THE COVID-19 CRISIS IN UKRAINE

7 September 2020

COVID-19 update

- As of 7 September, 138 068 cases of COVID-19 had been confirmed in Ukraine, including 2 877 deaths and a total of 62 606 fully recovered. 2 174 cases were confirmed in the past 24 hours. The seven-day moving average of newly confirmed cases stood at 2 402 – the highest since March. The case fatality rate is 2.1%.1
- The country faces shortages of medical supplies for acute care, such as masks, protective suits and ventilators (Figure 1). By 7 September, 12 069 healthcare workers in Ukraine had contracted COVID-19.2 At the start of the crisis, Ukraine had more than 3 500 devices for artificial ventilation.3 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 1 716.4

Figure 1. Indicators of healthcare system capacity


- The rollout of COVID-19 testing continues to proceed slowly compared with most European countries, with only 0.52 daily tests per 1000 people performed over the past 7 days (compared with 1.53 per 1000 in

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1 See: https://www.unian.info/society/covid-19-in-ukraine-over-2-100-new-cases-reported-on-sept-7-11137499.html
2 See: https://ourworldindata.org/coronavirus/country/ukraine?country=~UKR#the-case-fatality-rate
According to the latest Economic Activity Report released by the International Monetary Fund (IMF), the share of informal workers in the economy remains very high, up to 30%. The social safety net is weak. Low domestic savings and limited fiscal space constrain the ability of households or the public authorities to absorb exogenous shocks.

The Ministry of Economic Development, Trade, and Agriculture on 10 July, 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.

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.

**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. Low domestic savings and limited fiscal space constrain the ability of households or the public authorities to absorb exogenous shocks.

- **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 Kyrylo 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.

**Figure 2. The hryvnia has depreciated by nearly 16% against the dollar since the start of the year**

[Graph showing UAH/USD in 2020]

Source: NBU

- **Short-term indicators**: The Action Programme of the Cabinet of Ministers projects that the economy may shrink by 4-8% this year owing to the pandemic. According to the latest Economic Activity Report released by the Ministry for Development of Economy, Trade and Agriculture on 10 July, GDP fell 5.9% year-on-year in January-May 2020. The surprise resignation on 1 July of National Bank of Ukraine (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 1.75bn Eurobond sale. Preserving the independence

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6 See: https://ourworldindata.org/coronavirus-testing
8 See: https://zik.ua/article/pidvyshchennia_zarplaty_ta_finansuvannia_medzakladiv_yaki_zminy_u_medvytnyi_vprovadvy_z_1_lypnia_973268

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of the NBU is a core principle of Ukraine’s co-operation with the IMF. The government replaced Smoliy with former Ukrgasbank Chairman Kyrylo Shevchenko on July 16.

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

<table>
<thead>
<tr>
<th>Economic outlook 2020</th>
<th>Pre-COVID-19 projections</th>
<th>Post-COVID-19 projections</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inflation (y/y)</td>
<td>5.5%</td>
<td>8.7%</td>
</tr>
<tr>
<td>UAH/USD exchange rate</td>
<td>27</td>
<td>29.5</td>
</tr>
<tr>
<td>GDP (%)</td>
<td>3.7%</td>
<td>-8%</td>
</tr>
<tr>
<td>Unemployment</td>
<td>8.1%</td>
<td>9.5%</td>
</tr>
<tr>
<td>Monthly average salary (UAH)</td>
<td>12.5 thousand</td>
<td>10.7 thousand</td>
</tr>
<tr>
<td>Balance on Current Account (Percent of GDP)</td>
<td>N.A.</td>
<td>-2.0%</td>
</tr>
<tr>
<td>General Government Net Lending/ Borrowing (Percent of GDP)</td>
<td>N.A.</td>
<td>-8.2%</td>
</tr>
<tr>
<td>Forex reserves (USD)</td>
<td>29.3bn</td>
<td></td>
</tr>
</tbody>
</table>


Policy reactions

- **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, although restrictions for travel of foreigners remain in place. 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 that a month-long travel ban (29 August to 28 September) would be imposed on foreigners seeking to enter the country in an attempt to contain the rise in COVID-19 infections. Permanent residents of Ukraine, members of diplomatic missions and international organisations are exempt from the ban, as will foreigners seeking to transit through Ukraine and refugees.
  - 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.

- **Containment:**
  - 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 3 April, the Prime Minister announced the introduction of new measures, including a 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 services to support the life of the population (e.g. centralised water supply, sewage, electricity and gas supply, food production, agriculture, health care).

- 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 quarantine11.

- 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.

- 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).

- On 25 May, the government permitted kindergartens to reopen, provided that the cities in which they were located meet a set of epidemiological criteria. Ukrainian regions meeting the government’s epidemiological criteria were also allowed to restore local public transportation services.

- 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.

- On 5 June, Health Minister Maksym Stepanov announced that the mask regime and social distancing requirements would persist despite the easing of quarantine restrictions.

- From 10 June, hotels and sanatoriums were allowed to open (on a regional basis, assuming a low spread of the virus). The government also allows excursions for groups up to 50 people.

- In July, the National Security and Defence Council developed an interactive map to track the spread of COVID-19: https://covid19.rnbo.gov.ua/

- 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 22 July, the government extended the country’s “adaptive quarantine” until August 31, and announced the introduction of enhanced monitoring and public health measures to regulate quarantine restrictions in different parts of the country. Green, yellow, orange and red levels of risk have been assigned at the regional and sub-regional level and according to localised public health data. These colour-coded levels inform COVID-19 quarantine restrictions in different regions and sub-regions. An explanation of the different restrictions mandated by each colour-coded level is provided by the Foreign and Commonwealth Office [here](https://bank.gov.ua/en/news/all/natsionalniy-bank-ukrayini-zniziv-oblikovu-stavku-do-6). An interactive map with the most recent colour-coded categorisation of Ukraine’s regions can be found [here](http://search.ligazakon.ua/l_doc2.nsf/link1/JI01790V.html).

- 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 1 September, schools across Ukraine reopened for in-person classes, except for schools in “red zone” areas where rates of infection are highest.

- **Monetary measures:**
  
  - During mid-late March, the NBU sold foreign currency on a daily basis, in an attempt to support the hryvnia 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 June[12].
  
  - 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 legislated[13] 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.

**Box 1. The cost of containment**

Figure 3 presents preliminary estimates of the cost of confinement measures in Ukraine and the G7 countries. These estimates do not represent a forecast for growth in 2020, as they do not take into account external developments or the strength of the rebound in domestic activity as confinement measures are relaxed, which will depend in part on the success of government efforts to support households and firms through the period of confinement. Rather, they represent a rough estimate of the upper bound of the costs of strict confinement policies.

The method employed here, adapted from [OECD (2020)](http://search.ligazakon.ua/l_doc2.nsf/link1/JI01790V.html), looks at detailed categories of output to identify the sectors most directly affected by confinement measures. For each of these activities, assumptions are made about the extent to which the activity is likely to be reduced, with output declines ranging from 50-100%. Thus, the greatest declines are anticipated for proximity services requiring face-to-face contact, and for sectors such as travel and tourism. Retail trade and catering are also hit hard, although takeaway sales and on-line sales may prevent a full cessation of activity for some businesses. Non-essential construction is also adversely affected by containment policies affecting labour availability. And so on.

The impact on annual GDP will also depend on how long these measures remain in place. The estimates assume that strict confinement measures last for roughly two months. Full shutdowns are assumed in manufacturing of transport equipment and other personal services; declines of one-half are assumed for output in construction and professional service activities; and declines of three-quarters are assumed in all the other output categories directly affected by confinement restrictions.

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shutdowns. The calculations are based on an assumption of an economy-wide shutdown, rather than a shutdown confined to particular regions. These are assumptions only, and the actual situation may be rather different, depending on the containment measures adopted.

An activity decline as in the scenario described a total duration of 8 weeks would imply a direct cost of something like 3.2% of annual GDP. Again, these are cost estimates, not growth projections, as they do not reflect subsequent internal or external developments during the recovery phase. Nonetheless, they point to substantial contraction in 2020. Moreover, given Ukraine’s limited fiscal space and exposure to developments on foreign markets, a sharper contraction cannot be ruled out. The IMF and other projections suggest that Ukraine would face recession in the current global environment even if there were no COVID-19 outbreak in the country.

Figure 3. The potential cost of containment measures, G7 and Ukraine (% of GDP)

Note: The sectoral data are on an ISIC rev. 4 basis in all countries. The sectors included are manufacturing of transport equipment (ISIC V29-30) - except for Ukraine where the manufacturing is estimated as 3.5% of total manufacturing - construction (VF), wholesale and retail trade (VG), accommodation and food services (VI), real estate services excluding imputed rent (VL-V68A), professional service activities (VM), arts, entertainment and recreation (VR), and other service activities (VS). The latter two are grouped together as other personal services in the figure. Real estate services excluding imputed rent are assumed to be 40% of total real estate services in countries in which separate data are not available.

Sources: OECD Annual National Accounts; State Statistics Service of Ukraine and OECD calculations.

- 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.\textsuperscript{14}

- 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 industries.\textsuperscript{15}

- **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](http://www.sme.gov.ua)
  - On 27 May, the government adopted a programme for Stimulation of Economy to Combat Effects of the COVID-19 Epidemic.\textsuperscript{16}
  - 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.

- **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.
  - 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.

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\textsuperscript{14} 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) - source: [www.spravda.com.ua/news/2020/04/13/659301/](http://www.spravda.com.ua/news/2020/04/13/659301/)

\textsuperscript{15} See: [https://www.ukrinform.net/rubic-society/3063945-support-for-culture-and-tourism-zelensky-submits-bill-on-amendments-to-tax-code.html](https://www.ukrinform.net/rubic-society/3063945-support-for-culture-and-tourism-zelensky-submits-bill-on-amendments-to-tax-code.html)

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.

Joint-stock companies were allowed to delay their annual general meetings until the end of the year.

**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).¹⁷

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.

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.¹⁸ 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 Ukraine¹⁹.

To help combat domestic violence, the National Police of Ukraine released “guidelines for its victims during quarantine”. The police also launched a chat bot in the popular Telegram messenger app that sends automated messages with information about domestic violence and the contact information of support services.²⁰

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.

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¹⁸ Idem
• **International donor support:**
  
  - 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 pandemic.\(^{21}\)
  
  - On 21 May, the IMF and Ukraininan 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 reform and banking 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.\(^{24}\)
  
  - 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 have 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.
  
  - Additional financing from the World Bank and the EBRD also depends on the IMF deal.

### 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 Smolyi and subsequent dismissals in the NBU management, add a layer of uncertainty to the political, financial and economic stability. 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%.\(^{25}\) 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.\(^{26}\) 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.

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\(^{21}\) See: https://ec.europa.eu/commission/presscorner/detail/en/STATEMENT_20_1401

\(^{22}\) See: https://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=67059

\(^{23}\) See: http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=68492

\(^{24}\) See: https://www.imf.org/en/News/Articles/2020/07/14/pr20259-ukraine-statement-by-the-imf-managing-director

\(^{25}\) See: https://www.epravda.com.ua/news/2020/05/27/661055/
