



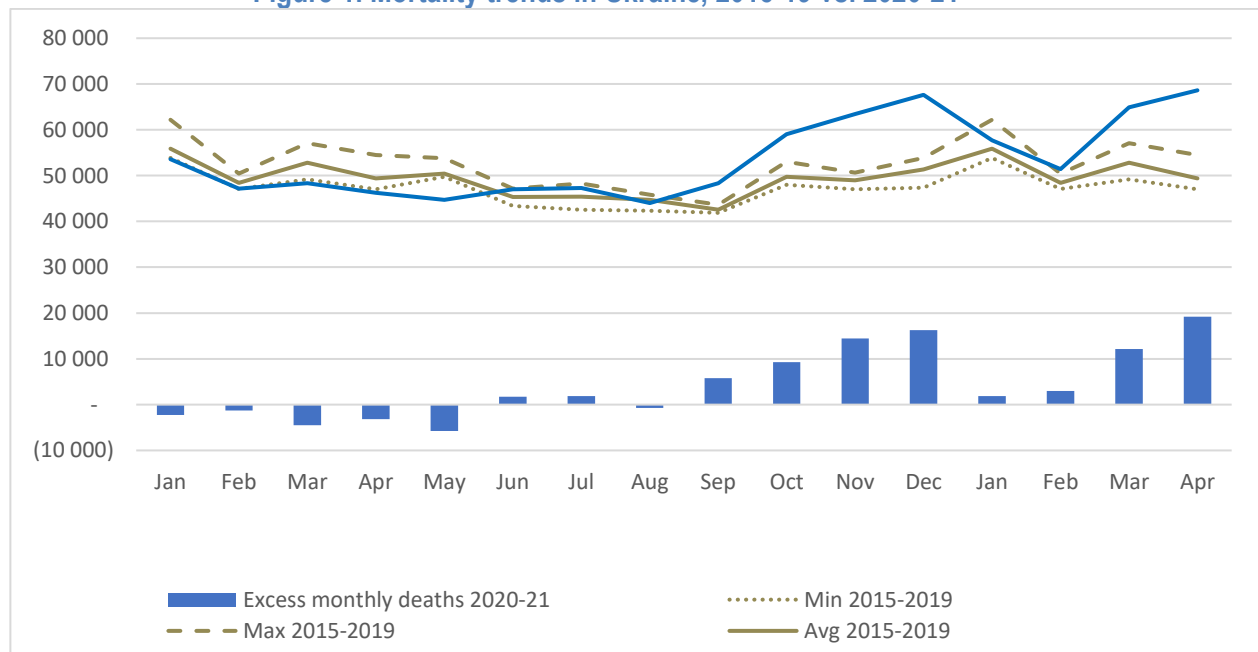
THE COVID-19 CRISIS IN UKRAINE

26 July 2021

COVID-19 Epidemiological Update

- Between the 3rd of January 2020 and the 26th of July 2021, 2,248,663 of COVID-19 cases were confirmed in Ukraine, including 52,849 deaths, according to the World Health Organisation.¹ Excess mortality data in Ukraine, however, suggest a figure somewhat above 80,000 deaths caused by the pandemic (Figure 1). Ukraine experienced two pandemic waves in autumn 2020 and spring 2021. The seven-day moving average, which reached its peak at the height of the second wave in April 2021 (16,038), has drastically decreased to reach 565 cases.² The case fatality rate is currently 2.4%.³ As of the 22nd of July, Ukraine had detected 6 Delta cases. The government officially announced that health authorities have reagents for detecting the Delta variant, which is suspected to be circulating in the country since June 2021.

Figure 1. Mortality trends in Ukraine, 2015-19 vs. 2020-21



Source: https://github.com/akarlinsky/world_mortality/blob/main/world_mortality.csv

- The national vaccination campaign began on 24 February 2021. However, although the pace of vaccination has started to pick-up since the beginning of June, Ukraine remains the country with the lowest vaccination coverage in Europe (Figure 2). As of the 21st of July, 4.4 million doses were administered, and 1.56 million people, or 3.6% of the total population, were fully vaccinated.⁴ On 22 June, the Prime Minister announced the government's intention to coordinate with the heads of regional state administrations to densify the network

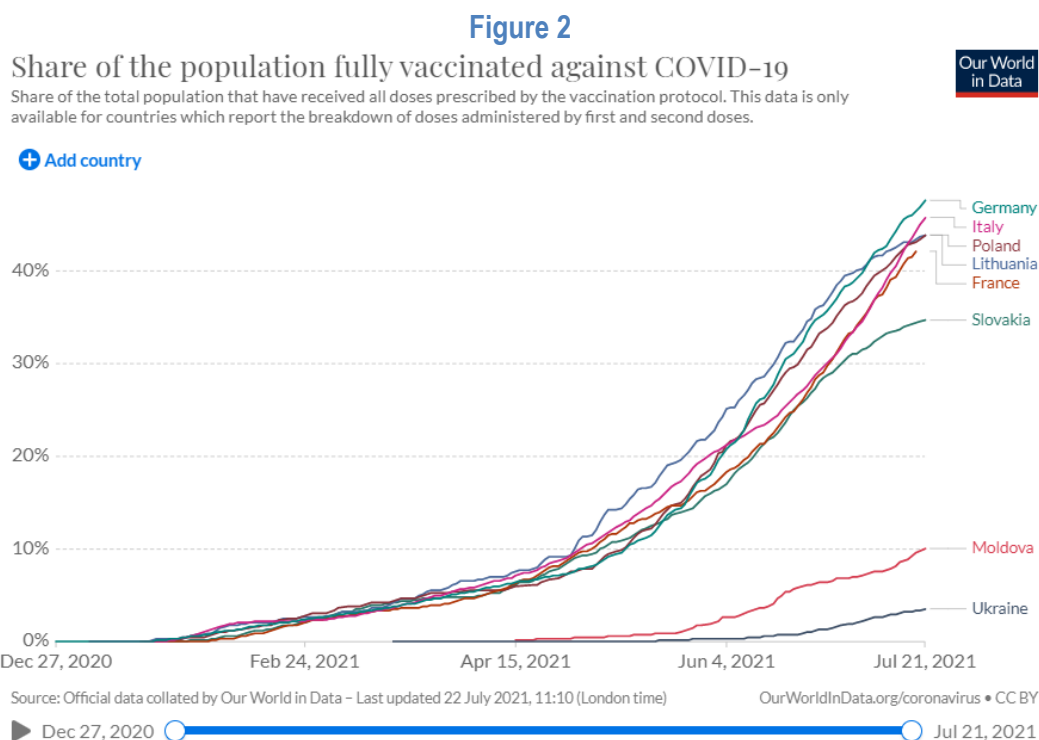
¹ <https://covid19.who.int/region/euro/country/ua>

² <https://www.worldometers.info/coronavirus/country/ukraine/>

³ <https://www.coronatracker.com/country/ukraine/>

⁴ <https://ourworldindata.org/coronavirus/country/ukraine> (accessed 22 July)

of vaccination centres⁵. The Government of Ukraine has an objective to vaccinate 24 million people by the end of 2021.



Source: Our World in Data, <https://ourworldindata.org/covid-vaccinations?country=UKR> (accessed 22 July 2021)

- International partners and donors have supported vaccine delivery in Ukraine, notably through the COVAX initiative. Early 2021, the Government of Ukraine signed public contracts for the supply of 42 million COVID-19 vaccine doses, set to be delivered throughout 2021.⁶ In addition, Ukraine expects to receive 8 million vaccine doses in total under the global COVAX initiative.⁷ As of the 5th of July, the country had received over 5 million doses, including about 2.1 million doses delivered through COVAX (Pfizer and AstraZeneca). Nearly 8 million doses are expected by the end of July, and Pfizer is expected to supply another 20 million doses of vaccine to Ukraine by the end of the year⁸.
- Ukraine's vaccination rollout has been hindered by challenges on the demand side, with "anti-vax" disinformation spreading on social media and high vaccine distrust among the population in general. A March 2021 survey indicated that 60% of Ukrainians would not want to get vaccinated even if the vaccine was provided free of charge.⁹ By contrast, the equivalent March 2021 figures were 25% in Italy, 32% in Germany and 46% in France.¹⁰ Recent initiatives, including media campaigns and relying on health professionals as key influencers, have been launched to encourage populations to get vaccinated. On the supply side, the vaccination campaign suffered from the launch of an investigation by NABU on the purchase of 1.9 million of doses from China's Sinovac Biotech via a Ukrainian intermediary – the pharmaceutical company Lekhim.¹¹
- The Ukrainian government has had to issue quarantine and lockdown measures to combat the pandemic since March 2020 and entered a phase of "restriction easing" in May 2021 much like its European neighbours.

⁵ <https://www.ukrinform.net/rubric-society/3268602-vaccination-centers-should-open-throughout-ukraine-shmyhal.html>

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

⁷ <https://www.unicef.org/ukraine/en/press-releases/ukraine-receive-close-half-million-doses-covid-19-vaccine-under-covax-week>

⁸ <https://www.kyivpost.com/ukraine-politics/covid-19-in-ukraine-610-new-cases-33-new-deaths-1666-recoveries.html>

⁹ http://rb.com.ua/uk/blog-uk/omnibus-uk/stavlennja-ukrainciv-do-vakcinacii-proti-covid-19-2/?fbclid=IwAR1bV72G6UOMgRBYo7wE5yqnikBUkNklp3ojyAYW6SZbXcE_qLlnNTGOgP8

¹⁰ <https://yougov.co.uk/topics/international/articles-reports/2021/01/12/covid-19-willingness-be-vaccinated>

¹¹ <https://www.reuters.com/world/europe/ukraine-tightens-border-control-over-delta-variant-2021-06-25/>

On 7 June the government decided to further ease restrictions in place, allowing businesses such as restaurants to work around the clock, and mass events to take place as long as organisers and participants provide negative COVID-19 tests or vaccination certificates. The document can be generated on the Diia application or on the government portal, although it is also possible to obtain a paper certificate from a doctor. Ukraine is divided into four epidemiological zones (red, orange, yellow, green) depending on the number of Covid-19 new cases, and with varying levels of quarantine restrictions. As of the 26th of July, all Ukrainian regions are classified as “green” zones.¹²

- As regards travel restrictions, the Ukrainian government has been developing a vaccine passport in collaboration with the European Commission, in order to ensure inter-operability with the European Digital Passports system. On 14 July, the European Union included Ukraine in the “green list” of countries and recommended lifting travel restrictions for Ukrainians. The registration of Delta variant cases in the country, on the other hand, has prompted the government to change some of its quarantine regulations. Since the 2nd of July, travellers from India, Great Britain, Russia and Portugal are required to undergo a rapid COVID-19 antigen test at border checkpoints.¹³

Economic Impact & Policy Response

Economic Impact

- Like in many other countries, the impact of the COVID-19 pandemic on Ukraine’s economic growth has been significant. The National Bank of Ukraine (NBU) reported a decline in real GDP of 4% in 2020, compared with pre-pandemic estimates of 3.5% GDP growth over the period.¹⁴ The 2020 output drop was caused by implementation of strict public health measures in Ukraine and abroad, a weakening of domestic demand, and a sharp drop in trade and investment levels¹⁵:
 - Consumer confidence decreased from 92.2% in December 2019 to 60.7% in January 2021¹⁶
 - Foreign trade turnover fell by around 7.5%
 - The NBU reported a record FDI net outflow from Ukraine of USD 868.2 million in 2020, compared with an FDI net inflow of USD 5,833 billion in 2019¹⁷
 - In 2020, Gross Fixed Capital Formation (GFCF) declined by 24.4% y-o-y¹⁸

¹² <https://www.kyivpost.com/ukraine-politics/covid-19-in-ukraine-610-new-cases-33-new-deaths-1666-recoveries.html>

¹³ <https://www.ukrinform.net/rubric-society/3274017-ukraine-introduces-quarantine-changes-due-to-delta-variant-spread.html>, <https://visitukraine.today/>

¹⁴ https://bank.gov.ua/admin_uploads/article/IR_2020-Q1_eng.pdf?v=4

¹⁵ <https://bank.gov.ua/en/news/all/komentar-natsionalnogo-banku-schodo-zmini-realnogo-vvp-u-2020-rotsi>

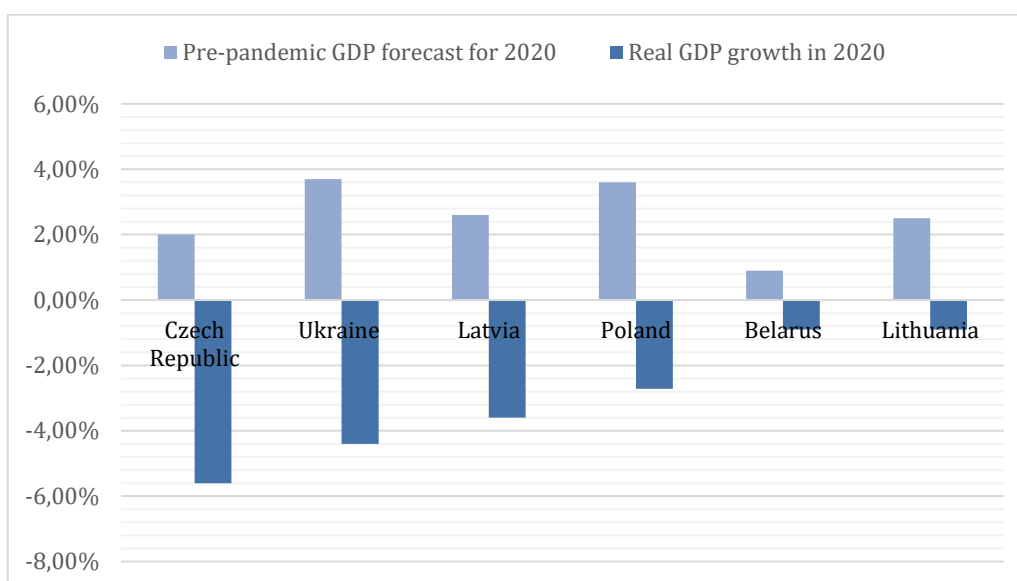
¹⁶ <https://bank.gov.ua/en/news/all/inflyatsiyniy-zvit-kviten-2021-roku>

¹⁷ <https://bank.gov.ua/ua/statistic/sector-external/data-sector-external#1>;

<https://finance.liga.net/ekonomika/novosti/ukraina-perejila-samyy-krupnyy-godovoy-ottok-inostrannyh-investitsiy-za-poslednie-20-let>

¹⁸ http://ukrstat.gov.ua/operativ/operativ2020/vvp/kkv_vvp/kkv_vvp_u/arh_vn_ok2020_u.htm

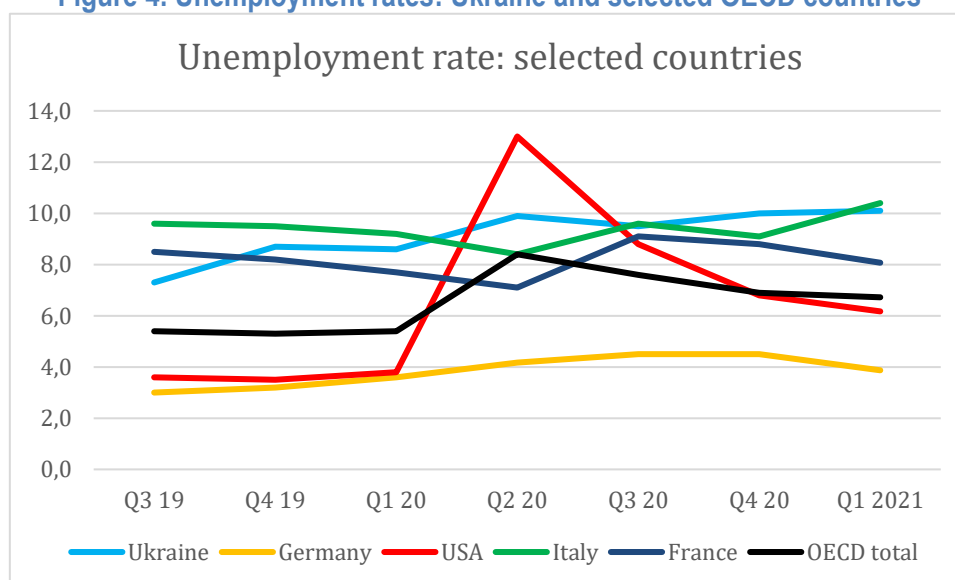
Figure 3. GDP growth in 2020: Ukraine and selected countries



Sources: World Bank, European Commission, Ministry of Finance of the Czech Republic, Bank of Lithuania

- The rise in unemployment in Ukraine was initially not as sharp as in many OECD countries, as shown in Figure 3. 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. By Q4 2020 however, unemployment in Ukraine had risen to 10%, exceeding unemployment rates in OECD countries such as France, Italy, and the United States. The unemployment surge was a knock-on effect of the November wave of COVID-19 in Ukraine, with businesses shedding labour in response to government plans to tighten public health measures.¹⁹

Figure 4. Unemployment rates: Ukraine and selected OECD countries

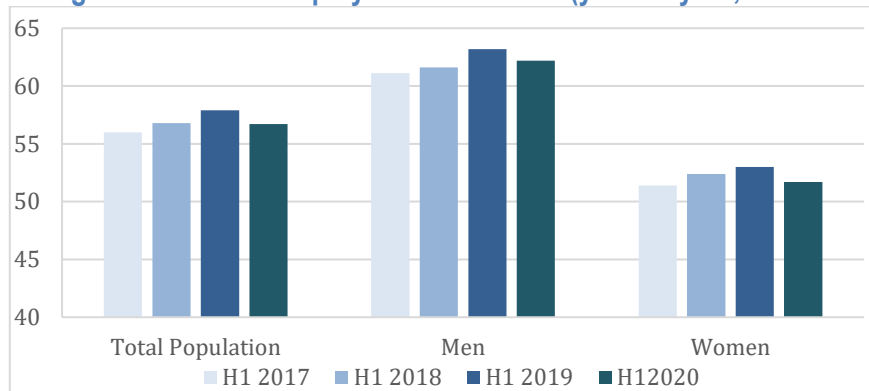


Source: OECD data, Ukrstat

¹⁹ https://bank.gov.ua/admin_uploads/article/IR_2021-Q1_eng.pdf?v=4

- The effects of the pandemic on employment have affected women more acutely than men, a phenomenon also observed in other countries²⁰. 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 4). 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 Ukraine²¹. According to UN Women and other expert sources, with the Covid-19 crisis women are likely to experience long-term setbacks in work force participation and income, with consequences on their economic security in the long run²².

Figure 5. Level of Employment in Ukraine (year on year, thousands)



Source: Ukrstat

- Relations with the International Monetary Fund (IMF) are at risk of further complicating the economic picture in Ukraine. In 2021, Ukraine expected to receive a second tranche of USD 2.2 billion from the IMF under the Stand-by Arrangement worth USD 5 billion that was approved in June 2020. However, the most recent virtual mission of the IMF to Kyiv ended in February 2021 without any recommendation on when the next tranche would be issued. The IMF expressed deep concerns over issues such as corruption, gas prices and the Constitutional Court crisis, and called for the implementation of structural reforms in these areas, as agreed in the Stand-by Arrangement.^{23 24 25} There is a risk of insolvency if Ukraine continues to fail to secure the IMF's financial support. Under such scenario, even large issuances of international Eurobonds might not suffice to maintain financial stability.

Recent policy measures

- The Government of Ukraine has implemented a number of initiatives to support the economy over the course of the pandemic. It set up a special fund to counter COVID-19 in April 2020²⁶ to which 80.9 billion²⁷ UAH were allocated. In order to support small and medium-sized enterprises (SMEs), which were dramatically affected by the COVID-19 crisis, the government of Ukraine launched the Programme "Affordable Loans at 5-7-9%" on February 3 2021, under which Ukrainian SMEs are able to receive loans at attractive interest rates

²⁰ <https://www.oecd.org/eurasia/gendergapsineurasia.htm>

²¹ UN 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

²² <https://www.unwomen.org/en/news/stories/2020/9/feature-covid-19-economic-impacts-on-women>

²³ <https://www.atlanticcouncil.org/blogs/ukrainealert/imf-puts-ukraine-on-pause-over-corruption-concerns/>

²⁴ <https://www.reuters.com/article/ukraine-imf-gas-prices-idUSL8N2JP4QX>

²⁵ <https://www.ukrinform.net/rubric-economy/3215718-imf-advises-ukraine-to-keep-focus-on-structural-reforms.html>

²⁶ <https://www.president.gov.ua/ru/news/volodimir-zelenskij-pidpisav-zmini-do-derzhbyudzhetu-na-2020-60725>

²⁷ <https://hromadske.ua/ru/posts/pravitelstvo-vydilo-dopolnitelnye-6-mlrd-grn-na-fond-borby-s-covid-19>

depending on the number of jobs they plan to create.²⁸ As of the 26th of July, more than 20 thousand loans totalling UAH 54.5 billion have been issued.²⁹

- In February 2021, the “Investment Nannies” Law (No.1116-IX), which aims at increasing state support for large investment projects in Ukraine, came into force. The law offers support including the provision of infrastructure and tax benefits to persons or entities investing more than EUR 20 million in Ukraine, and provides them with managers who assist with preparation and implementation of the investment projects (‘investment nannies’).³⁰ As of May 19, 2021, 15 applications totalling around USD 1 billion had been received by the Government Office for Investment Attraction and Support (UkraineInvest), the agency in charge of the initiative.³¹
- Like in other countries, the COVID-19 crisis added additional impetus to the digitalisation of public services in Ukraine.^{32,33} 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, opening of bank accounts, debt settlements and mortgages for migrants.³⁴ Moreover, in March 2021, Ukraine became the first country in the world to provide full equivalence of e-passports and paper passports, and launched beta testing for vaccination certificates for Ukrainians in July 2021.³⁵ ³⁶ People who have received two doses of a vaccine in Ukraine can register and get this certificate. Currently, about 10,000 users have registered.³⁷

The way forward

- In 2021, Ukraine’s GDP growth is forecasted to reach between 3.8% and 4%, according to leading national and international institutions. On 22 July 2021, the NBU maintained its forecast for Ukraine’s GDP growth in 2021 at 3.8%, despite stable consumer demand and favourable foreign trade conditions. The key interest rate was raised to 7.5% per annum. The World Bank also forecasts real GDP growth of 3.8% in Ukraine, taking into account the economic rebound of key sectors such as agriculture and processing from COVID-19, as well as the downside risk of new national lockdowns due to the slow pace of vaccination.³⁸
- Ukraine’s international currency reserves increased to USD 28.5 billion at the end of 2020 and USD 28.3 as of the 1st of July³⁹, their highest level since 2011. This is the result of a rise in the value of net exports and surplus of the balance of trade, as prices of primary exports such as agricultural goods, iron ore and steel, rose, while energy prices fell. This specific situation is, however, unlikely to recur. The NBU Board has decided to raise the key policy rate to 8% per annum, a step deemed necessary to raise inflation to 5%, in line with its previous levels, in 2022. As of July 2021, the NBU had left its 2021-2023 real GDP growth forecast unchanged at about 4% a year.⁴⁰
- Key challenges remain and further efforts need to be put in place in order to ensure a sustainable and inclusive recovery post-COVID 19, 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.⁴¹ The Government of Ukraine also lifted the moratorium on the sale of privately owned agricultural land on 1

²⁸ <https://www.kmu.gov.ua/en/news/oleksij-goncharuk-uryad-zapustiv-programu-dostupnih-kreditiv-5-7-9-pid-rekordno-nizkij-vidsotok>

²⁹ <https://www.kmu.gov.ua/news/dostupni-krediti-5-7-9-za-tizhden-410-kreditni-ugodi-na-8655-mln-grn>

³⁰ <https://zakon.rada.gov.ua/laws/show/1116-IX#Text> ; <https://www.ukrinform.net/rubric-economy/3188534-zelensky-signs-law-on-state-support-for-ukrainian-and-foreign-investors.html>

³¹ <https://www.kmu.gov.ua/en/news/denis-shmigal-sposterigayemo-zbilshennya-zacikavlenosti-do-ukrayini-z-boku-velikih-investoriv-mayemo-15-zayavok-na-ponad-1-mlrd-dolariv>

³² <https://www.atlanticcouncil.org/blogs/ukrainealert/covid-crisis-accelerates-ukraines-digital-revolution/>

³³ <https://www.atlanticcouncil.org/blogs/ukrainealert/ukraines-digital-revolution-continues-with-enhanced-legal-status-for-e-passports/>

³⁴ <https://thedigital.gov.ua/2020#diia>

³⁵ <https://www.unian.info/politics/ukraine-becomes-world-s-first-country-to-equate-e-passports-to-paper-ids-11371408.html>

³⁶ <https://en.interfax.com.ua/news/general/744464.html>

³⁷ <https://www.kmu.gov.ua/en/news/kabmin-zatverdiz-vprovadzhennya-covid-sertifikativ-v-ukrayini-yak-voni-pracyuvatimut>

³⁸ <https://pubdocs.worldbank.org/en/22625149201114754/mpo-ukr.pdf>

³⁹ <https://open4business.com.ua/ukraines-reserves-reach-28-36-bln/>

⁴⁰ <https://bank.gov.ua/en/news/all/natsionalniy-bank-ukrayini-pidvischiv-oblikovu-stavku-do-8>

⁴¹ <https://www.atlanticcouncil.org/blogs/ukrainealert/what-is-ukraines-economic-outlook-for-2021/>

July 2021, completing the land reform which aims to ensure transparency in the market, as well as settle the feed-in tariff issue that is undermining investment in Ukraine's renewable energy sector (RES) – the government currently owes over USD 1 billion to green energy producers as a result of historical contracts designed to encourage investment in RES.⁴² The results of the financial audit of the Covid-19 fund identified violations amounting to UAH 406.8. The undertaking of this audit was one of the requirements of the IMF.⁴³

- Moving forward the agenda of 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. The decision of the Cabinet of Ministers to dismiss the Chair and all members of the Supervisory Board of NJSC Naftogaz in April 2021 raised concerns among the international community that Ukraine was backtracking on one of its flagship reforms.⁴⁴ 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 (SOE) following international standards and good practices as per OECD recommendations⁴⁵.

This paper was prepared by the OECD Eurasia Division: Ms Gabriela Miranda, Ms Peline Atamer, Mr Geoff Upton, Ms Ksenia Lytvynenko, Ms Anna Alekseeva under the supervision of Mr William Tompson, Head of the OECD Eurasia Division.

Please direct comments to Ms Gabriela Miranda, Senior Policy Analyst and Ukraine Country Manager, OECD Eurasia Division: gabriela.miranda@oecd.org

This paper is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries. This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

The use of this work, whether digital or print, is governed by the Terms and Conditions to be found at <http://www.oecd.org/termsandconditions>.

⁴² <https://www.kyivpost.com/business/investment-in-ukraines-green-energy-falls-to-1-2-billion-euros.html>

⁴³ <https://www.epravda.com.ua/news/2021/05/25/674246/>

⁴⁴ <https://www.bloomberg.com/news/articles/2021-04-28/ukraine-fires-head-of-energy-company-risks-unnerving-investors>

⁴⁵ <https://oe.cd/UkraineSOE>