 cases and COVID-19 deaths in Ukraine, 2020-22

Daily new confirmed COVID-19 cases
7-day rolling average. Due to limited testing, the number of confirmed cases is lower than the true number of infections.

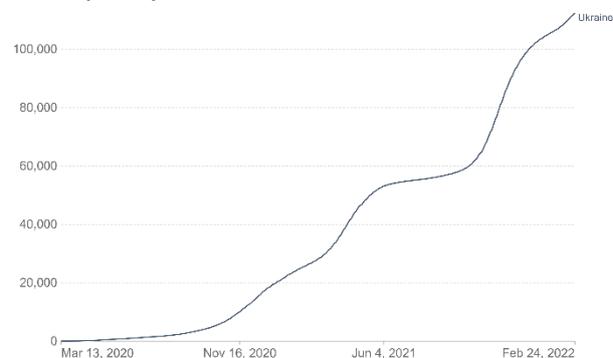


Source: Johns Hopkins University CSSE COVID-19 Data

Our World
In Data

Cumulative confirmed COVID-19 deaths

For some countries the number of confirmed deaths is much lower than the true number of deaths. This is because of limited testing and challenges in the attribution of the cause of death.



CC BY Source: Johns Hopkins University CSSE COVID-19 Data

Our World
In Data

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Source: <https://ourworldindata.org/coronavirus/country/ukraine> (accessed on 25/02/2022)

- Excess mortality data in Ukraine suggest around 160-170 000 pandemic-related deaths, substantially higher than the official COVID-19 data (Figure 2). As in many other countries, this discrepancy reflects inadequate testing in many places, especially early in the pandemic, as well as the difficulty of attributing cause of death with precision.

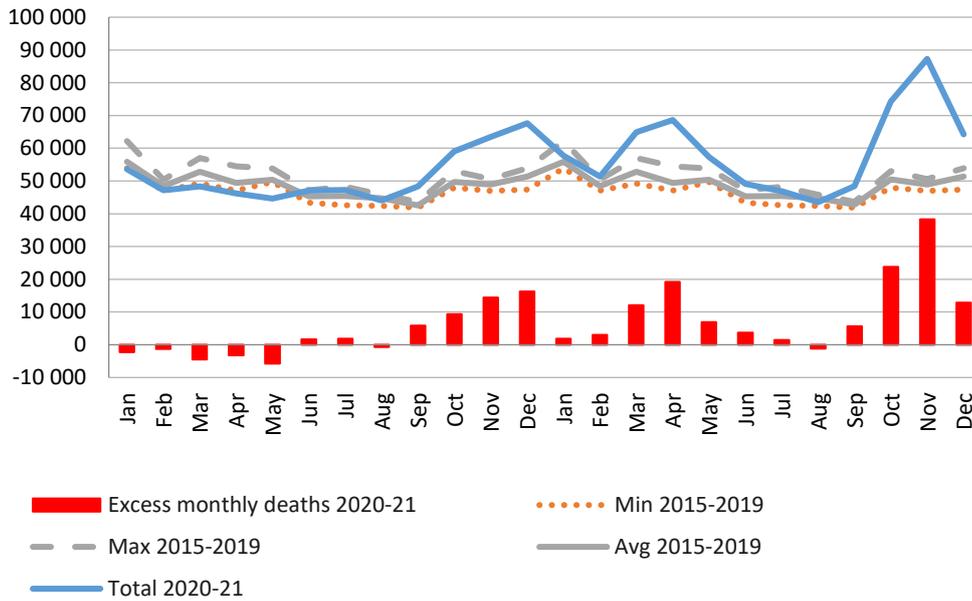
¹<https://ourworldindata.org/coronavirus/country/ukraine> (accessed on 25/02/2022)

²<https://www.ukrinform.net/rubric-society/3383141-omicron-wave-in-ukraine-will-last-until-april-chief-sanitary-doctor.html>

³<https://covid19.who.int/table>

⁴<https://www.coronatracker.com/country/ukraine/> (accessed on 25/02/2022)

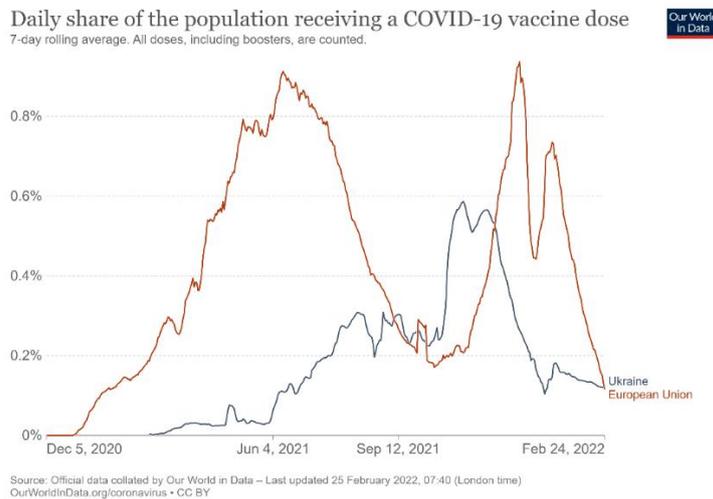
Figure 2. Mortality trends in Ukraine, 2015-19 vs. 2020-21



Source: https://github.com/akarlinsky/world_mortality/blob/main/world_mortality.csv (accessed on 25/02/2022)

- As of 25 February, Ukraine has fully vaccinated 34.07% of its population, making it the least-vaccinated country in Europe (Figure 3)⁵. In early 2021, the government signed public contracts for the supply of 42 million COVID-19 vaccine doses⁶. In addition, the Ministry of Health is currently considering allowing children aged 5-11 to get vaccinated, after having authorised vaccines for those aged 12-17 in October 2021.

Figure 3. Daily share of the population receiving a vaccine dose against COVID-19



Source: Our World in Data, <https://ourworldindata.org/covid-vaccinations?country=UKR> (accessed on 25/02/2022)

⁵Data from <https://ourworldindata.org/> is used in this note for comparability purposes, though Ukrainian sources mention higher vaccination rates – 39% of the general population. Ourworldindata ignores infections with SARS-CoV-2 and having 1 dose of a 2-dose protocol, which are sometimes taken into account in alternative definitions of a full vaccination.

⁶<https://www.president.gov.ua/en/news/ukrayina-otrimaye-dodatkovo-10-mln-do-z-vakcini-proti-covid-1-68233>

- In their efforts to accelerate the pace of vaccination, the country's health officials have been dealing with two interconnected problems: widespread vaccine scepticism among the population, stemming from a lack of trust in institutions and the health care system, and illegal schemes selling fake COVID-19 credentials. The government has been taking new measures to encourage vaccination and reduce the sanitary effects of the COVID-19. In October 2021, the Cabinet of Ministers allocated UAH 150 million to meet the needs of health care facilities for coronavirus detection. The same month, it adopted a resolution allocating UAH 25 million from the budget to strengthen the information campaign on vaccination against COVID-19 on television.
- The government also provides financial incentives for Ukrainians to get vaccinated. On 19 December, the government launched the *ePidtrymka* program, which provides a financial incentive of UAH 1000 (USD 36) for Ukrainians to get the COVID-19 vaccine. A month exactly after the implementation of the program, the vaccination rate increased from 33.1% to 34.6%⁷. As of 14 February, 8.6 million Ukrainians have benefitted from the program⁸. The program will last until 18 December 2022, and will be implemented in several stages. In the first stage, the funds will be received through the Diia application. The second stage (Q2-Q3 of 2022) will offer an alternative offline mechanism to receive the funds, which is currently being elaborated. In addition, vaccinated people over 60 are to be offered free smartphones, which is also part of the government's strategy to provide access to Internet to every citizen.
- In January, the Health Ministry announced the establishment of 800 mobile vaccination teams to vaccinate rural communities. As of 15 January, the teams started working in rural areas, and a modular vaccination center has been set up at the Stanytsia Luhanska checkpoint on the delimitation line⁹. On 19 January, the validity of Covid-19 two-dose vaccination certificates was reduced from one year to 270 days only¹⁰, in order to converge with the European legislation in force. The validity of the single dose of COVID-19 vaccine document has also been reduced from 120 days to 30. As of 15 December 2021, 52 countries had officially recognised the Ukrainian COVID-19 certificate.
- Some early restrictions imposed at the start of the pandemic are still active, including wearing masks in closed public areas, studying remotely, keeping social distance, or limiting gatherings to fewer than 50 persons. New quarantine regulations came into force on 6 December 2021, primarily for unvaccinated citizens (mandatory testing, restricted access to public places, etc.). Ukraine is currently under an "adaptive" lockdown meant to last until 31 March, with varying measures depending on the regions' epidemiological profiles (classified in four levels: green, yellow, orange or red). According to the Ministry of Health, as of 25 February 2022, 5 oblasts are in the red zone: Zakarpattia, Khmelnytsky, Luhansk, Rivne and Ivano-Frankivsk regions, with stricter restrictions applying in these areas.
- In July 2021, the Committee of the Permanent Representatives of the European Union agreed to add Ukraine to the list of third countries from where all travel should be possible, regardless of vaccination status. However, on 9 November 2021 the EU Council approved a decision to exclude Ukraine from this "green travel list" due to the fourth wave of COVID-19 cases in the country. Ukraine has not yet been re-integrated on the list.

Economic Impact & Policy Response

Economic Impact

- Despite the pandemic and mounting geopolitical tensions with Russia, Ukraine's GDP increased by 3.2% in 2021. The rebound followed a 4% drop in 2020, and was weaker than expected due to the fourth COVID-19 wave in October-November, as well as soaring gas prices and military tensions with Russia. Slow progress on reforms and a slow rollout of the vaccination campaigns also undermined the strength of the recovery. For 2022, GDP growth forecasts range between 3.2% and 3.4%, against the backdrop of heightened tensions with Russia and the continued rise in gas prices (Figure 4).

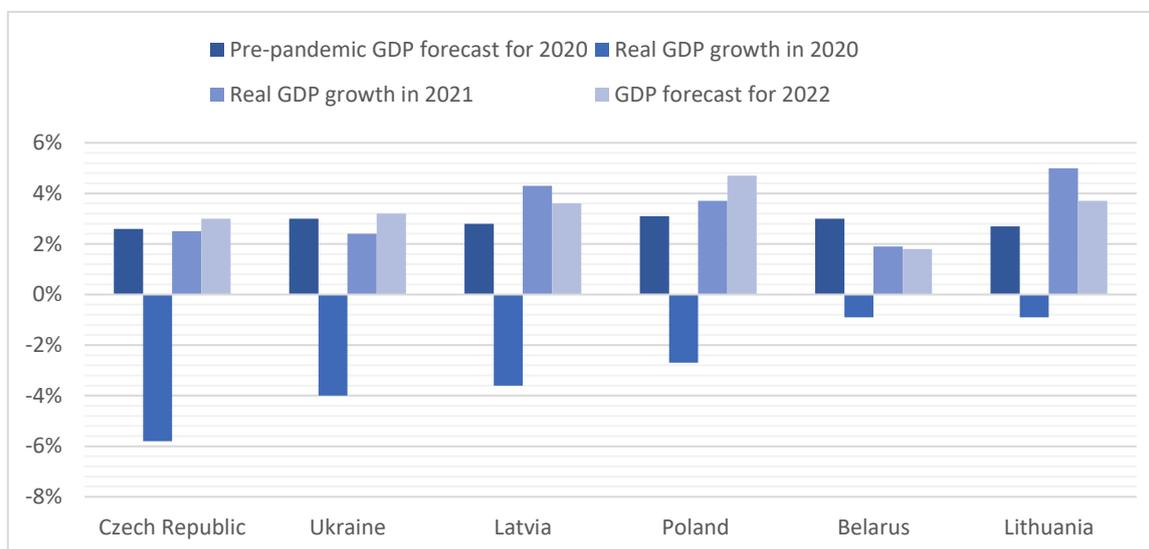
⁷<https://ourworldindata.org/coronavirus/country/ukraine>

⁸<https://www.kmu.gov.ua/en/news/vidsogodni-za-programoyu-yepidtrimka-ukrayinci-zmozhut-oplatiti-komunalni-poslugi>

⁹<https://www.president.gov.ua/en/news/majzhe-100-tisyach-ukrayinciv-otrimali-busternu-do-zu-vakcini-72413>

¹⁰<https://www.kmu.gov.ua/en/news/uryad-skorotiv-termin-diyi-zelenih-covid-sertifikativ-pro-vakcinaciyu>

**Figure 4. GDP growth in 2020, 2021 and forecast for 2022
Ukraine and selected countries**

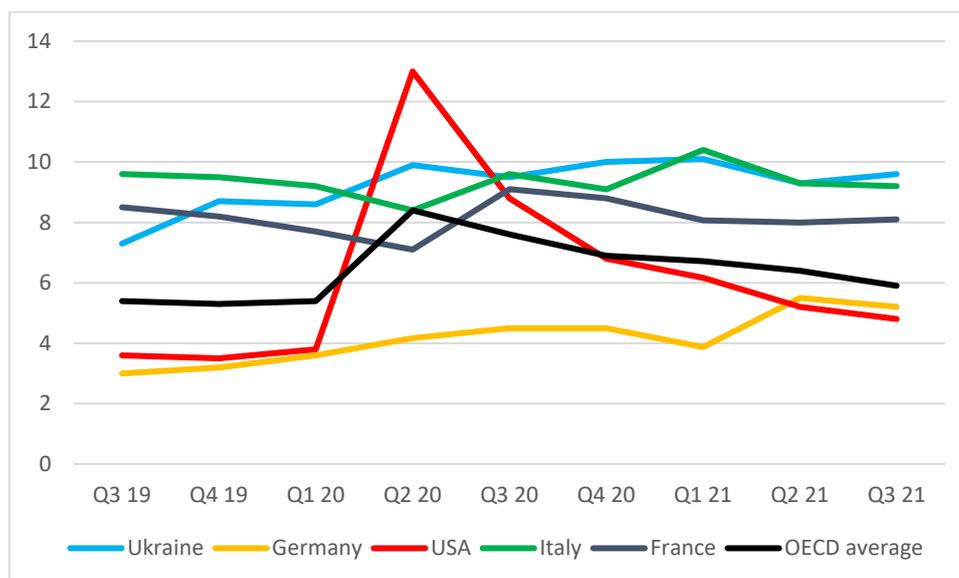


Sources: International Monetary Fund, World Bank, Reuters, Ukrstat, OECD

- Ukraine experienced a net outflow of investment in 2020 (USD -860 million), after four years of annual net inflows comprised between USD 3.8 and 5.9 billion¹¹. To attract more foreign investment and help the recovery, the government adopted a new law in early 2021 granting considerable financial incentives and operational support for large investments in Ukraine (law on “Investment Nannies”). Moreover, the European Union hopes to mobilise up to 7 billion investments in Ukraine over the next seven years, primarily in green energy, digitalisation, infrastructure projects, and support for small and medium-sized businesses. In the first half of 2021, FDI net inflow in Ukraine amounted to USD 2.83 billion according to government’s statistics. Of this, USD 2.33 billion came from the European Union.
- Trade also rebounded in 2021. According to the Ministry of Economy, goods exports reached USD 68.2 billion, up from 49.2 billion in 2020. Improved terms of trade helped to maintain a positive current account, which increased the supply of foreign currency and sparked the appreciation of the hryvnia. In addition, throughout 2021, Ukraine’s net international reserves rose by 7%, to reach USD 31 billion as of 1 January 2022. On the other hand, inflation reached 10% in 2021, its highest level since 2017, due to other factors than the pandemic.
- The rise in unemployment in Ukraine was initially not as sharp as in many OECD countries, as shown in Figure 5. The NBU suggested this may have been partly due to a higher share of employment being informal and therefore not being reflected in official data, as well as the strong uptake of remote working in Ukraine, particularly amongst larger companies. From Q2 2020 through Q3 2021, however, unemployment in Ukraine increased steadily, reaching around 9.6% in Q3 2021, while the OECD average unemployment rate declined, from 8.4% to 5.9%, not quite returning to its pre-pandemic level of 5.4%.

¹¹ <https://unctadstat.unctad.org/wds/TableViewer/tableView.aspx> (accessed 21/02/2022).

Figure 5. Unemployment rates: Ukraine and selected OECD countries (%)



Source: OECD data, Ukrstat, Statista, INSEE.

The effects of the pandemic on employment have affected women more acutely than men, a phenomenon observed in other countries¹². The employment drop related to social distancing measures had a large impact on sectors with higher women's employment shares, and the statistics show that employment rates decrease was sharper for women than for men (Figure 6). In addition, closures of schools and day-care centres significantly increased childcare needs, which had a particularly large impact on working mothers. Large gender differences in unpaid care work also stem from the fact that most single parents are women, reaching up to 90% in Ukraine¹³. The increase in the pay gap between women and men during the period of quarantine restrictions was observed both by types of economic activity and by regions. According to UN Women and other expert sources, with the COVID-19 crisis women are likely to experience long-term setbacks in workforce participation and income, with consequences on their economic security in the long run¹⁴. On 16 September 2021, Olena Kondratiuk, Deputy Chair of the Verkhovna Rada, declared that women must be an integral part of the strategy and leadership of the country's reconstruction process after the COVID-19 pandemic¹⁵.

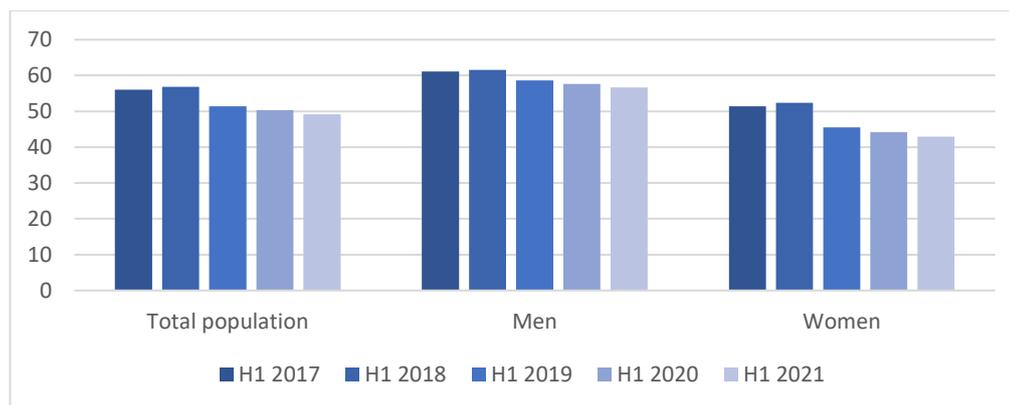
Figure 6. Employment rate in Ukraine (year on year, %)

¹²<https://www.oecd.org/eurasia/gendergapsineurasia.htm>

¹³UN Women Ukraine (2020), Rapid gender assessment of the situation and needs of women in the context of COVID-19 in Ukraine, https://www2.unwomen.org/-/media/field%20office%20eca/attachments/publications/2020/06/rapid%20gender%20assessment_eng-min.pdf?la=en&vs=3646

¹⁴<https://www.unwomen.org/en/news/stories/2020/9/feature-covid-19-economic-impacts-on-women>

¹⁵https://www.rada.gov.ua/en/news/News/top_news/213864.html



Source: Ukrstat, accessed in November 2021

- The IMF and Ukraine signed a USD 5 billion Stand-By Arrangement (SBA) in June 2020, to help the authorities address the effects of the COVID-19 shock, sustain the recovery, and move ahead on important structural reforms to reduce key vulnerabilities. On 22 November 2021, the IMF completed the first review of Ukraine’s economic performance under the SBA and approved a USD 700 million disbursement, as well as an extension of the SBA until the end of June 2022. As part of the agreement, Ukraine’s authorities committed to the implementation of economic, financial and structural policies to help address the economic and health crisis caused by COVID-19, while maintaining macroeconomic and financial stability, reducing vulnerabilities, and tackling key obstacles to private investment. In particular, strengthening the independence of the National Bank of Ukraine, fiscal consolidation and tax reforms, advances in judicial reform, with full implementation of the law to reform the High Council of Justice, and progress in the governance of SOEs are expected.
- On 1 February 2022, the European Commission tabled a proposal for a new emergency macro-financial assistance (MFA) programme for Ukraine of up to EUR 1.2 billion, with an immediate disbursement of a first tranche of EUR 600 million, to mitigate the consequences of the ongoing geopolitical instability. This followed a July 2020 memorandum and loan agreement on the provision of MFA in the amount of EUR 1.2 billion to alleviate the economic consequences of the COVID-19 pandemic. With these disbursements, the outstanding amount of loans to Ukraine under its multiple MFA programmes reaches EUR 4.4 billion.
- Since the beginning of the COVID-19 pandemic, the World Bank (WB) has provided Ukraine with a total of USD 2.3 billion in budget support and investment projects. In December 2021, the WB approved a EUR 300 million Second Economic Recovery Development Policy Loan (DPL) for Ukraine to support reforms critical to its economic recovery and growth, and to mitigate the impacts of the COVID-19 pandemic. The first DPL, totalling USD 350 million, was approved in June 2020 to support the launch of land reform and help the government boost growth and investments in this sector, as well as protect the most vulnerable from the economic shocks due to the pandemic. In addition, in December 2021, the WB provided Ukraine with USD 150 million within the Emergency COVID-19 Response and Vaccination Project.

Policy measures

- In 2020, the government put in place several measures to support the economy. In March 2020, a resolution of the Cabinet of Ministers was adopted to provide financing in the amount of UAH 1.75 billion to local budgets for COVID-19 control measures, with the Ministry of Healthcare appointed as the main spending unit. A special fund for fighting the pandemic was also set up in April 2020, with the allocation of UAH 80.9 billion. The audit of this fund (one of the IMF’s requirements) revealed multimillion-dollar violations in its operation, including weak procurement planning of allocations and breaches in tender rules.
- In February 2021, the government and the National Bank adopted the “Investment Nannies” Law described above. It has generated interest from more than 20 investors who submitted applications for projects totalling over USD 2 billion by the end of 2021. Furthermore, in January 2022, the government launched an initiative to develop industrial parks in the country, with which it hopes to attract over USD 2.5 billion to Ukraine.

- On 20 January 2022, Prime Minister Denys Shmyhal presented Ukraine's 2022 upcoming reforms and named the top six tasks for economic growth and recovery for this year as part of the Ukraine National Economic Strategy 2030: achieving an increase in annual investment to USD 15 billion and running "rapid" privatisation; developing public-private partnerships; continuing working for the liberation of the occupied territories; generating in 15 years USD 50 billion worth of resources through the funded pension system; starting thermal modernisation and transformation of coal region; and facilitating digitalisation as an important element of anti-corruption reforms and business promotion.
- The COVID-19 crisis added additional impetus to the digitalisation of public services in Ukraine¹⁶. The Vdoma application facilitated adherence to self-isolation measures. The Diia portal and mobile application, launched in February 2020, provides users with access to digital documents and public e-services, such as registration for COVID-19 vaccinations, change of the place of registration, applications for construction work, electronic driver's license, receipt of financial aid, the opening of bank accounts, debt settlements and mortgages for migrants. Moreover, in August 2021, Ukraine became the first country in the world to provide full equivalence of e-passports and paper passports. In July 2021, Ukraine launched beta testing for vaccination certificates in the Diia application for Ukrainians who got fully vaccinated, which have been recognized in August 2021 by the European Union as equivalent to the European one. In November 2021, beta testing of COVID certificates based on PCR tests started as well.

The way forward

- Key challenges remain and further reforms are needed to ensure a sustainable and inclusive post COVID recovery, and to make the reform process irreversible. Shielding anti-corruption institutions from undue interference, improving the investment climate and implementing judicial reforms, including the establishment of a transparent selection procedure for the High Qualification Commission of Judges and reforms to the High Council of Justice, will be instrumental for delivering post-pandemic economic growth.¹⁷
- Ukraine's overall investment climate remains a concern for investors. In particular, a strong judiciary, which is essential for winning investors' trust, is still lacking. In the area of responsible business conduct, further efforts are needed to strengthen environmental, human and labour rights protections, as well as anti-corruption measures, and transparency and disclosure practices. Market access and infrastructure continue to constrain private sector investment and foreign direct investment (FDI). Despite significant institutional and anti-corruption reforms, investors' trust in the government's combat against corruption remains low. Ukraine ranks 122nd out of 180 countries in the 2021 "Corruption Perceptions Index", which highlights a stagnation of the fight against corruption in the country. Therefore, Ukraine should secure the independence of anti-corruption agencies and ensures that they are sufficiently resourced, empowered and shielded from political and other interferences in their missions.¹⁸
- Moving forward, further structural reforms to enhance governance will also play a key role in the recovery process. This includes continuing implementing public administration reforms, pursuing the decentralisation process and decisively strengthening the anti-corruption reform agenda. Consistent implementation will be critical across the board: as observed in previous editions of this note, evidence of backtracking on some flagship anti-corruption and governance reforms has aroused considerable concern in the international community in recent years. Ukraine's government can continue to strengthen its governance by notably improving public service delivery at all levels, raising professionalism among civil servants, empowering and guaranteeing sound independence of its anti-corruption institutions and pursuing the corporate governance of state-owned enterprises (SOEs) following international standards and good practices as per OECD recommendations¹⁹.

¹⁶<https://www.atlanticcouncil.org/blogs/ukrainealert/covid-crisis-accelerates-ukraines-digital-revolution/>

¹⁷<https://www.atlanticcouncil.org/blogs/ukrainealert/what-is-ukraines-economic-outlook-for-2021/>

¹⁸<https://www.oecd.org/investment/investment-policy/OECD-Energy-Investment-Policy-Review-Ukraine-highlights-ENG.pdf>

¹⁹<https://oe.cd/UkraineSOE>

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