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Supporting Ukraine's Economy and Businesses during the Corona-Crisis

Attachment to 21 April 2020 open letter by International Council of Business Associations and Chambers in Ukraine (ICBAC) to President of Ukraine, Prime Minister of Ukraine, and Speaker of the Verkhovna Rada of Ukraine

International Council of Business Associations and Chambers in Ukraine (ICBAC) fully appreciates that the novel coronavirus is posing an immense threat to the global physical and economic health alike, with a drastic impact looming. Politicians all over the world face tough choices which try to, at the same time, keep face-to-face interaction to a minimum to stop the spread of the infection with the consequent drop in GDP and keep the businesses (somewhat) open to minimize the unemployment and companies' losses while risking a wider spread of the virus.

The companies which make up ICBAC member associations, who employ millions of Ukraine citizens, are naturally concerned about the healthcare and the economic effects of the COVID-19 by the authorities and its impact on economy, businesses and individuals in Ukraine. Our companies are concerned about the potential effect which the actions of Ukraine's authorities can have on them and their employees, and our partners, i.e. the businesses who supply inputs for our operations, our transport and distribution partners, who buy our products and services in Ukraine.

We underscore that the intent of this document is not to criticize the actions of anyone or politicize this issue. Our intent is to share our concerns and ideas with the authorities so that all of us can return to the normal business as soon as possible. Some of our concern is caused by the appearance, once in a while, of a lack of systemic approach to fighting COVID-19 in Ukraine by the authorities. This may be a result of insufficient communication by the authorities to the business community, rather than the actual lack of a strategy and an action plan. ICBAC would appreciate the opportunity to be a closer partner for Ukraine's authorities in fighting the disease and the economic effects thereof, even if through sharing the best practices from and mistakes made by our countries' authorities.

This attachment consists of 3 parts:

1. Ukraine's vulnerabilities in the face of COVID-19 pandemic
2. Ukraine: measures taken and proposed, with potential impact as seen by business
3. Experience of ICBAC countries as potential examples of actions

1. UKRAINE'S VULNERABILITIES IN THE FACE OF COVID-19 PANDEMIC

The longer term impact of the COVID-19 pandemic remains to be seen and will largely depend on the combination of several sets of factors whose impact at present remains uncertain:

- healthcare (e.g. effects of the weather on decreasing the contagion's strength; immunity development and reinfection after recovery; potential use of existing medications to counter COVID-19; development of new testing technologies, medications and vaccines against the coronavirus)
- societal and financial (e.g. behaviour of population groups in various countries and within one country which can promote or decrease the contagion; popular reactions to limitations of personal freedom, which may result in social unrest; level of savings held by individuals and businesses in a country as well as overall banking system stability),
- external non-disease factors which, in combination with pandemic, can stretch a country's resources to the point of collapse (force of nature type factors like a critical level power outage caused by a natural disaster or a cyberattack, large scale weather anomalies resulting in major crop failures, etc. – in Ukraine, the forest fires have already tested the first responders).

Developed economies are able to devote certain funds – whether from own budget or from IFIs or multilateral assistance packages – to the healthcare measures as well as to the support of business, especially SMEs, to allow employers to keep the staff on the payroll, even if part-time. Various complexes of measures which include various intensities of testing, carrier tracking, and quarantine-like regimes have been employed with varying results, with one thing remaining true – early acknowledgement of the problem leading to lower morbidity.

Compared to the developed countries, Ukraine is rather vulnerable to both the healthcare and the economic risks, short-term and long-term, posed by the pandemic.

Healthcare Vulnerabilities

With the healthcare system reform unfinished after years of the inefficient Soviet/post-Soviet system which was under-budgeted and rife with corruption, Ukraine's healthcare lacks the funds and instruments for diagnosing and treating large quantities of population (more so than the developed economies). The international experts rightly criticize the persistent and enormous deficit of Ukraine's testing capacity and test administration: whereas in Germany every 100 of 1,000 individuals have been tested, in Ukraine at present the comparable number is max. 10 out of 1,000, a mere 10% of the number in Germany.

Additionally, it seems that the late start of testing for COVID-19 contributed to a much wider than reported spread of the disease and, potentially, to the death toll with deaths being attributed to influenza or atypical pneumonia, with the resulting lack of social contacts for those infected by the misdiagnosed patients. One of the results of misdiagnosis may be a high number of healthcare professionals who are getting sick with COVID-19 seemingly without having any contact with the infected.

Consequently, Ukraine lacks the statistics suitable to accurately estimate the actual number of the infected and to develop virus spread models for predicting the infection curve and the potential timing scenarios for gradually relaxing the quarantine measures. We presume the quarantine will be extended after April 24; we believe the end of quarantine should not be driven by a specific date in someone's mind like it was during the Soviet times, but by the healthcare professionals' ascertaining that the infection spread has been in fact receding consistently for the period of time recommended by the WHO and other similar authorities. The aim of such procedure is to prevent a total overload of hospital capacities as has been seen in Lombardy in Italy with doctors even having been forced whom to treat and whom to let die.

The healthcare situation is exacerbated by the fact that Ukraine (like many other countries) doesn't manufacture enough personal protection equipment (PPEs), and the global supply of the relevant consumables and equipment is negatively affected by a higher-than-usual demand and restrictions on export imposed by some of the countries with manufacturing capacities; delays in ordering the equipment doesn't help the matters either.

While businesses through CSR programs, NGOs and volunteers are assisting the society in addressing the healthcare factors, the authorities may want to play a more active leadership, strategic planning and logistics role.

Economic Vulnerabilities

The negative factors affecting the economic side of the corona-crisis for Ukraine are the following:

(1) urgent need of central and local budgets to finance healthcare measures (which may be partially hampered by the recent cutting of the local budget revenues in the budget amendments);

(2) pre-existing economic downturn with the decrease in industrial production that started even before the COVID-19 pandemic hit;

(3) low financial cushion of the internal consumers (i.e. savings which can be used in the time of crisis);

(4) low financial cushion of the SMEs which threatens high unemployment rate and the corresponding stress on the state budget (for reference purposes, unemployment in the EU countries is projected at 10-16%);

(5) high percentage of the shadow economy in Ukraine including unofficial employment of individuals or unregistered business operations which would preclude them from applying for unemployment benefits, thus further decreasing the purchasing capacity of Ukraine's internal market needed for the economic recovery;

(6) longer-term potential decrease in the purchasing capacity of Ukraine's export destination countries or potential replacement of Ukraine's products by local manufacturers;

(7) potential decrease in global prices for unprocessed commodities which make up a large portion of Ukraine's exports;

(8) longer-term potential decrease in the ability of Ukraine's suppliers to deliver products which enterprises in Ukraine require to continue participation in the global value-added chains;

(9) complete uncertainty regarding the return of the cash inflows ($4 billion at minimum in 2019) from approximately 500,000 Ukraine's migrant workers who returned to Ukraine or who remained in countries of their employment but are currently unable to send earnings to Ukraine whether through dire circumstances in the host country or because they returned to Ukraine;

(10) uncertainty about approximately 200,000 citizens of Ukraine who work as sailors worldwide and whose revenues are likely to decrease or disappear due to the global decrease in trade and transportation;

(11) lower than normal ability of emerging market countries, to which Ukraine belongs, to access capital for investment projects.

SMEs are the mainstay of Ukrainian economy: according to UCCI, an ICBAC member association, there are 650,000 SMEs employing 4 million people (and feeding a multiple of that). The majority of these businesses lost 50-90% of their income since the imposition of quarantine; according to several polls in March (Advanter Group, etc.) savings available to SMEs to funds their operations will only last 4 weeks for 57% of them and up to 2 months for 20% of them. Numerous self-employed individuals, whether registered as sole proprietors or not, are jobless too and have even lower savings (regardless of the reasons for having or not having the savings).

Due to layoffs in the past 3 weeks, at least 700,000 individuals lost their jobs, and it is expected that many more will follow (this is no different than the Western countries who now have the second wave of layoffs).

As the developed economies have their budgets strained with the COVID-19 pandemic response, there is a chance that the assistance to Ukraine from Ukraine-friendly countries (especially the defense and security assistance, i.e. materiel, training, participation in various NATO and bilateral programs) can decrease - especially in the long run, when these countries feel the full brunt of the COVID-19 economic impact.

It may look like Ukraine is trying to maintain the appropriate ties and the international image of a responsible country by participating in NATO airlifts, sending aid to Italy etc. We hope that these actions are a part of an action plan aimed at minimizing the decrease of international assistance to Ukraine due to the above reasons, rather than a one-off actions by Ukraine's authorities.

Ukraine faces an additional risk: the Russian Federation is unlikely to forego an escalation at the frontlines in the east of Ukraine if its leadership perceives that there's a significant level of disease spread among the Armed Forces of Ukraine, the National Guard of Ukraine and other defense and security agencies and Ukraine's ability to defend itself is lowered.

2. UKRAINE: MEASURES TAKEN AND PROPOSED, WITH POTENTIAL IMPACT AS SEEN BY BUSINESS

The two-fold nature of the crisis dictates the nature of the measures to be aimed at (1) reducing the risk of infections (including redirection of funds into the urgent areas of the state and local budgets) and (2) economic support for businesses and population.

Healthcare/Quarantine Measures

Quarantine measures in Ukraine introduced on March 16, 2020, while the official number of infected was a mere 50, exceeded some of those in Western Europe in that even public transport was shut down (the initial problem of inability of some of staff of hospitals, pharmacies, food retail and critical infrastructure entities to travel was resolved through exemption from quarantine and special passes). The public transport shutdown forced many companies to quit operations and thus had a more drastic impact on the economy as compared to the EU.

To allow businesses to easier move employees to working from home, Verkhovna Rada introduced a new definition of remote work which, while not perfect, is better than previous one and allows to address the situation at hand. Additionally, self-isolation is now paid by employer for the first 6 days, then the Social Fund covers the payments, just like in case of a work injury.

Allowing the work of public service centers where anyone can get Qualified Digital Signature which can improve digital access to state services including those for businesses was also the move appreciated by business.

In general, attempts to use digitalization of economy to promote remote work and allow businesses to continue operating as well as seeking partners in Ukraine's IT sector to resolve various COVID-19 related issues is a step in the right direction (e.g. the #HackCorona in Ukraine National IT Project Contest (https://hack-corona.gov.ua/) in partnership with the Swiss Agency for Development and Cooperation, the Eastern Europe Foundation and Innovabridge, as well as the United Nations Development Program (UNDP) where 22 projects were selected to get 4 million UAH).

Moving G2B interaction more into digital format (e.g. renewal of licenses online if no substantive changes have been made to the product since previous license), accepting online payments for all administrative services, allowing internet access to as many registers as possible will also increase business' and individuals' ability to shelter-in-home while reducing the interruptions to operations.

At the same time, due to the speed of development of some of the IT initiatives and lack of information about them, international experts, business and population expressed concerns regarding the balance of the public need and the security of private information, especially with the increasing need to track the contacts with the infected. We believe a more advanced communication campaign by the authorities is needed to alleviate the potential social tension and encourage popular participation in these actions. We also believe it is very important to have the public and the private sector experts working together rather than everyone spending time and resources on developing their own version of software or other solutions which solve the same problems like tracking those who are supposed to be in self-isolation, tracking contacts with the infected in order to test them etc.

Economic Measures

The creation of the Council on Economic Development of Ukraine under the Prime Minister of Ukraine as an expert advisory body to work on minimizing the negative effect of the COVID-19 and developing scenarios for economic recovery is seen by business as a very positive step.

While we fully understand the complexity of issues at hand and the uncertainty which Ukraine's authorities face, as such a crisis has not hit humanity in a very long time or perhaps ever, we believe that it is imperative that the speed of developing (or adapting programs from other countries to Ukraine's specific situation) and implementing such programmes be increased. The Western countries' programs were conceived, passed through legislature, and implemented with financial distributions starting beginning of April.

Prompt injection of liquidity into economy (macroeconomic level) as well as businesses and citizens (microeconomic level) is much more effective at preventing individuals' poverty and resulting potential unrest and bankruptcies of sound/viable businesses. This will probably have to involve non-repayable grants, and perhaps some of the reserves of the National Bank of Ukraine have to be sacrificed in such emergency situation.

The state budget for 2020 was changed to have GDP at -3.9% (as opposed to previously projected annual 3.7% growth), inflation is forecasted at 8.7% and the unemployment at 9.4% (instead of forecasted 8.1%), with the Hryvnia falling to 29.5 per US$1 rather than the projected 27 UAH/US$1.

We believe that the economic impact on Ukraine will actually be harsher than predicted by the government of Ukraine in the revised 2020 budget. The World Bank forecast is not as optimistic, and the assumptions in the revised 2020 budget are by far too optimistic. German Advisory Group Ukraine as well as economist and former Minister of Economy Tymofiy Mylovanov deem a GDP-drop of up to 9% and a budget deficit of maybe even 10% more realistic. The gap between stated needs and probable needs may only be bridged by additional help from the International Monetary Fund (IMF) amounting to several billion USD.

Assistance packages have to be financeable, i.e. affordable. This necessitates sufficient room for monetary, fiscal and micro-economic measures. Ukraine is very limited in that as compared to the developed countries. This may be the reason for the comparatively small volume of support packages included in the revised budget 2020 adopted by parliament in the week starting April 13: US$2.5 billion + $1 billion mostly for pensions; small Austria operates a package of €38 billion. Ukraine's assistance packages may fall by far short of realistically necessary volume.

It is imperative that the government and the Verkhovna Rada of Ukraine do what is required to obtain the support of the IMF for Ukraine to continue, starting with the Extended Fund Facility (EFF). In this way, Ukraine can fund the measures that will be needed to facilitate the post-pandemic recovery and can meet its external debt obligations. Apart from the financial means providing the possibility to curb the damage to the economy businesses and citizens, such support serves as a signal to all other international stakeholders such as capital and financial markets.

Both private and state-owned enterprises (SOEs) in all sectors need to prove their ability to produce goods and services beyond the quarantine period. While the state privatization program has been suspended, some of the SOEs continue to be a burden on the state budget; this may be the time to cut the ballast in order to save the entire ship.

There should be a statement made that oligarchic structures should not be prioritized due to their connections/influence but gauged under the same principles as other private businesses.

Verkhovna Rada of Ukraine approved two laws providing economic support to businesses on March 17 and March 30, with 9.3 billion UAH overall support which includes 4.3 billion UAH through cancellation of Single Social Contribution for sole proprietors in March-April, 2.9 billion UAH through cancellation of property tax in March (getting strong criticism from the local authorities for whom this tax constitutes approximately half of the tax revenue), 1.1 billion UAH through increasing the budget of Unemployment Insurance Fund, and 1 billion UAH through increase of revenue limits for those sole proprietors who pay taxes (analysis by UCCI, an ICBAC member association).

However, businesses, especially SMEs lacking liquidity, may have to face selling off their assets in order to stay afloat; in this case the property tax cancellation will have no positive affect. We believe that a correction or temporary adjustment of “5-7-9%” affordable loans program for small business from fixed assets purchase to other purposes which allow the businesses to survive.

Support for those businesses which will need some time after the end of quarantine before they can (fully) restart their operations including those who depend on foreign markets.

When it comes to the debt service “holidays”, the SMEs may not be able to service these additional debts even if they are interest-free since the losses made actually are non-retrievable (they are sunk costs). Tax holidays or reductions will not make much of a difference since relevant amounts are relatively low.

We are concerned about the recent registration of draft law #3311 which proposes to change income tax rates for enterprises (decrease for micro- and small business while increasing them for larger businesses). This will not - cannot - assist businesses in keeping the employees on the payroll and will result in higher unemployment rate with consequent increase in the burden on the state budget. Apart from that the financial effect of such a measure may be small due to many companies ending up in a loss position in 2020.

A mechanism needs to be developed for dealing with 1 million (according to UCCI estimate) of individuals who work in the “quarantined” sectors unofficially and without state registration which would have enabled them to receive state support. The assistance programs may be designed in a way to give incentives for at least some of these individuals to move from shadow economy to the “official” economy and stop evading taxes and social contributions by making assistance in some way conditional on the future behavior (perhaps through a “confession/grace/zero tax return” program available online).

Apparently, at least some of the registered sole proprietors can’t receive state unemployment aid if their business stops and revenues disappear. There are proposals to allow state support mechanisms for them if the business had to stop operations due to COVID-19.

One of the government measures should be an effective short-time working program, supported by grants, to mitigate layoffs; such programs already forestalled layoffs of several million workers in Germany, the UK, France, Austria, etc. with more than US$1 billion already spent.

Another way that the government can keep some businesses in operation while at the same time improving the supply of much-needed testing, protective, and ventilation equipment is to have a program similar to the U.S. Defense Production Act which President Trump invoked recently. Currently the Act is supposed to aid the manufacturers of lung ventilators for coronavirus patients in obtaining the supply of materials they need. Instead of trying to compete on the global market with other countries Ukraine can direct the funds earmarked for the purchase of the necessary medical equipment and consumables to the local businesses who are already manufacturing these items or who are ready to switch to manufacturing them. Ukraine can forego the requirement to switch to manufacturing certain items and instead encourage businesses to switch voluntarily (several successful cases of textile sector manufacturers switching to protective costumes and masks manufacturing have been reported).

The option of providing local authorities with a wider range of instruments of support for local business should also be explored; Ukraine's commitment to decentralization can be manifested by allowing the local elected leaders to take more responsibility for their communities, while coordinating their efforts with the central government.

One of the positive items for business was allowing of full tax deductibility of medical supplies or funds for medical supplies donated to state- and locally-owned medical establishments or NGOs, as well as VAT-free import of medical supplies and equipment.

Other Measures

Communication by the authorities to the public, including the business community, has improved resulting in better understanding and a widening acceptance of the necessity of measures imposed. The covid19.com.ua webpage of the Cabinet of Ministers and the interactive web-based map of the National Security and Defence Council in this respect are good examples of adequate public communications.

3. EXPERIENCE OF ICBAC COUNTRIES AS POTENTIAL EXAMPLES OF ACTIONS

Apart from desperately seeking for medication against the virus – it may take long until a targeted vaccine will be available; some drugs actually under clinic tests may be partly effective though – and striving to build up sufficient supply for appropriate protection equipment such as masks, gloves and suits, as well as focusing on development and supply of accurate testing kits, imposing sometimes even drastic quarantine, isolation and containment has been a striking and efficient measure to contain further COVID-19 spread.

Quarantine measures were imposed in most countries in Western Europe aiming at lowering the spread of the virus (reproduction rate to be sustainably supressed to well below 1.0) by minimizing contact, e.g. by establishing a minimum distance between citizens of one or two meters (depending on the country), preventing accumulation of people first in enclosed spaces (day-care centers, kindergartens, schools and universities), and later in open spaces as well (beaches, parks etc.), and restricting mostly international and sometimes also regional and local travel by way of closing borders or entirely isolating some regions, separate towns or villages in cases of significant localized infection. At the same time, wearing masks became mandatory in public areas like transportation, grocery stores/supermarkets, pharmacies, clinics, ambulances and banks. Entertainment and sports, even in the open air, have been banned in many countries. Some countries introduced these measures in mid-March, some later (and hopefully not too late).

Such steps locked down at least a major part of these economies especially like hospitality and leisure industry, the entire non-food retail market etc. Many companies either chose or were forced to shift their employees to remote work, send them to paid or unpaid leave, introduce reduced working hours. In countries where labor regulations favour the employers more than the employees companies often fired the employees (in many cases with a guarantee of reemployment; at the same time the same labor markets usually also hire the employees back faster).

Impact on world economy

The above measures are plunging the world economy in a deep recession which, according to IMF’s Managing Director Kristalina Georgieva, German chancellor Angela Merkel and WHO Director General Tedros Adhanom Ghebreyesus, is surpassing the financial crisis in 2008-9. IMF is expecting the worst economic fallout since the Great Depression some 90 years ago.

Unlike the 2008-9 crisis which was driven by substantial plunge in demand, the COVID-19 crisis is both supply- and demand-sided with a myriad of SMEs and large companies facing imminent danger of bankruptcy, thus producing unemployment of over 1 billion people worldwide already by beginning of April according to the International Labor Organization (ILO). In the U.S. alone and within the past three weeks 22 million citizens have lost their jobs meanwhile. In some continental Europe countries unemployment rates are at their highest level since WWII. Commodity prices are plummeting, supply chains are disrupted with industries being forced to curb or stop production, remittances are dwindling. Needless to say that financial markets have been hit severely, stock exchanges have since plummeted by up to 50%, i.e. in some cases more sharply than during the financial crisis 2008-9.

Against this backdrop and under conditions of enormous uncertainty – it is not clear where else, to which extent, and for how long the pandemic will spread further – nobody can safely estimate what impact the economic counter-measures will have, for how long quarantines will have to last and what the consequences for the economy and businesses beyond the 2020 quarantines will be. Last not least, there is virtually no experience of how to cope with such a crisis the scale of which is unprecedented. Therefore, all highly esteemed economic research institutes and international economists are very cautious concerning their forecasts of the impact of the countermeasures adopted on economies in 2020 and beyond. Any recent forecasts, as listed below, thus may be taken as of best guess nature only:

- IMF World Economic Outlook April 2020: world GDP is forecast to contract by 3.0% with Euro area GDP to drop by 7.5% and that of the USA by 5.9%; forecast for Ukraine is – 7.7%;
- According to WTO world trade in 2020 will shrink by 13-32% (best case/worst case) as compared to 2019;
- IFO Institute is estimating a contraction of the German GDP of 1.5-6%: IMF: drop of 7.0%
- According to Morgan Stanley, the U.S. GDP will plunge by 5.5% in 2020, and unemployment will rise to 15.7%;
- France Finance Ministry estimates the GDP decrease of 6% in case of 2 months lock-down; IMF: – 7.2%
- GDP of Great Britain may shrink by as much as 13% in 2020 according to British budget forecasters; IMF: -6.5%
- 2020 unemployment estimates for the EU countries vary from 10 to 16%.

The main issue is apparent: how to finance the enormous budget deficits of up to 10% or even more and to keep the banking systems, which will be under imminent risk of a great portion of under- or even non-performing loans, stable.

Micro-economic level impact

Companies in industries like hospitality, tourism, travel, non-food retail trade, culture, sport, services, etc., are dramatically hit in times of quarantine by loss of sales up to 100% with costs like rent, salaries and wages basically remaining the same. These companies generate significant losses and – unless there are sufficient reserves – face a substantial lack of liquidity, both potentially leading to bankruptcies. SMEs as the backbone of most economies are enormously vulnerable; larger businesses and especially "system relevant companies" may be less imperilled due to more public awareness of the consequences of their failure and hence they may get access to assistance more easily. The banks often are able to access funds provided by their countries' central banks.

Individuals face job loss or reduction in work hours with the remuneration losses which creates considerable deterioration of disposable family income and drives some into poverty (this may trigger social unrest in some of the most dramatic cases). In macroeconomic terms this leads to diminished purchasing power and demand.

Action undertaken

Remediation actions by international organizations, the IFIs, individual governments and local authorities include:

- Since macroeconomic anti-crisis packages have to be financeable and scope for monetary and fiscal measures of individual countries is often limited supranational institutions like IMF, World Bank, ECB are providing assistance;
- Businesses are receiving, among others, tax and debt service holidays regarding their loan portfolio, state or municipal guarantees for bridge loans to be extended by commercial banks, non-repayable grants for self-employed and small companies, in some cases relief from paying rent and partly taking over other retained costs; models of sending companies' workforce, in part or entirely, in short-working mode down to a very small percentage of work with authorities taking over a major part of the wage and salary losses entailing except for remunerations beyond industrial averages, i.e. for management, stars in sport or culture, media and the like;
- Individuals: directly providing unemployment benefits enabling the affected citizens and their families to maintain a minimum living standard.

For these measures in order to produce the necessary effects and hence to prevent and curb, respectively, life-threatening damage to businesses and citizens it is crucial to exhibit leadership, to resort to proven experts in health, economy, communication and social matters (how and when to convey which message to the public) and to:

- Design and timely (!) implement appropriate anti-crisis packages with utmost speed in reconciliation of political decision makers with the main stakeholders like institutions representing entrepreneurs, chambers, unions and the banking system;
- To clearly communicate these packages and any anti-crisis measures regularly in the media and through these institutions including the measures' eligibility provisos and exactly whom to address with applications;
- Keep the system easily comprehensible, fair, transparent, operating swiftly and make it as accessible as possible by resorting to competent, unbiased and trusted institutions running it.

It would be beyond the scope of this paper to give a comprehensive description of the economic counteractions taken in the "Western" word – for comprehensive information on individual countries one may resort to the continuously updated policy action tracker of 193 countries surveyed by IMF.

The following general and selective information may give an idea about the dimension and depth of anti-crises packages:

- **IMF** stated that the emerging markets may need a minimum of US$2.5 trillion to withstand the crisis; its fiscal monitor which went public in the week starting April 13 shows that countries around the world have taken crisis-related fiscal actions totalling US$ 8 trillion; IMF makes available its war-chest of US$1 trillion; already approximately US$100 billion in assistance have yet been applied for;
- **World Bank** expects to deploy up to $160 billion over the next 15 months for mitigating poverty, to support businesses, and bolster economic recovery; this includes programmes of fast-track financing;
- **G-20 countries** have recently stated that fiscal measures planned will total US$5 trillion, i.e. 6% of accumulated GDP of this group;
- The **United States of America** introduced a US$4.5 trillion support programs, of which US$2.2 trillion is to support business and US$2.3 trillion is to support liquidity through injections by the Federal Reserve (the Fed) including a one-time payment to all taxpayers ($1.200 per person for most); The Fed is purchasing up to $750 billion in corporate loans from big businesses that had at least an investment grade rating March 22, a high bar that some struggling companies won't be able to meet. To help midsize companies, the Fed will purchase as much as $600 billion in loans from banks that would go to businesses with up to 10,000 employees. These loans can be anywhere from $1 million to $150 million, larger than what the Small Business Administration

is offering. Companies getting this money must be registered in the United States and primarily operating domestically. The loans are for four years, to give businesses time to get back on their feet. The Fed plans to start purchasing up to $500 billion in short-term bonds from all 50 states, the District of Columbia and large cities with more than a million people. To aid small businesses, the Fed has agreed to backstop the Small Business Administration's Paycheck Protection Program loans. Businesses with fewer than 500 employees have gone to banks and got loans of up to $1 million, but many small-business owners complained the bank is not taking applications or is demanding too much paperwork – the $350 million program actually hit its limit last week. The Fed is also buying a wide range of other debts to ensure Americans can still get access to home mortgages, auto loans and other borrowing needs. The Fed is making loans to companies and states, not giving money outright; the Fed does expect to be repaid.

- On April 9 **European Union** approved a package in the order of magnitude of €0.5 billion made up of: (1) European Stability Mechanism (ESM) – which may be doubled –, a bailout fund that was created during the EU's eurozone debt crisis. The ESM would make €240 billion ($261 billion) available for indebted countries. The only requirement to access this line of credit is a commitment to use the funds for the financing of direct or indirect health care, cure and prevention-related costs associated with COVID-19, (2) the guarantee fund of €200 billion in loans from the European Investment Bank (EIB) for EU businesses, and (3) "SURE" jobs support program programme amounting to €100 billion to support short-time work;
- **ECB** is developing a support program of €750 million;
- **Germany**: stabilisation fund of €600 billion for large enterprises (€100 billion for capital measures, €400 billion for loan guarantees, €100 billion for refinancing of KfW-programmes); programme for instant assistance in cooperation with KfW of €50 billion for small businesses and self-employed comprising one-off payments of up to €15,000 and guaranteeing up to 90% of emergency loans; €3 billion for social protection of self-employed; employees put in short working mode due to corona-crisis are guaranteed up to 67% of their net wage or salary; besides municipalities have provided relief packages under which, e.g. in Berlin €1.4 billion have already been distributed to 150, 000 self-employed;
- **Italy's** stimulus package of €400 billion is under way, 50% is for export-oriented enterprises; state guarantees amounting to €340 billion for loans;

non-repayable cash contributions for severely hit self-employed; 2 billion support for start-ups;

- **France** is developing a €100 billion help package and has enabled expedited procedures for employers to facilitate partial unemployment during COVID-19 outbreak and has slightly increased the hourly employment allowance. Partial unemployment (or technical unemployment) for a company consists of reducing the working week or temporarily closing all or part of an establishment. In case of recourse to partial unemployment, employees affected by a loss of salary must be compensated by an indemnity paid by the employer. In return, the employer receives an allowance from the state corresponding to the so-called "hours off work." Currently, the partial unemployment allowance reimbursed to employers is 7.74 euros per hour off work (and 7.23 euros per hour in companies with more than 250 employees);
- **Austria** developed and implemented an assistance package totalling €38 billion equalling nearly 10% of GDP, of which €15 billion is for business in hardest-hit industries (non-repayable cost-contributions of up to 75% and state guarantees), €10 billion for tax deferrals and reductions, €9 in billion guarantees and liabilities, €4 billion for first-aid measures - which may be increased due to enormous demand - to prevent bankruptcies of small SMEs and self-employed through cash payments of up to €6,000 within 3 months; besides the state guarantees employees on short working time up to 90% of their net wages and salaries; beyond that there are several municipal help programmes;
- **The UK** introduced the Coronavirus Job Retention Scheme, allowed businesses to claim back Statutory Sick Pay paid to employees due to COVID-19, deferred VAT payments and Self-Assessment payments and introduced other country-wide and local measures (https://www.gov.uk/government/collections/financial-support-for-businesses-during-coronavirus-covid-19);
- Other countries in Europe have developed similar programmes.

Many of these programmes have been devised and have quickly been adopted by parliaments. Disbursements have started within two weeks from introducing quarantine, i.e. already at the end of March. Hundreds of thousands of applications have already been filed since middle of March with a considerably portion being approved within several days.

Due to (mostly) timely and targeted action fighting COVID-19, to extremely widespread discipline in observing quarantine, ever increasing testing stepping up information concerning the real spread of the virus and hence accuracy of forecasts and hence efficacy of measures, and finally, at least regarding some countries, a clear trend of flattening of new COVID-19 infections, several countries are already starting gradually loosening quarantine in order to decrease the damage to the economy and businesses, i.e. to dampen expected recession by returning step-by-step to a moderate state of normalcy. In order to prevent a premature opening of cities and states - as has happened in Singapore - hospitals must be able to safely treat patients, ample testing giving reliable results has to be available and has to be performed, safe monitoring of cases has to be possible and there must be a sufficient and sustained reduction in cases for at least 2 weeks (incubation period). At the same time protective measures for most exposed people, i.e. the elderly, wearing masks and keeping the minimum distance to prevent contagion have to be maintained.

It is evident that returning back to pre-crises levels, partly due to the decreased demand, will not be possible in the short term. Some industries like tourism, travel, hospitality will recover only at a very low pace and reaching levels before crisis may take years.

CONCLUSION

Action to fight the economic impact of the crisis in Ukraine leaves a lot to be desired: it will have to be more comprehensive, more targeted to the sectors in most urgent need and to citizens, and above all quicker – the clock is ticking. Seasoned European Union, American and other experts are certainly ready to assist and provide advice in that; advice sought from and possibly given by the oligarchs at the onset of the quarantine may not really serve the purpose in every aspect.

Political decision makers in Ukraine will have to deploy more leadership, namely acting proactively rather than just reacting, stepping up coordination in devising and implementing measures, increasing competence in the corridors of power by resorting to a higher extent to internationally esteemed experts, further improving communication with the public in speaking in one single voice and limiting announcements to the most relevant and feasible; and finally propose clearly understandable and competent actions. This will create trust.

Ukraine will not be able to escape the deep cuts in the economic landscape of the global economy. Recent statements about things going to normal in the second half of 2020 may be deemed naïve or politically motivated.

Quarantine should be gradually lifted as soon as possible to forestall further damage to the economy, businesses and citizens. However, any steps into this direction must be very seriously considered and decisions must be made based on solid scientific facts.

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