



Cabinet of
Ministers of Ukraine



SOCIO-ECONOMIC RECOVERY FROM THE COVID-19 CRISIS: AN INTER-SECTORAL DIMENSION

UNDP PROJECT "CRISIS COORDINATION MANAGEMENT IN UKRAINE"



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CONTENTS

GENERAL NATIONAL POLICY.....	5
CURRENT SOCIO-ECONOMIC SITUATION	6
RECOMMENDATIONS	8
On industrial policy.....	8
On agriculture	8
On SME support.....	8
On improvement of regulatory environment	9
On ensuring adequate access of the population to social services and protection of vulnerable groups	10
On job retention and overcoming unemployment.....	11
On youth AND SPORTS	11



GENERAL NATIONAL POLICY

According to World Health Organization (WHO) recommendations, the main objective of the national governments in responding to and overcoming the effects of the crisis associated with the spread of acute respiratory disease COVID-19 caused by coronavirus SARS-CoV-2 (hereinafter – COVID-19) is to strike a balance between the fight against the epidemic and the prevention of detrimental socio-economic consequences resulting from the lockdown restrictions¹.

The measures taken by the Government of Ukraine have to some extent stabilized the situation and ensured better preparedness, especially of the healthcare system, to detect and control the spread of the disease. In turn, it led to gradual mitigation and revision of approaches to restrictive measures. At the same time, infectious diseases such as COVID-19 are expected to take place in waves, as new localized outbreaks are already reappearing in Europe and other continents. It is confirmed by the statistics of the growth of cases recorded in Ukraine in the last weeks of summer 2020 and proves the importance of planning and modelling of socio-economic recovery processes in different epidemic scenarios.

In view of the above, similar to the policy of the EU member states², Ukraine should use current period to strengthen institutional preparedness in the socio-economic sector and build a coordinated response capacity to counter further COVID-19 outbreaks, maximizing opportunities for sustainable development in the context of epidemic's burden on the economy and social sector, considering its lessons learnt and mis-

takes at earlier stages of the pandemic. Ukraine's socio-economic policy should be aimed not only at (i) overcoming negative consequences of the pandemic (reactive approach), but also at (ii) developing response mechanisms for new outbreaks (proactive approach). In addition to the above, as noted by the World Bank experts, it is very important (iii) to ensure development and pursuance of long-term goals³.

The goal of this document is to provide proposals for measures that can be taken by public authorities to reduce negative socio-economic consequences of the pandemic in Ukraine in a cross-sectoral context (short-term/urgent, medium-term/regular, and long-term). The proposals take into account the provisions of the Forecast of Economic and Social Development of Ukraine for 2021-2023⁴ that offers the basic (the dynamics of the pandemic in 2020 stays the same or slows down, with its gradual extinction in subsequent years), pessimistic (current situation with the COVID-19 spread stays the same or deteriorates after 2020) and optimistic (pandemic is quickly overcome) scenarios. The following proposals reflect a combination of both baseline and pessimistic scenarios, as well as prioritize the focus on long-term solutions, cross-sectoral approaches and social issues, as the basic principles of priority economic policy measures for short- and medium-term recovery are developed by the Government and taken into account in what is stated below.

¹ Strategic Review of Crisis Response and Post-Crisis Recovery in Ukraine in the Context of COVID-19 Pandemic.

² Preparing The EU For Future COVID-19 Outbreaks. July 2020, https://ec.europa.eu/commission/presscorner/detail/en/fs_20_1351

³ Saving Lives, Scaling-up Impact and Getting Back on Track World Bank Group COVID-19 Crisis Response Approach Paper, <http://documents1.worldbank.org/curated/en/136631594937150795/pdf/World-Bank-Group-COVID-19-Crisis-Response-Approach-Paper-Saving-Lives-Scaling-up-Impact-and-Getting-Back-on-Track.pdf?fbclid=IwAR1hEG592UAQjxzi7BPakiCGyxrKeqorhzzSibsQNHKTYWVRPauweaA9cxE>

⁴ Approved by the Resolution of the Cabinet of Ministers of 29 July 2020 # 671, <https://www.kmu.gov.ua/news/minekonomiki-opublikovalo-uryadovij-prognoz-ekonomichnogo-i-socialnogo-rozvitku-ukrayini-na-2021-2023-roki>

CURRENT SOCIO-ECONOMIC SITUATION

Launch of the lockdown to counter COVID-19 in Ukraine and the impact of external factors that are especially significant for export-focused economies in a global pandemic have led to a significant slowdown in economic activity. In particular, the decline in industrial production in May 2020 (i.e., at the time of the transition to adaptive lockdown) amounted to 12.2%⁵. The decline in real GDP in the second quarter of 2020 was about 11%⁶, and end-of-year forecast is 8%⁷. Negative impact of the crisis also includes reduced production of consumer goods, retail, transport and services. Given the significant negative impact of COVID-19 crisis on Ukrainian economy, the Government has implemented a number of anti-crisis measures to support the real sector of the economy. They include the adoption of the State Economic Incentive Programme to overcome negative effects caused by restrictive measures to prevent COVID-19 for 2020-2022⁸. The programme identifies short- and medium-term economic measures in sectoral and functional areas.

Given the scale of challenges caused by COVID-19 and taking into account the structural imbalances in Ukraine's economy that affected pre-crisis economic growth, the main objective for the Government is to ensure sustainable economic growth and protect socio-economic rights of citizens. To ensure long-term economic

growth, structural changes are necessary aimed at increasing national competitiveness (in particular, the ability to produce high-tech goods that are competitive in world markets), productivity (competition is the main driver for that) and investment (to support rapid transformation, the scope of investment must at least number to 25% of GDP). These are key components of economic growth. In this regard, it is necessary to complement anti-crisis measures in various areas aimed at economic recovery with additional long-term instruments for economic recovery and sustainable economic growth. Active government policy to support various sectors during the crisis, development of their long-term competitiveness is directly related to increasing fiscal capacity of the state to support socially vulnerable groups, promote social protection, especially during the crises such as COVID-19.

The macroeconomic effect of COVID-19 crisis affects key parameters of social sector. In particular, with regard to such a key social parameter as poverty, international experts estimate that the poverty rate in Ukraine due to the economic crisis caused by the pandemic could reach 6.3-9 million people⁹. UNICEF emphasizes the growing risk of child poverty in Ukraine due to declining household incomes. According to preliminary estimates, the absolute poverty rate among children will increase to 58.5%. At the same time, the lockdown has multiple impact on children. For example, children face barriers to accessing distance learning due to lack or poor connection to

⁵ State Statistics Service, Economic Statistics, http://www.ukrstat.gov.ua/express/expres_u.html

⁶ National Bank of Ukraine, Inflation Report – April 2020, p. 16, <https://bank.gov.ua/ua/news/all/inflyatsiyniy-zvit-lipen-2020-roku>

⁷ IMF, IMF Country Report No. 20/197, p.7, <https://www.imf.org/~media/Files/Publications/CR/2020/English/1UKREA2020001.ashx>

⁸ Approved by the Resolution of the Cabinet of Ministers of 27 May 2020 #534, https://www.kmu.gov.ua/npas/pro-zatverdzhennya-derzhavnoyi-programi-stimulyuvannya-ekonomiki-534-270520?fbclid=IwAR105_5sR5UCYKqYEWQ2s4yLHzf-kxL-po9ah8wZLVC7r9K9IezbV0sVhk

⁹ This asymmetry can be explained by a significant shadow sector of the economy. Brief #2: Putting The UN Framework For Socio-Economic Response To Covid-19 Into Action: Insights June 2020, <https://reliefweb.int/report/world/brief-2-putting-un-framework-socio-economic-response-covid-19-action-insights-june-2020>

the Internet, lack of necessary equipment for learning. According to the UNICEF report, one in four children and one in three adolescents in rural households cannot afford a laptop. Every tenth child in the cities suffers from extremely insufficient living space. According to expert estimates, about 1.2 million children were left without free school meals¹⁰.

It suggests that the pandemic creates asymmetric impact for different age groups. For example, the most socio-economically vulnerable people are persons under 25 years old. Namely, according to OECD estimates, the risk of losing a job for this age group is 2.5 times higher than among those aged 25 to 64. Instead, according to International Labour Organization, this rate may be even three times higher¹¹. At the same time, according to the UNICEF U-Report survey, many young people do not know a clear course of action for coronavirus-like symptoms, how to protect themselves from stress, mental health prevention measures, etc.¹². It proves that the young people lack awareness on how to protect themselves from COVID-19 and how to act in case of symptoms.

Yet another socially vulnerable group is single pensioners who have reached 65 years old. Specifically, the share of the elderly is 23% of the total population of Ukraine, and most elderly people have at least one chronic disease. In this respect, it is important to emphasize that relatively similar share – 29% – was noted in Italy where the highest mortality rate caused by the pandemic was recorded in the spring of 2020. Therefore, special focus should be paid to explaining measures aimed at protection against infection, as well as motivating older people to protect themselves, including for the sake of future generations and reviewing their social interaction routines to bring them in accordance with anti-epidemic rules.

In turn, according to UN estimates, 46% persons who have reached the age of 60 have disabilities¹³. People with disabilities are gen-

erally particularly vulnerable to the effects of a pandemic, as they are a risk group. In addition, they have an increased need for inclusiveness, improved social and economic conditions, they have limited ability to keep physical distance, face barriers to access necessary information and deterioration of their social isolation due to the restrictive measures and medical risk factors. Many people with disabilities work in the informal sector of the economy or are employed in social production entities. It increases their vulnerability to the effects of a pandemic. In view of the above, UN puts special emphasis on the need to take action to ensure socio-economic security of this group.

The increased share of socially vulnerable population is due to rising unemployment. It is noteworthy that according to data of the State Employment Service of Ukraine on the number of employed, only 2% of the labour force (368 thousand Ukrainians) lost their jobs during the peak period of COVID-19 crisis¹⁴. Instead, according to alternative data, up to 3.1 million Ukrainians – or 17% of the workforce – suffered hidden unemployment at the peak of the lockdown (the employment of these people was reduced or they took unpaid leaves)¹⁵. Also, this data asymmetry can be explained by a significant shadow sector of the economy¹⁶ and an increase in the economically inactive population¹⁷. According to the State Employment Service of Ukraine, as of 1 May 2020, the number of vacancies decreased by 30%, and on 1 June 2020, by 25% (compared to the date of the lockdown start). According to International Labour Organization forecast¹⁸, the recovery of the labour market is jeopardized due to the risk of a new wave of COVID-19 in the second half of 2020.

¹⁰ <https://www.unicef.org/ukraine/flash-reports>

¹¹ Strategic Review of Crisis Response and Post-Crisis Recovery in Ukraine in the Context of COVID-19 Pandemic

¹² UNICEF: Only a quarter of young people surveyed in Ukraine know how to deal with coronavirus (27 March, 2020), <https://cutt.ly/lidill8s>

¹³ UN Department of Economic and Social Affairs: <https://www.un.org/development/desa/disabilities/disability-and-ageing.html>

¹⁴ How many people lost their jobs due to the coronavirus? Official statistics and alternative sources, <https://ces.org.ua/lost-jobs-because-coronavirus/>

¹⁵ What was the situation on the labour market during the quarantine and whether there is a recovery? <https://ces.org.ua/labour-market-during-quarantine-ukraine/>

¹⁶ Brief #2: Putting The UN Framework For Socio-Economic Response To Covid-19 Into Action: Insights June 2020, <https://reliefweb.int/report/world/brief-2-putting-un-framework-socio-economic-response-covid-19-action-insights-june-2020>

¹⁷ ILO Monitor: COVID-19 and the world of work. Fifth edition, https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/briefingnote/wcms_749399.pdf

¹⁸ ILO Monitor: COVID-19 and the world of work. Fifth edition, https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/briefingnote/wcms_749399.pdf

RECOMMENDATIONS

Based on the above, the following recommendations are suggested:

ON INDUSTRIAL POLICY

- taking action to eliminate administrative barriers and improve business environment (simplification of licensing and licensing system, fight against corruption, judicial reform) to attract investment in the industry;
- setting up a separate central executive authority that will be responsible for development and implementation of industrial policy;
- industrial policy should be based primarily on the elimination of inefficient market mechanisms rather than on increasing the competitiveness of individual enterprises;
- providing state support to those export-oriented enterprises that produce products with high added value and are competitive in foreign markets;
- formulating a clear mission in the industrial policy development that would encourage new activities and be focused on clearly defined goals rather than on the support of existing companies; and
- providing state support that would target specific activities rather than be sector-wide and limited in time.

ON AGRICULTURE

- launching a full-fledged land market to remove obstacles to the development of the agricultural sector in Ukraine;
- ensuring compatibility of the data of the State Land Cadastre with the State Register of Property Rights to Real Estate;
- launching national programmes on digitalization in the field of agriculture, forestry and fisheries that would increase the technological effectiveness, productivity and efficiency of economic processes in these areas, as well as create effective mechanisms for monitoring the use of natural resources in terms of sustainable development and environmental sensitivity;
- ensuring full operation of the State Agrarian Register throughout Ukraine; and
- consider setting up an institution that would provide partial guarantees to farmers for loans secured by land.

ON SME SUPPORT

- ensuring access to finance by guaranteeing loans to the SMEs;
- expanding the 5-7-9 percent Affordable Loans programme and easing its conditions to expand access and reach more SMEs;

- providing subsidies under specific conditions (for example, decrease in turnover by 70% or more as a result of the COVID-19, the production of goods that are designed to combat COVID-19);
- providing assistance in finding new markets (encouraging large enterprises to attract the SMEs to supply chains, strengthening support to the Office for Export Promotion of Ukraine);
- assistance in the launch of new digital tools in their operational activities; providing free digital services (video conferencing, cybersecurity, online learning platforms) to the SMEs for certain period of time;
- implementation of training programmes for the SMEs and potential entrepreneurs on digital skills development, especially in rural and low-urbanized areas;
- assistance in the introduction of new business practices for the SMEs (contactless retail and delivery, standardized packaging of fresh food, online training, online office);
- acquisition of cloud technologies to enable the SMEs to engage in e-commerce, for online learning, distance work, joint research and development;
- making SME activities 'greener' through financial and regulatory support to reduce carbon emissions, encourage sustainable and environmentally-sensitive public procurement with a view to increasing the capacity and prospects of the SMEs to bid, harmonization of regulatory framework in the context of the EU incentives on green public procurement;
- support for innovation (measures to encourage the SMEs to innovate in the production of goods related to treatment, testing, monitoring to combat COVID-19); and
- assisting in the implementation of training and retraining programmes for employees whose jobs have been potentially or actually affected by COVID-19 crisis (training to maintain existing skills, further training).

ON IMPROVEMENT OF REGULATORY ENVIRONMENT

- review of all the regulatory acts adopted during the crisis period for their repeal or adaptation to reflect the prospects of their long-lasting effects to eliminate uncertainty for business;
- revision and implementation of the Action Plan for deregulation of economic activity and improvement of the business climate;
- introducing a provision that determines the limited period of validity of legal acts; and
- improving the practice of regulatory impact analysis.

A comprehensive strategy has to be developed to reflect the links between foreign direct investment, industrial policy, infrastructure development, trade and vocational education with job creation and capacity building of institutions such as the State Labour Service and trade unions. Employment policy should take into account the context of decentralization and maximize opportunities for local initiatives, in particular in line with ILO approaches. Practices on job retention and financial support for informal sector workers, seasonal workers, and the self-employed should be expanded.

At all levels of economic activity, focus should be made on safe working conditions for all workers in strict compliance with labour protection rules, including anti-epidemic and sanitary requirements. The effective occupational risk classification system should be adapted to the challenges posed by COVID-19 crisis. In addition, it is advised to further implement and enhance the e-government systems to reduce administrative

and regulatory barriers. Specifically, these practices should be promoted in remote rural areas and regions affected by an armed conflict.

ON ENSURING ADEQUATE ACCESS OF THE POPULATION TO SOCIAL SERVICES AND PROTECTION OF VULNERABLE GROUPS

- monitoring whether new vulnerable populations emerge due to the pandemic in order to provide timely targeted assistance. It requires the collection and processing of data disaggregated by sex and social identifiers, identification of vulnerable groups among all the population groups and a focus on overcoming inequalities and discrimination in society;
- ensuring continued provision of all the basic services and optimizing the process of assigning and implementing social benefits (both universal and targeted, to cover the most vulnerable groups);
- adjusting the procedure for registration and payment of all types of social assistance, taking into account the requirements for preventing the spread of COVID-19, in particular, through as wide digitalization of processes as possible¹⁹;
- ensuring the identification and continued access to alternative care measures for vulnerable populations (e.g., children who may be temporarily deprived of parental care due to COVID-19, hospital admission or death of a parent or caregiver). It requires strengthening the links between health and social service providers at the national, regional and community levels.

- providing training for social workers, families and staff of small group homes on care and psychosocial support;
- starting work with communities to develop social service provision, in particular to help single people at risk or people in observation or voluntary self-isolation, day care for children with disabilities and people with disabilities; support during inclusive education; temporary leave for parents or their substitutes caring for children with disabilities;
- raising resources to support the homeless and the most vulnerable groups and establishing the centres to coordinate the government, community and social business initiatives to help the vulnerable and lonely persons.

One of the most critical issue is to expand existing mechanisms of social protection and preventing the reduction of assistance. For example, from 2018 to 2019, the budget has seen a significant reduction in expenditures on subsidies for housing and utility services²⁰. In particular, it concerns the increase in child support, where consideration should be given to doubling the amount of monthly payments and extending its validity. School meals are important, especially for vulnerable families. The school meals programme should be expanded and attract co-financing (for example, 70/30) from the state and local budgets. Consideration should also be given to expanding opportunities to guarantee unconditional income, unemployment benefits and job placement supports. Resources can be consolidated with the housing subsidy funds and programmes for single parents/mothers.

In addition, it is necessary to improve the existing mechanisms for receiving and distributing humanitarian aid, in particular with

¹⁹ For example, in certain cases, subsidies for housing and utility services are not assigned until the certificate of inspection of housing conditions is produced. At the same time, according to the social security departments, this certificate can only be produced after the end of the restrictive measures. As a result, certain categories of the unemployed are deprived of the opportunity to receive subsidies for housing and utility services for the lockdown period.

²⁰ Mitigation of the negative impact of the COVID-19 pandemic on vulnerable children and vulnerable families: recommended social protection measures. An analytical note. April 2020, <https://www.unicef.org/ukraine/media/4931/file/SP%20Analytical%20note,%20Ukrainian.pdf>

regard to assigning the Ministry of Social Policy as a specially authorized public authority for humanitarian aid in accordance with the Law on Humanitarian Aid²¹. Such improvement can take place by building the capacity of the Ministry of Social Policy to quickly implement the full cycle of relevant objectives, entrusting the function of coordinating humanitarian aid with an inter-agency collective body (including the State Commission for Technogenic and Environmental Safety and Emergencies), establishing a specialized operational body for humanitarian aid and wider humanitarian activities.

ON JOB RETENTION AND OVERCOMING UNEMPLOYMENT

- improving the system of collecting statistical data, given that official statistics and opinion polls on employment show different rates²². With this regard, data collection should be improved – data should be collected on a weekly basis rather than every month or even a quarter, because during the first wave, the employment situation changed very quickly²³. The targeted approach is also relevant given the decline in budget revenues²⁴ (the Government expects a sharp 4.2% decline with rising inflation of 7%²⁵, growing state budget deficit and lack of external funding);
- improving partial unemployment benefit mechanisms in the event of the next wave of COVID-19 crisis to reach a group of people who are in hidden unemployment²⁶;

- ensuring social protection by promoting formal employment and taking action to increase employment, taking into account the age-related vulnerability of various groups to COVID-19 and the projection of its impact on the labour market.

It is crucial to help people who lost their jobs during the COVID-19 crisis effectively develop new skills (including through remote modalities). Focus should be made on the informal sector of economy²⁷, small and micro enterprises affected by COVID-19, and migrant workers, including those who were forced to return to Ukraine after losing their jobs abroad, and foreign workers in Ukraine. Such training can take various forms. For example, some countries have introduced subsidized vouchers to unemployed workers to improve their skills and retrain. As part of such a programme to respond to rising unemployment and narrowed employment opportunities, it is critical to develop and implement an action plan to ensure proper professional development and lifelong learning for people with disabilities; creating conditions for development of new skills and employment opportunities in the context of Industry 4.0 in the context of remote work.

ON YOUTH AND SPORTS

- in accordance with international recommendations, introduce classification of sports according to the degree of risk and improvement of awareness about possible risks and their management;
- development and dissemination of detailed risk management recommendations for sports organizations;

²¹ <https://zakon.rada.gov.ua/laws/show/1192-14#Text>

²² Centre for Economic Strategy, What was the situation on the labour market during the lockdown and is there a recovery, <https://ces.org.ua/wp-content/uploads/2020/07/Зайнятість-під-час-карантину-2.pdf>

²³ Ibid.

²⁴ World Bank Report. Fighting Covid-19, released on April 2020.

²⁵ Ministry for Development of Economy, Trade and Agriculture of Ukraine's consensus forecast. Ukraine in 2020-2021, consequences of the pandemic, <https://www.me.gov.ua/Documents/Detail?lang=en-GB&id=a00c801f-00da-40f4-936b-7185e583d782&title=UkraineIn2020-2021-AftermathOfThePandemicConsensusForecast>

²⁶ Centre for Economic Strategy, What was the situation on the labour market during the lockdown and is there a recovery, <https://ces.org.ua/wp-content/uploads/2020/07/Зайнятість-під-час-карантину-2.pdf>

²⁷ According to OECD estimates, in 2019 the scope of the informal sector of economy reached 30%. The COVID-19 Crisis In Ukraine (July 2020), <https://www.oecd.org/eurasia/competitiveness-programme/eastern-partners/COVID-19-CRISIS-IN-UKRAINE.pdf>

- liaising with all stakeholders (representatives of civil society institutions and institutions working with children and youth, in particular with youth and children's NGOs and youth centres, international organizations, youth advisory bodies, student self-government bodies, youth professionals, youth workers, youth and other interested organizations). It requires the development and implementation of a risk communication strategy and community engagement plan to raise public awareness about health, current development, key events and any advice and recommended actions they should take (e.g., through social media, media monitoring). At the same time, encourage the sports community, including the sports education community, disseminate WHO recommendations and other guidelines for individual and collective action against the pandemic²⁸.
- building institutional capacity to implement prevention and control measures;
- creating opportunities for online learning and training, as well as ensuring gradual resumption of the training process, taking into account the risks associated with the sports events (for example, taking into account the features of the venue, number and key features of participants – health condition, origin, international/local travel routes to the event, etc., expected interaction between participants during the event (close contact, etc.);
- developing and disseminating information, videos, trainings and webinars to keep young people active at home; and
- development of an action plan to shape public attitudes of young people on combating COVID-19.

In the context of youth policy, it is important to work with social partners to gain appropriate level of support for socially vulnerable youth and to promote targeted services to the most vulnerable youth groups, including young people who do not work or study; homeless youth; adolescents who are at increased risk of domestic violence.

²⁸ The impact of COVID-19 on sport, physical activity and well-being and its effects on social development. Policy Brief # 73, <https://www.un.org/development/desa/dspd/2020/05/covid-19-sport/>







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