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# Addressing the Covid-19 Pandemic: Policy Responses Across Eastern Europe

The world holds its breath as Covid-19 continues to spread and challenge local health care systems as well as local economies. The focus of international media has mostly been on China and then Western Europe and the US. However, countries around the Baltic Sea, Eastern Europe and the Caucasus differ from the West with respect to their socio-economic development, trade integration, and political systems. The webinar “Addressing the Covid-19 Pandemic in Eastern Europe: Policy Responses Across Eastern Europe” hosted by the the Forum for Research on Eastern Europe and Emerging Economies (FREE) Network on May 28, 2020 aimed to fill this gap in the current discourse and give voice to experts from Latvia, Russia, Georgia, Belarus, Poland, Ukraine as well as Sweden, in order to contextualize their countries’ policy choices and experiences in the crisis. Policy recommendations can only be of preliminary nature at this point of time. Yet, it becomes clear that even though transition countries have fared relatively well during the health crisis, they will not be spared from the ensuing economic crisis and will require policy tools which are adapted to the local context.

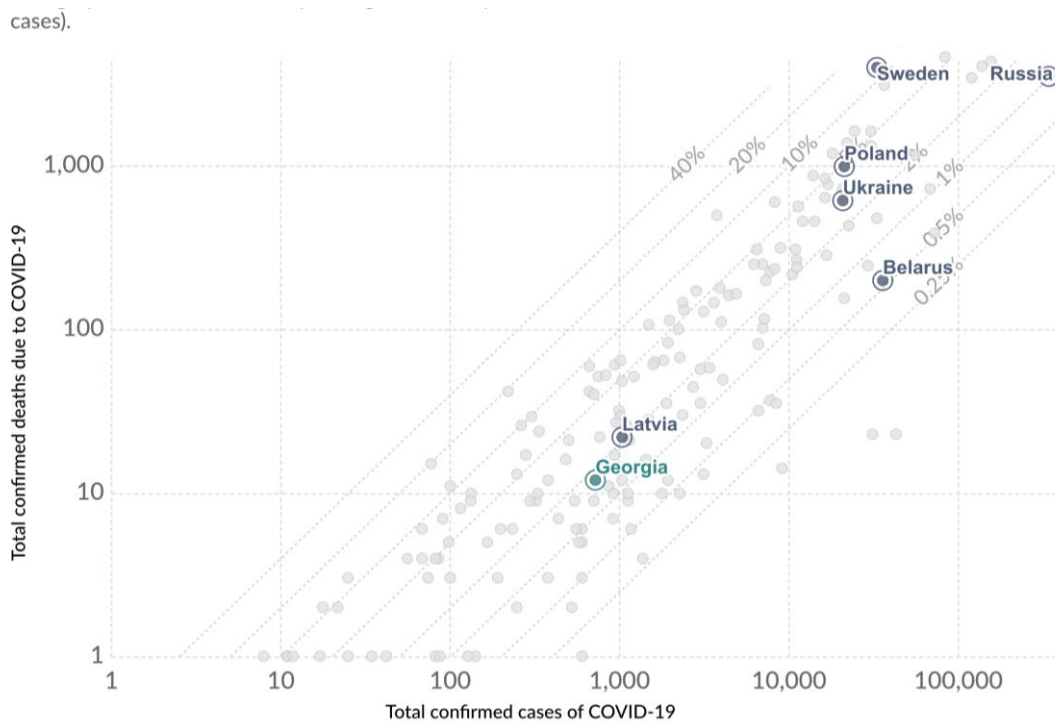
# Introduction

Less than six months after the outbreak of the Covid-19 crisis in China, the pandemic has spread across the globe. The epicenter has moved from Asia to Europe and the US, and in late May 2020 some voices are warning that it is now shifting towards Latin America. While the world’s eyes have been on Milan and Paris, little has been said about how the new EU member states and countries to the East of the European Union cope with the pandemic. Some observers have claimed the emergence of a new “iron curtain” in the corona

crisis; Eastern Europe, the Baltic States and the Caucasus having been relatively unscathed compared to the West. Persisting differences in trade and travel patterns, demographic and socio-economic differences, as well as differences in trust levels could account for such an observation.

Yet, the most recent statistics suggest that this may be a premature interpretation and the overall picture is much more heterogeneous. Infections in Russia seem to be rising quickly, Georgia by contrast has turned out to be one of the top students in the Covid-19 management class.

Figure 1: Total confirmed Covid-19 cases vs. deaths per million.



Source: Our World in Data, 2020. • CC BYa.

Note: Data includes the most recent numbers as of May 25, 2020. Both measures are expressed per million people of the country's population. The confirmed counts are lower than the totals. The main reason for this is limited testing.

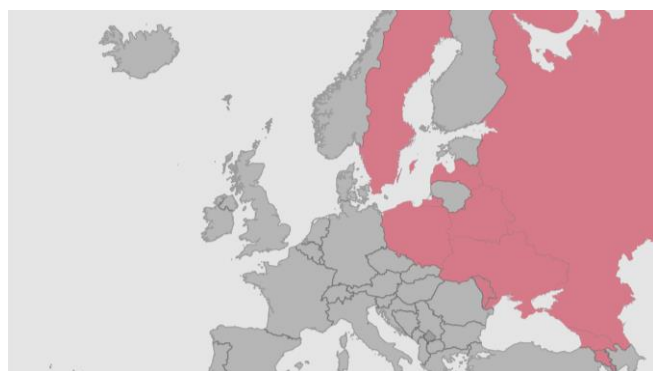
On May 28, the Forum for Research on Eastern Europe and Emerging Economies (FREE) Network hosted a webinar with its member institutes: BERO in Belarus, BICEPS in Latvia, CEFIR@NES in

Russia, CenEA in Poland, ISET-PI in Georgia, KSE in Ukraine, and SITE in Sweden to discuss how their countries have fared in the corona crisis so far. The webinar provided an opportunity to share



experiences and to add some interpretations and insights to the crude statistics, which often become unintelligible in the current overflow of information.

*Figure 2: FREE Network Countries.*



*Source:* SITE 2020.

The webinar started with Torbjörn Becker, director of SITE, introducing recent developments in terms of health statistics in the region and the research being done within the framework of the FREE Network.

## SITE on Sweden

Jesper Roine, Professor at the Stockholm School of Economics and SITE, then presented **the case of Sweden**, the country which – with regards to death rates – has surpassed all other FREE Network countries by far. The Swedish case has been very controversially discussed in international media throughout the pandemic. Yet, the common claim that in Sweden everything was “business as usual” is not true, according to Roine. Compared to its direct neighboring countries Finland, Denmark and Norway, Sweden has chosen a relatively lenient approach to Covid-19, but high schools and universities have moved to distance learning since March and working from home is highly encouraged. Mobility reports show that Swedes have reduced their movement a lot, but less so

than their Scandinavian neighbors. Roine confirmed that the Swedish health policy has been dominated by the public health agency, Folkhälsomyndigheten. Even though this is the default option in Swedish law, Roine stressed that this does not mean that the government’s hands are tied.

He presented two preliminary conclusions regarding the impact of the Swedish strategy: first, Sweden’s mitigation strategy has worked relatively well; the public health system is seriously strained but not overwhelmed. Yet, Roine said that the “lack of testing [remained] a mystery”, even for advocates of the current mitigation strategy. Second, in Roine’s opinion the attempt to protect the elderly has failed. The virus has spread to numerous nursing homes and excess death rates indicate that mortality has increased sharply for citizens above 65 years of age, much less for other age groups. Geographically, Stockholm has been the center of the epidemic. Other parts of the country have been affected to a much lesser degree.

## BICEPS on Latvia

Sergejs Gubins, Research Fellow at the Baltic International Centre for Economic Policy Studies (BICEPS) presented **the Latvian experience of the corona crisis**. A small country of about 2 million inhabitants, Latvia currently presents the second lowest Covid-19 mortality rate within the EU. Gubins related this to the Latvian government’s quick and determined policy reaction. After the first cases were reported in early March, schools and universities were closed, public gatherings forbidden, international travel halted, and a two-meter social distance rule imposed. Given the



success of this strategy, Latvia has started to loosen its restrictions. A “Baltic Schengen area” was announced very recently and travel among the Baltic states is now possible again. The economic support package announced by the government amounts to 45 percent of GDP and includes a large equity investment in the airline airBaltic as well as important investments in infrastructure. According to Gubins, the current policy discussion focuses on the accessibility and size of help funds, widely deemed insufficient. Furthermore, the economic outlook of the country in terms of unemployment rates and GDP growth is bleak despite its success in containing the virus.

## CEFIR on Russia

According to Natalia Volchkova, Director of the Centre for Economic and Financial Research (CEFIR) at the New Economic School in Moscow, Russia has pursued a “standard European strategy” in its fight against Covid-19. Two new hospitals exclusively for Covid-19 patients were created in Moscow, the current epicenter of the pandemic, and nearby. Most money spent on health care went to these new facilities, less was transferred as bonuses to medical workers. Russia has emphasized testing: around 10 million tests were performed; close to 400,000 cases of Covid-19 were confirmed. On May 27, free antibody testing was started in Moscow and is to be extended to other parts of the country. State-financed testing will serve to measure the potential degree of immunization of the population. While cases have started to decline in Moscow, other regions of Russia lag behind and are still expected to peak.

Volchkova stressed the role of the Russian shadow economy, which has been severely hit by the crisis.

The size of the informal sector makes it difficult for the Kremlin to pass efficient support packages for the economy. Another policy problem lies in the weakness of the social security net, particularly unemployment benefits are hard to obtain. Therefore, most policy measures have focused on companies. Family allowances are the government’s second heavily used tool, which to Volchkova’s mind is an efficient policy choice. She concluded that the current help measures may already amount to 3 percent of GDP.

## ISET-PI on Georgia

As of May 28, 2020, Georgia had only reported 12 corona deaths. According to Yaroslava V. Babych, Lead Economist at ISET Policy Institute in Tbilisi, the key explanation for Georgia’s relative success in the corona crisis is that, as in Latvia, testing started very early. She explained that even before Georgia’s neighbor Iran confirmed an outbreak of Covid-19, passengers’ temperatures were taken at the border crossing. The government in Tbilisi then soon imposed harsh quarantine measures, local quarantines in regional hotspots, a shutdown of public transport, an evening curfew and very high fines. Compliance with the measures was very high. Orthodox Easter celebrations were allowed to take place under strict hygiene measures and did not result in a spike in infection rates.

The country, largely reliant on tourism and agriculture, is now focusing on the economic consequences of the crisis. According to Babych, Georgia holds the ambition to become the first European country to open up to international tourism again from July 1, 2020. The government is also determined to avoid another meltdown of the important construction sector, as happened in



2008 – 2009. However, similar to the Russian case, Babych identified two factors which crucially weakened the Georgian economy: the lack of automatic stabilizers in the form of unemployment benefits and the large informal sector. Policymakers have therefore resorted to monthly cash payments to those who stopped paying income tax around March and fixing prices for specific food products. While the effectiveness of these measures still has to be evaluated, the policy discourse in Georgia has moved on to the socio-economic consequences of the crisis.

## BEROC on Belarus

Lev Lvovskiy, Senior Research Fellow at the Belarusian Economic Research and Outreach Center (BEROC), provided an [overview of the Belarusian policy measures](#). According to Lvovskiy, Belarus has a high number of nurses and doctors and a relatively efficient “Soviet style of fighting pandemics”. There have been hardly any restrictions to public gatherings and events, both the Orthodox and the Catholic Easter festivities were maintained, as were soccer games and the national Victory parade. Initially, the official policy was to trace and isolate cases, but this did not prove to be very efficient, supposedly due to poor enforcement. Lvovskiy said that testing is rare which is why statistics on the spread of the virus and its effects remain of questionable quality.

While Belarus disposed of a solid health care system, it was not well prepared economically, which explains why the government has not been very proactive in Lvovskiy’s opinion. The Belarusian industrial production decreased by 7 percent in April 2020 compared to the same month the year before; unemployment has started to increase, yet,

there are no significant unemployment benefits. Increasing the height of unemployment pay is the key policy issue under discussion in Minsk but in the absence of international loans, the government’s hands are tied. The issue is urgent: the most recent BERO survey suggests that 46% of individuals living in urban areas have already seen their income decrease. Lvovskiy’s preliminary conclusion is that the Belarusian policy response to the Covid-19 crisis was not as bad as expected by many international observers: the health crisis has mostly been contained. But like in the Georgian case, the socio-economic implications of the crisis are becoming more pressing now.

## CenEA on Poland

Michal Myck, Director of the Centre for Economic Analysis (CenEA) in Szczecin, explained that Poland also successfully avoided a spike in infection rates thanks to [a quick policy response](#). Poland was one of the first countries to impose international travel restrictions and very harsh social distancing measures, yet, infection rates remain higher than in other FREE Network countries. Since the second half of April, most measures have been lifted and the spread of the virus seems under control and concentrated in the region of Silesia.

All limitations were implemented without invoking a state of emergency. Myck suggested that the government may have made this choice because the presidential elections would have been automatically postponed otherwise, an outcome the government wanted to avoid. The elections were eventually postponed, but doubts persist with regards to the constitutional validity of the way this decision was taken. Myck stressed the persisting political uncertainty. Economic policy in



Poland has focused on protecting jobs and providing liquidity to enterprises. State loans have been primarily directed to SMEs and will be partly written off, conditional on continued activity and employment. In Myck's opinion, the economic outcome for Poland will depend on whether investments from and exports to Western Europe quickly resume or not.

## KSE on Ukraine

Tymofiy Mylovanov, President of the Kyiv School of Economics and former Minister of Economic Development, Trade and Agriculture, stressed that in the first few weeks of the pandemic, Ukraine enforced harsher policy measures than its neighbors. The lock down was almost complete, with only grocery stores and pharmacies allowed to open. Compliance was high during the first few weeks but then started to decline.

The government allocated 3 percent of GDP to a Covid-19 support fund, there has been a lot of deregulation on the labor market, but the central bank's key interest rate remains at 8 percent. Pressure for a looser monetary policy increases according to Mylovanov, as GDP has fallen by 1.2 percent and unemployment is expected to reach up to 10 percent by the end of the year.

Mylovanov's thoughts about Ukraine's economic prospects are mixed: average salaries continue to grow during the crisis which may be explained by the fact that low-skilled employees get laid off first, suggesting a potentially long-lasting change of the composition of the workforce. At the same time, the political situation is volatile with local elections coming up in October 2020 and public pressure mounting. As Poland, Ukraine did not declare a state of emergency. While Mylovanov thinks that

the policy response could have been better, he is optimistic that Ukraine was better prepared to Covid-19 than to previous crises and will not have to resort to international loans.

## Preliminary Conclusions

It is too early to draw any definite conclusions, but undoubtedly, a lot can be learned from the very diverse experiences of the corona crisis in the region. The former Soviet countries have a different historical and political legacy than Western European countries and accordingly, have found different ways of handling the crisis. Some have been more successful than their Western neighbors. But even those countries which have not faced a large health crisis have been severely hit economically and are likely to suffer economic hardship in the future.

The lack of a strong tradition of unemployment benefits and automatic stabilizers renders countries like Georgia, Belarus and Russia particularly vulnerable to the economic crisis which will inevitably follow the Covid-19 outbreak. In some countries, the corona shock may also accelerate or trigger political changes. In the view of this, the FREE Network will organize a series of follow-up webinars and briefs on more specific corona-related topics, with the aim of contextualizing statistics and providing wider picture of the socio-economic consequences and policy implications of the crisis.

Please find a [full recording of the webinar here](#). Updates on further events will be posted on the [FREE website](#) and on social media channels ([Facebook](#), [Twitter](#)).



## List of Speakers

- **Jesper Roine**, Professor at the Stockholm Institute of Transition Economics (SITE / Sweden)
- **Sergejs Gubins**, Research Fellow at the Baltic International Centre for Economic Policy Studies (BICEPS / Latvia)
- **Natalia Volchkova**, Director of the Centre for Economic and Financial Research at New Economic School (CEFIR@NES / Russia)
- **Yaroslava V. Babych**, Lead Economist at ISET Policy Institute (ISET / Georgia)
- **Tymofiy Mylovanov**, President at the Kyiv School of Economics (KSE / Ukraine)
- **Lev Lvovskiy**, Senior Research Fellow at the Belarusian Economic Research and Outreach Center (BEROC / Belarus)
- **Michal Myck**, Director of the Centre for Economic Analysis (CenEA / Poland)
- **Torbjörn Becker**, Director of the Stockholm Institute of Transition Economics (SITE)



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### [freepolicybriefs.com](https://freepolicybriefs.com)

The Forum for Research on Eastern Europe and Emerging Economies is a network of academic experts on economic issues in Eastern Europe and the former Soviet Union at BEROC (Minsk), BICEPS (Riga), CEFIR (Moscow), CenEA (Szczecin), KEI (Kiev) and SITE (Stockholm). The weekly FREE Network Policy Brief Series provides research-based analyses of economic policy issues relevant to Eastern Europe and emerging markets. Opinions expressed in policy briefs and other publications are those of the authors; they do not necessarily reflect those of the FREE Network and its research institutes.