INTERNATIONAL MONETARY FUND

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UKRAINE

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FIFTH REVIEW UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY; REQUESTS FOR WAIVERS OF APPLICABILITY OF PERFORMANCE CRITERIA; MODIFICATION OF PERFORMANCE CRITERION; REPHASING OF ACCESS; AND FINANCING ASSURANCES REVIEW—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE ALTERNATE EXECUTIVE DIRECTOR FOR UKRAINE

In the context of the Fifth Review Under the Extended Arrangement Under the Extended Fund Facility, Requests for Waivers of Applicability of Performance Criteria, Modification of Performance Criterion, Rephasing of Access, and Financing Assurances Review, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on October 18, 2024, following discussions that ended on September 10, 2024, with the officials of Ukraine on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on October 7, 2024.
- A **Statement by the Alternate Executive Director** for Ukraine.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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International Monetary Fund
Washington, D.C.

PRESS RELEASE

PR 24/381

IMF Executive Board Completes the Fifth Review of the Extended Fund Facility Arrangement for Ukraine

FOR IMMEDIATE RELEASE

- The IMF Board today completed the Fifth Review of the extended arrangement under the Extended Fund Facility (EFF) for Ukraine, enabling a disbursement of about US$1.1 billion (SDR 834.9 million) to Ukraine, which will be channeled for budget support.
- Ukraine's economy remains resilient, and performance remains strong under the EFF despite challenging conditions. The authorities met all end-June quantitative performance criteria and completed four structural benchmarks.
- Sustained reform momentum, domestic revenue mobilization, and timely disbursement of external support are necessary to safeguard macroeconomic stability, restore fiscal and debt sustainability, and enhance institutional reforms.

Washington, DC – October 18, 2024: The Executive Board of the International Monetary Fund (IMF) today completed the Fifth Review of the EFF arrangement for Ukraine, enabling the authorities to draw US$1.1 billion (SDR 834.9), which will be channeled for budget support. This will bring the total disbursements under the IMF-supported program to US$8.7 billion.

Ukraine's 48-month EFF arrangement, with access of SDR 11.6 billion (equivalent to US$15.5 billion, or about 577 percent of quota), was approved on March 31, 2023, and forms part of a US$151.4 billion support package for Ukraine. The authorities' IMF-supported program helps anchor policies that sustain fiscal, external, and macro-financial stability at a time of exceptionally high uncertainty. The EFF aims to support the economic recovery, enhance governance, and strengthen institutions with the aim of promoting long-term growth in the context of reconstruction and Ukraine's path to EU accession.

All end-June and continuous quantitative performance criteria and indicative targets were met. The authorities have implemented prior action for the review, and completed structural benchmarks relating to tax privileges, public companies affected by the war, customs reform and public investment management, underscoring their continuing commitment to an ambitious reform agenda. Two structural benchmarks have been reset to allow more time for completion of the reform.

The economy was more resilient than expected in the first half of 2024, with continued growth, moderate inflation, and adequate reserves bolstered by continued sizeable external support. Nevertheless, the outlook for the remainder of the year and 2025 has worsened since the Fourth Review, largely due to sustained Russian attacks on Ukrainian energy infrastructure and uncertainty about the war; overall, the outlook remains subject to exceptionally high uncertainty.

Following the Executive Board discussion on Ukraine, Ms. Kristalina Georgieva, Managing Director of the IMF, issued the following statement[1]:

1. Russia's war in Ukraine continues to bring a devastating social and economic toll on Ukraine. Despite the war, macroeconomic and financial stability is being preserved through skillful policymaking by the Ukrainian authorities as well as substantial external support. The economy has remained resilient, despite significant damage to the energy infrastructure, reflecting the continued adaptability of households and firms.

2. Ukraine's performance and commitment under the program continues to be strong. All quantitative performance criteria for end-June were met, and those for end-September are expected to have been met. All but one structural benchmark through end-September were completed, while the missed structural benchmark has been reset to accommodate delays in the appointment process partly beyond the control of the authorities. Moreover, two structural benchmarks due later in the year and the prior action for the review was also implemented. The program remains fully financed with a cumulative external financing envelope of US$151 billion in the baseline and US$187 billion in the downside over the 4-year program period, including with new commitments from the Extraordinary Revenue Acceleration Loans for Ukraine (ERA) initiative.

3. Looking ahead, the recovery is expected to slow amid headwinds from the impact of the attacks on energy infrastructure and the continuing war, while risks to the outlook remain exceptionally high. Preparedness is necessary to enable appropriate policy action should risks materialize.

4. Ukraine's financing needs remain large, driven by the continuing war. Timely and predictable external support—on terms consistent with debt sustainability—is essential to closing financing gaps and safeguarding stability. At the same time, decisive domestic revenue mobilization is critical for Ukraine to meet elevated spending needs, respond to shocks, and restore fiscal sustainability, which will require further tax policy measures as well as efforts to improve compliance and combat evasion, as envisioned under the National Revenue Strategy.

Further strengthening medium-term budgeting, fiscal risk frameworks and transparency, and public investment management should advance in support of these goals.

5. The Eurobond exchange in August was an important milestone in the authorities' strategy to restore debt sustainability. Efforts to conclude the remaining steps in line with the authorities' strategy and the program's debt sustainability objectives should continue.

6. Continued exchange rate flexibility under the managed exchange rate regime will help strengthen the resilience of the economy to external shocks. The recent uptick in inflation suggests limited room for further easing in the near term, though inflation remains well-anchored, and the FX cash market continues to show stability. A state-dependent and gradual approach to the easing of FX controls remains essential to safeguard FX reserves. The authorities' efforts to avoid monetary financing should continue.

7. The financial sector remains stable. Efforts should continue to strengthen bank resolution and supervision, governance, and contingency planning in view of risks to the outlook.

8. Continuing the reform momentum in anticorruption and governance, including ensuring the effectiveness of anticorruption institutions and strengthening governance in the energy sector, remain essential to help contain fiscal risks, secure donor confidence, and enhance growth, which would also support Ukraine's path to EU accession.

[1] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summing up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

Table 1. Ukraine: Selected Economic and Social Indicators, 2021–27

	2021	2022	2023	2024	2025	2026	2027
	Act.	Act.	Act.	Proj.	Proj.	Proj.	Proj.
Real economy (percent change, unless otherwise							
Nominal GDP (billions of Ukrainian hryvnias) 1/	5,451	5,239	6,538	7,542	8,542	9,715	10,761
Real GDP 1/	3.4	-28.8	5.3	3.0	2.5-3.5	5.3	4.5
Contributions:							
Domestic demand	12.9	-22.9	13.9	6.3	5.1	4.6	4.3
Private consumption	4.7	-16.8	5.5	3.1	3.2	3.8	3.5
Public consumption	0.1	12.5	2.6	-0.1	-1.0	-2.5	-2.0
Investment	8.1	-18.6	5.8	3.3	2.9	3.3	2.7
Net exports	-9.5	-5.9	-8.6	-3.3	-2.6	0.7	0.2
GDP deflator	24.8	34.9	18.5	12.0	10.5	8.0	6.0
Unemployment rate (ILO definition; period	9.8	24.5	19.1	14.2	12.7	10.4	9.4
Consumer prices (period average)	9.4	20.2	12.9	5.8	9.0	7.7	5.0
Consumer prices (end of period)	10.0	26.6	5.1	9.0	7.5	6.6	5.0
Nominal wages (average)	20.8	1.0	20.1	16.6	17.1	14.1	10.6
Real wages (average)	10.5	-16.0	6.4	10.2	7.5	6.0	5.3
Savings (percent of GDP)	12.5	17.1	9.7	9.2	5.2	10.5	16.4
Private	12.7	30.2	24.6	25.5	20.2	15.7	14.0
Public	-0.2	-13.1	-14.8	-16.3	-15.0	-5.1	2.5
Investment (percent of GDP)	14.5	12.1	15.1	17.3	19.5	21.0	22.3
Private	10.7	9.6	10.4	14.8	15.4	16.6	17.2
Public	3.8	2.5	4.8	2.4	4.1	4.4	5.1
General Government (percent of GDP)							
Fiscal balance 2/	-4.0	-15.6	-19.6	-18.7	-19.2	-9.5	-2.7
Fiscal balance, excl. grants 2/	-4.0	-24.8	-26.1	-24.5	-20.0	-9.8	-3.8
External financing (net)	2.4	10.8	16.5	15.2	18.2	8.8	3.3
Domestic financing (net), of which:	1.6	5.0	3.1	3.5	1.0	0.8	-0.6
NBU	-0.3	7.3	-0.2	-0.2	-0.2	-0.1	-0.1
Commercial banks	1.5	-1.5	2.5	3.5	1.0	0.8	-0.6
Public and publicly-guaranteed debt	50.5	77.7	82.3	95.6	106.6	107.6	102.6
Money and credit (end of period, percent change)							
Base money	11.2	19.6	23.3	16.7	13.2	12.7	12.4
Broad money	12.0	20.8	23.0	15.4	13.3	11.9	10.1
Credit to nongovernment	8.4	-3.1	-0.5	9.0	12.9	21.5	18.7
Balance of payments (percent of GDP)							
Current account balance	-1.9	5.0	-5.4	-8.1	-14.3	-10.5	-5.9
Foreign direct investment	3.8	0.1	2.6	2.0	2.1	4.3	4.9
Gross reserves (end of period, billions of U.S.	30.9	28.5	40.5	42.6	44.9	49.1	52.4
Months of next year's imports of goods and	4.5	3.8	5.1	5.1	5.4	5.7	6.0
Percent of short-term debt (remaining maturity)	67.5	64.3	89.5	106.2	106.3	118.3	124.5
Percent of the IMF composite metric (float)	104.4	103.6	124.3	113.5	104.7	104.0	106.9
Goods exports (annual volume change in percent)	35.1	-43.7	-15.4	15.7	6.2	14.0	6.3
Goods imports (annual volume change in percent)	17.0	-24.1	21.5	14.1	7.0	8.8	9.5
Goods terms of trade (percent change)	-8.4	-11.6	3.6	0.3	-1.8	1.2	1.4
Exchange rate							
Hryvnia per U.S. dollar (end of period)	27.3	36.6	38.0	…	…	…	…
Hryvnia per U.S. dollar (period average)	27.3	32.3	36.6	…	…	…	…
Real effective rate (deflator-based, percent	10.2	27.5	-1.5	…	…	…	…
Memorandum items:							
Per capita GDP / Population (2017): US$2,640 / 44.8 million							
Literacy / Poverty rate (2022 est 3/): 100 percent / 25 percent							

Sources: Ukrainian authorities; World Bank, World Development Indicators; and IMF staff estimates.

1/ GDP is compiled as per SNA 2008 and excludes territories that are or were in direct combat zones and temporarily occupied by Russia (consistent with the TMU).

2/ The general government includes the central and local governments and the social funds.

3/ Based on World Bank estimates.

INTERNATIONAL MONETARY FUND

UKRAINE

October 7, 2024

FIFTH REVIEW UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY; REQUESTS FOR WAIVERS OF APPLICABILITY OF PERFORMANCE CRITERIA; MODIFICATION OF PERFORMANCE CRITERION; REPHASING OF ACCESS; AND FINANCING ASSURANCES REVIEW

EXECUTIVE SUMMARY

Context: Russia's war in Ukraine continues to bring a rising economic, social, and humanitarian toll. The attacks on the energy infrastructure have inflicted severe economic damage and losses, and the outlook remains highly uncertain. The war is expected to continue through the coming year, generating expenditure pressures and opening additional financing needs. In addition to the longer war, several other recent developments carry important implications for the IMF-supported program: first, a package of tax measures awaits adoption by Parliament, after which the authorities must continue to build on this effort with further broad-based measures to support fiscal sustainability; second, the successful Eurobond exchange in August is a major achievement toward restoring debt sustainability and securing debt relief amid pressing expenditure needs; and finally, the G7's assurance to provide US$50 billion of stable, multi-year financing to Ukraine through Extraordinary Revenue Acceleration Loans for Ukraine (ERA) initiative is critical for meeting the now larger financing needs.

Outlook and risks: Although the economy has shown resilience, headwinds are rising from an expected winter energy deficit caused by large-scale damage to electrical generation capacity, labor market frictions, and a continuing war. The scenarios that underpin the program now expect the war to wind down in late 2025 in the baseline and mid-2026 in the downside. Reflecting the consequences of a longer war, projected macroeconomic outturns have generally been downgraded. Risks are exceptionally high arising from the longer war, vulnerability of the energy sector, and durability of international support. Based on policy understandings and donor commitments, both frameworks are consistent with the program meeting its objectives.

Focus of the review: With program performance remaining strong overall, discussions centered on updating the program for the longer war:

- Reconcile financeable fiscal deficits with higher defense needs arising from a longer war. Concerted efforts are needed to boost and accelerate revenue mobilization and combat tax avoidance to ensure that there is a durable return to fiscal and debt sustainability over the medium term. Continue momentum on fiscal structural reforms to support these objectives, including on customs, public financial management, and expenditure policies.

- Calibrate monetary policy to the higher inflation risks. Allow the exchange rate to adjust to shocks and preserve adequate FX reserves, underpinned by a well-calibrated intervention strategy and cautious approach to FX liberalization in line with the NBU's Strategy.

- Assure financial sector stability through strong surveillance and strengthening the resolution toolkit, build capacity for risk-based supervision, and conduct stress testing and contingency planning.

- Continue efforts to advance critical reforms relating to prosecuting corruption, including the external audit of the National Anti-Corruption Bureau of Ukraine (NABU), enact a law to establish the High Public Disputes Court (HPDC), and legislative amendments to the Accounting Chamber of Ukraine (ACU).

- Address the energy deficit ahead of the winter heating season and significantly strengthen energy corporate governance.

Program issues: The authorities met all end-June quantitative performance criteria (QPCs). With the Executive Board considering the Fifth Review in mid-October, the end-September QPCs are controlling. The authorities are requesting waivers of applicability for: (i) the floor on the non-defense cash primary balance excluding grants, (ii) the floor on tax revenues (excluding social security contributions), (iii) the ceiling on government guarantees, and (iv) the floor on net international reserves. These QPCs are expected to be met. They are also requesting modification of the adjustor associated with the end-December QPC on net international reserves. On the structural agenda, the authorities implemented the two end-September structural benchmarks (SB) and delivered an end-October SB (customs) and end-December SB (Public Investment Management action plan) early. Additionally, the authorities completed the prior action to appoint independent auditors to assess the effectiveness of NABU to investigate corruption as provided in its law. Looking ahead, the authorities are requesting to reset the publication of the NABU external audit from end-September 2024 to end-February 2025 and the revisions to the criminal procedural code from end-October to end-December. They are also proposing 10 new SBs through mid-2025. Finally, the authorities are requesting the rephasing of purchases under the program over 2025–27 (totaling SDR4.265 billion) to (i) accommodate quarterly monitoring in 2025 given continued exceptionally high uncertainty amid a prolonged war, and to (ii) allow modest frontloading of IMF financing consistent with higher external financing needs.

Staff supports the completion of the Fifth Review under the Extended Arrangement, enabling a purchase of SDR 834.88 million (41.5 percent of quota).

Approved By
Uma Ramakrishnan (EUR) and S. Jay Peiris (SPR)

Discussions were held in Kyiv (September 4–10, 2024) with Finance Minister Sergii Marchenko, National Bank of Ukraine Governor Andriy Pyshnyy, and other senior government officials. The staff team included Gavin Gray (mission chief), Trevor Lessard and Sanaa Nadeem (deputy mission chiefs), Klaus Hellwig, Heiko Hesse, Geoffrey Keim, Andrea Manera, and Torsten Wezel (all EUR); Martha Woldemichael (SPR); Shiva Enchill and Dermot Monaghan (MCM); Jonathan Pampolina (LEG); and Priscilla Toffano (Resident Representative), Ihor Shpak and Mariia Sydorovych (local office). Ender Emre (LEG), Martina Hengge (SPR), and Tjeerd Tim (FAD) attended several meetings. Vladyslav Rashkovan (OED) attended policy discussions. The team was supported from headquarters by Ritzy Dumo and Luis Omar Herrera Prada (EUR).

CONTENTS

FIGURES

TABLES

ANNEXES

APPENDIX

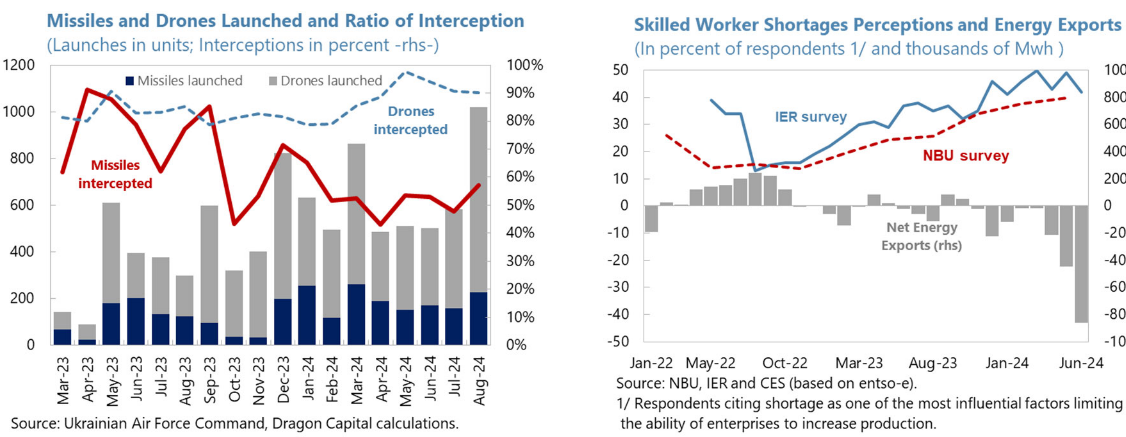
BACKGROUND AND FOCUS OF THE REVIEW

1. Against the backdrop of a continuing war, exceptionally high uncertainty (EHU) persists into the Fifth Review:

- *Russia's war in Ukraine continues and is widely expected to persist beyond this year*: The recently adopted supplementary 2024 Budget and draft 2025 Budget both envisage higher defense needs, reflecting this expectation. Regarding the course of the war itself, Russia has made incremental ground advances in the East, while Ukraine launched an incursion into Russian territory in August. Aerial attacks, including on energy infrastructure, have continued. And at sea, the Black Sea shipping routes remain open but are under threat.

- *Resilience amid major social and economic challenges*: Electrical outages persist following repeated attacks on electrical generation capacity since the spring. Mobilization is tightening labor markets, 10.3 million people remain displaced, either internally or as refugees, and food insecurity affects a fifth of the population. The maintenance of overall stability largely reflects the authorities' strong commitment to economic stability and adherence to policies under their IMF-supported program, the continued adaptability of firms and households to wartime conditions, and the prompt provision of large-scale donor financing. Nevertheless, social and economic circumstances remain extremely challenging, and headwinds have intensified.

Figure 1. Ukraine: Recent Challenges



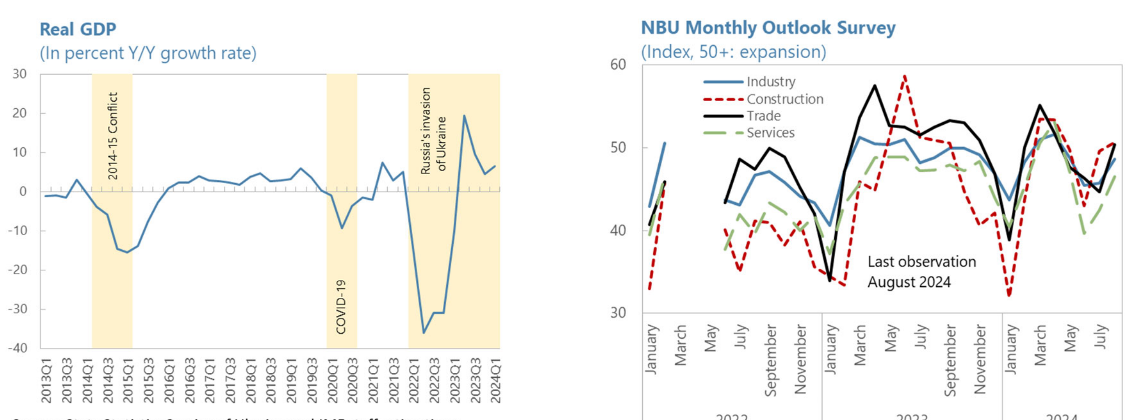
2. This review focuses on updating the program scenarios and adapting macroeconomic policies to reflect a longer war and major developments on external financing, while continuing to restore sustainability and medium-term external viability. Consistent with security experts' views and the authorities' budget planning, the program now envisages the war winding down in the last quarter of 2025 in the baseline and by mid-2026 in the downside. Reconciling a longer war with the restoration of medium-term external viability involved examining how to incorporate: (i) policies to maintain macroeconomic stability amid a longer war, including through a durable and stronger push for further revenue mobilization that builds on a recently adopted package of tax measures; (ii) the successful August Eurobond exchange, which confirmed sizable debt relief and achievement of a major part of the overall debt restructuring strategy, with a commitment to a second restructuring if needed; and (iii) assurances of US$50 billion of stable, multi-year additional financing from the G7's ERA initiative consistent with debt sustainability. Discussions also covered strategies to close the energy deficit and extending the structural reform agenda to set the stage for vigorous medium-term growth and EU accession.

RECENT ECONOMIC AND PROGRAM PERFORMANCE

3. Despite extremely challenging conditions arising from the war, the economy has shown remarkable resilience in recent months. The large-scale damage to electricity generation, together with the regular maintenance of nuclear power plants (NPPs), led to persistent energy deficits and lengthy power outages during the summer peak. Additionally, mobilization has magnified labor shortages, and the uncertain security situation has constrained production and investment more generally. These strains have been somewhat offset by widespread backup electricity generation and ongoing repairs and improved logistics (lifted border blockades and stable sea-based shipping routes). Overall, recent data releases point to a continuing recovery:

- *Real GDP* expanded by a stronger-than-expected 6½ percent in Q1 (y/y) and is estimated to have slowed but is still-buoyant at 3 percent in Q2 (y/y). Growth remained resilient at 2.7 percent y/y in July despite substantial energy shortages, supported by an accelerated harvest compared with last year, and by broadly stable metals production, which largely avoided production cuts by resorting to energy imports. More broadly, consumer confidence recovered from the June low, in line with steadily increasing mall foot traffic. Similarly, business confidence continued to rise through August to slightly below the neutral level of 50, with subindices in trade and construction indicating expansion.

Figure 2. Ukraine: Recent Activity Indicators

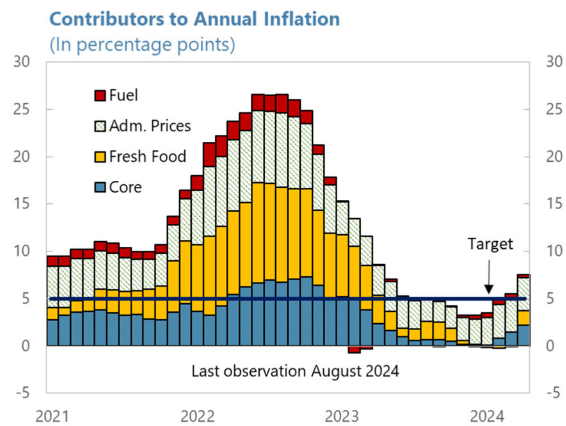


Source: State Statistics Service of Ukraine and IMF staff estimations.

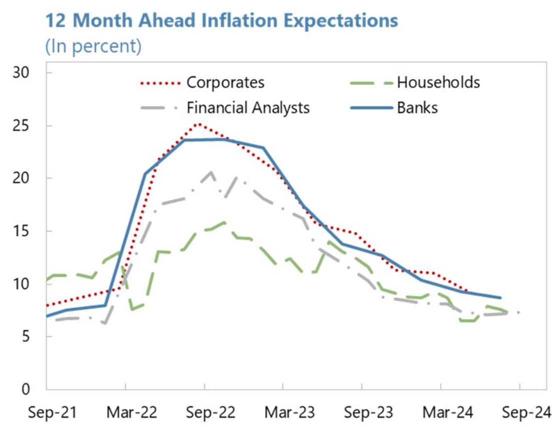
Source: NBU.

- *Inflation* accelerated in August to 7.5 percent y/y (Figure 3) largely due to the expected rebound in food prices from a low base (food inflation went from 1.2 percent y/y in July to 6 percent in August). Core inflation also accelerated to 6.5 percent y/y, reflecting higher input prices and exchange rate depreciation. One-year ahead inflation expectations remain stable.

Figure 3. Ukraine: Inflation



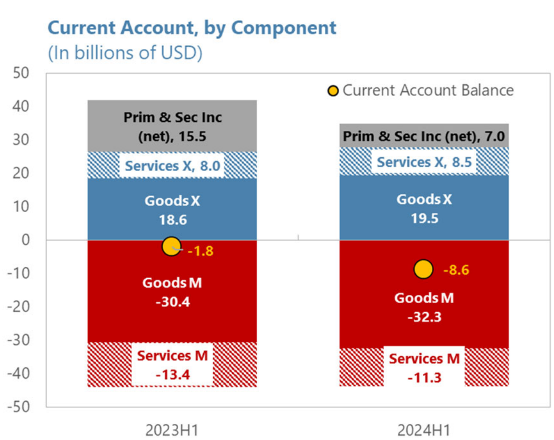
Sources: SSSU, NBU, Haver Analytics, IMF staff estimates.



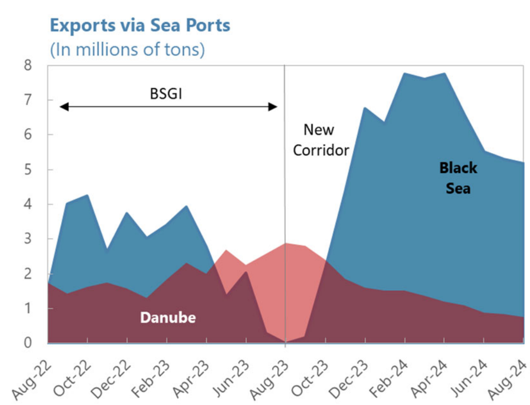
Sources: NBU, GfK Ukraine, Info Sapiens.

- *The current account deficit* widened to US$8.6 billion in 2024H1 from US$1.8 billion in 2023H1, mainly due to lower grants (Figure 4). The merchandise trade balance deteriorated 8 percent y/y as higher imports from defense and energy offset stronger exports (especially agriculture and iron ore) from stable Black Sea shipping lanes. The services balance strengthened with the lifting of border blockades and the decline in cash withdrawals by Ukrainians abroad. Boosted by large external disbursements, especially in March and August, gross international reserves reached US$42.3 billion in August or 5.1 months of prospective imports.

Figure 4. Ukraine: External Sector Indicators



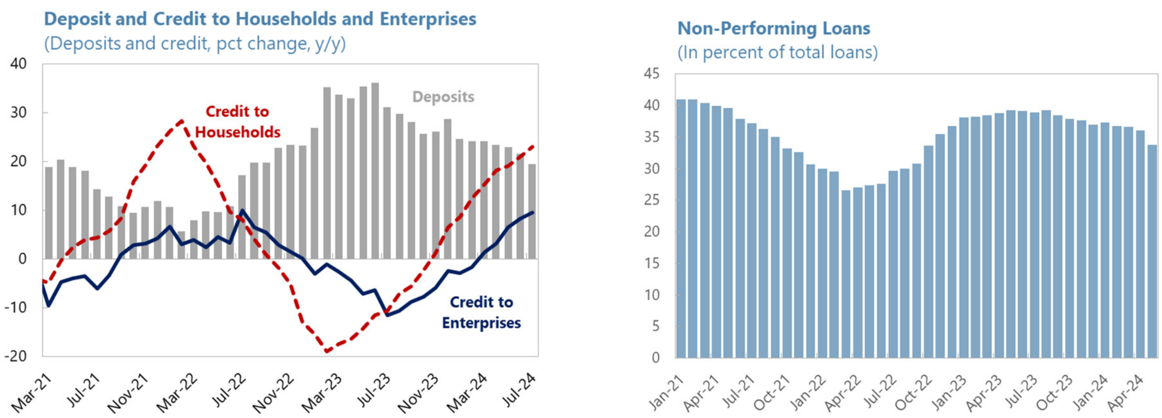
Source: NBU.



Sources: IMF staff, based on NBU estimations, and Ukrainian Sea Ports Authority.

- *Private credit* continues growing (12.7 percent (y/y) in July), rebounding from the low base of 15.1 percent of annual GDP reached in December 2023, alongside lower interest rates and lending initiatives (mortgages through eOselya); business lending is increasing, albeit less rapidly (Figure 5). Credit quality remains difficult to assess, but reported NPLs and default rates are approaching pre-war levels and are highly provisioned. Deposits continued growing (19.4 percent y/y in July), in line with the large public wage bill and deposit withdrawal restrictions.

Figure 5. Ukraine: Credit and Deposit Dynamics



Source: NBU.

Source: NBU.

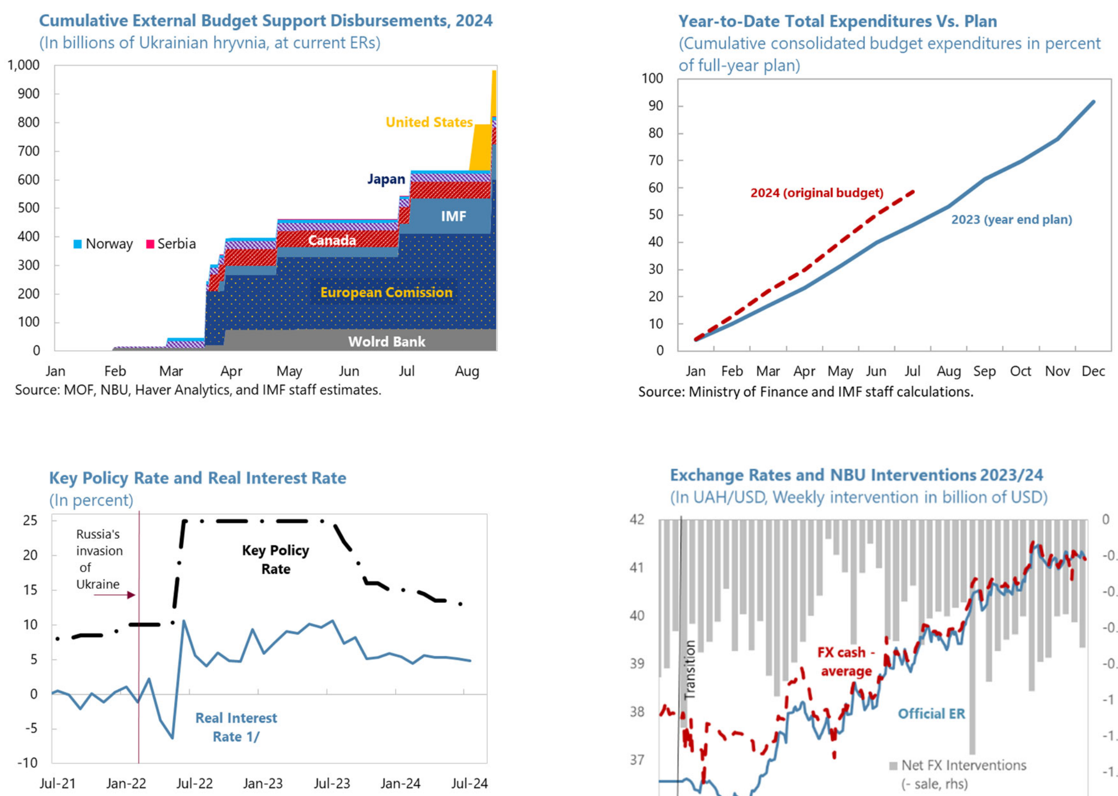
4. The authorities have implemented macroeconomic policies broadly in line with the program's assumptions so far this year. Large-scale and prompt external disbursements in line with program assumptions also helped to ensure the stable implementation of macroeconomic policies (Figure 6):

- *Budget implementation*: Tax collections overperformed in the first half of 2024, including due to a higher-than-expected yield from an extraordinary bank profit tax applicable this year. Going forward, revenues will benefit from recently enacted legislation to align fuel excises with EU directives, which became effective in September. Nevertheless, deficits remained in line with expectations through June as defense needs (including due to delayed military support early in the year) have led to higher-than-expected expenditures. In July, to replenish budgetary allocations ahead of a usual seasonal pickup, the authorities submitted a supplementary 2024 budget (¶13) to Parliament to cover defense needs, accompanied by a package of tax measures (¶15) and additional domestic financing.

- *Monetary policy*: Due to uncertainty around the inflation outlook, the NBU paused its easing cycle, holding the key policy rate (KPR) at 13 percent at its July and September monetary policy committee meetings. Key factors driving this uncertainty include a deterioration in the energy situation and a further acceleration of raw food prices because of the impact of hot summer on the harvest; conversely, faster energy repair represents a disinflationary risk. However, the forward guidance remained unchanged, implying a resumption of the easing cycle in early 2025.

- *FX market policies*: Despite higher NBU interventions to meet upticks in FX demand (including from priority public expenditures), the exchange rate has continued to demonstrate flexibility. The NBU has also continued implementing FX liberalization in line with its Strategy. Measures eased since July include external loan coupon repayments for corporates' Eurobond financing, alongside increasing fund transfer limits for specific entities (MEFP ¶49). The impact of FX liberalization on cross-border flows has been lower than initially estimated due to a slower uptake by corporates.

Figure 6. Ukraine: Policy Implementation



Source: MOF, NBU, Haver Analytics, and IMF staff estimates.

Source: Ministry of Finance and IMF staff calculations.

Sources: NBU, GfK Ukraine, Info Sapiens. IMF staff estimations.
1/ Calculated using the Fisher equation on the average for the 12-month ahead inflation for Banks, Corporates, Households and Finanical Analysts.

Source: NBU.

5. Overall, despite the extremely challenging circumstances, the authorities have continued to deliver a strong overall program performance.

- *Quantitative targets*: All program QPCs and ITs for end-June were met. With the Executive Board's consideration of the Fifth Review in October, the end-September QPCs are controlling. The authorities are expected to meet all fiscal QPCs, although final data will become available only around October 25, as well as the floor on net international reserves, for which final data will be available around October 20. Despite the non-payment that was due in August on

Eurobonds, there was no breach of the continuous QPC on external payments arrears, which excludes external financial obligations of the government subject to rescheduling (TMU ¶26); the arrears were resolved by the Eurobond exchange that settled on August 30. Continuous PCs per TMU ¶29 were also met.

- *Structural conditionality*: The authorities met two of the three end-September structural benchmarks (SBs) on time (with the external audit of NABU SB missed and set as a new SB for end-February 2025), delivered the end-October SB on the customs code and end-December SB on the Public Investment Management (PIM) action plan ahead of schedule, and respected the continuous SB on the banking system. They met the prior action on the selection of the independent auditors for the external audit of NABU, introduced in light of the missed end-September SB.

Text Table 1. Ukraine: Quantitative Performance Criteria
(In millions of Ukrainian hryvnia, unless indicated otherwise)

	Jun 2024				
	QPC	Adjustor	Adjusted QPC	Actual	Status
I. Quantitative Performance Criteria 1/ 2/					
Floor on the non-defense cash primary balance of the general government, excluding budget support grants (- implies a deficit) 3/	250,000	0	250,000	466,499	Met
Floor on tax revenues (excluding Social Security Contributions)	880,400	...	880,400	1,001,994	Met
Ceiling on publicly guaranteed debt 3/	47,900	5,879	53,779	7,071	Met
Floor on net international reserves (in millions of U.S. dollars) 3/	25,300	-33	25,267	25,792	Met
II. Indicative Targets 1/ 2/					
Floor on the cash balance of the general government, excluding budget support grants (- implies a deficit) 3/	-725,996	0	-725,996	-555,702	Met
Ceiling on general government arrears	2,000	...	2,000	1,654	Met
Floor on social spending	262,500	...	262,500	291,447	Met
Ceiling on general government borrowing from the NBU 4/ 5/	-2,884	0	-2,884	-3,079	Met
III. Continuous performance criterion 1/ 2/					
Ceiling on non-accumulation of new external debt payments arrears by the general government	0	...	0	0	Met

Sources: Ukranian authorities and IMF staff estimates and projections.
1/ Definitions and adjustors are specificied in the Technical Memorandum of Understanding (TMU).
2/ Targets and projections for 2024 are cumulative flows from January 1, 2024.
3/ Calculated using program accounting exchange rates as specified in the TMU.
4/ From end of previous quarter.
5/ Calculated using the projected redemptions of government bonds as of September 10, 2024.

OUTLOOK AND RISKS

6. As EHU persists, and in line with the Fund policy for lending under EHU, the program continues to set out baseline and downside scenarios, both of which now reflect a longer war.

The evolution of the scenarios is based on staff judgement and has been informed by discussions with security experts, Ukraine's macroeconomic policy management under the war thus far, and commitments by the authorities and donors. Each scenario's macroeconomic projections continue to be based on varying assumptions around key drivers of the economy, including the level of financial support, energy availability, port access, and labor force dynamics. Consistent with the EHU and IMF lending policies, the policy actions and commitments reflected in both frameworks aim to deliver medium-term external viability by the end of the IMF-supported program period.

A. Baseline Scenario

7. The longer war significantly changes Ukraine's fiscal outlook, and BOP needs are being reconciled with new financing and policy actions to restore medium-term external viability. With the revised assumption of a longer war, cumulative expenditures over 2024–27 are expected to be around US$32 billion higher than the Fourth Review's baseline (Text Table 2). This revision reflects both the longer war and the authorities' intention to maintain a high level of defense preparedness. Thus, deficits in the next three years will be substantially wider (up around US$30 billion cumulatively over 2024–27), with the increase mostly covered by large-scale multi-year ERA loan financing. At the same time, revenue-based fiscal adjustment continues to be a cornerstone of the program to meet priority expenditures over the medium term while restoring fiscal and debt sustainability. The G7 has developed a multi-layer risk mitigation structure in the ERA arrangement (see ¶46) to provide sufficient assurances that Ukraine will not incur residual obligations arising from this financing; thus, such financing is neutral for debt sustainability assessments (see ¶47). Together with the overall debt restructuring strategy under the program, debt remains sustainable on a forward-looking basis, contributing to the restoration of medium-term external viability. Thus, Ukraine's capacity to repay the Fund remains in line with the Fourth Review. That said, the scope under the current program to absorb further large shocks is also very limited.

Text Table 2. Ukraine: Revisions to Key Fiscal Projections, 2024–27

	2024-27		
	UAH billions	USD billions 1/	Percent of GDP 2/
Cumulative deficit excluding grants, baseline scenario			
Fifth Review	4,920	112	14.5
Fourth Review	3,581	82	10.6
Revision to cumulative deficit excluding grants, due to:	1,339	30	4.0
Higher expenditures	1,431	32	4.2
Net revisions to revenue projections	-92	-2	-0.2
Revision to financing, due to:	1,339	30	4.0
Higher net external borrowing and grants	1,625	36	4.5
Of which: ERA financing	1,524	33	4.2
Revised net domestic financing and other items	-287	-5	-0.5

Source: IMF staff.

1/ Converted using 5th Review baseline projections.

2/ Averages over 2024-27 using 5th Review Baseline GDP.

8. In the updated baseline scenario, the war would wind down in the last quarter of 2025, exerting a large drag, but Ukraine would be able to sustain measured growth. Overall, the baseline assumes that the war's impact is concentrated on areas with already reduced economic activity due to the security situation. While growth will remain positive, driven by recovery toward potential output, the longer war implies headwinds to economic performance from more persistent uncertainty, labor shortages, defense and repair-related import pressures, and population dynamics. Specifically, the baseline envisages:

- *For the rest of 2024*: Overall, 2024 real GDP growth is forecast at 3 percent. Growth will likely slow moderately in Q3, with the early harvest and resilience in exports offsetting the negative impact of energy shortages. The economy will further slow in Q4 due to a widening energy deficit from higher demand in the heating season. Staff estimates a winter energy deficit of 3– 4 GW, consistent with estimates of other stakeholders, with downside risks prevailing due to missile attacks and seasonal factors. Inflation will continue to rise to 9 percent (y/y) by December, reflecting sharply increasing producer prices (largely from energy), and labor costs. On the external sector, higher energy and defense import needs, a weaker harvest, and moderating grants (see ¶49) would largely offset flow relief from the Eurobond restructuring and push the current account deficit up to US$14.9 billion (8.1 percent of GDP); higher external financing would boost gross international reserves to US$42.6 billion (113.5 percent of ARA).

- *In 2025*: The real GDP recovery will proceed more slowly (2.5–3.5 percent y/y, 2–3 pp lower than in the Fourth Review) due to the drag from the longer war. Inflation would moderate to 7.5 percent by end year, due to easing cost pressures. The current account deficit is expected to widen to US$27.1 billion (14.3 percent of GDP) due to sustained import needs, the impact of labor scarcity on export production and a moderation of grants, which would dominate the favorable impact of stable shipping lanes, private transfers, and the debt restructuring. Despite a deteriorated current account, some moderation of net FDI, and increased FX cash outside banks amid war-related uncertainties, gross reserves would increase to US$44.9 billion (104.7 percent of ARA) supported by external financing.

- *Postwar*: The postwar recovery will be moderated by scarring effects from the longer war, but the medium-term remains anchored by a strong reform agenda and the path to EU accession, as well as some reconstruction. The updated baseline's more attenuated post-war output recovery reflects slower migrant returns leading to a larger long-run population loss. Overall, the updated baseline entails a cumulative real GDP level loss of 2 percent through 2027 (and 2.7 percent through 2033) relative to the Fourth Review. However, potential growth would remain broadly unchanged as investment flows and total factor productivity (driven by decisive reforms, reconstruction efforts and confidence) would dominate the adverse impact of the longer war on the capital stock and the labor force.

Text Table 3. Ukraine: Baseline Scenario

	Current Forecast				Change from Fourth Review			
	2024	2025	2026	2027	2024	2025	2026	2027
Baseline								
Real GDP growth (%)	3.0	2.5-3.5	5.3	4.5	0.5	…	0.0	0.0
Inflation, eop (%)	9.0	7.5	6.6	5.0	1.0	0.5	1.1	0.0
Current account (% GDP)	-8.1	-14.3	-10.5	-5.9	-2.3	-7.4	-3.9	-0.9
Current account (US$ billion)	-14.9	-27.1	-21.7	-13.0	-4.4	-14.0	-8.6	-2.5
Current account balance excluding grants (US$ billion)	-25.6	-28.8	-22.3	-15.4	-2.9	-10.0	-6.6	-2.5
Goods trade balance (US$ billion)	-32.1	-36.2	-36.1	-39.8	-4.4	-4.0	-2.1	-1.2
FX reserves (US$ billion)	42.6	44.9	49.1	52.4	0.8	1.8	1.1	5.0
Overall fiscal balance (% GDP)	-18.7	-19.2	-9.5	-2.7	-4.5	-11.7	-4.6	0.9
Overall fiscal balance, excl. grants (% GDP)	-24.5	-20.0	-9.8	-3.8	-3.6	-9.6	-3.6	1.0
Public debt (% GDP)	95.6	106.6	107.6	102.6	-1.7	9.0	10.7	8.2
Gross Reserves (% IMF composite metric (float))	113.5	104.7	104.0	106.9	-0.2	-5.6	-10.7	-4.3

Source: IMF staff estimates.

B. Downside Scenario

9. **The downside scenario's shock is now assumed to start one quarter later—in 2024Q4—with the war winding down by around mid-2026.** Compared with the baseline, this scenario entails greater damage from longer and more intense active combat, stronger adverse supply shocks, deeper energy shortages, and larger labor force loss through 2025 as well as weaker return migration thereafter. Over the forecast horizon, the revised downside envisages:

- In 2024, GDP will grow by 1 percent, as the above shocks would drag down private consumption, investment, and net exports, with the latter causing a current account deficit in excess of 10 percent of GDP. Inflation would rise to 12 percent.

- In 2025, with the war continuing at high intensity throughout, real GDP would contract 2.5 percent amid weak investment, consumption, and exports. Such supply shocks amid still high priority imports would lead to a worsening in the current account balance excluding grants, and inflation would slow but remain in low double digits. As before, additional donor financing is assumed relative to the baseline scenario.

- In 2026, no growth is expected as the year would still see active combat and any rebound would be contained by weaker population trends. Inflation would slow but still be higher than the Fourth Review, while the current account deficit would remain wide.

- Real GDP growth in 2027 and beyond is broadly unchanged as a stronger rebound from a lower base offsets weaker fundamentals; inflation also converges to prior assumptions. However, there are lingering effects on the external sector.

Text Table 4. Ukraine: Downside Scenario

	Current Forecast				Change from Fourth Review			
	2024	2025	2026	2027	2024	2025	2026	2027
Downside								
Real GDP growth (%)	1.0	-2.5	0.0	4.0	2.7	-1.5	-2.1	0.0
Inflation, eop (%)	12.0	10.0	8.0	5.5	2.0	1.5	1.5	0.0
Current account (% GDP)	-10.7	-12.8	-11.9	-6.6	-2.1	-11.1	-8.3	-2.6
Current account (US$ billion)	-19.6	-22.6	-21.1	-12.2	-4.6	-19.9	-15.1	-5.2
Current account balance excluding grants (US$ billion)	-36.8	-30.0	-26.5	-16.3	-3.1	-15.9	-13.1	-5.2
Goods trade balance (US$ billion)	-39.0	-36.0	-34.3	-38.3	-4.6	-10.0	-2.3	-0.6
FX reserves (US$ billion)	33.0	35.2	40.5	42.5	0.6	-1.4	-0.8	2.0
Overall fiscal balance (% GDP)	-18.5	-21.8	-18.4	-8.0	-1.7	-4.8	-5.0	-2.5
Overall fiscal balance, excl. grants (% GDP)	-27.8	-26.0	-21.4	-10.2	-0.4	-2.1	-3.6	-2.4
Public debt (% GDP)	97.0	117.5	132.1	134.3	-7.7	-4.1	0.1	3.8
Gross Reserves (% IMF composite metric (float))	89.0	83.7	84.4	84.6	-0.6	-12.5	-16.7	-13.4

Source: IMF staff estimates.

C. Risks

10. Risks to both the baseline and downside scenarios remain exceptionally high (Annex I), with the most pertinent being:

- *Length and intensity of the war*: Despite the revised assumptions, the war could last even longer or escalate, implying greater headwinds to economic performance or program objectives.

- *Energy supply*: Further attacks constitute an important downside risk (both economic and humanitarian given the approaching winter), while faster repairs and additional energy generation are potential upside surprises.

- *Durability of international support*: Both scenarios are based on donors delivering on their financing commitments (including under the G7's ERA initiative). Delays or shortfalls could make sub-optimal policies unavoidable (e.g., social spending cuts or domestic arrears), entailing substantial economic and social disruption.

- *Reform fatigue*: Policy adjustment and deeper structural reforms need to continue in the years ahead, and sustaining momentum for an extended period may prove challenging, including for social cohesion.

- *Limited scope in program design for absorbing additional shocks:* With the extension of the war assumption, the scope to further redesign the program to accommodate further changes to the war assumption while restoring external viability by the end of the program period has significantly diminished.

11. Overall enterprise risks remain at the level assessed at the Fourth Review, with some changes in the underlying composition of risks given the revised assumptions on the duration of the war. The *strategic risk* related to the duration of the war—the key risk at the time of the

Fourth Review—has crystalized and led to a lengthening of the assumptions on the duration of the war in both the baseline and downside scenarios. Staff assesses the residual strategic risk of the war extending beyond the revised duration assumptions as high, albeit lower than the level of risk at the time of the Fourth Review (given the realization of the risk). Conversely, a longer war increases uncertainty and places additional headwinds to restoring fiscal and debt sustainability and achieving external viability by the end of the program; consequently, *business* risks have increased as these additional challenges complicate the task of adapting the design of the program. While several factors mitigate this risk, including the safeguards under the EHU on the financing assurances policy as well as the quarterly review structure to maintain close engagement, the scope to further redesign the program if there were additional large shocks is limited. Similarly, a longer war requires additional support from external partners, increasing *financial risk*; this risk is mitigated by the G7's US$50 billion ERA financing commitment to Ukraine, including the EC's recent proposal of up to €35 billion. *Financial risks* associated with Ukraine's external commercial debt restructuring have reduced given the completion in August of an exchange of US$23 billion of Eurobonds and a credible strategy is in place to restore debt sustainability, including a commitment from the authorities for a second restructuring. Meanwhile, *reputational* and *operational risks* have not meaningfully changed since the Fourth Review.

POLICY DISCUSSIONS

12. The program maintains prospects of restoring fiscal and debt sustainability, and successfully delivering medium-term external viability despite a longer war due to updated understandings on policies going forward. Consistent with the program's design thus far, the authorities have made first-phase commitments to deliver fiscal and monetary policies consistent with preserving macroeconomic stability, restoring debt sustainability, and maintaining adequate reserves. Additionally, they have gone beyond initial expectations by delivering politically difficult and comprehensive reforms that will support these efforts. In a second phase of the program, the authorities are committed to deepen the structural agenda to ensure vigorous medium-term growth prospects, contain fiscal risks by advancing reforms in tax policy and administration, entrench the rule of law, assure financial stability, and enhance their prospects for EU accession.

A. Macro-Fiscal Policies and Financing Strategy

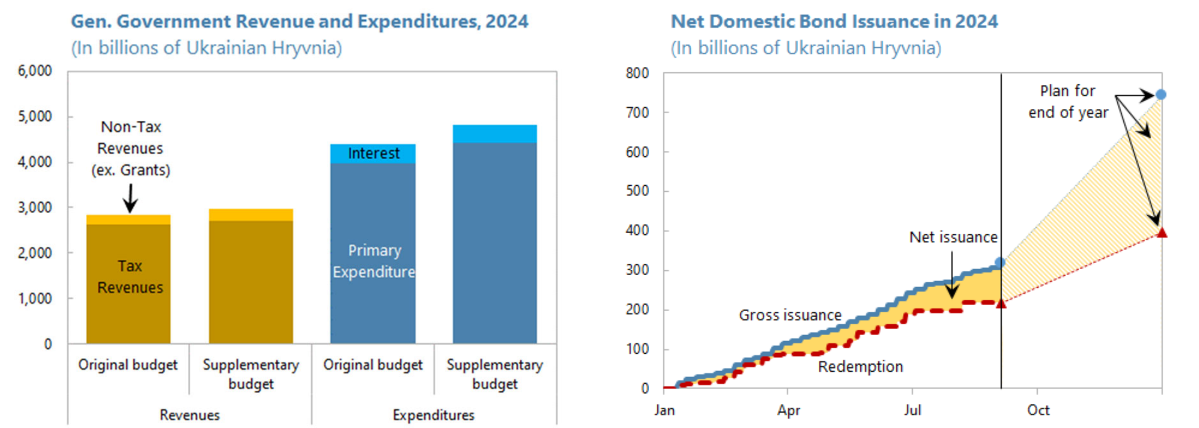
13. Fiscal policy implementation for the rest of 2024 needs to adhere to the recently adopted 2024 supplementary budget. Key features of the 2024 Supplementary Budget include:

- *Expenditures*: Primary spending will be over UAH 450 billion (about 6 percent of GDP) higher to respond to additional needs, mainly defense related, with partially offsetting savings, including on interest (Figure 7).

- *Revenues*: An accompanying package of personal and corporate tax measures currently in parliament is expected to yield around UAH 30 billion in the remainder of 2024, with important carry over into 2025 (¶15).

- *Financing*: The deficit excluding grants of UAH 1,850 billion (25 percent of GDP) is significantly higher. While external donor support remains the largest source of financing, the overage resulting from the supplementary budget will be mainly financed domestically. The authorities' revised plans involve an ambitious placement of a large volume of government bonds on the domestic market in a short period of time. This will require careful coordination with banks on the issuance strategy to avoid any market disruption and external donors will need to provide committed financing according to schedule. While bank liquidity remains high and market appetite has been good recently, the authorities adjusted reserve requirements that would incentivize greater uptake of government bonds at the September MPC meeting to ensure that the financing strategy remains feasible. These actions, while appropriate under the circumstances, are distortionary (see ¶28) and increase risks by reducing scope for domestic market financing to absorb shocks going forward.

Figure 7. Ukraine: 2024 Supplementary Budget and Financing



Sources: Ministry of Finance.

Sources: Ministry of Finance, NBU, and IMF staff estimates.

14. The draft 2025 Budget envisages expenditures remaining at very high levels, reflecting the longer war. The budget submitted to Parliament in September estimates total spending at 59 percent of GDP, about 10 percent of GDP higher than in the Fourth Review baseline. As in 2024, expenditures continue being principally oriented toward defense, with other categories being tightly prioritized. To contain the deficit to a manageable level, the budget incorporates several expenditure control policies, including: (i) freezing the levels of minimum wages, public wages, and the minimum subsistence level; (ii) achieving savings on social spending by encouraging labor force participation of IDPs, improving IDP eligibility verification, internalizing lower unemployment, and measures on pensions (see ¶24); and (iii) tightly containing non-defense capital expenditures (which will be identified through the work of the Strategic Investment Council, ¶23). While these measures recognize the primacy of defense among the authorities' objectives, the authorities will need to maintain close attention toward ensuring that fiscal measures achieve an equitable burden sharing across society. Additionally, tight expenditure constraints increase the likelihood and impact of shocks, which are already elevated given the current challenging conditions.

15. To safeguard budget implementation in 2025, the authorities must build on their recent efforts to ensure adequate tax revenues. The agenda includes:

- *Recent tax package*: To respond to higher defense expenditures both this year and next year, securing Parliamentary adoption of draft law (#11416-d) is the main priority. The key measures include: (i) raising the military tax (income tax) rate from 1.5 percent to 5 percent; (ii) broadening military tax to the simplified tax system; (iii) introducing presumptive taxation of fuel stations; and (iv) raising the applicable tax rate on non-bank financial institutions (except insurance companies) to the level applied to banks (25 percent). While this law will bring modest revenues in the remainder of 2024, the impact will be greater in 2025 with the full-year yield estimated at 1½ percent of GDP (Text Table 5).

- *Aligning taxes with EU directives*: The authorities have made important progress in this area by enacting the law to gradually align fuel excises with EU directives in September; initial adjustments to rates became effective that month. A similar law that will gradually align tobacco excises with EU minimum levels is awaiting its second reading in Parliament and the authorities will work to secure its adoption this year (MEFP ¶16).

- *Contingent tax increases*: The budget process is taking place amid extremely difficult and uncertain circumstances. The recent tax package, while achieving much needed revenue increases, remains significantly lower than the original draft submitted to Parliament, which envisaged broader application of military tax, higher presumptive taxation of fuel stations, and efforts to restrict eligibility for simplified taxation. The current draft of the tax package leaves smaller buffers in the 2025 budget to absorb potential shocks, especially after significant domestic borrowing that will take place through end-2024. Consequently, if unexpected expenditure needs materialize and/or revenues begin to underperform, the authorities have committed to introduce additional tax measures (MEFP ¶14), which will keep the deficit manageable and offset the impact of any shock on debt. Given the significant and immediate needs, increasing the main rate of VAT would be most appropriate, as it is efficient, has a broader base that can capture the informal sector, and is completely allocated to the state budget general fund.

- *Tax enforcement*: In addition to avoiding an erosion of the tax base, promoting equity, efficiency, and public buy-in for revenue policies will require a redoubling of efforts to fight tax evasion and avoidance. To this end, and supported by IMF TA, the authorities will make durable progress on key elements of the tax administration agenda in the NRS (¶20).

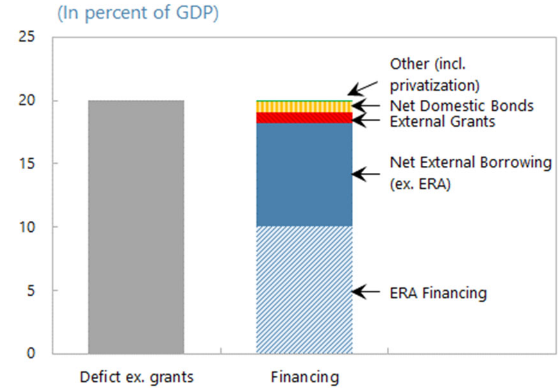
Text Table 5. Ukraine: Full-Year Impact in 2025 from Revenue Measures in Law #11416-d

	In UAH billion	In percent of GDP
Total	127.1	1.5
Personal income tax	122.3	1.4
1. Raise general military tax rate from 1.5 to 5 percent	107.7	1.3
2. Apply military tax to simplified tax system taxpayers	14.6	0.2
Corporate profit tax	4.8	0.1
1. Introduce presumptive taxation for fuel stations	4.0	0.0
2. Raise the non-bank financial institution tax rate to 25 percent 1/	0.8	0.0

Source: Ministry of Finance and IMF staff estimates.
Note: As of September 10, 2024.
1/ This increase aligns the applicable corporate profit tax rate to that of banks.

16. The deficit in 2025 will remain large, but financeable. The authorities' budget proposal envisages a general government deficit excluding grants of UAH 1,712 billion or around 20 percent of GDP. As has been the case since the start of the program, it is expected to be mainly financed with external donor support that covers nearly all of the deficit, including G7 commitments through the ERA initiative (which is expected to be used as budget support (MEFP ¶13)); there is no monetary financing. After substantial net issuance this year, the authorities plan on significantly less reliance on the domestic government debt market next year, allowing room to support credit for the recovery. With space for further absorption of domestic government debt being narrow, it will be imperative next year to respond to any shocks through offsetting tax and/or expenditure measures.

Budget Deficit and Financing in 2025
(In percent of GDP)

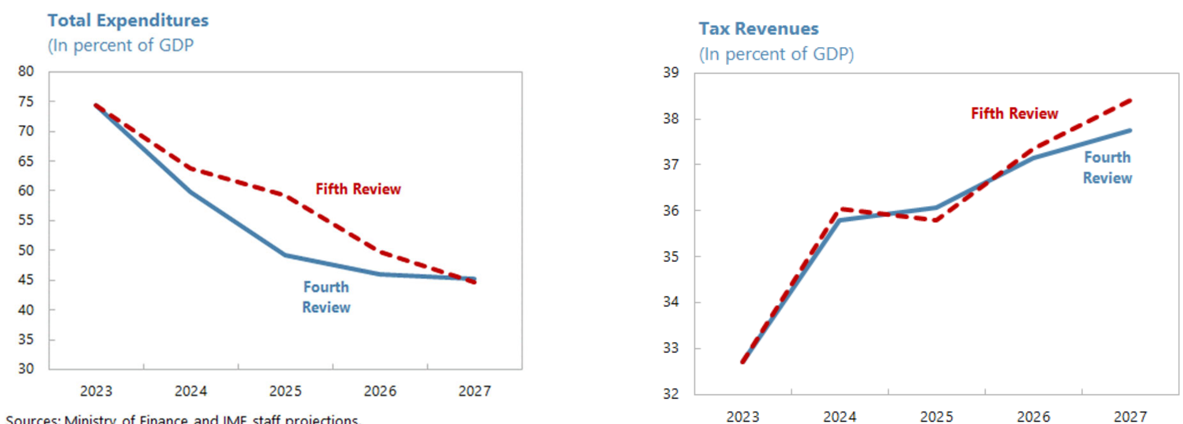


Sources: Ministry of Finance and IMF staff estimates.

17. This year's budget declaration proved useful for focusing plans and debate, and it should become entrenched in future years' budget cycles. The authorities released the 2024–26 Budget Declaration in July, informing key stakeholders about the policy priorities and fiscal planning amid extraordinarily difficult circumstances. Going forward, the importance of future declarations in the annual budget process will likely rise, including for planning for post-war reconstruction, maintaining policies that preserve stability, and ensuring consistency with the program objectives. Recognizing these benefits, the authorities have committed to preparing next year's budget declaration for 2026–28 consistent with the program's policies, financing, and objectives (***Structural Benchmark,* proposed for end-June 2025**; MEFP ¶15).

18. The fiscal outlook for the rest of the program reflects persistent defense and significant social needs, but progress must be made on revenue-based fiscal adjustment. With the longer war and the authorities' expectation that they will need to permanently maintain a high level of defense preparedness, expenditures are likely to be both higher and slower to dissipate than previously expected (Figure 8). While expected external financing is ample to meet current needs, it is neither enduring nor of a magnitude to meet Ukraine's significant expenditure needs in the years ahead. Only greater and more durable efforts on boosting taxes—both in terms of measures as well as enforcement—can deliver greater self-reliance and a return to fiscal and debt sustainability by the end of the program. The additional tax effort could include raising the main VAT rate as well as other actions that will be needed to advance EU accession, including phasing out preferential VAT rates to align with EU directives and reforming environmental taxation ahead of the definitive regime for the EU's Carbon Border Adjustment Mechanism, to which Ukraine is exposed.

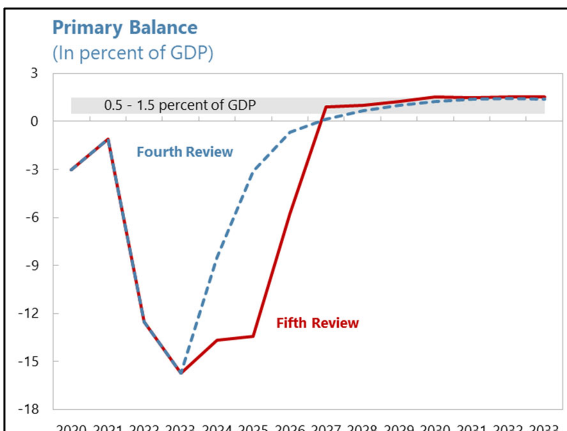
Figure 8. Ukraine: Medium-Term Fiscal Projections



Sources: Ministry of Finance and IMF staff projections.

Sources: Ministry of Finance and IMF staff projections.

19. The authorities have committed to a ½ to 1½ percent of GDP primary surplus target for the post-war medium term, consistent with restoring fiscal and debt sustainability. This range balances the uncertainty facing Ukraine, including feasible adjustment with the need to put debt on a downward trajectory and keep financing needs to manageable levels in the years ahead. As before, a primary balance at the upper end of the range as well as the completion of the remaining steps of the current private and official bilateral external restructurings (see ¶45, bullets 1 and 2) would deliver the debt and GFN targets under the program's financial programming baseline without the need for further restructuring of the Eurobonds (¶47). While the winding down of the war will lead to lower deficits as some expenditure needs diminish, maintaining the revenue effort over the post-war period remains essential. Thus, revenues, especially taxes, will need to remain at elevated levels in the post war period. Additionally, any borrowing will need to be contracted on appropriately concessional terms, with international market access resuming later and in a prudent manner.



Source: IMF staff projections

B. Fiscal Structural Reforms

20. Reforms to boost domestic revenue mobilization under the National Revenue Strategy are a high priority. As a first step to rationalize tax expenditures, the MOF recently approved a new formal assessment methodology for tax privileges **(*Structural Benchmark*, end-September 2024, met)**, developed with technical support from the IMF. Based on the new methodology, the MOF will regularly review all tax expenditures by assessing their costs as well as their effectiveness in achieving intended outcomes. The authorities reiterated their commitment to streamlining the so-called Simplified Tax system, which currently provides ample opportunities for tax avoidance, over the medium term. For the near term, they envisage to introduce reporting requirements for digital platform operators **(*proposed Structural Benchmark*, end-April 2025)**, giving the State Tax Service (STS) a new tool to control the timeliness, accuracy, and completeness of declarations. Moreover, in July, STS launched a pilot of its new Compliance Risk Management system, a key step in the shift to a risk-based tax administration.

21. Parliament approved legislation to reform the State Customs Service (SCS). The law **(*Structural Benchmark*, end-October 2024, met)** is an important milestone in the authorities' efforts to improve the governance of the SCS. It envisages integrity checks and accountability mechanisms, combined with a robust leadership selection process, with participation by independent experts. At the same time, recognizing the central role of customs for government finances, the law preserves the role of MOF in directing and supervising SCS. Given the criticality of putting permanent SCS leadership in place as soon as the selection process is defined, the authorities committed to appointing a new head of customs by mid-2025 **(*proposed Structural Benchmark*, end-June 2025)** and promptly filling any vacancies of regional customs heads. Meanwhile, the SCS is taking steps to make customs administration more risk based, including by vetting importers for the Authorized Economic Operator program and through a new automatic risk management system.

22. The authorities are also proceeding with the implementation of the ESBU reform (MEFP ¶28). Following the adoption of new legislation in June 2024, the ESBU will focus on major economic and financial crimes and its analytical capacity will be strengthened. The law also enshrines robust mechanisms for transparency, accountability, and integrity. The authorities are also committing to appoint the new head of the ESBU based on the selection process in the law (***proposed Structural Benchmark*, end-February 2025**). The new ESBU head will approve procedures of attestation and form the attestation commission within three months from the date of the appointment of the ESBU head. AML/CFT measures and cooperation with the State Financial Monitoring service should also be leveraged to further help detect tax crimes and smuggling. This requires enhancing authorities' analytical capabilities and information-sharing.

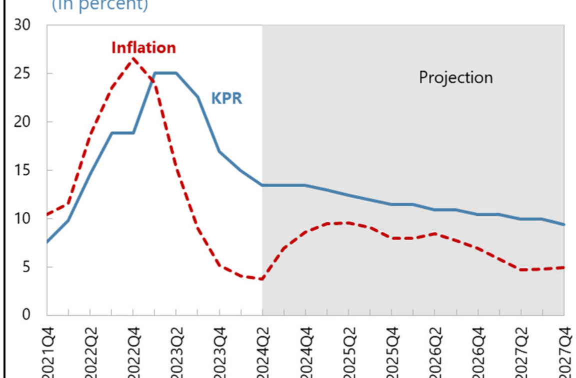
23. Public financial management reforms are progressing. The action plan to implement the 2023 Public Investment Management (PIM) Roadmap was approved ahead of schedule **(*Structural Benchmark,* end-December 2024, met**). The plan establishes a strategic approach to public investment; creates a single approach to project appraisal, selection, and monitoring; and integrates public investment with medium-term budgeting. Moreover, it lays out key steps to establish a gatekeeper role for the MOF at various stages of the project cycle. Implementation of the plan recently began, with the establishment of the Strategic Investment Council, which will play a central role in defining the project pipeline. Next PIM reform steps (MEFP ¶39) include enacting necessary amendments to the Budget Code (***proposed Structural Benchmark*, end-January 2025**) and approving the new methodological framework underpinning the PIM process (***proposed Structural Benchmark*, end-February 2025**). The MOF has also achieved significant progress in analyzing and disclosing fiscal risks, including by expanding the coverage of the annual Fiscal Risk Statement (FRS) submitted with the budget. Notably, the FRS for the 2025 Budget includes an analysis of major public companies severely affected by the war, with an assessment of their potential fiscal and quasi-fiscal costs (***Structural Benchmark*, end-September 2024, met**).

24. Steps are being taken to minimize pension-related spending pressures. While the pre-COVID pension reform addressed aging-related sustainability issues, it did not reduce the immense complexity of the pension system. The ambiguity in the law has given rise to numerous court cases, with adverse outcomes for the budget. To achieve greater legal certainty, avoid additional pension spending pressures caused by legal ambiguity, and prevent legislation creating additional complexity, the authorities are considering (i) legislative amendments to resolve ambiguity in cases where pension-related laws are deemed unconstitutional, and (ii) new legislation prohibiting changes to the pension system through unrelated legislation (i.e., outside the Pension Law). The authorities are also planning measures in the near term to achieve savings on pension expenditures by (i) modifying the indexation of some pensions that are currently linked to wages; (ii) improving the targeting of certain pension supplements; and (iii) limiting the pension amounts that can be obtained in addition to the entitlements earned through contributions.

C. Monetary and Exchange Rate Policies

25. The NBU should maintain the current appropriately tight monetary stance given risks to inflation and the outlook. After cutting the key policy rate (KPR) through June by a cumulative 200 bps, the NBU kept the KPR on hold at its July and September MPCs, given uncertainty around the inflationary effect of energy and labor costs and the pace of the pickup in food prices. Staff analysis suggests that the current tight stance is appropriate to reach the NBU's inflation target of 5 percent by 2027 while preserving positive real rates on hryvnia assets, consistent with the NBU's recently approved Monetary Policy Guidelines (¶26, MEFP ¶45). Inflation has started accelerating as expected to 7.5 percent y/y in August and is expected to peak at around 9 percent y/y at the end of the year, largely because of the passthrough of higher energy and labor costs, and of exchange rate depreciation. The easing cycle may resume as the effect of recent shocks

Key Policy Rate and Inflation
(In percent)



Sources: NBU and IMF staff estimates

fades, possibly in early 2025, while continuing to preserve positive real interest rates (above the estimated neutral real rate of 3–4 percent) to keep inflation expectations anchored and preserve adequate returns on hryvnia assets. In 2025, monetary policy should also account for output and inflation effects from subsequent revenue-based fiscal adjustment.

26. The recently updated Monetary Policy Guidelines (MPGs) should help guide the NBU's policy framework in the ongoing conditions-based transition to full-fledged inflation targeting in line with the NBU's Strategy and program objectives. The NBU in September adopted MPGs defining a "flexible inflation targeting" regime with the objective of returning to an inflation target of 5 percent over its policy horizon (by end-2027 at the latest) in view of economic conditions as the war continues. The MPGs specify that the policy horizon will adjust flexibly to accommodate temporary inflation fluctuations along the path to target but should not exceed three years. This should allow NBU to anchor expectations and further strengthen inflation as the nominal anchor, while preserving enough flexibility to react to shocks and avoiding excessive reactions to short-lived inflation increases. The MPGs also reiterate the principles of NBU's Strategy, clarifying that the current regime of "managed flexibility" of the exchange rate will continue along the transition to a fully floating exchange rate[1] and requiring a gradual and cautious approach to liberalization (¶27 and ¶30), in line with the objectives to safeguard reserves under the program. The return to full-fledged inflation targeting should only be considered once the prerequisites, as defined in the Strategy, are met.

27. In line with the MPGs and consistent with program objectives, the exchange rate should serve as a shock absorber. The MPGs specify that the KPR will serve as the main policy instrument to achieve the inflation target, while reserving the use of FX interventions to fill the structural supply deficit of FX and smooth excessive exchange rate volatility that could de-anchor expectations, with the level of the exchange rate determined by market conditions. In view of the continuing war, it remains important to safeguard FX reserves to help weather possible shocks, and FX interventions should remain appropriately calibrated through applying appropriately calibrated FX intervention rules that need to remain consistent with program objectives.

28. The NBU has adjusted reserve requirements (RR) to help direct liquidity toward the government bond primary market for the remainder of 2024. Effective October 11, the NBU increased reserve requirements by 5 percentage points (except for longer-term local currency household deposits) and the share of RR that can be met with domestic government bonds (from 50 to 60 percent). This change is estimated to induce demand for up to UAH 131 billion in primary government bond purchases through year-end. Whereas reserve requirements are estimated to increase by UAH 170 billion, the resulting impact on liquidity would be more muted given the large marginal share that would likely be met with government bonds. Thus, the impact of this measure on liquidity conditions as it takes effect should be carefully monitored to ensure consistency with the monetary stance. Whereas the RR has been an effective tool in encouraging primary bond uptake under the extenuating circumstances, the use of the RR in this way is not an effective way to

[1] The current IMF exchange rate classification for Ukraine is "floating" as of October 2023.

manage the large liquidity surplus, distorts the functioning of the RR as a monetary policy tool, and may increase the dependence of the government bond market, which has been increasingly functioning on market terms, on such support. Thus, the share of government bonds allowed to meet RR should be phased out over time as conditions permit.

29. The NBU should continue adjusting its operational design to ensure adequate monetary policy transmission given prevailing high liquidity. In its September MPC, the NBU lowered the rate on 3-month CDs to 15.5 percent and on refinancing loans to 16 percent to further support transmission in line with the easing cycle. Gradually phasing out the 3-month CDs (currently a third of outstanding CDs) would increase the role of overnight CDs (which since October 2023 have been remunerated at the KPR) for open market operations and liquidity absorption, thereby ensuring stronger monetary policy transmission. Adjustments to 3-month CDs should be gradual, permitting an assessment of their impact on hryvnia term deposits, in view of risks to the outlook. Going forward, the NBU should continue normalizing the conduct of monetary policy, for example, by considering instruments beyond overnight maturity to increase the average maturity of sterilization operations.

30. FX liberalization should continue to be guided by NBU's Strategy in view of the balance between risks to the outlook and the need to support economic recovery. Cautious liberalization will remain instrumental in safeguarding FX buffers in line with program objectives while addressing the most binding constraints on firms and households to support economic activity. At the same time, potential circumvention of war-time exchange restrictions will require continued close monitoring of transactions and corresponding regulatory amendments. Since the Fourth Review, authorities have tightened restrictions on current international transactions involving jewelry and real estate, and imposed limits on the purchases of FX cash against non-cash hryvnia by individuals. Amendments have been made to Resolution 18 in this regard, and the Executive Board has been notified of these changes under Decision 144.

31. Progress has been made in implementing recommendations of the 2023 Safeguards Assessment. In July, the NBU Council completed a self-assessment assisted by external consultants, providing recommendations to further improve its oversight role and collective fitness. Work is underway to align the collective fitness criteria for members of the NBU Council with best practices. At the same time, efforts should be made to promptly fill vacant positions in the NBU Council (3 out of 9 are currently vacant), with due consideration to enhancing collective fitness, to ensure proper and continued oversight. The NBU should also proceed with recommendations to reinforce financial autonomy safeguards and to revise the Audit Committee charter. On monetary financing, in September, an NBU resolution was adopted to formalize the agreement reached with the MOF on a long-awaited framework for monetary financing, which will provide clear conditions around the triggers and type of monetary financing, and require consultation with the IMF to ensure consistency with program parameters. Finally, the authorities are seeking IMF TA to implement the recommendation relative to counterparty eligibility in refinancing operation and emergency liquidity assistance as part of the end-December SB on strengthening the bank rehabilitation framework.

D. Financial Sector

32. Risks to the secondary market for government bonds have been mitigated. The largest securities exchange for domestic government bonds is undercapitalized, but the National Stocks and Securities Market Commission (NSSMC) has agreed on recapitalization terms with the owners. To mitigate the risks to functioning of the secondary market for government bonds, the NBU and NSSMC have coordinated to facilitate by launching Settlement Center, an NBU majority owned central counterparty, contract making and clearing services for over-the-counter transactions in government bonds (MEFP ¶64).

33. Financial safety net backstops, operations, and governance are being strengthened. Informed by its stress tests, the DGF Administrative Board has approved increasing the deposit insurance target coverage ratio to 3.5 percent by 2028. The NBU has reinstated bank recovery plan requirements and banks have submitted updated plans in September. The DGF and NBU are closing key legislative and operational gaps in early intervention, temporary administration, and resolution frameworks in consultation with IFIs (***Structural Benchmark, end December 2024;*** MEFP ¶58). Governance and operational effectiveness are being improved through reviving the NBU-DGF coordination committee to promote cooperation and information sharing, and a Financial Stability Council working group is reviewing DGF governance arrangements (MEFP ¶59).

34. Several financial regulation and supervision reforms are underway to align with International and EU good practice. The NBU is taking or has taken actions in the following areas: (i) aligning banks' regulatory capital structure requirements with EU norms and reflecting them in reported capital adequacy ratios since August; (ii) leverage ratio regulation was issued in July; (iii) increasing banks' minimum common equity capital to EUR 5 million in January 2025; (iv) implementing a supervisory risk assessment methodology to inform supervisory priorities (***Structural Benchmark, end-December 2024;*** MEFP ¶62); (v) to mitigate the specific risks of hybrid banking business models, proposing a policy by end-October 2024; (vi) strengthening risk-based AML/CFT inspections and penalties for AML/CFT violations; (vii) increasing supervision powers and oversight of payments infrastructure, including to establish public registers of high-risk persons and of business activity codes; and (viii) strengthening payment service providers' new customer due diligence (MEFP ¶62).

35. State-Owned Banks' (SOBs) risk management practices and governance improvements continue. The MoF in its capacity as a SOB shareholder has instructed SOBs to maintain best-practice risk appetite frameworks. Given the uncertainties with the Sense Bank sale process, the MoF is forming a fully operational SOB supervisory board for the bank. The framework for setting and paying remuneration to Senior Management of all SOBs will be reviewed by end-December 2024 in consultation with IFIs and based on the principles that remuneration should be internationally competitive, consistent, and proportionate to their functions, duties, responsibilities, and considers the part-time nature of their roles and Martial Law constraints (MEFP ¶60).

36. The recently approved lending development strategy is being implemented alongside financial inclusion reforms. The lending development strategy was approved by the Financial Stability Council in the Summer and the NBU is coordinating with stakeholder authorities to prepare detailed action plans to implement the steps outlined in the strategy, including for exchange of information, protection of creditors' rights, and tackling NPLs. The NBU submitted a legislative draft proposal to parliament for a specialized and restricted banking license, which aims to quickly tackle growing financial inclusion challenges by leveraging on existing infrastructure. The NBU has also collated fresh data with World Bank assistance, which is being used to update the financial inclusion strategy in consultation with IFIs by end-December 2024 (MEFP ¶64).

37. Contingency plans to respond to potential financial sector shocks are being updated. The NBU will review key financial and operational risks to financial stability under various downside scenarios in consultation with IMF staff and update NBU's contingency plans accordingly (***Structural Benchmark*, end October 2024**; MEFP ¶56).

E. Governance

38. Governance and anticorruption reforms should continue advancing swiftly (MEFP ¶69). Institutional effectiveness will mitigate corruption risks during war and contribute to an improved investment climate and EU accession goals. The appointment of the independent experts on September 3 (***prior action***) is a key milestone for the external audit of the effectiveness of the National Anti-Corruption Bureau of Ukraine (NABU). Given the delays in the appointment process partly beyond the control of the authorities, the expected completion of the external audit of the NABU will be pushed back to ensure ample time for such a comprehensive exercise (***Structural Benchmark*, proposed to be reset from end-September 2024 to end-February 2025**). The publication of the criteria and methodology for this inaugural audit is important to set the stage of issues covered such as control of information leakages and safeguards against undue political influence. Similarly, the authorities will initiate the external audit exercise for the Specialized Prosecutor's Office consistent with the two-year timeframe provided in the law. Further technical consultations with stakeholders are to be undertaken on the amendments to the criminal procedural code on mutual legal assistance and timelines for pre-trial investigation (***Structural Benchmark*, proposed to be reset from end-October to end-December 2024**). In particular, the reform to the timelines for pre-trial investigations will require enhancing the role of the prosecutors vis-à-vis the judges in key decisions (e.g., either close the proceeding or complete the pre-trial investigation). With capacity development support from the IMF, the NBU completed thematic inspections of banks and issued in August guidance on the application of risk-based approach to politically exposed persons.

39. Critical institution-building legal reforms will further strengthen the governance infrastructure in Ukraine. Legislative enhancements on the appointment process, scope of audit functions, peer review mechanism, and financial independence (including in the budgetary process) of the supreme audit institution (the Accounting Chamber of Ukraine (ACU)) will support increased transparency in the use of public funds, prevent misuse, and incentivize further inflows (***Proposed***

Structural Benchmark,* end-December 2024, MEFP ¶67)**. The new members (which will constitute majority of the institution out of the 11 total ACU members proposed in the draft law) will be subject to a vetting process with a decisive vote of independent experts. Moreover, a new court (the High Public Disputes Court (HPDC)) to adjudicate administrative cases against national state agencies (Structural Benchmark,* end-December 2024, MEFP ¶71)**) should adopt the vetting processes used for successful selection of anti-corruption court judges, that leveraged independent experts in assessing integrity. Using such a model will be critical, as the independence, integrity and credibility of these new judges will enable them to resist any undue influence or interference in high stakes cases against national state agencies.

40. Advancing SOE corporate governance reforms is essential, especially in light of recent developments. The dismissal of the Ukrenergo CEO by the Supervisory Board and subsequent resignation of two independent supervisory board members have raised serious governance concerns, including by international partners and market players. Ukrenergo's critical role in safeguarding the stability of the energy system, including ahead of the winter season, only reinforces this issue. The authorities therefore commit to complete the formation of the full supervisory board of Ukrenergo (7 members), with independent members constituting the majority of the supervisory board (***proposed Structural Benchmark*, end-December 2024, MEFP ¶73**). Moreover, independent evaluations of the supervisory boards of Naftogaz and Ukrenergo are planned to be launched in November and completed by end-January 2025. Meanwhile, the authorities are making good progress in producing a comprehensive state ownership, dividend policy and privatization strategy (***Structural Benchmark*, end-October 2024**), including interim steps such as approving the financial indicator resolution and assessment of SOE financial conditions (MEFP ¶74).

F. Energy

41. The authorities are continuing coordinated efforts, including with international partners, to advance plans to address the winter energy deficit. The authorities have developed a multi-pronged strategy to deal with the energy crisis, as half of the generating capacity, especially thermal and hydroelectric power, was damaged by large-scale Russian missile attacks since the spring. Staff estimates a sizable winter electricity deficit (3–4 GW) with downside risks prevailing, as missile attacks continue. The authorities have an ambitious plan involving up to 1GW of extra generation capacity (including gas turbines) by end-2024, boosting imports from the EU beyond 2GW, and energy repairs by key players such as DTEK to much of its damaged thermal power capacity. On the gas heating side, domestic gas production by Naftogaz and other players is expected to satisfy the bulk of gas demand by households and firms, with residual gas needs coming in through imports (up to 3bcm). The authorities have also approved a law to temporarily exempt VAT and customs duties from energy equipment imports, expanded the role of 5-7-9 and the BDF to support the energy sector, and are implementing SOB energy support lending programs.

42. The authorities are making progress on energy-related program conditionality. A law was adopted in late August that allows the GTSO to reduce its operational expenditures and maintenance for non-critical gas transmission purposes ahead of the end of the gas transit contract end-2024. The authorities are on track to finalize an external desk review by a reputable audit company to analyze the debts and financial conditions of the District Heating Companies **(*Structural Benchmark,* end-October 2024, MEFP ¶80)**. Consistent with EU commitments, the authorities commit to ensure the functional independence (through adoption of #3354-IX) of the National Energy and Utilities Regulatory Commission (NEURC) (***proposed Structural Benchmark*, end-December 2024, MEFP ¶79)**). NEURC plays an important role in efforts to integrate the Ukrainian energy market with the EU, to attract needed FDI and advance the envisaged decentralization of power generation. While the NEURC law will be a step forward, an accountability framework for NEURC should be developed, including through regular external audits of NEURC's performance.

PROGRAM ISSUES

A. Program Conditionality

43. The authorities are requesting the following waivers and modifications to program conditionality:

- *Waivers of applicability for end-September fiscal QPCs*: With Executive Board consideration occurring in October, the end-September QPCs are controlling. The authorities are requesting waivers of applicability on the following four QPCs, which they expect to meet: (i) the floor on tax revenues (excluding social security contributions); (ii) the floor on the non-defense primary balance excluding grants; and (iii) the ceiling on government guarantees; and (iv) the floor on net international reserves.

- *Modification of the end-December NIR QPC*: This request would alter the definition of the adjustor for the net issuance of central government domestic FX securities to account for interest on these instruments.

- *Resetting implementation dates of SBs*: More time is needed to implement the following two structural benchmarks, and the authorities propose to reset them as follows: (i) the external audit of the NABU from end-September 2024 implementation date to end-January 2025; and (ii) amendments to the criminal procedural code from end-October to end-December 2024.

- *New structural conditionality*: As a prior action for this review, the authorities appointed the independent auditors to conduct the external audit of NABU given the missed end-September SB on the completion of this audit. There are also 10 new structural benchmarks through mid-2025 proposed that are macro-critical and cover fiscal structural, financial, governance, and energy reforms as summarized below in Text Table 6. The authorities are strongly committed to and have the capacity to implement these SBs.

Text Table 6. Ukraine: New Structural Benchmarks	
Fiscal Structural	
(i) adopting Budget Code amendments in line with the June 2024 Public Investment Management (PIM) Action Plan	End-January 2025
(ii) appointing the new Head of the ESBU	End-February 2025
(iii) approving a methodological framework underpinning the PIM process	End-February 2025
(iv) submitting legislative amendments to Parliament to introduce tax reporting requirements for digital platform operators	End-April 2025
(v) appointing a permanent Head of the Customs	End-June 2025
(vi) submitting a 2026–28 Budget Declaration in line with program parameters	End-June 2025
Financial Sector	
(vii) assessing key financial and operational risks to financial stability under various downside scenarios and preparing contingency plans	End-October 2024
Governance	
(viii) enacting amendments to reform the Accounting Chamber of Ukraine	End-December 2024
(ix) completing the formation of the full supervisory board (7 members) for Ukrenergo, with independent members constituting the majority	End-December 2024
Energy	
(x) ensuring NEURC's functional independence by adopting amendments to exempt decisions by the energy regulator from the state registration procedure	End-December 2024
Source: Memorandum of Economic and Financial Policies, October 2024.	

- *Access rephasing*: The authorities are requesting the rephasing of purchases under the extended arrangement over 2025–27 (totaling SDR4.265 billion) within the existing envelope of the program to (i) accommodate quarterly monitoring in 2025 given continued exceptionally high uncertainty amid a prolonged war, and to (ii) allow modest frontloading of IMF financing consistent with a larger BOP need.

Text Table 7. Ukraine: Current and Proposed Schedule of Reviews and Available Purchases

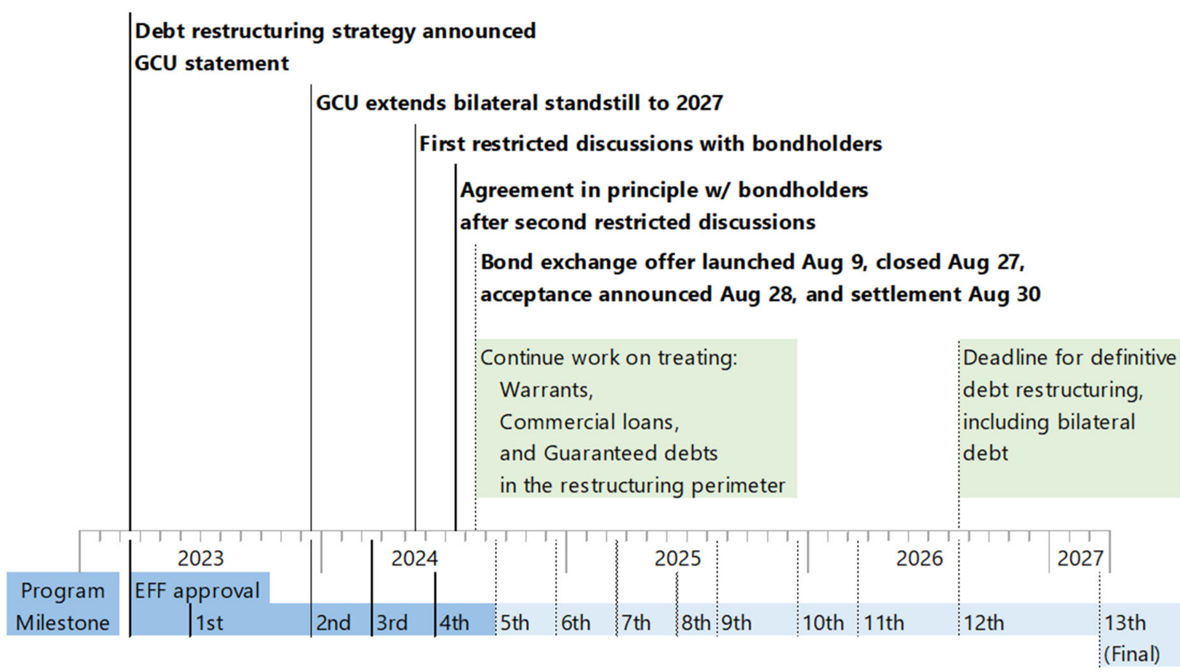
	Current Schedule				Proposed Schedule			
Availability Date	Review	Millions of SDR	Millions of USD 1/	Percent of quota	Review	Millions of SDR	Millions of USD 1/	Percent of quota
March 31, 2023	Board approval of the EFF	2,011.83	2,678.5	100.0	Board approval of the EFF	2,011.83	2,678.5	100.0
June 15, 2023	First review	663.90	883.9	33.0	First review	663.90	883.9	33.0
October 13, 2023	Second review	663.90	883.9	33.0	Second review	663.90	883.9	33.0
February 29, 2024	Third review	663.90	883.9	33.0	Third review	663.90	883.9	33.0
June 15, 2024	Fourth review	1,669.82	2,223.2	83.0	Fourth review	1,669.82	2,223.2	83.0
September 01, 2024	Fifth review	834.88	1,111.5	41.5	Fifth review	834.88	1,111.5	41.5
December 01, 2024	Sixth review	834.88	1,111.5	41.5	Sixth review	834.88	1,111.5	41.5
March 01, 2025	Seventh review	684.02	917.5	34.0	Seventh review	684.02	917.5	34.0
June 15, 2025	…				Eighth review	603.54	809.6	30.0
August 31, 2025	Eighth review	684.02	917.5	34.0	Ninth review	402.42	539.8	20.0
December 01, 2025	…				Tenth review	331.98	445.3	16.5
March 01, 2026	Ninth review	965.68	1,298.9	48.0	Eleventh review	699.79	941.3	34.8
August 31, 2026	Tenth review	965.68	1,298.9	48.0	Twelfth review	748.72	1,007.1	37.2
March 10, 2027	Eleventh review	965.74	1,299.8	48.0	Thirteenth review	794.67	1,069.6	39.5
Memo:	Total	11,608.25	15,509.26	577.01	Total	11,608.25	15,506.69	577.01

Source: IMF staff calculations.
1/ Based on WEO August 2024 forecasts for annual average USD/SDR exchange rates.

B. Debt Sustainability and Financing Assurances Review

44. The authorities have made major progress recently with implementing their strategy to restore debt sustainability (Figure 9)**.** Following an inconclusive initial round of restricted discussions in May, the authorities and steering committee of bondholders resumed discussions in July. On July 22, they reached agreement-in-principle (AIP) on a proposal that staff has assessed as consistent with the overall restructuring strategy to restore debt sustainability. The Group of Creditors of Ukraine (GCU), which comprises Ukraine's official bilateral creditors also endorsed the proposal. Following the AIP, an exchange offer took place over August 9–27. Upon its close, the authorities announced that they had received overwhelming support for the offer (with 97.38 percent of bondholders assenting), well above the thresholds necessary to trigger the collective action clauses on each series of bonds subject to restructuring, making it binding (see Annex II. Box I). Settlement of the new bonds occurred on August 30, allowing this part of the restructuring to occur close to the authorities' initial timeline of restructuring the bonds by the end of the debt service standstill on August 1.

Figure 9. Ukraine: Debt Restructuring Strategy



Source: IMF staff.

45. The authorities are now turning to the remaining steps of the strategy (Figure 9)**:**

- *Remaining external commercial claims*: According to the authorities' plans, the remaining private commercial claims that are left to be restructured include the GDP warrants (issued following the 2015 restructuring), a government guaranteed bond issued by Ukrenergo, and several external commercial loans. While the authorities' focus was on the Eurobonds, which constitute the majority of claims in the external commercial restructuring perimeter, the authorities have already initiated a dialogue on the warrants and commercial loans. As an early step, on August 27, the authorities announced a moratorium on payments on the warrants (on top of removing the cross-default clause with Eurobonds as a result of the bond exchange) and several commercial loans through May 2025.

- *Official bilateral debt*: The standstill agreed last December remains in effect. The authorities have taken care to keep GCU apprised of developments and have received its endorsement for the steps taken thus far. These actions should help ensure a successful definitive restructuring of the official bilateral claims, which should take place by the final review of the program or the conclusion of EHU, whichever comes first.

- *Second-stage restructuring of external commercial claims*: The authorities designed the Eurobond restructuring on the Fourth Review baseline and under conditions of EHU. To support the restoration of debt sustainability across the program scenarios, the authorities remain committed to a second-stage restructuring (MEFP ¶41). Supporting staff's assessment of a credible process to this end, the authorities continue retaining legal and debt advisors, and will maintain their ongoing practice of sharing information with creditors, including the range of possible outcomes and potential timelines. Under this commitment, the further treatment would occur by the penultimate review of the program along the timeline laid out in Figure 9, with deeper engagement with creditors on the potential shape of an ultimate offer beginning as soon as the resolution of EHU brings a second restructuring into better focus.

46. The DSAs have been updated to reflect the expected impact of the recently concluded Eurobond restructuring as well as the G7's ERA financing. The DSAs reflect the Eurobond restructuring, both in terms of the principal reduction on the debt stock as well as the more favorable debt service profile that lowers GFNs. The DSAs do not incorporate the yet-to-be concluded restructuring of GDP warrants, commercial loans, and official bilateral claims. Regarding the ERA financing, conditional on current information and understandings, the arrangement has been modeled as loans to Ukraine, whose disbursements finance the higher deficits in the program period. Thus, these loans add to Ukraine's public debt. The expected favorable financing terms of the ERA financing has an overall positive impact on gross financing needs (GFNs). At the same time, offsetting flows from the proposed Ukraine Loan Cooperation Mechanism (see Annex II. Box II), which is envisaged to provide dedicated non-repayable financial support to Ukraine to cover the repayments of all eligible financing disbursed under the ERA initiative, are incorporated as such payments are due. On balance, relative to the Fourth Review, over the projection period, the addition of ERA loans offset the impact of Eurobond restructuring on debt levels, but the current baseline GFNs are now substantially improved.

47. The debt and GFN targets consistent with debt sustainability established under the program remain appropriate and are consistent with the provision of ERA financing. Based on assurances from the European Commission and the G7, staff judges that the risks of Ukraine having to assume any residual liability for servicing the ERA financing are sufficiently mitigated and thus the ERA financing can be carved out from the assessment of reaching the debt restructuring targets

(Annex II). Thus, the targets summarized in Text Table 8 continue to be appropriate and are applied to Ukraine's public debt and GFNs excluding ERA financing.

Text Table 8. Ukraine: Debt Restructuring Targets

Principal targets:	
Principal targets: Public and publicly guaranteed debt (ex ERA loans) in 2033	65 percent of GDP
Gross financing needs (ex ERA loans) , average over 2028-33	8 percent of GDP
Complementary targets:	
Public and publicly guaranteed debt (ex ERA loans) in 2028	82 percent of GDP
Annual flow relief over 2024-27	1-1.8 percent of GDP

Source: IMF staff.

48. Staff judges that debt is sustainable on a forward-looking basis and that sufficient safeguards are in place for the Fund to proceed with financing. These assessments satisfy key requirements for proceeding with Fund financing as follows:

- *Debt sustainability*: As before, the restoration of debt sustainability is embedded in the program and depends on: (i) fiscal adjustment in line with understandings on policies under the program; (ii) the concessional financing committed by donors; and (iii) debt restructuring. Regarding the latter, a credible process is in place and has already made major progress on the strategy for restructuring external commercial claims. Moreover, the authorities' commitment to a second restructuring and their actions (including continuing to retain legal and financial advisors) substantiate a credible process towards concluding a restructuring that will restore sustainability.

- *Financing Assurances Review*: The debt restructuring process has been evolving broadly in line with the original timeline. Moreover, developments in debtor-creditor relations on the private claims suggest favorable prospects for successfully concluding the remaining elements of the strategy regarding those liabilities. The authorities' efforts to obtain endorsement by the GCU for proposals regarding private claims indicate that relations with the official creditors remain on track to successfully conclude a definitive restructuring of those claims. Looking ahead, the authorities remain on track to complete the remaining steps of the current private external restructuring. They will also continue to regularly engage with the GCU on the definitive treatment of official bilateral claims. This would be undertaken in coordination with the process on a second-stage external commercial restructuring, including by continuing to retain advisors, through ongoing updates, and by communicating to creditors a broad schedule of consultation and discussions that would support the conclusion of the restructuring as soon as exceptionally high uncertainty begins to dissipate. This engagement would also help ensure that comparability of treatment is respected across the overall debt restructuring strategy, ensuring prospects for high participation, which would support the assessment of the adequacy of financing assurances.

The full implementation of the authorities' strategy remains consistent with restoring medium-term viability and assuring capacity to repay the Fund under both scenarios. Finally, the capacity-to-repay assurance provided by a significant group of creditors/donors as required by the EHU policy provides an additional layer of safeguards for the Fund's resources.

C. Financing Needs and Assurances

49. Notwithstanding the shock from the longer war, the program remains fully financed. Although the revised financing gap is higher in both scenarios, new information—mainly on assurances on ERA financing—indicates that the program is financed in both scenarios. Staff has engaged with Ukraine's creditors to establish firm financing commitments through 2025Q3 and has reconfirmed good prospects on financing for the rest of the program, consistent with the Fund's policies.

- *Baseline*: The cumulative financing gap over the program period is estimated at US$151.4 billion (an increase of US$29.5 billion over the Fourth Review). Changes to the external sources to fill this gap include: (i) fresh G7 budget financing based on ERA support (US$33.1 billion); (ii) a new World Bank loan under the SPUR facility (US$4.8 billion), supported by US financing;[2] (iii) fresh loan financing of €10 million from the Council of Europe Development Bank (CEB); (iv) higher support from the UK (US$1 billion) and under the Ukraine Relief, Recovery, Reconstruction, and Reform Trust Fund (URTF) (US$60 million); (iv) updated flow relief consistent with the August 2024 Eurobond exchange on Ukraine's sovereign bonds, and (v) revised cross exchange rate assumptions.

- *Downside*: The cumulative program financing gap is projected at US$187.1 billion, US$46.4 billion higher than under the Fourth Review. As since program approval, additional external financing by donors is expected. Relative to the Fourth Review, US$50 billion in ERA financing is included to cover the downside financing need.

[2] The US is projected to channel US$1.6 billion out of the US$7.849 billion budget financing expected in 2024 through the World Bank's SPUR (Special Program for Ukraine and Moldova Recovery) facility, allowing the World Bank to provide US$4.8 billion in fresh loan financing on IBRD terms to Ukraine.

Table 1. Ukraine: Baseline Scenario Financing Gap and Sources, 2023Q2–2027Q1

(Billions of U.S. dollars unless indicated otherwise)

	2023	2024	2025	2026	2027Q1	Cumulative (prog. period) 1/
A. Financing gap	**42.5**	**45.8**	**41.5**	**24.2**	**6.7**	**151.4**
Underlying BoP Gap 2/	31.1	42.8	39.2	19.9	5.9	132.8
Gross international reserves (+ = accumulation)	11.4	3.1	2.3	4.3	0.8	18.7
B. Official financing (excl. IMF) 3/ 4/	**38.0**	**36.1**	**35.7**	**19.1**	**5.4**	**125.1**
EU 5/	19.5	17.5	13.7	7.9	0.6	54.3
US 6/	10.9	6.2	0.0	0.0	0.0	13.7
Japan 7/ 8/	3.6	4.3	0.0	0.0	0.0	7.9
Canada	1.8	1.8	0.0	0.0	0.0	3.5
UK 7/	1.0	1.0	1.0	1.0	0.0	3.5
Norway	0.2	0.3	0.0	0.0	0.0	0.5
World Bank 6/	0.7	4.8	0.0	0.0	0.0	5.3
Other 9/ 10/	0.3	0.1	2.0	1.0	0.0	3.2
ERA 11/	0.0	0.0	19.1	9.2	4.9	33.1
C. IMF (prospective)	**4.5**	**5.3**	**2.7**	**1.9**	**1.1**	**15.5**
D. Potential flow relief from debt operations 12/	**0.0**	**4.4**	**3.0**	**3.2**	**0.2**	**10.8**
E. Residual financing gap (A-B-C-D)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Memorandum items:						
Capital market access	0.0	0.0	0.0	0.0	0.0	0.0
IMF (net disbursements)	1.9	3.0	0.4	-0.1	0.7	4.0
Gross international reserves	40.5	42.6	44.9	49.1	49.9	…
% of composite metric	124.3	113.5	104.7	104.0	…	…

1/ Cumulative program period calculations begin from 2023Q2 through 2027Q1.

2/ Underlying BOP gap indicates the decrease in reserves absent official financing and IMF support.

3/ Based on available information as of September 23, 2024. Staff assessments are consistent with technical discussions with creditors and donors and their track record and terms of financing.

4/ Official financing estimates from 2025Q4 assume creditor and donor flows for which there are good prospects.

5/ EU financing during the program period includes support under the Macro-financial assistance + (MFA+) instrument in 2023 and under the Ukraine Facility instrument in 2024-27.

6/ In 2024, US$1.6 billion of the US$7.849 billion of approved budget support from the United States is now assumed to be disbursed under the World Bank SPUR (Special Program for Ukraine and Moldova Recovery) facility. Disbursement subject to World Bank Board approval.

7/ Japan and UK support in 2024 is channeled via the World Bank in the form of credit enhancements (Japan) and guarantees (UK), as well as grants (Japan).

8/ In addition to budget financing shown in the table, Japan has been providing interest capitalization—estimated at US$388 million over 2023-24—which supports interest payment relief to Ukraine for a maximum period of up to March 2027.

9/ "Other" comprises financing assurances from donors, including subject to domestic procedures where relevant.

10/ For 2023, "Other" comprises grants channeled via the World Bank PEACE project from a range of bilateral official donors. For 2024, it includes (i) grant financing of €30 million from Serbia and $60 million under the Ukraine Relief, Recovery, Reconstruction, and Reform Trust Fund (URTF) to support the Housing Repair for People's Empowerment (HOPE) operation and (ii) loan financing to support the Health Enhancement and Life-Saving (HEAL) operation, comprising €3 million channeled via the World Bank and guaranteed by Spain, and €10 million in co-financing from the Council of Europe Development Bank (CEB).

11/ Financing from the G7's Extraordinary Revenue Acceleration Loans for Ukraine (ERA) Initiative.

12/ Potential flow relief includes the terms of the August 2024 exchange on Ukraine’s sovereign Eurobonds. Potential flow relief does not include GDP warrants.

Table 2. Ukraine: Baseline Scenario Financing Gap and Sources, 12-Month Basis

(Billions of U.S. dollars)

	24Q4 thru 25Q3
A. Financing gap	**44.6**
Underlying BoP Gap 1/	44.7
Gross international reserves (+ = accumulation)	-0.1
B. Official financing (excl. IMF) 2/	**36.4**
EU 3/	15.4
Japan 4/	2.1
UK 4/	1.0
World Bank 5/	4.8
Other 6/ 7/	1.5
ERA 8/	11.7
C. IMF (prospective)	**4.5**
D. Potential flow relief from debt operations 9/	**3.6**
E. Residual financing gap (A-B-C-D)	**0.0**

1/ Underlying BOP gap indicates the decrease in reserves absent official financing and IMF support.

2/ Based on available information as of September 23, 2024. Prospective disbursements incorporate those for which there are firm commitments, and the USD equivalent is based on the August 2024 WEO exchange rate forecasts (where applicable).

3/ EU financing includes support under the Ukraine Facility instrument in 2024-27.

4/ Japan and UK support is channeled via the World Bank in the form of credit enhancements and guarantees, respectively.

5/ For 2024, World Bank comprises loan financing under the SPUR (Special Program for Ukraine and Moldova Recovery) facility based on US$1.6 billion of US financing. Disbursement subject to World Bank Board approval.

6/ "Other" comprises financing assurances from donors, including subject to domestic procedures where relevant.

7/ It also includes €10 million in loan financing from the Council of Europe Development Bank (CEB).

8/ Financing from the G7's Extraordinary Revenue Acceleration Loans for Ukraine (ERA) Initiative.

9/ Potential flow relief includes the terms of the August 2024 exchange on Ukraine's sovereign Eurobonds. Potential flow relief does not include GDP warrants.

Table 3. Ukraine: Downside Scenario Financing Gap and Sources

	2023	2024	2025	2026	2027		2028	2029	2030	2031	2032	2033	Cumulative (prog. period) 1/
					Q1	Q2-Q4							
A. Financing gap	**42.5**	**52.3**	**48.9**	**40.7**	**11.9**	**7.8**	**15.2**	**12.8**	**12.3**	**10.0**	**9.7**	**9.3**	**187.1**
Underlying BOP Gap 2/	31.1	58.8	46.7	35.4	11.4	6.4	14.0	9.7	6.8	4.9	5.0	3.0	177.3
Gross international reserves (+ = accumulation)	11.4	-6.5	2.2	5.3	0.5	1.5	1.2	3.1	5.4	5.1	4.8	6.3	9.8
B. Official financing (excl. IMF) 3/ 4/	**38.0**	**42.6**	**43.2**	**35.6**	**10.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**160.8**
C. IMF (prospective)	**4.5**	**5.3**	**2.7**	**1.9**	**1.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**15.5**
D. Potential flow relief from debt operations 5/	**0.0**	**4.4**	**3.0**	**3.2**	**0.2**	**2.5**	**8.0**	**5.7**	**5.1**	**2.9**	**2.6**	**2.1**	**10.8**
E. Adjusted financing gap (A-B-C-D)	**…**	**…**	**…**	**…**	**…**	**5.3**	**7.1**	**7.1**	**7.1**	**7.1**	**7.1**	**7.1**	**…**
F. Exceptional financing 6/	**…**	**…**	**…**	**…**	**…**	**5.3**	**7.1**	**7.1**	**7.1**	**7.1**	**7.1**	**7.1**	**…**
G. Residual financing gap (E-F)	**…**	**…**	**…**	**…**	**…**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Memorandum items:													
Capital market access	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	2.0	2.0	2.0	2.0	0.0
IMF (net disbursements)	1.9	3.0	0.4	-0.1	0.7	-0.9	-0.8	-1.8	-2.2	-2.5	-2.8	-2.1	4.0
Gross international reserves	40.5	33.0	35.2	40.5	40.5	42.5	43.7	46.8	52.3	57.4	62.2	68.4	…
% of composite metric	124.3	89.0	83.7	84.4	…	84.6	85.3	87.6	95.7	101.5	107.0	114.1	…

1/ Cumulative program period calculations begin from 2023Q2 through 2027Q1.
2/ Underlying BOP gap indicates the decrease in reserves absent official financing and IMF support.
3/ Based on available information as of September 23, 2024. Staff assessments are consistent with technical discussions with creditors and donors and their track record and terms of financing.
4/ Includes exceptional support from donors (approximately 80 percent in concessional loans, 20 percent in grants) under financing assurances required to restore debt sustainability.
5/ Potential flow relief includes the terms of the August 2024 exchange on Ukraine's sovereign Eurobonds. For 2027, the flow relief is broken down across the program and post-program period. Potential flow relief does not include GDP warrants.
6/ Exceptional financing would include a mix of higher program period grants (which reduces debt service subsequently), a larger second-stage restructuring, and additional financing (consistent with assurances received). For 2027, exceptional financing of US$5.3 billion is assumed over the post-program period 2027Q2-Q4.

50. The capacity-to-repay (CtR) assurance provided by a significant group of creditors/donors at program approval remains valid. The assurance is required in view of the continuing exceptionally high uncertainty around the scale, intensity, and duration of the war. Consequently, the economic outlook, which poses tail risks beyond the downside, and the program itself cannot fully establish a safeguard on capacity to repay, as in normal UCT-program contexts. As such, in line with the Fund's EHU policy, at the time of the program request, a significant group of creditors/donors comprising countries in the G7 plus Belgium, Lithuania, the Netherlands, Poland, Slovakia, and Spain extended an assurance that management and staff understood to (i) reaffirm their recognition of the Fund's preferred creditor status in respect of the amounts currently outstanding to Ukraine, plus any purchases under the proposed extended arrangement; and (ii) further undertake to provide adequate financial support to secure Ukraine's ability to service all of its obligations to the Fund, in accordance with the Fund's preferred creditor status and complementing the Fund's multilayered risk management framework.[3] Staff will continue to undertake outreach with members that indicate an interest in joining the CtR assurance.

51. Indicators of capacity to repay the Fund remain in line with levels observed in the Fourth Review. Under the baseline scenario, the stock of total Fund credit is expected to peak at 8.2 percent of GDP and 35.5 percent of gross reserves in 2024. Debt service to the Fund would peak at 1.9 percent of GDP in 2025 and 8 percent of gross reserves in 2024. A materialization of downside risks would increase these ratios: outstanding credit to the Fund would peak at 8.8 percent of GDP in

[3] The EHU policy also requires the assessment at each review that scenarios which would give rise to any overdue financial obligations are very unlikely, and adequate safeguards for Fund lending are in place as required under the Articles of Agreement.

2025 and 45.7 percent of gross reserves in 2024; debt service to the Fund would peak at 2 percent of GDP in 2025 and 10.3 percent of gross reserves in 2024.

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52. The authorities' skillful macroeconomic management under immensely challenging circumstances remains impressive, but headwinds remain strong from the continuing war. Despite the exceptionally high uncertainty arising from the continuing war, and the corresponding large-scale damage caused to energy infrastructure, recent economic outturns have been resilient. Headwinds are building and will weigh on growth going forward, and the authorities' commitments to appropriate policies together with robust external financing are necessary to help preserve macroeconomic stability.

53. Overall performance under the program remains strong. The authorities met all continuous PCs, all end-June QPCs, and are expected to meet the end-September QPCs when final data become available. On the structural agenda, the authorities' progress remains good, with the two end-September SBs met on time and an end-December SB met early. They have also implemented a prior action to make progress on the governance agenda.

54. Risks remain exceptionally high. The main potential adverse shocks relate to war-related uncertainty, the speed at which the damage to energy infrastructure can be repaired, the durability of Ukraine's international support, and the authorities' capacity to implement needed reforms. The Ukrainian authorities need stand ready to take countervailing policy measures if any of these risks crystallize and should proactively identify responses in their contingency planning. While the longer war assumptions do not compromise the ability to restore Ukraine's external viability under the IMF-supported program, the scope for absorbing additional large shocks under the current program has significantly diminished. Enterprise risks remain high.

55. Further efforts to mobilize tax revenues must proceed to ensure that deficits remain financeable and consistent with delivering fiscal and debt sustainability. Higher defense expenditures will result in larger deficits in the next few years. And, despite the availability of ERA financing, durable efforts to mobilize domestic tax revenues are needed to achieve self-reliance and meet important post war priorities on recovery, reconstruction, and social protection. Tax policy measures, including an increase in the main VAT rate, will likely be needed. In parallel, the authorities will need to step up efforts to tackle tax avoidance and evasion and improve the integrity of revenue collecting agencies. Doing so is essential not only to mobilize more resources but also to enhance the equity, efficiency, and public buy-in for the tax system.

56. In addition to disbursing financing according to the committed amounts and schedule, donors support must remain consistent with medium-term external viability. The assurances and steps the G7 to provide large-scale and predictable financing while mitigating the risks from Ukraine experiencing any residual obligation from the ERA loans are welcome and necessary to ensure debt sustainability. It will be important for the G7 to promptly finalize the full amount of this arrangement to avoid exacerbating the uncertainty and risks to macro-financial stability. The authorities will also need to ensure realistic and appropriate financing mixes to meet the fiscal paths under the program, which are consistent with stability and the debt sustainability objectives of the program.

57. The recent Eurobond exchange is a major step toward restoring sustainability, and the authorities should expeditiously implement the next steps of the strategy to restore debt sustainability. The authorities should build on the recent successful Eurobond restructuring by treating the remaining external commercial claims in the restructuring perimeter, including the GDP warrants. Continued close engagement with official creditors throughout the process will assist in the definitive restructuring of official bilateral claims. The commitment to a second-stage restructuring, which is necessary to restore debt sustainability across the program scenarios, together with an ongoing credible process toward this end is welcome and in line with the program's strategy to restore debt sustainability on a forward-looking basis.

58. The authorities' momentum on implementing fiscal structural reforms should continue. The medium term will bring important recovery and reconstruction and social needs that will require robust policy frameworks to ensure adequate responses and avoid fiscal risks. Reforming the Customs code is essential to program commitments toward domestic revenue mobilization, and the recently adopted legislation should be vigorously implemented with clear oversight from the Finance Ministry. The authorities must continue building on their track record by pressing forward with the implementation of the NRS, the PIM action plan, and key pension reforms.

59. Monetary easing may resume in early 2025 if risks to inflation recede, while the exchange rate should continue to serve as a shock absorber. The recent pause in the easing cycle is appropriate to allow the NBU to ascertain the price stability impacts of war, energy, and fiscal policy developments. Once the uncertainty subsides, easing could resume even in 2025. The managed exchange rate should still act as a shock absorber and be accompanied by a carefully calibrated FX intervention policy and a cautious easing of FX restrictions to safeguard FX reserves amid heightened risks. In line with the NBU's Strategy, a return to full-fledged inflation targeting framework must wait until the necessary prerequisites are in place.

60. Careful surveillance of the financial system is welcome and preparedness for potential shocks should be enhanced. Strengthening the bank rehabilitation framework is a priority and so are maintaining bank vulnerability analysis, updating the Resilience Assessment, and addressing corporate governance needs of state-owned banks. Efforts to develop credit and financial markets are welcome, while remaining mindful of relevant risks.

61. Effective governance frameworks are critical for durable growth, levelling the playing field, and pursuing the path to EU accession. In this regard, the independence, competence, and credibility of anti-corruption and judicial institutions should continue to be enhanced. In particular, strengthening the criminal procedural code, establishing a new high administrative court, and reforming the Accounting Chamber of Ukraine are key. The inaugural external audit of the National Anti-corruption Bureau is a near-term priority.

62. Addressing the energy deficit ahead of the winter is critical. The authorities' multipronged response to restore the deficit should be implemented in close coordination with international stakeholders and with a view toward avoiding a buildup of fiscal risks. It will be important that Ukrenergo's full supervisory board is completed and members chosen in a transparent and merit-based selection progress under OECD standards, with independent members constituting the majority. Additional efforts to reform the energy regulator and contain financial risks of energy operators and utilities should continue.

63. In sum, the program continues to provide a basis for restoring medium-term external viability. Despite the revisions arising from a longer war, the program remains an anchor for policies consistent with stability, guiding the ongoing debt restructuring, and catalyzing large-scale donor financing. Resolving Ukraine's balance of payments problem will require strong delivery under very challenging circumstances of policy commitments by the authorities and by donors on financing on appropriate terms, to ensure the program remains fully financed and medium-term external viability is restored across both program scenarios. However, with full implementation, prospects for success remain in place.

64. Staff supports the authorities' requests for waivers of applicability of performance criteria, resetting of two structural benchmarks, request for modification of a performance criterion, request for rephasing, and completion of the Fifth Review Under the Extended Arrangement. Staff also recommends completing the Financing Assurances Review. The authorities' strong performance under the program, continuing commitments to maintain appropriate policies, and assurances from donors all point to the program remaining on track to meet its objectives.

Table 4. Ukraine: Structural Benchmarks (modified/new SBs in **bold** text; purple indicates new timing)

	Structural Benchmark	Sector	Timing	Status
1	Enact the second supplementary Budget 2023	Fiscal	End-April 2023	Met
2	Submit to Parliament a draft law to restore and strengthen Article 52 of the Budget Code to minimize ad hoc amendments to the budget law	Fiscal	End-May 2023	Met
3	Prepare an action plan, including to address the weaknesses identified in taxpayers' perception survey, as an input into National Revenue Strategy roadmap	Fiscal	End-May 2023	Met
4	Submit to Parliament a draft law which will reinstate articles of Budget Code that establish limits on issuance of public guarantee with clear criteria for such provision (including for priority sectors)	Fiscal	End-May 2023	Met
5	Enact amendments to the Budget Code and related regulatory framework to enhance transparency and accountability of the special accounts and consolidate them within general government as a special fund of the State Budget	Fiscal	End-May 2023	Met
6	Prepare a conditions-based strategy to move to a more flexible exchange rate, ease FX controls and transition to inflation targeting	Monetary and Exchange Rate	End-June 2023	Met
7	Adopt the draft law on tax policy and administration prepared under the PMB	Fiscal	End-July 2023	Not Met (implemented with delay)
8	Transfer the GTSO shareholding directly to the Ministry of Energy and adopt the new charter	Energy/ Corporate Governance	End-July 2023	Not Met (implemented with delay)
9	Enact the law to restore asset declaration of public officials not directly involved in the mobilization and war efforts and reinstating the NACP's function to examine and verify them	Governance/ Anti-Corruption	End-July 2023	Not Met (implemented with delay)
10	Enact the articles of the Budget Code that allow preparation of the medium-term budget framework, elaboration of the debt strategy, and ringfencing risks from guarantees.	Fiscal	End-September 2023	Met
11	Present in the 2024 budget declaration projections for major revenue and spending categories and sources of deficit financing for 2025–2026, and a fiscal risks statement including details on energy and critical infrastructure SOEs	Fiscal	End-September 2023	Met
12	Amend the AML/CFT Law to re-establish enhanced due diligence measures on politically exposed persons consistent with the risk-based approach consistent with the FATF standards.	Governance/ Anti-Corruption	End-September 2023	Not Met (implemented with delay)

Table 4. Ukraine: Structural Benchmarks (continued)				
	Structural Benchmark	**Sector**	**Timing**	**Status**
13	Strengthen bank governance and oversight by: (i) separating the related-parties-unit from banking supervision; (ii) implementing “supervisory panels” as a consulting body to the Supervisory Committee; and (iii) resume scheduled inspections for both banking and non-banking institutions, while ensuring NBU discretion on matters related to staff safety	Financial Sector	End-September 2023	Met
14	MOF, with STS and SCS, to prepare an action plan, including short-term and medium-term measures covering key reform areas identified by the upcoming diagnostic, that would feed into broader NRS.	Fiscal	End-October 2023	Met
15	Update and publish the Medium-Term Debt Management Strategy to align it with the program objectives	Fiscal	End-October 2023	Met
16	Simplify the asset declaration system through linking with other databases and registers consistent with the public officials’ legal obligations to make truthful and timely submissions	Governance/ Anti-Corruption	End-October 2023	Met
17	Select and appoint a supervisory board for the GTSO	Energy/ Corporate Governance	End-October 2023	Met
18	Review the current PIM procedures and develop a roadmap of measures so that: (i) all public investment projects follow unified PIM approaches, including PPPs; (ii) investment projects are selected on a competitive basis, with transparent selection criteria, and consistent with the medium-term budget framework; (iii) stronger powers are provided to MOF, including a clear gatekeeping role during the different stages of the investment project cycle.	Fiscal	End-December 2023	Met
19	Adopt the National Revenue Strategy	Fiscal	End-December 2023	Met
20	Adopt legislation to enhance the institutional autonomy and effectiveness of the SAPO by being designated as a separate legal entity, and specifically, on the selection procedures, capacity to regulate organizational activities, mechanisms for discipline and accountability, and autonomy under the criminal procedural code	Governance/ Anti-Corruption	End-December 2023	Met
21	Based on findings of the revenue working group, prepare short-term revenue measures (tax and non-tax) with yields of at least 0.5 percent of GDP ready to be included in budget 2024	Fiscal	End-February 2024	Met

Table 4. Ukraine: Structural Benchmarks (continued)

	Structural Benchmark	Sector	Timing	Status
22	Develop a concept note on the 5-7-9 program with proposals to target small and medium enterprises by phasing out the eligibility of large companies, enhance monitoring, and maintain adequate safeguards.	Fiscal	End-March 2024	Met
23	Enact amendments to the procedural code to rationalize matters or issues to be heard at the first instance by one anti-corruption judge or by a panel of three anti-corruption judges.	Governance/ Anti-Corruption	End-April 2024	Not Met (implemented with delay)
24	Adopt a new law on the ESBU that has a clear mandate and scope for investigative powers consistent with good practice by focusing on major economic crimes; establishing legal basis for operation of the ESBU in terms of the selection of management and staff. The law will respect the existing delineation between the investigative powers of the ESBU and the National Anti-corruption Bureau of Ukraine (NABU).	Fiscal	End-June 2024	Met
25	Based on the outcomes of a roadmap on development of PIM procedures, adopt a government decree with an action plan and timeline that provides clear linkages between MTBF and capital expenditures, including reconstruction priorities, and specifying the gatekeeper role of the MOF.	Fiscal	End-December 2024	**Met**
26	Develop a methodology to assess the effectiveness of tax privileges, including their cost to the budget, in order to have a unified reform approach	Fiscal	End-September 2024	**Met**
27	Identify major public companies severely affected by the war and prepare a review of potential fiscal and quasi-fiscal costs	Fiscal	End-September 2024	**Met**
28	Adopt amendments to the Customs Code (consistent with ¶27 of the MEFP), in line with international best practice.	Fiscal	End-October 2024	**Met**
29	With the help of IMF TA, produce a diagnostic review of pre-war MTBF policies and practices relative to best practices.	Fiscal	End-October 2024	
30	**Adopt Budget Code amendments in line with Action 1 under the June 2024 PIM Action Plan, as specified in ¶39 of the MEFP.**	**Fiscal**	**End-January 2025**	
31	**Appoint the new Head of the ESBU based on the selection process.**	**Fiscal**	**End-February 2025**	
32	**CMU to approve a methodological framework underpinning the PIM process, as specified in ¶39 of the MEFP.**	**Fiscal**	**End-February 2025**	
33	**Submit legislative amendments to Parliament to introduce tax reporting requirements for digital platform operators.**	**Fiscal**	**End-April 2025**	
34	**Appoint permanent head of SCS and permanent heads for all regional customs administrations.**	**Fiscal**	**End-June 2025**	
35	**Submit a 2026-28 Budget Declaration on time and in line with program parameters.**	**Fiscal**	**End-June 2025**	

Table 4. Ukraine: Structural Benchmarks (continued)

	Structural Benchmark	Sector	Timing	Status
36	**NBU to assess key financial and operational risks to financial stability under various downside scenarios and to prepare contingency plans.**	**Financial Sector**	**End-October 2024**	
37	All systemic banks with majority state ownership will fall under the responsibility of the MOF, and any non-systemic banks that come under state ownership will not be recapitalized using fiscal resources and will be transferred to the DGF for resolution upon breach of prudential requirements.	Financial Sector	Continuous	
38	The DGF, MOF and NBU will prepare a bank rehabilitation framework in consultation with IMF staff.	Financial Sector	End-December 2024	
39	Implement a supervisory risk assessment methodology to inform supervisory engagement priorities	Financial Sector	End-December 2024	
40	Analyze the debts and assess financial conditions of District Heating Companies (DHCs) through a desk review by a reputable audit firm, including by separating arrears until and after February 2022.	Energy	End-October 2024	
41	**To ensure NEURC's functional independence, adopt amendments to the law #3354-IX to exempt regulatory decisions by NEURC from the state registration procedure, in line with MEFP, ¶79.**	**Energy**	**End-December 2024**	
42	**Complete the formation of the full supervisory board of Ukrenergo (7 members), with independent members constituting the majority of the supervisory board.**	**Energy**	**End-December 2024**	
43	**Amend the Criminal Procedural Code to enable the Specialized Anti-Corruption Prosecutor's Office to manage extradition and mutual legal assistance request and rationalize consequences from expiration of time limits for pre-trial investigations (including for corruption cases) in line with MEFP, ¶69, 1st bullet.**	**Governance/ Anti-Corruption**	**End-December 2024**	***Reset from end-October 2024***
44	**Publish the completed external audit of the National Anti-Corruption Bureau of Ukraine's effectiveness with participation of three independent experts with international experience.**	**Governance/ Anti-Corruption**	**End-February 2025**	***Missed in end-September 2024***
45	Enact a law to establish a new court that will hear administrative cases against national state agencies (e.g., NBU, NABU, NACP) by judges who have been properly vetted for professional competence and integrity.	Governance/ Anti-Corruption	End-December 2024	
46	**Enact amendments to the law to reform the Accounting Chamber of Ukraine (the supreme audit institution), including through a decisive vote of independent experts with international experience for vetting new members, establishing a minimum of 11 members, enhancing the scope of its audit functions, and steps to**	**Governance/ Anti-Corruption**	**End-December 2024**	

Table 4. Ukraine: Structural Benchmarks (concluded)

	Structural Benchmark	Sector	Timing	Status
	safeguard the ACU's financial independence consistent with international standards on supreme audit institutions, in line with MEFP, ¶67.			
47	Produce a SOE state ownership policy, dividend policy and privatization strategy	SOE Corporate Governance	End-October 2024	
48	**Appoint the independent auditors to assess the effectiveness of the National Anti-Corruption Bureau of Ukraine to investigate corruption, as provided in its law**	**Governance/ Anti-Corruption**	**Prior Action**	**Met**

Table 5. Ukraine: Selected Economic and Social Indicators (Baseline Scenario), 2021–33

	2021	2022	2023	2024		2025		2026	2027	2028	2029	2030	2031	2032	2033
	Act.	Act.	Act.	EFF 4th Review	Proj.	EFF 4th Review	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Real economy (percent change, unless otherwise indicated)															
Nominal GDP (billions of Ukrainian hryvnias) 1/	5,451	5,239	6,538	7,485	7,542	8,744	8,542	9,715	10,761	11,785	12,894	14,093	15,390	16,806	18,352
Real GDP 1/	3.4	-28.8	5.3	2.5	3.0	5.5	2.5-3.5	5.3	4.5	4.3	4.2	4.1	4.0	4.0	4.0
Contributions:															
Domestic demand	12.9	-22.9	13.9	5.8	6.3	6.1	5.1	4.6	4.3	5.9	5.5	5.4	5.2	5.2	5.3
Private consumption	4.7	-16.8	5.5	3.7	3.1	4.1	3.2	3.8	3.5	3.2	3.2	3.2	3.1	3.1	3.1
Public consumption	0.1	12.5	2.6	-0.9	-0.1	-1.8	-1.0	-2.5	-2.0	0.0	0.0	0.0	0.0	0.0	0.0
Investment	8.1	-18.6	5.8	3.0	3.3	3.8	2.9	3.3	2.7	2.8	2.4	2.2	2.1	2.1	2.2
Net exports	-9.5	-5.9	-8.6	-3.3	-3.3	-0.6	-2.6	0.7	0.2	-1.6	-1.3	-1.3	-1.2	-1.2	-1.3
GDP deflator	24.8	34.9	18.5	11.7	12.0	10.7	10.5	8.0	6.0	5.0	5.0	5.0	5.0	5.0	5.0
Unemployment rate (ILO definition; period average, percent)	9.8	24.5	19.1	14.8	14.2	14.3	12.7	10.4	9.4	8.7	8.5	8.5	8.5	8.5	8.5
Consumer prices (period average)	9.4	20.2	12.9	5.2	5.8	8.3	9.0	7.7	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Consumer prices (end of period)	10.0	26.6	5.1	8.0	9.0	7.0	7.5	6.6	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Nominal wages (average)	20.8	1.0	20.1	14.3	16.6	15.7	17.1	14.1	10.6	9.9	9.4	9.3	9.2	9.2	9.2
Real wages (average)	10.5	-16.0	6.4	8.6	10.2	6.8	7.5	6.0	5.3	4.7	4.2	4.1	4.0	4.0	4.0
Savings (percent of GDP)	12.5	17.1	9.7	10.9	9.2	9.2	5.2	10.5	16.4	18.9	19.7	20.5	21.1	21.9	22.6
Private	12.7	30.2	24.6	22.8	25.5	14.4	20.2	15.7	14.0	15.4	15.6	15.7	16.1	16.6	16.9
Public	-0.2	-13.1	-14.8	-11.9	-16.3	-5.2	-15.0	-5.1	2.5	3.5	4.1	4.8	5.0	5.4	5.6
Investment (percent of GDP)	14.5	12.1	15.1	16.7	17.3	16.1	19.5	21.0	22.3	23.3	24.1	24.8	25.3	25.9	26.5
Private	10.7	9.6	10.4	14.3	14.8	13.8	15.4	16.6	17.2	17.8	18.3	18.9	19.4	19.9	20.5
Public	3.8	2.5	4.8	2.4	2.4	2.3	4.1	4.4	5.1	5.6	5.8	5.9	5.9	5.9	5.9
General Government (percent of GDP)															
Fiscal balance 2/	-4.0	-15.6	-19.6	-14.2	-18.7	-7.5	-19.2	-9.5	-2.7	-2.1	-1.7	-1.1	-0.9	-0.5	-0.3
Fiscal balance, excl. grants 2/	-4.0	-24.8	-26.1	-20.9	-24.5	-10.4	-20.0	-9.8	-3.8	-2.9	-2.4	-1.8	-1.5	-1.1	-0.9
External financing (net)	2.4	10.8	16.5	12.1	15.2	6.5	18.2	8.8	3.3	0.2	1.4	2.6	2.4	2.2	2.5
Domestic financing (net), of which:	1.6	5.0	3.1	2.1	3.5	0.9	1.0	0.8	-0.6	1.9	0.2	-1.4	-1.5	-1.6	-2.1
NBU	-0.3	7.3	-0.2	-0.2	-0.2	-0.1	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.3
Commercial banks	1.5	-1.5	2.5	2.1	3.5	0.5	1.0	0.8	-0.6	1.5	0.0	-1.6	-1.6	-1.7	-2.0
Public and publicly-guaranteed debt	50.5	77.7	82.3	97.3	95.6	97.7	106.6	107.6	102.6	98.5	94.0	89.1	84.3	79.4	74.5
Money and credit (end of period, percent change)															
Base money	11.2	19.6	23.3	13.8	16.7	17.9	13.2	12.7	12.4	11.0	11.0	11.0	11.0	10.5	10.0
Broad money	12.0	20.8	23.0	13.9	15.4	15.8	13.3	11.9	10.1	9.5	9.4	9.3	9.2	9.2	9.2
Credit to nongovernment	8.4	-3.1	-0.5	8.0	9.0	17.7	12.9	21.5	18.7	16.5	19.2	17.1	20.7	20.7	20.7
Balance of payments (percent of GDP)															
Current account balance	-1.9	5.0	-5.4	-5.8	-8.1	-6.9	-14.3	-10.5	-5.9	-4.4	-4.3	-4.3	-4.2	-3.9	-3.9
Foreign direct investment	3.8	0.1	2.6	2.1	2.0	2.6	2.1	4.3	4.9	5.4	5.1	4.8	4.5	4.3	4.1
Gross reserves (end of period, billions of U.S. dollars)	30.9	28.5	40.5	41.8	42.6	43.0	44.9	49.1	52.4	54.0	57.7	62.8	67.0	70.7	75.5
Months of next year's imports of goods and services	4.5	3.8	5.1	5.5	5.1	5.4	5.4	5.7	6.0	5.9	6.0	6.2	6.3	6.4	6.6
Percent of short-term debt (remaining maturity)	67.5	64.3	89.5	97.9	106.2	94.2	106.3	118.3	124.5	111.0	128.1	135.4	148.2	157.9	148.6
Percent of the IMF composite metric (float)	104.4	103.6	124.3	113.7	113.5	110.3	104.7	104.0	106.9	107.8	109.9	116.8	119.7	122.6	126.2
Goods exports (annual volume change in percent)	35.1	-43.7	-15.4	18.5	15.7	4.6	6.2	14.0	6.3	9.9	7.9	9.0	8.6	8.2	8.0
Goods imports (annual volume change in percent)	17.0	-24.1	21.5	8.9	14.1	7.5	7.0	8.8	9.5	3.4	4.3	5.3	4.9	4.6	5.0
Goods terms of trade (percent change)	-8.4	-11.6	3.6	0.3	0.3	-1.4	-1.8	1.2	1.4	0.8	0.4	0.0	0.0	0.0	0.0
Exchange rate															
Hryvnia per U.S. dollar (end of period)	27.3	36.6	38.0	...	...	...	...	...	...	...	...	...	...	...	...
Hryvnia per U.S. dollar (period average)	27.3	32.3	36.6	...	...	...	...	...	...	...	...	...	...	...	...
Real effective rate (deflator-based, percent change)	10.2	27.5	-1.5	...	...	...	...	...	...	...	...	...	...	...	...
Memorandum items:															
Per capita GDP / Population (2017): US$2,640 / 44.8 million															
Literacy / Poverty rate (2022 est 3/): 100 percent / 25 percent															

Sources: Ukrainian authorities; World Bank, World Development Indicators; and IMF staff estimates.

1/ GDP is compiled as per SNA 2008 and excludes territories that are or were in direct combat zones and temporarily occupied by Russia (consistent with the TMU).

2/ The general government includes the central and local governments and the social funds.

3/ Based on World Bank estimates.

Table 6a. Ukraine: General Government Finances (Baseline Scenario), 2021–33[1/]

(Billions of Ukrainian Hryvnia)

	2021	2022	2023	2024		2025		2026	2027	2028	2029	2030	2031	2032	2033
	Act.	Act.	Act.	EFF 4th Review	Proj.	EFF 4th Review	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue	1,990	2,609	3,583	3,415	3,402	3,655	3,418	3,905	4,525	4,925	5,365	5,858	6,376	6,951	7,584
Tax revenue	1,825	1,782	2,139	2,679	2,718	3,155	3,056	3,629	4,134	4,533	4,962	5,429	5,919	6,465	7,066
Tax on income, profits, and capital gains	514	551	656	831	878	906	955	1,090	1,205	1,339	1,485	1,633	1,783	1,952	2,131
Personal income tax	350	421	496	582	611	663	727	830	918	1,014	1,124	1,234	1,347	1,476	1,612
Corporate profit tax	164	131	159	249	267	243	228	260	288	325	361	399	436	476	520
Social security contributions	358	430	489	592	564	674	596	699	771	856	928	1,036	1,126	1,230	1,333
Property tax	43	37	44	46	46	51	56	50	55	50	56	51	51	52	52
Tax on goods and services	731	592	784	1,022	1,042	1,278	1,250	1,566	1,838	1,999	2,177	2,381	2,619	2,868	3,141
VAT	536	467	581	788	796	981	912	1,142	1,349	1,459	1,589	1,734	1,905	2,084	2,270
Excise	180	115	190	219	231	281	322	378	437	485	528	582	644	709	789
Other	14	10	14	15	15	16	16	47	51	55	60	64	70	75	81
Tax on international trade	38	26	41	49	49	70	60	67	85	91	107	116	124	133	148
Other tax	140	145	126	139	139	175	139	157	179	199	210	213	217	231	261
Nontax revenue	166	827	1,444	736	684	500	362	277	391	392	403	429	457	486	518
Grants	1	481	426	498	436	257	74	26	121	101	91	93	96	98	100
Expenditure	2,207	3,426	4,865	4,479	4,815	4,307	5,056	4,831	4,812	5,170	5,580	6,018	6,515	7,044	7,643
Current	1,995	3,298	4,562	4,154	4,568	3,734	4,619	4,459	4,321	4,582	4,912	5,248	5,669	6,120	6,634
Compensation of employees	516	1,240	1,479	1,504	1,582	857	1,600	1,467	1,114	1,172	1,245	1,323	1,444	1,577	1,722
Goods and services	483	848	1,674	918	957	927	746	680	715	756	864	932	1,038	1,158	1,266
Interest	155	162	254	430	381	377	489	365	385	364	374	378	369	347	337
Subsidies to corporations and enterprises	116	131	158	165	457	148	612	509	370	339	326	342	359	377	396
Social benefits	724	917	996	1,136	1,189	1,422	1,170	1,437	1,734	1,949	2,101	2,271	2,455	2,657	2,910
Social programs (on budget)	154	285	241	209	288	461	287	439	636	698	783	852	930	1,025	1,126
Pensions	519	583	746	899	872	931	861	974	1,073	1,225	1,290	1,390	1,495	1,600	1,750
Unemployment, disability, and accident	52	48	9	27	29	30	22	24	25	26	28	29	30	32	34
Other current expenditures	1	1	1	2	2	2	2	2	2	2	2	3	3	3	3
Capital	207	130	312	177	184	200	354	427	553	656	743	832	913	997	1,089
Net lending	5	-2	-9	31	21	131	39	44	49	53	58	84	92	100	109
Contingency reserve 2/	0	0	0	117	42	242	44	-100	-111	-122	-133	-145	-159	-173	-189
General government overall balance	-216	-817	-1,282	-1,064	-1,413	-652	-1,637	-925	-286	-245	-214	-160	-139	-92	-59
General government overall balance, excluding grants	-218	-1,299	-1,707	-1,562	-1,850	-909	-1,712	-951	-407	-346	-305	-253	-235	-190	-159
General government financing	216	817	1,282	1,064	1,413	652	1,637	925	286	245	214	160	139	92	59
External	132	563	1,078	909	1,150	570	1,556	852	353	21	185	362	370	363	452
Disbursements	239	619	1,152	1,122	1,321	849	1,721	1,033	525	239	555	624	639	654	669
Amortizations and other external payments	-108	-56	-74	-213	-171	-279	-165	-181	-172	-218	-370	-262	-269	-291	-216
Domestic (net)	85	263	204	155	263	81	81	74	-67	224	29	-202	-230	-271	-394
Bond financing 3/	66	295	183	151	259	75	72	68	-73	218	23	-208	-236	-277	-400
o/w NBU	-14	383	-15	-12	-12	-13	-13	-12	-12	-11	-12	-12	-12	-12	-47
o/w Commercial banks	80	-81	167	155	263	47	86	80	-61	177	5	-221	-248	-286	-371
Direct bank borrowing	30	-2	-7	0	0	0	0	0	0	0	0	0	0	0	0
Deposit finance	-19	-37	-59	0	0	0	0	0	0	0	0	0	0	0	0
Privatization and other items	7	20	87	4	4	6	9	6	6	6	6	6	6	6	6
Financing Gap/unindentified measures (-gap/+surplus)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Memorandum items:															
Primary balance	-62	-655	-1,028	-635	-1,032	-274	-1,149	-560	99	118	160	218	230	255	278
Public and publicly-guaranteed debt	2,754	4,003	5,383	7,284	7,209	8,538	9,109	10,450	11,044	11,609	12,114	12,556	12,971	13,340	13,677
Nominal GDP (billions of Ukrainian hryvnia)	5,451	5,239	6,538	7,485	7,542	8,744	8,542	9,715	10,761	11,785	12,894	14,093	15,390	16,806	18,352

Sources: Ministry of Finance; National Bank of Ukraine; and IMF staff estimates and projections.

1/ National methodology, cash basis.

2/ Includes the unallocated portion of expenditures from the COVID fund.

3/ Domestic bonds have been adjusted to reflect discrepancy between the above-the-line and the below-the-line deficits.

Table 6b. Ukraine: General Government Finances (Baseline Scenario), 2021–33 1/

(Percent of GDP)

	2021	2022	2023	2024		2025		2026	2027	2028	2029	2030	2031	2032	2033
	Act.	Act.	Act.	EFF 4th Review	Proj.	EFF 4th Review	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue	36.5	49.8	54.8	45.6	45.1	41.8	40.0	40.2	42.1	41.8	41.6	41.6	41.4	41.4	41.3
Tax revenue	33.5	34.0	32.7	35.8	36.0	36.1	35.8	37.4	38.4	38.5	38.5	38.5	38.5	38.5	38.5
Tax on income, profits, and capital gains	9.4	10.5	10.0	11.1	11.6	10.4	11.2	11.2	11.2	11.4	11.5	11.6	11.6	11.6	11.6
Personal income tax	6.4	8.0	7.6	7.8	8.1	7.6	8.5	8.5	8.5	8.6	8.7	8.8	8.8	8.8	8.8
Corporate profit tax	3.0	2.5	2.4	3.3	3.5	2.8	2.7	2.7	2.7	2.8	2.8	2.8	2.8	2.8	2.8
Social security contributions	6.6	8.2	7.5	7.9	7.5	7.7	7.0	7.2	7.2	7.3	7.2	7.4	7.3	7.3	7.3
Property tax	0.8	0.7	0.7	0.6	0.6	0.6	0.7	0.5	0.5	0.4	0.4	0.4	0.3	0.3	0.3
Tax on goods and services	13.4	11.3	12.0	13.7	13.8	14.6	14.6	16.1	17.1	17.0	16.9	16.9	17.0	17.1	17.1
VAT	9.8	8.9	8.9	10.5	10.6	11.2	10.7	11.8	12.5	12.4	12.3	12.3	12.4	12.4	12.4
Excise	3.3	2.2	2.9	2.9	3.1	3.2	3.8	3.9	4.1	4.1	4.1	4.1	4.2	4.2	4.3
Other	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.5	0.5	0.5	0.5	0.5	0.5	0.4	0.4
Tax on international trade	0.7	0.5	0.6	0.7	0.7	0.8	0.7	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Other tax	2.6	2.8	1.9	1.9	1.8	2.0	1.6	1.6	1.7	1.7	1.6	1.5	1.4	1.4	1.4
Nontax revenue	3.0	15.8	22.1	9.8	9.1	5.7	4.2	2.8	3.6	3.3	3.1	3.0	3.0	2.9	2.8
Grants	0.0	9.2	6.5	6.7	5.8	2.9	0.9	0.3	1.1	0.9	0.7	0.7	0.6	0.6	0.5
Expenditure	40.5	65.4	74.4	59.8	63.8	49.3	59.2	49.7	44.7	43.9	43.3	42.7	42.3	41.9	41.6
Current	36.6	63.0	69.8	55.5	60.6	42.7	54.1	45.9	40.2	38.9	38.1	37.2	36.8	36.4	36.2
Compensation of employees	9.5	23.7	22.6	20.1	21.0	9.8	18.7	15.1	10.4	9.9	9.7	9.4	9.4	9.4	9.4
Goods and services	8.9	16.2	25.6	12.3	12.7	10.6	8.7	7.0	6.6	6.4	6.7	6.6	6.7	6.9	6.9
Interest	2.8	3.1	3.9	5.7	5.1	4.3	5.7	3.8	3.6	3.1	2.9	2.7	2.4	2.1	1.8
Subsidies to corporations and enterprises	2.1	2.5	2.4	2.2	6.1	1.7	7.2	5.2	3.4	2.9	2.5	2.4	2.3	2.2	2.2
Social benefits	13.3	17.5	15.2	15.2	15.8	16.3	13.7	14.8	16.1	16.5	16.3	16.1	16.0	15.8	15.9
Social programs (on budget)	2.8	5.4	3.7	2.8	3.8	5.3	3.4	4.5	5.9	5.9	6.1	6.0	6.0	6.1	6.1
Pensions	9.5	11.1	11.4	12.0	11.6	10.6	10.1	10.0	10.0	10.4	10.0	9.9	9.7	9.5	9.5
Unemployment, disability, and accident insurance	1.0	0.9	0.1	0.4	0.4	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Other current expenditures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital	3.8	2.5	4.8	2.4	2.4	2.3	4.1	4.4	5.1	5.6	5.8	5.9	5.9	5.9	5.9
Net lending	0.1	0.0	-0.1	0.4	0.3	1.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6
Contingency reserve 2/	0.0	0.0	0.0	1.6	0.6	2.8	0.5	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0
General government overall balance	-4.0	-15.6	-19.6	-14.2	-18.7	-7.5	-19.2	-9.5	-2.7	-2.1	-1.7	-1.1	-0.9	-0.5	-0.3
General government overall balance, excluding grants	-4.0	-24.8	-26.1	-20.9	-24.5	-10.4	-20.0	-9.8	-3.8	-2.9	-2.4	-1.8	-1.5	-1.1	-0.9
General government financing	4.0	15.6	19.6	14.2	18.7	7.5	19.2	9.5	2.7	2.1	1.7	1.1	0.9	0.5	0.3
External	2.4	10.8	16.5	12.1	15.2	6.5	18.2	8.8	3.3	0.2	1.4	2.6	2.4	2.2	2.5
Disbursements	4.4	11.8	17.6	15.0	17.5	9.7	20.2	10.6	4.9	2.0	4.3	4.4	4.2	3.9	3.6
Amortizations and other external payments	-2.0	-1.1	-1.1	-2.9	-2.3	-3.2	-1.9	-1.9	-1.6	-1.8	-2.9	-1.9	-1.8	-1.7	-1.2
Domestic (net)	1.6	5.0	3.1	2.1	3.5	0.9	1.0	0.8	-0.6	1.9	0.2	-1.4	-1.5	-1.6	-2.1
Bond financing 3/	1.2	5.6	2.8	2.0	3.4	0.9	0.8	0.7	-0.7	1.8	0.2	-1.5	-1.5	-1.6	-2.2
o/w NBU	-0.3	7.3	-0.2	-0.2	-0.2	-0.1	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.3
o/w Commercial banks	1.5	-1.5	2.5	2.1	3.5	0.5	1.0	0.8	-0.6	1.5	0.0	-1.6	-1.6	-1.7	-2.0
Direct bank borrowing	0.6	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deposit finance	-0.3	-0.7	-0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization and other items	0.1	0.4	1.3	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Financing Gap/undidentified measures (-gap/+surplus)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:															
Primary balance	-1.1	-12.5	-15.7	-8.5	-13.7	-3.1	-13.4	-5.8	0.9	1.0	1.2	1.5	1.5	1.5	1.5
Public and publicly-guaranteed debt	48.9	77.7	82.3	97.3	95.6	97.7	106.6	107.6	102.6	98.5	94.0	89.1	84.3	79.4	74.5
Nominal GDP (billions of Ukrainian hryvnia)	5,451	5,239	6,538	7,485	7,542	8,744	8,542	9,715	10,761	11,785	12,894	14,093	15,390	16,806	18,352

Sources: Ministry of Finance; National Bank of Ukraine; and IMF staff estimates and projections.

1/ National methodology, cash basis.

2/ Includes the unallocated portion of expenditures from the COVID fund.

3/ Domestic bonds have been adjusted to reflect discrepancy between the above-the-line and the below-the-line deficits.

Table 7a. Ukraine: Balance of Payments (Baseline Scenario), 2021–33[1/ 2/]

(Billions of U.S. dollars, unless otherwise indicated)

	2021	2022	2023	2024		2025		2026	2027	2028	2029	2030	2031	2032	2033
	Act.	Act.	Act.	EFF 4th Review	Proj.	EFF 4th Review	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Current account balance	-3.9	8.0	-9.7	-10.6	-14.9	-13.2	-27.1	-21.7	-13.0	-10.4	-10.8	-11.4	-11.9	-11.9	-12.6
Goods (net)	-6.6	-14.7	-28.8	-27.8	-32.1	-32.2	-36.2	-36.1	-39.8	-37.2	-36.4	-36.1	-35.4	-34.5	-33.8
Exports	63.1	40.9	34.7	41.1	40.1	43.0	42.6	48.6	51.6	56.7	61.2	66.7	72.4	78.4	84.7
Imports	-69.8	-55.6	-63.5	-68.9	-72.3	-75.2	-78.8	-84.7	-91.5	-93.9	-97.6	-102.8	-107.9	-112.8	-118.5
Services (net)	4.0	-11.1	-8.9	-6.2	-6.2	2.9	-3.7	5.0	14.2	16.6	17.1	17.6	18.0	18.5	18.9
Receipts	18.4	16.6	16.4	16.7	16.7	19.0	17.1	20.3	25.9	27.5	29.1	30.3	31.5	32.8	34.1
Payments	-14.4	-27.7	-25.4	-22.9	-22.9	-16.1	-20.8	-15.3	-11.7	-10.9	-12.0	-12.7	-13.5	-14.3	-15.1
Primary income (net)	-5.8	8.5	4.8	3.5	4.9	3.7	3.8	2.6	4.2	3.2	2.5	2.0	1.4	0.9	0.1
Secondary income (net)	4.6	25.2	23.3	19.9	18.4	12.4	8.9	6.8	8.5	6.9	5.9	5.0	4.1	3.2	2.2
Capital account balance	0.0	0.2	0.1	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account balance	-5.5	8.5	-20.9	-12.9	-18.9	-15.2	-30.2	-26.3	-16.7	-12.0	-14.5	-17.7	-17.3	-17.0	-18.4
Direct investment (net)	-7.5	-0.2	-4.7	-3.8	-3.8	-5.0	-4.0	-8.9	-10.7	-12.6	-12.6	-12.8	-12.7	-12.9	-13.1
Portfolio investment (net)	-1.0	2.0	2.7	1.5	0.4	2.4	0.8	-0.1	-0.4	0.7	0.8	-1.0	-1.6	-1.6	-1.7
Financial derivatives (net)	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investment (net)	2.9	6.7	-18.9	-10.6	-15.5	-12.5	-27.0	-17.3	-5.6	-0.1	-2.6	-3.9	-3.0	-2.5	-3.6
Other investment: assets	7.7	21.0	11.5	14.8	14.8	4.1	9.3	3.5	3.0	2.3	2.4	2.5	2.9	3.0	3.2
Other investment: liabilities	4.9	14.3	30.4	25.4	30.3	16.6	36.3	20.9	8.6	2.3	5.0	6.5	5.9	5.6	6.8
Net use of IMF resources for budget support	0.2	2.3	3.6	4.0	4.0	0.3	1.2	0.3	0.2	-0.8	-1.8	-1.1	-1.3	-1.4	-1.1
Central Bank	2.7	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General government	1.5	14.7	26.0	20.5	25.4	15.4	34.2	18.7	7.3	2.6	6.2	6.9	6.5	6.3	7.3
Banks 3/	0.4	-0.4	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other sectors	0.0	-2.2	0.9	0.9	0.9	0.9	0.9	1.8	1.0	0.6	0.6	0.6	0.6	0.6	0.6
Errors and omissions	1.8	-0.3	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	3.5	-0.6	13.0	2.3	4.1	2.0	3.1	4.6	3.7	1.6	3.6	6.3	5.4	5.1	5.9
Financing	-3.5	0.6	-13.0	-2.3	-4.1	-2.0	-3.1	-4.6	-3.7	-1.6	-3.6	-6.3	-5.4	-5.1	-5.9
Gross official reserves (increase: -)	-2.5	2.3	-11.4	-1.3	-3.1	-1.2	-2.3	-4.3	-3.3	-1.6	-3.6	-5.2	-4.1	-3.7	-4.8
Net use of IMF resources for BOP support	-0.9	-1.6	-1.6	-1.0	-1.0	-0.8	-0.8	-0.3	-0.4	0.0	0.0	-1.1	-1.3	-1.4	-1.1
Memorandum items:															
Current account balance excluding grants	-3.9	-6.0	-21.3	-22.7	-25.6	-18.8	-28.8	-22.3	-15.4	-12.4	-12.6	-13.2	-13.6	-13.7	-14.3
Current account balance (percent of GDP)	-1.9	5.0	-5.4	-5.8	-8.1	-6.9	-14.3	-10.5	-5.9	-4.4	-4.3	-4.3	-4.2	-3.9	-3.9
Goods and services trade balance (percent of GDP)	-1.3	-16.0	-21.2	-18.6	-20.8	-15.4	-21.0	-15.0	-11.6	-8.8	-7.7	-7.0	-6.1	-5.3	-4.6
Gross international reserves	30.9	28.5	40.5	41.8	42.6	43.0	44.9	49.1	52.4	54.0	57.7	62.8	67.0	70.7	75.5
Months of next year's imports of goods and services	4.5	3.8	5.1	5.5	5.1	5.4	5.4	5.7	6.0	5.9	6.0	6.2	6.3	6.4	6.6
Percent of the IMF composite metric (float)	104.4	103.6	124.3	113.7	113.5	110.3	104.7	104.0	106.9	107.8	109.9	116.8	119.7	122.6	126.2

Sources: National Bank of Ukraine; and IMF staff estimates and projections.

1/ Based on BPM6.

2/ Shipments of military equipment are not reflected in the BOP. Staff's understanding is that the support is being provided in the form of unconditional aid and that it will not materially impact the balance of payments in the future.

3/ Includes banks' debt for equity operations.

Table 7b. Ukraine: Balance of Payments (Baseline Scenario), 2021–33[1/ 2/]

(Percent of GDP, unless otherwise indicated)

	2021	2022	2023	2024		2025		2026	2027	2028	2029	2030	2031	2032	2033
	Act.	Act.	Act.	EFF 4th Review	Proj.	EFF 4th Review	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Current account balance	-1.9	5.0	-5.4	-5.8	-8.1	-6.9	-14.3	-10.5	-5.9	-4.4	-4.3	-4.3	-4.2	-3.9	-3.9
Goods (net)	-3.3	-9.1	-16.1	-15.2	-17.5	-16.8	-19.1	-17.4	-18.0	-15.8	-14.6	-13.6	-12.5	-11.4	-10.5
Exports	31.6	25.4	19.4	22.5	21.8	22.5	22.4	23.4	23.3	24.2	24.5	25.1	25.6	26.0	26.3
Imports	-34.9	-34.5	-35.6	-37.8	-39.2	-39.4	-41.5	-40.8	-41.3	-40.0	-39.1	-38.7	-38.1	-37.4	-36.8
Services (net)	2.0	-6.9	-5.0	-3.4	-3.4	1.5	-1.9	2.4	6.4	7.1	6.9	6.6	6.4	6.1	5.9
Receipts	9.2	10.3	9.2	9.2	9.1	9.9	9.0	9.8	11.7	11.7	11.7	11.4	11.1	10.9	10.6
Payments	-7.2	-17.2	-14.2	-12.6	-12.5	-8.5	-11.0	-7.4	-5.3	-4.6	-4.8	-4.8	-4.8	-4.7	-4.7
Primary income (net)	-2.9	5.3	2.7	1.9	2.7	2.0	2.0	1.2	1.9	1.4	1.0	0.8	0.5	0.3	0.0
Secondary income (net)	2.3	15.7	13.1	10.9	10.0	6.5	4.7	3.3	3.8	3.0	2.4	1.9	1.5	1.1	0.7
Capital account balance	0.0	0.1	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account balance	-2.8	5.3	-11.7	-7.1	-10.3	-7.9	-15.9	-12.7	-7.5	-5.1	-5.8	-6.7	-6.1	-5.6	-5.7
Direct investment (net)	-3.8	-0.1	-2.6	-2.1	-2.0	-2.6	-2.1	-4.3	-4.9	-5.4	-5.1	-4.8	-4.5	-4.3	-4.1
Portfolio investment (net)	-0.5	1.3	1.5	0.8	0.2	1.3	0.4	0.0	-0.2	0.3	0.3	-0.4	-0.6	-0.5	-0.5
Financial derivatives (net)	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investment (net)	1.4	4.1	-10.6	-5.8	-8.4	-6.6	-14.2	-8.4	-2.5	0.0	-1.1	-1.5	-1.1	-0.8	-1.1
Other investment: assets	3.9	13.0	6.5	8.1	8.0	2.1	4.9	1.7	1.4	1.0	1.0	1.0	1.0	1.0	1.0
Other investment: liabilities	2.4	8.9	17.1	13.9	16.4	8.7	19.1	10.1	3.9	1.0	2.0	2.4	2.1	1.8	2.1
Net use of IMF resources for budget support	0.1	1.4	2.0	2.2	2.2	0.1	0.6	0.1	0.1	-0.4	-0.7	-0.4	-0.4	-0.5	-0.3
Central Bank	1.4	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General government	0.8	9.2	14.6	11.2	13.8	8.0	18.0	9.0	3.3	1.1	2.5	2.6	2.3	2.1	2.3
Banks 3/	0.2	-0.3	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other sectors	0.0	-1.4	0.5	0.5	0.5	0.5	0.5	0.9	0.5	0.3	0.2	0.2	0.2	0.2	0.2
Errors and omissions	0.9	-0.2	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	1.7	-0.4	7.3	1.3	2.2	1.0	1.6	2.2	1.7	0.7	1.5	2.4	1.9	1.7	1.8
Financing	-1.7	0.4	-7.3	-1.3	-2.2	-1.0	-1.6	-2.2	-1.7	-0.7	-1.5	-2.4	-1.9	-1.7	-1.8
Gross official reserves (increase: -)	-1.3	1.4	-6.4	-0.7	-1.7	-0.6	-1.2	-2.1	-1.5	-0.7	-1.5	-1.9	-1.5	-1.2	-1.5
Net use of IMF resources for BOP support	-0.5	-1.0	-0.9	-0.6	-0.6	-0.4	-0.4	-0.2	-0.2	0.0	0.0	-0.4	-0.4	-0.5	-0.3
Memorandum items:															
Current account balance excluding grants	-1.9	-3.7	-11.9	-12.4	-13.9	-9.8	-15.2	-10.8	-7.0	-5.3	-5.0	-5.0	-4.8	-4.5	-4.4
Gross international reserves (USD billions)	30.9	28.5	40.5	41.8	42.6	43.0	44.9	49.1	52.4	54.0	57.7	62.8	67.0	70.7	75.5
Months of next year's imports of goods and services	4.5	3.8	5.1	5.5	5.1	5.4	5.4	5.7	6.0	5.9	6.0	6.2	6.3	6.4	6.6
Percent of the IMF composite metric (float)	104.4	103.6	124.3	113.7	113.5	110.3	104.7	104.0	106.9	107.8	109.9	116.8	119.7	122.6	126.2

Sources: National Bank of Ukraine; and IMF staff estimates and projections.

1/ Based on BPM6.

2/ Shipments of military equipment are not reflected in the BOP. Staff's understanding is that the support is being provided in the form of unconditional aid and that it will not materially impact the balance of payments in the future.

3/ Includes banks' debt for equity operations.

Table 8. Ukraine: Gross External Financing Requirements and Sources (Baseline Scenario), 2021–33

(Billions of U.S. dollars)

	2021	2022	2023	2024		2025		2026	2027	2028	2029	2030	2031	2032	2033
	Act.	Act.	Act.	EFF 4th Review	Proj.	EFF 4th Review	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
A. Total financing requirements	**20.3**	**31.9**	**39.9**	**45.1**	**46.9**	**29.1**	**42.8**	**30.9**	**22.4**	**19.4**	**24.2**	**21.9**	**23.9**	**22.4**	**22.3**
Current account deficit (excl. budget grants)	3.9	6.0	21.3	22.7	25.6	18.8	28.8	22.3	15.4	12.4	12.6	13.2	13.6	13.7	14.3
Portfolio investment	4.9	2.7	4.9	4.5	3.5	3.4	1.8	2.2	0.1	1.2	4.3	2.0	2.8	0.9	0.8
Private	0.6	0.9	2.5	2.9	2.9	1.5	1.5	1.8	0.0	1.0	3.1	1.5	2.8	0.9	0.8
Public	4.3	1.8	2.4	1.6	0.5	1.9	0.4	0.4	0.1	0.1	1.2	0.5	0.0	0.0	0.0
Medium and long-term debt	3.6	2.1	2.2	3.1	3.1	2.9	2.9	2.8	3.8	3.6	4.9	4.2	4.6	4.8	3.9
Private	2.7	1.1	1.3	1.5	1.5	1.5	1.5	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Banks	0.2	0.2	0.2	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Corporates	2.5	0.9	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Public	0.9	1.0	0.9	1.5	1.6	1.4	1.4	1.4	2.4	2.2	3.5	2.8	3.2	3.4	2.5
Other net capital outflows 1/	7.9	21.0	11.5	14.8	14.8	4.1	9.3	3.5	3.0	2.3	2.4	2.5	2.9	3.0	3.2
B. Total financing sources	**20.0**	**0.7**	**9.7**	**10.7**	**11.0**	**9.9**	**9.0**	**16.1**	**15.3**	**16.8**	**19.8**	**19.5**	**20.7**	**19.1**	**19.4**
Capital transfers	0.0	0.2	0.1	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment, net	7.5	0.2	4.7	3.8	3.8	5.0	4.0	8.9	10.7	12.6	12.6	12.8	12.7	12.9	13.1
Portfolio investment	6.0	0.7	2.2	3.0	3.1	1.0	1.0	2.3	0.5	0.5	3.5	3.0	4.3	2.5	2.5
Private	1.8	0.2	-0.1	3.0	2.5	1.0	1.0	2.3	0.5	0.5	2.5	1.0	2.3	0.5	0.5
Public	4.2	0.5	2.2	0.0	0.6	0.0	0.0	0.0	0.0	0.0	1.0	2.0	2.0	2.0	2.0
Medium and long-term debt	6.8	2.6	2.4	3.2	3.2	3.1	3.1	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2
Private	3.0	1.5	1.8	1.7	1.7	1.6	1.6	1.6	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Banks	0.2	0.0	0.1	0.5	0.5	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Corporates	2.8	1.4	1.7	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Public (incl. project financing)	3.8	1.1	0.6	1.5	1.5	1.4	1.5	1.6	1.6	1.7	1.7	1.7	1.7	1.7	1.7
Short-term debt (incl. deposits)	-0.3	-2.9	0.3	0.8	0.8	0.8	0.8	1.7	0.9	0.5	0.5	0.5	0.5	0.5	0.5
C. Financing needs (A - B)	**0.3**	**31.1**	**30.2**	**34.3**	**35.9**	**19.2**	**33.8**	**14.7**	**7.1**	**2.6**	**4.4**	**2.4**	**3.1**	**3.3**	**2.9**
D. Official financing	**1.0**	**29.2**	**39.9**	**35.6**	**39.0**	**20.4**	**36.1**	**19.0**	**10.4**	**4.2**	**8.0**	**7.6**	**7.3**	**7.0**	**7.7**
IMF	-0.7	0.6	1.9	2.9	2.9	-0.5	0.4	-0.1	-0.2	-0.8	-1.8	-2.2	-2.5	-2.8	-2.1
Purchases	0.7	2.7	4.5	5.3	5.3	1.8	2.7	1.9	1.1	0.0	0.0	0.0	0.0	0.0	0.0
Repurchases	1.4	2.1	2.5	2.4	2.4	2.3	2.3	2.0	1.2	0.8	1.8	2.2	2.5	2.8	2.1
Official budget grants	0.0	14.0	11.6	12.1	10.6	5.6	1.6	0.6	2.5	2.0	1.7	1.7	1.7	1.7	1.7
Official budget loans	1.7	14.5	26.4	20.5	25.4	15.3	34.1	18.5	8.1	3.1	8.0	8.0	8.0	8.0	8.0
F. Increase in reserves	**2.5**	**-2.3**	**11.4**	**1.3**	**3.1**	**1.2**	**2.3**	**4.3**	**3.3**	**1.6**	**3.6**	**5.2**	**4.1**	**3.7**	**4.8**
F. Errors and omissions	**1.8**	**-0.3**	**1.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Memorandum items:															
Gross international reserves	30.9	28.5	40.5	41.8	42.6	43.0	44.9	49.1	52.4	54.0	57.7	62.8	67.0	70.7	75.5
Months of next year's imports of goods and services	4.5	3.8	5.1	5.5	5.1	5.4	5.4	5.7	6.0	5.9	6.0	6.2	6.3	6.4	6.6
Percent of the IMF composite (float) 2/	104.4	103.6	124.3	113.7	113.5	110.3	104.7	104.0	106.9	107.8	109.9	116.8	119.7	122.6	126.2

Sources: National Bank of Ukraine; and IMF staff estimates and projections.

1/ Reflects, inter alia, changes in banks', corporates', and households' gross foreign assets as well as currency swap transactions.

2/ The IMF composite measure is calculated as a weighted sum of short-term debt, other portfolio and investment liabilities, broad money, and exports. Official reserves are recommended to be in the range of 100–150 percent of the appropriate measure.

Table 9. Ukraine: Monetary Accounts (Baseline Scenario), 2021–33

	2021	2022	2023	2024		2025		2026	2027	2028	2029	2030	2031	2032	2033
	Act.	Act.	Act.	EFF 4th Review	Proj.	EFF 4th Review	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Monetary survey															
Net foreign assets	850	1,252	1,926	2,105	2,155	2,311	2,300	2,570	2,807	2,985	3,349	3,827	4,281	4,744	5,242
Net domestic assets	1,221	1,249	1,151	1,400	1,394	1,750	1,720	1,929	2,148	2,441	2,588	2,661	2,804	2,993	3,207
Domestic credit	1,925	2,212	2,248	2,467	2,585	2,843	2,793	3,238	3,438	3,944	4,357	4,564	4,917	5,351	5,846
Net claims on government	898	1,218	1,259	1,398	1,506	1,585	1,576	1,759	1,683	1,899	1,921	1,712	1,474	1,196	829
Credit to the economy	1,023	991	986	1,065	1,075	1,254	1,213	1,475	1,750	2,039	2,430	2,845	3,435	4,148	5,008
Domestic currency	731	725	733	805	812	983	945	1,205	1,482	1,775	2,170	2,590	3,184	3,901	4,766
Foreign currency	292	266	253	260	263	271	268	270	268	264	260	256	251	247	243
Other claims on the economy	5	4	3	3	3	4	4	4	5	5	6	6	7	8	8
Other items, net	-704	-963	-1,097	-1,067	-1,190	-1,093	-1,073	-1,309	-1,290	-1,503	-1,770	-1,903	-2,113	-2,358	-2,640
Broad money	2,071	2,501	3,077	3,505	3,549	4,061	4,020	4,498	4,954	5,426	5,936	6,489	7,085	7,737	8,449
Currency in circulation	581	666	716	733	790	1,025	894	1,014	1,155	1,293	1,447	1,621	1,815	2,020	2,232
Total deposits	1,489	1,834	2,360	2,771	2,759	3,035	3,125	3,483	3,798	4,132	4,488	4,866	5,268	5,715	6,215
Domestic currency deposits	1,014	1,204	1,628	2,047	1,863	2,242	2,118	2,434	2,664	2,892	3,149	3,423	3,713	4,041	4,412
Foreign currency deposits	474	630	732	724	895	793	1,006	1,049	1,134	1,239	1,338	1,443	1,555	1,675	1,803
Accounts of the NBU															
Net foreign assets	701	907	1,456	1,620	1,647	1,820	1,801	2,078	2,326	2,518	2,873	3,343	3,789	4,244	4,735
Net international reserves	567	670	1,082	1,182	1,209	1,350	1,345	1,604	1,834	2,012	2,352	2,808	3,242	3,684	4,163
(In billions of U.S. dollars)	20.8	18.3	28.4	…	…	…	…	…	…	…	…	…	…	…	…
Reserve assets	844	1,042	1,539	…	…	…	…	…	…	…	…	…	…	…	…
Other net foreign assets	134	238	374	438	438	471	456	474	492	507	521	534	547	560	572
Net domestic assets	-38	-115	-479	-508	-507	-509	-510	-624	-691	-704	-859	-1,108	-1,308	-1,503	-1,719
Net domestic credit	175	312	6	-113	21	-144	-151	-87	-236	-114	-91	-288	-367	-411	-450
Net claims on government	270	704	591	567	567	551	551	537	523	510	497	483	470	456	443
Claims on government	325	758	729	717	717	704	704	691	680	669	658	647	636	625	614
Net claims on banks	-95	-392	-585	-680	-545	-695	-702	-624	-758	-623	-587	-771	-837	-867	-892
Other items, net	-213	-427	-485	-395	-528	-365	-359	-536	-455	-590	-768	-820	-942	-1,092	-1,270
Base money	662	793	977	1,112	1,140	1,311	1,291	1,455	1,635	1,815	2,014	2,235	2,481	2,741	3,016
Currency in circulation	581	666	716	733	790	1,025	894	1,014	1,155	1,293	1,447	1,621	1,815	2,020	2,232
Banks' reserves	81	126	261	378	350	286	396	440	480	522	567	615	665	721	784
Cash in vault	47	49	48	87	56	95	64	71	77	84	91	99	107	116	126
Correspondent accounts	35	77	213	292	294	191	333	369	402	438	476	516	558	605	658
Deposit money banks															
Net foreign assets	149	345	470	485	508	491	500	491	481	466	476	485	493	500	507
Foreign assets	254	427	550	621	623	659	640	662	683	700	716	731	745	759	772
Foreign liabilities	105	82	80	136	114	168	140	171	202	234	241	247	253	259	264
Net domestic assets	1,339	1,489	1,890	2,285	2,250	2,544	2,625	2,991	3,316	3,665	4,011	4,381	4,775	5,214	5,707
Domestic credit	1,875	2,064	2,540	2,996	2,951	3,311	3,379	3,803	4,191	4,617	5,052	5,504	5,986	6,521	7,117
Net claims on government 1/	628	513	668	832	939	1,034	1,025	1,222	1,161	1,390	1,425	1,229	1,004	739	387
Credit to the economy	1,023	991	986	1,065	1,075	1,253	1,213	1,474	1,749	2,039	2,430	2,845	3,435	4,148	5,008
Other claims on the economy	5	3	3	3	3	4	4	4	5	5	6	6	7	8	8
Net claims on NBU	220	594	883	1,096	933	1,019	1,137	1,102	1,276	1,183	1,192	1,423	1,540	1,626	1,714
Other items, net	-536	-574	-650	-711	-701	-767	-754	-812	-874	-952	-1,041	-1,122	-1,211	-1,306	-1,410
Banks' liabilities	1,488	1,834	2,360	2,770	2,759	3,035	3,124	3,483	3,797	4,131	4,487	4,866	5,268	5,715	6,215
Memorandum items:															
Base money	11.2	19.6	23.3	13.8	16.7	17.9	13.2	12.7	12.4	11.0	11.0	11.0	11.0	10.5	10.0
Currency in circulation	12.6	14.6	7.5	2.4	10.3	39.7	13.3	13.4	4.8	5.8	6.8	7.8	8.8	9.8	10.8
Broad money	12.0	20.8	23.0	13.9	15.4	15.8	13.3	11.9	10.1	9.5	9.4	9.3	9.2	9.2	9.2
Credit to the economy	8.4	-3.1	-0.5	8.0	9.0	17.7	12.9	21.5	18.7	16.5	19.2	17.1	20.7	20.7	20.7
Real credit to the economy 2/	-1.5	-23.5	-5.3	0.0	0.0	10.0	5.0	14.0	13.0	11.0	13.5	11.5	15.0	15.0	15.0
Credit-to-GDP ratio, in percent	18.8	18.9	15.1	14.2	14.3	14.3	14.2	15.2	16.3	17.3	18.8	20.2	22.3	24.7	27.3
Velocity of broad money, ratio	2.6	2.1	2.1	2.1	2.1	2.2	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Money multiplier, ratio	3.1	3.2	3.1	3.2	3.1	3.1	3.1	3.1	3.0	3.0	2.9	2.9	2.9	2.8	2.8
Hryvnia per U.S. dollar (end of period)	27.3	36.6	38.0	…	…	…	…	…	…	…	…	…	…	…	…

Sources: National Bank of Ukraine; and IMF staff estimates and projections.

1/ Includes claims for recapitalization of banks.

2/ Deflated by CPI (eop), at current exchange rates, year-on-year percent change.

Table 10. Ukraine: Indicators of Fund Credit (Baseline Scenario), 2024–33

(In millions of SDR)

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Projections									
Existing Fund credit										
Stock 1/	9,597	7,861	6,363	5,450	4,838	3,893	2,947	2,002	917	334
Obligations	2,536	2,437	2,078	1,391	1,033	1,304	1,238	1,192	1,286	740
Principal (repurchases)	1,780	1,736	1,498	913	612	946	946	946	1,085	583
Interest charges	756	701	580	478	421	358	293	246	201	156
of which: Surcharges	167	154	107	68	46	22	1	0	0	0
Prospective purchases										
Disbursements	4,003	2,022	1,449	795	0	0	0	0	0	0
Stock 1/	1,670	3,692	5,140	5,935	5,935	5,549	4,876	3,953	2,964	1,974
Obligations 2/	11	194	339	444	462	841	1,084	1,246	1,196	1,117
Principal (repurchases)	0	0	0	0	0	386	674	923	989	989
of which: Surcharges	1	71	128	170	178	176	154	103	33	2
Stock of existing and prospective Fund credit 1/	11,267	11,553	11,503	11,385	10,773	9,442	7,823	5,955	3,881	2,308
In percent of quota 2/	560	574	572	566	536	469	389	296	193	115
In percent of GDP	8.2	8.2	7.5	6.9	6.2	5.1	4.0	2.8	1.7	1.0
In percent of exports of goods and nonfactor services	26.5	26.0	22.5	19.8	17.3	14.1	10.9	7.7	4.7	2.6
In percent of gross reserves	35.5	34.6	31.5	29.3	26.9	22.1	16.8	12.0	7.4	4.1
In percent of public external debt	14.6	11.3	9.9	9.4	8.8	7.5	6.0	4.4	2.8	1.6
Obligations to the Fund from existing and prospective Fund credit	2,547	2,631	2,417	1,835	1,495	2,145	2,322	2,438	2,482	1,857
In percent of quota	126.6	130.8	120.1	91.2	74.3	106.6	115.4	121.2	123.4	92.3
In percent of GDP	1.9	1.9	1.6	1.1	0.9	1.2	1.2	1.2	1.1	0.8
In percent of exports of goods and nonfactor services	6.0	5.9	4.7	3.2	2.4	3.2	3.2	3.2	3.0	2.1
In percent of gross reserves	8.0	7.9	6.6	4.7	3.7	5.0	5.0	4.9	4.7	3.3
In percent of public external debt service	95.1	82.7	74.2	43.1	36.1	41.9	50.3	48.5	47.3	39.7

1/ End of period.
2/ Repayment schedule based on repurchase obligations and GRA charges. Includes service charges.

Table 11. Ukraine: Proposed EFF Schedule of Reviews and Available Purchases

(purple entries indicate proposed changes)

Availability Date	Millions of SDR	Millions of USD 1/	Percent of quota	12-month access	Cumulative access	Conditions
March 31, 2023	2,011.83	2,678.52	100.0	150.0	449.0	Board approval of the EFF
June 15, 2023	663.90	883.91	33.0	183.0	473.0	First review and continuous and end-April 2023 performance criteria
October 13, 2023	663.90	883.91	33.0	166.0	465.0	Second review and continuous and end-June 2023 performance criteria
February 29, 2024	663.90	883.91	33.0	199.0	478.0	Third review and continuous and end-December 2023 performance criteria
June 15, 2024	1,669.82	2,223.17	83.0	149.0	521.0	Fourth review and continuous and end-March 2024 performance criteria
September 1, 2024	834.88	1,111.55	41.5	190.5	531.0	Fifth review and continuous and end-June 2024 performance criteria
December 1, 2024	834.88	1,111.55	41.5	199.0	560.0	Sixth review and continuous and end-September 2024 performance criteria
March 1, 2025	684.02	917.54	34.0	200.0	559.1	Seventh review and continuous and end-December 2024 performance criteria
June 15, 2025	603.54	809.58	30.0	147.0	567.4	Eighth review and continuous and end-March 2025 performance criteria
August 31, 2025	402.42	539.80	20.0	167.0	579.4	Ninth review and continuous and end-June 2025 performance criteria
December 1, 2025	331.98	445.31	16.5	100.5	574.2	Tenth review and continuous and end-September 2025 performance criteria
March 1, 2026	699.79	941.28	34.8	101.3	599.7	Eleventh review and continuous and end-December 2025 performance criteria
August 31, 2026	748.72	1,007.11	37.2	88.5	599.7	Twelveth review and continuous and end-June 2026 performance criteria
March 10, 2027	794.67	1,069.57	39.5	76.7	598.8	Thirteenth review and continuous and end-December 2026 performance criteria
Total	11,608.25	15,506.69	577.0			
Memorandum item:						
Quota	2,011.8					

Source: IMF staff calculations.
1/ Based on WEO August 2024 forecasts for annual average USD/SDR exchange rates.

Table 12. Ukraine: Quantitative Performance Criteria and Indicative Targets

(end of period; millions of Ukrainian hryvnia, unless indicated otherwise)

	Jun 2024					Sep 2024	Dec 2024		Mar 2025		Jun 2025		Sep 2025
	QPC	Adjustor	Adjusted QPC	Actual	Status	QPC	EBS/24/74	QPC	EBS/24/74	Proposed QPC	EBS/24/74	Proposed IT	Proposed IT
I. Quantitative Performance Criteria 1/ 2/													
Floor on the non-defense cash primary balance of the general government, excluding budget support grants (- implies a deficit) 2/	250,000	0	250,000	466,499	Met	368,313	415,410	415,410	310,000	254,800	660,000	546,800	751,000
Floor on tax revenues (excluding Social Security Contributions)	880,400	…	880,400	1,001,994	Met	1,398,600	2,042,250	2,042,250	485,000	485,000	850,000	1,019,600	1,622,200
Ceiling on publicly guaranteed debt	47,900	5,879	53,779	7,071	Met	47,900	47,900	47,900	53,626	62,860	53,626	62,860	62,860
Floor on net international reserves (in millions of U.S. dollars) 3/	25,300	-33	25,267	25,792	Met	28,800	26,300	26,300	23,800	23,800	24,800	24,800	23,000
II. Indicative Targets 1/ 2/													
Floor on the cash balance of the general government, excluding budget support grants (- implies a deficit)	-725,996	0	-725,996	-555,702	Met	-1,123,107	-1,557,208	-1,557,208	-215,000	-342,400	-370,000	-719,000	-1,146,900
Ceiling on general government arrears	2,000	…	2,000	1,654	Met	1,800	1,600	1,800	1,600	1,800	1,600	1,800	1,800
Floor on social spending	262,500	…	262,500	291,447	Met	390,000	537,800	537,800	130,000	135,000	250,000	270,000	410,000
Ceiling on general government borrowing from the NBU 4/ 5/	-2,884	0	-2,884	-3,079	Met	0	0	0	-984	-984	-4,100	-4,100	-1,500
III. Continuous performance criterion 1/ 2/													
Ceiling on non-accumulation of new external debt payments arrears by the general government	0	…	0	0	Met	0	0	0	0	0	0	0	0
IV. Memorandum items													
External project financing (in millions of U.S. dollars)	251	…	…	216	…	605	1,496	1,496	142	142	426	426	851
External budget financing (in millions of U.S. dollars) 6/	12,936	…	…	12,936	…	25,745	32,565	35,832	4,236	8,041	10,794	17,626	24,073
Budget support grants (in millions of U.S. dollars)	1,050	…	…	1,050	…	10,506	12,114	10,574	429	429	965	965	1,286
Budget support loans (in millions of U.S. dollars) 6/	11,887	…	…	11,887	…	15,239	20,451	25,258	3,807	7,612	9,830	16,662	22,787
Interest payments	161,780	…	…	133,701	…	284,320	429,820	429,820	67,000	86,700	190,600	244,800	366,600
NBU profit transfers to the government	38,000	…	…	38,643	…	38,000	38,000	38,000	0	0	34,400	63,861	63,861
Government bonds for the purposes of bank recapitalization and DGF financing	0	…	…	0	…	0	0	0	0	0	0	0	0
Spending from receipts resulting from sales of confiscated Russian assets and transfers of bank accounts	0	…	…	15,091	…	0	23,743	23,743	0	0	0	0	0
Spending on gas purchases, PSO compensation and transfer to GTSO	0	…	…	0	…	60,000	60,000	60,000	0	0	0	0	0
Cash balance of the general government, excluding budget support grants, treasury report at current exchange rates (- implies a deficit; in billions of Ukrainian hryvnia)	-671.7	…	…	-590.5	…	-1,046.6	-1,562.1	-1,741.1	-181.8	-342.4	-363.6	-719.0	-1,146.9

Sources: Ukranian authorities and IMF staff estimates and projections.

1/ Definitions and adjustors are specificied in the Technical Memorandum of Understanding (TMU).

2/ Targets and projections for 2024, and 2025 are cumulative flows from January 1, 2024, and 2025, respectively.

3/ Calculated using program accounting exchange rates as specified in the TMU.

4/ From end of previous quarter.

5/ For December 2024 onwards, calculated using the projected redemptions of government bonds as of September 10, 2024

6/ Excludes prospective IMF disbursements under the EFF.

Annex I. Risk Assessment Matrix[1]

Risks and Risk Likelihood		Expected Impact	Policy Response
External Risks			
Intensification of regional conflicts. Escalation or spread of the conflict in Gaza and Israel, Russia's war in Ukraine, and/or other regional conflicts or terrorism disrupt trade (e.g., energy, food, tourism, supply chains), remittances, FDI and financial flows, payment systems, and increase refugee flows.	**High**	**High.** In addition to increased loss of life, a longer and more intensive war would lead to further destruction of the capital stock (including the energy system), outward migration, and internal displacement. The ongoing recovery would stall, and growth would fall sharply amid lack of confidence and high uncertainty. Further restrictions on port access and logistical challenges would curtail the recovery of exports, while import needs would rise (for defense, energy, and infrastructure repair), widening fiscal and external financing needs. Financing constraints may force the authorities to resort to monetary financing, raising pressures on prices and the exchange rate. High inflation would further erode purchasing power and increase poverty. Weak activity could weigh on bank and SOE balance sheets.	Maintain appropriate macroeconomic policies to safeguard macroeconomic and financial stability and prepare contingency plans for the materialization of downside risks. Mobilize domestic financing to help meet fiscal financing needs and seek additional external financing that is grant-based or on highly concessional terms. Enhance and update contingency plans, including for the energy and financial sectors.
Global growth slowdown. Growth slowdown in major economies, including due to supply disruptions, tight monetary policy, rising corporate bankruptcies, or a deeper-than-envisaged real estate sector contraction, with adverse spillovers through trade and financial channels,	**Medium**	**High.** Recessions in key donor countries could reduce or delay disbursement of committed external financing and shift the financing mix toward less advantageous and more expensive sources (monetary financing, other borrowing on non-concessional terms).	Prioritize spending and seek additional revenue measures. Mobilize domestic financing to plug financing gaps. Diversify external financing sources and obtain financing that is grant-based or on highly concessional terms.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly.

Risks and Risk Likelihood		Expected Impact	Policy Response
triggering sudden stops in some EMDEs.			
Commodity price volatility. Supply and demand fluctuations (e.g., due to conflicts, export restrictions, OPEC+ decisions, and green transition) cause recurrent commodity price volatility, external and fiscal pressures and food insecurity in EMDEs, cross-border spillovers, and social and economic instability.	**High**	**Medium.** Notwithstanding progress at expanding domestic gas consumption, high energy prices could further strain consumption and business activity and widen fiscal and external financing needs. Low and/or volatile prices for agriculture products amid logistical costs could alter sowing decisions for future agriculture seasons.	Continue rationing access to energy to priority areas, and expand gas production. Secure alternative sources and storage for gas through the heating season. Target transfers to most vulnerable groups within the existing budget envelope. Build on and deepen alternative export routes.
Shortfalls in availability of external financing as well as domestic financing	**High**	**High.** A shortfall or delay in external and/ or domestic financing could result in larger financing gaps, necessitating financial repression, monetary financing, and a sharp compression in spending, thus intensifying macro-financial risks, and dampening the economic recovery.	Prioritize spending and seek additional revenue measures. Mobilize domestic financing to plug financing gaps. Diversify external financing sources and obtain financing that is grant-based or on highly concessional terms. Implement contingency plans.
Domestic Risks			
Social unrest.	**Medium**	**High.** Declining real incomes, and worsening inequality could amplify social unrest and undermine national unity, resulting in counterproductive populist policies that widen fiscal and external imbalances, delay adjustment, and stall reform momentum.	Maintain appropriate macroeconomic policies to safeguard stability. Consistently explain the rationale for policy measures Targeted transfers to most vulnerable groups within the existing budget envelope.
Loss of reform momentum.	**Medium**	**High.** Poor governance, corruption, retrenchment of oligarchic interests, and lack of oversight on the use of external	Adhere to governance reforms while maintaining recent progress made in strengthening

Risks and Risk Likelihood		Expected Impact	Policy Response
		funding could decrease incentives for reform. Lack of progress on reforms exacerbates financing gaps, reduces future external financing inflows, and could lead to donor fatigue.	anti-corruption and judicial institutions. Implement critical reforms in other policy areas to support competitiveness and increase productivity. Mobilize domestic financing and prioritize spending.
Loss of export and transit corridors and EU restrictions for agricultural produce.	**High**	**Medium.** Any loss of the Black Sea corridor would have a severe impact on Ukraine's balance of payments, potentially exacerbating financing gaps and FX markets and could undermine the nascent recovery. In that context, a prolonged closure of other transit routes through central Europe would pose an additional burden, curtailing exports and weighing on future farming decisions.	Urge partners for a quick resolution to minimize disruption to transit routes. Diversify supply chains. Accelerate the reconstruction of Danube Deep Sea shipping lanes, repair of railroads with external financing and further expansion of the Black Sea corridor.
Structural Risks			
Deepening geoeconomic fragmentation. Broader conflicts, inward-oriented policies, and weakened international cooperation result in a less efficient configuration of trade and FDI, supply disruptions, protectionism, policy uncertainty, technological and payments systems fragmentation, rising shipping and input costs, financial instability, a fracturing of international monetary system, and lower growth.	**High**	**High.** Ukraine remains at the fault line of ongoing geopolitical tensions and being a trade dependent economy is exposed to supply chain disruptions.	Maintain appropriate macroeconomic policies to safeguard stability and ensure adequate resources for core functions of the state. Diversify trade products, supply chains, and partners. Continue with reforms to support competitiveness and increase productivity.

Annex II. Sovereign Risk and Debt Sustainability Analysis

This updated Sovereign Risk and Debt Sustainability Analysis (SRDSA) is based on a baseline that reflects the recently concluded debt exchange of Ukraine's sovereign Eurobonds. However, following the convention followed thus far under the program, all other claims that the authorities are seeking to restructure maintain their pre-restructuring terms. This convention also carries over to the downside scenario that continues to complement this analysis. Although the Eurobond restructuring is an important step forward, these analyses continue showing that further steps are needed to restore debt sustainability, including: (i) completing the remainder of the restructuring strategy with sufficiently deep debt treatments, (ii) fiscal adjustment, and (iii) financing on sufficiently concessional terms during and after the program. Under the program, the authorities are making progress on these three fronts. First, they plan to undertake a revenue-based fiscal adjustment. Official donors have provided commitments for exceptional financial support and assurances of a debt restructuring before the final review of the program. A credible process continues on the remaining steps of the external commercial debt restructuring. Thus, the debt sustainability assessment remains that public debt is sustainable on a forward-looking basis.

1. This annex updates the SRDSAs performed for the Fourth Review of Ukraine's arrangement under the Extended Fund Facility completed in June 2024. That SRDSA found an overall assessment of high risks, based on determinations of high risks in both the medium- and long-term horizons. These judgments were aligned with the results of the mechanical tools and reinforced by high uncertainty. Debt was also assessed as unsustainable in a pre-restructuring scenario. The updated SRDSA continues to find high risks, and that debt sustainability relies on finalizing all elements of the authorities' debt restructuring strategy. In addition to debt operations, the restoration of sustainability would also require substantial fiscal adjustment and exceptional financing from donors. The policy commitments under the program, assurances from official creditors, and a credible process for external debt restructuring of the remaining claims in the perimeter together with a commitment to a further restructuring if needed provide a basis for staff to assess debt as sustainable on a forward-looking basis.

2. In line with the Fund's policies for lending under exceptionally high uncertainty, the SRDSA continues to consider both baseline and downside scenarios:

- *Revisions to the macroeconomic outlook*: Relative to the Fourth Review, the updated baseline scenario reflects the Supplementary Budget for 2024, the draft 2025 Budget, and revised defense spending outlook for the medium term. It also envisages revenue mobilization in line with the authorities' plans. Consequently, the primary deficit is higher in the next few years before broadly converging to the medium-term path that was envisaged in previous reviews. Real GDP growth was somewhat stronger than anticipated in 2023 and early this year, and the 2024 projection is now 3 percent. Growth in 2025 has also been revised down reflecting the extended war assumption, but subsequent years are little changed, and remain consistent with a measured reconstruction, with real GDP exceeding its pre-war level starting in 2031. Inflation has risen a little recently but remains well anchored, with near-term projections raised modestly; the medium-term inflation outlook is unchanged. In the downside, the materialization of the shock has been shifted to the third quarter of 2024, but the war's duration has been lengthened to mid-2026.

- *Financing assumptions:* Relative to the Fourth Review, changes to the baseline scenario reflect the increase in total official external financing, which now amounts to US$125.1 billion (excluding the IMF) over the program period. ERA financing comprises the main change (an addition of US$33.1 billion); pending finalized proposals from the G7 members on their terms and conditions, staff is conservatively assuming that ERA financing constitute loans on terms similar to the EU's MFA;[1] staff will monitor the evolution of proposals and incorporate them according to their contractual terms and appropriate statistical treatment when final proposals, both on the ERA financing and the ULCM, are made available. Staff is also continuing to monitor the provision of 2024 U.S. budget support under the provisions of the Ukraine Security Supplemental Appropriations Act.[2] While a portion of the U.S. financing will be channeled through the World Bank's SPUR facility, no information suggests a change in circumstances regarding the financing arrangement with the United States. Thus, staff continues treating this transaction as a contingent liability. After the program, there are no commitments from external donors, and budget support disbursements from these partners are expected to be lower, around US$5–12 billion per year. Reflecting the exceptional uncertainty and in view of the remaining debt treatments, the baseline continues to envisage a return to market access only in 2029.

- *Coverage*: The Ukrainian authorities continue representing a dispute on three debts with Russia. These claims include a series of 2013 Eurobonds (amounting to US$3 billion) that is currently subject to an ongoing legal proceeding in the United Kingdom. The disputed debts also include two bilateral loans with Russia amounting to about US$0.6 billion. Following the Fund's procedures for disputed claims, these debts continue to be excluded from the debt stock. However, these claims entail contingent liability risks, particularly in case of an adverse judgment on the Eurobonds.[3] Additionally, pending an agreement on restructuring, each of the pre-restructuring SRDSAs incorporates projected payments on Ukraine's GDP warrants consistent with their respective projected growth paths over 2024–33, under a passive policy assumption around the warrants.

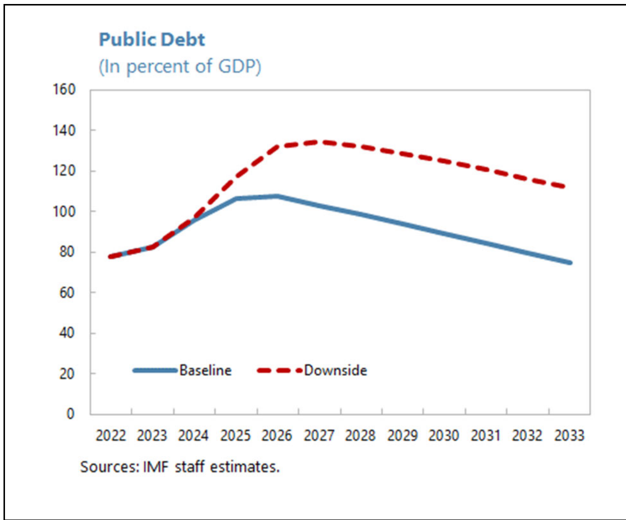
- *Debt and GFN trajectories*: The current estimate for the end-2023 debt outturn is the same as in the Fourth review at 82 percent of GDP. In both the baseline and downside scenarios, the paths of the debt-to-GDP ratios follow a similar trajectory as in the last SRDSA—rising at first, before

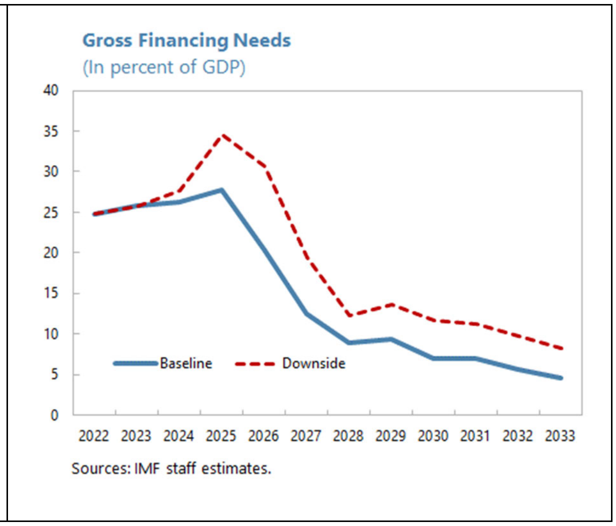
[1] Specifically, assumed terms entail a 10-year grace period, 25-year final maturity, and no interest.

[2] U.S. budget support for 2024 is being disbursed along with an arrangement specifying conditions where the amounts disbursed could be repaid in 40 years.

[3] The exclusion of the disputed debts does not change the mechanical results of the medium-term SRDSF tools, which would both be consistent with high risk even if the claims were included. It also does not change the overall finding that debt is unsustainable in the absence of restructuring, nor does it change the debt and GFN targets that are consistent with debt sustainability.

resuming a downward trend over the medium run. Gross financing needs are now lower in the outer years of the projection horizon in both the baseline and downside, consistent with the restructuring of the Eurobonds and revisions to local currency debt issuance and rollovers amid the Eurobond restructuring and the assumed concessional ERA financing terms.





3. Staff concurs with the results from the mechanical tools that debt remains unsustainable in the pre-restructuring baseline and downside scenarios, and that risks are high.

- Debt sustainability and medium-term risk signals: Both the medium-term tools continue indicating risks at high levels, with mixed movements among the various components. The overall risk metrics from both tools are very high, and thus consistent with a finding of unsustainable debt in the absence of debt restructuring.

- Long-term risks: Given a successful debt restructuring that delivers targets consistent with a return to debt sustainability (see ¶4), debt would remain in sustainable ranges. However, given the extremely high uncertainty and relevant long-term risks, including those arising from refinancing the concessional debt extended under the program on less favorable terms, staff continues to assess long-term risks as high.

4. The debt restructuring targets arising from indicative modeling remain appropriate, after accounting for ERA financing:

- ERA financing is treated as neutral for the assessment of the DSA targets. This reflects the ERA's extraordinary nature, i.e., the substantial, multi-level risk mitigation structure expected to be embedded in the arrangement, for which G7 members and the EC have provided assurances. As set out in the proposed EC regulation, the Ukraine Loan Cooperation Mechanism (ULCM) would enable non-repayable disbursements to Ukraine to make repayments for any loans made under the ERA initiative, together with additional layers of risk mitigation (see Box II). Current understandings around such a structure support the assessment that there would be ensure sufficient dedicated resources to offset the impact of ERA financing on debt and GFN levels, and the risk of Ukraine having to incur any burden of discharging these loans would be sufficiently mitigated.

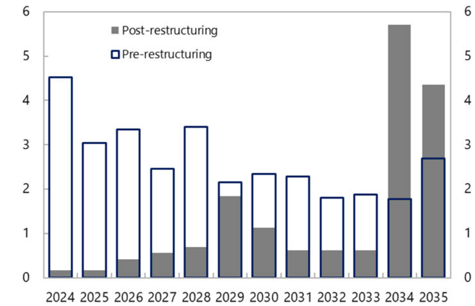
- The debt restructuring targets are:
  - Public debt excluding ERA liabilities should reach 65 percent of GDP by 2033.
  - Gross financing needs excluding ERA debt service should average 8 percent of GDP in the post-program period (2028–33).
  - As complementary targets, the authorities should aim to bring public debt (excluding ERA liabilities) to 82 percent of GDP by 2028 and achieve debt service flow relief on external obligations of 1–1.8 percent of GDP per year. The Eurobond restructuring has provided substantial progress toward realizing these savings.

5. Staff continues to assess debt as sustainable in a forward-looking sense. As before, the restoration of debt sustainability depends on three ingredients: (i) fiscal adjustment; (ii) substantial concessional financing; and (iii) debt restructuring, including the GDP warrants, which constitute an important risk if left untreated. With the implementation of the policies and commitments under the program, all three conditions would be met. First, the authorities' plans under the program incorporate a meaningful revenue-based fiscal adjustment, with measures to be implemented over the duration of the program. Official bilateral donors have provided commitments of substantial financing on concessional terms, agreed to a debt standstill during the program, and provided assurances to restructure their claims before the final review of the program. Last, staff assesses that there is a credible process in place to treat the remaining external commercial debt in the restructuring perimeter in line with the targets developed by Fund staff and which are consistent with a return to sustainability.

Annex II. Box 1. Ukraine's Eurobond Restructuring

As the August 2024 expiration of the debt service standstill approached, Ukraine and a steering committee of its Eurobond holders reached agreement-in-principle (AIP) on debt restructuring. This agreement then became the basis of an August exchange offer, which received support of 97.38 percent of all bondholders, triggering the collective action clauses across all instruments subject to the offer. Settlement occurred on August 30.

Eurobond Debt Service Before and After Restructuring
(In billions of U.S. dollars)



Sources: MOF, Rothschild, and IMF staff estimates.

The proposal has provided substantial debt relief. The nominal total debt service haircut (on both principal and interest) is 36 percent, with an even higher haircut during the program period. At a 5 percent discount rate, the NPV haircut is around 48 percent. The maturity extension—4.2 years on average—is substantial. Risks from large maturities after 2033 can be managed by appropriate debt management in the years ahead.

Key Metrics of the 2024 Ukraine Eurobond Restructuring
(million U.S. dollars unless otherwise indicated)

	Pre-restructuring	Post-restructuring	Pct. change (haircut)
Total cumulative debt service restructured (2024-36)	31,707	20,294	-36.0
Interest 1/	12,038	6,420	-46.7
Principal (and stock of debt restructured)	19,670	13,874	-29.5
Net pesent value at discount rate of:			
5 percent	24,320	12,614	-48.1
9 percent	20,231	8,906	-56.0
12 percent	17,871	6,983	-60.9

Source: Rothschild & Co. and Fund staff calculations.
1/ Pre-restructuring includes deferred interest arising from the standstill.

The debt operation exchanged the majority of the external commercial claims in the restructuring perimeter into new debt liabilities. The restructuring affected 13 series of Ukraine's sovereign Eurobonds amounting to US$23.4 billion (including capitalized interest arising from the standstill). It also included publicly-guaranteed bonds issued by the state agency for roads, Ukravtodor. Upon settlement, bondholders received a package composed of series of two types of bonds, which were rated at CCC+ by S&P:

- Four series of Type A bonds (40 percent of original claim). These vanilla bonds contain step up coupons ranging from 1¾–4½ percent during the program period and 6–7¾ percent post-program. Maturities are spread over the next 5–12 years.

- Four series of Type B bonds (23 percent of original claim): These instruments have zero coupons through February 2027 and coupons that step-up over 2027–33; maturities are 6–12 years ahead. Thus, there are no debt service payments during the program period. The Type B bonds also contain a contingent component, which entails a potential principal increase capped at 12 percent in 2029, depending on nominal and real GDP overperformance in 2028.

Annex II. Box 1. Ukraine's Eurobond Restructuring (concluded)

Key Features of the Restructured Bonds

	Type A Bonds	Type B Bonds
Amount of principal relative to original claim 1/	40 percent	23 percent
Coupons	1.75 pct. (Aug. 2024- Aug. 25); 4.5 pct. (Feb. 2026-Feb. 2027); 6.0 pct. (Aug. 2027- Aug. 33); 7.75 pct. (from Feb. 2034)	0 pct. (Aug. 2024-Feb. 2027); 3.0 pct. (Aug. 2027-Aug. 2033); 7.75 pct. (from Feb. 2034)
Maturities (pct. of bonds maturing)	Feb. 2029 (12.5 pct.); Feb. 2034 (32.5 pct.); Feb. 2035 (30 pct.); Feb. 2036 (25 pct.)	Feb 2030 (9.5 pct.); Feb 2034 (35.5 pct.); Feb 2035 (30 pct.); Feb 2036 (25 pct.)
Contingent instrument		
Trigger	None	(a) 2028 nominal GDP is ≥ 3 percent above the 4th EFF Review projection and (b) 2028 real GDP is ≥ the 4th EFF Review projection
Principal adjustment		Minimum of 12 percent of Type B bond principal or Difference between nominal GDP outturn and projection, times 1.03 times 27.87 percent (0.2787), converted to USD at the annual avg. exchange rate

1/ Percent of outstanding principal amount of Eurobonds plus past due and accrued interest up to August 1, 2024.

The proposal contained features to encourage participation and promote the overall strategy. First, both bonds contain most favored creditor and loss reinstatement provisions in case of a second-stage restructuring due to worse outturns than the baseline under which this proposal was calibrated. Creditors that participated in the exchange will also receive a consent fee, resulting in total payments during the program of just under US$1 billion. Finally, the cross-default clause between the bonds and Ukraine's GDP warrants was eliminated by the exchange, which will be restructured in due course.

The Eurobond restructuring constitutes a major step forward as regards the authorities' debt restructuring strategy, although some important risks remain. First, the authorities will now turn to treatments of the remaining claims in the restructuring perimeter, including Ukraine's GDP warrants which pose substantial fiscal risks if left untreated, and discussions may prove to be complex. Second, the bond exchange provides substantial relief over the next 10 years, but there are high maturities of the restructured claims thereafter, and any related risks will need to be managed proactively through careful debt management.

Annex II. Box 2. The G7 Extraordinary Revenue Acceleration Loans for Ukraine (ERA) Initiative and the Ukraine Loan Cooperation Mechanism (ULCM)

Work is progressing to operationalize the commitment from G7 Leaders to provide Ukraine US$50 billion in financing by leveraging windfall revenues arising from immobilized Russian assets. Under the Extraordinary Revenue Acceleration Loans for Ukraine (ERA) Initiative, the G7 will provide financing to Ukraine in a frontloaded manner, given large near-term financing needs. At the same time, the Ukraine Loan Cooperation Mechanism (ULCM) will provide Ukraine non-repayable financial support to repay the financing provided under the ERA initiative over time. The ULCM will be funded by the extraordinary revenue stream generated from immobilized Russian assets (currently held mainly in Euroclear) as well as contributions from other countries.

Under the ERA initiative, each contributor is developing its own financing modality with the goal of collectively providing US$50 billion in financing to Ukraine. Each contributor (Canada, Japan, the European Union, the United Kingdom, and the United States) is developing the size, terms, and conditions of their individual contributions, including with regard to their respective legislative processes. Collectively, these contributions, as per the assurance provided by the G7, are to amount to US$50 billion, and are expected to be available by end-2024 and fully disbursed to Ukraine by 2027. Thus far, the European Commission (EC) has proposed an exceptional macrofinancial assistance (MFA) loan of up to €35 billion (US$39 billion). Canada has announced CAD5 billion. Other country contributions are in progress.

The ULCM provides dedicated resources to Ukraine to service payments arising from the ERA initiative. As set out in the EC's proposed regulation, the ULCM is to provide resources that can be used by Ukraine to cover repayments of all ERA financing. Funds from the ULCM can only be used for such repayments. The ULCM is to receive and accumulate the extraordinary revenue flows from the immobilized assets. An agreement is to be signed between Ukraine and the EC governing disbursements from the ULCM by the end of the year, after which Ukraine can request non-repayable financial support on a regular basis to repay all principal, interest and other fees incurred from ERA financing. Contributors to the ERA initiative will be allocated a share of the accumulated revenues in the ULCM, based on a pro-rata share of total ERA financing.

Understandings on the proposed ULCM and discussions with the European Commission lend sufficient assurance to neutralize the impact of eligible ERA financing on the DSA. The G7 intends that Ukraine bear no financing burden from the financing provided under the ERA initiative. Consistent with this, the structure provided by the proposed ULCM and its waterfall arrangement, described below, is assessed by staff as sufficient to enable Ukraine to repay any ERA financing, and thus provides adequate risk mitigation against Ukraine becoming liable for the loan, thereby supporting the neutralization of ERA financing from debt sustainability assessments.

Servicing the debt on a flow basis is almost guaranteed by the extraordinary revenues as long as the assets are immobilized. The size of the underlying immobilized assets (US$173 billion in June 2024, and projected to reach US$217 billion by 2027) would be much larger than the US$50 billion ERA financing, as would the interest that they are assumed to generate, in comparison to any expected interest and amortizations on the loan, supporting the sufficiency of the waterfall mechanism. To make repayments, the waterfall envisages the use of profits accruing in the ULCM that year; if this is insufficient, the buffer accumulated in the ULCM (given expected extended grace periods under the loan agreements) would be utilized; if this is still insufficient, in the event of reparations or any equivalent financial settlement of war damages, Ukraine would be expected to use such resources for servicing the loan. Further, the European Council's stated conditions on the removal of sanctions around the immobilized assets (requiring compensation for war-related damages to Ukraine)[1] would support the assessment that Ukraine should be able to service obligations arising from the ERA. In addition, for temporary shortfalls in a given year, the EU is equipped with the legal and budgetary flexibilities available to temporarily compensate for delayed payments, providing protection around the EC's MFA component of the ERA financing.

[1] For instance, see preamble of the Council of the European Union's May 2024 Decision and the June 27 statement by the European Council, which provide that assets should remain immobilized until adequate compensation is provided by Russia.

Annex II. Figure 1. Ukraine: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	**High**	The overall risk of sovereign stress continues being high in the baseline scenario, and that vulnerability is amplified in the downside scenario, reflecting high vulnerabilities in the medium-term horizon.
Near term 1/	n.a.	n.a.	Not applicable
Medium term	**High**	**High**	Medium-term risks are assessed as high. The fanchart indicates very high uncertainty around the debt trajectory, and the financeability tool finds high liquidity risks compared with relevant comparators.
Fanchart	**High**	...	
GFN	**High**	...	
Stress test	...	...	
Long term	...	**High**	Reflecting the exceptionally high uncertainty on the long-term outlook, risks are high. However, successfully restoring debt sustainability and implementing the fiscal adjustment assumed under the program would help mitigate long-run risks.
Sustainability assessment 2/	Unsustainable in a pre-restructuring scenario		Restoring medium-term external viability requires policy commitments, as well as specific and credible safeguards, commitments, and exceptional financing from creditors and donors, including debt relief, consistent with achieving a manageable level of gross financing needs such that debt stabilizes at a sustainable level.
Debt stabilization in the baseline			Yes

DSA Summary Assessment

Ukraine's debt continues to be assessed to be unsustainable pending full implementation of the authorities' debt restructuring strategy. Debt sustainability on a forward-looking basis is contingent on treatment of the remaining external commercial claims following the recent Eurobond exchange, strong policy commitments, and financing assurances and specific and credible assurances of debt relief that achieves GFNs that average of 8 percent of GDP over 2028-33 and public debt of 65 percent of GDP by 2033 (in a post-restructuring scenario and excluding ERA financing). These debt targets are judged to be consistent with a manageable level of gross financing needs and strong prospects that debt stabilizes at a sustainable level. Complementary targets have also been set for 2028 debt levels and for flow relief over 2024-27. With such commitments and assurances, the pre-restructuring baseline scenario underlines the impact of high projected primary deficits and an anticipated slow recovery from the war. The medium-term modules signal high sovereign stress risks, notably a wide fanchart that points to the very high uncertainty around the forecast, and the GFN module finds persistently high financing needs are a major vulnerability, especially in the near term.

Source: Fund staff.
Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.
1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.
2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Annex II. Figure 2. Ukraine: Debt Coverage and Disclosures

						Comments
1. Debt coverage in the DSA: 1/	CG	GG	NFPS	CPS	Other	
1a. If central government, are non-central government entities insignificant?					n.a.	
2. Subsectors included in the chosen coverage in (1) above:						

					Subsectors captured in the baseline	Inclusion	Comments
CPS	NFPS	GG: expected	CG	1	Budgetary central government	Yes	
				2	Extra budgetary funds (EBFs)	No	Not applicable
				3	Social security funds (SSFs)	Yes	
				4	State governments	Yes	
				5	Local governments	Yes	
				6	Public nonfinancial corporations	Yes	
				7	Central bank	Yes	Inc. projected IMF BOP support
				8	Other public financial corporations	Yes	

3. Instrument coverage:	Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/

4. Accounting principles:	Basis of recording		Valuation of debt stock		
	Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/

			Comments
5. Debt consolidation across sectors:	Consolidated	Non-consolidated	Data unavailable

Color code: chosen coverage; Missing from recommended coverage; Not applicable

Reporting on Intra-Government Debt Holdings

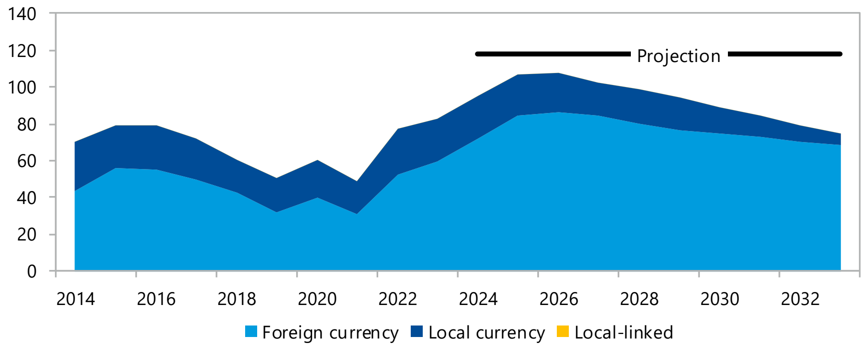
					Issuer \ Holder	Budget. central govt	Extra-budget. funds	Social security funds	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
CPS	NFPS	GG: expected	CG	1	Budget. central govt									0
				2	Extra-budget. funds									0
				3	Social security funds									0
				4	State govt.									0
				5	Local govt.									0
				6	Nonfin pub. corp.									0
				7	Central bank									0
				8	Oth. pub. fin. corp									0
					Total	0	0	0	0	0	0	0	0	0

1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.
4/ Includes accrual recording, commitment basis, due for payment, etc.
5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.
7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

The coverage of the DSA includes: (i) central government direct debt; (ii) domestic and external government-guaranteed debt (loans and bonds) extended to state-owned enterprises (SOEs); (iii) debt of local governments; and (iv) Ukraine's liabilities to the IMF that are not included in central government direct debt. It does not include non-guaranteed domestic and external liabilities of SOEs or disputed debts. Data concerning debt consolidation across sectors are not available.

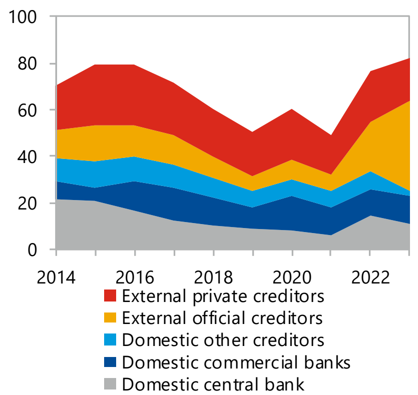
Annex II. Figure 3. Ukraine: Debt Structure Indicators

Debt by Currency (Percent of GDP)



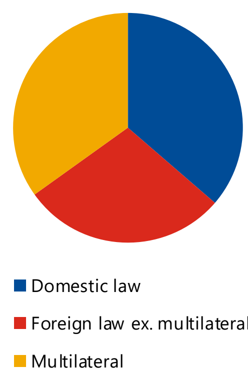
Note: The perimeter shown is general government.

Public Debt by Holder (Percent of GDP)



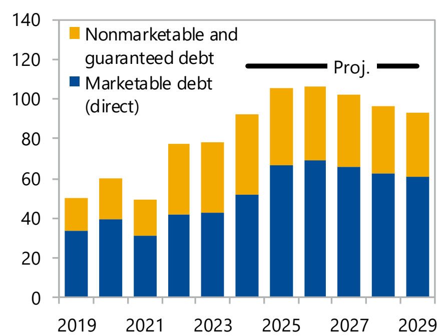
Note: The perimeter shown is general government.

Public Debt by Governing Law, 2022 (Percent)



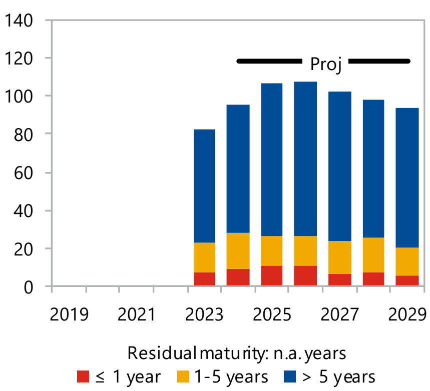
Note: The perimeter shown is general government.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is general government.

Public Debt by Maturity (Percent of GDP)



Note: The perimeter shown is general government.

At end-2023, debt held by external official creditors rose further, reflecting the substantial amounts of bilateral and multilateral financing disbursed last year. Domestic debt is mostly held by residents and denominated in hryvnia. The share of FX debt in total debt is expected to continue to rise based on the expected official financing during the program. However, the high share of FX debt entails currency risk. The projections reflect the August 2024 sovereign Eurobond restructuring.

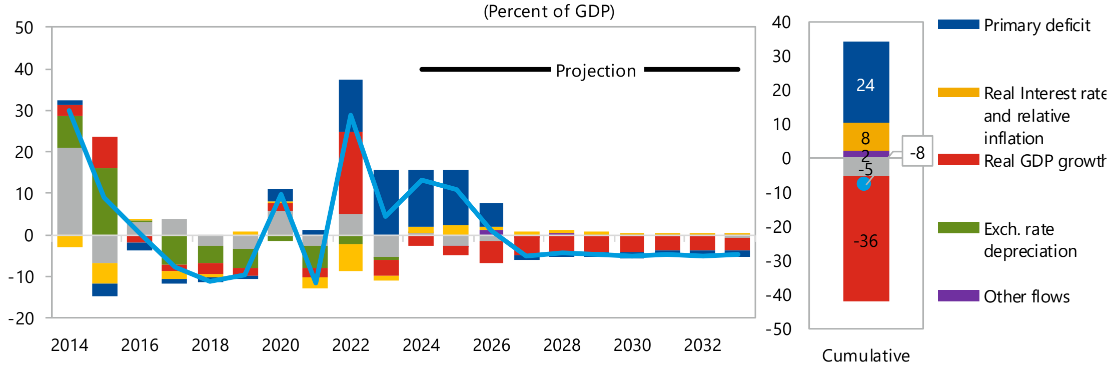
Annex II. Figure 4. Ukraine: Baseline Scenario (Post-Eurobond Restructuring)

(Percent of GDP Unless Indicated Otherwise)

	Actual	Medium-term projection						Extended projection			
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Public debt	82.3	95.6	106.6	107.6	102.6	98.5	94.0	89.1	84.3	79.4	74.5
Change in public debt	4.6	13.3	11.0	0.9	-4.9	-4.1	-4.6	-4.9	-4.8	-4.9	-4.9
Contribution of identified flows	9.7	13.0	13.5	2.3	-4.7	-4.1	-4.4	-4.6	-4.4	-4.4	-4.3
Primary deficit	15.7	13.7	13.4	5.8	-0.9	-1.0	-1.2	-1.5	-1.5	-1.5	-1.5
Noninterest revenues	54.8	45.1	40.0	40.2	42.1	41.8	41.6	41.6	41.4	41.4	41.3
Noninterest expenditures	70.5	58.8	53.5	46.0	41.1	40.8	40.4	40.0	39.9	39.8	39.8
Automatic debt dynamics	-5.8	-1.1	0.1	-4.6	-3.7	-3.5	-3.4	-3.2	-3.0	-3.0	-2.9
Real interest rate and relative inflation	-1.2	1.3	2.4	0.7	0.9	0.7	0.6	0.5	0.4	0.2	0.2
Real interest rate	-7.1	-3.5	-3.0	-3.7	-2.2	-1.6	-1.6	-1.6	-1.7	-1.8	-1.8
Relative inflation	6.0	4.8	5.4	4.5	3.2	2.4	2.2	2.1	2.1	2.0	2.0
Real growth rate	-3.9	-2.4	-2.3	-5.4	-4.6	-4.2	-4.0 .	-3.7	-3.4	-3.2	-3.1
Real exchange rate	-0.7	…	…	…	…	…	… .	…	…	…	…
Other identified flows	-0.2	0.3	-0.1	1.1	-0.1	0.4	0.2	0.1	0.1	0.1	0.1
Contingent liabilities and other transactio	0.0	0.4	0.0	1.2	0.0	0.4	0.2	0.2	0.2	0.1	0.1
(minus) Interest Revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0
Contribution of residual	-5.1	0.3	-2.4	-1.3	-0.2	0.0	-0.1	-0.3	-0.4	-0.5	-0.5
Gross financing needs	25.8	26.3	27.7	20.5	12.6	9.0	9.3	7.0	7.0	5.7	4.5
of which: debt service	10.0	12.2	14.3	13.5	13.5	9.5	10.3	8.4	8.4	7.1	6.0
Local currency	6.9	7.6	9.5	9.0	9.8	5.8	5.6	4.7	4.9	3.7	3.2
Foreign currency	3.1	4.6	4.8	4.5	3.7	3.7	4.7	3.7	3.5	3.4	2.8
Memo:											
Real GDP growth (percent)	5.3	3.0	2.5	5.3	4.5	4.3	4.2	4.1	4.0	4.0	4.0
Inflation (GDP deflator; percent)	18.5	12.0	10.5	8.0	6.0	5.0	5.0	5.0	5.0	5.0	5.0
Nominal GDP growth (percent)	24.8	15.4	13.3	13.7	10.8	9.5	9.4	9.3	9.2	9.2	9.2
Effective interest rate (percent)	7.0	7.1	7.0	4.0	3.7	3.3	3.2	3.1	2.9	2.7	2.5

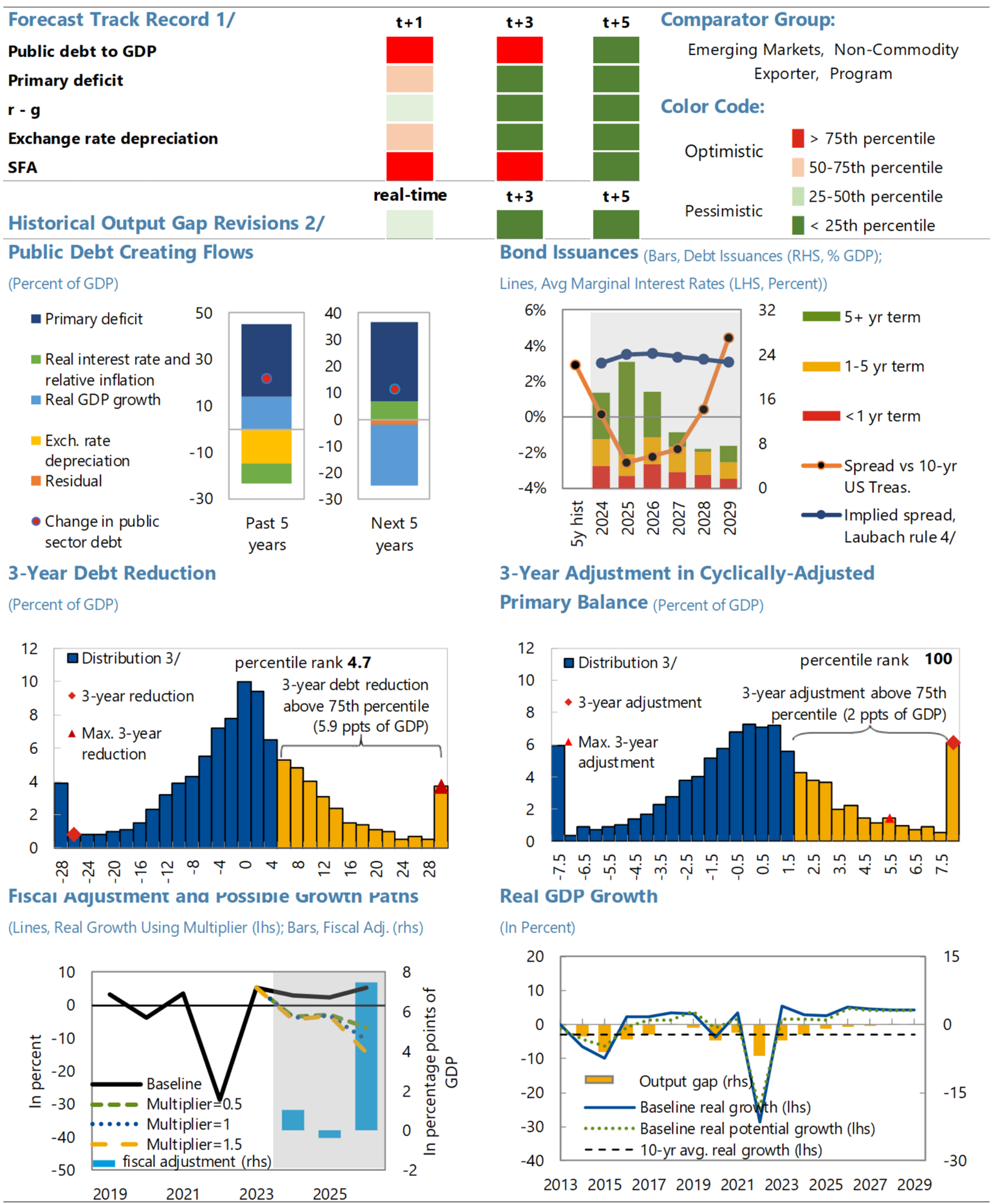
Contribution to Change in Public Debt

(Percent of GDP)



Ukraine's public debt rose further in 2023 after experiencing a step-rise in 2022. A recovery that is expected to take hold in 2025 as macroeconomic conditions and confidence improves will lead to a downward trajectory over the forecast horizon. The downtrend reflects contributions from both the real interest rate-growth differential and a better primary balance, including through fiscal adjustment. Debt service assumptions for 2023-24 incorporate the terms of the 2022 debt service standstill that was agreed with private bondholders and warrant holders and extended until August 2024, as well as the standstill with a group of official bilateral creditors. Projections also reflect the impact of the August 2024 Eurobond restructuring.

Annex II. Figure 5. Ukraine: Realism of Baseline Assumptions (Post-Eurobond Restructuring)



The forecast track record continues to point to persistent optimism for the debt-to-GDP, and stock-flow adjustment indicators flag upward surprises in the medium-term horizon. However, the scale of the war shock and uncertainties about its duration still suggest caution in assessing the realism of baseline forecast based on backward-looking tools. The key debt drivers will be the primary deficit and a weak recovery. Substantial long-term official financing drives the maturity structure and interest rate assumptions. The realism of the three-year fiscal adjustment critically depends on the duration of the war and the speed at which deficits can be reversed. Ukraine has previously achieved a relatively large fiscal adjustment, although this will face considerable headwinds from a slow recovery. The assumptions on multipliers are uncertain amid a deep structural break. The output gap is assumed to close gradually.

1/ Projections made in the October and April WEO vintage.

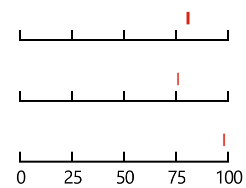
2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates and final estimates in the latest October WEO) in the total distribution of revisions across the data sample.

3/ Data cover annual observations over 1990-2019 for MAC advanced and emerging economies. Pct. of sample on vertical axis.

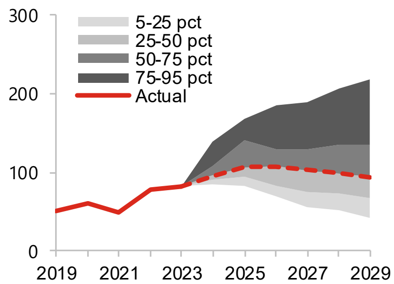
4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

Annex II. Figure 6. Ukraine: Baseline Medium-Term Risks (Post-Eurobond Restructuring)

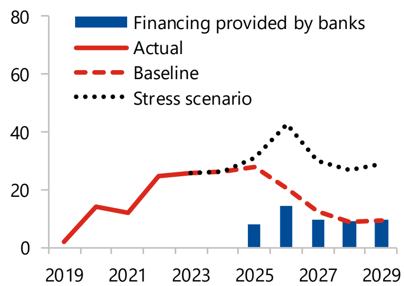
	Value	Contrib [1/]	Percentile in peer group [2/]
Debt fanchart module			
Fanchart width *(percent of GDP)*	174.7	2.5	
Probability of debt non-stabilization *(percent)*	12.7	0.1	
Terminal debt-to-GDP x institutions index	66.2	1.4	
Debt fanchart index (DFI)		4.1	
Risk signal: [3/]		High	
Gross financing needs (GFN) module			
Average baseline GFN *(percent of GDP)*	17.6	6.0	
Banks' claims on the ge govt *(pct bank assets)*	22.9	7.4	
Chg. In banks' claims in stress *(pct banks' assets)*	55.6	18.6	
GFN financeability index (GFI)		32.0	
Risk signal: [4/]		High	



Final Fanchart (Pct of GDP)

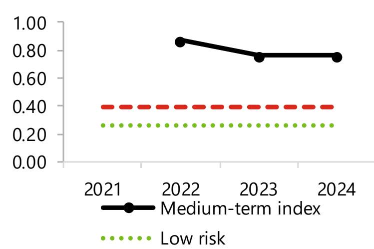


Gross Financing Needs (Pct of GDP)



Banking crisis Commodity prices Exchange rate Contingent liab. Natural disaster

Medium-Term Index (Index Number)



Medium-term risk analysis

	Value	Norm. Value	Weight	Contrib-ution
Debt fanchart index	4.1	0.91	0.50	0.45
GFN financeability index	32.0	0.62	0.50	0.31
Medium-term index		0.8		
Risk signal: 5/	High			
Final assessment:	High			

Prob. of missed crisis, 2024-2029, if stress not predicted: 81.8 pct.
Prob. of false alarms, 2024-2029, if stress predicted: 0.0 pct.

Both medium-term modules signal high sovereign stress risks in the baseline scenario, as in the previous DSA for the Fourth Review. The DFI has risen a little from the last DSA due to the longer war and remains deeply in high-risk territory. The GFI also still indicates high liquidity-related risks, reflecting projections of still-elevated average GFN-to-GDP ratios and large changes in bank claims on the government in a stress scenario, which are very high and would be difficult to manage if these shocks materialized. The current level of bank exposures to the government is 22.9 percent. Overall, the medium-term index continues being consistent with high risk in line with the mechanical signals from both tools.

Source: IMF staff estimates and projections.

1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.

2/ The comparison group is emerging markets, non-commodity exporter, program.

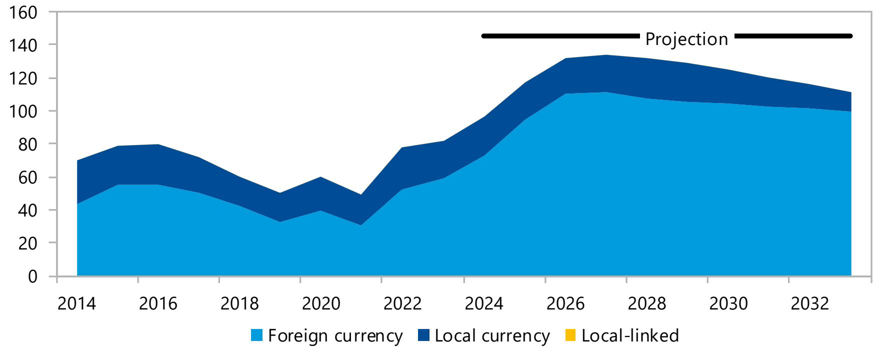
3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.

4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.

5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

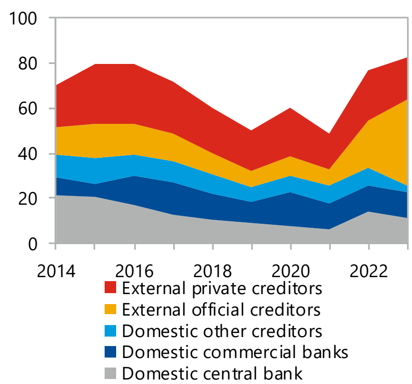
Annex II. Figure 7. Ukraine: Downside Debt Structure (Post-Eurobond Restructuring)

Debt by Currency (Percent of GDP)



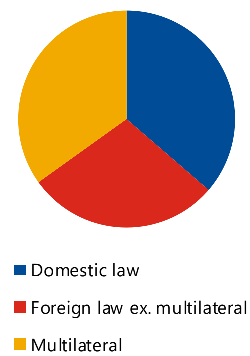
Note: The perimeter shown is general government.

Public Debt by Holder (Percent of GDP)



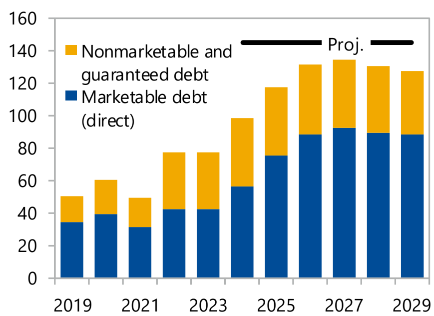
Note: The perimeter shown is general government.

Public Debt by Governing Law, 2022 (Percent)



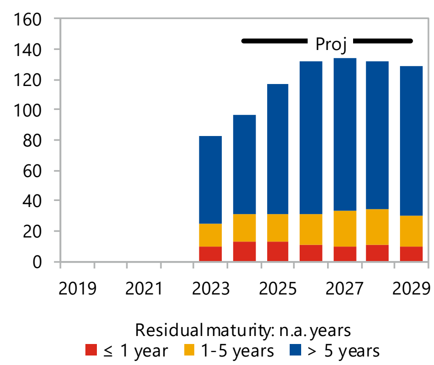
Note: The perimeter shown is general government.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is general government.

Public Debt by Maturity (Percent of GDP)



Note: The perimeter shown is general government.

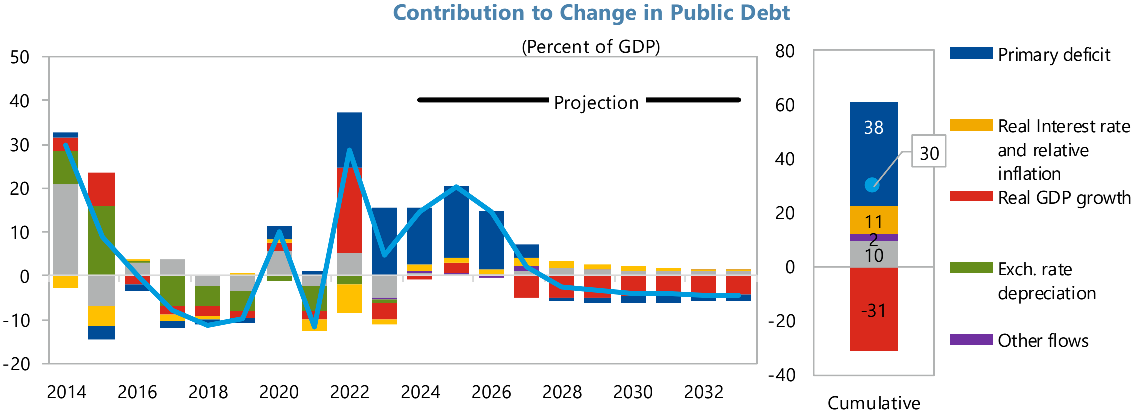
The downside scenario incorporates higher long-term foreign currency external ERA financing than the baseline, which causes some divergence from downside scenarios in previous SRDSAs, which typically showed a higher share of local currency debt than the corresponding baseline and a maturity structure that was more tilted toward the short/medium-term.

Annex II. Figure 8. Ukraine: Downside Scenario (Post-Eurobond Restructuring)

(Percent of GDP Unless Indicated Otherwise)

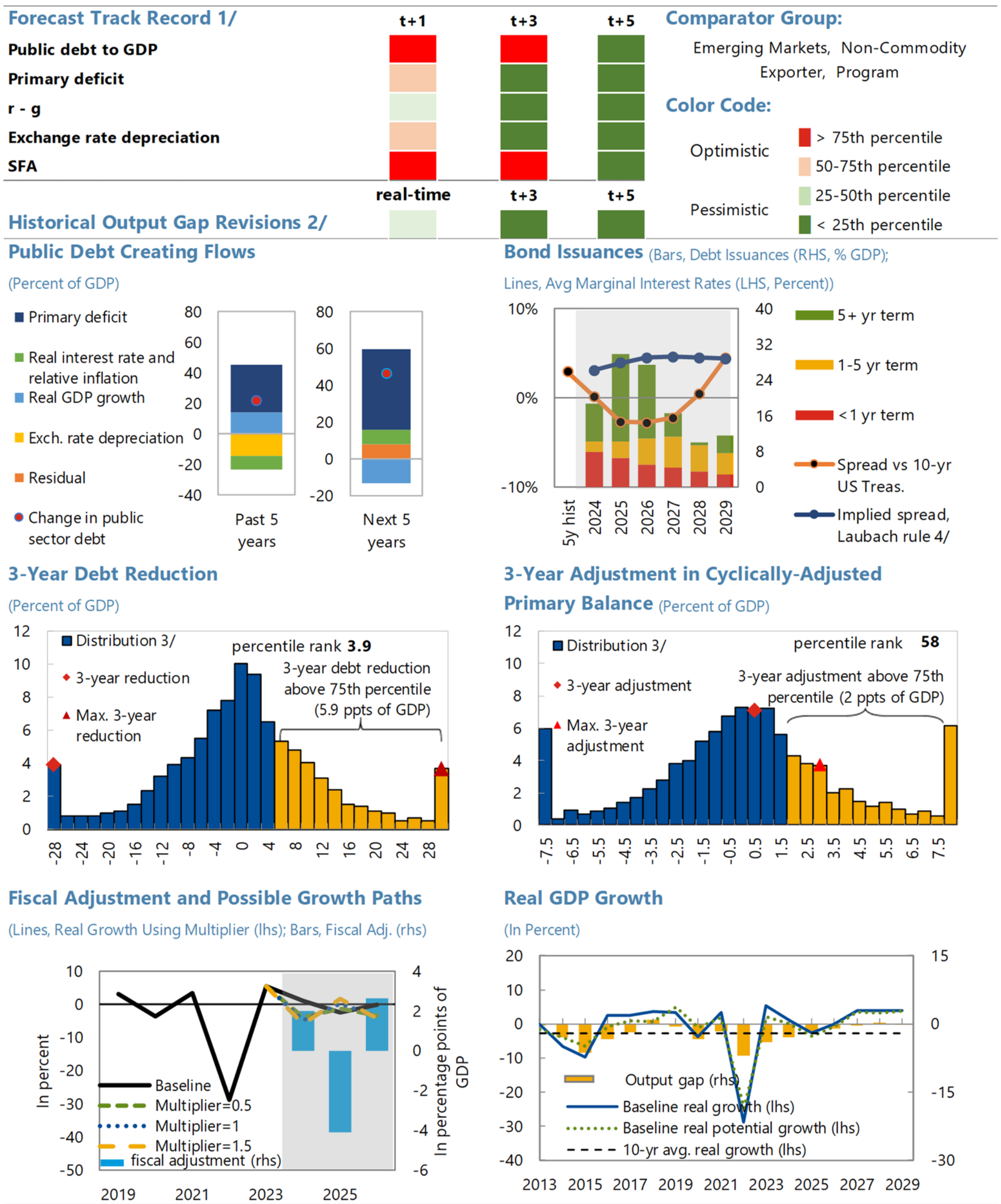
	Actual	Medium-term projection						Extended projection			
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Public debt	82.3	97.0	117.5	132.1	134.3	131.9	128.7	124.7	120.5	116.2	111.9
Change in public debt	4.6	14.7	20.4	14.7	2.1	-2.4	-3.2	-4.0	-4.2	-4.3	-4.3
Contribution of identified flows	9.7	13.8	20.3	14.5	1.1	-4.4	-4.7	-5.0	-5.2	-5.3	-5.3
Primary deficit	15.7	12.9	16.3	13.3	3.2	-0.8	-1.1	-1.5	-1.5	-1.5	-1.5
Noninterest revenues	54.8	47.5	43.0	43.0	43.0	42.0	41.8	41.7	41.7	41.5	41.4
Noninterest expenditures	70.5	60.3	59.4	56.3	46.2	41.2	40.6	40.3	40.2	40.0	40.0
Automatic debt dynamics	-5.8	0.6	3.5	1.2	-3.5	-3.5	-3.6	-3.6	-3.7	-3.8	-3.8
Real interest rate and relative inflation	-1.2	1.4	1.0	1.2	1.6	1.4	1.2	1.1	0.9	0.6	0.4
Real interest rate	-7.1	-4.4	-8.0	-5.6	-2.4	-1.7	-1.8	-1.8	-2.0	-2.3	-2.4
Relative inflation	6.0	5.8	9.1	6.9	4.0	3.1	3.0	2.9	2.9	2.9	2.8
Real growth rate	-3.9	-0.8	2.5	0.0	-5.1	-4.9	-4.8	-4.7	-4.6	-4.4	-4.3
Real exchange rate	-0.7	…	…	…	…	…	…	…	…	…	…
Other identified flows	-0.2	0.3	0.4	-0.1	1.3	-0.1	0.1	0.0	0.0	0.0	0.0
Contingent liabilities and other transactio	0.0	0.4	0.5	0.0	1.4	0.0	0.1	0.1	0.1	0.1	0.1
(minus) Interest Revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0
Contribution of residual	-5.1	0.9	0.2	0.2	1.1	2.0	1.5	1.0	1.0	1.0	1.0
Gross financing needs	25.8	27.7	34.5	30.7	19.5	12.4	13.6	11.7	11.2	9.8	8.3
of which: debt service	10.0	14.5	17.7	17.4	14.9	13.2	14.6	13.1	12.6	11.3	9.7
Local currency	6.9	9.9	12.6	12.2	10.5	8.6	8.7	8.4	8.2	6.8	6.0
Foreign currency	3.1	4.6	5.1	5.2	4.5	4.6	5.9	4.7	4.5	4.4	3.7
Memo:											
Real GDP growth (percent)	5.3	1.0	-2.5	0.0	4.0	3.8	3.8	3.8	3.8	3.8	3.8
Inflation (GDP deflator; percent)	18.5	14.0	16.0	10.0	6.0	5.0	5.0	5.0	5.0	5.0	5.0
Nominal GDP growth (percent)	24.8	15.1	13.1	10.0	10.2	9.0	9.0	9.0	9.0	9.0	9.0
Effective interest rate (percent)	7.0	7.9	6.6	4.7	4.0	3.6	3.6	3.5	3.2	2.9	2.8

Contribution to Change in Public Debt



The contour of the debt trajectory in the downside scenario continues being sharply upward over the next several years before decreasing to still-high levels. Likewise, the financing needs are substantially higher in the downside scenario, particularly in the next 5 years.

Annex II. Figure 9. Realism of Downside Assumptions



The forecast track record provides the same results in the baseline as it is anchored by past outturns and continues to provide limited guidance given the severe structural break. The remaining tools are anchored on the downside scenario and they illustrate that: (i) the pattern of debt drivers would be substantially different than in the past five years; (ii) that borrowing costs could rise in line with the medium-term upward trend in debt-to-GDP; (iii) mixed results in the cross-country comparison of the debt reduction and fiscal adjustment; (iv) that growth is broadly in line with the fiscal adjustment. The real GDP growth comparisons are distorted by the very large downside shocks in Ukraine's recent history.

1/ Projections made in the October and April WEO vintage.

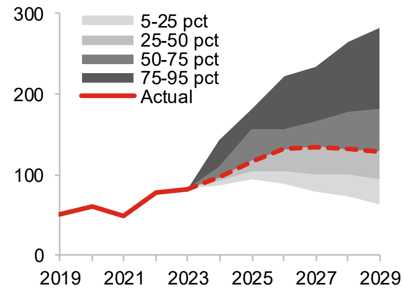
2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates and final estimates in the latest October WEO) in the total distribution of revisions across the data sample.

3/ Data cover annual observations over 1990-2019 for MAC advanced and emerging economies. Pct. of sample on vertical axis.

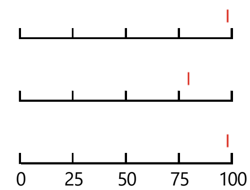
4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

Annex II. Figure 10. Downside Medium-Term Risks (Post-Eurobond Restructuring)

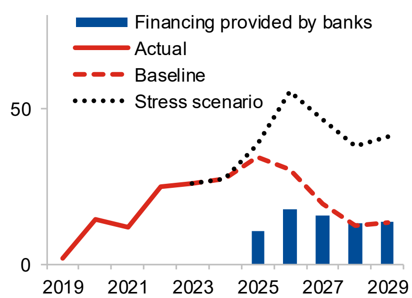
Final Fanchart (Pct of GDP)



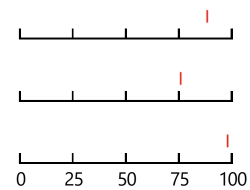
	Value	Contrib 1/	Percentile in peer group 2/
Debt fanchart module			
Fanchart width *(percent of GDP)*	218.6	3.2	
Probability of debt non-stabilization *(percent)*	18.1	0.2	
Terminal debt-to-GDP x institutions index	90.7	2.0	
Debt fanchart index (DFI)		5.3	
Risk signal: 3/		**High**	



Gross Financing Needs (Pct of GDP)

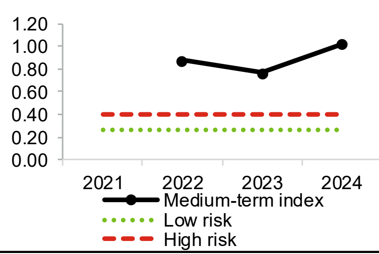


	Value	Contrib 1/	Percentile in peer group 2/
Gross financing needs (GFN) module			
Average baseline GFN *(percent of GDP)*	23.1	7.9	
Banks' claims on the ge govt *(pct bank assets)*	22.9	7.4	
Chg. In banks' claims in stress *(pct banks' assets)*	88.3	29.5	
GFN financeability index (GFI)		44.8	
Risk signal: 4/		**High**	



Banking crisis Commodity prices Exchange rate Contingent liab. Natural disaster

Medium-Term Index (Index Number)



Medium-term risk analysis

	Value	Norm. Value	Weight	Contrib-ution
Debt fanchart index	5.3	1.18	0.50	0.59
GFN financeability index	44.8	0.86	0.50	0.43
Medium-term index		1.0		
Risk signal: 5/	**High**			
Final assessment:	**High**			

Prob. of missed crisis, 2024-2029, if stress not predicted: 100.0 pct.
Prob. of false alarms, 2024-2029, if stress predicted: 0.0 pct.

As in the baseline, both medium-term modules signal high risks of sovereign stress. The signals are also the same as the Fourth Review's SRDSA. In the Debt Fanchart Index (DFI), all three components are worse than in the baseline. The GFN Financeability Index also remains very high and well above the baseline, reflecting higher levels of average GFNs and change in bank claims in the stress scenario (the initial bank claims on the government is a data outturn and is common across both scenarios).

Source: IMF staff estimates and projections.

1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.

2/ The comparison group is emerging markets, non-commodity exporter, program.

3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.

4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.

5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

Annex III. Downside Scenario

1. **In line with the Fund's policy on lending under exceptionally high uncertainty, staff has updated the downside scenario with the underlying assumption maintained of a more intense war running through mid-2026.** With the shock assumed to start in 2024Q4, the downside scenario still assumes a longer and more intense war compared with the current baseline scenario (war assumed to wind down by mid-2026 versus in the last quarter of 2025 in the baseline). This assumption would weigh strongly on firm and household sentiment, the pace of migrant return, and would entail further large-scale energy infrastructure damage from attacks and power outages relative to the baseline. As a result, real GDP growth would be weaker than in the baseline, i.e., 1 percent in 2024 (versus 3 percent growth in the baseline) and -2.5 percent growth in 2025. High defense needs and weaker economic activity would cause the fiscal deficit to further increase in 2025–26, despite the assumed implementation of some adjustment measures; the fiscal balance would improve gradually thereafter. Imbalances in the FX market would resurface and then be expected to persist for longer, given worse export performance, leading to higher nominal depreciation in the coming years before converging to the baseline trend. At the same time, staff assumes some FXI especially for 2025–26 given the buffers accumulated by the authorities, which contributes to a lower path of reserves compared to the baseline. The subsequent recovery in output would be more subdued than in the baseline scenario, given the even greater damage to the capital stock and worsened labor force dynamics, and weakened balance sheets, with the result that output would remain below pre-war levels for longer, with lingering effects on the external sector.

2. **The updated cumulative financing gap in the downside scenario is estimated at US$187.1 billion, US$35.7 billion higher than the baseline forecast for 2023Q2–27Q1 (US$151.4 billion), requiring additional steps to ensure debt sustainability.** The additional financing in this downside scenario would need to be in the form of highly concessional loans (close to grant terms), including from ERA (which is assumed to remain neutral for the DSA). Given the presence of exceptional financing in the five-year post-program period (up to the US$7.1 billion per year as described in the program request), this scenario would also require some mix of additional grants in the program period, highly concessional financing consistent with assurances received, and a further debt treatment to ensure debt sustainability. This would bring total public debt and gross financing needs to the targets consistent with sustainable debt, thus underpinning debt sustainability on a forward-looking basis.

3. **Since the start of the war, the authorities have taken measures decisively to respond to shocks as they have materialized, carefully balancing the need for a prompt and effective response with social considerations.** As underscored at the program request and subsequent reviews, these included a multitude of measures, including introducing revenue measures, streamlining capital expenditure and other lower priority expenditure items, identifying additional financing, and implementing decisive measures to maintain financial stability and protecting FX reserves, including through FX controls. The authorities have further enhanced their very strong track record by demonstrating their ability to take on additional reforms and measures since program approval to achieve economic and financial stability.

4. Building on this track record of effective economic management, the authorities continue to stand ready to react decisively to a potential downside scenario through a prompt policy response, which would be largely in line with those outlined at the Fourth Review. The authorities are prepared to take appropriate policy measures as needed. Contingency plans from the Fourth Review are re-confirmed and would require a mix of increases in tax revenues, seeking further external financing on highly concessional terms, monetary tightening, mobilization of domestic financing, and likely further adjusting FX policies and CFMs (to be justified and temporary). On the fiscal side, given the very tight expenditure envelope in the envisaged 2025 Budget, the bulk of the adjustment would come from tax measures similar in nature to those in the baseline, such as VAT increases, but also accelerating excise tax alignment with the EU, both of which could be effectively and rapidly implemented to boost revenues. Some spending should be made contingent on available financing, e.g., capital and social expenditures would be constrained to only the highest priority categories. In parallel, whereas carryover from measures in the baseline and the recently concluded Eurobond restructuring has generated room in the domestic market relative to the Fourth review downside, in the face of shocks the authorities may still need to use and enhance necessary measures to continue to access additional domestic financing as needed (both in UAH and FX if required) to ensure that fiscal financing gaps are closed (especially in the near-term), without compromising economic, financial, and monetary stability. Temporary pressures on the managed flexibility exchange rate regime under the downside scenario may require the reintroduction of some FX controls used earlier in the war.

5. If the severity of shocks pushes the country beyond the downside scenario, additional measures may need to be undertaken, and the authorities have the commitment and capacity to implement such measures. Renewed shocks beyond the downside scenario may compel the authorities to take temporary unconventional measures. Any further shocks would need to entail an effort on both revenues and expenditures, though the scope for adopting such measures could become increasingly limited. Depending on the size of the financing need, staff considers that there are contingency measures that could boost revenues to sufficient levels (e.g., further increasing the military tax supplement to the PIT, and/or additional taxes on luxury goods (such as jewelry, automobiles, and precious metals), or excise duties/fees) and mobilizing domestic bond financing on an even larger scale, as well as monetary financing within program parameters, may be required. The latter could include, if necessary, administrative measures requiring banks to hold a stipulated amount in or a minimum holding period of government securities, possibly differentiating among banks based on individual liquidity conditions. Secondary purchases of government bonds by the NBU might also serve as a backstop for the primary market. Instruments such as inflation or exchange-rate linked bonds could be considered. Finally, in case of renewed high pressures on the exchange rate but a still adequate level of reserves, some combination of expanded FX controls, as well as proactive FX policies, could be considered while adjusting the monetary policy stance. Moreover, while the scope for tightening the fiscal position remains constrained, ultimately spending under certain categories would be contingent on the flow of highly concessional/grant-based external financing.

6. Overall, wide-ranging discussions with the authorities on contingency plans during the Fifth Review reconfirm that the program remains robust even in the case of such a downside scenario. The authorities' very strong policy commitments and track record, together with renewed financing assurances from international partners and expected debt relief, give confidence that even in this updated downside scenario, the program objectives of maintaining macroeconomic and financial stability, restoring debt sustainability, and ensuring medium-term external viability could be met. The debt sustainability analysis based on this downside scenario, presented above, reconfirms that under this downside scenario, additional financial assurances provided by international partners would restore debt sustainability on a forward-looking basis.

Annex III. Table 1. Ukraine: Selected Economic and Social Indicators (Downside Scenario), 2021–33

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Act.	Act.	Act.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Real economy (percent change, unless otherwise indicated)													
Nominal GDP (billions of Ukrainian hryvnias) 1/	5,451	5,239	6,538	7,528	8,514	9,365	10,324	11,252	12,264	13,366	14,568	15,877	17,305
Real GDP 1/	3.4	-28.8	5.3	1.0	-2.5	0.0	4.0	3.8	3.8	3.8	3.8	3.8	3.8
Contributions:													
Domestic demand	12.9	-22.9	13.9	5.0	0.6	4.4	4.6	6.3	6.2	5.8	5.3	5.1	5.1
Private consumption	4.7	-16.8	5.5	2.6	-0.2	2.8	3.1	3.4	3.6	3.3	3.0	2.9	2.8
Public consumption	0.1	12.5	2.6	-0.1	-0.6	-0.6	-1.7	0.3	0.3	0.1	0.1	0.0	0.0
Investment	8.1	-18.6	5.8	2.5	1.4	2.1	3.1	2.7	2.3	2.3	2.2	2.2	2.3
Net exports	-9.5	-5.9	-8.6	-4.0	-3.1	-4.4	-0.6	-2.5	-2.4	-2.0	-1.5	-1.3	-1.3
GDP deflator	24.8	34.9	18.5	14.0	16.0	10.0	6.0	5.0	5.0	5.0	5.0	5.0	5.0
Unemployment rate (ILO definition; period average, percent)	9.8	24.5	19.1	17.0	16.8	14.0	13.1	11.6	11.2	10.6	9.6	9.1	8.7
Consumer prices (period average)	9.4	20.2	12.9	6.6	12.6	8.9	6.6	5.2	5.0	5.0	5.0	5.0	5.0
Consumer prices (end of period)	10.0	26.6	5.1	12.0	10.0	8.0	5.5	5.0	5.0	5.0	5.0	5.0	5.0
Nominal wages (average)	20.8	1.0	20.1	14.8	11.4	13.4	11.4	9.9	9.4	9.3	9.2	9.2	9.1
Real wages (average)	10.5	-16.0	6.4	7.7	-1.1	4.1	4.5	4.4	4.2	4.1	4.0	4.0	4.0
Savings (percent of GDP)	12.5	17.1	9.7	5.0	4.3	6.0	11.7	15.9	16.1	16.1	16.8	17.9	18.8
Private	12.7	30.2	24.6	20.5	22.6	19.9	15.0	14.7	14.4	13.8	14.1	14.7	15.4
Public	-0.2	-13.1	-14.8	-15.5	-18.3	-14.0	-3.4	1.2	1.7	2.2	2.7	3.1	3.4
Investment (percent of GDP)	14.5	12.1	15.1	15.7	17.1	17.8	18.3	19.7	19.8	20.1	20.9	21.7	22.6
Private	10.7	9.6	10.4	12.7	13.6	13.4	13.7	14.8	14.9	15.3	16.0	16.8	17.7
Public	3.8	2.5	4.8	3.0	3.5	4.4	4.6	4.9	4.9	4.9	4.9	4.9	4.9
General Government (percent of GDP)													
Fiscal balance 2/	-4.0	-15.6	-19.6	-18.5	-21.8	-18.4	-8.0	-3.7	-3.2	-2.6	-2.2	-1.7	-1.5
Fiscal balance, excl. grants 2/	-4.0	-24.8	-26.1	-27.8	-26.0	-21.4	-10.2	-4.7	-4.0	-3.5	-3.0	-2.5	-2.2
External financing (net)	2.4	10.8	16.5	15.3	20.0	16.8	5.8	0.8	2.2	3.4	3.2	2.9	3.3
Domestic financing (net), of which:	1.6	5.0	3.1	3.1	1.9	1.6	2.2	2.9	1.0	-0.8	-1.0	-1.2	-1.9
NBU	-0.3	7.3	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.3
Commercial banks	1.5	-1.5	2.5	3.1	1.4	1.7	2.2	2.9	0.9	-0.8	-1.1	-1.3	-1.7
Public and publicly-guaranteed debt	48.9	77.7	82.3	97.0	117.5	132.1	134.3	131.9	128.7	124.7	120.5	116.2	111.9
Money and credit (end of period, percent change)													
Base money	11.2	19.6	23.3	16.5	10.7	10.9	11.8	10.4	10.6	10.7	10.8	10.3	9.8
Broad money	12.0	20.8	23.0	15.1	10.5	10.0	9.5	9.0	9.0	9.0	9.0	9.0	9.0
Credit to nongovernment	8.4	-3.1	-0.5	7.5	4.5	11.2	11.8	10.2	10.3	15.5	17.6	18.1	18.1
Balance of payments (percent of GDP)													
Current account balance	-1.9	5.0	-5.4	-10.7	-12.8	-11.9	-6.6	-3.8	-3.7	-4.0	-4.1	-3.8	-3.8
Foreign direct investment	3.8	0.1	2.6	1.5	0.9	1.4	3.1	4.7	4.6	4.4	4.6	4.4	4.3
Gross reserves (end of period, billions of U.S. dollars)	30.9	28.5	40.5	33.0	35.2	40.5	42.5	43.7	46.8	52.3	57.4	62.2	68.4
Months of next year's imports of goods and services	4.5	3.8	4.6	4.0	4.2	4.9	5.2	5.0	5.2	5.5	5.7	5.9	6.1
Percent of short-term debt (remaining maturity)	67.5	64.3	89.5	82.7	83.8	97.8	101.2	89.9	104.2	112.8	127.1	138.9	135.1
Percent of the IMF composite metric (float)	104.4	103.6	124.3	89.0	83.7	84.4	84.6	85.3	87.6	95.7	101.5	107.0	114.1
Goods exports (annual volume change in percent)	35.1	-43.7	-15.4	4.9	0.0	21.2	3.7	8.3	7.5	8.0	9.5	9.0	9.2
Goods imports (annual volume change in percent)	17.0	-24.1	21.5	19.1	-5.7	9.6	8.9	1.5	5.2	4.6	4.9	4.8	5.7
Goods terms of trade (percent change)	-8.4	-11.6	3.6	0.3	-1.8	1.3	1.5	0.8	0.4	0.0	0.0	0.0	0.0
Exchange rate													
Hryvnia per U.S. dollar (end of period)	27.3	36.6	38.0	...	...	...	...	...	...	...	...	...	...
Hryvnia per U.S. dollar (period average)	27.3	32.3	36.6	...	...	...	...	...	...	...	...	...	...
Real effective rate (deflator-based, percent change)	10.2	27.5	-1.5	...	...	...	...	...	...	...	...	...	...
Memorandum items:													
Per capita GDP / Population (2017): US$2,640 / 44.8 million													
Literacy / Poverty rate (2022 est 3/): 100 percent / 25 percent													

Sources: Ukrainian authorities; World Bank, World Development Indicators; and IMF staff estimates.

1/ DGDP is compiled as per SNA 2008 and excludes territories that are or were in direct combat zones and temporarily occupied by Russia (consistent with the TMU).

2/ The general government includes the central and local governments and the social funds.

3/ Based on World Bank estimates.

Annex III. Table 2a. Ukraine: General Government Finances (Downside Scenario), 2021–33[1/]

(Billions of Ukrainian Hryvnia)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Act.	Act.	Act.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue	1,990	2,609	3,583	3,572	3,664	4,024	4,439	4,723	5,121	5,578	6,070	6,595	7,173
Tax revenue	1,825	1,782	2,139	2,627	3,044	3,452	3,897	4,270	4,644	5,067	5,524	6,011	6,547
Tax on income, profits, and capital gains	514	551	656	783	996	1,122	1,267	1,408	1,539	1,691	1,851	2,020	2,204
Personal income tax	350	421	496	595	783	888	989	1,104	1,208	1,321	1,442	1,575	1,718
Corporate profit tax	164	131	159	188	213	234	278	303	331	370	409	445	486
Social security contributions	358	430	489	577	570	601	662	717	787	848	915	1,000	1,081
Property tax	43	37	44	47	51	48	49	49	49	49	50	50	50
Tax on goods and services	731	592	784	996	1,210	1,426	1,637	1,801	1,944	2,123	2,316	2,512	2,739
VAT	536	467	581	753	851	1,006	1,157	1,263	1,364	1,495	1,627	1,774	1,935
Excise	180	115	190	227	317	374	430	484	522	565	621	665	725
Other	14	10	14	15	42	46	50	54	58	62	67	73	78
Tax on international trade	38	26	41	64	67	84	101	107	117	133	145	158	173
Other tax	140	145	126	160	151	171	181	188	207	224	248	271	300
Nontax revenue	166	827	1,444	945	620	572	542	452	478	511	546	584	626
Grants	1	481	425	705	355	285	231	118	108	112	117	122	126
Expenditure	2,207	3,426	4,865	4,963	5,524	5,745	5,266	5,135	5,509	5,928	6,389	6,869	7,424
Current	1,995	3,298	4,562	4,661	5,137	5,236	4,679	4,471	4,811	5,223	5,620	6,031	6,511
Compensation of employees	516	1,240	1,479	1,604	1,855	1,802	1,232	1,043	1,095	1,209	1,304	1,414	1,534
Goods and services	483	848	1,674	971	796	769	821	690	725	761	839	876	920
Interest	155	162	254	420	470	473	492	501	527	546	535	514	510
Subsidies to corporations and enterprises	116	131	158	436	685	606	372	291	306	311	326	343	360
Social benefits	724	917	996	1,230	1,329	1,585	1,761	1,944	2,157	2,394	2,614	2,883	3,185
Social programs (on budget)	154	285	241	378	428	559	690	761	912	1,083	1,218	1,327	1,570
Pensions	519	583	746	828	883	1,005	1,021	1,100	1,125	1,150	1,198	1,320	1,340
Unemployment, disability, and accident	52	48	9	24	19	21	50	84	121	161	197	236	276
Other current expenditures	1	1	1	1	1	1	1	1	1	1	1	1	1
Capital	207	130	312	224	298	412	480	548	597	651	709	773	842
Net lending	5	-2	-9	27	30	33	37	40	44	47	52	56	61
Contingency reserve 2/	0	0	0	51	58	63	70	76	58	7	8	9	9
General government overall balance	-216	-817	-1,282	-1,391	-1,860	-1,721	-827	-412	-388	-350	-318	-273	-251
General government overall balance, excluding grants	-218	-1,299	-1,707	-2,096	-2,215	-2,006	-1,057	-530	-496	-463	-435	-395	-378
General government financing	216	817	1,282	1,391	1,860	1,721	827	412	388	350	318	273	251
External	132	563	1,078	1,155	1,701	1,571	604	86	270	456	469	465	575
Disbursements	239	619	1,152	1,326	1,920	1,775	801	279	660	752	782	814	846
Amortizations and other external payments	-108	-56	-74	-172	-219	-204	-198	-193	-390	-296	-313	-348	-271
Domestic (net)	85	263	204	236	159	150	223	326	118	-106	-151	-192	-324
Bond financing 3/	66	295	183	230	153	144	217	320	112	-112	-157	-198	-330
o/w NBU	-14	383	-15	-12	-13	-12	-12	-11	-12	-12	-12	-12	-47
o/w Commercial banks	80	-81	167	234	123	156	229	331	111	-111	-157	-199	-298
Direct bank borrowing	30	-2	-7	0	0	0	0	0	0	0	0	0	0
Deposit finance	-19	-37	-59	0	0	0	0	0	0	0	0	0	0
Privatization and other items	7	20	87	6	6	6	6	6	6	6	6	6	6
Financing Gap/unindentified measures (-gap/+surplus)	0	0	0	0	0	0	0	0	0	0	0	0	0
Memorandum items:													
Primary balance	-62	-655	-1,028	-970	-1,389	-1,248	-334	89	139	196	217	241	259
Public and publicly-guaranteed debt	2,667	4,072	5,383	7,303	10,001	12,374	13,861	14,841	15,787	16,668	17,558	18,446	19,359
Nominal GDP (billions of Ukrainian hryvnia)	5,451	5,239	6,538	7,528	8,514	9,365	10,324	11,252	12,264	13,366	14,568	15,877	17,305

Sources: Ministry of Finance; National Bank of Ukraine; and IMF staff estimates and projections.

1/ National methodology, cash basis.

2/ Includes the unallocated portion of expenditures from the COVID fund.

3/ Domestic bonds have been adjusted to reflect discrepancy between the above-the-line and the below-the-line deficits.

Annex III. Table 2b. Ukraine: General Government Finances (Downside Scenario), 2021–33 1/

(Percent of GDP)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Act.	Act.	Act.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue	36.5	49.8	54.8	47.5	43.0	43.0	43.0	42.0	41.8	41.7	41.7	41.5	41.4
Tax revenue	33.5	34.0	32.7	34.9	35.8	36.9	37.7	38.0	37.9	37.9	37.9	37.9	37.8
Tax on income, profits, and capital gains	9.4	10.5	10.0	10.4	11.7	12.0	12.3	12.5	12.5	12.7	12.7	12.7	12.7
Personal income tax	6.4	8.0	7.6	7.9	9.2	9.5	9.6	9.8	9.9	9.9	9.9	9.9	9.9
Corporate profit tax	3.0	2.5	2.4	2.5	2.5	2.5	2.7	2.7	2.7	2.8	2.8	2.8	2.8
Social security contributions	6.6	8.2	7.5	7.7	6.7	6.4	6.4	6.4	6.4	6.3	6.3	6.3	6.2
Property tax	0.8	0.7	0.7	0.6	0.6	0.5	0.5	0.4	0.4	0.4	0.3	0.3	0.3
Tax on goods and services	13.4	11.3	12.0	13.2	14.2	15.2	15.9	16.0	15.9	15.9	15.9	15.8	15.8
VAT	9.8	8.9	8.9	10.0	10.0	10.7	11.2	11.2	11.1	11.2	11.2	11.2	11.2
Excise	3.3	2.2	2.9	3.0	3.7	4.0	4.2	4.3	4.3	4.2	4.3	4.2	4.2
Other	0.3	0.2	0.2	0.2	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Tax on international trade	0.7	0.5	0.6	0.9	0.8	0.9	1.0	0.9	1.0	1.0	1.0	1.0	1.0
Other tax	2.6	2.8	1.9	2.1	1.8	1.8	1.8	1.7	1.7	1.7	1.7	1.7	1.7
Nontax revenue	3.0	15.8	22.1	12.6	7.3	6.1	5.2	4.0	3.9	3.8	3.7	3.7	3.6
Grants	0.0	9.2	6.5	9.4	4.2	3.0	2.2	1.0	0.9	0.8	0.8	0.8	0.7
Expenditure	40.5	65.4	74.4	65.9	64.9	61.3	51.0	45.6	44.9	44.4	43.9	43.3	42.9
Current	36.6	63.0	69.8	61.9	60.3	55.9	45.3	39.7	39.2	39.1	38.6	38.0	37.6
Compensation of employees	9.5	23.7	22.6	21.3	21.8	19.2	11.9	9.3	8.9	9.0	9.0	8.9	8.9
Goods and services	8.9	16.2	25.6	12.9	9.4	8.2	8.0	6.1	5.9	5.7	5.8	5.5	5.3
Interest	2.8	3.1	3.9	5.6	5.5	5.1	4.8	4.5	4.3	4.1	3.7	3.2	2.9
Subsidies to corporations and enterprises	2.1	2.5	2.4	5.8	8.1	6.5	3.6	2.6	2.5	2.3	2.2	2.2	2.1
Social benefits	13.3	17.5	15.2	16.3	15.6	16.9	17.1	17.3	17.6	17.9	17.9	18.2	18.4
Social programs (on budget)	2.8	5.4	3.7	5.0	5.0	6.0	6.7	6.8	7.4	8.1	8.4	8.4	9.1
Pensions	9.5	11.1	11.4	11.0	10.4	10.7	9.9	9.8	9.2	8.6	8.2	8.3	7.7
Unemployment, disability, and accident	1.0	0.9	0.1	0.3	0.2	0.2	0.5	0.7	1.0	1.2	1.4	1.5	1.6
Other current expenditures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital	3.8	2.5	4.8	3.0	3.5	4.4	4.6	4.9	4.9	4.9	4.9	4.9	4.9
Net lending	0.1	0.0	-0.1	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Contingency reserve 2/	0.0	0.0	0.0	0.7	0.7	0.7	0.7	0.7	0.5	0.1	0.1	0.1	0.1
General government overall balance	-4.0	-15.6	-19.6	-18.5	-21.8	-18.4	-8.0	-3.7	-3.2	-2.6	-2.2	-1.7	-1.5
General government overall balance, excluding grants	-4.0	-24.8	-26.1	-27.8	-26.0	-21.4	-10.2	-4.7	-4.0	-3.5	-3.0	-2.5	-2.2
General government financing	4.0	15.6	19.6	18.5	21.8	18.4	8.0	3.7	3.2	2.6	2.2	1.7	1.5
External	2.4	10.8	16.5	15.3	20.0	16.8	5.8	0.8	2.2	3.4	3.2	2.9	3.3
Disbursements	4.4	11.8	17.6	17.6	22.6	19.0	7.8	2.5	5.4	5.6	5.4	5.1	4.9
Amortizations and other external payments	-2.0	-1.1	-1.1	-2.3	-2.6	-2.2	-1.9	-1.7	-3.2	-2.2	-2.1	-2.2	-1.6
Domestic (net)	1.6	5.0	3.1	3.1	1.9	1.6	2.2	2.9	1.0	-0.8	-1.0	-1.2	-1.9
Bond financing 3/	1.2	5.6	2.8	3.1	1.8	1.5	2.1	2.8	0.9	-0.8	-1.1	-1.2	-1.9
o/w NBU	-0.3	7.3	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.3
o/w Commercial banks	1.5	-1.5	2.5	3.1	1.4	1.7	2.2	2.9	0.9	-0.8	-1.1	-1.3	-1.7
Direct bank borrowing	0.6	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deposit finance	-0.3	-0.7	-0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization and other items	0.1	0.4	1.3	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Financing Gap/unidentified measures (-gap/+surplus)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:													
Primary balance	-1.1	-12.5	-15.7	-12.9	-16.3	-13.3	-3.2	0.8	1.1	1.5	1.5	1.5	1.5
Public and publicly-guaranteed debt	48.9	77.7	82.3	97.0	117.5	132.1	134.3	131.9	128.7	124.7	120.5	116.2	111.9
Nominal GDP (billions of Ukrainian hryvnia)	5,451	5,239	6,538	7,528	8,514	9,365	10,324	11,252	12,264	13,366	14,568	15,877	17,305

Sources: Ministry of Finance; National Bank of Ukraine; and IMF staff estimates and projections.

1/ National methodology, cash basis.

2/ Includes the unallocated portion of expenditures from the COVID fund.

3/ Domestic bonds have been adjusted to reflect discrepancy between the above-the-line and the below-the-line deficits.

Annex III. Table 3a. Ukraine: Balance of Payments (Downside Scenario), 2021–33[1/2/]

(Billions of U.S. dollars, unless otherwise indicated)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Act.	Act.	Act.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Current account balance	-3.9	8.0	-9.7	-19.6	-22.6	-21.1	-12.2	-7.2	-7.4	-8.4	-9.0	-8.8	-9.0
Goods (net)	-6.6	-14.7	-28.8	-39.0	-36.0	-34.3	-38.3	-35.2	-35.4	-35.2	-34.3	-33.3	-32.8
Exports	63.1	40.9	34.7	36.4	36.4	44.1	45.7	49.5	53.2	57.5	63.0	68.6	75.0
Imports	-69.8	-55.6	-63.5	-75.4	-72.4	-78.4	-84.1	-84.7	-88.7	-92.8	-97.3	-102.0	-107.8
Services (net)	4.0	-11.1	-8.9	-14.8	-11.6	-7.3	6.8	12.9	14.5	15.4	15.7	16.1	16.4
Receipts	18.4	16.6	16.4	14.5	14.6	16.1	22.9	26.9	29.6	31.5	32.8	34.1	35.5
Payments	-14.4	-27.7	-25.4	-29.3	-26.2	-23.4	-16.1	-14.0	-15.1	-16.1	-17.0	-18.0	-19.1
Primary income (net)	-5.8	8.5	4.8	6.5	7.4	6.8	6.6	5.6	4.8	3.2	2.384	1.9	1.5
Secondary income (net)	4.6	25.2	23.3	27.7	17.5	13.6	12.7	9.5	8.7	8.2	7.2	6.7	5.8
Capital account balance	0.0	0.2	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account balance	-5.5	8.5	-20.9	-14.0	-25.6	-26.7	-14.6	-8.4	-10.6	-15.0	-15.4	-14.9	-16.4
Direct investment (net)	-7.5	-0.2	-4.7	-2.8	-1.5	-2.5	-5.8	-9.0	-9.1	-9.2	-10.1	-10.1	-10.3
Portfolio investment (net)	-1.0	2.0	2.7	0.4	0.8	-0.1	0.4	0.2	1.2	-1.0	-1.6	-1.4	-1.6
Financial derivatives (net)	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investment (net)	2.9	6.7	-18.9	-11.7	-24.9	-24.1	-9.2	0.4	-2.6	-4.8	-3.7	-3.4	-4.5
Other investment: assets	7.7	21.0	11.5	18.6	13.1	8.4	2.9	2.7	2.4	1.7	2.2	2.2	2.4
Other investment: liabilities	4.9	14.3	30.4	30.3	38.0	32.5	12.2	2.3	5.0	6.5	5.9	5.6	6.8
Net use of IMF resources for budget support	0.2	2.3	3.6	4.0	1.2	0.3	0.2	-0.8	-1.8	-1.1	-1.3	-1.4	-1.1
Central Bank	2.7	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General government	1.5	14.7	26.0	25.4	35.9	30.4	10.9	2.6	6.2	6.9	6.5	6.3	7.3
Banks 3/	0.4	-0.4	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other sectors	0.0	-2.2	0.9	0.9	0.9	1.8	1.0	0.6	0.6	0.6	0.6	0.6	0.6
Errors and omissions	1.8	-0.3	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	3.5	-0.6	13.0	-5.5	3.0	5.6	2.4	1.2	3.1	6.5	6.4	6.2	7.3
Financing	-3.5	0.6	-13.0	5.5	-3.0	-5.6	-2.4	-1.2	-3.1	-6.5	-6.4	-6.2	-7.3
Gross official reserves (increase: -)	-2.5	2.3	-11.4	6.5	-2.2	-5.3	-2.0	-1.2	-3.1	-5.4	-5.1	-4.8	-6.3
Net use of IMF resources for BOP support	-0.9	-1.6	-1.6	-1.0	-0.8	-0.3	-0.4	0.0	0.0	-1.1	-1.3	-1.4	-1.1
Memorandum items:													
Current account balance (percent of GDP)	-1.9	5.0	-5.4	-10.7	-12.8	-11.9	-6.6	-3.8	-3.7	-4.0	-4.1	-3.8	-3.8
Goods and services trade balance (percent of GDP)	-1.3	-16.0	-21.2	-29.4	-26.9	-23.4	-17.1	-11.6	-10.5	-9.5	-8.5	-7.5	-6.8
Gross international reserves	30.9	28.5	40.5	33.0	35.2	40.5	42.5	43.7	46.8	52.3	57.4	62.2	68.4
Months of next year's imports of goods and services	4.5	3.8	4.6	4.0	4.2	4.9	5.2	5.0	5.2	5.5	5.7	5.9	6.1
Percent of the IMF composite metric (float)	104.4	103.6	124.3	89.0	83.7	84.4	84.6	85.3	87.6	95.7	101.5	107.0	114.1

Sources: National Bank of Ukraine; and IMF staff estimates and projections.

1/ Based on BPM6.

2/ Shipments of military equipment are not reflected in the balance of payments. Staff's understanding is that the support is being provided in the form of unconditional aid and that it will not materially impact the balance of payments in the future.

3/ Includes banks' debt for equity operations.

Annex III. Table 3b. Ukraine: Balance of Payments (Downside Scenario), 2021–33 1/2/

(Percent of GDP, unless otherwise indicated)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Act.	Act.	Act.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Current account balance	-1.9	5.0	-5.4	-10.7	-12.8	-11.9	-6.6	-3.8	-3.7	-4.0	-4.1	-3.8	-3.8
Goods (net)	-3.3	-9.1	-16.1	-21.3	-20.3	-19.3	-20.8	-18.3	-17.8	-16.9	-15.7	-14.5	-13.7
Exports	31.6	25.4	19.4	19.9	20.5	24.8	24.8	25.8	26.7	27.6	28.8	30.0	31.2
Imports	-34.9	-34.5	-35.6	-41.2	-40.8	-44.1	-45.5	-44.2	-44.4	-44.5	-44.5	-44.5	-44.9
Services (net)	2.0	-6.9	-5.0	-8.1	-6.5	-4.1	3.7	6.7	7.3	7.4	7.2	7.0	6.8
Receipts	9.2	10.3	9.2	7.9	8.2	9.1	12.4	14.0	14.9	15.1	15.0	14.9	14.8
Payments	-7.2	-17.2	-14.2	-16.0	-14.8	-13.2	-8.7	-7.3	-7.6	-7.7	-7.8	-7.9	-8.0
Primary income (net)	-2.9	5.3	2.7	3.5	4.2	3.8	3.6	2.9	2.4	1.5	1.1	0.8	0.6
Secondary income (net)	2.3	15.7	13.1	15.1	9.9	7.7	6.9	4.9	4.4	3.9	3.3	2.9	2.4
Capital account balance	0.0	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account balance	-2.8	5.3	-11.7	-7.7	-14.5	-15.0	-7.9	-4.4	-5.3	-7.2	-7.0	-6.5	-6.8
Direct investment (net)	-3.8	-0.1	-2.6	-1.5	-0.9	-1.4	-3.1	-4.7	-4.6	-4.4	-4.6	-4.4	-4.3
Portfolio investment (net)	-0.5	1.3	1.5	0.2	0.5	0.0	0.2	0.1	0.6	-0.5	-0.7	-0.6	-0.7
Financial derivatives (net)	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investment (net)	1.4	4.1	-10.6	-6.4	-14.1	-13.6	-5.0	0.2	-1.3	-2.3	-1.7	-1.5	-1.9
Other investment: assets	3.9	13.0	6.5	10.2	7.4	4.7	1.6	1.4	1.2	0.8	1.0	1.0	1.0
Other investment: liabilities	2.4	8.9	17.1	16.5	21.4	18.3	6.6	1.2	2.5	3.1	2.7	2.4	2.8
Net use of IMF resources for budget support	0.1	1.4	2.0	2.2	0.7	0.1	0.1	-0.4	-0.9	-0.5	-0.6	-0.6	-0.4
Central Bank	1.4	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General government	0.8	9.2	14.6	13.9	20.3	17.1	5.9	1.3	3.1	3.3	3.0	2.8	3.0
Banks 3/	0.2	-0.3	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other sectors	0.0	-1.4	0.5	0.5	0.5	1.0	0.6	0.3	0.3	0.3	0.3	0.3	0.3
Errors and omissions	0.9	-0.2	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	1.7	-0.4	7.3	-3.0	1.7	3.2	1.3	0.6	1.6	3.1	2.9	2.7	3.1
Financing	-1.7	0.4	-7.3	3.0	-1.7	-3.2	-1.3	-0.6	-1.6	-3.1	-2.9	-2.7	-3.1
Gross official reserves (increase: -)	-1.3	1.4	-6.4	3.5	-1.2	-3.0	-1.1	-0.6	-1.6	-2.6	-2.3	-2.1	-2.6
Net use of IMF resources for BOP support	-0.5	-1.0	-0.9	-0.6	-0.4	-0.2	-0.2	0.0	0.0	-0.5	-0.6	-0.6	-0.4
Memorandum items:													
Gross international reserves (USD billions)	30.9	28.5	40.5	33.0	35.2	40.5	42.5	43.7	46.8	52.3	57.4	62.2	68.4
Months of next year's imports of goods and services	4.5	3.8	4.6	4.0	4.2	4.9	5.2	5.0	5.2	5.5	5.7	5.9	6.1
Percent of the IMF composite metric (float)	104.4	103.6	124.3	89.0	83.7	84.4	84.6	85.3	87.6	95.7	101.5	107.0	114.1

Sources: National Bank of Ukraine; and IMF staff estimates and projections.

1/ Based on BPM6.

2/ Shipments of military equipment are not reflected in the balance of payments. Staff's understanding is that the support is being provided in the form of unconditional aid and that it will not materially impact the balance of payments in the future.

3/ Includes banks' debt for equity operations.

Annex III. Table 4. Ukraine: Gross External Financing Requirements and Sources (Downside Scenario), 2021–33

(Billions of U.S. dollars)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Act.	Act.	Act.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
A. Total financing requirements	**20.3**	**31.9**	**39.9**	**61.9**	**47.8**	**39.9**	**24.0**	**16.3**	**21.2**	**18.1**	**20.3**	**18.6**	**18.0**
Current account deficit (excl. budget grants)	3.9	6.0	21.3	36.8	30.0	26.5	16.3	9.2	9.2	10.2	10.7	10.5	10.8
Portfolio investment	4.9	2.7	4.9	3.5	1.8	2.2	0.9	0.7	4.7	2.0	2.7	1.1	0.9
Private	0.6	0.9	2.5	2.9	1.5	1.8	0.8	0.6	3.5	1.5	2.7	1.1	0.9
Public	4.3	1.8	2.4	0.5	0.4	0.4	0.1	0.1	1.2	0.5	0.0	0.0	0.0
Medium and long-term debt	3.6	2.1	2.2	3.1	2.9	2.8	3.8	3.6	4.9	4.2	4.6	4.8	3.9
Private	2.7	1.1	1.3	1.5	1.5	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Banks	0.2	0.2	0.2	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Corporates	2.5	0.9	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Public	0.9	1.0	0.9	1.6	1.4	1.4	2.4	2.2	3.5	2.8	3.2	3.4	2.5
Other net capital outflows 1/	7.9	21.0	11.5	18.6	13.1	8.4	2.9	2.7	2.4	1.7	2.2	2.2	2.4
B. Total financing sources	**20.0**	**0.7**	**9.7**	**10.0**	**6.5**	**9.7**	**10.4**	**13.2**	**16.3**	**15.9**	**18.1**	**16.4**	**16.6**
Capital transfers	0.0	0.2	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment, net	7.5	0.2	4.7	2.8	1.5	2.5	5.8	9.0	9.1	9.2	10.1	10.1	10.3
Portfolio investment	6.0	0.7	2.2	3.1	1.0	2.3	0.5	0.5	3.5	3.0	4.3	2.5	2.5
Private	1.8	0.2	-0.1	2.5	1.0	2.3	0.5	0.5	2.5	1.0	2.3	0.5	0.5
Public	4.2	0.5	2.2	0.6	0.0	0.0	0.0	0.0	1.0	2.0	2.0	2.0	2.0
Medium and long-term debt	6.8	2.6	2.4	3.2	3.1	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2
Private	3.0	1.5	1.8	1.7	1.6	1.6	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Banks	0.2	0.0	0.1	0.5	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Corporates	2.8	1.4	1.7	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Public (incl. project financing)	3.8	1.1	0.6	1.5	1.5	1.6	1.6	1.7	1.7	1.7	1.7	1.7	1.7
Short-term debt (incl. deposits)	-0.3	-2.9	0.3	0.8	0.8	1.7	0.9	0.5	0.5	0.5	0.5	0.5	0.5
C. Financing needs (A - B)	**0.3**	**31.1**	**30.2**	**52.0**	**41.4**	**30.2**	**13.6**	**3.1**	**4.9**	**2.2**	**2.1**	**2.2**	**1.4**
D. Official financing	**1.0**	**29.2**	**39.9**	**45.5**	**43.6**	**35.5**	**15.6**	**4.2**	**8.0**	**7.6**	**7.3**	**7.0**	**7.7**
IMF	-0.7	0.6	1.9	2.9	0.4	-0.1	-0.2	-0.8	-1.8	-2.2	-2.5	-2.8	-2.1
Purchases	0.7	2.7	4.5	5.3	2.7	1.9	1.1	0.0	0.0	0.0	0.0	0.0	0.0
Repurchases	1.4	2.1	2.5	2.4	2.3	2.0	1.2	0.8	1.8	2.2	2.5	2.8	2.1
Official budget grants	0.0	14.0	11.6	17.1	7.4	5.4	4.1	2.0	1.7	1.7	1.7	1.7	1.7
Official budget loans	1.7	14.5	26.4	25.4	35.8	30.2	11.6	3.1	8.0	8.0	8.0	8.0	8.0
F. Increase in reserves	**2.5**	**-2.3**	**11.4**	**-6.5**	**2.2**	**5.3**	**2.0**	**1.2**	**3.1**	**5.4**	**5.1**	**4.8**	**6.3**
F. Errors and omissions	**1.8**	**-0.3**	**1.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Memorandum items:													
Gross international reserves	30.9	28.5	40.5	33.0	35.2	40.5	42.5	43.7	46.8	52.3	57.4	62.2	68.4
Months of next year's imports of goods and services	4.5	3.8	4.6	4.0	4.2	4.9	5.2	5.0	5.2	5.5	5.7	5.9	6.1
Percent of the IMF composite (float) 2/	104.4	103.6	124.3	89.0	83.7	84.4	84.6	85.3	87.6	95.7	101.5	107.0	114.1

Sources: National Bank of Ukraine; and IMF staff estimates and projections.

1/ Reflects, inter alia, changes in banks', corporates', and households' gross foreign assets as well as currency swap transactions.

2/ The IMF composite measure is calculated as a weighted sum of short-term debt, other portfolio and investment liabilities, broad money, and exports. Official reserves are recommended to be in the range of 100–150 percent of the appropriate measure.

Annex III. Table 5. Ukraine: Monetary Accounts (Downside Scenario), 2021–33

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Act.	Act.	Act.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Monetary survey													
Net foreign assets	850	1,252	1,926	1,775	2,054	2,466	2,677	2,895	3,330	3,956	4,629	5,343	6,167
Net domestic assets	1,221	1,249	1,151	1,768	1,861	1,840	2,039	2,244	2,271	2,148	2,024	1,909	1,736
Domestic credit	1,925	2,212	2,248	2,541	2,739	3,006	3,507	3,967	4,235	4,383	4,565	4,779	4,970
Net claims on government	898	1,218	1,259	1,477	1,627	1,769	2,124	2,442	2,554	2,441	2,283	2,084	1,787
Credit to the economy	1,023	991	986	1,060	1,108	1,233	1,379	1,520	1,676	1,935	2,276	2,688	3,175
Domestic currency	731	725	733	798	847	974	1,124	1,270	1,430	1,695	2,040	2,457	2,948
Foreign currency	292	266	253	263	261	258	255	250	245	240	236	231	227
Other claims on the economy	5	4	3	3	4	4	5	5	6	6	7	7	8
Other items, net	-704	-963	-1,097	-773	-878	-1,167	-1,469	-1,723	-1,964	-2,234	-2,541	-2,871	-3,234
Broad money	2,071	2,501	3,077	3,543	3,915	4,306	4,715	5,139	5,601	6,105	6,653	7,252	7,903
Currency in circulation	581	666	716	788	871	971	1,100	1,224	1,365	1,525	1,705	1,893	2,088
Total deposits	1,489	1,834	2,360	2,754	3,043	3,334	3,614	3,913	4,234	4,578	4,947	5,356	5,814
Domestic currency deposits	1,014	1,204	1,628	1,838	1,931	2,137	2,304	2,495	2,706	2,931	3,171	3,443	3,752
Foreign currency deposits	474	630	732	916	1,111	1,197	1,311	1,418	1,529	1,648	1,776	1,914	2,062
Accounts of the NBU													
Net foreign assets	701	907	1,456	1,255	1,502	1,906	2,121	2,346	2,760	3,368	4,022	4,716	5,520
Net international reserves	567	670	1,082	807	998	1,364	1,553	1,749	2,137	2,719	3,348	4,014	4,791
(In billions of U.S. dollars)	20.8	18.3	28.4	…	…	…	…	…	…	…	…	…	…
Reserve assets	844	1,042	1,539	…	…	…	…	…	…	…	…	…	…
Other net foreign assets	134	237	374	448	504	541	568	597	624	649	675	702	730
Net domestic assets	-38	-115	-479	-117	-243	-509	-560	-622	-855	-1,259	-1,687	-2,140	-2,692
Net domestic credit	175	312	6	-2	-52	-70	132	261	186	-12	-198	-393	-656
Net claims on government	270	704	591	567	551	537	524	511	498	485	472	458	445
Claims on government	325	758	729	717	704	691	680	669	658	647	636	625	614
Net claims on banks	-95	-392	-585	-568	-603	-607	-391	-250	-312	-497	-670	-851	-1,100
Other items, net	-213	-427	-485	-115	-191	-439	-692	-883	-1,040	-1,247	-1,488	-1,747	-2,036
Base money	662	793	977	1,138	1,259	1,396	1,561	1,724	1,906	2,109	2,336	2,576	2,829
Currency in circulation	581	666	716	788	871	971	1,100	1,224	1,365	1,525	1,705	1,893	2,088
Banks' reserves	81	126	261	350	388	425	461	499	540	584	631	683	741
Cash in vault	47	49	48	56	62	68	74	80	86	93	101	109	118
Correspondent accounts	35	77	213	294	326	357	388	420	454	491	530	574	623
Deposit money banks													
Net foreign assets	149	345	470	520	552	561	555	549	570	588	607	627	647
Foreign assets	254	427	550	637	706	756	790	825	858	888	919	951	984
Foreign liabilities	105	82	80	117	155	195	234	276	288	300	312	324	337
Net domestic assets	1,339	1,489	1,890	2,233	2,491	2,773	3,058	3,364	3,664	3,990	4,339	4,729	5,166
Domestic credit	1,875	2,064	2,540	2,930	3,217	3,539	3,874	4,243	4,627	5,016	5,432	5,892	6,404
Net claims on government 1/	628	513	668	910	1,076	1,232	1,601	1,932	2,056	1,956	1,811	1,625	1,342
Credit to the economy	1,023	991	986	1,060	1,108	1,232	1,378	1,519	1,675	1,935	2,275	2,688	3,175
Other claims on the economy	5	3	3	3	4	4	5	5	6	6	7	7	8
Net claims on NBU	220	594	883	956	1,029	1,070	891	787	890	1,119	1,339	1,572	1,879
Other items, net	-536	-574	-650	-696	-727	-766	-816	-880	-963	-1,026	-1,093	-1,163	-1,238
Banks' liabilities	1,488	1,834	2,360	2,753	3,042	3,334	3,614	3,913	4,234	4,578	4,946	5,356	5,813
Memorandum items:	(End of period, percent change unless otherwise noted)												
Base money	11.2	19.6	23.3	16.5	10.7	10.9	11.8	10.4	10.6	10.7	10.8	10.3	9.8
Currency in circulation	12.6	14.6	7.5	10.1	10.5	11.5	4.8	5.8	6.8	7.8	8.8	9.8	10.8
Broad money	12.0	20.8	23.0	15.1	10.5	10.0	9.5	9.0	9.0	9.0	9.0	9.0	9.0
Credit to the economy	8.4	-3.1	-0.5	7.5	4.5	11.2	11.8	10.2	10.3	15.5	17.6	18.1	18.1
Real credit to the economy 2/	-1.5	-23.5	-5.3	-4.0	-5.0	3.0	6.0	5.0	5.0	10.0	12.0	12.5	12.5
Credit-to-GDP ratio, in percent	18.8	18.9	15.1	14.1	13.0	13.2	13.4	13.5	13.7	14.5	15.6	16.9	18.3
Velocity of broad money, ratio	2.6	2.1	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Money multiplier, ratio	3.1	3.2	3.1	3.1	3.1	3.1	3.0	3.0	2.9	2.9	2.8	2.8	2.8
Hryvnia per U.S. dollar (end of period)	27.3	36.6	38.0	…	…	…	…	…	…	…	…	…	…

Sources: National Bank of Ukraine; and IMF staff estimates and projections.

1/ Includes claims for recapitalization of banks.

2/ Deflated by CPI (eop), at current exchange rates, year-on-year percent change.

Annex III. Table 6. Ukraine: Indicators of Fund Credit (Downside Scenario), 2024–33

(In millions of SDR)

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Projections									
Existing Fund credit										
Stock 1/	9,597	7,861	6,363	5,450	4,838	3,893	2,947	2,002	917	334
Obligations	2,536	2,437	2,078	1,391	1,033	1,304	1,238	1,192	1,286	740
Principal (repurchases)	1,780	1,736	1,498	913	612	946	946	946	1,085	583
Interest charges	756	701	580	478	421	358	293	246	201	156
of which: Surcharges	167	154	107	68	46	22	1	0	0	0
Prospective purchases										
Disbursements	4,003	2,022	1,449	795	0	0	0	0	0	0
Stock 1/	1,670	3,692	5,140	5,935	5,935	5,549	4,876	3,953	2,964	1,974
Obligations 2/	11	194	339	444	462	841	1,084	1,246	1,196	1,117
Principal (repurchases)	0	0	0	0	0	386	674	923	989	989
Interest charges	11	194	339	444	462	456	411	323	207	128
of which: Surcharges	1	71	128	170	178	176	154	103	33	2
Stock of existing and prospective Fund credit 1/	11,267	11,553	11,503	11,385	10,773	9,442	7,823	5,955	3,881	2,308
In percent of quota 2/	560	574	572	566	536	469	389	296	193	115
In percent of GDP	8.2	8.8	8.7	8.3	7.6	6.4	5.1	3.7	2.3	1.3
In percent of exports of goods and nonfactor services	29.7	30.5	25.7	22.4	19.0	15.4	11.9	8.4	5.1	2.8
In percent of gross reserves	45.7	44.0	38.2	36.1	33.3	27.2	20.2	14.0	8.4	4.5
In percent of public external debt	14.6	11.1	9.1	8.5	8.0	6.8	5.5	4.0	2.6	1.5
Obligations to the Fund from existing and prospective Fund credit	2,547	2,631	2,417	1,835	1,495	2,145	2,322	2,438	2,482	1,857
In percent of quota	126.6	130.8	120.1	91.2	74.3	106.6	115.4	121.2	123.4	92.3
In percent of GDP	1.9	2.0	1.8	1.3	1.1	1.5	1.5	1.5	1.5	1.0
In percent of exports of goods and nonfactor services	6.7	6.9	5.4	3.6	2.6	3.5	3.5	3.4	3.3	2.3
In percent of gross reserves	10.3	10.0	8.0	5.8	4.6	6.2	6.0	5.7	5.4	3.7
In percent of public external debt service	95.1	82.7	74.2	43.1	36.1	41.9	50.3	48.5	47.3	39.7

Source: Fund staff estimates and projections.

1/ End of period.

2/ Ukraine's quota is SDR 2011.8 million effective February 2016.

Appendix I. Letter of Intent

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, D.C., 20431
U.S.A.

October 4, 2024

Dear Ms. Georgieva:

1. Russia's illegal and unjustified invasion of our country continues to bring enormous human, social, and economic costs. As attacks persist, civilian casualties are large, over a quarter of the population has been displaced, and infrastructure damage is massive and increasing, with serious long-lasting consequences for our people. The latest Rapid Damage and Needs Assessment (RDNA-3) estimates reconstruction needs at US$486 billion over the next decade, and these needs increase with every day of the war. Through this hardship, including more recently due to damage to our energy infrastructure, our people continue to show courage, determination, and resilience while macroeconomic, financial, and external stability has been preserved with skillful policymaking and external support.

2. Our sustained strong performance thus far under the Extended Fund Facility (EFF) has clearly demonstrated our capacity to implement sound economic policies despite these challenging circumstances. However, we continue to face major risks amid the exceptionally high uncertainty due to the war. Our IMF-supported program, together with significant official financing assurances, therefore provides a crucial financing envelope of US$151.4 billion over the program period. In this regard, we welcome the commitment by G7 leaders to make US$50 billion available by end-2024 through the Extraordinary Revenue Acceleration mechanism.

3. The goal of our IMF-supported program remains to restore fiscal and achieve debt sustainability on a forward-looking basis as well as medium-term external viability. It also aims to promote long-term growth in the context of post-war reconstruction and our goal of EU membership, which took a critical step forward with the beginning of accession negotiations on June 25, 2024. Our IMF-supported program is designed to resolve our balance of payments problems and restore medium-term external viability not only in the baseline scenario but also under a downside scenario. We remain committed to ambitious reforms and strong policy implementation with a view to maintaining macroeconomic stability and achieving stronger economic outcomes, even as the war continues. The attached updated Memorandum of Economic and Financial Policies (MEFP) lays out in detail the economic program that we will undertake, supported by the IMF and other international partners.

4. Given the exceptionally high uncertainty, our objectives under the program remain to first preserve macroeconomic and financial stability within the context of the ongoing war while

preparing the ground for a strong post-war recovery. We remain focused on restoring stability and undertaking repairs to essential infrastructure, such as in the energy sector that has suffered from repeated attacks. Despite the war, we continue to implement wide-ranging structural reforms covering public finances, the financial sector, monetary and exchange rate policies, governance, anti-corruption, and the energy sector. These efforts should set the stage for stronger prospects after the war ends. After the war, we will further deepen our structural reforms and implement additional macroeconomic policy reforms. These will help restore medium-term external viability, support reconstruction, promote strong long-term growth, and accelerate our progress toward EU accession.

5. As a Prior Action for this Fifth Review under the EFF, we have appointed independent auditors to assess the effectiveness of the National Anti-Corruption Bureau of Ukraine to investigate corruption. Moreover, we met all of the end-June 2024 and continuous quantitative performance criteria (QPCs) and all of the indicative targets (ITs). We expect to meet all QPCs for end-September, including (i) the floor on the non-defense cash primary balance of the general government, excluding budget support grants, (ii) the floor on tax revenues, (iii) the ceiling on publicly guaranteed debt, and (iv) the floor on net international reserves. We request waivers for applicability for these end-September QPCs since treasury reporting of final data to evaluate the fiscal and debt targets will be available around October 25 and data on net international reserves will be available around October 20. To modify an adjustor applicable to end-December net international reserves, we are requesting a modification of the respective QPC.

6. We also continue to implement key policy measures and structural reforms under the program, as highlighted in Table 2 of the MEFP. In June – six months ahead of schedule – the Cabinet of Ministers also approved a detailed action plan to implement the 2023 Public Investment Management Roadmap (end-December 2024 structural benchmark). In September, we finalized a new methodology for assessing tax privileges (end-September 2024 structural benchmark); identified major public companies severely affected by the war, with an assessment of their potential fiscal and quasi-fiscal costs (end-September 2024 structural benchmark); and adopted legislative amendments to reform the State Customs Service (end-October 2024 structural benchmark). Additionally, we respected the continuous structural benchmark on the banking system. The end-September 2024 structural benchmark on completing an external audit of the National Anti-corruption Bureau of Ukraine was not met, owing to delays in the appointment of independent auditors. We propose to reset this item as a new end-February 2025 structural benchmark.

7. Going forward, we will continue implementing wide-ranging reforms, and as a demonstration of this commitment we propose 10 additional structural benchmarks: (i) assessing key financial and operational risks to financial stability under various downside scenarios and preparing contingency plans (both by end-October 2024); (ii) adopting amendments to exempt decisions by the energy regulator (NEURC) from the state registration procedure; (iii) formation of the full supervisory board of Ukrenergo (7 members), with independent members constituting the majority of the supervisory board; (iv) enacting amendments to reform the Accounting Chamber of Ukraine (all by end-December 2024); (v) adopting Budget Code amendments in line with the June

2024 Public Investment Management (PIM) Action Plan (by end-January 2025); (vi) approving a methodological framework underpinning the PIM process (by end-February 2025); (vii) appointing the new Head of the Economic Security Bureau (by end-February 2025); (viii) submitting legislative amendments to Parliament to introduce tax reporting requirements for digital platform operators (by end-April 2025); (ix) appointing a permanent Head of the Customs (by end-June 2025); and (x) submitting a 2026–28 Budget Declaration in line with program parameters (by end-June 2025).

8. Our international partners have assured us of their continued support to help ensure that debt sustainability is restored, and the program is fully financed. As part of our efforts to restore debt sustainability we announced in March 2023, the intention to undertake a restructuring of our external public debt, in line with program parameters. After reaching agreement in principle with a committee of commercial creditors in July, we successfully completed the exchange of outstanding government and Ukravtodor bonds into new instruments on August 30. Should the case arise where the macroeconomic and debt outlook worsen, we also commit to undertaking a further external commercial debt treatment as needed to restore debt sustainability in line with program parameters. In light of these steps, we request the completion of the financing assurances review.

9. Based on our successful implementation of the program targets for end-June 2024, our implementation of structural benchmarks, as well as our strong policy commitments for the period ahead, we request completion of the Fifth Review and a disbursement in the amount of SDR 834.88 million (41.5 percent of quota), which will be channeled for budget support. A memorandum of understanding between the National Bank of Ukraine (NBU) and the Ministry of Finance (MOF) has been established to govern the mechanism of servicing of the government’s obligations to the Fund by the NBU on behalf of the MOF. We also request the rephasing of purchases under the EFF over 2025–27 (totaling SDR4.265 billion) within the existing envelope of the program to (i) accommodate quarterly monitoring in 2025 given continued exceptionally high uncertainty amid a prolonged war, and to (ii) allow modest frontloading of IMF financing consistent with higher fiscal financing needs. Our track record of good program performance so far, strong commitments going forward, steadfast progress on debt restructuring, and increase external support from the G7 should constitute safeguards for the use of IMF resources.

10. We believe that the policies set forth in the attached MEFP are adequate to achieve the objectives of the program, both in the baseline as well as in a downside scenario. Acknowledging that these scenarios are subject to exceptionally high uncertainty, we are committed to continue adapting our policies as conditions evolve. We will consult with the IMF on the adoption of these measures, and in advance of any revisions to the policies contained in the MEFP, in line with the IMF’s policies on consultation. We will refrain from any policies that would be inconsistent with the program’s objectives and our commitments presented in the MEFP.

11. We will continue to provide IMF staff with the data and information needed to monitor program implementation, including by adhering to the data provision requirements described in the attached Technical Memorandum of Understanding (TMU).

12. In line with our commitment to transparency, we consent to the IMF's publication of this letter, the MEFP, the TMU, and the accompanying Executive Board documents.

Sincerely yours,

/s/	/s/
Volodymyr Zelenskyy President of Ukraine	Denys Shmyhal Prime Minister of Ukraine
/s/	/s/
Sergii Marchenko Minister of Finance of Ukraine	Andriy Pyshnyy Governor, National Bank of Ukraine

Attachment I. Memorandum of Economic and Financial Policies

I. Background, Recent Economic Developments, and Outlook

Context

1. **Russia's unprovoked, illegal, and unjustified invasion of our country continues to bring enormous human, social, and economic costs.** Civilian casualties keep rising, around a quarter of the population has been displaced, and missile strikes countrywide continue including devastating attacks on our electricity infrastructure. Despite all the destruction, suffering and challenges, our people continue to show remarkable courage and resilience, while macroeconomic, financial, and external stability have been preserved. Nevertheless, we continue to face major challenges: the fiscal deficit remains very high, entailing large external and domestic financing needs, and protecting core functions of the state under tight financing constraints force us to navigate difficult policy trade-offs.

2. **The Extended Fund Facility (EFF) arrangement provides a strong anchor for our economic policies, and we continue to sustain strong performance under the program.** The arrangement has helped mobilize an external financing package from our international partners that now totals US$151.4 billion over the program period (2023Q2–27Q1). In these very difficult times, the program has helped infuse greater predictability into our macroeconomic management and remains a key anchor for our economic policies. We remain highly committed to our program objectives, as demonstrated by our robust implementation of macroeconomic and structural reforms under the program thus far. Sustained disbursements of external financing underline the commitment of our international partners to our stability, reform, and recovery.

3. **Meanwhile, it has become apparent that the war will likely last longer than assumed at the time of the 4th Review of the EFF.** Defense appropriations in the 2025 budget will be aligned to hostilities continuing at the current level of intensity for most of 2025. Despite the more challenging war and economic outlook, we remain committed to sound policies that support macroeconomic and financial stability. Although we have already taken proactive measures (see ¶12), to mitigate the impact of higher defense spending on the fiscal deficit, the revised war outlook will have sizable implications for our external financing needs. We welcome the assurances from our bilateral partners that sufficient additional resources will be made available – including through funds backed by the G7's Extraordinary Revenue Acceleration (ERA) mechanism – to help meet these needs, on terms consistent with the program's objective of restoring debt sustainability.

4. **The official launch of EU accession negotiations on June 25 was a historical milestone that sets the stage for our euro integration path, and helps reinforce stability and long-term growth.** Reforms to achieve EU accession will strengthen our economy and institutions, as they are essential to creating conditions for increased investment and growth going forward. Our candidate status implies that the choice of the regulatory regime defined by the EU acquis will frame our recovery and reconstruction process. Progressive integration into the European internal market should enhance trade and technology transfer to the Ukrainian economy, thereby helping sustain

the recovery. In 2024–27, the Ukraine Plan and €50 billion Ukraine facility will provide a critical support for our budgetary needs, recovery, reconstruction, and modernization efforts as we advance on our path to EU membership.

Economic Outlook

5. Activity remained resilient in the first half of 2024 despite the attacks on energy infrastructure, and the economy will continue recovering in 2025 despite Russia's war continuing for longer, and as energy shortages recede.

- The recovery continued in 2024Q1, with growth reaching 6.5 percent y/y and estimated at 3.9 percent y/y for January to August 2024. The economy continued to expand in 2024Q2, despite widespread shortages caused by large-scale attacks on energy infrastructure (with around 50 percent of energy capacity either damaged or destroyed), by seasonal nuclear power plant maintenance, and by a hot summer that likely constrained activity in July.

- Growth is expected to remain resilient between 3 and 4 percent in 2024; the recovery is expected to slow due to the impact of the energy attacks and an expected decrease in harvests, offsetting the expected strengthening in exports from the new Black Sea corridor and robust consumption growth. Continuing repair and recovery in the energy sector (including from new capacity in gas turbines) and higher government demand due to a longer war are expected to support the economy in the second half of the year. Some energy deficit is expected in the winter season, including from the higher demand, but the impact on the economy will be mitigated through our multipronged measures such as anti-missile defense, repairs, higher EU imports and extra generation capacity (e.g., gas turbines). Inflation, after decelerating from 26.6 percent y/y in end-2022 to 3.3 percent y/y in May, picked up again to 7.5 percent y/y in August, under pressure from increasing energy and labor costs and base effects. Inflation is expected to edge up further to up to 9 percent by end-year due to pressures from business labor costs, pass-through from the past currency depreciation and the fading of favorable base effects from raw food prices that helped contain inflation earlier in the year.

- For 2024, the current account deficit is expected to widen to US$14.9 billion (from US$9.7 billion in 2023), reflecting a moderation in grants and a deteriorated trade balance due to a smaller harvest and elevated imports from defense and reconstruction needs, and despite flow relief from the commercial debt restructuring and lower-than-expected outflow from FX liberalization measures. With higher external loan financing expected in 2024, reserves are expected to end the year at US$42.6 billion (113.5 percent of the ARA metric). The current account deficit is projected to widen further in 2025 on account of high imports and a deteriorated services balance from tight labor markets and continued migrant spending abroad, notwithstanding higher private transfers and humanitarian aid, as well as lower interest payment outflows from the commercial debt restructuring. Gross reserves are projected to reach US$44.9 billion at end-2025 or 104.7 percent of ARA, supported by G7 financing.

- Under the managed flexible exchange rate regime, the hryvnia has depreciated through end-July 2024 by a cumulative 12.2 percent since the transition while adjusting to market conditions. At the same time, FX interventions remain sizeable to continue to fill the structural deficit., against a backdrop of increased net FX demand of the private sector (while accommodating the structural surplus of FX of the public sector). The spread between the official and cash rates has remained low, including following the easing of some FX controls amid increased confidence.

- Credit growth continues to recover, broadly supported by improved business activity, credit guarantee schemes, and declining interest rates. The role of state support in lending to businesses (5-7-9 program) has been declining, while mortgage lending continues to be dominated by a subsidy program (eOselya). Gross non-performing loans continue to fall while loan default rates are declining and approaching pre-war levels. The banking system remains profitable and highly liquid amid strong deposit growth.

6. The economy could rebound more quickly, particularly if the security situation improves sooner than expected. Several factors could support a stronger recovery, primarily from a decline in security risks that enables a quicker return of migrants and faster recovery in sentiment, along with a revitalization in economic activity from a swifter resolution of war-related supply disruptions and more durable access to seaports and other supply routes. Our efforts to raise resources for critical recovery and repair projects, including in the energy sector to address the energy deficit, would also support stronger growth, as could stronger progress in the planned energy decentralization. In the medium-term, economic growth could be accelerated by forceful implementation of structural reforms, including in the context of the EU integration, significant investments in reconstruction, including private investment inflows, as well as a faster return of migrants.

7. Despite the recent resilient growth, risks to the outlook remain tilted to the downside, amid exceptionally high uncertainty. Security risks could persist for longer than expected, putting pressures on our fiscal position, and leading to additional financing needs. A prolonged or more intense war would weigh on firm and household sentiment, as well as exchange rate and inflation expectations and discourage migrant return, worsening labor market mismatches. Export transit routes could be significantly interrupted, there could be further damage to the energy infrastructure, or past supply chain disruptions could resurface, weighing on production costs and firm profitability. While near-term external financing risks have diminished following recent disbursements, external shortfalls or delays could recur, exacerbating financing constraints and requiring difficult policy trade-offs. Moreover, if such risks materialized, the needed higher domestic financing may become difficult to mobilize.

II. Macroeconomic and Structural Policies for 2024–27

A. Overview

8. The ultimate goals of our economic program—supported by the IMF—are to restore fiscal and debt sustainability, maintain external and financial stability, and restore medium-term external viability. This is the foundation for promoting long-term growth in the context of post-war reconstruction and our path to EU accession. Our economic program continues to focus on a two-phased approach which includes preserving stability and advancing necessary structural reforms while planning for a broadening and deepening of reforms once the war tapers off.

- Our current focus is to maintain macroeconomic, external, and financial stability, in order to strengthen Ukraine's capacity on its way to victory. Our program involves policies to ensure a robust budget implementation in 2024 and 2025, consistent with a strong medium-term fiscal framework that would guide fiscal policy and ground the assessment of financing gaps. The managed flexibility of the exchange rate strengthens the resilience of the Ukrainian economy and FX market, promotes better adaptation to domestic and external shocks, and reduces the risks of an accumulation of FX imbalances. Monetary policy actions resulted in an improvement in inflation expectations, which allowed lower borrowing costs for the government and private sector. At the same time and despite the war, we are also implementing well-targeted structural measures covering public finances, the financial sector, monetary and exchange rate policies, governance, anti-corruption, and the energy sector to prepare the ground for Ukraine's post-war growth. Importantly, social spending is being safeguarded to the extent possible.

- Despite the prospect of a longer war, we are confident that the EFF program provides the appropriate framework to achieve our goals of restoring external viability in 2027. With a strong track record during the EFF, a demonstrated commitment to policy reform implementation, and continued buy-in from stakeholders across Ukrainian society and international partners, we are able to address new challenges as they arise.

- Once the war has tapered off, we will build on the significant progress so far and shift our focus to more expansive structural reforms to entrench macroeconomic stability, and reconstruction to promote economic growth and thereby help restore medium-term external viability. As conditions allow, Ukraine will revert to pre-war policy frameworks. Progress toward EU accession will be a major anchor for our policies; we have committed to undertake a wide range of measures in support of this under the Ukraine Facility.

9. We acknowledge IMF staff analysis on an updated downside scenario, and we are fully committed to swiftly taking all necessary measures to ensure program success and a stable economy.

- Since Russia's full-scale invasion of Ukraine, we have repeatedly and decisively taken measures to respond to shocks as they have materialized, carefully balancing the need for a prompt and effective response with social considerations. Building on this track record, we would respond decisively to a potential downside scenario, to ensure that public institutions function effectively while taking measures as needed to preserve economic and financial stability, and also maintain debt sustainability on a forward-looking basis. Under the updated downside scenario, as illustrated in IMF staff analysis, we stand ready to take additional feasible fiscal measures, including identifying additional tax policy measures that can be implemented swiftly and effectively or spending measures building on efficiency gains. In particular, we would be guided by the National Revenue Strategy (NRS), a cornerstone of our efforts to strengthen revenue mobilization. In parallel, we will also identify additional domestic financing as needed to ensure that financing gaps are swiftly closed, without compromising economic and financial stability or debt sustainability. We also stand ready to deploy our foreign reserves, adjust our monetary policy stance, and recalibrate FX controls, to maintain macrofinancial stability as needed. These are very difficult balancing acts, and we welcome the fact that our partners stand ready to provide additional financial resources sufficient to close financing gaps and preserve debt sustainability under the downside scenario; we are strongly committed to play our part to ensure the burden of adjustment is shared.

- We are equally focused on identifying policies that can help us achieve high and sustained growth rates, including via illustrative upside scenarios that motivate reform priorities towards EU accession. Our medium-and long-term growth post-war will crucially depend on catalyzing high and sustained investment levels, supporting inward migration, rebuilding human capital, and fostering an enabling business environment that could propel total factor productivity (TFP) growth to help converge to European income levels. In this regard, establishing frameworks for post-war reconstruction, which would enable us to absorb substantial official resources and also catalyze private capital, including foreign direct investment, could have a decisive impact. Reforms required to achieve the strategic goal of EU accession coupled with progressive integration into the European internal market through the Association Agreement and Deep and Comprehensive Free Trade Agreement would be critical components of such a strategy. Implementing these wide-ranging policies and reforms will require our steadfast commitment for an extended period.

B. Fiscal Policy

10. Despite the challenges arising from Russia's war, we achieved all the end-June 2024 fiscal targets, as follows:

- Tax collections have run ahead of our expectations so far this year, and tax revenues (excluding social security contributions) reached UAH 1,002.0 billion, exceeding the floor of UAH 880.4 billion (***Quantitative Performance Criterion***).

- The strong revenue performance, along with tight control on non-defense expenditure categories enabled us to achieve an end-June non-defense cash primary balance of the general government excluding grants of UAH 466.5 billion (at program exchange rates), above the program's floor of UAH 250.0 billion (***Quantitative Performance Criterion***).

- Relatedly, the overall balance excluding grants was UAH -555.7 billion (at program exchange rates), exceeding the floor of UAH -726.0 billion (***Indicative Target***).

- The issuance of government guarantees was UAH 7.1 billion, well below the adjusted ceiling of UAH 53.8 billion (***Quantitative Performance Criterion***).

- The accumulation of overdue accounts payable (domestic arrears was UAH 1.7 billion as of end-June, below the ceiling of UAH 2.0 billion (***Indicative Target***).

- Social spending amounted to UAH 291.4 billion at end-June, respecting the floor of UAH 262.5 billion (***Indicative Target***).

- With the IMF Executive Board's consideration of the Fifth Review occurring in mid-October, the three fiscal quantitative performance criteria for end-September have become controlling. However, consistent with the reporting procedures for treasury reporting, the final data to evaluate these targets will be shared with the IMF around October 25, and we are therefore requesting waivers of applicability. All indications suggest that they are on track to be met.

11. The revised outlook for the war has led us to recalibrate fiscal policies for the remainder of the program. Defense spending needs are higher this year and we now expect higher expenditures over the medium term. Our Budget Declaration for 2025–27 internalizes this outlook while also acknowledging that significant additional external financing and domestic resource mobilization are needed to continue executing our planned budgets. To this end, and as described below, we are moving forward with identifying measures that will help us meet our budgetary needs.

12. Our fiscal priorities for 2024 and beyond are adapting to the challenges posed by the war. With defense expenditures running higher than we expected, including due to slower provision of equipment earlier this year, Parliament adopted a supplementary budget in September to ensure adequate resources to finance our national defense. To this end, we are designing a package of revenue measures to be adopted in parallel with the supplementary budget:

- *Expenditures*: The supplementary budget envisages higher expenditures to accommodate defense priorities, but has also sought some offsetting savings where possible. Overall, on net, expenditures will be UAH 4,815 billion, about UAH 410 billion higher than originally budgeted. We remain committed to ensuring adequate resources for the social safety net, including to address the need of war veterans and vulnerable groups. The floor on social programs (***Indicative Target***) represents our commitment to safeguarding this spending.

- *Revenues*: We have taken revenue measures to respond to new expenditure pressures, including a package of measures currently in Parliament, which entail (i) raising the Military Tax rate from 1.5 to 5 percent; (ii) broadening the base of Military Tax by extending it to taxpayers in the

Simplified Tax System; (iii) introducing presumptive taxation on fuel stations; and (iv) increasing the corporate tax rate applied to non-bank financial institutions (excluding insurance) to that already applied to banks (25 percent); we intend to avoid additional exceptional taxes on bank profits.

- *Balance*: We now expect the overall balance excluding grants to reach UAH –1,850 billion or around 24.5 percent of GDP this year. This deficit will continue to be financed primarily through budget support from international donors, and is consistent with our efforts to return to fiscal and debt sustainability. Our progress in budget implementation continues to be monitored by the floor on the non-defense primary balance of the general government excluding grants (***Quantitative Performance Criterion***) and the floor on the overall cash balance of the general government excluding grants (***Indicative Target***).

13. We submitted the 2025 Budget according to schedule, and it is in line with our expectation of a longer war and the program's financing parameters. While we continue to tightly prioritize our spending, the continuation of defense operations next year will cause expenditures to be higher than we previously expected. In the 2025 Budget, total expenditures are now expected at UAH 5,056 billion. We have sought savings where possible and have found some areas to right-size the provision of public services, including to reflect ongoing migration developments. We will ensure that adequate social protection continues to be available to vulnerable members of our society. We are also targeting strong tax collections next year, boosted by the full-year impact of the package of measures passed in 2024. Overall, we envisage next year's overall deficit excluding grants to be UAH 1,712 billion next year (20 percent of GDP) which will be financed mainly through the support of our external partners. The largest external financing contributions will come from funds backed by the G7's ERA mechanism. In line with our intention to use ERA disbursements in a manner consistent with the fiscal paths under the program (2024-2027Q1), we will administer these flows as budget support. Specifically, we will ensure that the ERA financing is: (i) transparently incorporated in the budget, (ii) accounted for in our treasury reporting, (iii) disbursed into the treasury single account, and (iv) not directed to any special fund without prior agreement from the donor country.

14. We stand ready to take further tax measures promptly when needs arise. We remain highly exposed to potential shocks at this juncture, and our room for maneuver within the current resource envelope is tightly constrained. Therefore, to safeguard budget execution, we will respond to revenue shortfalls or fresh expenditure demands with an increase in taxes. We regard increases in the main rate of VAT as the most efficient potential source of additional revenue at this juncture, and it is central to our contingency planning. This underscores our commitment to policies that preserve stability, by restoring fiscal and debt sustainability through revenue-based fiscal adjustment.

15. This year's budget declaration has helped to anchor discussions around fiscal policies, and we plan to entrench this practice for future budget cycles. We expect that next year's budget declaration, covering 2026-28, will be a critical document that serves as an anchor for fiscal policies in the post war period. We recognize the importance of a sound medium-term fiscal framework, both to support our efforts to return to sustainability and to plan for recovery and reconstruction. Thus, in consultation with the Fund, we will prepare and submit next year's budget declaration on time, and in line with the program's parameters (***proposed end-June 2025 Structural Benchmark***).

16. We re-affirm that we are prepared to take fiscal measures as needed to ensure sustainability, contain risks, and advance EU accession objectives. On the latter, in September, we enacted legislation to gradually align fuel excises with EU directives and the new rates became effective on September 1. We also continue our efforts to secure parliamentary adoption this year of a law gradually aligning tobacco excises with EU requirements over the coming years. Given the still high risks, we continue to stand ready to take additional feasible measures to respond to potential shocks. We also intend to mobilize additional financing if necessary.

17. We recognize that there will be a need to complete the return to fiscal and debt sustainability by targeting a primary surplus of around ½-1½ percent of GDP in the medium term, after the end of the war with Russia. We remain committed to undertaking a fiscal adjustment to contribute to the restoration of fiscal and debt sustainability. This will entail a sustained revenue effort that generates sufficient tax revenues to meet post-war spending needs (including recovery and reconstruction and emerging post-war social priorities) while also reducing the need for external financing, in line with the strategic objectives of the National Revenues Strategy.

18. Every day that Russia's war continues reconstruction needs rise. The latest Rapid Damage and Needs Assessment (RDNA-3), published on February 15, 2024, estimated reconstruction needs of US$486 billion over the next 10 years. Since then, the attacks on energy and other infrastructure have pushed damages up further. Addressing the largest needs—concentrated in housing, transport, and commerce and industry—will be vital to delivering essential public services, restoring the economy's productive capacity, and providing adequate social protection. Repair and recovery on these fronts will also help promote the return of refugees. In considering initiatives in this area, we will ensure that these activities are consistent with a return to fiscal and debt sustainability. To this end, we will carefully evaluate the financing mix, and will seek financing on highly concessional terms. Additionally, we will make sure that the mechanisms used for reconstruction financing are consistent with the principles of integrated public investment management to ensure that reconstruction projects fit into the medium-term budget framework (see ¶39).

C. Financing Strategy

19. Our financing strategy continues to focus on securing timely and predictable external disbursements on appropriately concessional terms. The likelihood of a longer war and its associated cost will lead to a larger financing gap, which now stands at US$151.4 billion over the program period. We have been working closely with our donors and have identified sources to ensure that this financing need can be met:

- *We remain very grateful for the substantial budget support from our donors*: Since the start of the program, we have received US$57.9 billion, of which US$24.6 billion was disbursed between January and September 17, 2024. For the remainder of the year, we expect to receive an additional US$16.8 billion.

- *Firm financing commitments are in place for the next 12 months of our IMF-supported program*: Over October 2024-September 2025, we have received assurances for US$36.4 billion of financing (excluding IMF financing). This financing includes contributions from multilateral institutions and official bilateral donors as well as a portion amounting to US$11.7 billion from the US$50 billion ERA mechanism. The provision of support in the amounts, terms, and timing envisaged will be vital to maintaining economic and financial stability.

- *We have good prospects for financing the remainder of the program period*: Beyond September 2025, key partners have assured us of their continued support and the remainder of the ERA financing will be available, helping ensure that our program remains fully financed.

20. We recognize that financing the budget and maintaining stability will require mobilizing resources as needed from the domestic government bond market. While most of our financing will come externally, our financing strategy entails auctioning domestic government securities in the primary market to satisfy budget needs or address potential shocks.

- As of end-August 2024, we have mobilized net domestic bond financing of UAH 88.9 billion (around US$2 billion), an implied rollover rate of 141 percent so far this year. We have continued with the progress we began last year in matching issuance yields and maturities to market demand, and continue to strive to lengthen the maturity of our issuances. About UAH 25 billion was issued as designated benchmark bonds that banks may use to meet reserve requirements. We expect to further strengthen these efforts to help meet our financing needs, given the higher spending needs, for the remainder of 2024, including through the use of reserve requirements.

- Given the substantial liquidity available and expected in the banking system, we remain committed to identifying and implementing ways to sustain bank financing. This involves studying the flow of liquidity into the banking system, including on a bank-by-bank and bank-group basis, in order to develop targeted strategies that encourage increased uptake of government bonds, supported by the joint Working Group under the auspices of the Financial Stability Council (FSC). With an appropriate mix of approaches, such measures could contribute to net domestic financing over the course of the program.

Successful placement of domestic securities coupled with timely external financing on appropriately concessional terms will enable us to execute the budget as planned, avoid arrears, and continue to avoid monetary financing. It will also ensure that the budget is financed in a manner consistent with safeguarding macroeconomic and financial stability and restoring debt sustainability.

21. Building on the successful restructuring of our sovereign Eurobonds, we will ensure our debt management strategy remains consistent with our objectives under the program.

The bond exchange, whose settlement was on August 30, 2024, entails important impacts on the overall public debt burden and its structure. We will update the Medium-Term Debt Strategy (MTDS) upon completion of our current plans for the treatment of external commercial claims, including GDP-linked securities. We are also committed to strengthening our debt management capacity, including by increasing staffing and training. We will continue to support the development of the domestic debt market, including through medium-term efforts to maintain the attractiveness of locally-issued instruments and diversify the set of investors (including encouraging non-resident participation). Moreover, our efforts should help facilitate international capital market access in the medium term, consistent with debt sustainability objectives, and thereby enable the bond market to play an active role in reconstruction.

22. We are determined to strengthen treasury cash and liquidity management. Although we have greater clarity on external financing, the ongoing war entails risks to budget execution. To avoid vulnerabilities and strengthen budget execution and commitment controls, we have worked on improving liquidity forecasting and cash management to help lower the volatility and transaction costs of treasury resource management. To this end, with the help of FAD TA, we have conducted a diagnostic assessment of treasury cash and liquidity management based on an examination of international best practices with regards to the roles of finance ministries, treasuries, central banks, and debt management agencies. We continue to review the findings of the diagnostic assessment to improve the predictability of cash and liquidity management and may seek further TA.

D. Fiscal Structural Reforms

22. We are moving forward with our structural reform agenda to support our development goals and path to EU accession. In the area of public finances we are focusing on: (i) raising adequate revenues to help meet reconstruction and social spending needs, guided by the objective of enhancing the efficiency, fairness and simplicity of the tax system, above all through the home-grown National Revenue Strategy (NRS); (ii) preparing our public investment and public financial management frameworks for the post-war era by strengthening public investment processes, the project management cycle, and commitment controls; (iii) reforming and strengthening the pension system and social safety net, (iv) enhancing fiscal transparency and management of fiscal risks; and (v) ensuring fiscal sustainability and the predictability of budget policy by restoring the role of the medium-term budget framework (MTBF).

Revenue Mobilization

23. Our efforts to increase revenues through tax policy and administrative reforms are guided by the NRS. The NRS, adopted in December 2023, aims to establish a fair and competitive tax framework to generate sufficient revenues to address our post-war development goals while maintaining fiscal and debt sustainability. The strategic goals include improving tax revenues by closing existing opportunities for tax evasion, increasing compliance and combating the shadow economy. As our focus now shifts to NRS implementation, we have developed detailed implementation plans with specific timetables for tax administration, customs, and tax policy reforms. We have also created NRS Steering Committees at SCS and STS to supervise reform implementation. We will continue to abstain from tax policy and administrative measures that may adversely affect the tax base and will refrain from introducing new categories of taxpayers in the existing preferential regimes.

24. Near-term tax policy measures focus on raising revenues from excises, aligning with the EU acquis, and streamlining tax privileges. We recently took measures to increase excise rates, a first step in a gradual increase to EU minimum levels over the medium term. Work continues to develop legislation on medical cannabis taxation. In line with the NRS, we are also planning to better target and rationalize tax exemptions, minimize revenue losses, and avoid compromising equity and economic efficiency. To this end, we recently developed and adopted a formal assessment methodology for tax privileges and guidelines specifying (i) the number of topics on tax privileges to be evaluated in an annual cycle, (ii) a standardized evaluation template, and (iii) the publication process of underlying assessments **(*Structural Benchmark,* end-September 2024, met*).*** Subsequently, this methodology will be phased in and gradually applied to all relevant topics, targeting the most significant tax expenditures first, and leading to a regular evaluation cycle covering all topics over a number of years.

25. Over the next few years, we will undertake important tax policy reforms, guided by the NRS, to meet post-war needs. In addition to streamlining tax exemptions, we will strengthen revenue mobilization by:

- (i) developing a comprehensive package of measures for the post-war period to reform the taxation of carbon emissions, based on a concept of environmental protection; (ii) analyzing and assessing the taxation of extractive industries; and (iii) defining the principles of taxation of virtual assets, aligned with EU rules, in particular with regard to information exchange and initiatives of the OECD Global Forum. Work in several of these areas has already begun and will be supported by TA from the IMF FAD and other development partners.

- In the future, when conditions allow, we will consider reforms to make the tax system more equitable (e.g., through a more progressive personal income tax (PIT)). Also, according to the NRS we plan to carry out a comprehensive reform of the simplified tax (ST) system in order to limit the scope for abuse. The ST system's reform will aim to minimize opportunities for medium and large businesses to legally avoid the payment of taxes or to hide from taxation the sales volumes of goods and services, including goods illegally imported or produced; it will also aim to make it economically infeasible to use the ST system to move the legal basis for labor relations to civil law. However, as outlined in the NRS, such PIT and ST reforms require administrative reforms, including to safeguard the confidentiality of tax data in the STS systems and to provide tax authorities an access to data about the volume of funds on taxpayers' accounts in banks.

- We are currently developing legislative amendments to introduce reporting requirements for digital platform operators and international data exchange in line with EU Council DAC 7

Directive / OECD Model reporting rules, which will allow the STS to obtain data from digital platform operators and international authorities about incomes of private individuals who receive incomes without registration of private entrepreneurship or use the ST system. This will become an effective tool to control the timeliness, accuracy, and completeness of declarations of such incomes and will contribute to a significant expansion of the tax base due to inclusion of private individuals whose income is currently not taxed. The measure will facilitate revenue mobilization and harmonization of Ukrainian tax legislation with EU legislation and OECD standards and will become a first step to reform the ST system via the introduction of new digital control tools by the STS. We will submit relevant legislative amendments to Parliament by end April 2025 **(proposed *Structural Benchmark*, end-April 2025)**.

- We are also developing legislative amendments to implement rules to combat tax evasion practices that take into account the requirements of the EU Anti-Tax Avoidance Directive (EU ATAD) and the best international practices for preventing tax evasion and ensure effective protection of the tax base from erosion and profit shifting.

26. Near-term reform efforts at the State Tax Service (STS) focus on building public trust in the STS and developing modern compliance risk management practices:

- In October 2024, we will publish the results of a survey of taxpayers conducted earlier this year by an independent company.

- We continue efforts to improve excise tax administration, including for tobacco. To this end, and as envisaged in the NRS, we are developing a track and trace system, in cooperation with the Ministry of Digital Transformation, and remain on track to operationalize it by January 1, 2026.

- We will approve a long-term Digital Development Plan for the STS in accordance with the NRS's implementation plan (by the end of 2024). It will include measures for the gradual consolidation of IT platforms and information resources, and their administration by an independent administrator.

- We will take measures to ensure the confidentiality and protection of data in the STS systems (including information received from taxpayers and tax agents). To enhance the confidentiality of tax data held by STS, by end-2024 we will develop the concept of using de-personified data on taxpayers by tax authorities (see NRS section 4.2.3), until the risk of tax non-compliance is detected. These changes to our systems will be operational by end-2026.

- To improve our risk-based approach to tax administration, we developed methodological documents to operationalize the tax risk management system. We will adopt a compliance improvement plan (Overall Compliance Improvement Plan) as a comprehensive document on the identification, assessment analysis, and mitigation of risks by major types of tax risks. In July 2024, we officially launched a pilot of the new compliance risk management system.

- We are finalizing the IT framework for the e-audit program, which will automatically verify the consistency of tax declarations with other data. We will ensure that the e-audit program is fully operational by end-2025. We will also implement IT solutions for SAF-T UA (electronic format of data submission) for large taxpayers, by end-March 2025.

- We are also working on: (i) organizational restructuring to reflect the functional review (by end-2024) to better align the STS's organizational structure with the principle of functionally organized tax administration and support modern Compliance Risk Management practices of functional principle; and (ii) improving the efficiency of information exchange with foreign competent authorities. In June 2024 we obtained a positive assessment from OECD Global Forum on Informational Security Management Maturity.

27. Near-term reform efforts at the State Customs Service (SCS) focus on areas critical for reducing corruption risks and boosting capacity to combat fraud:

- We adopted legislation to criminalize large-scale customs fraud and smuggling, effective January 1st, 2024, for excisable goods and July 1st, 2024, for all other goods. We have also submitted legislation to modernize the framework to address administrative liability for violations of customs regulations, to be adopted by end-2024.

- We have also stepped up efforts to improve compliance risk management, including through an automatic risk management system and a significant expansion of the authorized economic operator (AEO) program from one participant at end-2023 to 50 by mid-2024. We will ensure a steady increase in the number of participants while making every effort to maintain its integrity. By end-2024, we will introduce a random check methodology to establish a baseline measure of compliance risk and assess the validity of existing risk criteria.

- As part of our ongoing customs reform, Parliament recently adopted a set of amendments to the Customs Code (***Structural Benchmark,* end-October 2024, met**). The reform will (i) simplify procedures, (ii) establish the legal basis for dismissing customs officers, including the role of integrity checks in a framework for periodic re-attestation (verification of their qualifications and integrity), (iii) set up a disciplinary committee, (iv) introduce the hiring of customs personnel on contractual basis, (v) ensure alignment with EU legislation and regulations, and (vi) continue to prevent the re-hiring of personnel previously dismissed from the civil service for ethics violations. The revised Customs Code also establishes a merit-based and transparent process for customs leadership selection, with integrity checks and with meaningful participation of independent experts with international experience. At the same time, reflecting SCS's central role in government finances, it ensures that, consistent with the law, the SCS remains subordinated to and accountable to the MOF, by

    a) tasking MOF with representing the government in the preparation of a short list of qualified candidates, together with the meaningful participation of independent experts with international experience, in the Selection Commission for head of SCS,

b) mandating the Minister of Finance to select the final candidate for head of SCS from the short list prepared by the Selection Commission, and to make an official nomination to the Prime Minister for submission to the CMU,

c) mandating the MOF to define key performance indicators (KPIs) for the purpose of measuring performance of the head of SCS,

d) mandating the MOF to assess performance against the KPIs,

e) giving the MOF the mandate to make recommendations to the CMU regarding the extension or termination of the SCS head's tenure, and

f) tasking MOF with giving broad policy directives to SCS, while giving SCS independence in managing its day-to-day operations.

We will swiftly enact and implement the law. We will, by end-June 2025, appoint a new permanent head of customs **(*proposed Structural Benchmark*, end-June 2025)**. Any vacancies for regional customs heads will be filled as soon as possible.

- We have launched an initiative to determine the criteria for assessing the impact of the SCS Anti-Corruption Program. This assessment will be supported by regular (biannual) independent surveys of traders on the perception of integrity level in customs. Moreover, we are working on: (i) reforms of HR and compensation policies; (ii) improving operational management of customs from its headquarters, including the development of centers of excellence for different functional tasks; and (iii) moving the verification/checking of customs documents from border crossings to inland offices.

28. Economic Security Bureau of Ukraine (ESBU). Given the importance of strengthening compliance controls and detecting major financial and economic crimes, there is a need to bolster analytical support for identifying tax evasion. To this end, the new ESBU law adopted in June 2024 enshrines robust mechanisms for transparency, accountability, and integrity. The ESBU will focus on major economic and financial crimes and strengthen its analytical capacity to prevent such crimes effectively using a risk-based approach (complemented by efforts to ensure the capacity of the STS and SCS to effectively address violations in the tax and customs spheres). Importantly, the law strengthens the requirements for the selection commission for the ESBU head with a decisive and crucial vote for independent experts with international experience. Independent experts will also play an important role in both the attestation process of existing staff to assess their integrity and professional competence, as well as the HR commissions to select new staff. We will appoint the new head of the ESBU based on the selection process **(*proposed Structural Benchmark*, end-February 2025).** The new ESBU head will approve procedures of attestation and form the attestation commission within three months from the date of the appointment of the ESBU head. The attestation of heads of division and territorial offices and their deputies will be prioritized. We will leverage the anti-money laundering and counter terrorist financing (AML/CFT) framework to support efforts to detect tax evasion and smuggling of goods in significant amounts through the use of financial intelligence tools, in coordination with relevant agencies.

Restoring the Medium-term Budget Framework

29. We will continue enhancing expenditure planning and the medium-term budget framework (MTBF). With the help of IMF TA, we will undertake a diagnostic review of pre-war MTBF policies and practices relative to best practices **(*Structural Benchmark*, end-October 2024)**. To this end, we have undertaken the first set of gap analyses, which have identified key areas of focus in our work. Based on this diagnostic review, we will take a sequenced approach to strengthening the medium-term budget planning and expanding the coverage of the Budget Declaration to include budget estimates of the local governments and social funds. In this regard, we expect that Parliament will adopt legislation soon to restore medium-term budget planning for local budgets. Our priorities include aligning the MTBF with international practices and EU requirements.

Pensions and Social Spending

30. We are taking steps to mitigate fiscal risks arising from the complexity of the pension system. Our pre-Covid pension reform addressed aging-related sustainability issues but did not tackle the complexity of the pension system. The ambiguity in the law has given rise to numerous court cases with adverse outcomes for the budget. To achieve greater legal certainty and avoid additional pension spending pressures caused by legal ambiguity, we will submit to the Parliament by end-March 2025:

- amendments to the legislation to ensure that Article 61, Part 5 of Law 3354-20 becomes effective immediately.
- new legislation prohibiting any changes to the pension system through unrelated legislation (i.e., outside the pension law).

We will refrain from passing any new legislation that would give rise to additional pension-related contingent liabilities.

31. With the help of World Bank TA, we are preparing modifications to the pension system and mechanisms to support vulnerable layers of the population:

- **Pensions.** In the next few years, we plan to work on a comprehensive conceptual framework to improve and simplify the pension system and are reviewing the possibility of introducing a second pillar of the pension scheme, when conditions are in place. We reiterate that any proposed legal amendments that would increase pension expenditures need to be accompanied by a medium-term fiscal and debt sustainability analysis, and a clear identification of the necessary resources in the amendments to the Pension Fund of Ukraine budget. We will refrain from: (i) introducing new special pensions or privileges; (ii) providing further discretionary benefit increases; and (iii) modifications that would lead to a lowering of the legally defined retirement age. In the near term, we will take measures to limit the amount of additional benefits paid to certain categories of pensioners, on top of the contributive part of their pensions. We will also offer a unified approach to the annual increase of all pensions assigned in the pension system, exclusively through the indexation mechanism. In addition, we will improve the targeting and prevent the abuse of certain pensions supplements, by clarifying eligibility criteria.

- **Mechanisms to support vulnerable groups.** We are working to further enhance the targeting and means testing of benefits to vulnerable groups of population. With the support of the World Bank, including through a programmatic loan, we are working on draft legislation to consolidate different types of social entitlements. More specifically, we are exploring the options for integrating various social assistance programs under a single unified package based on individual needs regardless of a recipient's status (e.g., IDP or non-IDP). In this context, we also have increased the income threshold for eligibility under the Guaranteed Minimum Income (GMI) program.

Fiscal Transparency and Risks

32. Measures to enhance fiscal transparency and address fiscal risks remain an important part of our program. Specifically:

- We have established a new unit within the MoF's Fiscal Risk Management Department dedicated to the management of risks related to public investment. The unit will complement the assessment of project risk undertaken by the PIM sectoral unit, MOE, and MOI and will play a key role in assessing aggregate fiscal risks within the new Public Investment Management framework (¶39).

- By including a Fiscal Risk Statement (FRS) in the 2024 budget, we achieved significant progress in strengthening our risk analysis. The FRS for the 2025 budget further expands the risk analysis by including a consolidated view of financial performance analysis and stress testing across major SOEs. Going forward, with IMF TA we will further quantify fiscal risks by including projections of fiscal variables (deficit, debt) under certain shock scenarios in the FRS. We are also taking steps to strengthen the policies and practices for feeding the FRS analysis into the annual budget preparation, strengthening the integration of fiscal risks at all stages of the budget cycle. For example, the medium-term budget declaration for 2025–2027 included information on key fiscal risks identified by line ministries and key spending units.

- In collaboration with the MOE, the MOF published, as part of the FRS, a list of PPPs and prepared a review of the associated risks and potential impact on the 2025 Budget and onwards.

- Based on recent IMF TA on risk assessment and SOE stress testing, we continue to strengthen SOE stress testing under different scenarios. We have identified major public companies severely affected by the war and, as part of the FRS, prepared an assessment of their potential fiscal and quasi-fiscal costs **(*Structural Benchmark,* end-September 2024, met**).

- To strengthen the link between the fiscal risks assessment and the predictability of government spending, we will update the methodological guidance (with input from MOE and other line ministries in their respective areas of responsibility) for assessing fiscal risks in key spending areas and contingent liabilities, including PPPs, guarantees, and SOEs. By integrating these assessments more robustly into the early stages of the budget cycle, fiscal risk analyses can better inform budgetary and fiscal decisions.

- The MOF will continue the development of risk-based fees for guarantees and prepare amendments to the existing decree. We are collaborating with an independent team of researchers at State Tax University and Kyiv National Economic University to develop the underlying risk assessment model. We expect the framework for risk-based fees to be finalized by end-2025.

- We recognize that earmarking revenues, including through special funds, entails important transparency risks, and increases complexity, which can have unintended consequences for budget planning and implementation. To this end, we will avoid any amendments to the Budget Code that would result in additional earmarking of revenues, including through creation of new special funds and/or transfer of existing revenues of the general fund to newly created special funds.

33. We are strengthening the framework to limit long-term debt vulnerabilities of local governments. In 2023, we introduced legislation to expand the list of local government entities entitled to local borrowing and to issue local guarantees, with MOF approval. In this context, it will be key to ensure debt sustainability at the local level by improving the regulatory framework and increase the level of fiscal prudence among local governments. To this end, we are making efforts to strengthen the institutional capacity of local governments to attract resources and to manage debt and guarantees. In parallel, we are working to improve the mechanism for approving the amounts and terms of local borrowing and local guarantees. We are also developing methodological frameworks that guide the relevant processes and creating tools to monitor and control the debt burden of local budgets, including through strengthened reporting requirements.

34. We have implemented reforms to reduce the BDF's deficit and limit fiscal risks from the BDF's 5-7-9 loan program. In line with the BDF concept note developed by MOF in consultation with MOE, we have reduced bank margins by 300-500 basis points, lowered the maximum size of working capital loans to non-priority sectors from UAH150 million to UAH5 million, reinstated state aid rules, and taken measures to target the lower end of medium-sized enterprises. In addition, after the end of the war, implementing ESG criteria will improve the quality of the program and further limit its size.

35. The MOF remains responsible for overseeing the BDF. We have developed a coordination mechanism with clearly defined roles for the MOE and the MOF. While the MOE will maintain its role of identifying priority sectors for SME support and modelling of all needed changes and development of the 5-7-9 program and the relevant financial instruments, the MOF will control and monitor spending under the program. This appropriately balances SME support objectives against fiscal risks and ensures that the established directions and bank lending limits are respected. The appropriations for the 5-7-9 program in the 2025 Budget will be consistent with the parameters of the program. We will also ensure that the 5-7-9 program remains solely within the BDF, preventing its delegation to (or replication by) other entities, except for other government decision following prior consultations with IMF staff.

36. Our reforms of the 5-7-9 program are accompanied by measures to strengthen the BDF's effectiveness and sustainability, consistent with the SME Development Strategy (Government Order No. 821). The MOF, in collaboration with international partners, has commissioned an independent assessment of the BDF (to be completed by end-2024) and its support programs, with the goal of refining their operational design to effectively serve only those SMEs that face substantial barriers to funding and of informing the future role of the BDF. Moreover, the World Bank will carry out a policy effectiveness review of the 5-7-9 program in 2024. We will wait for the results of these studies before making any changes to the BDF's structure or scope of activities. To ensure legal certainty and attract a wide range of qualified candidates for the BDF supervisory board, legislation was recently passed to align the asset declaration obligations of the BDF's foreign independent supervisory board members with those of SOBs, effective January 2025. To further strengthen the governance and financial self-sustainability of the BDF, we have recently increased BDF's fees from 0.15 percent to 0.5 percent and shifted responsibility for paying such fees from the government to banks participating in the 5-7-9 program, and we are committed to:

- Establishing a BDF supervisory board with majority of independent candidates (by end-January 2025).
- Adopting a law to clarify the mandate and ensure the independence of the supervisory board, as outlined in our BDF concept note (by end-year 2024). A draft law has already been submitted to Parliament.

37. To limit fiscal risks, any government lending facilities or development finance institutions will strictly adhere to international best practice. We will ensure that any legislation along these lines conforms to international best practice. Specifically, we will ensure that any proposal internalizes the need for appropriate oversight (including by the competent authorities), a business model that ensures long-term financial sustainability to mitigate fiscal risks, and incorporates sound risk management frameworks and corporate governance standards, to provide insulation from political interference. The implementation of any new programs will not affect existing government lending and granting programs along with the coordination mechanism with clearly defined roles for the MOE and the MOF. We will consult with IMF staff and other international partners before launching any such programs.

38. We will continue to enhance transparency in the management and spending of budgetary funds and special accounts:

- ***Fund for the Liquidation of the Consequences of the Armed Aggression.*** The Fund served its purpose well in the context of Budget 2023, supporting the restoration of destroyed and damaged property in the amount of UAH 38.1 billion. In 2024, the Fund is continuing to serve its purpose as stated in the Article 28 of the 2024 State Budget Law. The sources for the Fund's operations are expected to comprise the unspent balance which stood at about UAH 8.7 billion as of end-June 2024. In 2025, we will keep control over commitments and appropriations with the MoF as prescribed by the budgetary legislation.

- ***Special accounts.*** In April 2023 we amended the Budget Code to ensure transparency of sources, usage and reporting of funds on special accounts. Starting mid-2023, the MOF publishes information about sources and usage of funds in special accounts donated by private individuals and legal entities. We are committed to continuing transparency and accountability of these accounts.

Strengthening Public Investment Management

39. We are implementing the 2023 Roadmap to reform our public investment management (PIM) framework. The Roadmap will gradually address identified weaknesses in the areas of (i) strategic planning, (ii) integrating public investment into the MTBF, (iii) procedures for preparing, appraising, selecting, and implementing projects, (iv) institutional capacity, and (v) monitoring and evaluating implementation. Our PIM reforms will follow the principles of budget unity, coherence, and predictability and will strengthen coordination between the MOF, MOE, Ministry of Infrastructure, and other line ministries who remain responsible for project execution. To guide implementation of the Roadmap, we recently finalized a detailed Action Plan with a timeline that provides clear linkages between the MTBF and national reconstruction priorities, specifying a gatekeeper role for the MOF, which implies a central role for MOF in all stages of public investment management **(*Structural Benchmark,* end-December 2024, met*)***. The first stage of the Action Plan, covering 2024–25, is now being executed:

- As a first step to implement the roadmap, we recently established the Strategic Investment Council (SIC), which will play a central role in defining the project pipeline. In September 2024, the SIC endorsed the list of public investment projects for the 2025 budget.

- We will enact legal amendments (in line with Action 1 under the Action Plan) to (i) integrate PIM into the budget process, ensuring that only projects that were appraised and selected in the prescribed manner are included in the budget; (ii) define the functions of the participants in the PIM process; (iii) introduce medium-term planning of public investment, including prioritization of ongoing projects; and (iv) establish the mandatory use of a unified IT platform (DREAM; IT systems of the MOF and the MOE). The amended Budget Code will give MOF a clear mandate to verify—and report in annual budget documents—that all projects financed from the budget (and all PPPs and guarantee-backed projects) were appraised and selected in the prescribed manner **(*Proposed Structural Benchmark*, end-January 2025)**. Moreover, by end-February 2025, Cabinet will approve secondary legislation required to implement the Budget Code amendments.

- Upon adoption of the above Budget Code amendments, the CMU will approve a methodological framework underpinning the PIM process, including procedures and criteria (as described in Actions 17-22 under the Action Plan) for (i) the preparation of projects, (ii) the formation of the single project pipeline, (iii) the appraisal of projects, (iv) the selection of projects, (v) determining the sources and mechanisms of financing, and (vi) the implementation, monitoring, and evaluation of projects **(*Proposed Structural Benchmark*, end-February 2025)**. These procedures will provide a clear distribution of functions and responsibilities among participants in the PIM process and will adhere to the following principles:

    i. The degree of scrutiny will be commensurate with the scale and complexity of the project.
    ii. To speed up delivery, project review decisions will be timely.
    iii. To avoid a political commitment to projects before there is reasonable confidence in key project variables (e.g., cost estimates or delivery schedules), the procedures will include mechanisms to abandon or modify projects at any stage in the process. We will submit any necessary changes in regulation or legislation to this effect. In line with its gatekeeper role, MOF will have the right to trigger such mechanisms, especially for larger projects.
    iv. Conflicts of interest will be avoided, for example when officials appraise project proposals submitted by their own ministry.
    v. The source of financing will be considered only after a decision on whether to proceed. Moreover, availability of finance will not inform the decision, including for externally financed projects.
    vi. The review of project proposals by the MOF, MOE and MOI will be conducted in an integrated fashion (rather than by each ministry separately), so that interdependencies between the technical, economic, and financial reviews are adequately captured in the overall quality assurance of project proposals.

- By end-2025, we will enact legal amendments (in line with Action 31 under the Action Plan) to improve the integration of PIM into medium-term budget planning and fiscal risk management, covering: (i) use and recording of multiannual budget commitments and contingent liabilities for public investment projects; (ii) determination of contingent liabilities that may arise from PPPs; (iii) management and disclosure of fiscal risks related to public investments; and (iv) public investment budgeting at the local level.

- In parallel, we will finalize the required IT infrastructure (by end-2025) and will take steps to increase the institutional capacity of agencies participating in the PIM process.

E. External Debt Strategy

40. Our efforts to restore debt sustainability on a forward-looking basis remain guided by the strategy that we announced in March 2023. A treatment of external public debt remains necessary to help close financing gaps during the program period, reduce gross financing needs to manageable levels, including after the program, and to place public debt on a sustainable path. We have initiated this process by treating the Eurobonds in August 2024. Additionally, our strategy is designed to help create the necessary conditions for private sector participation in the post-war reconstruction of Ukraine and takes into account the importance of preserving financial stability. Our goal remains to restore public debt sustainability and ensure that our program is fully financed, including in a downside scenario.

Recently, we have made substantial progress on implementing this strategy:

- *Eurobonds*: After restricted consultations with an ad hoc committee of bondholders, we reached an agreement-in-principle on a restructuring of US$23.4 billion of sovereign Eurobonds (including capitalized interest arising from the debt service standstill that ended August 2024) and US$0.7 billion of government guaranteed bonds issued by the State Agency for Restoration and Development of Infrastructure of Ukraine (known as Ukravtodor). Under the agreement, the bondholders have received a package of bonds in a debt operation that delivers significant maturity lengthening, flow relief during the program, and nominal and NPV haircuts. A debt exchange offer opened on August 9 and closed on August 27, 2024. Creditors holding over 97 percent of the bonds consented to the offer, showcasing very strong support. The debt exchange settled on August 30, thus achieving an important step of our strategy.

- *Other commercial claims*: In addition to the bonds, we intend to start pursuing treatments of: (i) GDP warrants; (ii) government guaranteed bonds of Ukrenergo; and (iii) several external commercial loans. To this end, contact has been established with the holders of GDP warrants and Ukrenergo bonds to facilitate dialogue with the holders of such instruments and a moratorium on government payments on the respective instruments was introduced. We continue to be aided by our external financial advisors and remain committed to a credible process for restructuring these claims in line with the overall strategy under the program, including with transparency for information and communication.

- *Official bilateral debt.* Creditors in the Group of Creditors of Ukraine remain committed to a two-step process involving an extension of the debt standstill, coupled with a separate assurance to deliver a final debt treatment sufficient to restore debt sustainability before the final review of the IMF-supported program. The first stage—an extension of the standstill until 2027—was formally concluded in December 2023. We remain in close contact with the GCU regarding the restructuring of external commercial debt to ensure their comfort with the overall strategy as well as the treatment of Eurobonds in particular. Going forward, we will seek treatments on comparable terms with other official creditors, including guaranteed loans.

41. We believe that the full implementation of our strategy will allow us to deliver the debt sustainability targets under the program's baseline scenario. We are committed to undertake a further treatment of external commercial claims as needed to restore debt sustainability, in line with program parameters. We note that the exceptionally high uncertainty now prevailing means that it is difficult to pin down a future scenario. If the scenario prevailing at the penultimate review of the program (or once conditions of exceptionally high uncertainty abate if that occurs earlier) is worse than that on which the present restructuring is based, then a further treatment of external commercial claims would be required. This would be alongside the restructuring of official bilateral claims. The further treatment would be expected to take place once conditions of exceptionally high uncertainty abate, or at the latest by the penultimate review of the program. We continue to retain legal and financial advisors to assist us in this process and will continue to share information on a regular basis with creditors about an eventual further treatment, including the potential range of outcomes and possible timelines.

42. To support our goal of safeguarding debt sustainability, we will continue to strictly limit the issuance of guarantees (*Quantitative Performance Criterion*). Adequate space will be provided to facilitate guarantees on loans from International Financial Institutions (IFIs) and foreign governments for projects, including those for recovery and reconstruction.

F. Monetary and Exchange Rate Policies

43. Our monetary and exchange rate policies aim to safeguard price and external stability and ensure an adequate level of international reserves. Guided by our Strategy, we continue adapting our monetary and exchange rate policies in view of evolving macroeconomic conditions and outlook, including cautiously continuing with FX liberalization.

Monetary Policy

44. We will maintain an appropriate monetary policy stance to support price stability, anchor inflation expectations, and enhance FX market stability. In view of rapid disinflation combined with a favorable inflation trajectory, we continued the easing cycle by cutting the key policy rate (KPR) by 200 bps this year, at a faster pace than envisaged at the beginning of the year. We kept the KPR on hold at 13 percent at our July and September MPCs, in view of heightened risks to the inflation outlook from fiscal measures, energy costs and food supply shocks. Recent increases in FX demand also supported our decision and aim at keeping real rates high to preserve the attractiveness of hryvnia instruments. Pending the resolution of uncertainty on key inflation determinants, we will maintain this tight monetary stance, while standing ready to resume the easing cycle if inflationary pressures abate. Despite these mounting risks, inflation remained close to the target through July while accelerating moderately, as expected, in August, and expectations remained well-anchored. Control of inflation has been enhanced by the gradual restoration of monetary transmission channels, including by the KPR gradually regaining its effectiveness in fulfilling its role as the main monetary instrument, due to operational design adjustments undertaken by the NBU.

45. We continue to carefully assess the conditions required by our Strategy to continue our gradual transition toward a full-fledged inflation targeting regime as conditions permit. Our strong commitment to achieving and supporting price stability in the medium term is crucial in guiding inflation expectations. As expressed in our updated Monetary Policy Guidelines and in line with our Strategy, in order to safeguard macroeconomic and financial stability our interim regime deviates from that pre-war due to the managed flexibility of the exchange rate, a vital policy instrument due to high uncertainty, as well as given underlying macroeconomic conditions. The flexibility inherent in our inflation targeting regime, which accommodates short-term deviations from the inflation target in response to shocks, should facilitate the adjustment of the Ukrainian economy to shocks while maintaining control over expectations. To this end, we plan to steer monetary policy towards sustaining moderate inflation through 2025, followed by its return toward the target of 5 percent over the relevant policy horizon. In the meantime, to support our readiness for our transition to full-fledged inflation targeting, we will continue to allow sufficient exchange rate flexibility to serve as a shock absorber, while also preventing the accumulation of external imbalances, and safeguarding valuable reserve buffers. The NBU intends to adapt its monetary policy if the balance of risks to inflation and the economic outlook changes significantly over the forecast horizon. Overall, in line with our Strategy, we intend to maintain sufficiently positive real interest rates to support price and external stability.

46. To ensure appropriate attractiveness of hryvnia-denominated instruments and strengthen monetary transmission, we will continue to adjust the operational design of our monetary policy framework and take steps to manage the banking system's structural liquidity position.

- Our update of our monetary policy operational design to the floor system, with the key policy rate on the overnight CD, continues to support monetary transmission. Our use of 3-month CDs, access to which is linked to retail hryvnia term deposit growth has supported real returns and volumes of such deposits, enhancing FX sustainability and bank funding. However, we continue to make technical adjustments to the operational design to better enable alignment with the appropriate monetary stance and enhance monetary policy transmission, and supporting external stability and FX reserves. This has included adjusting the eligibility for 3-month CDs and, as done most recently in September, reducing the spread between the rates on 3-month CDs and overnight CDs, and the spread between the KPR and the refinancing rate. Going forward, we will continue to monitor the impact of this instrument on banks' behavior and the transmission of monetary policy as further changes to our operational design are introduced, ensuring these are carefully calibrated while preserving hryvnia assets' attractiveness and monetary stability.

- We have increased reserve requirements and the share of these requirements that can be met with eligible domestic bonds to 60 percent. The combination of these measures will strengthen the flexibility of banks in managing their liquidity and support the uptake of government bonds in the primary market to meet additional financing needs in 2024. We will carefully monitor the impact of these adjustments on liquidity conditions.

- Over time, consistent with the evolution of liquidity conditions, we may consider the introduction of instruments beyond an overnight maturity to achieve, among other objectives, an increase in the average maturity of our sterilization operations, while considering the implications for the primary government bond market.

Exchange Rate Policies

47. Effective operationalization of the managed flexibility exchange rate regime has enhanced the FX market's capacity for self-balancing and strengthens the exchange rate's role as a shock absorber while safeguarding reserves. The exchange rate, while supported by FX interventions, has fluctuated in both directions in response to market conditions, reflecting the effects of domestic and external shocks. FX trading has increased significantly, accompanied by a notable increase in its depth: since the transition to managed flexibility, transactions excluding the NBU's participation have more than tripled, and their share more than doubled. The spread between exchange rates on the cash and official exchange rates remained compressed, not exceeding 1.3 percent in July-August 2024, thus aligning different FX market segments. In general, these developments help to reduce the FX market's sensitivity to short-term volatility and strengthen its ability to self-balance. Allowing the exchange rate to adjust to domestic and external shocks and ensuring the exchange rate fluctuates in both directions in response to changes in the balance of supply and demand will enhance the resilience of the FX market and Ukrainian economy. We continue to monitor the FX market closely and to calibrate our FX intervention policy to achieve the program's objective of external stability, including consistency with the program NIR targets. As envisioned in our strategy, FX interventions will be used to fill the war-related structural FX deficit of the private sector (while accommodating the structural surplus of FX in the public sector) and to reduce excessive volatility of the exchange rate provided it moves in both directions, with the level of the exchange rate otherwise determined by prevailing market conditions. Avoiding excessive exchange rate volatility under the managed flexibility framework will further help keep inflation and exchange rate expectations under control, thereby preserving confidence in the hryvnia and supporting our eventual return to full-fledged inflation targeting. We will also continue to facilitate the functioning of the FX cash market to ensure a low and stable spread, in line with our Strategy, including by easing access to noncash FX and increasing cash FX supply depending on market conditions.

48. We are committed to maintaining adequate FX reserves throughout the program to safeguard external stability. We met the end-June 2024 Quantitative Performance Criterion on net international reserves thanks to still robust current account performance supported by private transfers, lower-than-expected outflows from FX liberalization measures, and a better-than-expected services balance which more than offset lower financial flows from a moderation in net FDI and trade credit liabilities. Preliminary data suggest we have met the end-September 2024 NIR PC helped by, inter alia, higher FX debt issuance. While risks to the outlook remain exceptionally high, we remain committed to achieving the NIR targets for the remainder of the year and through 2025.

49. We continue to carefully adjust FX controls to support the economic recovery, while maintaining FX market stability and accommodating national and international security considerations. In line with our Strategy, we have cautiously eased FX controls, including most recently by further easing external loan repayments for corporates' Eurobond financing, alongside facilitating international leasing and increasing fund transfer limits for specific entities. These reforms are aimed at improving the investment environment, facilitating debt management, and promoting capital inflows into Ukraine, while considering assessments on macroeconomic conditions and outlook, and also ensuring consistency with the overall policy mix. We will remain vigilant, aligning with the FX liberalization roadmap under our Strategy to safeguard macroeconomic stability. To ensure the effectiveness of our liberalization efforts, we will continue to closely monitor the situation, including via bank-level data, to identify and address potential circumvention, as recently done to address schemes involving the use of specific MCC codes for circumvention of FX restrictions (notably for purchases of jewelry and real estate abroad).

NBU Independence and Governance

50. We remain committed to avoiding monetary financing. If unexpected critical needs arise or external disbursements are delayed, we will first explore additional measures, such as drawing down excess government deposits or tapping the government debt market. We will request monetary financing from the NBU only as a last resort and in strictly limited amounts, underpinned by a framework that has been mutually agreed between the MOF and NBU in consultation with the IMF, and for which an NBU resolution was adopted in September 2024. We will also avoid indirect forms of monetary financing that are outside the core functions of the NBU, such as through the directed provision of liquidity to banks for the purchase of government securities on the primary market. Direct financing of off-budget programs by the NBU will be avoided altogether.

51. We remain fully committed to upholding the independence and institutional effectiveness of the NBU. A strong and independent NBU remains critical to achieving macroeconomic stability and will support the eventual transition back to a full-fledged inflation targeting framework with a floating exchange rate.

- *Governance arrangements*. We will ensure strong governance arrangements within the NBU. We have further enhanced the MoU between the NBU and the MOF for servicing the government's obligations to the Fund by the NBU through the introduction of additional agreements and necessary contracts, as well as rigorous monitoring of the status of settlements between the MOF and the NBU.

- *Financial autonomy*. We will continue adhering to our profit retention rules and ensure that the distribution of NBU profits to the state budget takes place in line with procedures established by the NBU Law. We commit to refrain from using NBU profit for earmarked spending and will direct this revenue category to the General Fund of the State Budget. Finally, we recognize that costs incurred from monetary policy implementation via liquidity absorption (interest expenses on NBU CDs) are both necessary and justified to support macroeconomic stability in line with our mandate. These costs have decreased in line with the recent monetary easing.

52. **We are taking concrete steps to incorporate recommendations of the 2023 Safeguards Assessment.** In July, pursuant to a key recommendation of the Safeguards Assessment, the NBU Council conducted a self-assessment assisted by external consultants, containing recommendations to further improve its oversight role and collective fitness. We will continue working with IMF staff to develop and adopt amendments to the NBU law to establish appropriate selection criteria for the Council and strengthen financial autonomy safeguards, clarify counterparty eligibility for refinancing operations and emergency liquidity assistance and further strengthen NBU's status as a secured creditor. We will also work to ensure vacant positions in the NBU Council are promptly filled.

53. **As part of our efforts to achieve our strategic goal of EU accession, we will continue to improve the conceptual framework and content of the NBU's financial reporting.** We aim to provide reliable and relevant presentation of information, taking into account the purpose and unique features of the central bank's operations. With the help of technical assistance from the IMF and other partners, we will study the experiences of European national central banks, the legal framework for accounting and financial reporting in the European System of Central Banks (ESCB), and assess the NBU's readiness to transition to financial reporting in line with ESCB standards.

54. **We intend to carefully unwind the unconventional measures undertaken to support price and external stability in wartime.** Urgent wartime challenges necessitated the use of several nonstandard measures by the NBU to support macroeconomic stability. We will strive to ensure that such measures are well-targeted, clearly communicated and time bound. For example, as the structural liquidity surplus unwinds, we will adjust the design of our monetary policy operational framework to better align with economic conditions, including assessing the merits of reverting to a corridor system. When conditions permit, we are committed to phasing out war-time measures. This will strengthen our monetary policy toolkit, safeguard NBU credibility and independence, and thereby support our goals to eventually return to a full-fledged inflation targeting framework with a floating exchange rate regime.

G. Financial Sector

55. **Our wide-ranging emergency measures have preserved financial stability.** We will continue to closely monitor developments in the financial sector and make adjustments to policies as necessary. Despite the severe impact of the war, the majority of bank branches remain operational, online banking services are fully available to all clients with internet connectivity, the non-cash payment system is functioning normally, and liquidity is robust for most banks. To ensure the continuity of the banking network, we introduced “Power Banking” in late 2022. The network currently includes over 2,400 branches or about 55 percent of the total, which are capable of providing banking services even during prolonged power outages. The Power Banking project continues to evolve to further strengthen resilience. Despite heavy attacks to energy infrastructure in September, 98.5 percent of the branches in the Power Banking network remained open and

operational during prolonged disruptions to electricity supply. The licenses of eight small banks (around 4 percent of system net assets as of December-2023) have been revoked under Martial Law and one bank (also around 4 percent of system assets) was nationalized.

56. Recognizing the importance of a well-informed approach to supervision, the NBU continues to undertake detailed bank diagnostics. These are critical to ensure prudent and consistent valuation of banks' assets, informing triage and the modalities of eventual balance sheet cleanup.

- The NBU completed a resilience assessment of banks comprising 90 percent of system assets in December 2023. This asset valuation and solvency assessment found minor capital needs in five banks, which have mostly been addressed. Four banks submitted capital management plans to close the approximately UAH 10 billion (US$260 million) gap as of end-2023 in two stages by March 2026. The findings of the 2023 resilience assessment have been fully reflected in banks' regulatory ratios and financial statements.

- Annual resilience assessments will resume in 2025, which includes asset quality reviews and stress testing under baseline and adverse scenarios and involve external auditors.

- The NBU will assess key financial and operational risks to financial stability under various downside scenarios in consultation with IMF staff and update NBU's contingency plans accordingly (***Structural Benchmark*, end October 2024**).

- In line with the Terms of Reference adopted by the NBU in January 2023, we will: (i) complete an independent asset quality review (AQR) once conditions have stabilized; and (ii) carry out a subsequent bank viability assessment. The current prohibition on bank capital distributions will remain in place until after the independent AQR findings have been fully reflected in banks' regulatory ratios and financial statements, and banks will not be subject to further fiscal measures that erodes capital buffers. In the interim, the NBU's regulatory activities will be informed by supervisory observations and resilience assessments.

57. We are determined to take the necessary steps to preserve financial stability and limit the potential fiscal cost of any interventions. Our priorities will focus on continued preservation of financial stability whilst ensuring financial and operational readiness to respond adeptly to shocks. The NBU and Deposit Guarantee Fund (DGF) have prepared contingency plans to respond to further potential high-impact events in their respective areas, in consultation with key stakeholders and IMF staff. The Financial Stability Council has approved those plans related to preparation for potential adverse rulings from the constitutional challenges against the DGF Law and an updated contingency plan to prepare for litigation risks concerning past bank resolution decisions. We will continue to monitor developments and update these plans as needed.

58. The DGF, MOF and NBU will prepare a bank rehabilitation framework in consultation with IMF staff (*Structural Benchmark*, end-December 2024). It will be based on existing roles and responsibilities of financial safety net stakeholders and include: (i) measures to strengthen operational readiness, including regularly updated bank recovery and contingency plans; (ii) close key outstanding legislative and operational gaps in early intervention, temporary administration, and resolution frameworks by end-December 2024, as set out in an updated roadmap prepared in September 2024 by the DGF and NBU in consultation with IFIs; (iii) revive the work of the NBU-DGF coordination committee to improve information sharing between the NBU and DGF to foster cooperation and functioning of the two institutions; and (iv) ensure that the DGF continues to have adequate financial backstops. To this end, the NBU has reinstated requirements for banks to update their recovery plans and first submissions from banks were received in September. Based on the recommendations of the Financial Stability Council, the DGF Administrative Board approved the quantum and timeframe for achieving the deposit insurance target coverage ratio. We will continue to maintain emergency financial backstops at least until the target ratio has been reached. In addition, the NBU will align its frameworks for counterparty eligibility in monetary policy operations with international best practice and their coordination with lender-of-last-resort operations. The framework preserves the progress under past reforms and takes into account the longer-term goals related to EU accession.

59. We will refrain from making any changes to the allocation of roles and responsibilities of financial safety net stakeholders during Martial Law. The current financial safety net design is heavily shaped by reforms undertaken under past Fund-supported programs and has served Ukraine well during crisis times. The DGF plays an important role in Ukraine's financial safety net by safeguarding deposits and addressing insolvent banks. We recognize that maintaining its current role in the financial safety net is therefore essential. In consultation with IFIs, (i) we initiated the hiring of a new Managing Director in September 2024; and (ii) the Financial Stability Council established a working group in August 2024 consisting of representatives from the NBU, MoF, and DGF to review DGF governance arrangements. The scope of the review will include the composition of the Administrative Board as well as DGF accountability, legal protection, functioning of decision-making structures, internal controls, and the procedures for the appointment of the Managing Director. The working group will prepare legislative proposals to close gaps relative to good practice by end-March 2025. The new appointment procedures will include the engagement of an independent HR firm to assist with the selection process and introduce a nomination committee comprised of voting representatives and IFIs as observers.

60. Our decisions will be consistent with our overall strategy to reduce state ownership in the banking sector. Any decision that has the potential to increase state ownership in the banking sector will be taken in consultation with IMF staff and be strictly limited to matters related to preserving financial stability and national security decisions during the Martial Law period. All systemic banks with majority state ownership will fall under the responsibility of the MOF, and any non-systemic banks that come under state ownership will not be recapitalized using fiscal resources and will be transferred to the DGF for resolution upon breach of prudential requirements **(*Continuous Structural Benchmark*)**. We are considering how to include our vision for state-owned banks and financial institutions in our Financial Sector Strategy. In the immediate future, the key steps are as follows:

- Preparing and implementing a framework to inform decisions on any additional banks that come under state control, which aims to preserve value, ensure effective operational management, and reach decisions on the future of such banks.

- We will continue to undertake analysis of the state of the banking system and wartime developments and needs. Informed by the NBU resilience assessment, we developed capital management plans and adjusted the business plans of SOBs needing capital increases to meet the requirements. The MoF in its capacity as SOB shareholder representative has instructed SOBs to maintain best practice risk appetite frameworks. Once the independent AQR is concluded, we will use its results to update the general SOB strategy and subsequently, strategies for individual banks with majority public ownership, including with respect to privatization (in line with our Financial Sector Strategy).

- In preparation for privatization of banks with majority public ownership, we prepared a draft law on SOB privatization in consultation with IFIs and submitted it to Parliament in September 2024. We are also preparing two systemic state-owned banks for sale, Sense Bank and Ukrgasbank. We are planning to appoint an internationally recognized financial advisor by end-December 2024 using a transparent procedure and in consultation with IFIs. The privatization of SOBs will be excluded from the general privatization law. Given uncertainties with sale processes, we will take steps to facilitate fully operational SOB supervisory boards, including Sense Bank.

- The Ministry of Economy will develop strategies for the Ukrainian Financial Housing Company and Export Credit Agency in consultation with the Ministry of Finance by end-November 2024 to align with the general targets of financial sector development.

61. We will take further steps to align financial and credit market infrastructure with international good practice.

- *Financial reporting*. We will restore the legislative obligations to submit financial statements and audit reports for financial institutions for the 2023 financial year and for business entities located outside the occupied territories for the 2024 financial year. In anticipation of this change, the NBU has fully restored prudential reporting requirements for NBFIs. To improve the quality of financial reporting in the non-banking financial services market, in September 2024 we restored the requirements for mandatory quality control of services provided by audit companies, including the verification of audit reports prepared to comply with the requirements of the law. We will expand the functional capabilities of the Financial Reporting Collection Center to ensure stakeholder access to financial reports submitted by financial institutions to the Center in XBRL format by end-December 2025. Key tasks include identifying and allocating appropriate budgets to integrate software systems for reporting entities, state users, and the Financial Reporting Collection Center platform.

- *Bank capital rules.* In recognition of the importance of preparing for EU accession, the NBU issued a regulation to align banks' regulatory capital structure with the EU Capital Requirements Directive and Regulation in December 2023 and banking groups in July 2024. The calculation of capital adequacy ratios considers the updated capital structure since August 2024. Additionally, in July 2024, the NBU adopted regulations on the procedure for calculating the leverage ratio of banks and banking groups. With the continued support of the World Bank, we will close key gaps in regulatory capital requirements by end-June 2025 and other gaps thereafter. The implementation of the new requirements will be phased to facilitate banks integrating them into their business plans. To align with the EU Directive, the NBU will prepare amendments to the legislation to increase banks' minimum share capital to the equivalent of EUR 5 million by end-January 2025 with a six-month transition period for existing banks. The NBU will continue monitoring prevailing economic conditions and relax controls and reinstate pre-war regulations when it is safe to do so and based on banks' adherence to the new capital requirements aligned with EU standards, the results of resilience assessments, and considering the banking system's role of lending to the economy and their involvement in the domestic debt market.

- *Property valuations law*. In recognition of the need for prudent (fair) valuation of real estate and bank collateral for all economic entities and public authorities, the State Property Fund (SPF) will close the gaps with international standards in consultation with the NBU, NSSMC and IFIs, and: (i) by end-June 2025 in coordination with the World Bank submit to Parliament amendments to the law "On Valuation of Property, Property Rights and Professional Valuation Activities in Ukraine" that closes the gaps with international valuation standards, and (ii) by end-December 2025, we will propose an implementation roadmap that includes transitional arrangements, details of supportive regulation and/or guidance, steps to strengthen the valuers' profession including additional training requirements for valuation of financial assets (banking assets, insurance assets and collateral), and creation of a register of valuations for financial assets.

- *Immovable property databases and indices*. In March 2024, the NBU and Ministry of Justice prepared a detailed proposal in consultation with key stakeholders to increase the transparency of the real estate market for participants (including international investors), strengthen systemic risk analysis and mitigation, and bank collateral valuations. This proposal includes conditions, details, and timelines for introducing: (i) a publicly accessible database of real estate transaction prices with detailed metadata including structural parameters of primary and secondary market; and (ii) residential and commercial property price indexes. Based on this proposal, the Ministry of Justice and the NBU will continue to implement reforms within the timeframe planned in the proposal to launch databases and publish the indices in 2025.

- *Virtual assets*. Virtual assets pose risks to price stability, the effectiveness of monetary transmission, and tax revenue in the absence of a strong legal framework. The NBU and NSSMC will prepare an update of the legislation with input from IMF technical assistance and in consultation with IMF staff by end-December 2024 to align with international best practice while considering economic development goals and mitigating price and financial stability risks.

- *Non-performing exposures*. The NBU, in consultation with IFIs, has aligned the definition of non-performing exposures with Article 47a (non-performing exposures) and Article 178 (Default of an obligor) of Regulation EU 575/2013 of the European Parliament and the EU Council of 26 June 2013. The amendments will come into force from January 1st, 2025, and will strengthen monitoring by supervisors and banks. We will take further steps to strengthen banks' NPL workout capacity and to revive the secondary market for NPLs, in line with the NPL strategy approved by the Financial Stability Council.

- *NBU's status as a secured creditor*. We will strengthen the NBU's status as a secured creditor in line with the IMF's Safeguards Assessment Report. We will submit to Parliament by end-December 2024, law amendments that reflect the NBU and the DGF's coordinated position and that aim at strengthening the NBU's status as a secured creditor of banks by improving the mechanisms for extraordinary satisfaction of the NBU's claims through collateral, management, and sale of collateral.

62. We are fully committed to further strengthening banking supervision.

- *Supervisory panels*. NBU Supervisory Committee decision-making has been strengthened by implementing "supervisory panels" as a consulting body to the Committee that provides additional independent review by relevant subject matter experts. We undertook a survey of the effectiveness of the new supervisory panels, in end-September 2024, in consultation with IMF staff.

- *Transition to risk-based supervision*. The NBU will prepare and implement a supervisory risk assessment methodology to inform supervisory engagement priorities (***Structural Benchmark*, end-December 2024**). We will apply this methodology to all banks and prepare a supervisory action plan by end-December 2024. We will also adjust the organizational structure for bank supervision to leverage efficiencies as we transition to a risk-based approach; continue to develop expertise for effective supervision, in particular, for supervision of information and communications technology risks as part of operational risk; and further improve the professional capacity of bank supervision, which will include the development of professional profiles needed and a multi-year training program for new hires.

- *AML and Banking Supervision*. The NBU will continue strengthening risk-based AML/CFT supervision of banks, payment service providers and non-bank financial institutions, particularly in relation to corruption, tax crimes and illegal gambling. By end-December 2024, we will amend Article 32 of the AML/CFT law and corresponding amendments to Article 73 of the Banking Law to ensure that the penalties for AML/CFT violations by entities regulated and supervised by the NBU are effective, dissuasive, and proportionate, in line with the FATF standards. The financial sanctions applied to such entities will be established by the laws of Ukraine and the regulatory legal acts of the National Bank of Ukraine.

- *Supervision of banking hybrid business models*. We recognize the growing importance of banks' hybrid business models, including Banking-as-a-Service, a model in which banks integrate their digital banking services with non-bank businesses. The NBU will prepare an oversight framework concept note, by end-October 2024 and in consultation with IMF staff, that considers the specific risks of such business models (including operational resilience, critical third parties, and AML/CFT), and aligns with international standards and best practices.

- *Transfer of bank ownership*. We commit to ensuring that any future transfers of bank ownership, including following seizures during Martial Law, can only take place with due regard to the Law of Ukraine on Banks and Banking and following formal notification, review, and approval of the process by the NBU.

63. We will strengthen the legal, regulatory, and supervisory framework for non-bank financial institutions (NBFIs) and financial markets.

- *Legal framework*. In December 2021–July 2023, we passed legislation on Financial Services and Financial Companies (#1953), Insurance (#1909) and Credit Unions (#3254). Most provisions of these laws came into force in January 2024 and the NBU has prepared implementing regulations. Rules for insurance intermediaries apply from January 2025, and Solvency II will apply from January 2027. The NBU and DGF plan to initiate the development of a deposit insurance framework for credit unions and a guarantee framework for life insurance companies after Martial Law is lifted, and once the regulations required for enforcing the above laws are fully implemented.

- *Capital and reporting requirements*. To further strengthen the NBFI market, the NBU increased capital requirements for financial companies which came into effect in July 2024. The NBU has developed a supervisory risk assessment methodology that distinguishes between the types of NBFIs. By end-December 2025, the NBU will test this methodology to refine it and transition to a risk-based approach for supervising NBFIs. The NSSMC will prepare draft regulation for financial intermediaries by end-December 2024, which will bring their capital requirements in line with the EU acquis. The regulation will be enacted by end-December 2025 following consultation with IFIs.

- *NBFI governance*: As part of its supervisory strategy for the NBFI market, the NBU will continue to strengthen its review of NBFIs and their ownership structures to ensure compliance with the transparency standards and that NBFI owners meet the requirements for business reputation, and financial/property status.

- *Payments market*. Draft law (#11043) that will strengthen regulatory requirements for market participants has passed the public consultation stage and is ready for the second reading. It aims to align with the EU payment services directive (PSD2, 2015/2366) and international good practice. To prioritize supervisory activities of payment service providers in consultation with IFIs, we: (i) prepared a concept note for a supervisory risk assessment methodology in August 2024 and will implement the methodology by end-December 2024; (ii) will develop the reporting system; (iii) will strengthen supervision capacity through hiring specialists and building analytical competence; (iv) prepared a concept note in June 2024 on regulatory requirements for person to person (p2p) and other such electronic payments with the aim of identifying and restricting abnormal behavior and implement the reforms as quickly as possible; and (v) developed a concept note in August 2024 on the establishment of a public register to record card holder and merchant violations, and its potential use by market participants and government agencies such as cyber police, SSU, ESBU, and SFSU. To minimize illegal use of the payment infrastructure, the

NBU will prepare by end-December 2024 a legislative proposal to: (i) extend supervisor's authority to limit operations of payment service providers non-compliant with regulatory requirements; and (ii) establish two public registers to be used by banks when establishing business relations and servicing customers. The first register will be of persons with a high risk of payment transactions related to illegal activities, and the second of business entities to promote correct use of payments activity codes. Additionally, the NBU will prepare a concept note by end-December 2024 on measures to strengthen the risk-based approach by banks and non-bank payment service providers when establishing business relationships with new clients.

- *Capital market regulation and harmonization with IOSCO principles*. Law (#3585) on the National Securities and Stock Market Commission (NSSMC) which enhances the NSSMC's powers, independence and institutional capacity, and its cross-border and domestic cooperation mandate was enacted in April 2024. The law considers the mandate of other regulators, and we will move swiftly to align with IOSCO principles by conducting the screening process to become a signatory of IOSCO's multilateral MoU by end-June 2025 with full implementation of the other provisions of the law by end-June 2026. The NSSMC will take steps to enhance the operational efficiency of NBU's capital controls in consultation with the NBU, including through regulatory harmonization and aligning capital flow restrictions for securities accounts with those applied to bank accounts by end-December 2024.

- *Related parties*. Taking into account supervisory observations in the recognition of related parties, we have submitted an important draft law to Parliament aimed at strengthening supervisory powers to duly capture economic interdependencies and related party risks. We will take the necessary steps to facilitate the adoption of the law by Parliament by end-December 2024.

- *Insurance transparency*. We adopted a regulation in February 2024 that requires auditors to confirm that insurers have acceptable assets and to assess their value for the 2023 financial year. We will also assess the feasibility of updating the disclosure requirements for insurance and reinsurance brokers by end-December 2025.

- *Strengthening NBU legal capacity*. We will establish effective procedures for addressing violations in the provision of financial services and limited payment services, including strengthening the regulator's role in such procedures.

- *New enterprise licensing rules under Martial Law*. We enacted Law #3869-IX in September 2024 to reduce licensing red tape and encourage the establishment of new enterprises under Martial Law. Economic activities overseen by the NBU are excluded from the law and we have assessed activities overseen by the NSSMC and taken steps to exclude those from the scope of this law that have bearing on financial stability.

64. In recognition of its important catalytic role in post-war economic recovery, we will take steps to enhance credit and financial market infrastructure:

- *Capital market infrastructure.* The NBU and the NSSMC have implemented the necessary mechanisms for foreign investors to directly access marketable debt instruments (municipal bonds and other Ukraine reconstruction-related debt instruments). The NSSMC, National Depositary (NDU), and NBU will target establishment of a direct link between the Central Securities Depository (CSD) and foreign CSDs by end-July 2025 to expand foreign investors' access to a broader range of instruments and markets. The NBU, NSSMC, and MOF, in consultation with IFIs, will develop a targeted model for capital market infrastructure development that will facilitate engagement of foreign investors by end-November 2024.

- *Secondary market for government bonds*. The largest stock exchange for domestic government bonds is undercapitalized and the NSSMC has agreed recapitalization terms with the owners. To mitigate the risks to functioning of the secondary government bond market, the NBU and NSSMC have coordinated to facilitate launching by Settlement Center, an NBU majority owned central counterparty, contract making and clearing services for over-the-counter transactions in government bonds.

- *War risk insurance system*. The working group of the FSC has finalized a draft law establishing a fully functional war insurance system and presented it to the FSC in August 2024. The draft law will be submitted to Parliament by end-December 2024 following a public consultation.

- *Financial inclusion.* The war is jeopardizing access to financial services for households and enterprises in areas close to the armed conflict zone, in the liberated territories, as well as for certain groups of the population. The war is also restricting IFIs' ability to comprehensively assess financial inclusion developments and priorities. We have collated fresh data with the assistance of the World Bank using a best-efforts approach and will update our financial inclusion strategy in consultation with IFIs by end-December 2024. We will encourage financial institutions to do more to meet the needs of vulnerable clients and to reintegrate de-occupied territories. The NBU prepared a legislative draft proposal for a specialized and restricted banking license in July 2024 which aims to quickly tackle growing financial inclusion challenges by leveraging on existing infrastructure. These specialized banks will: (i) be subject to the full extent of the Law of Ukraine on Banks and Banking; (ii) participate in the Ukraine deposit insurance scheme; (iii) have limits imposed on lending and funding operations. The proposal has been prepared in consultation with key stakeholders and IFIs, and with due regard to international good practice.

- *Lending development strategy*. The Financial Stability Council approved a strategy to support bank lending that aims to provide a unified policy approach to support fresh credit, which includes a prioritized interagency NPL resolution action plan informed by the 2023 NBU resilience assessment. It focuses on targeting subsidized lending instruments to key priority sectors during the war and further developing credit infrastructure to support banks' risk management and lending decisions. NBU regulation and supervision will continue to apply to institutions that provide financial services to a large volume of clients, and any authorities or agencies mandated with improving the lending infrastructure will adhere to the approved strategy. The NBU will coordinate with other stakeholder authorities and will prepare detailed action plans to implement the steps outlined in the Strategy's second (implementation) phase, including for exchange of information, protection of creditors' rights, and tackling NPLs.

- *Responsible consumer lending*. To strengthen borrowers' rights, improve information exchange, and encourage responsible lending, we submitted to parliament in February a draft law on improving state regulation and the functioning of credit bureaus. We will take the necessary steps to facilitate the adoption of the law by Parliament by end-December 2024. We will also enhance the supervision of credit bureaus by establishing requirements for ownership and internal controls within six months of the law being adopted by the parliament and signed by the President.

- *Monetary derivative instruments*. To hedge foreign exchange and interest rate risks and improve monetary transmission, the NBU in consultation with IFIs, including via technical assistance, will prepare a concept note by end-December 2024 that will set out the steps, conditions and timing needed to introduce and develop the derivative financial instruments (including forwards) market.

65. Finally, we will continue our efforts to recover value from former shareholders of failed banks. We reconfirm our commitment to continue efforts to recover value from assets of failed banks and to abstain from any interference with the current asset recovery strategies of the largest bank nationalized in 2016 and of the DGF.

H. Governance and Anti-Corruption

Governance of Reconstruction

66. Our strategy for post-war reconstruction will meet the highest standards of transparency and accountability. In coordination with international partners, we plan to take full advantage of digital technologies in implementation of the full cycle of public investment projects, providing timely information to transparently track and analyze related projects throughout the whole project cycle from planning to implementation, including procurement processes and expenditures. We will achieve this through developing a single digital ecosystem for PIM based on the updated Ministry of Economy's Prozorro digital procurement system, the Ministry of Finance's IT systems for planning and execution monitoring of state and local budgets and IFI projects, the Digital Restoration EcoSystem for Accountable Management (DREAM) and other relevant systems and registries. Comprehensive audits of the use of reconstruction funds, performance audits of selected individual projects (including project costs, deliverables and outputs), and timely publication of audit reports will also be key features of the reconstruction strategy. Our strategy will integrate and implement mechanisms to prevent and identify corruption risks, and cases will be referred, as appropriate, for follow-up by the anti-corruption institutions. In line with their memorandum of understanding, the NABU and the State Agency for Restoration and Development will continue cooperation efforts and exchange of information to prevent and detect corruption.

67. We will undertake efforts to enhance the institutional independence and effectiveness of key audit institutions to ensure that public funds, including for reconstruction and recovery, are used for their intended purposes and any misuse is prevented or detected. In this respect, a law will be enacted to enhance the independence (organizational, functional, and financial), mandate and effectiveness of the Accounting Chamber of Ukraine (ACU) to fulfill its constitutional oversight function over public expenditures in line with standards of the International Organization of Supreme Audit Institutions, and audit all public funds (***proposed Structural Benchmark,* end-December 2024**). In particular, the law will: (i) enhance its independence including strengthening the selection process for new ACU members for an open, transparent, credible and competitive procedure with a decisive and crucial vote of independent experts with international experience and improving dismissal procedures; (ii) establish that ACU has a minimum of 11 members; (iii) enable the ACU to select the scope of the audit free from any direction or interference and to have full and timely access to all relevant information and databases to perform its audit functions; (iv) empower the ACU to exercise external audit function on all public funds (including funds or budgets of local government agencies, SOEs and off-budget funds); and (v) establish formal procedures in the legislature for reviewing and monitoring external audit reports and following up on audit recommendations with commensurate financial and technical resources; and (vi) establish a periodic peer review mechanism by independent experts with international audit experience for ten years from the enactment of the law. The enacted law is expected to continue requiring the ACU to independently determine its priority tasks and funding requirements and submit its proposed budget to the Ministry of Finance during the preparation of the budget declaration and state budget; in case of disagreements, and if the CMU is unable to settle such differences, both the ACU and Ministry of Finance shall submit information, including proper justification and calculations, alongside the draft state budget to Parliament, where the final decision is taken by the Verkhovna Rada Budget Committee

Anti-Corruption and Rule of Law

68. Our reform agenda on anti-corruption aims at effectively combatting corruption, sustaining public confidence in the rule of law, and advancing towards our goal of EU membership. We remain firmly committed to preserving independent, competent, and trustworthy institutions to combat high-level corruption. We will preserve the hard-won advances on building an independent and effective anti-corruption infrastructure and prevent any backtracking from progress made.

69. We remain committed to strengthening the effectiveness of anti-corruption institutions.

- To strengthen effective procedures for corruption investigations, further amendments to the Criminal Procedural Code will be enacted, including (i) to enable the Prosecutor General to delegate to the SAPO the management of extraditions and mutual legal assistance requests in relation to corruption investigations, (ii) remove the mandatory dismissal of pre-trial investigations due to the lapse of time limits of pre-trial investigation after notice of suspicion, and (iii) with the aim of appropriately balancing the objectives of prompt and comprehensive investigations of criminal offenses and protection of rights of parties in criminal proceedings, upon expiration of the timelines and motion of the defendant or affected parties, enable the investigating judge to compel in a timely manner the prosecutors to decide on the pre-trial investigation (either close the proceeding or complete the pre-trial investigation), or reject the motion, **(*Structural Benchmark,* end-October 2024, proposed to be reset for end-December 2024)**. Moreover, we will provide full legal certainty in terms of legal regulation and determination of the timelines of pre-trial investigation after notice of suspicion has been filed.

- As provided for in the law, the external audit of the NABU's effectiveness with participation of three independent experts with international experience will be completed and its report published **(*Structural Benchmark,* end-September 2024; missed and proposed for end-February 2025)**. The Cabinet of Ministers issued a resolution on September 3 appointing the independent experts nominated by international partners **(*Prior Action*)**, and will, as necessary, provide further support to this external audit commission. After consultation with IMF staff, the terms of reference and the criteria and methodology approved by the commission in conducting the external audit will be published. Based on the analysis conducted by the auditors, the audit report will include clear, reasoned, and evidence-based conclusions as well as prioritized recommendations on the effectiveness of NABU and its operational and institutional independence. Consistent with our broader reform plans for the forensic expert system for criminal law enforcement, we will ensure that the NABU by end-July 2025 has access to independent and competent forensic experts, to enable it to effectively conduct its investigative mandate, including investigating complex corruption schemes. To effectively implement the law empowering the NABU to intercept communications (wiretapping), we will develop an implementation plan in the post-Martial Law period to provide resources, equipment and technological solutions for the NABU to independently intercept communications of landlines and mobile devices. In this regard, the NABU and law enforcement agencies are finalizing the memorandum of understanding on the implementation plan. We will also enact by end-December a law to enhance corporate criminal liability (applicable to private and public legal entities either resident or non-resident in Ukraine and covering, among others, domestic corruption offenses) consistent with international standards to support the country's efforts towards accession to the OECD Anti-Bribery Convention. We are committed to conduct an external independent audit of SAPO and publish the audit report consistent with the two-year period provided in the December 2023 amendments to the SAPO law.

- We have initiated the process for nominating and appointing new members of the Public Council of International Experts (PCIE), which will vet candidates for the 24 new vacancies to the High Anti-Corruption Court (HACC) both at the first instance (15 vacancies) and appellate (9 vacancies) levels. A law will be enacted to extend the PCIE's mandate for the purpose of completing the ongoing selection process of all 24 vacancies for HACC judges. We will ensure the open and competitive selection for these new vacancies and adequately provision for their staffing and office needs. Following the May 2024 amendments to the procedural code that allow matters or issues to be heard at the first instance by one HACC judge or by a panel of three HACC judges based on the severity of the penalty, we continue to monitor the potential impact on judicial efficiencies and resources to all criminal courts by the inclusion of a list of high-level public officials, whose cases would automatically be heard by a panel of judges (regardless of the penalty).

70. The NBU is taking steps to ensure that risk-based implementation of AML tools helps prevent, detect, and deter the laundering of proceeds of corruption. Following the legal amendments to the definition of politically exposed persons (PEPs), the NBU conducted a thematic inspection of the selected financial institutions' compliance with enhanced customer due diligence on PEPs. The NBU with IMF capacity development support issued guidance in August for financial institutions and other covered non-bank institutions, consistent with the FATF standards, on the application of a risk-based approach regarding PEPs, which includes relevant case examples. We will also improve the effectiveness of the beneficial ownership regime to enhance transparency in public procurement, detect conflicts of interest through transparent ownership structures, and prevent the misuse of companies. In this regard, the Ministry of Justice updated the software to facilitate submission by companies of their beneficial ownership information (including information on the ownership structure and the possibility of entering several citizenships), which was made fully operational in September. Such information will continue to be publicly available through the Unified State Register of Legal Entities, Entrepreneurs and Public Associations. By end-December 2024, we will also enhance the operational framework for obtaining adequate, accurate and up-to-date beneficial ownership information.

71. We are committed to advancing the rule of law and judicial reforms. Following the dissolution of the Kyiv District Administrative Court in December 2022, we will enact a law to establish the High Public Disputes Court (HPDC) (with first instance and appellate chambers) that will hear administrative cases against national state agencies (e.g., NBU, NABU, NACP) by judges who have been properly vetted for professional competence and integrity with decisive and crucial vote of independent experts with international experience following the PCIE model **(*Structural Benchmark,* end-December 2024)**. In particular, the new court will have authority over cases belonging to the competence of the liquidated Kyiv District Administrative Court in relation to the appeal of acts of state agencies with nationwide authority, in addition to administrative cases against procedures of selection commissions and external audit commission that include participation of independent experts (such as NACP, NABU, and SAPO). Importantly, the PCIE model will be leveraged to assess the integrity of candidates to the HPDC.

Corporate Governance in SOBs and SOEs

72. We will continue to strengthen the governance of state-owned banks (SOBs). We remain committed to upholding the spirit of corporate governance reforms in SOBs and ensuring their operation on a professional and commercial basis, without political interference on operational matters, and any restrictions applied to Supervisory Boards members are prudent and justified. We will review the framework for setting and paying remuneration to Senior Management of all SOBs by end-December 2024 in consultation with IFIs and based on the principles that remuneration should be internationally competitive, consistent, and proportionate to their functions, duties, responsibilities, and considers the part-time nature of their roles and Martial Law restrictions. We will also implement a procedure for conducting performance assessments for all SOBs in 2025. The first such performance assessment will be conducted by the MoF for each of the banks in end-July 2025. In December 2025, the MOF will publish the key findings of its first annual assessment, together with the CMU's proposed actions to address the findings.

73. We will continue to strengthen SOE corporate governance.

- We are working on implementing law #3587-IX on SOE corporate governance which entered into force in March 2024. This includes, in particular, developing secondary legislation to operationalize SOEs' financial planning process, including financial indicators designed with the help of IMF TA that are consistent with the gatekeeper role of the MOF to limit quasi-fiscal risks and help safeguard debt sustainability. The CMU approved the regulation for the financial indicators in August 2024 (No. 984), and, if necessary, we will review the financial indicators after two years of application in early 2027 before the next SOE financial planning season in 2028. If necessary, we will make any changes on the financial indicators through a CMU resolution. The implementation of #3587-IX will also include a revamped nomination process and effective independent evaluation procedure for SOE supervisory board activity, consistent with OECD standards.

- We will advance energy corporate governance reforms, including to ensure an independent evaluation of the GTSO supervisory board one year after its appointment. We will complete the formation of the full supervisory board of Ukrenergo (7 members), with independent members constituting the majority of the supervisory board **(*proposed Structural Benchmark*, end-December 2024)**. We are developing a framework for assessing supervisory board activity and commit to launch an independent evaluation of the supervisory boards of Naftogaz and Ukrenergo in November 2024 and to conclude and publish it by end-January 2025.

74. We are exploring options, in close consultation with international partners, to strengthen SOE management through the existing SOE corporate governance reform agenda. Drawing on best practices, and putting it into the context of the ongoing SOE corporate governance reforms, we will define the scope and mandate of options for strengthening SOE management, such as centralized modes, including defining the roles and mandates of key government institutions engaged in SOE management, such as the MOF, MOE, CMU, and the State Property Fund (SPFU). We continue to adhere to the following SOE reform agenda items after adoption of #3587-IX (as discussed in ¶73) and policy sequencing in close consultation with international partners, which are all essential preconditions for strengthening SOE management, including: (i) implementing related secondary legislation for #3587-IX, including establishing a methodology for and subsequently conducting regular independent evaluations of SOE supervisory board activity; (ii) as an interim step, we have assessed the financial conditions and fiscal risks of the SOEs in the state ownership policy; and (iii) producing a comprehensive state ownership, dividend policy and privatization strategy ***(Structural Benchmark,* end-October 2024*)***. More broadly, we will also assess the financial viability of key SOEs as an input to developing a framework to deal with quasi-fiscal costs, including legacy Public Service Obligations (PSOs).

75. The SOE state ownership policy, which will serve as a critical input and pre-condition for the triage and privatization strategy of SOEs, will include the following elements:

- Long-term priorities of SOE state ownership; SOE public policy objectives and rationales for SOEs remaining in state ownership (subject to regular reviews); the state's role in the governance of SOEs and its implementation (including roles and responsibilities of involved government agencies).

- Indicators of financial efficiency of SOEs and the commitment to regularly provide financial assessment of SOEs (including contingent liabilities, debts, and risks to public finances) according to the established criteria; critical gatekeeper role of Ministry of Finance to safeguard public finances and debt sustainability (via tracking financial viability of SOEs and fiscal risk analysis).

- Dividend policy (e.g., rationale, sectoral policy, impact on public finances, and post-war strategy) and remuneration policy for Board members and managers.

Energy Sector Reforms

76. Our immediate priority is to contain the adverse impact of the war on the energy sector. We have developed a multi-pronged approach to deal with the energy crisis, with donor coordination taking place through the Multi-Donor Coordination Platform (MDCP) and the G7+ energy group. We remain strongly committed to implementing, once conditions allow, an ambitious reform agenda to address long-standing structural problems in the energy sector that have been exacerbated by Russia's war.

- Recent large-scale attacks on our energy infrastructure have damaged or destroyed around a half of our generating capacity, especially thermal and hydroelectric power. We continue to work swiftly to repair the damage and to ensure sufficient electricity provision to households and firms, especially during the upcoming winter heating season. We also aim to make our energy system more resilient to future attacks, such as through decentralized energy generation, including gas turbines, and the Green Transformation in a conducive market and regulatory environment with an independent energy regulator (see below). Affected companies will mostly rely on their working capital to conduct the repairs and restoration of energy facilities, while we are grateful for continuing donor support, including on equipment. We need additional financial assistance by donors to support the various repairs, as well as decentralized electricity generation support programs, including gas generation projects. We have also approved a law to temporarily exempt VAT and customs duties from energy equipment imports, expanded the role of 5-7-9 and the BDF to support the energy sector and are implementing SOB energy support lending programs.

- Restrained domestic consumption and growing domestic production limited the need for gas imports during the past heating season. For the upcoming 2024/25 heating season, we plan additional gas imports for domestic consumption of up to 2-3 bcm, while additional gas could be stored by non-residents for EU country needs under the baseline. Naftogaz has secured additional financing for gas imports from the EBRD and bilateral donors. If Naftogaz faces a liquidity shortfall, we will assess the amount of PSO compensation in 2025 based on actual documentary proven expenditures of Naftogaz verified by the State Audit Service and other stakeholders. The relevant calculations will be finalized by end-August 2025. The potential spending pressure from gas imports and PSO compensation will be accommodated through an adjustor on fiscal balance targets, subject to the above assessment, the findings of the stock of arrears of District Heating Companies (DHCs) based on a desk audit (see below), available financing, and capped at UAH 60 billion (about 0.8 percent of GDP).

77. Potential reform measures, once conditions allow, include additional gradual tariff increases (subject to a new tariff methodology and social considerations during the war), securing external financing, and providing transparent and exceptional direct budget support to energy SOEs pending available budgetary resources. Once the war winds down, the reform agenda in the energy sector will, inter alia, require restoring and enhancing competition in wholesale and retail gas markets. Furthermore, ensuring the sustainability of the system and reducing quasi-fiscal liabilities will necessitate a gradual increase in gas and electricity tariffs towards cost recovery, while allocating adequate and well-targeted resources to protect vulnerable households. The CMU will adopt a roadmap for the gradual liberalization of gas and electricity markets, with a time-bound implementation plan for the post Martial Law period. The roadmap will be based on technical analysis of the financial condition of the sector, in coordination with the European Commission.

78. The updated strategies of the GTSO and the transmission industry appropriately reflect the new operating environment by seeking to rightsize the system and identifying alternative sources of gas supply. This will be critical for the GTSO to prepare financially and operationally for the zero-transit scenario when the transit contract expires at end-2024. In particular, we adopted draft law #11083 (formerly #6133) in late August that allows for a special regime of operations for GTSO to reduce its operational expenditures and maintenance for non-critical gas transmission purposes. To help address the energy deficit during the upcoming winter season, we are implementing plans to install gas turbines for electricity generation.

79. Consistent with our commitments to the EU and other international partners, we will ensure the independence of the National Energy and Utilities Regulatory Commission (NEURC). The regulator plays an important role in efforts to integrate the Ukrainian energy market with the EU, to attract needed FDI and advance the envisaged decentralization of power generation, and thus help make the energy system more resilient to missile attacks. Specifically, in order to align the Law of Ukraine 'On the NEURC' with European legislation to ensure NEURC's functional independence, we will adopt amendments to the law #3354-IX by end-December 2024 to exempt regulatory decisions by NEURC from the state registration procedure (***proposed Structural***

***Benchmark*, end-December 2024)** and also to implement Article 5 of the Law of Ukraine 'On the NEURC' prohibiting state bodies from interfering with NEURC's activities. We have appointed two new NEURC's Commissioners based on the results of the competition carried out in line with the norms of the Law of Ukraine 'On the NEURC.' Finally, we will ensure that NEURC will have sufficient staff to be able to effectively take on the expanded mandate such as implementing the REMIT implementation in line with EU regulations and supporting the energy decentralization plans of the authorities.

80. District Heating Companies (DHCs) have accumulated a significant stock of arrears to Naftogaz, due to accumulated tariff differentials and the impact of the war. We will tackle this issue comprehensively once war-related pressures on the budget subside by developing a new tariff methodology. In the interim, we will analyze the debts and financial conditions of DHCs through a desk review, by a reputable audit firm, which will analyze the debts before and after February 2022 (***Structural Benchmark*, end-October 2024)**. This will help clarify the stock of arrears and the financial situation of DHCs, including the drivers of the arrears' accumulation, ahead of the 2024/25 heating season.

I. Program Monitoring

81. Program implementation is being monitored through quarterly reviews via quantitative performance criteria, indicative targets, and structural benchmarks. We commit to providing to IMF staff all the data needed for adequate monitoring of the program, including as detailed in the attached TMU. The complete schedule of reviews is presented in the companion staff report, and quantitative conditionality is detailed in Table 1. The program will also be monitored through the continuous performance criterion (PC) on the non-accumulation of external payments arrears and standard continuous PCs. Structural Benchmarks described in this MEFP are summarized in Table 2. The Sixth, Seventh, and Eighth Reviews are expected to take place on or after December 1, 2024, March 1, 2025, and June 1, respectively, based on quantitative performance criteria for end-September 2024, end-December 2024, and end-March 2025, respectively, and corresponding structural benchmarks.

Table 1. Ukraine: Quantitative Performance Criteria and Indicative Targets

(end of period; millions of Ukrainian hryvnia, unless indicated otherwise)

	Jun 2024					Sep 2024	Dec 2024		Mar 2025		Jun 2025		Sep 2025
	QPC	Adjustor	Adjusted QPC	Actual	Status	QPC	EBS/24/74	QPC	EBS/24/74	Proposed QPC	EBS/24/74	Proposed IT	Proposed IT
I. Quantitative Performance Criteria 1/ 2/													
Floor on the non-defense cash primary balance of the general government, excluding budget support grants (- implies a deficit) 2/	250,000	0	250,000	466,499	Met	368,313	415,410	415,410	310,000	254,800	660,000	546,800	751,000
Floor on tax revenues (excluding Social Security Contributions)	880,400	...	880,400	1,001,994	Met	1,398,600	2,042,250	2,042,250	485,000	485,000	850,000	1,019,600	1,622,200
Ceiling on publicly guaranteed debt	47,900	5,879	53,779	7,071	Met	47,900	47,900	47,900	53,626	62,860	53,626	62,860	62,860
Floor on net international reserves (in millions of U.S. dollars) 3/	25,300	-33	25,267	25,792	Met	28,800	26,300	26,300	23,800	23,800	24,800	24,800	23,000
II. Indicative Targets 1/ 2/													
Floor on the cash balance of the general government, excluding budget support grants (- implies a deficit)	-725,996	0	-725,996	-555,702	Met	-1,123,107	-1,557,208	-1,557,208	-215,000	-342,400	-370,000	-719,000	-1,146,900
Ceiling on general government arrears	2,000	...	2,000	1,654	Met	1,800	1,600	1,800	1,600	1,800	1,600	1,800	1,800
Floor on social spending	262,500	...	262,500	291,447	Met	390,000	537,800	537,800	130,000	135,000	250,000	270,000	410,000
Ceiling on general government borrowing from the NBU 4/ 5/	-2,884	0	-2,884	-3,079	Met	0	0	0	-984	-984	-4,100	-4,100	-1,500
III. Continuous performance criterion 1/ 2/													
Ceiling on non-accumulation of new external debt payments arrears by the general government	0	...	0	0	Met	0	0	0	0	0	0	0	0
IV. Memorandum items													
External project financing (in millions of U.S. dollars)	251	...	...	216	...	605	1,496	1,496	142	142	426	426	851
External budget financing (in millions of U.S. dollars) 6/	12,936	...	...	12,936	...	25,745	32,565	35,832	4,236	8,041	10,794	17,626	24,073
Budget support grants (in millions of U.S. dollars)	1,050	...	...	1,050	...	10,506	12,114	10,574	429	429	965	965	1,286
Budget support loans (in millions of U.S. dollars) 6/	11,887	...	...	11,887	...	15,239	20,451	25,258	3,807	7,612	9,830	16,662	22,787
Interest payments	161,780	...	...	133,701	...	284,320	429,820	429,820	67,000	86,700	190,600	244,800	366,600
NBU profit transfers to the government	38,000	...	...	38,643	...	38,000	38,000	38,000	0	0	34,400	63,861	63,861
Government bonds for the purposes of bank recapitalization and DGF financing	0	...	...	0	...	0	0	0	0	0	0	0	0
Spending from receipts resulting from sales of confiscated Russian assets and transfers of bank accounts	0	...	...	15,091	...	0	23,743	23,743	0	0	0	0	0
Spending on gas purchases, PSO compensation and transfer to GTSO	0	...	...	0	...	60,000	60,000	60,000	0	0	0	0	0
Cash balance of the general government, excluding budget support grants, treasury report at current exchange rates (- implies a deficit; in billions of Ukrainian hryvnia)	-671.7	...	...	-590.5	...	-1,046.6	-1,562.1	-1,741.1	-181.8	-342.4	-363.6	-719.0	-1,146.9

Sources: Ukranian authorities and IMF staff estimates and projections.

1/ Definitions and adjustors are specificied in the Technical Memorandum of Understanding (TMU).

2/ Targets and projections for 2024, and 2025 are cumulative flows from January 1, 2024, and 2025, respectively.

3/ Calculated using program accounting exchange rates as specified in the TMU.

4/ From end of previous quarter.

5/ For December 2024 onwards, calculated using the projected redemptions of government bonds as of September 10, 2024

6/ Excludes prospective IMF disbursements under the EFF.

Table 2. Ukraine: Structural Benchmarks (modified/new SBs in bold text; purple indicates new timing)

	Structural Benchmark	Sector	Timing	Status
1	Enact the second supplementary Budget 2023	Fiscal	End-April 2023	Met
2	Submit to Parliament a draft law to restore and strengthen Article 52 of the Budget Code to minimize ad hoc amendments to the budget law	Fiscal	End-May 2023	Met
3	Prepare an action plan, including to address the weaknesses identified in taxpayers' perception survey, as an input into National Revenue Strategy roadmap	Fiscal	End-May 2023	Met
4	Submit to Parliament a draft law which will reinstate articles of Budget Code that establish limits on issuance of public guarantee with clear criteria for such provision (including for priority sectors)	Fiscal	End-May 2023	Met
5	Enact amendments to the Budget Code and related regulatory framework to enhance transparency and accountability of the special accounts and consolidate them within general government as a special fund of the State Budget	Fiscal	End-May 2023	Met
6	Prepare a conditions-based strategy to move to a more flexible exchange rate, ease FX controls and transition to inflation targeting	Monetary and Exchange Rate	End-June 2023	Met
7	Adopt the draft law on tax policy and administration prepared under the PMB	Fiscal	End-July 2023	Not Met (implemented with delay)
8	Transfer the GTSO shareholding directly to the Ministry of Energy and adopt the new charter	Energy/ Corporate Governance	End-July 2023	Not Met (implemented with delay)
9	Enact the law to restore asset declaration of public officials not directly involved in the mobilization and war efforts and reinstating the NACP's function to examine and verify them	Governance/ Anti-Corruption	End-July 2023	Not Met (implemented with delay)
10	Enact the articles of the Budget Code that allow preparation of the medium-term budget framework, elaboration of the debt strategy, and ringfencing risks from guarantees.	Fiscal	End-September 2023	Met
11	Present in the 2024 budget declaration projections for major revenue and spending categories and sources of deficit financing for 2025–2026, and a fiscal risks statement including details on energy and critical infrastructure SOEs	Fiscal	End-September 2023	Met
12	Amend the AML/CFT Law to re-establish enhanced due diligence measures on politically exposed persons consistent with the risk-based approach consistent with the FATF standards.	Governance/ Anti-Corruption	End-September 2023	Not Met (implemented with delay)

Table 2. Ukraine: Structural Benchmarks (continued)				
	Structural Benchmark	**Sector**	**Timing**	**Status**
13	Strengthen bank governance and oversight by: (i) separating the related-parties-unit from banking supervision; (ii) implementing "supervisory panels" as a consulting body to the Supervisory Committee; and (iii) resume scheduled inspections for both banking and non-banking institutions, while ensuring NBU discretion on matters related to staff safety	Financial Sector	End-September 2023	Met
14	MOF, with STS and SCS, to prepare an action plan, including short-term and medium-term measures covering key reform areas identified by the upcoming diagnostic, that would feed into broader NRS.	Fiscal	End-October 2023	Met
15	Update and publish the Medium-Term Debt Management Strategy to align it with the program objectives	Fiscal	End-October 2023	Met
16	Simplify the asset declaration system through linking with other databases and registers consistent with the public officials' legal obligations to make truthful and timely submissions	Governance/ Anti-Corruption	End-October 2023	Met
17	Select and appoint a supervisory board for the GTSO	Energy/ Corporate Governance	End-October 2023	Met
18	Review the current PIM procedures and develop a roadmap of measures so that: (i) all public investment projects follow unified PIM approaches, including PPPs; (ii) investment projects are selected on a competitive basis, with transparent selection criteria, and consistent with the medium-term budget framework; (iii) stronger powers are provided to MOF, including a clear gatekeeping role during the different stages of the investment project cycle.	Fiscal	End-December 2023	Met
19	Adopt the National Revenue Strategy	Fiscal	End-December 2023	Met
20	Adopt legislation to enhance the institutional autonomy and effectiveness of the SAPO by being designated as a separate legal entity, and specifically, on the selection procedures, capacity to regulate organizational activities, mechanisms for discipline and accountability, and autonomy under the criminal procedural code	Governance/ Anti-Corruption	End-December 2023	Met
21	Based on findings of the revenue working group, prepare short-term revenue measures (tax and non-tax) with yields of at least 0.5 percent of GDP ready to be included in budget 2024	Fiscal	End-February 2024	Met

Table 2. Ukraine: Structural Benchmarks (continued)				
	Structural Benchmark	**Sector**	**Timing**	**Status**
22	Develop a concept note on the 5-7-9 program with proposals to target small and medium enterprises by phasing out the eligibility of large companies, enhance monitoring, and maintain adequate safeguards.	Fiscal	End-March 2024	Met
23	Enact amendments to the procedural code to rationalize matters or issues to be heard at the first instance by one anti-corruption judge or by a panel of three anti-corruption judges.	Governance/ Anti-Corruption	End-April 2024	Not Met (implemented with delay)
24	Adopt a new law on the ESBU that has a clear mandate and scope for investigative powers consistent with good practice by focusing on major economic crimes; establishing legal basis for operation of the ESBU in terms of the selection of management and staff. The law will respect the existing delineation between the investigative powers of the ESBU and the National Anti-corruption Bureau of Ukraine (NABU).	Fiscal	End-June 2024	Met
25	Based on the outcomes of a roadmap on development of PIM procedures, adopt a government decree with an action plan and timeline that provides clear linkages between MTBF and capital expenditures, including reconstruction priorities, and specifying the gatekeeper role of the MOF.	Fiscal	End-December 2024	**Met**
26	Develop a methodology to assess the effectiveness of tax privileges, including their cost to the budget, in order to have a unified reform approach	Fiscal	End-September 2024	**Met**
27	Identify major public companies severely affected by the war and prepare a review of potential fiscal and quasi-fiscal costs	Fiscal	End-September 2024	**Met**
28	Adopt amendments to the Customs Code, in line with international best practice.	Fiscal	End-October 2024	**Met**
29	With the help of IMF TA, produce a diagnostic review of pre-war MTBF policies and practices relative to best practices.	Fiscal	End-October 2024	
30	**Adopt Budget Code amendments in line with Action 1 under the June 2024 PIM Action Plan, as specified in ¶39 of the MEFP.**	**Fiscal**	**End-January 2025**	
31	**Appoint the new Head of the ESBU based on the selection process.**	**Fiscal**	**End-February 2025**	
32	**CMU to approve a methodological framework underpinning the PIM process, as specified in ¶39 of the MEFP.**	**Fiscal**	**End-February 2025**	
33	**Submit legislative amendments to Parliament to introduce tax reporting requirements for digital platform operators.**	**Fiscal**	**End-April 2025**	
34	**Appoint a permanent head of SCS**	**Fiscal**	**End-June 2025**	
35	**Submit a 2026-28 Budget Declaration on time and in line with program parameters.**	**Fiscal**	**End-June 2025**	

Table 2. Ukraine: Structural Benchmarks (continued)

	Structural Benchmark	Sector	Timing	Status
36	**NBU to assess key financial and operational risks to financial stability under various downside scenarios and to prepare contingency plans.**	**Financial Sector**	**End-October 2024**	
37	All systemic banks with majority state ownership will fall under the responsibility of the MOF, and any non-systemic banks that come under state ownership will not be recapitalized using fiscal resources and will be transferred to the DGF for resolution upon breach of prudential requirements.	Financial Sector	Continuous	
38	The DGF, MOF and NBU will prepare a bank rehabilitation framework in consultation with IMF staff.	Financial Sector	End-December 2024	
39	Implement a supervisory risk assessment methodology to inform supervisory engagement priorities	Financial Sector	End-December 2024	
40	Analyze the debts and assess financial conditions of District Heating Companies (DHCs) through a desk review by a reputable audit firm, including by separating arrears until and after February 2022.	Energy	End-October 2024	
41	**To ensure NEURC's functional independence, adopt amendments to the law #3354-IX to exempt regulatory decisions by NEURC from the state registration procedure, in line with MEFP, ¶79.**	**Energy**	**End-December 2024**	
42	**Complete the formation of the full supervisory board of Ukrenergo (7 members), with independent members constituting the majority of the supervisory board.**	**Energy**	**End-December 2024**	
43	**Amend the Criminal Procedural Code to enable the Specialized Anti-Corruption Prosecutor's Office to manage extradition and mutual legal assistance request and rationalize consequences from expiration of time limits for pre-trial investigations (including for corruption cases) in line with MEFP, ¶69, 1st bullet.**	**Governance/ Anti-Corruption**	**End-December 2024**	***Reset from end-October 2024***
44	**Publish the completed external audit of the National Anti-Corruption Bureau of Ukraine's effectiveness with participation of three independent experts with international experience.**	**Governance/ Anti-Corruption**	**End-February 2025**	***Missed in end-September 2024***
45	Enact a law to establish a new court that will hear administrative cases against national state agencies (e.g., NBU, NABU, NACP) by judges who have been properly vetted for professional competence and integrity.	Governance/ Anti-Corruption	End-December 2024	
46	**Enact amendments to the law to reform the Accounting Chamber of Ukraine (the supreme audit institution), including through a decisive vote of independent experts with international experience for vetting new members, establishing a minimum of 11 members, enhancing the scope of its audit functions, and steps to**	**Governance/ Anti-Corruption**	**End-December 2024**	

Table 2. Ukraine: Structural Benchmarks (concluded)				
	Structural Benchmark	**Sector**	**Timing**	**Status**
	safeguard the ACU's financial independence consistent with international standards on supreme audit institutions, in line with MEFP, ¶67.			
47	Produce a SOE state ownership policy, dividend policy and privatization strategy	SOE Corporate Governance	End-October 2024	
48	**Appoint the independent auditors to assess the effectiveness of the National Anti-Corruption Bureau of Ukraine to investigate corruption, as provided in its law**	**Governance/ Anti-Corruption**	**Prior Action**	**Met**

Attachment II. Technical Memorandum of Understanding

October 4, 2024

1. This Technical Memorandum of Understanding (TMU) sets out the understandings between the Ukrainian authorities and staff of the International Monetary Fund (IMF) regarding the definitions of the variables subject to targets—both quantitative performance criteria and indicative targets—for the Extended Arrangement under the Extended Fund Facility (EFF), as described in the authorities' Letter of Intent (LOI) dated October 3, 2024 and the attached Memorandum of Economic and Financial Policies (MEFP). It also describes the methods to be used in assessing program performance and the information requirements to ensure adequate monitoring of the targets.

2. The quantitative performance criteria and indicative targets are shown in Table 1 of the MEFP. The definitions of these targets and the adjustors are described in Section I below. The official exchange rate is defined in Section II. Reporting requirements are specified in Section III.

3. For the purposes of the program, all exchange rates used to evaluate reserve levels and monetary aggregates are (i) the official exchange rate of the Ukrainian hryvnia to the U.S. dollar of 36.5686, set by NBU as of March 13, 2023; and (ii) reference exchange rates of foreign currencies as of March 13, 2023 as set out below. In particular, the Swiss Franc is valued at 0.9107 Swiss Franc per U.S. dollar, the Euro is valued at 0.933 euro per U.S. Dollar, the Pound Sterling is valued at 0.8226 pound per U.S. dollar, the Australian Dollar is valued at 1.5435 dollars per U.S. dollars, the Canadian Dollar is valued at 1.3715 dollars per U.S. dollar, the Chinese Renminbi is valued at 6.875 yuan per U.S. dollar, the Japanese Yen is valued at 133.960 yen per U.S. dollar, and the Norwegian Krone is valued at 10.565 per dollar. The accounting exchange rate for the SDR will be 0.748641 SDR per U.S. dollar. Official gold holdings were valued at 1,902.6 dollars per fine ounce. These accounting exchange rates are kept fixed over the program period. Therefore, the program's exchange rate may differ from the actual exchange rate, which is set in the foreign exchange market of Ukraine. Furthermore, setting a program exchange rate for the purpose of computing monetary aggregates does not imply that there is any target exchange rate for policy purposes.

4. The general government is defined as comprising the central (state) government, including the road fund, all local governments, all extra budgetary funds, including the Pension and Unemployment Funds of Ukraine, and special accounts which provide resources to key spending units. The budget of the general government comprises (i) the state budget; (ii) all local government budgets; and (iii) if not already included in (i), the budgets of the extra budgetary funds listed above, any other extra budgetary funds included in the monetary statistics compiled by the NBU, and special accounts. The government will inform IMF staff immediately of the creation or any pending reclassification of any new funds, programs, or entities.

5. For program purposes, the definition of debt is consistent with paragraph 8(a) of the Guidelines on Public Debt Conditionality in Fund Arrangements attached to IMF Executive Board Decision No.16919-(20/103), adopted October 28, 2020, as below.

a. The term "debt" will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows:

i. loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);

ii. suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until some time after the date on which the goods are delivered or services are provided; and,

iii. leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of these guidelines, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair, or maintenance of the property.

b. Under the definition of debt set out in this paragraph, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

6. For program purposes, Gross Domestic Product is compiled as per the System of National Accounts 2008 and excludes territories that are or were in direct combat zones and temporarily occupied by Russia.

7. For program purposes, external financing is defined as (Table B):

a. Budget support loans and grants are unearmarked financial support provided to the government of Ukraine for general government financing. These include financing from official multilateral creditors (e.g., World Bank, European Commission) and official bilateral creditors.

b. Project support loans and grants are earmarked financial support provided to the government of Ukraine for financing specific projects and appear as part of government financing. These include financing from official multilateral creditors (e.g., European Investment Bank, World Bank Group and European Bank for Reconstruction and Development) and official bilateral creditors.

8. For program purposes, defense expenditures include expenditures of the defense and security sector pursuant to the articles of the Law of Ukraine "On National Security of Ukraine". Such expenditures shall include total amounts of all current (including goods and services, wage bill, social payments, etc.) and capital expenditures. It includes the expenditures through the state budget general fund.

9. The own revenues of budgetary institutions are defined in Item 15, Part 1, Article 2 of the Budget Code. Own revenues of budgetary institutions are revenues received in accordance with the established procedure by budgetary institutions as payment for the provision of services, performance of works, and targeted activities, grants, gifts, and charitable contributions, as well as proceeds from the sale of products or property and other activities in the prescribed manner.

10. For program purposes the proceeds of sales of confiscated Russian assets or bank accounts balances including those directed toward the Fund for the Liquidation of the Consequences of the Armed Aggression are recorded below the line as deficit financing sources with counter-entry into deposits of the Treasury Single Account.

11. Overdue accounts payables (domestic arrears) are specified in the Order of the Ministry of Finance No. 372 dated April 2, 2014, On the Approval of the Accounting Procedures for Specific Assets and Budget Institutions' Liabilities and On Amending Certain By-Laws on the Accounting for Budgetary Institutions. Accordingly, arrears are defined as the amount of payments due on the 30th day after the deadline for mandatory payment, in line with the legal contract in effect. In instances where the payment deadline is not specified, it counts as the 30th day after the confirmation of goods received, works done, and/or services rendered had been provided.

a. Budgetary arrears on social payments and wages comprise all arrears of the consolidated budget on wages, pensions, and social benefits of the central or local governments. The timeframe for wage arrears is based on the same timeframe as the general definition above. Considering the specifics of Martial Law, information on arrears in the security and defense sector can be presented in an aggregated form.

b. Wages are defined to comprise all forms of remuneration for work performed for standard and overtime work in all subcategories, including defense and security service.

c. Arrears of social funds (Pension and Unemployment Fund of Ukraine) comprise arrears with regard to all insurance benefits of these funds. The arrears on the Pension and Unemployment Funds refers to payments that have not been executed at the 30th day after the deadline for payment. Other social payment arrears are covered by bullet (a) of this paragraph. This definition excludes unpaid pensions to individuals who continue to reside in territories that are or were in direct combat zones and temporarily occupied by Russia.

II. QUANTITATIVE PERFORMANCE CRITERIA AND INDICATIVE TARGETS

A. Floor on Net International Reserves (Quantitative Performance Criterion)

Definition

12. Net international reserves (NIR) of the NBU are defined as the dollar value of the difference between usable gross international reserve assets and reserve-related liabilities to nonresidents, evaluated at program exchange rates (see Table A for a summary of the relevant components and the data sources).

13. Usable gross international reserves comprise all readily available claims on nonresidents denominated in convertible foreign currencies, consistent with the Balance of Payments Manual (Sixth Edition) and the Special Data Dissemination Standard (SDDS) (Table 6.1, item A). Excluded from usable reserves, *inter alia*, are:

a. any assets denominated in foreign currencies held at, or which are claims on, domestic institutions (i.e., institutions headquartered domestically, but located either domestically or abroad, or institutions headquartered abroad, but located domestically). Also excluded are all foreign currency claims of the NBU on domestic banks, and NBU deposits held at the Interbank Foreign Currency Exchange Market and domestic banks for trading purposes;

b. any precious metals or metal deposits, other than monetary gold and gold deposits, held by the NBU;

c. any assets that correspond to claims of commercial banks in foreign currency on the NBU and any reserve assets that are (i) encumbered; or (ii) pledged as collateral (in so far as not already included in foreign liabilities, or excluded from reserve assets); or (iii) frozen; and,

d. any reserve assets that are not readily available for intervention in the foreign exchange market, *inter alia*, because they are not fully under the control of the NBU or because of lack of quality or lack of liquidity that limits marketability at the book price.

14. For program purposes, reserve-related liabilities comprise the following non-residents and resident categories:

- all short-term liabilities of the NBU *vis-à-vis* nonresidents denominated in convertible foreign currencies with a remaining maturity of one year or less;
- the stock of IMF credit outstanding;
- the nominal value of all derivative positions
- (including swaps, options, forwards, and futures) of the NBU and general government, implying the sale of foreign currency or other reserve assets;[1] and,
- all foreign exchange liabilities of the NBU to resident entities (e.g., claims in foreign exchange of domestic banks, and NBU credits in foreign exchange from domestic market), which are not already excluded from reserve assets, but excluding foreign exchange liabilities to the general government, or related to deposit guarantees.

Table A. Ukraine: Components of Net International Reserves

	Type of Foreign Reserve Asset or Liability[1]	NBU Balance Sheet and Memorandum Accounts
1.	International reserves	
	Monetary gold	1100, 1107
	Foreign exchange in cash	1011, 1017
	Demand deposits at foreign banks	1201, 1202, 2746, minus 4746
	Short-term time deposits at foreign banks	1211
	Long-term deposits at foreign banks	1212
	SDR holdings and Reserve Position in the IMF	IMF, Finance Department[2]
	Securities issued by nonresidents	1300, 1305, 1307, 1308, minus 1306
2.	Short-term liabilities to nonresidents *(in convertible currencies)*	
	Correspondent accounts of nonresident banks	3201
	Funds borrowed using repos	3210
	Short-term deposits of banks	3211
	Operations with nonresident customers	3401, 8805
	Operations with resident banks	3230, 3232, 3233, 8815
	Use of IMF credit	IMF, Finance Department

1/ The definitions used in this technical memorandum will be adjusted to reflect any changes in accounting classifications introduced during the period of the program. The definitions of the foreign accounts here correspond to the system of accounts in existence on October 31, 2022. The authorities will inform the staff before introducing any change to the Charts of Accounts of the NBU and the Commercial Banks, and changes in the reporting forms.
2/ Before receiving the monthly data from the IMF's Finance Department, these components will be calculated on the basis of preliminary data from the NBU and memorandum accounts.

[1] This refers to the notional value of the commitments, not the market value.

Adjustors

- The NIR targets will be adjusted downward by the full amount of the cumulative shortfall in external budget support financing disbursements (defined in paragraph 7) relative to the baseline projection (Table B).

- The NIR targets will be adjusted downward by the full amount of the cumulative shortfall in net issuance (gross issuance minus redemption and interest payments) of central government's domestic foreign exchange securities relative to the amounts expected under the baseline (Table C).

- In case the NBU converts any non-reserve currency provided under a central bank swap agreement concluded by another central bank with the NBU into a reserve currency through an outright sale, a symmetric adjustor will be applied to NIR targets. NIR targets will be adjusted upward by the amount that will be converted into a reserve currency at the time of the conversion. NIR targets will be adjusted downward by the amount of a reserve currency (both the principal and interest due), when the NBU repays the non-reserve currency provided under a central bank swap agreement.

- In case the NBU requests use (draws) any reserve currency provided under a central bank swap agreement with another central bank and with a maturity of over 1 year, a symmetric adjuster will be applied to NIR targets. NIR targets will be adjusted upward by the amount used with maturity over 1 year. NIR targets will be adjusted downward when the NBU repays these amounts.

Table B. Ukraine: Gross Disbursements from IFIs and Official Sources [1/ 2/]

(Cumulative in USD millions, at program exchange rates)

	2024		2025		
	end-Sep.	end-Dec.	end-Mar.	end-Jun.	end-Sep.
Total official support	26,351	37,329	8,183	18,052	24,924
Budget support	25,745	35,832	8,041	17,626	24,073
Loans	15,239	25,258	7,612	16,662	22,787
Grants	10,506	10,574	429	965	1,286
Project support 2/	605	1,496	142	426	851

1/ Flows in USD million, cumulative from January 1, 2024 for 2024 and from January 1, 2025 for 2025, calculated at program exchange rates. Prospective IMF disbursements under the EFF are excluded. Totals differ from Ukrainian authorities' projections under the budget due to different exchange rate assumptions.

2/ Project support is in the form of loans.

Table C. Ukraine: Issuance of Central Government Domestic FX Securities[1/]
(Cumulative in USD millions, at program exchange rates)

	2024		2025		
	end-Sep.	end-Dec.	end-Mar.	end-Jun.	end-Sep.
Net issuance of central government domestic FX securities	-76	181	-40	-49	-67
Gross issuance	2,311	3,692	1,014	1,463	2,347
Repayment	2,387	3,511	1,054	1,511	2,414

1/ Flows in USD million, cumulative from January 1, 2024 for 2024 and from January 1, 2025 for 2025, calculated at program exchange rates.

B. Ceiling on General Government Direct Borrowing from the NBU (Indicative Target)

Definition

15. General government direct borrowing from the NBU, net of redemptions and repayments, is defined as the cumulative change in the stock of outstanding claims on the general government (as defined in paragraph 4) held by the NBU, including general government securities, direct loans and credits, other accounts receivable, and overdraft transfers from the NBU in accounts of the general government. The stock of general government securities held by the NBU will be measured at the face value as reported on the NBU's balance sheet. The change in the stock of general government securities held by the NBU will exclude the securities acquired as collateral under loans provided by the NBU during the measurement period, and loans will exclude those to the Deposit Guarantee Fund. The change in the stock of such claims will be measured relative to the stock as of end of the preceding quarter over the latest as of assessment and is adjusted for exchange rate valuation effects using program exchange rates. For the Fifth Review, the preceding quarter is March 2024, and the latest as of assessment is June 2024. The detailed breakdown of the accounts will be provided in a format agreed with IMF staff.

16. An additional precondition for activating monetary financing is the drawing down of government deposits (consistent with paragraph 50 of the MEFP), underpinned by a framework that has been mutually agreed between the MOF and NBU in consultation with the IMF, and for which a NBU resolution has been adopted in September 2024.

Adjustors

17. In general, should there be a shortfall in external financing defined as any shortfall of the financing listed in Table B, and primary issuances on government bonds (measured at face value, excluding short-term issuances with primary maturities less than 3 months) during the 3-month period prior to the request for monetary financing exceed 132 percent of actual redemptions over the same period, then the ceiling on general government borrowing from the NBU, net of redemptions and repayments, will be adjusted upward by the smaller of: the amount of the shortfall in external financing adjusted for additional primary issuances of government bonds, or a cap on general government borrowing from the NBU, equivalent to gross borrowing of UAH50 billion every quarter. The ceiling on general government borrowing from the NBU resets every quarter (June 30, 2024, September 30, 2024, and December 31, 2024 for the 2024 targets and March 31, 2025, June 30, 2025, and September 30, 2025 for the 2025 targets) and is not carried over between quarters. The amount of the shortfall in external financing is assessed as the total cumulative shortfall from end-December 2023 for 2024 targets, and end-December 2024 for 2025 targets, and is measured on the last day of the previous month. Projected redemptions are shown in Table D.

Table D. Ukraine: Adjustors for the Ceiling on General Government Direct Borrowing from the NBU

(in UAH billion)

	For the test date of:					
	2024			2025		
	Jun 30	Sep 30	Dec 31	Mar 31	Jun 30	Sep 30
Actual rollover rate on three month period prior to requesting monetary financing	132	132	132	123	123	123
Adjustment to ceiling on general government borrowing from the NBU, net of redemptions is the smaller of external financing as defined in Table B (if any) **or** this amount (in UAH billion)	47.1	50.0	50.0	49.0	45.9	48.5
Memo: Projected redemptions (in UAH billions), as of September 10 2024	-99.3	-57.2	-141.0	-130.2	-137.7	-170.8

18. In cases where the 15-business-day interval for reaching agreement and making payments (including as stipulated in the Memorandum of Understanding between the Ministry of Finance of Ukraine and the National Bank of Ukraine on the Repayment and Servicing of Obligations of the Government of Ukraine to the International Monetary Fund) falls past the relevant test date, the ceiling on general government direct borrowing from the NBU will be subject to an automatic upward adjustor by the amount of the payment.

C. Floor on Overall Cash Balance of the General Government excluding Budget Support Grants (Indicative Target)

Definition

19. The overall cash balance of general government excluding budget support grants is defined as a balance measured in paragraph 20 below, adjusted by the amount of budget support grants (Table B) recorded above the line in non-tax revenues. The balance is measured on a cumulative basis, starting from January 1st of a calendar year. For program target computational purposes, a positive number is a surplus and negative number is deficit.

20. The overall cash balance of the general government is measured by means of net financing flows excluding the impact of valuation changes as:

- Total net treasury bill sales[2] (in hryvnias and foreign currency) as measured by the information kept in the NBU registry of treasury bill sales (net treasury bill sales are defined as the cumulative total funds realized from the sales of treasury bills at the primary auction and government securities issued for recapitalization of banks and state-owned enterprises (SOE), less the cumulative total redemption of principal on treasury bills). Treasury bill issuances and redemptions for the purposes of calculating the overall cash balance of the general government exclude bonds issued to recapitalize Naftogaz[3] and other SOEs (including State Housing Financial Corporation); plus,

- Other net domestic banking system credit to general government (as defined above) as measured by the monetary statistics provided by the NBU (this consists of all non-treasury bill financing in either domestic or foreign currency extended to the general government by banks less the change in all government deposits in the banking system) as well as any other financing extended by entities not reflected by the monetary statistics provided by the NBU; plus,

- Total receipts from privatization (including the change in the stock of refundable participation deposits and the sale of nonfinancial assets) and the proceeds from uncompensated seizures; plus,

- Total proceeds from sales of confiscated Russian assets and bank account balances; plus,

- The change in sub-accounts 3551 and 3559 for pre-payments ahead of the delivery of goods and services; plus,

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[2] From here on, treasury bills are defined as all treasury securities (including long-term instruments or treasury bonds).

[3] These are included in the financing of Naftogaz's cash deficit when they are used (as collateral for a loan, or as an outright sale) by the latter to obtain financing.

- The difference between disbursements and amortizations on any bond issued by the general government or the NBU to nonresidents for purposes of financing the general government; plus,

- The difference between disbursements of foreign loans attracted by the State (including budget support, project support,[4] including on lent to public enterprises) and the amortization of foreign credits by the general government (including on lent project loans, e.g., budgeted payments on behalf of the Agency for the Restoration and Development of the Infrastructure of Ukraine per paragraph 97 of this TMU); plus,

- The net sales of SDR holdings in the IMF's SDR department; plus,

    - the net change in general government deposits in nonresident banks, or other nonresident institutions; plus,

    - net proceeds from any promissory note or other financial instruments issued by the general government.

21. For the purposes of measuring the balance of the general government, all flows to/from the budget in foreign currency (including from the issuance of foreign currency denominated domestic financial instruments) will be accounted for based on paragraph 3 of this TMU. The exceptions include external disbursements and amortizations of municipal governments and commercial bank direct credit, which will be accounted for at current exchange rates. Financing changes resulting from exchange rate valuation of foreign currency deposits are excluded from the computation of balance. The government deposits in the banking system exclude VAT accounts used for electronic administration and escrow accounts of taxpayers used for customs clearance.

D. Floor on Non-Defense Cash Primary Balance of the General Government Excluding Budget Support Grants (Quantitative Performance Criterion)

22. For the purposes of program monitoring, the non-Defense Cash Primary Balance of the General Government excluding budget support grants is defined as the Overall Balance of the General Government excluding budget grants (defined in section C) less interest payments (total interest paid on domestic and external debt, consistent with budget treasury codes 2410 and 2420, respectively) less defense spending of the state budget general fund as defined in paragraph 8 of this TMU. The balance is measured on a cumulative basis, starting from January 1st of each calendar year.

Adjustors for Balances in Parts C and D

- The floor on the overall cash balance excluding grants and on the non-Defense Cash Primary Balance of the general government will be adjusted upward by the full amount of any increase above the projected stock of budgetary arrears (overdue account payables) in state budget and

[4] Project support disbursements will not be adjusted for the return of funds from under-executed projects.

social funds (as defined above in this TMU). This definition excludes domestic arrears in the territories that are or were in direct combat zones and temporarily occupied by Russia.

- The floor on the overall cash balance excluding grants and on the non-Defense Cash Primary Balance of the general government is subject to an automatic adjustor based on deviations of external budget support loans defined in paragraph 7 (Table B). Specifically, if the cumulative proceeds from external budget support loans (in hryvnia evaluated at program exchange rates), fall short of program projections, the floor on the consolidated general government balance will be adjusted downward by the full amount of the shortfall in external financing, consistent with the adjustors in section B above.

- The floor on the overall cash balance excluding grants and on the non-Defense Cash Primary Balance of the general government is subject to an automatic adjustor downwards corresponding to the full amount of government bonds issued for the purposes of bank recapitalization and DGF financing, up to a cumulative maximum amount to be set in future reviews. The amount included in the targets is zero.

- The floor on the overall cash balance excluding grants and on the non-Defense Cash primary Balance of the general government is subject to an automatic upward adjustment corresponding to the full amount of profits transferred by the NBU in excess of UAH 38 billion for all remaining test dates in 2024, UAH 0 billion for end-March 2025, and UAH 63.9 billion for the remaining test dates in 2025.

- The floor on the overall cash balance excluding grants and on the non-Defense Cash primary Balance of the general government is subject to an automatic downward adjustment to accommodate gas purchases, PSO compensation and transfer to GTSO up to a cumulative maximum amount of UAH 60 billion in 2024 and UAH 0 billion in 2025, conditional upon availability of financing.

- For test dates in 2024, the floor on the overall cash balance excluding grants and on the non-Defense Cash primary Balance of the general government is subject to an automatic downward adjustor up to a cumulative maximum amount of UAH 23.7 billion corresponding to the full amount of receipts from sales of confiscated Russian assets and transfers of bank accounts; for test dates in 2025 the cumulative maximum downward adjustment is UAH 0 billion. This amount reflects the balance of the Fund for the Liquidation of the Consequences of the Armed Aggression, which stood at UAH 8.7 billion as of July 1, 2024. For the period of the Martial law, the data from territories that are or were in direct combat zones and temporarily occupied by Russia are excluded from the adjustor.

E. Floor on Tax Revenues (excluding SSC) (Quantitative Performance Criterion)

23. The floor on tax revenues is measured on a cumulative basis starting from January 1st of each calendar year and includes total tax revenues and fees as defined by the national tax legislation, including pension fees imposed on certain transactions, excluding Social Security Contributions tax. The cumulative targets defined in this manner are set out in Table 1 of the MEFP.

F. Floor on the General Government Social Spending (Indicative Target)

24. Social spending of general government is defined as the spending on social programs through the General Fund and Special Funds and covers categories reflected in budget treasury code 2700. This includes social insurance and social assistance programs on budget (including but not limited to social assistance to low-income families, housing utility subsidies, child support, support to internally displaced persons, etc.), and transfers to the Pension Fund. The Indicative Target is set in hryvnias on a cumulative basis starting January 1st of each calendar year.

G. Ceiling on the General Government Domestic Arrears (Indicative Target)

25. The ceiling of general government arrears is derived based on the definition provided in paragraph 11 of this TMU (excluding arrears of local governments) and reporting format set in paragraph 81 of this TMU. The target is cumulative starting January 1st of each calendar year, as described in the table of paragraph 81 and covers arrears of the state budget (general and special funds) and social funds (as defined in paragraph 11). The stock of arrears measured in that way will not exceed the stock of arrears at end December 2022. The arrears computation does not cover arrears accrued in territories that are or were in direct combat zones and temporarily occupied by Russia as of the applicable test date.

H. Ceiling on Non-Accumulation of New External Debt Payments Arrears by the General Government (Continuous Performance Criterion)

Definition

26. For purposes of the continuous PC on the non-accumulation of new external payment arrears, arrears are defined as external debt obligations of the general government that have not been paid when due in accordance with the relevant contractual terms (taking into account any contractual grace periods). This PC excludes arrears on external financial obligations of the government subject to rescheduling. For purposes of this PC, "external" is defined as debt payments to non-residents.

I. Ceiling on Publicly Guaranteed Debt (Quantitative Performance Criterion)

Definition

27. For purposes of the QPC, the ceiling on publicly guaranteed debt will apply to the amount of guarantees issued by the central (state) government once the underlying debt is disbursed. For test dates in 2024 the ceiling will be set at UAH 47.9 billion and for test dates in 2025 the ceiling will be UAH 62.86 billion. In both 2024 and 2025, the ceiling is consistent with 3 percent of current year revenues of the state budget general fund (as defined in the Budget Code) and apply to the cumulative amount of guarantees issued by the central (state) government from January 1st of 2024 calendar year including guarantees to priority sectors. The program exchange rates will apply to all non-UAH denominated debt. This ceiling excludes guarantees for NBU borrowings from IMF.

28. The ceiling on publicly guaranteed debt will be subject to an automatic upward adjustor for guarantees signed for selected projects financed by the multilateral and bilateral donors (e.g., WB, EIB, EBRD, KfW). Namely:

- For test dates in 2024: (i) loan to UGV to purchase equipment for gas extraction; (ii) loan to Naftogaz for additional procurement of natural gas; (iii) loan to Ukrhydroenergo for emergency restoration of hydropower plants; (iv) working capital loan to Ukrenergo; and (v) loan for Boryspil International Airport for reconstruction of flight zone 2; (vi) loan to Urkhydroenergo for recovery equipment (vii) loan to Urkhydroenergo for installation of energy storage.
- Consistent with debt sustainability objectives, this adjustor will be capped at UAH 38.7 billion in 2024 and discussed in program reviews; in 2025, the adjustor will be capped at UAH 115 billion. Projects subject to the adjustor in 2025 will be discussed in subsequent program reviews.

J. Other Continuous Performance Criteria

29. During the period of the EFF, Ukraine will not (i) impose or intensify restrictions on the making of payments and transfers for current international transactions; (ii) introduce or modify multiple currency practices; (iii) conclude bilateral payments agreements that are inconsistent with Article VIII; and (iv) impose or intensify import restrictions for balance of payments reasons.

III. OFFICIAL EXCHANGE RATE

A. Determination of the Official Exchange Rate

30. The official exchange rate of the hryvnia against U.S. dollar was UAH/USD 36.5686 as set by the NBU, effective 9am on July 21, 2022, until October 3, 2023. Since October 3, 2023, the NBU has transitioned to a regime of managed flexibility, whereby the official exchange rate against the USD is determined based on series of transactions in the interbank FX market. Ukraine's de jure exchange

rate arrangement is floating. The de facto exchange rate arrangement has been reclassified from stabilized to floating, effective October 3, 2023. Starting from October 3, 2023, the NBU sets the official hryvnia/US dollar exchange rate on a daily basis at the weighted average rate determined based on interbank market transactions using a two-stage cut-off system for transactions with extreme parameters. To calculate the official exchange rate, the NBU uses information on all tod, tom, and spot (T+2) USD purchase/sale transactions with a volume of USD 100,000 to USD 5 million inclusive between banks and between banks and the NBU, which are reported to the NBU via trade information systems before 3 p.m. on the same day. The official exchange rates for other currencies are determined by the NBU on the basis of the official exchange rate against USD and cross rates of the relevant foreign currencies. The official exchange rates are published daily on the NBU's website no later than 3:30 pm of the day of the calculation and take effect the next business day. Also, there are foreign currencies for which the official exchange rate is set by the NBU on a monthly basis.

IV. REPORTING REQUIREMENTS

A. National Bank of Ukraine

31. The NBU will provide to the IMF ***monthly*** sectoral balance sheets for the NBU and other depository corporations (banks) according to the standardized reporting forms (SRFs), no later than the 25th day of the following month (except for SRFs for the end of the reporting year, which should be provided no later than the 41st day after the reporting year).

32. The NBU will provide to the IMF, ***on a weekly basis***, daily operational data the stock of net and gross international reserves, at both actual and program exchange rates. In addition, it will provide the full breakdown of NBU accounts included in net international reserves (defined in Table A above) any additional information that is needed for the IMF staff to monitor developments in net and gross international reserves. ***On a monthly basis***, no later than 20th of the following month, the NBU will provide balance data on the stock of net and gross international reserves and flows affecting net international reserves, and no later than the 25th of the following month, the NBU will provide data on the currency composition of reserve assets and liabilities.

33. The NBU will provide to the IMF ***daily information*** on total foreign exchange sales (including total from nonresidents and sales by clients in the interbank market, as well as any obligatory sales, if any) and approved foreign exchange demand in the interbank market, including Naftogaz foreign exchange purchases. The NBU will provide the IMF ***daily information*** on official foreign exchange interventions and intervention quotations in the breakdown agreed with the IMF staff. In this context, it will also provide the results of any foreign exchange auctions. ***On a quarterly basis***, the NBU will provide to the IMF information on the indicators of FX interventions approved by the NBU Board (in case of any changes). The NBU will immediately notify the IMF of any updates to the FX interventions methodology documentation and any decisions that define these indicators of FX interventions.

34. The NBU will provide the IMF ***daily*** information on balances held in the analytical accounts 2900 "Accounts payable per transactions for the foreign exchange, banking and precious metals purchase and sale on behalf of banks' clients."

35. The NBU will continue to provide on its web site the ***daily*** holdings of domestic government securities as well as information on primary auctions and secondary market sales. The NBU will provide to the IMF information on ***daily*** holdings of government securities broken down by type of holders at primary market prices at the rate fixed on the day of auction; information on domestic government securities sales, from the beginning of the year at the official rate as of the date of placement, as well as the domestic government securities in circulation, by principal debt outstanding at the official exchange rate as of the date of placement; reports on each government securities auction; data on the purchase and redemption of domestic government bonds from the Ministry of Finance in the NBU's portfolio; and ***monthly report*** on government securities holdings, in the format agreed with the IMF staff, i.e., broken down by currencies and by holders—non-resident investors, resident non-bank, and resident banks, the latter further broken down by bank group (State Participation, Foreign Banking, and Private Capital).

36. The NBU will provide information on ***daily*** transactions (volumes and yields) on the secondary market treasury bills (including over-the-counter transactions and with a breakout for any NBU transactions).

37. The NBU will provide to the IMF its financial statements (income and expenses, balances on the general reserves and the calculations of the profit distribution to the budget) for the current and, if available, projections for the following two years, as approved by the NBU's Board. The IMF is to be notified immediately of any update.

38. The NBU will continue to provide to the IMF ***daily and monthly data*** on the NBU financing operations (including swaps or refinancing) of the banks of Ukraine, and on the operations of mopping up (absorption) of the liquidity from the banking system (including through the CDs issuance) in the formats and timeliness agreed with the IMF staff. ***On a monthly basis***, the NBU will provide information on the collateral that has been pledged to the NBU for loans (by bank and loan type as well as by collateral type, haircut, and currency). ***On a monthly basis***, the NBU will also provide bank-by-bank information on NBU refinancing, broken down by operations (with indications of their settlement and maturity dates), and collateral pools, broken down by asset types and securities (with their values before and after haircuts). ***The monthly reporting*** of NBU loans and collateral will separately identify which banks are under temporary administration or liquidation.

39. The NBU will provide to the IMF, ***on a monthly basis*** but not later than 30 days after the expiration of the reporting month, (except for data as of the end of the reporting year, which are to be provided no later than on the 41st day after the reporting year ends), core FSIs, as defined in the IMF Compilation Guide, for individual banks in State Participation Group, Foreign Banking Group and Private Capital Group.

40. ***On a daily basis and on a monthly basis***, not later than on the 25th day after the termination of the report month (except report data as of the end of the report year, which should be submitted not later than the 41st day after the report year), the NBU will provide the IMF with the depository corporations surveys, including any additional information that is needed for the IMF staff to monitor monetary policy and developments in the banking sector, in particular: domestic claims, including NBU loans and liabilities with banks and detailed information on loans of the banking sector provided to the general government, with detailed breakdown of this information by indebtedness of the central (state) government and local budgets and the DGF, including in national and foreign currency, by loan and by security, as well as the information on the balances of the funds of the government held at the NBU, in particular, the balances of the Single Treasury Account denominated in the national currency (account 3240 L) and the funds of the Treasury denominated in foreign currency (account 3513 L) and DGF, and computation of Target on General Government Borrowing from the NBU in a format agreed with IMF staff based on monthly reporting data.

41. The NBU will provide to the IMF, ***on a monthly basis***, projections for external payments falling due in the next 12 months. The data on actual settlement of external obligations, reflecting separately principal and interest payments as well as actual outturns for both the public and private sectors, shall be provided on a quarterly basis, within 80 days following the end of the quarter.

42. The NBU will provide to the IMF, ***on a quarterly basis***, the stock of short- and long-term external debt for both public and private sectors. Information on the stock of external arrears will be reported on a continuous basis.

43. The NBU will provide to the IMF, on a ***daily*** basis, data on foreign exchange export proceeds and foreign exchange sales; data on import transactions for goods and services; data on amounts of foreign exchange transferred from abroad to the benefit of physical persons—residents and nonresidents—to be paid in cash without opening an account; data on foreign exchange wires from Ukraine abroad for current foreign exchange nontrade transactions on the basis of the orders of physical persons; data on sales and purchases of foreign exchange cash by individuals (incl. through banks, exchange offices, and UkrPoshta). The NBU will provide to the IMF ***weekly data*** on the volumes of noncash foreign exchange purchases on behalf of banks' clients and banks broken down by reasons, and ***on a monthly basis*** data on certain transfers of non-cash FX from Ukraine to the benefit of non-residents. The NBU ***on a monthly basis*** will provide to the IMF aggregated data on the number and amounts of e-limits granted to legal entities and physical individuals and on the transfer and purpose of foreign exchange outside Ukraine within the e-limits.

44. The NBU will provide to the IMF, on a ***daily*** basis, data on foreign assets and liabilities of the overall banking system (excl. the NBU); data on banks' open foreign exchange positions by main groups of banks; data on deposits on the aggregated basis for the overall banking system (excl. the NBU) broken down by households and legal entities, maturity, as well as by national and foreign currency; data on loans on the aggregated basis for the overall banking system (excl. the NBU) broken down by households and legal entities as well as by national and foreign currency. In addition, the NBU will provide to the IMF, ***on a daily basis***, data on deposits and credits on the aggregated basis for the overall banking system (excl. the NBU) without deposits and credits of

banks in liquidation starting from the beginning of 2014 and broken down by households and legal entities, as well as by national and foreign currency. ***On a weekly basis***, the NBU will provide the IMF with data on foreign assets and foreign liabilities (broken down by domestic and foreign currency) for the individual banks in State Participation Group, Foreign Banking Group and Private Capital Group. ***On a monthly basis***, foreign assets for the individual banks in State Participation Group, Foreign Banking Group and Private Capital Group will be broken down by type (i.e., cash and deposits, government securities, nongovernment securities, loans, other) and foreign liabilities by type, holder (i.e., banks, other financial institutions, nonfinancial corporate, and individuals) and remaining maturity (less than one month, one to three months, three to 12 months and over 12 months). For foreign credit lines from banks and for securities, the rollover rates will also be provided.

45. The NBU will provide, ***on a daily basis***, bank-by-bank data for the largest 35 banks on the liquidity ratio and amounts of cash and cash equivalents, available funds in NBU accounts (excl. reserve requirements), correspondent accounts with well-known international banks (excl. encumbered accounts), and deposits from customers. The NBU will also provide, ***on a daily basis***, bank-by-bank data for State Participation Group, Foreign Banking Group, and Private Capital Group banks, total assets and liabilities; loans and claims (by households, legal entities, and banks); and foreign exchange net open position. The data will be reported by domestic and foreign currency. The deposits data will be reported by households and legal entities and by maturity (current accounts, saving accounts, and time deposits). In addition, for the aggregate of the banking sector as well as groups of banks, the NBU will provide data on deposits and credits excluding those banks in liquidation since 2014.

46. The NBU will provide to the IMF ***on a daily basis*** aggregated data on main currency flows, including government foreign receipts and payments by currencies as well as interbank market operations by currencies. The NBU will continue to provide daily information on exchange market transactions including the exchange rate.

47. The NBU will provide the IMF, ***on a monthly basis***, with information on reserve requirements at the individual bank level, including the breakdown between the reserve requirements fulfilled by reserves and that by government securities.

48. The NBU will provide the IMF, ***on a monthly basis***, bank-by-bank for State Participation Group, Foreign Banking Group and Private Capital Group banks the average interest rate on deposits to customers (by domestic and foreign currency, and non-financial corporations and households, and by maturity—demand and time accounts); and ***on a weekly basis (after Martial Law is cancelled)***, the average interest rate on interbank borrowings (by domestic and foreign currency, and by maturity—overnight, 1–7 days, and over one week).

49. The NBU will provide the IMF, on a ***monthly basis***, in an agreed format, data for the entire banking sector, and on an aggregated and bank-by-bank basis for State Participation Group, Foreign Banking Group and Private Capital Group banks—risk weighted assets and other risk exposures (for calculation of capital adequacy ratios); regulatory capital, Tier 1 capital, Common

Equity Tier 1 (CET1) capital, Tier 2 capital; regulatory capital adequacy ratios (H_{PK}); Tier 1 capital adequacy ratio (H_{K1}); CET1 capital adequacy ratio (H_{OK1}); loans and claims by maturity buckets for households, legal entities, and banks in domestic and foreign currencies; deposits by maturity buckets for households, legal entities, and banks in domestic and foreign currencies; and foreign exchange net open position, split between total foreign exchange assets (long position) and foreign exchange liabilities (short position), and between on- and off-balance sheet.

50. The NBU will provide the IMF, ***on a monthly basis***, in an agreed format, data for the entire banking sector and on a bank-by-bank basis for State Participation Group, Foreign Banking Group and Private Capital Group banks the amount of loans and claims (by households in domestic and foreign currency, legal entities in domestic and foreign currency, banks in domestic and foreign currency, maturity, and by borrower classification categories); collateral for loans and claims (by type of collateral, legal entities in domestic and foreign currency, households in domestic and foreign currency, banks in domestic and foreign currency, and by borrower classification categories; provisions on loans and claims (by households in domestic and foreign currency, legal entities in domestic and foreign currency, banks in domestic and foreign currency, and by borrower classification categories); large exposures (loans equal to or greater than 10 percent of equity), refinanced loans, and restructured loans (by households, legal entities, and banks) (after Martial Law is cancelled); the average interest rate on new loans to customers (by non-financial corporations and households; accrued interest on loans (by domestic and foreign currency); securities and debt financial instruments, with government securities reported separately (by domestic and foreign currency).

51. The NBU will provide the IMF, ***on a monthly basis***, in an agreed format, bank-by-bank for the State Participation Group, Foreign Banking Group and Private Capital Group banks the amount of deposits of related parties (by domestic and foreign currencies, and households and legal entities); deposits of related parties pledged as (cash cover) collateral (by domestic and foreign currencies, and households and legal entities); other liabilities to related parties (by domestic and foreign currencies); related-party loans (by households, legal entities, and banks); counterparty names and amounts of the largest 20 loans to related parties; collateral for loans and claims on related parties (by type of collateral, legal entities, households, and banks in domestic and foreign currencies, as well as by borrower classification categories); provisions on loans and claims on related parties (by households, legal entities, and banks in domestic and foreign currencies, as well as by borrower classification categories.

52. The NBU will provide to the IMF, ***on a monthly basis***, aggregate and bank-by-bank and by region data on loans and provisions (by households and legal entities, domestic and foreign currencies, and by debtor classification categories), and by asset class (e.g. corporate, and retail.); deposits (by households and legal entities, and domestic and foreign currencies); due from banks (by domestic and foreign currencies).

53. The NBU will report to the IMF, ***on a monthly basis***, data for the entire banking sector as well as on a bank-by-bank basis for each of the banks in the State Participation Group, Foreign Banking Group and Private Capital Group showing nonperforming loans (NPLs), including migration

from NPLs to performing loans (PLs); migration from PLs to NPLs; the form of NPL repayments (cash, loan sales, collateral sales, etc.); write-offs; and other factors (e.g., exchange differences and revaluations) (and compared with banks' respective timebound plans for reducing NPLs once these are approved).

54. The NBU will report to the IMF, ***on a monthly basis***, data for the entire banking sector as well as on a bank-by-bank basis by bank groups for State Participation Group, Foreign Banking Group and Private Capital Group data on cumulative income statements, including total revenues; interest revenues (from loans to households, loans to legal entities, interbank loans, placements with the NBU, securities); revenues from fees and commissions; total expenses; interest expenses (on deposits to legal entities, deposits to households, interbank borrowing, borrowing from NBU, securities issued); fees and commissions paid; salaries and other staff compensation; other operational expenses; net earnings before loan loss provisions; loan loss provisions; net earnings after loan loss provisions; taxes paid; and net earnings.

55. Upon request, the NBU will provide to the IMF banks' net expected outflow of cash for a 30-day period.

56. The NBU will report to the IMF ***on a monthly basis*** and bank-by-bank the amount by which the State Participation Group, Foreign Banking Group and identified Private Capital Group banks' regulatory capital has been increased. The report will disclose the instrument or transactions by which the regulatory capital has been increased (e.g., capital injection, conversion of subordinated debt to equity, etc.)

57. The NBU will report to the IMF ***on a monthly basis*** data for the entire banking sector as well as on a bank-by-bank basis by bank groups for State Participation Group, Foreign Banking Group and Private Capital Group data on liquid assets in local currency and all currencies, including holdings of cash, correspondent accounts with banks, domestic government debt securities, including benchmark domestic government debt securities, funds held at the NBU in correspondent accounts, NBU's certificates of deposit, including NBU's limited three-month certificates of deposit, amount of reserve requirements (required reserve ratio), the average value of the liquidity coverage ratio LCRall currencies, LCRfc.

58. The NBU will, ***on a monthly basis***, inform the IMF of any regulatory and supervisory measures against banks violating the NBU regulations on capital adequacy, liquidity ratio, large exposures, and related or connected lending, as well as about decisions on declaring a bank as problem or insolvent, including banks whose license has been revoked without declaring the bank insolvent.

59. The NBU will continue to provide detailed quarterly balance of payments data in electronic format within 80 days after the end of the quarter.

60. The NBU will inform IMF staff if the Treasury does not pay interest or principal on domestic government bonds due to the NBU, banks, or nonbank entities and individuals. In such case, the NBU will provide information on outstanding interest and principal payments.

61. The NBU will inform IMF staff of any changes to reserve requirements for other depository corporations.

62. The NBU will communicate (electronically) to the IMF staff any changes in the accounting and valuation principles applicable to the balance sheet data and will notify the staff before introducing any changes to the Charts of Accounts and reporting forms of both the NBU and the commercial banks.

63. The NBU Internal Audit Department will continue to provide an assurance report to the Fund, no later than six weeks after each test date, confirming that (i) the monetary data are in accordance with program definitions and have been verified and reconciled to accounting records; and (ii) that there have been no changes to the chart of accounts or valuation methods that would impact the data reporting.

64. The NBU will continue to provide the IMF with a copy of the annual management letter from the external auditor within six weeks of completion of each audit. As required under the Fund's safeguard policy, this will remain in effect for the duration of the arrangement and for as long as credit remains outstanding.

65. Monthly, the NBU will provide to the IMF and the Ministry of Finance data on the monthly coupons and principal to be paid for the period till the end of current and next year (in hryvnia and foreign currency, separately) on the outstanding stock of government securities held by NBU and the public (broken down by resident banks, resident non-bank; and non-resident investors). The data on resident banks will be further broken down by bank group (State Participation, Foreign Banking, and Private Capital) and include ISIN-level. Annually, the NBU will provide information on hryvnia-denominated securities that are indexed (i.e., to inflation; USD), broken down by the type of the owner.

66. The NBU will provide ***on a monthly basis*** to the IMF detailed information on the government's deposits at the NBU and at commercial banks in the breakdown of currency consistent with paragraph 20 and in an agreed format.

B. Deposit Guarantee Fund

67. The DGF will provide, ***on a monthly basis***, data on the total number and volume of household deposits broken down in groups by deposit size. The data will be reported bank-by-bank for the largest 35 banks and on aggregate for the remaining banks.

68. The DGF will report to the IMF ***<u>on a monthly basis</u>*** and bank-by-bank for all banks in the banking system the amount of insured deposits and total household deposits. The data will be reported according to an agreed format, by domestic and foreign currency.

69. The DGF will report to the IMF ***<u>on a monthly basis</u>*** and bank-by-bank the total insured deposits and remaining insured deposits to be paid by the DGF for the banks under liquidation and under provisional administration. The data will be reported according to an agreed format, by domestic and foreign currency.

70. The DGF will report to the IMF ***<u>on a monthly basis</u>*** the financial position of the DGF, including information about the cash balance, bond holdings, credit lines, and loans. The data will be reported according to an agreed format.

71. The DGF will report to the IMF ***<u>on a monthly basis</u>*** the financing arrangements of the DGF, including information about contracted financing from MoF. The data will be reported according to an agreed format.

72. The DGF will report to the IMF ***<u>on a monthly basis</u>*** a one-year forecast of the amount and type of financial resources that the DGF expects to receive from MoF, NBU and other entities, the amount that DGF expects to pay out to insured depositors in banks in liquidation, and the amount of asset recoveries expected by DGF. The data will be reported according to an agreed format.

C. Ministry of Finance

73. The Ministry of Finance will provide the IMF with the monthly consolidated balances (end-month) of other non-general government entities, including SOEs, holding accounts at the Treasury no later than 25 days after the end of the month.

74. The Treasury will continue to provide to the IMF reports on daily operational budget execution indicators, daily inflow of borrowed funds (by currency of issuance) to the state budget and expenditures related to debt service (interest payments and principals) including data on government foreign exchange deposits, in a format agreed with IMF staff, 10-day and monthly basis data on the execution of the state, local, and consolidated budgets on the revenue side and data on revenues from the social security contributions, including by oblast breakdown, monthly data on funds, deposited with the Single Treasury Account, on the registration accounts of the entities which are not included in the state sector, information on balance of funds as of the 1st day of the month on the account #3712 "accounts of other clients of the Treasury of Ukraine," on inflow to the State budget from placing Treasury or any other liabilities to households in foreign and domestic currency and their redemption.

75. The Ministry of Finance will continue to provide to the IMF in electronic form monthly and quarterly treasury reports, including on accounts payable by budget institutions no later than 25 and 35 days after the end of the period, respectively. The Ministry of Finance will continue to provide to the IMF in electronic form the final fiscal accounts at the end of each fiscal year, no later than March

of the following year. Inter alia, these reports will provide expenditure data by programs and key spending units, as well as based on standard functional and economic classifications. In addition, quarterly reports will contain standard information on budget expenses to cover called government guarantees.

76. The Ministry of Finance will report data on the public wage bill (excluding SOEs) in line with the template agreed with the IMF staff, including all payment categories, including defense wages. The Ministry of Finance will provide quarterly Treasury reports on expenditure under the medical guarantee program by economic classification.

77. The Ministry of Finance will report to the IMF on a quarterly information on municipal borrowing and amortization of debt in format agreed with IMF staff.

78. The Ministry of Finance, together with NBU, ***on a monthly basis***, will provide information about redemptions of domestic bonds and bills in favor of residents (banks, non-banks) and non-residents. The Ministry of Finance, together with NBU, ***on a weekly basis***, will provide information on face value of government bonds redeemed and face value of government bonds placed during the week.

79. The Ministry of Finance will report to the IMF ***on a monthly basis***, no later than 15 days after the end of the month, the cash balance of the general government, with details on budget execution data for privatization receipts of the state and local governments; disbursements of external credits (including budget support and project loans including on lending) to the consolidated budget and amortization of external debt by the consolidated budget; net domestic borrowing of the general government, including net T-bill issuance, issuance of other government debt instruments, and change in government deposits.

80. The Ministry of Finance will provide in electronic form ***on a quarterly basis***, no later than 25 days after the end of the quarter, an updated list of project financing credits (distinguishing grant and loan financing) to be disbursed to the special fund of the State Budget of Ukraine (project-by-project basis), as well aggregated cash expenditures for such projects through the most recent month.

81. The Ministry of Finance will provide data on the stock of all budgetary arrears on a monthly basis, no later than 25 days after the end of the month, including separate line items for wages, pensions, social benefits accrued by social funds, energy, communal services, and all other arrears on goods and services and capital expenditures. The Treasury will report monthly data on accounts payable for state and local budgets (economic classification of expenditures). The Pension Fund will provide monthly reports on net unpaid pensions to the individuals who resided or continue to reside in the territories that are or were in direct combat zones and temporarily occupied by Russia. The provided information will include defense and law-enforcement.

82. The Ministry of Finance will provide a decomposition of own revenues of budgetary institutions (budget treasury code 25000000) into proceeds from fees for services provided by

budget institutions in accordance with the law (budget treasury code 25010000) and other sources of own revenues of budgetary institutions (budget treasury code 25020000) no later than 25 days after the end of the quarter.

83. The Ministry of Finance will provide monthly information, no later than 25 days after the end of each month, on the amounts and terms of all external debt contracted or guaranteed by the central government, including external and domestic credit to key budgetary spending units as well as nongovernment units that is guaranteed by the government (amount of sovereign guarantees extended by executive resolutions and actually effectuated; total amount of outstanding guarantees and list of their recipients).

84. The Ministry of Finance will provide monthly information, no later than 25 days after the end of each month, on the balances of sub-accounts 3551 and 3559.

85. The Ministry of Finance will provide to the IMF in electronic form on a quarterly basis, no later than 25 days after the end of the quarter, (a) data on the outstanding stock of domestic and external debt of the state and local budgets (including general and special funds); (b) the monthly forecasts of planned and actual external debt disbursement, amortization, and interest payments (including general and special funds), broken down in detail by creditor categories and currency as agreed with Fund staff. The Ministry of Finance will also report the accumulation of any budgetary arrears on external and domestic debt service.

86. The Ministry of Finance will provide to the IMF in electronic form on a semi-annual basis, no later than 25 days after the end of Q2 and Q4, disaggregated bond-by-bond (loan-by-loan) data regarding the debt stock, associated payments, and disbursements.

87. The Ministry of Finance will provide data on external and domestic credit to key budgetary spending units as well as nongovernment units that is guaranteed by the government (amount of sovereign guarantees extended by executive resolutions and actually effectuated; total amount of outstanding guarantees and list of their recipients) on a monthly basis no later than 25 days after the end of the month.

88. The Ministry of Finance will provide data on the approved budgets and quarterly operational data (daily for the Pension Fund only) on the revenue, expenditures, and arrears, and balance sheets of the Pension Fund (detailed data on the breakdown of revenues and expenditure by main categories are expected for this Fund), Employment Fund (detailed data on the breakdown of revenues and expenditure by main categories are expected for this Fund), and any other extra budgetary funds managed at the state level no later than 50 days after the end of each quarter (each month in case of the Pension Fund). Any within-year amendments to the budgets of these funds will be reported within a week after their approval. The Ministry of Finance will also report the annual financial statement including the final fiscal accounts of those funds at the end of each fiscal year, no later than April of the following year.

89. The Ministry of Finance will provide, no later than 15 days after the end of each month, monthly data on the budgetary costs associated with the recapitalization of banks and SOEs. This cost includes the upfront impact on the cash balance of the general government of the recapitalization of banks and SOEs as well as the costs associated with the payment of interests, including the respective changes as a result of supplementary budgets. The Ministry of Finance will provide quarterly performance reports for the Fund for Entrepreneurship Development. The registry of fiscal risks would become available to the IMF staff on semi-annually or, if available, on a sooner basis.

90. The STS and State Customs Service (SCS) will continue to provide on a quarterly basis, no later than two months after the end of the quarter, a listing of all tax exemptions granted, specifying the beneficiary to whom the exemption was provided, the duration, and the estimated subsequent revenue loss for the current fiscal year. Revenues foregone include losses from the simplified tax regime by groups of beneficiaries.

91. The STS will continue to provide monthly information, no later than 25 days after the end of the month, on VAT refunds in the following format: (i) beginning stock of refund requests; (ii) refund requests paid in cash; (iii) refunds netted out against obligations of the taxpayer; (iv) denied requests; (v) new refund requests; (vi) end-of-period stock of requests; and (vii) stock of VAT refund arrears (unsettled VAT refund claims submitted to the STS more than 74 days before the end of period.

92. The STS will continue to provide monthly reports 1.P0 on actual tax revenue and 1.P6 on tax arrears, inclusive of deferred payments, interest, and penalties outstanding no later than 25 days after the end of each month.

Tax Arrears by Codes	Total stock, o/w	Principal	Interest	Penalties	Tax Arrears of Taxpayers Undergoing Bankruptcy	Total Tax Arrears net of Taxpayers in Bankruptcy Procedures
Taxes from Code 11010000 to 31020000						

93. The STS will provide ***on a quarterly basis*** but no later than 25 days after the end of each quarter information on the number of tax appeals and the associated disputed amounts received by the STS in each reporting period, the number of internally resolved appeals indicating the number of appeals resolved in favor of the controlling body, in favor of taxpayer and partial satisfaction.

94. The Ministry of Finance will provide ***on a monthly basis*** information about the number and amount of loans under the 5-7-9 program as well as a breakdown by sectors of loans.

D. Ministry of Economy, National Commission in Charge of State Regulation in Energy and Utilities (NEURC), GTSO, Naftogaz and Ministry of Development of Communities Territories and Infrastructure

95. For each month, no later than the 25th of the following month, Naftogaz Group and the GTSO will each provide IMF staff with information in electronic form (in an agreed format) on their cash flows. The report from Naftogaz Group will also provide information on volumes and prices of gas purchases and sales (purchase of domestic and imported gas, sales to households, heating utilities, budget institutions, and industries), and the main revenue, expenditure, and financing items. On a monthly basis, Naftogaz will provide to IMF staff updated information on the company's financial liabilities, with a schedule of loan-by-loan interest and principal payments.

96. The Ministry of Economy will provide ***on a quarterly basis***, but no later than 80 days after the end of each quarter consolidated information from the financial statements of the 10 largest SOEs. Specifically, the information will include data on (a) gross profit/losses; (b) net financial results; (c) subsidies received from the budget; (d) guarantees granted from the budget; (e) stock of debt, broken down by domestic and foreign; (f) taxes and dividends paid; (g) wage arrears; and (h) other payment arrears.

97. The Agency for the Restoration and Development of the Infrastructure of Ukraine will provide monthly reports on the execution of budgetary programs associated with the road construction and maintenance, including borrowing (disbursements, interests, and amortization) in line with the format agreed with IMF staff.

E. State Statistics Service

98. In case of any revisions of gross domestic products, the State Statistics Service will provide to the IMF revised quarterly data on gross domestic product (nominal, real, deflator) and their components (economic activities, expenditure, income), no later than 10 days after any revisions have been made.

F. Ministry of Social Policy

99. The Ministry of Social Policy will collect and submit to IMF staff ***on a quarterly basis*** data on social assistance programs, including those existing before the war and newly emerging categories. The data, which will be presented in an agreed excel format, will show for each program, including IDPs (a) the number of households receiving help under HUS and other support categories; and privileges in the reporting month; (b) total value of transfers; (c) total value of outstanding HUS debt (d) income per capita of participants, both for HUS and privileges.

Statement by Mr. Vladyslav Rashkovan, Alternate Executive Director for Ukraine

October 18, 2024

On behalf of the Ukrainian authorities, I thank staff for the in-depth staff report, the constructive engagement during the recent mission visit to Kyiv (the first mission fully organized in Ukraine since the start of Russia's full-scale invasion), continuous virtual engagement with the authorities, and well-crafted technical assistance.

The authorities are in broad agreement with the staff assessment of the devastating impact of Russia's brutal, unjustified invasion of Ukraine, which continues to bring a rising economic, social, and humanitarian toll.

The authorities are grateful for the Fund's Management and Executive Board's continuous support of Ukraine throughout these challenging times. They are also thankful to all international donors and partners for supporting Ukraine under the IMF-financed program and their new commitments under the Extraordinary Revenue Acceleration Loans for Ukraine (ERA) initiative.

The comments below explain the context in which the authorities have operated since the last review in June 2024.

Macro Outlook in a Wartime

Russia's persistent and repeated attacks on the energy infrastructure have resulted in a dire situation when half of the generating capacity, especially thermal and hydroelectric power, has been destroyed or significantly damaged since spring. Those attacks inflicted severe economic damage and losses limiting the electrical generation capacity of Ukraine and bringing massive and lengthy electrical outages throughout the country. The authorities are continuing coordinated efforts, including with international partners, to advance plans to address the winter energy deficit. The authorities have developed a multi-pronged strategy to deal with the energy crisis, and currently execute it with help of the international donors and partners.

Over a quarter of the Ukrainian population has been displaced either as refugees or internally displaced. According to various surveys, most migrants abroad still plan to return to Ukraine, once security, economic factors, and housing improve. However, their share has been declining, reflecting further adaptation of migrants in host countries, which bestows risks of labor shortage for post-war recovery.

Despite extremely challenging conditions arising from the war, the economy has shown remarkable resilience in recent months. At the same time, risks remain exceptionally high - the current war dynamics show that we may expect that Russia's invasion will continue at least through 2025, generating budget spending pressures and raising financing needs.

Monetary and Exchange Rate Policies

After a period of low consumer inflation in 2024, its trajectory reversed in May. Since then, headline consumer inflation continued to accelerate to 8.6 percent yoy in September, surpassing the National Bank of Ukraine's (NBU) forecast from the July 2024 Inflation. The uptick was mainly driven by an increase in food inflation due to a lower supply of some food products because of drought. Underlying inflationary pressures also intensified in September – core inflation accelerated essentially more than expected (to 7.3 percent yoy in September), driven by the pass-through of higher business costs for raw food inputs, energy, and labor to prices. Inflationary pressures were also amplified by the effects of the hryvnia depreciation in previous months. However, inflation expectations remained generally stable.

Given increased inflation risks, the NBU had to recalibrate monetary policy and suspended its interest rate easing in July 2024. It has been done to maintain an appropriate level of yields on hryvnia instruments and support the sustainability of the FX market. Considering the balance of risks the NBU did not resume the cycle of key policy rate cuts in September. The decision to keep the key policy rate on hold at 13 percent aimed to bring inflation back to its 5 percent target in the coming years, to maintain interest in hryvnia savings, and to ensure the sustainability of the FX market. The NBU believes that the current tight stance is appropriate to reach the NBU's inflation targets on the mid-term planning horizon while preserving positive real rates on hryvnia assets.

The NBU is committed to continuing a gradual transition toward a full-fledged inflation-targeting regime with a floating exchange rate once appropriate prerequisites are in place. This commitment has been outlined in the updated medium-term Monetary Policy Guidelines, approved by the NBU Council in September. Until then the NBU will continue to flexibly adapt its monetary policy if macroeconomic indicators deviate from expectations and if the balance of risks to inflation, the FX market's sustainability, and economic development changes significantly.

The exchange rate (ER) has continued to demonstrate flexibility – the NBU ensures two-way ER movements while avoiding excessive volatility under the managed flexibility framework. Such an approach helped the NBU to keep inflation and exchange rate expectations under control during the last quarters, preserve confidence in the hryvnia. Moreover, allowing the exchange rate to adjust to domestic and external shocks strengthened the resilience of the Ukrainian economy and FX market while safeguarding reserves. The NBU is committed to maintaining adequate FX reserves through the course of the program to safeguard external stability.

The further easing of FX controls will continue to be approved on a gradual, staged basis in line with the FX liberalization roadmap under the NBU's strategy to safeguard FX market stability while addressing national and international security considerations. Further cautious easing of FX controls is aimed at improving the investment environment, facilitating debt management, promoting capital inflows into Ukraine while considering assessments on macroeconomic conditions and outlook, and ensuring consistency with the overall policy mix.

Therefore, amid exceptionally high uncertainty, the NBU's monetary and exchange rate policies will remain focused on safeguarding price and external stability. The NBU is committed to maintaining sufficiently positive real interest rates and adjusting interest rate and exchange rate policies in response to changes in the balance of risks to inflation and the economic outlook over the forecast horizon.

Budget and Fiscal Policies

The 2024 tax collections have exceeded expectations so far, partly due to a higher-than-expected yield from a special bank windfall profit tax applicable this year. Revenues should further benefit from recently enacted legislation to align fuel excises with EU directives, which became effective in September. The recently adopted supplementary 2024 budget and fiscal policy implementation for the rest of the year reflect the authorities' intention to maintain a high level of defense preparedness.

The longer war also significantly changes 2025 Ukraine's fiscal outlook and BOP needs. To address these needs, the Ministry of Finance submitted the 2025 budget in September in line with the updated macro framework under the program, which reflects a longer war and the program's financing parameters. The draft budget estimates total spending at 59 percent of GDP, about 10 percent of GDP higher than in the Fourth Review baseline. On October 10, 2024, Parliament passed a bill of amendments to the Tax Code with a revenue measures package including (i) hiking the military tax rate from 1.5 to 5 percent; (ii) broadening the base of military tax by extending it to taxpayers in the simplified tax system; (iii) introducing presumptive taxation on fuel stations; and (iv) increasing the corporate tax rate applied to non-bank financial institutions (excluding insurance). The bill also reintroduced a 50 percent windfall tax on bank profits earned in 2024, doubling the regular bank profit tax rate.

The deficit in 2025 will remain large, but financeable. As the avoidance of monetary financing has been an important factor supporting macroeconomic stability in 2023 and the first three quarters of 2024, the authorities stay committed to avoiding further direct monetary financing subject to timely disbursements of the committed international support. Overall, next year's deficit excluding grants planned to be ~20 percent of GDP, which will be financed by the combination of domestic revenue measures, internal borrowings, and support of external partners. The largest external financing contributions are expected to come from financing backed by the G7's ERA initiative.

Reforms to boost domestic revenue mobilization under the National Revenue Strategy (NRS) remain a high priority to help meet budget financing needs. The NRS, approved by the Cabinet of Ministers at the end of 2023 as a part of the current EFF program, forms an anchor for tax policy and administration reforms in the medium-term and allows for achieving a fair and competitive tax framework that generates revenues sufficient to safeguard post-war development goals while maintaining fiscal and debt sustainability. For its operationalization, the authorities developed detailed implementation plans with specific timetables for tax administration, customs, and tax policy reforms. In line with the NRS, the authorities also plan to better target and rationalize tax exemptions, minimize revenue losses, and avoid compromising equity and economic efficiency. A formal assessment methodology for tax privileges was adopted by the Ministry of Finance in September. Rationalizing tax exemptions and improving their targeting remains a near-term reform priority. Also, with submitting 2025 Budget in September, the authorities identified major public companies severely affected by the war and, as a part of broad actions to manage fiscal risks, prepared an assessment of their potential fiscal and quasi-fiscal costs.

To support revenue mobilization the Customs code has been also amended in line with international best practices. In July, the Parliament also adopted legislation to gradually align fuel product excise taxes with EU requirements (over 2024–2028). Draft legislations have been prepared to gradually align tobacco excise taxes and to introduce excises on sugary drinks. Work is also underway to develop legislation on medical cannabis taxation.

The authorities are also proceeding with the implementation of the Economic Security Bureau of Ukraine (ESBU) reform. The new ESBU law, adopted in June 2024, ensures robust mechanisms for transparency, accountability, and integrity. Work continues on the reforms to improve the performance of the State Customs Service (SCS) and State Tax Service (STS). To move in line with these tasks, the government has committed to appoint a new Head of the ESBU and a new Head of Customs under transparent procedures and with the help of independent experts with international experience.

Within the public financial management reform, the action plan to implement the 2023 Public Investment Management (PIM) Roadmap was approved ahead of schedule with the support of the IMF, World Bank, and the European Commission. The roadmap lays out key steps to establish a gatekeeper role for the Ministry of Finance at various stages of the public investments' projects cycle. It also creates clear linkages between the government mid-term budgeting framework (MTBF) and national reconstruction priorities. The implementation of the roadmap has begun with the establishment of the Strategic Investment Council (SIC). The SIC will play a central role in defining the single projects pipeline for large capital expenditures, which are in high demand for the government's reconstruction efforts. In October, the SIC endorsed the list of public investment projects for the draft 2025 budget.

Debt Management and Financing Strategy

The authorities believe that the successful Eurobond exchange in August is a major achievement toward restoring debt sustainability and securing debt relief amid pressing expenditure needs. The authorities remain committed to undertaking further treatment of external commercial claims as needed to restore debt sustainability, in line with program parameters.

As communicated above, the deficit this year, excluding grants, is large and higher than was envisaged during the fourth review. While the committed external donor support from the European Union, the United States, and other partners remains the largest source of financing, the overage resulting from the supplementary budget is planned to be mainly financed domestically. As of August 2024, net domestic bond financing of UAH 88.9 billion (almost US $2.2 billion) was mobilized, resulting in an implied rollover rate of 141 percent so far this year. About UAH 25 billion were issued in the form of designated benchmark bonds that banks may use to meet reserve requirements. The Ministry of Finance's revised borrowing plans involve an ambitious placement of a large volume of government bonds on the domestic market carefully coordinating the actions with banks on the issuance strategy to avoid any market disruption. The NBU has also adjusted its reserve requirements (RR) to help direct liquidity toward the government bond primary market for the remainder of 2024.

The authorities rely on the external donors' commitments to provide financing according to the agreed schedule, because financing volatility in the disbursement has been a major challenge for budget execution so far. Nevertheless, the approval of external financing by the European Union (EUR 50 billion Ukraine Facility and several tranches of the EU bridge financing) and the United States (comprising US $61 billion of supplemental appropriations for military and financial support), has eased concerns about near-term liquidity strains and signals the commitment of international partners to stability, reform, and recovery. Moreover, in September, more than 30 countries, including all the G7 countries and the European Union adopted a Joint Declaration of Support for Recovery and Reconstruction of Ukraine. The main points of the declaration include comprehensive support for the reconstruction of Ukraine on its path to EU membership and coordination of support through the Ukrainian Donor Platform. Sustained rhythmic execution of these commitments is crucial for maintaining macrofinancial stability.

The G7 partners` confirmation of their willingness to grant Ukraine approximately US $50 billion in additional funding under the ERA initiative is of vital importance. However, work on ERA should not undercut or replace any of the existing support programs which are equally important to cover budgetary needs, defense needs, and recovery costs. In line with the authorities' intention to use ERA disbursements in a manner consistent with the fiscal paths under the current program, the authorities are committed to administering these flows as budget support. Specifically, they will ensure that the ERA financing is: (i) transparently incorporated in the budget, (ii) accounted for in the treasury reporting, (iii) disbursed into the treasury single account, and (iv) not directed to any special fund without prior agreements with the donor countries.

Governance Policies

The authorities continue their efforts to advance critical reforms relating to prosecuting corruption. To strengthen effective procedures for corruption investigations, further amendments to the Criminal Procedural Code will be enacted. The external audit of the NABU's effectiveness with the participation of three independent experts with international experience will be completed and its report published. A law will be enacted to enhance the organizational, functional, and financial independence and effectiveness of the Accounting Chamber of Ukraine (ACU) to fulfill its constitutional oversight function over public expenditures in line with the standards of the International Organization of Supreme Audit Institutions.

The authorities are committed to ensure that a strategy for post-war reconstruction will meet the highest standards of transparency and accountability. They will also undertake efforts to enhance the institutional independence and effectiveness of key audit institutions to ensure that public funds, including for reconstruction and recovery, are used for their intended purposes and any misuse is prevented or detected. In coordination with international partners, they take full advantage of digital technologies in the implementation of the full cycle of public investment projects, providing timely information to transparently track and analyze related projects throughout the whole project cycle from planning to implementation, including procurement processes and expenditures. The authorities have been working to achieve this through developing a single digital ecosystem for PIM based on the updated Prozorro digital procurement system, the Ministry of Finance's IT systems for planning and execution monitoring of state and local budgets and IFI projects, the Digital Restoration Ecosystem for Accountable Management (DREAM) and other relevant systems and registries.

The authorities are also advancing the implementation of the recently adopted SOE governance law and working on preparing the state-ownership strategy, which will include a dividend policy and privatization strategy. The authorities are committed to advancing energy corporate governance reforms, including an independent evaluation of the GTSO supervisory board and formation of the full supervisory board of Ukrenergo. They are also committed to advancing the rule of law and judicial reforms. Following the dissolution of the Kyiv District Administrative Court, they will enact a law to establish the High Public Disputes Court (HPDC) that will hear administrative cases against national state agencies.

Concluding Remarks

The authorities remain committed to the policies of the current IMF-supported program aiming to restore fiscal and achieve debt sustainability on a forward-looking basis as well as medium-term external viability. The authorities believe that the policies outlined in the MEFP are adequate to achieve these objectives in the baseline and downside scenarios and, despite the extremely challenging circumstances, continue demonstrating a strong program ownership and implementation. They completed the prior action, implemented two out of three September structural benchmarks (SB), and delivered a few others in advance early. Implementation of one SB on the National Anticorruption Bureau (NABU) audit is requested to be rephrased for reasons beyond the authorities' control.

The authorities also met all four program quantitative performance criteria (QPCs) and Indicative targets (IT) for June and have requested waivers of applicability - as data are not yet available - for all four end-September QPCs, comprising (i) the floor on the non-defense cash primary balance of the general government, excluding budget support grants, (ii) the floor on tax revenues, (iii) the ceiling on publicly guaranteed debt, and (iv) the QPC on net international reserves. The authorities expect to meet all four QPCs, and data to confirm outcomes will be available in the coming weeks.

The authorities also believe that all the mitigation factors, including financial assurances from the key donors, including from the ERA initiative, remain in place. These, together with the authorities' strong ownership and track record under the current EFF program, decrease the relevant business, financial, strategic, and reputational risks for the Fund, despite extraordinarily challenging circumstances.

The authorities are requesting the rephasing of purchases under the program over 2025–27 to accommodate quarterly monitoring in 2025, given continued exceptionally high uncertainty amid a prolonged war.

The authorities believe that the reforms under the current EFF program will pave the way toward successful Ukraine's EU accession. In this vein, following the opened accession negotiations with the European Union, the European Union has launched the official screening of the compliance of Ukrainian legislation with EU law. In early October, Ukrainian delegations participated in the third round of bilateral meetings between Ukraine and the European Commission in Brussels. Recent discussions focused on the Economic Criteria area, as well as on the negotiated Chapter 32, Financial Control. The primary focus was to analyze Ukraine's ability to maintain a stable and efficient market economy, withstand competitive pressure, and operate in the EU single market despite Russia's aggression. The discussion was also focused on key aspects of the system of state internal financial control, external audit, protection of financial interests, and public administration reform.

While the authorities remain fully committed to further IMF-financed program execution, they emphasize that **the current review proposes 10 new structural benchmarks** through mid-2025 and ask for further alignment of the conditionalities with other donors' programs and the Ukrainian European accession roadmaps. They believe that efforts to achieve Ukraine's strategic goal of EU accession will strengthen the drivers of long-term growth and stability.

Based on the successful program implementation as well as the commitments for the period ahead, the authorities request the completion of the fifth review and reiterate their strong commitment to maintaining a close policy dialogue with the Fund towards the EU accession path to propel growth in the post-war period.