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SEVENTH REVIEW UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY, REQUESTS FOR MODIFICATION OF A 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 Seventh Review Under the Extended Arrangement Under the Extended Fund Facility, Requests for Modification of a 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 March 28, 2025, following discussions that ended on February 28, 2025, 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 March 21, 2025.
- A **Supplementary Information** updating information on recent developments.
- 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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PRESS RELEASE

PR25/081

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

FOR IMMEDIATE RELEASE

- The IMF Board today completed the Seventh Review of the Extended Arrangement under the Extended Fund Facility (EFF) for Ukraine, enabling a disbursement of about US$0.4 billion (SDR 0.3 billion) 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-December and continuous quantitative performance criteria, the prior action for this review, and the majority of structural benchmarks.
- Sustained reform momentum, progress at domestic revenue mobilization, as well as full and timely disbursement of external support during the program period are necessary to safeguard macroeconomic stability, restore fiscal and debt sustainability, and improve governance.

Washington, DC—March 28, 2025: The Executive Board of the International Monetary Fund (IMF) today completed the Seventh Review of the EFF, enabling the authorities to draw US$0.4 billion (SDR 0.3 billion, which will be channeled by the authorities for budget support. This will bring the total disbursements under the IMF-supported program to US$10.1 billion.

Ukraine's 48-month EFF, with access of SDR 11.6 billion (equivalent to about US$15.5 billion, or 577 percent of quota), was approved on March 31, 2023, and forms part of an international support package totaling US$148.8 billion in the baseline. Ukraine's 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 Ukraine's 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.

Ukraine's performance under the program remains strong. All end-December and continuous quantitative performance criteria were met as well as the majority of structural benchmarks. The prior action on enacting an increase in tobacco excise taxes was also met while, the structural benchmark on the enactment of the law establishing a High Administrative Court was implemented with a delay. New benchmarks, including measures to improve public investment management, were established while the timelines of other benchmarks have been adjusted to accommodate capacity constraints. The authorities also requested a rephasing of IMF disbursements to better align them with Ukraine's updated balance of payments needs. The overall size of the program remains unchanged.

Economic growth in 2024 remained resilient but slowed in the second half of the year. The slowdown is expected to continue in 2025 due to an increasingly tight labor market, the impact of attacks on energy infrastructure, and continued uncertainty about the evolution of the war. The National Bank of Ukraine (NBU) has tightened monetary policy to respond to the rise in inflation, which remains mainly driven by food prices, while inflation expectations remain well anchored. Reserves remain adequate, sustained by continued sizeable external support. 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]:

“Russia’s war in Ukraine continues to take a devastating social and economic toll on Ukraine. In spite of this, macroeconomic stability is being preserved through skillful policymaking as well as substantial external support. The economy has remained resilient, but the recent growth slowdown is expected to persist in 2025 due to headwinds from energy needs and a tight labor market. Contingency planning is key to enable appropriate policy action should risks materialize.

“The program remains fully financed, with a cumulative external financing envelope of US$148.8 billion in the baseline scenario and US$162.9 billion in the downside scenario, over the 4-year program period, including the full utilization of the approximately US$50 billion from the G7’s Extraordinary Revenue Acceleration Loans for Ukraine (ERA) initiative. Full, timely, and predictable disbursement of external support—on terms consistent with debt sustainability—remains essential so that the program remains fully financed.

“The 2025 Budget remains the fiscal anchor. The enactment of the tobacco excise tax law is welcomed, as it supports the authorities’ commitment to implementing the National Revenue Strategy. Accelerated implementation of this strategy, including modernization of the tax and customs services, reduction in tax evasion, and harmonization of legislation with EU standards, is required to meet high priority spending needs. This, combined with improvements in public investment management frameworks, medium-term budget preparation, and fiscal risk management, will support growth, investment, and fiscal sustainability.

“The authorities continue working to complete their debt restructuring strategy. They are currently focused on reaching agreement with the remaining holders of external commercial claims, including GDP warrants. Reaching agreement consistent with the program’s debt sustainability objectives is essential to reduce fiscal risks and create space for critical spending.

“The recent monetary policy tightening cycle is appropriate, and the NBU should stand ready for further action should inflation expectations deteriorate. Greater exchange rate flexibility will help strengthen economic resilience while safeguarding reserves.

“While the financial sector remains stable, vigilance is needed given heightened risks. Institutional weaknesses in the security markets regulator need to be tackled. Looking ahead, improving Ukraine’s capital markets infrastructure will be one of the key steps to attracting foreign capital for reconstruction.

“Sustained progress in anticorruption and governance reforms is needed. Additional efforts are required, including appointment of the new head of the Economic Security Bureau, completing the audit of the National Anti-Corruption Bureau, strengthening AML/CFT frameworks, and amending the criminal procedure code.”

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[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 indicated)							
Nominal GDP (billions of Ukrainian hryvnias) 1/	5,451	5,239	6,538	7,648	8,737	10,044	11,157
Real GDP 1/	3.4	-28.8	5.3	3.5	2-3	4.5	4.8
Contributions:							
Domestic demand	12.9	-22.9	13.9	5.8	5.2	3.9	4.5
Private consumption	4.7	-16.8	5.5	3.1	3.5	3.2	3.8
Public consumption	0.1	12.5	2.6	-0.1	-1.1	-2.5	-1.9
Investment	8.1	-18.6	5.8	2.7	2.9	3.2	2.6
Net exports	-9.5	-5.9	-8.6	-2.3	-3.2	0.6	0.3
GDP deflator	24.8	34.9	18.5	13.0	12.0	10.0	6.0
Unemployment rate (ILO definition; period average, percent)	9.8	24.5	19.1	13.1	11.6	10.2	9.4
Consumer prices (period average)	9.4	20.2	12.9	6.5	12.6	7.7	5.3
Consumer prices (end of period)	10.0	26.6	5.1	12.0	9.0	7.0	5.0
Nominal wages (average)	20.8	1.0	20.1	21.9	16.2	13.7	10.8
Real wages (average)	10.5	-16.0	6.4	14.4	3.2	5.5	5.3
Savings (percent of GDP)	12.5	17.0	9.8	9.4	2.5	9.5	15.9
Private	12.7	30.2	24.6	21.3	17.4	14.9	14.9
Public	-0.2	-13.1	-14.8	-11.9	-14.9	-5.4	1.0
Investment (percent of GDP)	14.5	12.1	15.1	16.5	18.5	20.1	21.1
Private	10.7	9.6	10.4	11.1	14.5	15.8	16.1
Public	3.8	2.5	4.8	5.4	3.9	4.3	5.1
General Government (percent of GDP)							
Fiscal balance 2/	-4.0	-15.6	-19.6	-17.2	-18.8	-9.7	-4.1
Fiscal balance, excl. grants 2/	-4.0	-24.8	-26.1	-23.2	-19.6	-9.9	-5.2
External financing (net)	2.5	10.7	16.5	15.0	26.4	4.9	1.8
Domestic financing (net), of which:	1.5	5.0	3.1	0.3	-7.6	4.8	2.3
NBU	-0.3	7.3	-0.2	-0.2	-0.1	-0.1	-0.1
Commercial banks	1.5	-1.5	2.5	2.9	1.0	1.6	2.2
Public and publicly-guaranteed debt	48.9	77.7	82.3	89.8	110.0	108.5	103.5
Money and credit (end of period, percent change)							
Base money	11.2	19.6	23.3	7.7	21.6	13.1	10.4
Broad money	12.0	20.8	23.0	13.4	14.3	13.2	10.4
Credit to nongovernment	8.4	-3.1	-0.5	13.5	12.8	17.7	18.7
Balance of payments (percent of GDP)							
Current account balance	-1.9	4.9	-5.4	-7.0	-15.9	-10.6	-5.3
Foreign direct investment	3.8	0.1	2.5	2.0	2.6	4.0	5.1
Gross reserves (end of period, billions of U.S. dollars)	30.9	28.5	40.5	43.8	56.8	50.8	54.1
Months of next year's imports of goods and services	4.5	3.8	5.3	5.3	7.0	6.1	6.4
Percent of short-term debt (remaining maturity)	67.5	64.3	111.4	131.7	163.8	145.9	148.8
Percent of the IMF composite metric (float)	104.4	103.6	124.1	121.2	127.3	106.2	109.1
Goods exports (annual volume change in percent)	39.0	-37.5	-8.7	16.9	3.9	16.0	12.3
Goods imports (annual volume change in percent)	15.1	-29.7	18.0	7.2	11.6	7.0	9.2
Goods terms of trade (percent change)	-8.4	-11.6	3.6	0.5	0.2	0.9	0.7
Exchange rate							
Hryvnia per U.S. dollar (end of period)	27.3	36.6	38.0	42.0	…	…	…
Hryvnia per U.S. dollar (period average)	27.3	32.3	36.6	40.2	…	…	…
Real effective rate (deflator-based, percent change)	2.6	3.2	-6.7	-6.8	…	…	…
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

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.

UKRAINE

March 21, 2025

SEVENTH REVIEW UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY, REQUESTS FOR MODIFICATION OF A PERFORMANCE CRITERION, REPHASING OF ACCESS, AND FINANCING ASSURANCES REVIEW

EXECUTIVE SUMMARY

Context: Three years of war have taken a staggering social, humanitarian, and economic toll. Efforts to end the war, and potential changes to international support retain the exceptionally high uncertainty to the outlook. Yet, the authorities' commitment to reforms and fulfillment of all necessary Fund policies support completion of the review. First, the authorities, despite some slippages in the governance sphere, have continued to implement important reforms, including adopting the landmark reform for new administrative courts; they will also enact a law on tobacco excise taxes (prior action). Second, individual agreements under the US$50 billion Extraordinary Revenue Acceleration Loans Initiative for Ukraine (ERA) are nearing finalization, providing multi-year financing commitments, which the authorities will utilize consistent with program parameters.

Outlook and risks: A mild winter and faster repairs have helped the energy situation, and the economy has remained broadly resilient despite continued attacks on civilian sites and critical infrastructure. Growth is expected to slow this year due to labor shortages and damages to gas and other infrastructure. Inflation has exceeded projections, and while expectations remain broadly stable, vigilance is warranted. Growth in 2026 has been also downgraded while the medium-term outlook is broadly unchanged. Risks remain exceptionally high particularly from uncertainty about the outlook, duration of the war, and donor support. Further attacks on energy and civilian infrastructure remain a high risk, and would take a toll; the authorities' decisive policymaking and contingency planning is a mitigant. Finally, the risk of reform fatigue is rising at a time when momentum is needed on a wide-ranging set of reforms.

Focus of the review: With macroeconomic stability sustained under challenging conditions and a good performance under the program despite some slippages on anti-corruption reforms, the discussions underscored the importance of:

- Executing the 2025 Budget as planned, aligning the frontloaded disbursement schedule of ERA financing with the program's fiscal paths, and advancing work on the budget declaration. Domestic revenue mobilization must support a durable return to fiscal and debt sustainability. The authorities must also advance fiscal structural reforms to build fiscal resilience, including in public financial management, medium-term budgeting, tax and custom systems, public investment management and expenditure policies.

- Maintaining a tight monetary stance to tackle rising inflation and ensuring inflation expectations remain anchored. Enabling the exchange rate to increasingly play a shock-absorbing role to prevent external imbalances and safeguard reserves, especially in view of exceptionally high uncertainty. Continuing with the careful, conditions-based approach to FX liberalization, supported by close monitoring to support the effectiveness of measures.

- Remaining vigilant to financial stability risks, making progress on strengthening the bank rehabilitation framework, preparing a framework to address critical third-party risks, updating the NBU Resilience Assessment, as well as closing substantial gaps in the capital market infrastructure. Swift action is needed to address critical operational and governance challenges at the National Securities and Stock Market Commission (NSSMC).

- Decisively addressing slippages in governance reforms with the aim of tackling corruption and supporting EU accession and post-war growth. The recent adoption of the law establishing the new specialized administrative courts is an important milestone, showcasing the authorities' commitment to challenging governance reforms. Key near-term tasks include enacting the delayed criminal procedural code to assist anti-corruption institutions, finalizing the external National Anti-corruption Bureau of Ukraine (NABU) audit and further strengthening AML/CFT architecture.

- Continuing efforts to make the energy sector more decentralized and resilient, including with needed gas imports this year, strengthening the governance of the state-owned electricity transmission operator, and appointment procedures for SOE supervisory boards.

Program issues: All end-December quantitative performance criteria (QPCs) were met as well as the majority of the structural benchmarks (SBs) due between December 2024-February 2025. The authorities missed the end-December SB to amend the criminal procedure code and adopted with delay the law for new specialized administrative courts. The authorities also missed the January SB for the NSSMC strategy and February SBs on selecting the new ESBU head and on the external NABU audit. The authorities are requesting to raise the QPC on net international reserves for all test dates in 2025 to safeguard frontloaded ERA disbursements. Looking ahead, the authorities are requesting to reset the missed SBs for the criminal procedure code, selecting the new ESBU head, the external NABU audit, and the SB on critical third-party risk. They are also proposing to add four SBs to (i) complete the independent fit and proper review of the NSSMC (end-June 2025); (ii) adopt changes to the selection and appointment procedures for SOE supervisory boards (end-August 2025); (iii) adopt the operational plan for the implementation of the updated IT Strategy of the MoF (end-September 2025); and (iv) adopt sectoral PIM strategies (end-December 2025). The authorities are requesting rephasing to backload purchases under the program for 2025–26 to better align them with the updated profile of balance of payments needs.

Staff supports the completion of the Seventh Review under the Extended Arrangement, enabling a purchase of SDR 300.47 million (14.9 percent of quota).

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

Discussions were held in Kyiv over February 20–21, 2025 and Warsaw, February 24–28, 2025 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), Heiko Hesse, Geoffrey Keim, Andrea Manera, and Sidra Rehman (all EUR); Martina Hengge (SPR); Dermot Monaghan (MCM); Jonathan Pampolina (LEG); Tjeerd Tim (FAD); and Priscilla Toffano (Resident Representative), Ihor Shpak and Vladyslav Filatov (local office). 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. Russia's full-scale war in Ukraine has now lasted over three years. Ukraine has been under intensified pressure on the Eastern frontlines, while continued aerial attacks on civilian and energy infrastructure are taking a severe humanitarian toll. More than 6.9 million refugees remain outside Ukraine, on top of the 3.7 million internally displaced persons. The updated World Bank Rapid Damage and Needs Assessment (RDNA4) estimates reconstruction and recovery needs of US$524 billion, significantly above last year's assessment. Nevertheless, the Ukrainian economy and its people remain resilient, thanks in part to sustained donor support, a robust energy situation, and the authorities' perseverance in maintaining macroeconomic and financial stability while advancing structural reforms, including on the path to the EU accession.

2. The Seventh Review takes place as Ukraine faces an inflection point. Talks to end the war are at a very early stage, with potential changes to the international financial and security support for Ukraine. At the same time, forging domestic political consensus on important reforms has become more challenging. The outlook continues to be exceptionally uncertain, risks remain high, and prospects or timelines for a peace settlement are still unclear. Thus, in the absence of concrete developments to suggest otherwise, the program's assumption around exceptionally high uncertainty (EHU) and the structure of scenarios continue to span an acceptable range of possible outcomes on the evolution of the war.

3. Program performance has been strong, despite some slippages in the governance sphere. The authorities adopted a reform for the new specialized administrative courts after a delay and will enact a law on tobacco excise taxes. Policy discussions focused on helping the authorities navigate the high near-term uncertainty to preserve economic and financial stability, while calibrating macroeconomic policies for 2025 and the rest of the program to ensure that financing gaps are closed, debt sustainability and medium-term external viability are restored, while enhancing preparedness and preserving buffers should adverse shocks materialize.

RECENT ECONOMIC AND PROGRAM PERFORMANCE

4. Ukraine's economy has remained broadly resilient, despite recent energy and security shocks, amid sustained donor support.

- Growth is now expected at 3.5 percent y/y for 2024 (-0.5pp relative to the Sixth Review) reflecting a surprise slowdown to 2 percent y/y in 2024Q3 (versus preliminary estimates of 3.8 percent) caused by energy shortages. A partial recovery to 2.6 percent y/y in 2024Q4 is expected from a better-than-expected energy situation from repairs and mild weather, and improved consumer confidence, despite a deterioration in business expectations.

- Headline inflation accelerated faster than anticipated in 2024Q4 and reached 13.4 percent y/y in February on the back of persistent food price growth, rising labor and energy costs, and excise increases. Base effects contributed to the acceleration, as sequential inflation decelerated to 0.8 percent m/m in February from a 1.9 percent m/m peak in November. Core inflation also accelerated to 12 percent y/y in February (despite a deceleration in sequential terms) largely due to a growing contribution from processed foods. Households' inflation expectations deteriorated to around 11 percent y/y in December and January, with no significant worsening of expectations of other market participants.

- The current account deficit excluding grants widened to US$24.7 billion (13 percent of GDP) in 2024 up from US$21.3 billion (11.9 percent of GDP) in 2023. This principally reflected higher priority import needs, which outweighed strong agriculture and metallurgy exports. Nevertheless, with strong official support, gross international reserves totaled US$43 billion (5.2 months of prospective imports) as of end-January 2025.

- Financial conditions have continued to improve. Banking system liquidity coverage ratios are more than triple the required minimum. Average Tier 1 capital was 17 percent at end-October and profitability remains strong despite successive windfall taxes (net interest margin was 7.6 percent in 2024), but masks potential asset quality risks. Business and household lending annual growth was 22 percent and 38 percent respectively at end-2024. The drivers are mainly a resumption of mortgage, SME, and corporate borrowing from anemic levels and the increasing availability of credit guarantees (from both the Ukrainian government and international financial organizations), lower bank lending rates, and a stabilization of real estate values. A fall in concessional lending schemes was observed. NPLs fell to 29 percent at end-2024, down from a peak of 39 percent in mid-2023, as banks tightened lending standards and tackled assets that soured early under Martial Law. Improved market confidence has also led to the first bank resolution purchase and assumption transaction in eight years.

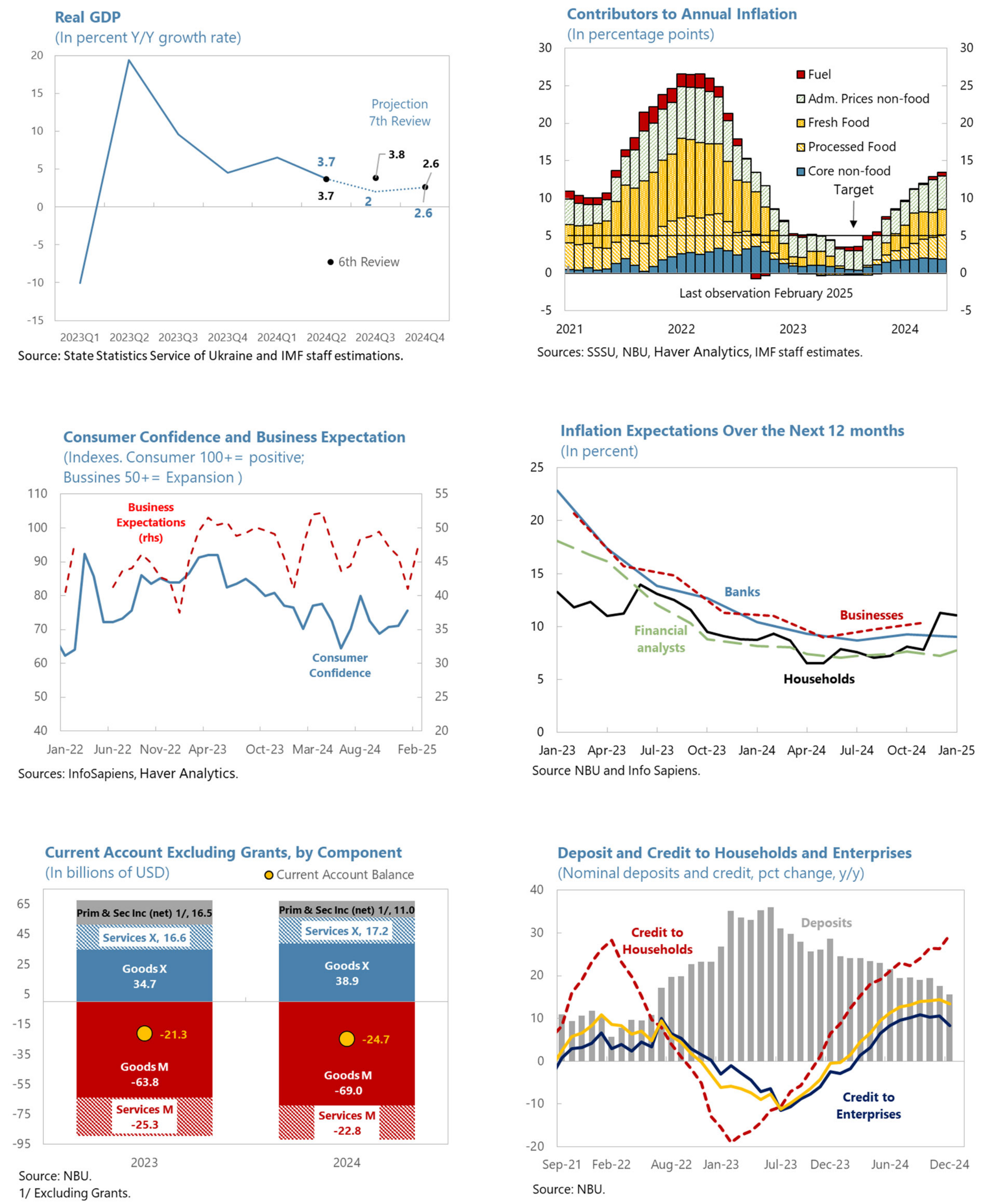
5. Fiscal, monetary, and exchange rate policies have supported stability:

- Tax collections were solid in 2024 and the overall fiscal deficit for 2024 was UAH 1,318 billion (17.2 percent of GDP), narrower than the Sixth Review projection. The narrower deficit and higher-than-expected external disbursements in December (including from ERA-related disbursement) allowed the authorities to scale back local market gross issuances below previously envisaged levels.

- With inflation accelerating more than anticipated, the NBU hiked the key policy rate (KPR) by a cumulative 250 bps since the December MPC, accompanied by strong one-sided forward guidance to act decisively if core inflation pressures become more persistent, or if inflation expectations show signs of becoming unanchored.

- In 2024, the exchange rate depreciated by 10.6 percent, and FX interventions amounted to US$34.5 billion with an acceleration towards the year-end due to budget execution, mainly reflecting the NBU's continued role in intermediating the structural FX deficit. This year, through February, the exchange rate has appreciated by 1.4 percent, as net FX demand stabilized, including on the back of increased FX supply, largely from the agricultural and mining sector; net FX sales amounted to US$6.8 billion.

Figure 1. Ukraine: Recent Economic Indicators



6. The G7's ERA financing initiative is starting to flow to Ukraine. This initiative envisages providing about US$50 billion of loans, which will be repaid through profits of extraordinary revenues accrued to qualifying centralized securities depositories holding immobilized Russian assets. Arrangements with Canada, European Union, the United States, and the United Kingdom have been finalized and flows to Ukraine have already begun. Discussions with Japan are advanced and expected to conclude soon.

7. The authorities met all end-December quantitative performance criteria (QPC). Despite the continuing challenging circumstances, the four end-December QPCs were all met. Moreover, the authorities respected the continuous PCs since the Sixth Review and also met all end-December indicative targets (ITs).

Text Table 1. Ukraine: Summary of Quantitative Performance Criteria and Indicative Targets

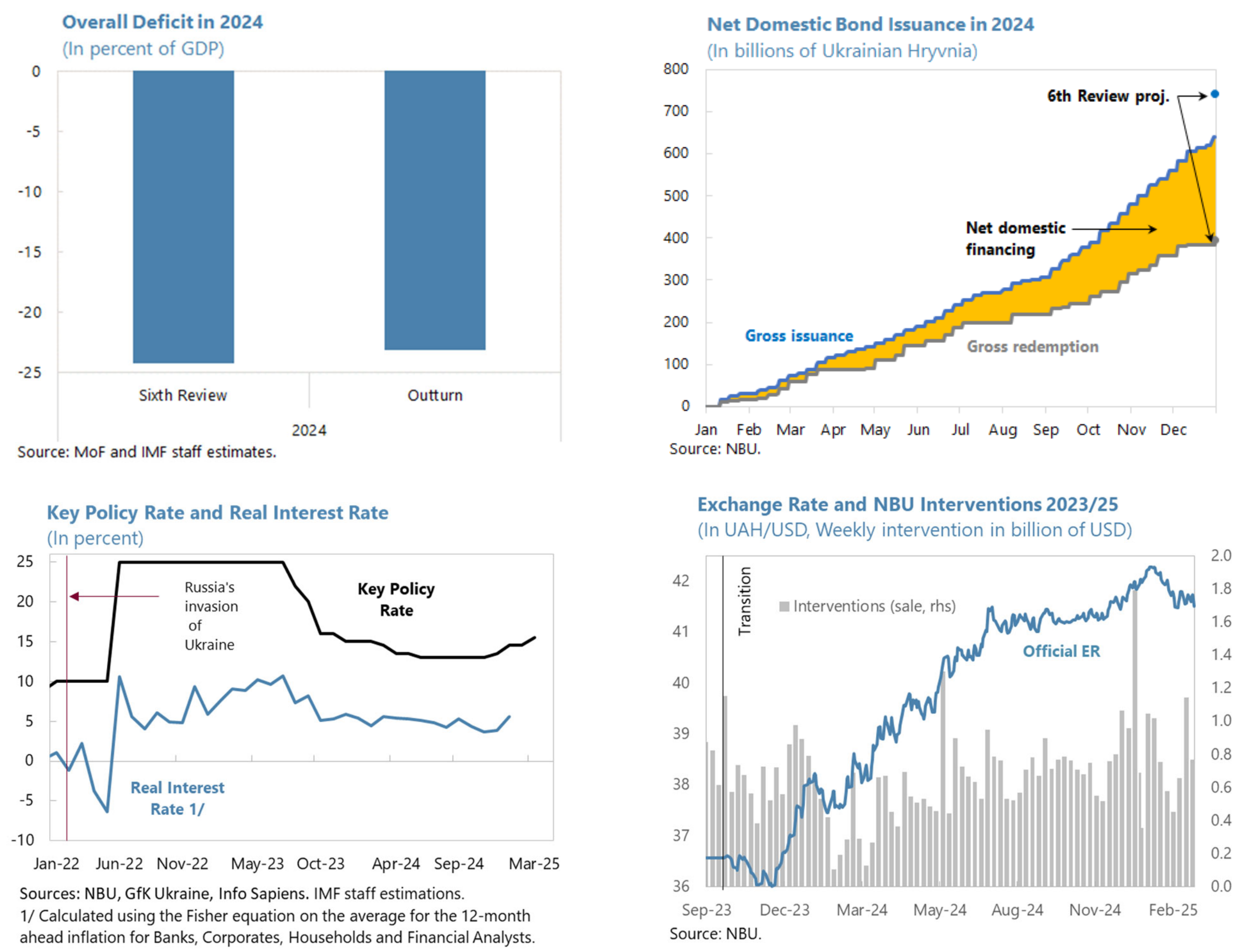
(end-of-period; millions of Ukrainian hryvnia unless indicated otherwise)

	Dec 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/	415,410	0	415,410	756,038	Met
Floor on tax revenues (excluding Social Security Contributions)	2,042,250	0	2,042,250	2,101,877	Met
Ceiling on publicly guaranteed debt 3/	47,900	13,718	61,618	46,799	Met
Floor on net international reserves (in millions of U.S. dollars) 3/	26,300	-206	26,095	28,228	Met
II. Indicative Targets 1/ 2/					
Floor on the cash balance of the general government, excluding budget support grants (- implies a deficit) 3/	-1,801,685	0	-1,801,685	-1,611,539	Met
Ceiling on general government arrears	1,800	0	1,800	1,354	Met
Floor on social spending	537,800	0	537,800	601,388	Met
Ceiling on general government borrowing from the NBU 4/ 5/	0	0	0	-49	Met
III. Continuous performance criterion 1/ 2/					
Ceiling on non-accumulation of new external debt payments arrears by the general government	0	0	0	0	Met

Sources: Ukrainian authorities and IMF staff estimates and projections.
1/ Definitions and adjustors are specified 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 redemptions of government bonds as of February 28, 2025.

8. The authorities met the majority of the structural benchmarks (SB) due between end-December 2024 and end-February 2025 (Table 4): These SBs include: (i) preparation of the bank rehabilitation framework; (ii) implementation of a supervisory risk assessment methodology; (iii) adoption of budget code amendments in line with the Public Investment Management (PIM) action plan; and (iv) CMU adoption of a methodological framework underpinning the PIM process.[1] Moreover, the authorities met the continuous SB on the banking system. The authorities did not meet the implementation dates for the National Securities and Stock Market Commission's (NSSMC) comprehensive operational strategy (including initiating an independent fit-and-proper review), while the SB on the enactment of the law establishing specialized administrative courts was not met. Finally, the authorities did not meet the end-December 2024 and end-February 2025 SBs for the amendments to the criminal procedural code, the appointment of the new head of the Economic Security Bureau of Ukraine (ESBU), and the external audit of the National Anticorruption Bureau of Ukraine (NABU). Technical factors, including sudden interruptions in external technical assistance support, contributed to the missed ESBU and NABU SBs.

Figure 2. Ukraine: Recent Economic Policy Implementation



[1] The authorities had already met the following end-December 2024 SBs at the Sixth Review: functional independence of the energy regulator NEURC, enactment of a law to reform the Accounting Chamber of Ukraine, and establishment of the new supervisory board of Ukrenergo.

OUTLOOK AND RISKS

While risks remain exceptionally high, the baseline scenario continues to assume that the war winds down in the final months of this year. Headwinds remain from the ongoing war, including recent large-scale attacks to gas infrastructure and the closure of a critical coal mine, weighing on 2025 growth. At the same time, progress toward ending the war could bear upside risks.

9. Baseline

- A key revision to the baseline scenario since the Sixth Review pertains to new information on the schedule of ERA disbursements. Recently concluded donor arrangements revealed a disbursement schedule that is substantially more frontloaded than expected at the Sixth Review, with important implications for the program's fiscal and external sector projections.

- 2025 growth is now expected towards the lower end of the 2–3 percent range, mainly resulting from lower steel exports and higher coal imports due to the war-related closure of the Pokrovsk mine and from increased gas imports due to large-scale attacks on the gas infrastructure.

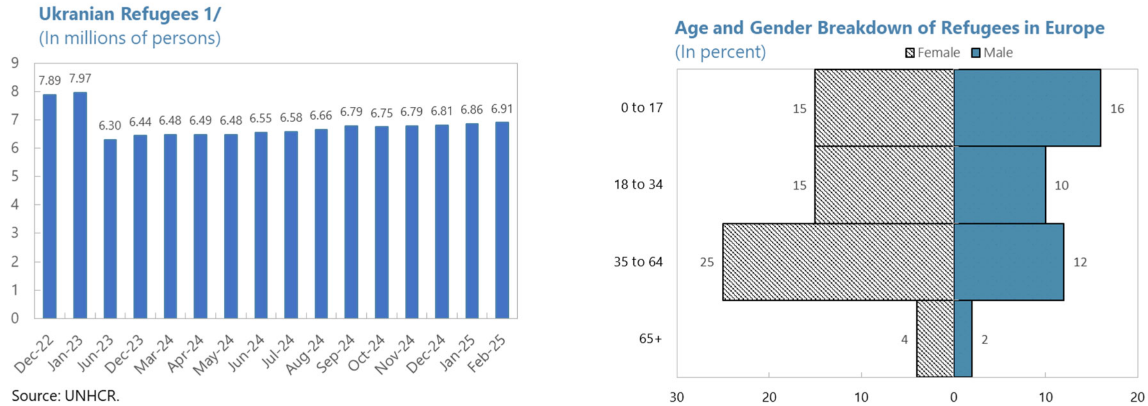
- Inflation is expected at 9 percent y/y by year-end (+1.5pp relative to the Sixth Review), on the back of the recent acceleration and the likely persistence ensuing from the deterioration in household expectations. The fundamental drivers of inflation dynamics remain unchanged and largely result from base effects. As food prices fell in 2024H1 and rose sharply in 2024H2, base effects would likely drive inflation in the opposite directions in 2025, if, as expected, the harvest is at least on par with 2024. Appropriate monetary policy, by anchoring expectations, would also help the deceleration.

- The current account deficit excluding grants is forecast to widen relative to the Sixth Review (by 1.3 percent of GDP) reflecting higher gas imports as well as higher services imports due to increased uptake of services liberalization. The production suspension at the Pokrovsk coal mine further contributes to the trade balance deterioration while the outlook for agriculture exports remains positive. International reserves are expected to end the year higher (US$56.8 billion), reflecting frontloaded ERA disbursements.

- The baseline fiscal projections remain anchored by the 2025 budget, and the deficit excluding budget support grants remains unchanged at UAH 1,710 bn (19.6 percent of GDP). The medium-term fiscal path shows modest revisions relative to previous reviews, and continues to incorporate an increase in revenues, reflecting both policy adjustment and post-war recovery, and a normalization of expenditures in key categories after the war.

- Over the medium term, moderate revisions incorporate more persistent effects of short-term pressures. By end-2026, inflation is now expected at 7 percent y/y, reflecting inertia from the 2025 acceleration. 2026 GDP growth has been revised down to 4.5 percent (-0.8pp) to incorporate the enduring impact of reduced coal production on net exports and delayed migrant returns in line with recent surveys (see Figure 3). Revised migration estimates also drive an upward revision of 2027 GDP growth to 4.8 percent y/y.

Figure 3. Ukraine: Refugee Movements and Composition



Source: UNHCR.
1/ There was a methodological change in March 2023.

Source: UNHCR.

Text Table 2. Ukraine: Key Economic Indicators under the Baseline Scenario

	Current Forecast				Change from Sixth Review			
	2024	2025	2026	2027	2024	2025	2026	2027
Baseline								
Real GDP growth (%)	3.5	2-3	4.5	4.8	-0.5	-0.5	-0.8	0.3
Inflation, eop (%)	12.0	9.0	7.0	5.0	2.0	1.5	0.4	0.0
Current account (% GDP)	-7.0	-15.9	-10.6	-5.3	1.3	-1.3	-0.4	0.0
Current account (US$ billion)	-13.4	-32.8	-23.3	-12.4	2.5	-3.5	-1.3	-0.1
Current account balance excluding grants (US$ billion)	-24.7	-34.3	-23.8	-14.8	1.3	-3.4	-1.2	-0.1
Goods trade balance (US$ billion)	-30.1	-36.5	-34.6	-35.7	-0.6	-1.3	-0.6	-0.4
FX reserves (US$ billion)	43.8	56.8	50.8	54.1	1.4	13.5	3.0	4.0
Overall fiscal balance (% GDP)	-17.2	-18.8	-9.7	-4.1	1.7	0.1	0.2	-0.5
Overall fiscal balance, excl. grants (% GDP)	-23.2	-19.6	-9.9	-5.2	1.1	0.1	0.2	-0.5
Public debt (% GDP)	89.8	110.0	108.5	103.5	-2.3	5.7	2.7	1.7
Gross Reserves (% IMF composite metric (float))	121.2	127.3	106.2	109.1	9.2	26.8	6.0	7.1

Source: IMF staff estimates.

10. Downside

- **The program's downside scenario maintains the assumption of a longer and more intense war winding down by 2026Q2.** Staff has updated the downside scenario to incorporate changes to the baseline, with the downside shock now assumed to start in 2025Q2. The revised scenario is calibrated to a comparable cumulative GDP loss over the projection period relative to the Sixth Review baseline, implying real GDP growth at -2 percent y/y in 2025 and -0.5 percent y/y in 2026. As in the baseline, the post-war period sees even lower refugee returns, compressing growth in 2027 to 3.8 percent y/y. Inflation outturns and inertia also drive upward revisions of inflation over the 2025–2027 horizon. The primary fiscal deficits over 2026–27 widen in the downside scenario, reflecting both higher expenditure needs and the impact of weaker economic performance on revenues. Deficit financing in the downside scenario includes utilization of downside buffers related to ERA financing (¶13) and higher issuance on the domestic government bond market.

Text Table 3. Ukraine: Key Economic Indicators Under the Downside Scenario

	Current Forecast				Change from Sixth Review			
	2024	2025	2026	2027	2024	2025	2026	2027
Downside								
Real GDP growth (%)	3.5	-2.0	-0.5	3.8	-0.5	0.5	-0.5	-0.2
Inflation, eop (%)	12.0	13.0	9.0	7.5	2.0	2.0	0.5	0.0
Current account (% GDP)	-7.0	-16.9	-12.0	-3.2	1.3	-4.0	-0.2	1.6
Current account (US$ billion)	-13.4	-33.1	-23.4	-6.6	2.5	-8.6	-0.8	3.0
Current account balance excluding grants (US$ billion)	-24.7	-34.7	-23.9	-9.0	1.3	-2.8	4.0	4.7
Goods trade balance (US$ billion)	-30.1	-36.9	-27.5	-27.8	-0.6	-2.7	4.3	4.1
FX reserves (US$ billion)	43.8	45.3	28.5	32.6	1.4	4.2	-15.0	-13.0
Overall fiscal balance (% GDP)	-17.2	-23.6	-20.6	-10.6	1.7	-0.8	-2.1	-1.9
Overall fiscal balance, excl. grants (% GDP)	-23.4	-24.6	-20.8	-11.8	0.8	2.1	0.4	-1.0
Public debt (% GDP)	89.8	117.7	128.2	131.8	-2.3	3.1	-0.1	1.7
Gross Reserves (% IMF composite metric (float))	121.2	103.5	61.0	66.5	9.2	6.6	-29.3	-23.6

Source: IMF staff estimates.

11. Risks to the program scenarios remain exceptionally high and pertain to the war, international support, and reform momentum (Annex I). Overall, both the baseline and downside scenarios continue to be subject to exceptionally high uncertainty, including with regard to the trajectory of the war and its implications for the post-war recovery:

- The war could intensify, including through energy attacks, or be more prolonged, adversely impacting the program and economic outcomes.
- Reduction in external economic and military support could over time undermine an already challenging security situation, leading to weaker economic performance and open financing gaps, eroding policy buffers and the fragile social fabric.
- An earlier end to the war could entail a potential upside scenario conditional on adequate security guarantees, international support as well as stronger reforms and growth, while a peace settlement without credible security guarantees and/or financial resources for reconstruction could lead to adverse economic and social outcomes, with lingering uncertainty holding back the return of refugees, the pace of reconstruction and resumption of foreign direct investment.
- Reform fatigue and challenges to political consensus are vulnerabilities regardless of the evolution of the war.
- As before, there are both upside and downside risks to the program including as discussions to end the war begin. However, the existing baseline and downside scenarios continue to span an adequate range of outcomes, as required under the EHU policy.

12. Enterprise risks remain significant with shifts and increases in some areas, albeit within the ranges of the ratings assessed at the previous review; while some categories of risks have shifted slightly, overall enterprise risk is still on par with that of the 6th Review**.** The main risk remains strategic risk, which remains high, and stems from the uncertainty regarding the duration, intensity and evolution of the war. Specifically, the exceptional uncertainty around the outlook and duration for the war, including the geopolitical situation, and the risk that an adverse material change could fundamentally alter the outlook, which would have implications for program financing assurances and prospects for program success, drives strategic risk. These strategic risks are partly offset by the progress on the G7's ERA initiative, including its operationalization and the commencement of financial support flowing to Ukraine under the initiative. Business risks, including the challenges of designing and implementing the EFF-supported program have recently increased somewhat as risks to both the upside and downside macroframeworks have risen given uncertainty related to the ongoing discussions on the prospects for peace. Nevertheless, even as the timelines and contours of a durable peace are being determined, the program continues to span an acceptable range of possible outcomes, as required under the EHU policy. There are no material changes to reputational risks to the Fund given all policies and assurances required under the EHU continue to be met. Other enterprise risks, such as financial and operational risks have existed since the inception of the program and persist broadly unchanged.

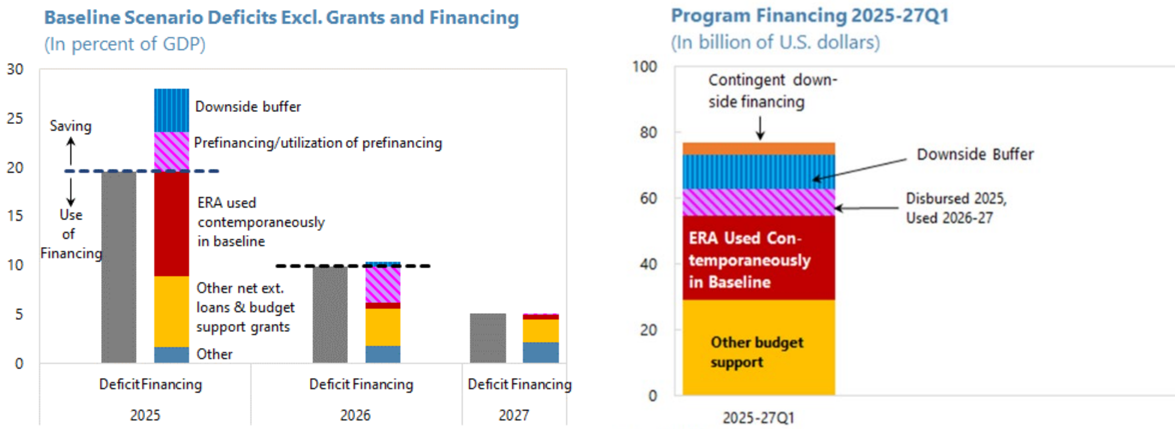
POLICY DISCUSSIONS

A. Macro-Fiscal Policies and Financing

13. Fiscal policy aims to finance priority spending while restoring fiscal sustainability. This requires staying within a fiscal framework that recognizes the limits of available financing. Specifically, this requires consistency of the frontloaded ERA disbursements, which are fully integrated with the program, with the baseline and downside fiscal paths. Consistent with this objective, the authorities have made the following commitments: one portion will be allocated to current-year budgetary financing, another portion will pre-finance future-year deficits, and a third portion will constitute contingent financing for the downside scenario (as in Figure 4). To operationalize the prudent management of ERA flows, the authorities will rely on provisions of the Ukrainian budget code to: (i) allocate adequate resources for prefinancing and downside buffers;[2] and (ii) adhere to the expenditure ceilings set by the 2025 budget. Moreover, the authorities have committed to revise any expenditure categories, if necessary, only after consultation with Fund staff (MEFP ¶12).

[2] The authorities affirm that the budget code article pertaining to the accounting treatment of ERA financing will allow them to allocate expected 2025 disbursements to pre-financing the 2026 budget and for downside buffers, consistent with the budget code's pre-financing limit.

Figure 4. Ukraine: Fiscal Deficits and Financing



Source: IMF staff estimates.

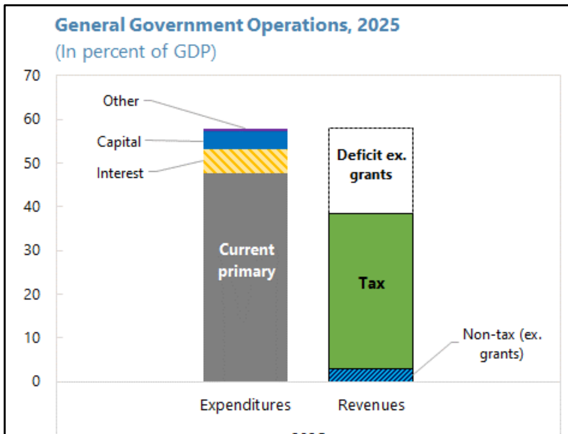
Source: IMF staff estimates.

Text Table 4. Ukraine: Program Financing Assumptions

(Billions of U.S. dollars)

	2025	2026	2027Q1
Official financing ex. IMF in the baseline scenario	54.9	10.8	1.8
Used contemporaneously as budget support	37.4	9.8	1.8
Pre-financing in 2025 to be used in 2026-27	8.4	0.0	0.0
Downside buffer	9.1	1.0	0.0
Official financing ex. IMF in the downside scenario	54.9	10.8	5.8
Used contemporaneously as budget support	46.5	10.8	5.8
of which:			
Use of downside buffer	9.1	1.0	0.0
Contingent downside financing	0.0	0.0	4.0
Pre-financing in 2025 to be used in 2026-27	8.4	0.0	0.0
Memo:			
Utilizaton of pre-financing in 2026-27	0.0	-8.1	-0.3

14. In the near term, fiscal policies need to remain consistent with the 2025 Budget (MEFP ¶11)**.** The annual budget was enacted late last year on schedule and consistent with program parameters. The overall deficit excluding grants of UAH 1,710 billion (19.6 percent of GDP) is large, but financeable under the program's assumptions of donor support. To ensure the stability of fiscal policy, it is essential to:

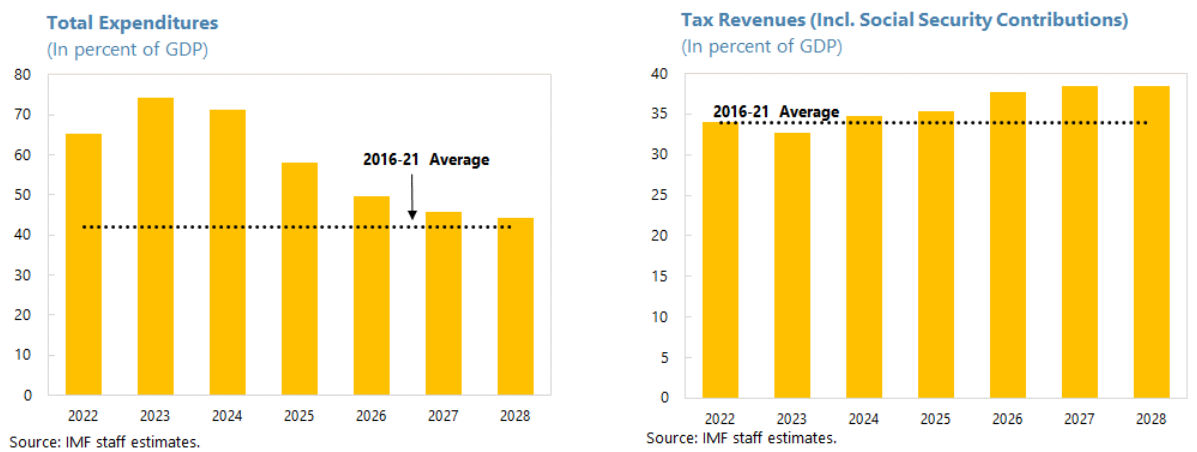


Source: IMF staff estimates.

- *Contain expenditure pressures*: The allocations in the 2025 Budget reflect the need for an adequate envelope for national defense, with other categories being tightly prioritized. There are high risks of expenditure shocks, which combined with large upfront disbursements, may trigger calls for new lower-priority spending. Materialization of such a risk would require quickly identifying and implementing offsetting spending and/or revenue measures given that the current financing envelope under the program is already fully allocated under the two program scenarios.

- *Ensure revenues consistent with the budget's assumptions*: The revenue projection in the budget incorporated the revenue yield from law #11090, which aims to gradually align excise tax rates with EU directives. It was adopted by Parliament last year and the authorities will enact this law as a ***prior action***.[3] Should additional budgetary shocks arise this year (from either revenue underperformance or unexpected spending allocations), the authorities remain prepared to raise the main VAT rate as a countervailing measure (MEFP ¶13).

Figure 5. Ukraine: Medium Term Expenditures and Tax Revenues

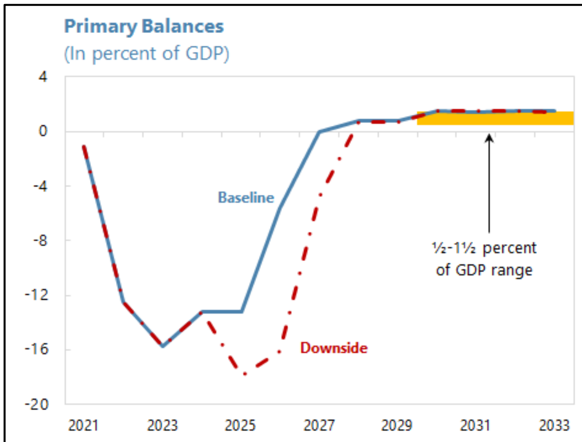


15. Work is beginning on the Budget Declaration for 2026–28, which will provide a strategic framework for fiscal policy for the remainder of the program and in the immediate post-war period. This medium-term fiscal strategy document will be prepared in consultation with Fund staff (**end-June 2025 SB**; MEFP ¶14) and submitted to Parliament by end-June. The Budget Declaration will help focus debate on key expenditure priorities including recovery and reconstruction, defense, public services, and social protection, including for groups made vulnerable because of the war. While an appropriate balance will need to be struck between these priorities, Ukraine will face high expenditure needs. Given this reality, further progress on mobilizing revenues is needed, where efforts could focus on further aligning tax policies with EU directives and reforming environmental taxation ahead of the definitive phase of the EU's Carbon Border Adjustment

[3] The law aims to gradually align tobacco excises with minimum levels set by European Council Directive 2011/64/EU by 2028. It was estimated to yield UAH 612 million in 2025, though the delay in enactment has likely reduced this impact. Excises are nonetheless also bolstered by the full-year impact of fuel excise tax reforms enacted last year.

Mechanism.[4] Given the Budget Declaration's role as a strategic document, it should also help highlight the importance of adequate revenues over the medium term.

16. Looking ahead, the authorities remain committed to achieve primary surpluses in the ½–1½ percent of GDP range. This commitment represents Ukraine's contribution to restoring fiscal and debt sustainability (MEFP ¶15) and is aligned with a transition toward greater self-reliance. Both program scenarios continue to assume that the authorities will achieve primary surpluses toward the upper end of this range through a combination of revenue-based fiscal adjustment and a gradual expenditure normalization after the war. These fiscal paths, together with the concessional financing assumed under the program and the ongoing external debt restructuring would deliver debt sustainability. On the latter, pending the full implementation of the restructuring strategy, there continue to be gaps between debt burden indicators and their targets. However, under the Seventh Review's financial programming baseline, completion of the remaining steps of the restructuring maintains its potential to deliver the targets.



Source: IMF staff estimates.

B. Fiscal Structural Reforms

17. Public financial management reforms are enhancing efficient resource allocation, strategic prioritization, transparency, and accountability—critical components of a robust fiscal framework. Guided by the action plan to improve medium-term budgetary planning (MEFP ¶27) adopted in MOF Order 542, the authorities are improving the Budget Declaration by increasing its coverage to include social funds and local government spending, enhancing the costing of new policies and expenditure baseline estimates and aligning the fiscal framework with EU standards. These improvements, along with enhanced fiscal risk management and effective implementation of the National Revenue Strategy (NRS), will be critical to the implementation of a fiscal strategy that is designed to restore sustainability and improve the quality of public spending.

18. To support the revenue-based fiscal adjustment, effective implementation of the NRS is essential for advancing tax measures and improving tax collection. Implementation of the NRS will modernize the tax and customs services, raise revenues, improve the investment climate, reduce tax evasion/avoidance, and harmonize legislation with EU standards (e.g., VAT and excise tax). The 2024 Tax Compliance Cost Survey (MEFP ¶24) revealed high administrative compliance burdens, low trust, frequent tax legislative changes, and tax evasion—reinforcing the importance of fully implementing NRS reforms. The authorities are preparing the first annual report on reform progress (MEFP ¶21), which will pinpoint implementation risks in key tax reforms (e.g., the simplified

[4] Recent staff estimates suggest that reforming carbon pricing alone could yield around 2 percent of GDP.

tax system and environmental and property taxation). To enhance revenue mobilization, the government is developing reporting requirements and international data exchange for digital platform operators **(end-April 2025 SB)**.

19. Successful NRS implementation depends on comprehensive information technology (IT) reforms. The MoF, State Tax Service (STS) and State Customs Service (SCS), will develop an operational plan for the implementation of MoF's updated IT strategy (MEFP ¶24), which at completion will be adopted by MoF ***(proposed end-September 2025 SB)***. The authorities intend for this plan to drive the digital transformation of STS and SCS, focusing on IT modernization and IT system consolidation.

20. Customs reforms are necessary to enhance revenue collection, requiring sustained leadership by the MoF. The 2024 Customs Integrity Perception Survey (MEFP ¶25) highlights the need to improve the customs system. In line with EU standards, the authorities are implementing legislation to criminalize large-scale customs fraud and smuggling, while preparing a framework for administrative liability (MEFP ¶24). By end-June 2025, the government plans to appoint a new permanent head of customs **(end-June 2025 SB)**. Related, the selection process for a new head for the ESBU (**end-February 2025 SB, not met, *proposed to be reset to end-July***) has progressed more slowly than expected in part due to interruptions in external donor support (MEFP ¶26).

21. Public Investment Management reforms are critically important, and the authorities are making progress (Box 1, MEFP ¶36) in line with the 2024 Action plan. Amendments to the Budget Code on PIM **(end-January 2025 SB, met)** have established a unified framework for planning, evaluating, and selecting public investment projects across all government levels, with the MoF gaining a clear capital budgeting mandate. Subsequently, the methodological framework underpinning the PIM process **(end-February 2025 SB, met)** provides the framework for public investment project preparation, formation, appraisal, selection, financing, and implementation, establishing clear roles for key stakeholders. To improve resource allocation, authorities will adopt sectoral strategies in line with the new approaches to PIM by end-December 2025 ***(proposed end-December 2025 SB)***.

Box 1. Ukraine: Public Investment Management Reform in Ukraine

In a fiscally constrained environment, Ukraine faces the challenge of rebuilding public infrastructure with limited public funds, numerous competing needs, and low absorption capacity. An efficient and well-functioning PIM system is essential to maximize the impact of public investments.

Ukraine's MoF is spearheading a home-grown PIM reform,[1] aimed at aligning the PIM framework with good international practices. This involves consolidating fragmented investment streams into a cohesive, single project pipeline (SPP) that remains adaptable to shifting needs, embedding investment decisions within strategic and medium-term fiscal planning, and applying rigorous, merit-based project appraisal methods and selection criteria. By applying clear, transparent guidelines—focused on economic impact and feasibility— the government can better link investments to the country's fiscal strategy and priorities while ensuring that limited resources go to the highest-value infrastructure projects.

The government aims to complete its national strategic planning system by 2027. In the intermediate period, a straightforward, intuitive national strategy integrating essential spatial, demographic, and sectoral information could improve decision-making. Such a plan, emphasizing rational prioritization, could help steer recovery efforts during this interim phase. With the war prompting significant spatial and demographic shifts, national, sectoral, and regional investments must remain plan-led and integrated. Balancing local autonomy with central strategic guidance allows local authorities to respond directly to community priorities, while ensuring these initiatives remain aligned with national goals and complementary across key infrastructure sectors such as transport, energy, water and sanitation, and education.

Successfully implementing PIM reforms will require strengthening institutional capacity at all levels of government. Developing the skills and processes needed to appraise, select, and manage projects is essential for timely and effective execution. The effectiveness of these reforms will depend on how quickly capacity can be built across different entities, particularly in project appraisal and selection. At the same time, robust governance mechanisms and explicit anti-corruption safeguards will help prevent political interference in project selection, ensuring that funding goes to well-prepared projects based on objective merit instead of patronage. By insulating investment decisions from undue influence and maintaining transparency, the reformed PIM system can build trust among citizens, donors, and private investors. Strong oversight and monitoring of project implementation will remain critical for attracting and sustaining the financing that Ukraine needs for both near-term reconstruction and long-term growth.

Given the complexity and long-term nature of PIM reforms, sustained support from international partners is crucial. Partners should support the development of a clear and straightforward PIM processes and ensure that investments adhere to established PIM-processes for maximum effectiveness and sustainability.

[1] Ministry of Finance (2023), Roadmap for reforming public investment management system 2024–2028

22. Reforming support schemes for vulnerable groups and the pension system is needed to address both current and future challenges. With World Bank support, the government's ambition (MEFP ¶29) to reform the pension system—subject to fiscal pressures from emigration and a rising number of eligible pensioners— must take place in a fiscally constrained environment. In parallel, and with support from UNDP, the authorities are also reforming the social insurance system to provide targeted support for those with limited work capacity while reducing benefits for individuals able to seek employment.

C. Monetary and Exchange Rate Policies

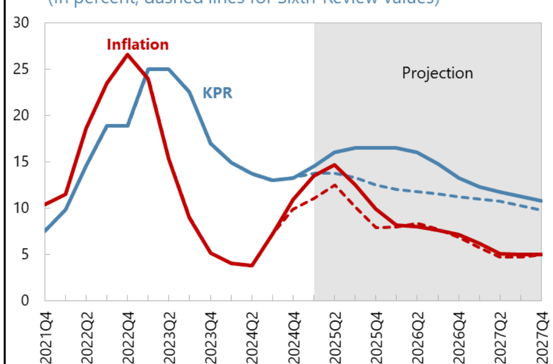
23. In response to inflationary pressures the NBU should tighten its monetary stance, with a policy mix consistent with its Monetary Policy Guidelines (MPG) and program objectives.

- *To combat inflation and anchor inflation expectations, the NBU has tightened its monetary stance (see ¶5).* At the same time inflation expectations have recently deteriorated for some agents due mainly to the November inflation surprise as well as the compression of ex-ante real returns on hryvnia deposits. A further tightening in the first half of the year is warranted, and depending on upcoming inflation prints, the NBU should be prepared to raise the KPR further should inflation continue to rise or should there be a significant deterioration in inflation expectations. With such action, together with an improved energy situation and a more favorable comparison base, inflation should decelerate over 2025H2, allowing a possible return to an easing cycle in 2026 after a longer period of monetary policy tightening. Leveraging the flexibility provided by the MPG (see ¶44) interim flexible inflation targeting regime, monetary policy should remain consistent with inflation returning to the 5 percent target by end-2027.

- *Monetary transmission has been gradually improving, supported by recent adjustments to the operational design. In its March MPC,* the NBU increased the spread between 3-month and overnight CDs and adjusted the formula governing banks' limits to the 3-months CDs to incentivize higher rates on local-currency term deposits. Banks' response to these design changes along with the changes to the KPR should be carefully monitored; potential refinements could include further adjusting the 3-month CDs limits and reviewing the design of reserve requirements (including in view of the reduced domestic bond market financing required this year). [5]

- *FX intervention (FXI) should aim to limit excessive exchange rate volatility without compromising the shock-absorbing role of the exchange rate.* The exchange rate's role as a shock absorber should be enhanced; the adjustment of the exchange rate to market conditions would help safeguard reserves, especially in view of heightened risks, and prevent the buildup of external imbalances, which is fundamental to restoring medium-term external viability. Over-reliance on FXI to achieve price stability would make it more difficult to restore inflation as a nominal anchor in the transition to full-fledged inflation targeting as envisioned under the NBU's Strategy. To this end, FXI should be appropriately calibrated through FXI rules supporting consistency with the program objectives,

Key Policy Rate and Inflation
(In percent, dashed lines for Sixth Review values)



Sources: NBU and IMF staff estimates

[5] During the latest maintenance period, banks used UAH 290 billion in government bonds to meet reserve requirements, below the allowable maximum limit of UAH 326 billion limit.

including to ensure adequate reserves. In light of this, and in order to safeguard risks from frontloaded external financing, the authorities have requested to tighten NIR targets (see ¶35, MEFP ¶44 and MEFP ¶45).

24. The NBU should continue its careful approach to FX liberalization measures while weighing the trade-offs for external stability and supporting the recovery. Given the heightened uncertainty to the outlook, the focus should remain on ensuring compliance, limiting circumvention, and allowing additional easing of measures only on a case-by-case basis. In December 2024 and January 2025, the NBU eased restrictions, allowing companies to make Eurobond payments from their own FX deposits, and implemented measures to support the gas, energy and defense sectors. To curb unproductive outflows, the NBU will continue to closely monitor outflows and strengthen alignment with the NSSMC on FX securities trading (¶27).

25. The NBU continues to implement the recommendations of the 2023 safeguards assessment. With the help of IMF TA, the NBU has taken steps to strengthen counterparty eligibility in refinancing operations and emergency liquidity assistance as part of the end-December SB on strengthening the bank rehabilitation framework. Progress continues towards filling vacancies on the NBU Council (MEFP ¶47) as well as outlining appropriate mechanisms to strengthen the Council's overall collective fitness. Achieving these goals would serve to uphold the credibility of NBU and strengthen its capacity and governance.

D. Financial Sector

26. The NBU continues to monitor bank resilience, including through diagnostics and contingency planning (MEFP ¶50). The NBU will complete another 'Resilience Assessment' by end-December 2025. The asset valuation component commenced in February and involves external auditors. This will be followed by stress testing under baseline and adverse scenarios, and banks falling below or at risk of breaching regulatory requirements will be subject to capital remediation plans. The results of the Resilience Assessment will inform supervisory priorities for 2026 and help prepare the schedule for closing outstanding gaps in regulatory capital requirements and harmonization of regulations with EU acquis. This business-as-usual monitoring is complemented with detailed assessment and high-frequency monitoring of banks' financial and operational vulnerabilities. Response triggers will activate supervisory, monetary policy, and capital flow management actions aimed at preserving financial stability.

27. The NSSMC is strengthening capital flow measures and urgently needs to improve its internal governance (MEFP ¶57). To further align with NBU capital flow restrictions, the NSSMC will require that OTC FX bond operations carried out by non-banks are settled through the Settlement Center by end-March 2025. The NSSMC is undergoing a major transformation following enactment of Law 3585-IX in March 2024. They have proposed a reorganizational and operational strategy, and have updated the NSSMC's Employees Code of Ethics in February 2025 in line with international best practice. To underpin its institutional foundation and effectiveness, and address the delayed initiation of the fit and proper review (end-January SB, missed), the NSSMC will complete an independent fit and proper review of the NSSMC Chair and Commissioners ***(proposed end-June 2025 SB)***.

28. The authorities will prepare a concept note by end-May 2025 that sets out the steps to identify financial market infrastructure reforms aimed at maximizing opportunities to attract private investment when conditions allow (MEFP ¶59). Closing the significant gaps in market instruments and infrastructure will help limit delays in reconstruction and recovery by facilitating inward private investment (see Box 2). The NBU hosted a coordinating roundtable discussion on the topic in February for key local and international policy stakeholders. Comprehensive consultation and collaboration with financial market participants is essential to facilitate preparation of a timely and prioritized reform agenda. An interagency working group has been formed under the Financial Stability Council that includes all policy stakeholders. The concept note will consider coordination arrangements to subsequently diagnose and close key market infrastructure gaps while strengthening market accountability and oversight.

Box 2. Ukraine: Preparing Financial Market Infrastructure to Attract Foreign Private Capital

There is no substitute for the large volumes of private sector capital that are needed to support reconstruction and recovery, which were estimated in the latest RDNA4 at US$524 billion (MEFP¶16) as of end 2024. Cumulative official sector financial support to Ukraine from the EU, USA, other countries, and IFIs between February 2022 and December 2024 amounted to EUR €118 billion (Kiel Institute, www.ifw-kiel.de). With the current public sector Single Project Pipeline plus priority projects already amounting to €68 billion, or 58 percent of all external financial support under Martial Law, the majority of investment for reconstruction and recovery will need to come from the private sector given the public sector's inability to meet such a vast financing needs single-handedly. Well-developed financial market infrastructure will therefore be critical to attract capital inflow.

Ukraine's financial market infrastructure urgently needs to be developed in several ways including:

- **Project and structured finance instruments** such as securitizations, covered bonds, loan syndications, and loan sub-participations are critical tools used in large-ticket projects that are beyond domestic banks' scope without risk-sharing. These instruments, though currently underdeveloped in Ukraine, will be critical to inward investment. Examples of use include infrastructure finance (power plants, electricity distribution networks, mining, chemical processing, transportation, etc.), asset-backed finance (commercial real estate, structured mortgage finance, etc.), and object finance (ships, aircraft, satellites, railcars, fleets, etc.).
- The **Joint Investments Institutions (JII)** framework has substantial shortfalls and fiscal implications through the associated tax expenditures, which could be addressed through increased regulation and monitoring. For example, 96 percent of JII funds are not collective investments. Over half of funds are owned by one individual and over 90 percent of funds have 5 or less owners. Closed non-diversified funds are vulnerable to abuse as they are not overseen by any authorities; they are not required to be licensed and have minimal reporting requirements; they can be incorporated as a legal entity to avoid requirements related to the structure of assets; there are no anti-abuse rules (e.g. no interest pricing or transfer pricing oversight); and they can attract investments without any disclosure. JIIs can also be a way of achieving preferential tax treatment as they don't pay tax unless the JII is being wound down, which rarely happens; tax deferral also reduces effective tax paid through compounding of returns and time value of money; and a common approach is to channel corporate profits to JIIs to avoid paying tax.

Box 2. Ukraine: Preparing Financial Market Infrastructure to Attract Foreign Private Capital (concluded)

- **EU Banking Regulatory Equivalence**. As part of negotiations towards EU accession, the authorities are closing the regulatory gaps relative to EU norms and have achieved about 75 percent convergence. Narrowing the gaps further will facilitate the European Banking Authority granting regulatory equivalence whereby Ukraine country risk will be treated as its own sovereign risk (i.e., zero-risk weighted). This would help encourage EU banks currently operating in Ukraine to remain in the market, while also attracting fresh capital, expertise, and good governance practices from other EU banks. Bank secrecy equivalence is a pre-requisite to achieving banking regulatory equivalence and so is also a priority.
- Local **valuation standards** are outdated and need to be aligned with European valuation standards (EVS), which creates a common language for valuation practices that enhances confidence in valuations and facilitates cross-border transactions.
- Development of the **war risk insurance** platform has made notable progress in the recent past, but substantial gaps and challenges remain that need to be understood and mitigated.

29. The MoF will update the State-Owned Banks (SOB) Nomination Committee (NomCom) rules by end-June 2025 (MEFP ¶70). The appointment of SOB independent supervisory board members provides governance safeguards that are crucial to ensure that SOB decisions are made on commercial basis only. The MoF and CMU updated the independent supervisory board selection process in March 2025 to enable applicants to one SOB to be considered for possible vacant positions in other SOBs to address any attrition in their supervisory boards. The MoF and CMU will also update the NomCom processes by end-June 2025 based on lessons learned from past NomComs in consultation with IFIs.

E. Governance

30. The authorities' governance reforms are progressing, despite some delays, notably with the landmark adoption of the law for specialized administrative courts, but with slippages on some critical anti-corruption measures (MEFP ¶62–65).

- The reform law on the supreme audit institution (ACU) was enacted in December (**end-December 2025 SB met**), and the selection process for the new members has been initiated.
- The February adoption of the law creating new specialized administrative courts is a key milestone reform (**end-December 2025 SB, not met**). The administrative courts (first instance and appellate levels) will adjudicate administrative cases filed against national state agencies (including anti-corruption agencies, the finance ministry and the NBU) and will temporarily give independent experts with international experience decisive and crucial vote in vetting candidates to the courts. A separate law proposed by the President formally creating the courts is being planned by the authorities before the selection process for judges can be initiated.
- Despite the authorities' efforts and support from civil society organizations and international partners, the proposed amendments to the criminal procedural code to enhance pre-trial

investigation procedures have not advanced in the parliament due to strong opposition from a range of stakeholders (**end-December SB, not met, *proposed to be reset for end-July 2025***). The proposed rescheduling provides time for the authorities to engage with legislators and stakeholders.

- Asset declarations of public officials (particularly in high-risk areas such as procurement and customs) should be subject to robust risk-based verification by the National Agency of Corruption (NACP).

31. While the activities of the independent auditors of NABU were temporarily delayed in part due to interruptions in external donor support (**end-February 2025 SB, not met, *proposed to be reset for end-July 2025***), the audit has resumed. This inaugural audit is currently benefiting from a robust audit methodology and good cooperation from NABU and other stakeholders.

32. The authorities have committed to enhance the AML/CFT architecture, including on ultimate beneficial ownership (UBO) transparency in public procurement (MEFP ¶66). Legislative changes will require companies which have won direct contracts or a negotiated procedure for government procurement to publish their UBO information. Moreover, UBO information will be also published for successful non-resident bidders.

33. The authorities continue to strengthen SOE corporate governance (MEFP ¶71–72).

- The authorities are implementing the state ownership policy (SOP), having prepared a triage SOE list (e.g., identifying strategic and non-strategic SOEs), with progress on implementing a framework for privatization and preparing a concept for consolidated SOE management.

- Any such SOE centralized management model for non-strategic SOEs should be consistent with international best practices, ensure a strong gatekeeper role of the MoF for SOE financial oversight and limiting quasi-fiscal risks and avoid political interference or empire building.

- Moreover, the independent evaluations of the supervisory boards of Ukrenergo, GTSO, and Naftogaz are underway and due by end-May 2025. The supervisory boards of these energy SOEs should also promptly select the new CEOs under OECD standards.

- To strengthen SOE supervisory boards, the authorities commit to revise the selection and appointment processes for SOE supervisory board members and adopt appropriate changes to the relevant CMU by-laws by end-July ***(proposed end-August 2025 SB)***. In particular, it will be important to enhance the efficiency of the NomCom, including on transparency and processes, while a roadmap for medium-term reforms should ambitiously streamline and centralize the NomCom selection procedure.

F. Energy

34. The authorities continue to implement their comprehensive plans to make the energy sector more resilient and decentralized (MEFP ¶73–76). Work is ongoing to repair energy capacity in 2025, and add distributed gas-fired generation. The authorities are also looking to import up to 4bcm of gas in 2025 to replenish gas reserves and replace the domestic production lost due to attacks on energy infrastructure. To finance these gas purchases, Naftogaz is expected to rely on IFI and bilateral donor support and deploying its cash buffers. Moreover, the EU announced a broad energy support package to assist gas purchases, as well as to facilitate investments in renewable energy (up to 1.5GW) and EU market integration. In this regard, the authorities plan to adopt a law on market coupling in the coming months, which will significantly advance the integration of Ukraine's energy market with the EU. The reform to develop a legal accountability framework for the energy regulator NEURC is on track, which includes an external audit of NEURC's independence and governance framework (***end-October 2025 SB***). Finally, and looking ahead, the authorities should commence work for a roadmap to gradually liberalize gas and electricity markets, in particular strategies on tariffs, PSOs, and protecting the most vulnerable households.

PROGRAM ISSUES

A. Conditionality

35. The authorities are requesting the following changes to program conditionality:

- *Request to modify quantitative performance criteria:* The authorities are requesting to tighten the NIR QPCs for all test dates in 2025, to reflect the more frontloaded disbursement schedule for ERA financing. This request reflects the authorities' commitment to utilizing these flows prudently and consistently with the program's parameters. It also reflects their objective of safeguarding external sustainability, and maintaining adequate buffers in an environment of elevated near-term risks.

- *Structural conditionality:* The authorities are proposing to add four new SBs (Table 4): (i) completing the independent fit and proper review of the NSSMC by end-June 2025; (ii) revising selection and appointment processes for SOE supervisory board members and adopting appropriate changes to the relevant CMU by-laws by August 2025; (iii) developing an operational plan for the implementation of the MOF's updated IT strategy by end-September 2025; and (iv) adopting sectoral strategies in line with new PIM approaches by end-December 2025. Furthermore, the authorities are requesting to reset the SBs on appointing the new head of ESBU, and publishing the external audit of the NABU to end-July 2025, as more time is needed to implement these reforms in part for technical reasons due to the interruption of external donor support. The authorities are also requesting to reset the SB on enacting the amendments to the criminal procedural code to end-July 2025, as the authorities need more time to engage with stakeholders for this important anti-corruption measure, as well as the SB on critical third-party risk to end-September 2025.

- *Prior action:* Recognizing the criticality of adequate tax revenues, the authorities will enact a law adopted by Parliament to align excise taxes on tobacco products with EU directives (law #11090).

36. *Access rephasing*: The authorities are requesting the rephasing of purchases under the extended arrangement over 2025–26 (totaling SDR2.722 billion) within the existing envelope of the program to allow modest backloading to align IMF financing with the profile of Ukraine's balance of payment needs.

Text Table 5. Ukraine: Current and Proposed Schedule of Reviews and Available Purchases

Availability Date	Proposed Schedule	Current Schedule
March 31, 2023	2,011.83	2,011.83
June 15, 2023	663.90	663.90
October 13, 2023	663.90	663.90
February 29, 2024	663.90	663.90
June 15, 2024	1,669.82	1,669.82
September 1, 2024	834.88	834.88
December 1, 2024	834.88	834.88
March 1, 2025	300.47	684.02
June 15, 2025	373.53	603.54
August 31, 2025	325.80	402.42
December 1, 2025	791.44	331.98
March 1, 2026	930.51	699.79
August 31, 2026	748.72	748.72
March 10, 2027	794.67	794.67
Total	11,608.25	11,608.25

Note: In millions of SDR.
Source: IMF staff calculations.

B. Debt Sustainability, Lending into Arrears, and Financing Assurances Review

37. The authorities have made further progress on their debt restructuring strategy, which remains credible and a fundamental element of efforts to restore debt sustainability:

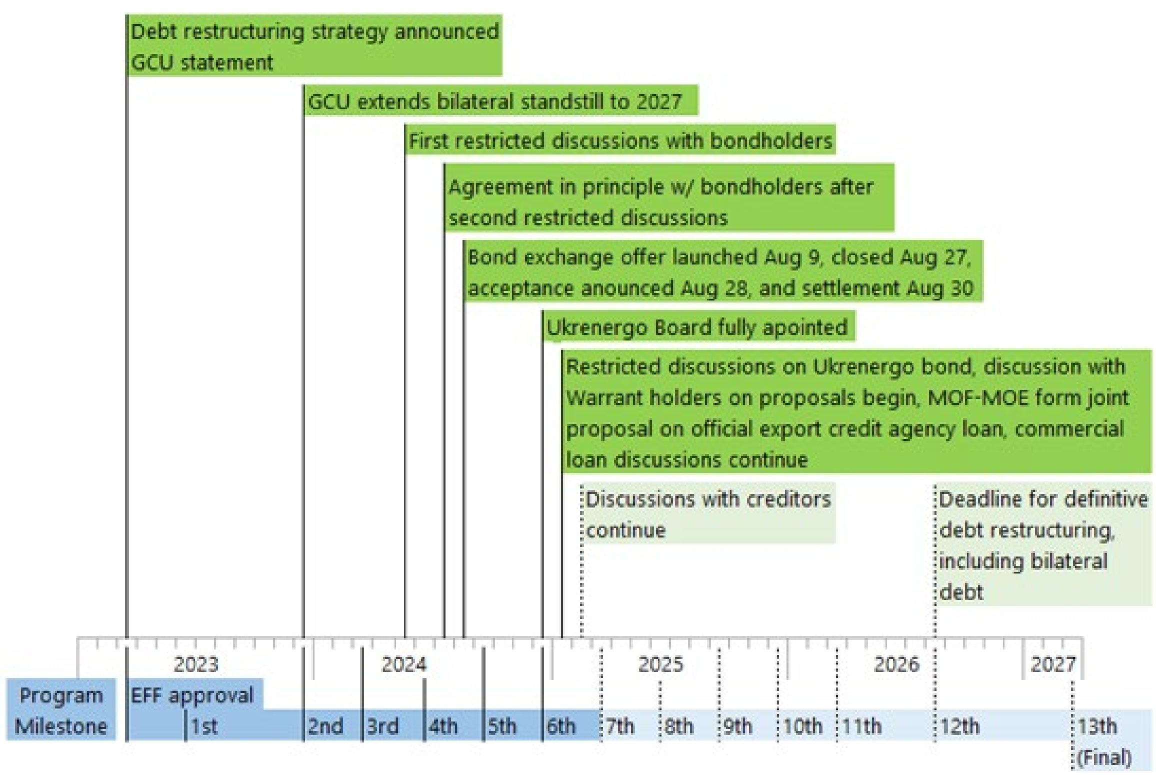
- *Eurobonds*: Since the successful conclusion of the Eurobonds, bonds spreads have exited distressed levels and have demonstrated two-directional fluctuation as investors have digested fast-moving developments regarding the war and prospects for the start of peace discussions.

- *GDP warrants*: Prices on GDP warrants continue to rally given growth outturns and investor expectations around the evolution of the war and post-war prospects for growth. The authorities and their advisors are developing proposals consistent with the program's debt sustainability objectives. They have reached out informally to obtain investors' feedback and discussions will continue.

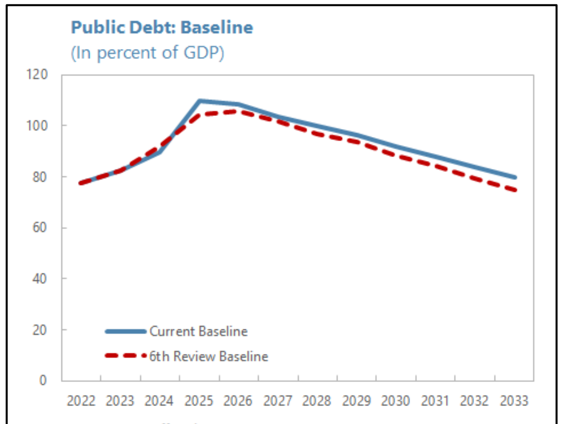
- *Other commercial claims*: Regarding the government-guaranteed Ukrenergo bond, with the supervisory board reconstituted, the restructuring process on this claim has restarted with a 2½-week period of restricted discussions between Ukrenergo and its bondholders concluding without an agreement in February. Discussions will continue on these claims. On the government's loans to a commercial creditor in the restructuring perimeter, the authorities are continuing communication and awaiting a counterproposal.

- *Official bilateral claims*: GCU's standstill remains in effect and the authorities' consultations with the GCU on the overall strategy bodes well for a successful treatment of these claims in line with the program's parameters. On a loan owed by a Ukrainian SOE to an official export credit agency, a CMU order has authorized the MOF and MOE to renegotiate the loan, and the authorities sent a consolidated proposal for the creditor's consideration.

Figure 6. Ukraine: Debt Restructuring Strategy



38. The baseline debt trajectory shows modest revisions since the Sixth Review as revisions to debt drivers were largely offsetting. Although the debt trajectory has risen in the near term largely due to the frontloading of ERA financing, the overall financing package remains of a similar size and the debt trajectory remains downward over the medium-term. Additional ERA-related implications on debt issues include:



Sources: IMF staff estimates.

- *Statistical treatment*: Staff and the authorities are treating the EU MFA financing as a loan and incorporating these obligations in debt statistics. Currently available information has led staff to continue including all other donor's ERA financing in the debt stock. Staff will continue to monitor developments and will update this judgment in subsequent program reviews if warranted.

- *Debt sustainability assessment*: The expectation remains that distributions from the Ukraine Loan Cooperation Mechanism (ULCM) would extinguish any claims related to ERA initiative that fall on Ukraine. Based on available information on the ULCM and assurances from the European Commission and G7, staff continues to judge that the risks of Ukraine having to assume any residual liability for servicing ERA financing are sufficiently mitigated so that this financing can be carved out from the assessment of the debt restructuring targets, which remain unchanged (Text Table 5).[6]

Text Table 6. Ukraine: Debt Restructuring 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

39. Staff assesses that the policy requirements on debt sustainability, arrears, and financing assurances are in place to proceed with the Seventh Review, as follows:

- *Debt is assessed as sustainable on a forward-looking basis* given: (i) the fiscal adjustment under the program; (ii) concessional financing commitments from donors and steps that the G7 has taken to insulate Ukraine from ever experiencing a burden from meeting the obligations arising from the ERA financing; and (iii) a credible ongoing debt restructuring process. For the latter, the

[6] See Box 2, Annex II of IMF Country Report 24/314.

second-stage restructuring remains credible due to the continued retention of advisors, information sharing on potential timelines and outcomes, and the authorities' commitment to undertake any such debt operation by the end of EHU or the penultimate review of the program. Together, this provides sufficient assurance that the authorities are on track to deliver the debt restructuring targets.

- *The requirements of the Lending into Arrears (LIA) policy are met*: Notwithstanding arrears on loans owed to a commercial creditor and the Ukrenergo bond, staff judges that: (i) prompt Fund support is essential for the successful implementation of the program, and (ii) Ukraine is pursuing appropriate policies and is making a good faith effort to reach a collaborative agreement with its private creditors. The ongoing discussions described above are an indication of the adequacy of information sharing, and the opportunity being provided to private creditors to provide input to the strategy and design of individual instruments.

- *Developments in debtor-creditor relations support conclusion of the financing assurances review*: The restructuring process continues to evolve broadly in line with the original timeline, and with indications that it will conclude in a manner consistent with the program due to the authorities steps to: (i) to update their strategy to restructure the GDP warrants; (ii) continue engaging with Ukrenergo bondholders following the end of restricted discussions; (iii) ongoing communication with a commercial creditor; (iv) work toward a consolidated proposal on a loan owed by an SOE to an official export credit agency; and (v) outreach to the GCU to ensure that its members are apprised and supportive of the process regarding the other elements of the restructuring ahead of the definitive treatment of their official bilateral claims.

C. Financing Needs and Assurances

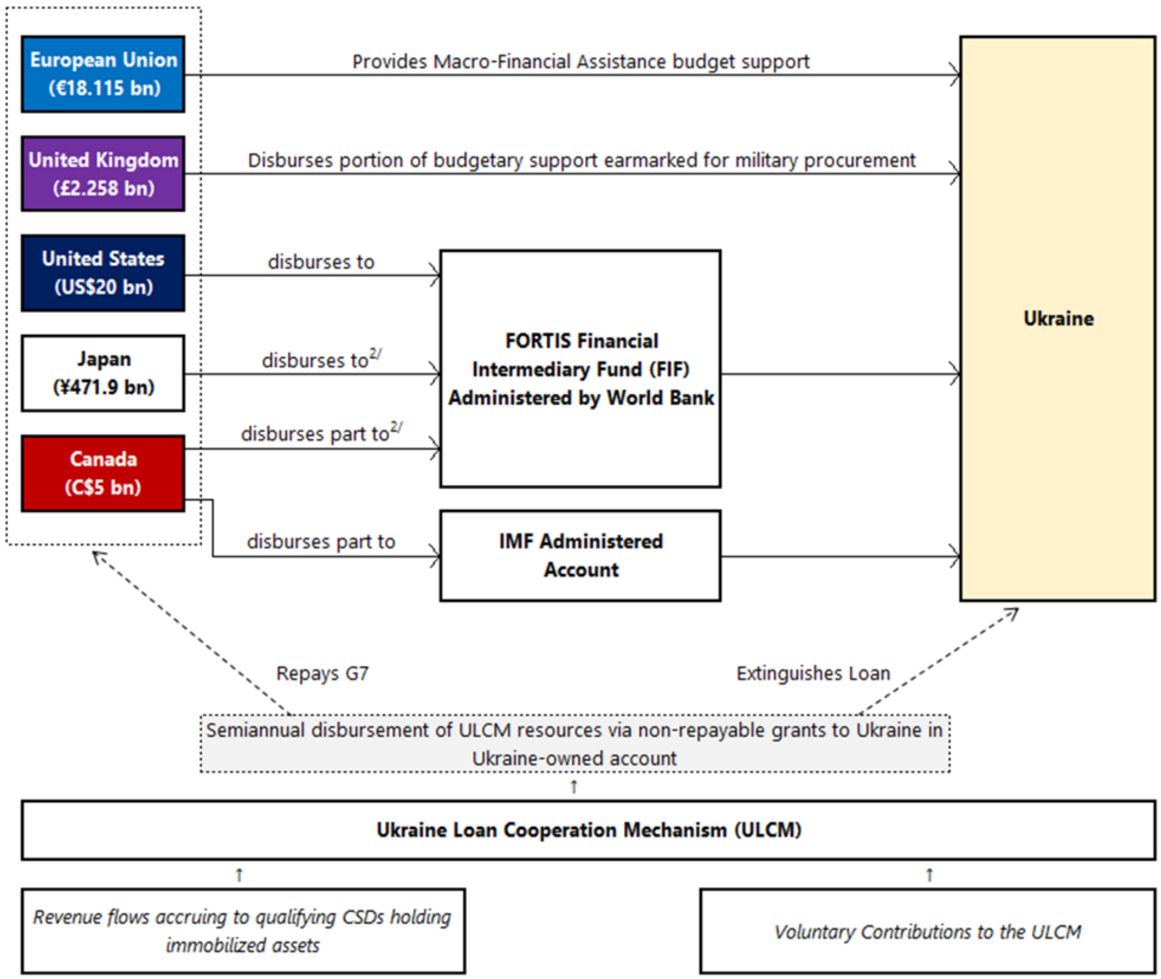
40. The cumulative financing gap under the baseline scenario is little changed at US$148.8 billion. Staff assesses that there are firm commitments for the next twelve months and good prospects for financing for the rest of the program period. The key revisions include:

- *Updates to the external financing sources*: Changes to the external sources to fill the updated financing gap include among others: (i) bilateral support from Japan disbursed through the World Bank (US$0.5 billion); (ii) additional loan financing from the World Bank (US$0.9 billion); (iii) fresh loan financing of €0.2 billion from the Council of Europe Development Bank (CEB); and (iv) revised cross exchange rate assumptions.

- *Allocation of the ERA financing*: The phasing of ERA financing has been updated to reflect staff's current understanding of the disbursement timing of the individual G7 components. This understanding together with information on financing needs, has also informed the distribution of the ERA financing over the program period in the baseline (US$44.1 billion) and downside (remainder) scenarios. Additionally, in line with donors' commitments, ERA financing has been incorporated in the macroeconomic framework in G7 members' local currencies and is converted to U.S dollars based on WEO exchange rates.

- *Downside scenario financing gap*: Revisions to the downside scenario macroeconomic framework and financing assumptions have resulted in a cumulative financing gap projected at US$162.9 billion, somewhat lower than in the Sixth Review.

Figure 7. Ukraine: Indicative Structure of the ERA Mechanism[1/]



Sources: *Annex to the G7 Finance Ministers' Statement on Extraordinary Revenue Acceleration (ERA) Loan initiative, 25 October 2024*; World Bank, *Establishment of a Financial Intermediary Fund for Ukraine*; and IMF staff.
1/ Based on information available as of March 12, 2025.
2/ Subject to necessary procedures, approvals, and authorities.

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

(Billions of US dollars unless indicated otherwise)

	2023	2024	2025	2026	2027Q1	Cumulative (prog. period) 1/
A. Financing gap (excl. downside buffers) (B+C+D+E+F) 2/	**42.5**	**46.1**	**42.8**	**23.2**	**3.3**	**148.8**
B. Official financing (excl. IMF) 3/ 4/	**38.0**	**36.4**	**54.9**	**10.8**	**1.8**	**132.7**
EU 5/	19.5	17.3	12.9	7.4	0.5	52.8
US 6/	10.9	5.7	0.0	0.0	0.0	13.2
Japan 7/	3.6	4.3	0.5	0.0	0.0	8.4
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	0.9	0.0	0.0	6.3
Other 8/	0.3	0.2	0.2	0.0	0.0	0.5
ERA 9/	0.0	1.0	39.4	2.4	1.3	44.1
C. IMF (prospective)	**4.5**	**5.3**	**2.3**	**2.2**	**1.0**	**15.3**
D. Flow relief from debt operations 10/	**0.0**	**4.4**	**3.0**	**3.2**	**0.2**	**10.8**
E. Budget prefinancing 11/ (- = accumulation)	**0.0**	**0.0**	**-8.4**	**8.1**	**0.3**	**0.0**
F. Downside buffers 11/ (- = accumulation)	**0.0**	**0.0**	**-9.1**	**-1.0**	**0.0**	**-10.1**
Memorandum items:						
Underlying BoP gap 12/	31.2	43.5	47.3	22.1	2.2	140.2
Gross international reserves (+ = accumulation)	11.4	2.9	13.0	-6.0	0.8	19.0
Capital market access	0.0	0.0	0.0	0.0	0.0	0.0
IMF (net disbursements)	1.9	3.0	0.1	0.2	0.7	4.0
Gross international reserves	40.5	43.8	56.8	50.8	51.6	…
% of composite metric	124.1	121.2	127.3	106.2	…	…

1/ Cumulative program period calculations begin from 2023Q2 through 2027Q1.
2/ The financing gap shows external financing needs from a fiscal perspective incl. the buildup of dowside buffers.
3/ Based on available information as of February 28, 2025. Staff assessments are consistent with technical discussions with creditors and donors and their track record and terms of financing.
4/ Official financing estimates from 2026Q2 onward assume creditor and donor flows for which there are good prospects.
5/ This item on 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 was disbursed under the World Bank SPUR (Special Program for Ukraine and Moldova Recovery) facility.
7/ Japan and UK support in 2024 was channeled via the World Bank in the form of credit enhancements (Japan) and guarantees (UK), as well as grants (Japan). In addition to budget financing shown in the table, Japan has been providing interest capitalization—estimated at US$446 million over 2023-24—which supports interest payment relief to Ukraine for a maximum period of up to March 2027.
8/ For 2023, "Other" comprises grants channeled via the World Bank PEACE projects from a range of bilateral official donors. For 2024, it includes among others (i) grant financing of $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, €10 million in co-financing from the Council of Europe Development Bank (CEB); and US$100 million in co-financing from South Korea.
9/ Financing from the G7's Extraordinary Revenue Acceleration Loans for Ukraine (ERA) Initiative. Based on available information as of February 28, 2025.
10/ Flow relief includes the terms of the August 2024 exchange on Ukraine's sovereign Eurobonds and potential relief from the treatment of commerical loans. It does not include GDP warrants.
11/ US$17.5 billion of 2025 frontloaded external disbursements are assumed to be used to prefinance budgets in 2026-27 (US$8.4 billion) and to build buffers for the downside (US$9.1 billion); in 2026, US$1 billion is used to build buffers for the downside.
12/ Underlying BOP gap indicates the decrease in reserves absent official financing and IMF support.

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

(Billions of US dollars)

	25Q2 thru 26Q1
A. Financing gap (excl. downside buffers) (B+C+D+E+F) 1/	**41.0**
B. Official financing (excl. IMF) 2/	**45.7**
EU 3/	12.1
Japan 4/	0.5
UK 4/	1.0
World Bank 5/	0.9
Other 6/	0.2
ERA 7/	31.0
C. IMF (prospective)	**3.2**
D. Flow relief from debt operations 8/	**3.5**
E. Budget prefinancing 9/ (- = accumulation)	**-4.3**
F. Downside buffers 9/ (- = accumulation)	**-7.1**

1/ The financing gap shows external financing needs from a fiscal perspective incl. the buildup of dowside buffers.
2/ Based on available information as of February 28, 2025. Prospective disbursements incorporate those for which there are firm commitments, and the USD equivalent is based on the April 2025 WEO exchange rate forecasts (where applicable).
3/ This item on EU financing includes support under the Ukraine Facility instrument in 2024-27.
4/ Japan and UK support are channeled via the World Bank in the form of guarantees.
5/ Disbursement subject to World Bank Board approval.
6/ "Other" includes loan financing from the Council of Europe Development Bank (CEB).
7/ Financing from the G7's Extraordinary Revenue Acceleration Loans for Ukraine (ERA) Initiative. Based on available information as of February 28, 2025.
8/ Flow relief includes the terms of the August 2024 exchange on Ukraine’s sovereign Eurobonds and potential relief from the treatment of commerical loans. It does not include GDP warrants.
9/ US$17.5 billion of 2025 frontloaded external disbursements are assumed to be used to prefinance budgets in 2026-27 (US$8.4 billion) and to build buffers for the downside (US$9.1 billion); in 2026, US$1 billion is used to build buffers for the downside.

Table 3. Ukraine: Downside Scenario Financing Gap and Sources

(Billions of US dollars)

	2023	2024	2025	2026	2027		2028	2029	2030	2031	2032	2033	Cumulative (prog. period) 1/
					Q1	Q2-Q4							
A. Financing gap (B+C+D+E+F) 2/	**42.5**	**46.1**	**51.9**	**24.2**	**7.3**	**7.8**	**15.2**	**12.8**	**12.3**	**10.0**	**9.7**	**9.3**	**162.9**
B. Official financing (excl. IMF) 3/ 4/	**38.0**	**36.4**	**54.9**	**10.8**	**5.8**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**136.7**
C. IMF (prospective)	**4.5**	**5.3**	**2.3**	**2.2**	**1.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**15.3**
D. 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. Exceptional financing 6/	**…**	**…**	**…**	**…**	**…**	**5.3**	**7.1**	**7.1**	**7.1**	**7.1**	**7.1**	**7.1**	**…**
F. Budget prefinancing 7/ (- = accumulation)	**…**	**…**	**-8.4**	**8.1**	**0.3**	**…**	**…**	**…**	**…**	**…**	**…**	**…**	**0.0**
Memorandum items:													
Underlying BOP Gap 8/	31.2	43.5	58.8	32.9	6.0	4.8	10.6	7.2	6.5	4.6	5.0	3.2	166.3
Gross international reserves (+ = accumulation)	11.4	2.9	1.5	-16.8	1.0	3.0	4.6	5.6	5.7	5.5	4.7	6.1	-3.1
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	0.1	0.2	0.7	-0.9	-0.8	-1.7	-2.1	-2.5	-2.7	-2.1	4.0
Gross international reserves	40.5	43.8	45.3	28.5	28.5	32.6	37.2	42.8	48.5	54.0	58.7	64.8	…
% of composite metric	124.1	121.2	103.5	61.0	…	66.5	74.1	82.2	90.4	96.9	102.4	109.2	…

1/ Cumulative program period calculations begin from 2023Q2 through 2027Q1.
2/ The financing gap shows external financing needs from a fiscal perspective.
3/ Based on available information as of February 28, 2025. 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/ Flow relief includes the terms of the August 2024 exchange on Ukraine's sovereign Eurobonds and potential relief from the treatment of commerical loans. For 2027, the flow relief is broken down across the program and post-program period. It 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.
7/ US$8.4 billion of frontloaded external disbursements are assumed to prefinance budgets in 2026-27.
8/ Underlying BOP gap indicates the decrease in reserves absent official financing and IMF support.

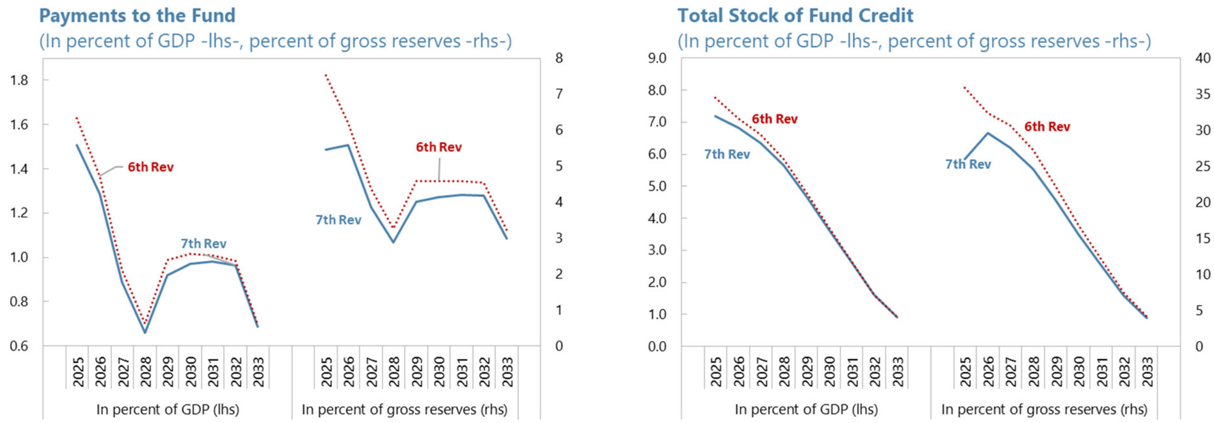
41. **The joint and several capacity-to-repay (CtR) assurance provided by a significant group of creditors/donors at program approval remains valid**. The assurance is required in view of the continuing exceptionally high uncertainty around the scale, intensity, and duration of the war. Consequently, the economic outlook, which is subject to 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 there is a significant group of creditors/donors comprising countries in the G7 plus Belgium, Lithuania, the Netherlands, Poland, Slovakia, and Spain that continue to provide the 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.[7]

42. **Indicators of capacity to repay the Fund remain in line with levels observed at the Sixth Review (Figure 8)**. Under the baseline scenario, the stock of total Fund credit is expected to peak at 7.2 percent of GDP in 2025 and 29.6 percent of gross reserves in 2026. Debt service to the Fund would peak at 1.5 percent of GDP in 2025 and 5.6 percent of gross reserves in 2026. A

[7] 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.

materialization of downside risks would increase these ratios: outstanding credit to the Fund would peak at 7.7 percent of GDP and 52.7 percent of gross reserves in 2026; debt service to the Fund would peak at 1.6 percent of GDP in 2025 and 9.9 percent of gross reserves in 2026.

Figure 8. Ukraine: Indicators of Capacity to Repay the Fund



Source: IMF staff estimates.

Source: IMF staff estimates.

STAFF APPRAISAL

43. The Seventh Review is taking place as Ukraine faces an inflection point three years after the start of Russia's war. Initial discussions to end the war have begun, with potential implications to international financial and security support for Ukraine. At the same time, although the economy has remained broadly resilient, strains from the ongoing war are weighing on the recovery. The G7's ERA financing continues to be integral to closing Ukraine's financing gaps. The immediate tasks remain to implement strong policies, preserve buffers, and advance structural reforms to preserve economic stability and deliver a return to medium-term external viability by the end of the program.

44. Despite the challenging conditions and delay in governance reforms, the authorities' performance under the program has remained strong. The authorities met all continuous PCs and all end-December QPCs. The majority of structural benchmarks during December 2024-February 2025 were delivered on time, while a law to establish the new administrative court was adopted with a delay. A prior action, the enactment of the law on tobacco excise taxes, will be completed for this review. Some of the delays in implementing SBs were triggered by lapses in donor support.

45. Near-term risks remain exceptionally high. The main risks continue to pertain to the duration and intensity of the war as well as the durability of international financial and military support and their implications for the macroframeworks and financing assurances. Continuing attacks on the civilian and energy infrastructure and reform fatigue are additional risks. An earlier end to the war with adequate security guarantees could entail a potential upside scenario that drives investment and return migration. Conversely, a peace settlement without credible security guarantees and/or financial resources for reconstruction could lead to adverse economic and social outcomes. Thus, contingency planning remains essential.

46. Implementing the 2025 budget according to plan will be critical, and domestic revenue mobilization remains central to restoring fiscal sustainability over the medium term. The enactment of the law on tobacco excise taxes will be a welcome development. Any deviations from the well-calibrated 2025 budget will need to be compensated by offsetting measures. Going forward, anchoring medium-term fiscal policy on the forthcoming budget declaration will be important. Additional and sustained efforts on domestic revenue mobilization will help to decisively restore fiscal and debt sustainability, and should continue to involve aligning taxation with EU requirements.

47. The authorities should prudently manage donor disbursements in line with the program's fiscal paths. Saving frontloaded financing in excess of financing needs, including through the proposed tightening of NIR targets and rephasing of Fund purchases, will safeguard the buffers needed for future years as well as for downside shocks, thereby supporting financing assurances across the program scenarios.

48. Prompt completion of the debt restructuring strategy remains essential. With the Eurobond exchange complete, the authorities should continue progressing on the treatment of remaining commercial claims in the restructuring perimeter (especially on the GDP warrants) to provide critical flow relief during the program period and help restore sustainability. On-going discussions between the authorities and creditors are welcome and should continue to progress with a view toward delivering the program's debt sustainability objectives.

49. Building on a strong track record, the authorities should continue efforts on fiscal structural reforms. This includes implementing public investment management and medium-term budgeting reforms. Furthermore, effectively implementing the customs reforms, including timely appointment of the new head, will be critical to modernize the SCS and tackle corruption and fraud. Effective implementation of the NRS is essential for advancing tax measures and improving tax collection. Success on these fronts will leave Ukraine with stronger frameworks to support the recovery, reconstruction, and social protection needs after the war.

50. A tight monetary stance is appropriate to tackle inflation pressures and maintain adequate reserves. The NBU should remain vigilant against further risks to inflation, including being prepared to further tighten in the near term to anchor expectations. The exchange rate should play a greater shock absorbing role to prevent external imbalances and safeguard reserves, given exceptionally high uncertainty, and in line with the NBU Strategy and program objectives. The cautious, conditions-based approach to FX liberalization remains appropriate, supported by continued monitoring of the effectiveness of measures.

51. The authorities need to remain vigilant to financial stability risks. Further efforts are needed on strengthening the bank rehabilitation framework, preparing a framework to address critical third-party risks, updating the NBU Resilience Assessment, as well as closing substantial gaps in the capital market infrastructure. Finally, swift action to address critical institutional and effectiveness challenges of the NSSMC is a priority.

52. Decisive implementation of governance and anti-corruption reforms is essential to mitigate corruption risks, support a swift EU accession and post-war private capital flows. The recent adoption of the law establishing new specialized administrative courts is an important milestone. Efforts should continue to enact the delayed criminal procedural code to assist anti-corruption institutions, finalize the external NABU audit and further strengthen the AML/CFT architecture, including on publishing beneficial ownership information. The reform payoffs from building strong rule of law culture on transparency, accountability and effective law enforcement will be critical for private-sector led reconstruction and EU accession.

53. Efforts must continue to make the energy sector more resilient and decentralized, while strengthening corporate governance in the energy sector. Comprehensive efforts by the authorities have helped close the winter energy deficit. The authorities should continue to build gas buffers ahead of the next heating season. Selection and appointment procedures for SOE supervisory boards should be modernized. Work should also start soon on a roadmap for the gradual liberalization of gas and electricity markets given the complexities and stakeholder consultation needed, with a time-bound implementation plan for the post Martial Law period.

54. The program remains on track to meet its objectives, and the requisite policies and safeguards are in place for the Fund to proceed with financing. The program continues to provide an anchor for the path to restoring medium-term external viability by establishing a framework for policies consistent with sustainability, guiding the ongoing debt restructuring, and catalyzing large-scale donor financing. Going forward, the authorities will need to continue delivering on policy commitments and external partners will need to provide their committed support in a timely manner and on appropriate terms.

55. Staff supports the authorities' request for the resetting of four structural benchmarks, a modification of a quantitative performance criterion, a request for rephasing, and the completion of the Seventh Review Under the Extended Arrangement. Staff also recommends completing the financing assurances review. The authorities' strong performance and commitment to the program, and continuing commitments from donors show that the program remains on track to meet its objectives.

Table 4. Ukraine: Structural Benchmarks and Prior Action (modified/new SBs in bold text; blue 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 and Prior Action (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 and Prior Action (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	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
26	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
27	Adopt amendments to the Customs Code, in line with international best practice.	Fiscal	End-October 2024	Met
28	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	Met
29	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	Met
30	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	Met
31	Produce a SOE state ownership policy, dividend policy and privatization strategy	SOE Corporate Governance	End-October 2024	Met
32	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
33	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,	Governance/ Anti-Corruption	End-December 2024	Met

Table 4. Ukraine: Structural Benchmarks and Prior Action (continued)

	Structural Benchmark	Sector	Timing	Status
	establishing a minimum of 11 members, enhancing the scope of its audit functions, and steps to safeguard the ACU's financial independence consistent with international standards on supreme audit institutions			
34	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	Met
35	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	Met
36	The DGF, MOF and NBU will prepare a bank rehabilitation framework in consultation with IMF staff.	Financial Sector	End-December 2024	**Met**
37	Implement a supervisory risk assessment methodology to inform supervisory engagement priorities.	Financial Sector	End-December 2024	**Met**
38	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	**Not Met**
39	Adopt Budget Code amendments in line with Action 1 under the June 2024 PIM Action Plan.	Fiscal	End-January 2025	**Met**
40	CMU to approve a methodological framework underpinning the PIM process, as specified in ¶36 of the MEFP.	Fiscal	End-February 2025	**Met**
41	Submit legislative amendments to Parliament to introduce tax reporting requirements for digital platform operators.	Fiscal	End-April 2025	
42	Appoint a permanent head of SCS.	Fiscal	End-June 2025	
43	Submit a 2026–28 Budget Declaration on time and in line with program parameters.	Fiscal	End-June 2025	
44	**Appoint the new Head of the ESBU based on the selection process.**	**Fiscal**	**End-July 2025**	**Not Met *(Reset from end-February 2025)***
45	**The MOF, together with the STS and SCS, will develop the operational plan for the implementation of the updated IT Strategy, which will be adopted to support the digital transformation required for the digital transformation for the NRS.**	**Fiscal**	**End-September 2025**	
46	**Adoption of sectoral strategies in line with the new approaches for PIM.**	**Fiscal**	**End-December 2025**	
47	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	

Table 4. Ukraine: Structural Benchmarks and Prior Action (concluded)

	Structural Benchmark	Sector	Timing	Status
48	Prepare a comprehensive operational strategy for the NSSMC, including initiating an independent fit and proper review.	Financial Sector	End-January 2025	**Not Met**
49	**Complete the independent fit and proper review of the NSSMC.**	**Financial Sector**	**End-June 2025**	
50	**Prepare and submit to parliament a draft law on financial sector critical third-party risk.**	**Financial Sector**	**End-September 2025**	***Reset from end-May 2025***
51	**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, ¶64, 1st bullet.**	**Governance/ Anti-Corruption**	**End-July 2025**	**Not Met *(Reset from end-December 2024)***
52	**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-July 2025**	**Not Met *(Reset from end-February 2025)***
53	**Revise the selection and appointment processes for SOE supervisory board members and adopt appropriate changes to the relevant CMU by-laws, in line with MEFP ¶71, 3rd bullet.**	**SOE Corporate Governance**	**End-August 2025**	
54	Complete and publish an external assessment of NEURC by the Energy Community Secretariat (upon request).	Energy	End-October 2025	
55	**Enact law #11090 on tobacco excise taxes.**	**Fiscal**	**Prior Action**	

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.	Proj.	EFF 6th Review	Proj.	EFF 6th Review	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	7,648	8,680	8,737	9,874	10,044	11,157	12,219	13,368	14,612	15,956	17,423	19,026
Real GDP 1/	3.4	-28.8	5.3	3.5	2.5-3.5	2-3	5.3	4.5	4.8	4.3	4.2	4.1	4.0	4.0	4.0
Contributions:															
Domestic demand	12.9	-22.9	13.9	5.8	4.9	5.2	4.5	3.9	4.5	5.9	5.5	5.4	5.2	5.2	5.2
Private consumption	4.7	-16.8	5.5	3.1	3.2	3.5	3.8	3.2	3.8	3.2	3.2	3.2	3.1	3.1	3.1
Public consumption	0.1	12.5	2.6	-0.1	-1.1	-1.1	-2.5	-2.5	-1.9	0.0	0.0	0.0	0.0	0.0	0.0
Investment	8.1	-18.6	5.8	2.7	2.9	2.9	3.2	3.2	2.6	2.7	2.3	2.2	2.0	2.1	2.1
Net exports	-9.5	-5.9	-8.6	-2.3	-2.4	-3.2	0.8	0.6	0.3	-1.6	-1.3	-1.3	-1.2	-1.2	-1.2
GDP deflator	24.8	34.9	18.5	13.0	11.0	12.0	8.0	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	13.1	11.8	11.6	10.2	10.2	9.4	8.7	8.5	8.5	8.5	8.5	8.5
Consumer prices (period average)	9.4	20.2	12.9	6.5	10.3	12.6	7.7	7.7	5.3	5.0	5.0	5.0	5.0	5.0	5.0
Consumer prices (end of period)	10.0	26.6	5.1	12.0	7.5	9.0	6.6	7.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Nominal wages (average)	20.8	1.0	20.1	21.9	18.9	16.2	14.1	13.7	10.8	9.9	9.4	9.3	9.2	9.2	9.2
Real wages (average)	10.5	-16.0	6.4	14.4	7.8	3.2	6.0	5.5	5.3	4.7	4.2	4.1	4.0	4.0	4.0
Savings (percent of GDP)	12.5	17.0	9.8	9.4	2.9	2.5	9.1	9.5	15.9	18.2	19.0	19.6	20.0	20.7	21.3
Private	12.7	30.2	24.6	21.3	17.9	17.4	14.7	14.9	14.9	15.6	15.8	15.5	15.6	16.0	16.3
Public	-0.2	-13.1	-14.8	-11.9	-14.9	-14.9	-5.6	-5.4	1.0	2.5	3.2	4.1	4.4	4.7	5.0
Investment (percent of GDP)	14.5	12.1	15.1	16.5	17.5	18.5	19.3	20.1	21.1	22.4	23.1	23.7	24.2	24.7	25.2
Private	10.7	9.6	10.4	11.1	13.6	14.5	15.0	15.8	16.1	16.9	17.2	17.7	18.2	18.7	19.2
Public	3.8	2.5	4.8	5.4	4.0	3.9	4.3	4.3	5.1	5.5	5.9	6.0	6.0	6.0	6.0
General Government (percent of GDP)															
Fiscal balance 2/	-4.0	-15.6	-19.6	-17.2	-18.9	-18.8	-9.9	-9.7	-4.1	-3.0	-2.7	-1.9	-1.6	-1.3	-1.1
Fiscal balance, excl. grants 2/	-4.0	-24.8	-26.1	-23.2	-19.7	-19.6	-10.1	-9.9	-5.2	-3.8	-3.4	-2.5	-2.2	-1.9	-1.6
External financing (net)	2.5	10.7	16.5	15.0	18.0	26.4	8.9	4.9	1.8	0.4	1.3	2.4	2.2	2.0	2.3
Domestic financing (net), of which:	1.5	5.0	3.1	0.3	0.9	-7.6	1.0	4.8	2.3	2.6	1.4	-0.5	-0.6	-0.7	-1.2
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	-0.1	-0.1	-0.2
Commercial banks	1.5	-1.5	2.5	2.9	1.0	1.0	0.9	1.6	2.2	2.4	1.2	-0.7	-0.7	-0.8	-1.1
Public and publicly-guaranteed debt	48.9	77.7	82.3	89.8	104.3	110.0	105.8	108.5	103.5	100.1	96.2	92.1	87.8	83.7	79.7
Money and credit (end of period, percent change)															
Base money	11.2	19.6	23.3	7.7	17.2	21.6	12.0	13.1	10.4	10.1	10.1	11.5	11.2	10.7	10.1
Broad money	12.0	20.8	23.0	13.4	14.4	14.3	12.1	13.2	10.4	10.1	10.1	9.6	9.2	9.2	9.2
Credit to nongovernment	8.4	-3.1	-0.5	13.5	12.9	12.8	21.0	17.7	18.7	14.5	14.5	14.5	19.7	19.7	19.7
Balance of payments (percent of GDP)															
Current account balance	-1.9	4.9	-5.4	-7.0	-14.6	-15.9	-10.1	-10.6	-5.3	-4.2	-4.1	-4.1	-4.1	-4.0	-3.9
Foreign direct investment	3.8	0.1	2.5	2.0	2.4	2.6	4.1	4.0	5.1	5.4	4.7	4.5	4.2	4.0	3.9
Gross reserves (end of period, billions of U.S. dollars)	30.9	28.5	40.5	43.8	43.3	56.8	47.9	50.8	54.1	57.4	61.2	66.5	70.5	73.9	78.2
Months of next year's imports of goods and services	4.5	3.8	5.3	5.3	5.4	7.0	5.8	6.1	6.4	6.4	6.5	6.7	6.8	6.7	6.9
Percent of short-term debt (remaining maturity)	67.5	64.3	111.4	131.7	99.8	163.8	112.3	145.9	148.8	145.9	160.0	167.4	183.1	194.7	169.5
Percent of the IMF composite metric (float)	104.4	103.6	124.1	121.2	100.5	127.3	100.2	106.2	109.1	113.0	116.1	122.3	124.7	126.9	129.8
Goods exports (annual volume change in percent)	39.0	-37.5	-8.7	16.9	1.6	3.9	16.7	16.0	12.3	6.4	7.8	7.6	8.4	8.3	8.1
Goods imports (annual volume change in percent)	15.1	-29.7	18.0	7.2	6.9	11.6	8.9	7.0	9.2	3.8	4.3	5.8	5.0	5.1	5.4
Goods terms of trade (percent change)	-8.4	-11.6	3.6	0.5	-1.9	0.2	1.2	0.9	0.7	0.4	0.2	0.0	0.0	0.0	0.0
Exchange rate															
Hryvnia per U.S. dollar (end of period)	27.3	36.6	38.0	42.0	...	...	...	...	...	...	...	...	...	...	...
Hryvnia per U.S. dollar (period average)	27.3	32.3	36.6	40.2	...	...	...	...	...	...	...	...	...	...	...
Real effective rate (CPI-based, percent change)	2.6	3.2	-6.7	-6.8	...	...	...	...	...	...	...	...	...	...	...
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.	Proj.	EFF 6th Review	Proj.	EFF 6th Review	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue	1,990	2,609	3,583	4,140	3,426	3,420	3,941	4,019	4,643	5,050	5,499	6,001	6,534	7,130	7,770
Tax revenue	1,825	1,782	2,139	2,658	3,087	3,087	3,705	3,783	4,296	4,706	5,148	5,628	6,138	6,709	7,322
Tax on income, profits, and capital gains	514	551	656	883	982	982	1,137	1,125	1,257	1,390	1,531	1,684	1,838	2,013	2,198
Personal income tax	350	421	496	584	707	707	822	829	918	1,010	1,110	1,218	1,330	1,457	1,591
Corporate profit tax	164	131	159	299	275	275	315	296	339	381	422	466	509	555	607
Social security contributions	358	430	489	556	596	596	714	729	801	887	962	1,071	1,169	1,268	1,379
Property tax	43	37	44	50	57	57	51	51	56	52	57	53	53	54	54
Tax on goods and services	731	592	784	989	1,250	1,250	1,574	1,642	1,903	2,073	2,266	2,478	2,719	2,991	3,270
VAT	536	467	581	734	912	912	1,144	1,192	1,382	1,497	1,635	1,783	1,953	2,148	2,345
Excise	180	115	190	238	322	322	383	403	469	521	571	630	696	768	843
Other	14	10	14	16	16	16	47	47	51	55	60	65	70	75	82
Tax on international trade	38	26	41	48	60	60	68	68	87	93	109	119	128	138	155
Other tax	140	145	126	132	142	142	161	169	191	210	222	225	230	245	267
Nontax revenue	166	827	1,444	1,483	339	333	236	236	347	344	352	373	396	421	448
Budget support grants 2/	1	481	425	454	71	66	25	24	117	98	88	90	93	95	98
Expenditure	2,207	3,426	4,865	5,458	5,065	5,065	4,914	4,993	5,101	5,415	5,866	6,272	6,788	7,359	7,970
Current	1,995	3,298	4,562	5,053	4,653	4,653	4,566	4,484	4,447	4,643	4,972	5,267	5,683	6,152	6,652
Compensation of employees	516	1,240	1,479	1,584	1,613	1,613	1,507	1,403	1,074	1,095	1,163	1,201	1,306	1,426	1,558
Goods and services	483	848	1,674	1,505	750	750	689	685	722	738	835	882	991	1,114	1,219
Interest	155	162	254	305	489	489	379	411	461	459	468	489	488	486	480
Subsidies to corporations and enterprises	116	131	158	530	624	624	522	497	389	353	341	358	376	395	414
Social benefits	724	917	996	1,129	1,176	1,176	1,467	1,486	1,799	1,995	2,162	2,334	2,520	2,728	2,978
Social programs (on budget)	154	285	241	286	293	293	456	456	655	718	814	885	964	1,061	1,164
Pensions	519	583	746	822	860	860	987	1,006	1,118	1,250	1,320	1,420	1,525	1,635	1,780
Unemployment, disability, and accident insurance	52	48	9	22	22	22	24	24	26	27	28	30	31	33	34
Other current expenditures	1	1	1	1	2	2	2	2	2	2	2	3	3	3	3
Capital	207	130	312	411	343	343	420	429	567	676	789	870	958	1,046	1,142
Net lending	5	-2	-9	-6	39	39	44	44	49	54	59	85	93	101	110
Contingency reserve 3/	0	0	0	0	30	30	-116	34	38	42	46	50	55	60	65
General government overall balance	-216	-817	-1,282	-1,318	-1,639	-1,645	-973	-973	-459	-365	-367	-271	-254	-229	-200
General government overall balance, excluding grants	-218	-1,298	-1,707	-1,772	-1,710	-1,710	-998	-997	-575	-463	-455	-361	-347	-324	-298
General government financing	216	817	1,280	1,318	1,639	1,645	973	973	459	365	367	271	254	229	200
External	136	562	1,076	1,148	1,559	2,305	878	492	204	47	176	347	355	346	434
Disbursements	239	615	1,149	1,277	1,718	2,446	1,064	663	363	238	530	596	612	629	647
Amortizations and other external payments	-103	-53	-73	-129	-159	-141	-186	-170	-159	-191	-354	-248	-257	-283	-214
Domestic (net)	81	263	204	24	80	-660	95	481	255	318	191	-77	-101	-117	-234
Bond financing 4/	62	295	183	156	71	74	89	151	234	312	185	-83	-107	-123	-240
o/w NBU	-14	383	-15	-12	-13	-13	-12	-12	-12	-11	-12	-12	-12	-12	-47
o/w Commercial banks	80	-77	167	222	84	87	91	158	246	294	155	-97	-120	-133	-212
Direct bank borrowing	30	-2	-7	-5	0	0	0	0	0	0	0	0	0	0	0
Deposit finance	-19	-37	-59	-141	0	-743	0	324	14	0	0	0	0	0	0
Privatization and other items	7	20	87	14	9	9	6	6	6	6	6	6	6	6	6
Financing Gap/unindentified measures (-gap/+surplus)	0	0	-2	0	0	0	0	0	0	0	0	0	0	0	0
Memorandum items:															
Primary balance	-62	-655	-1,028	-1,013	-1,150	-1,156	-594	-562	2	94	101	219	233	257	280
Public and publicly-guaranteed debt	2,666	4,072	5,383	6,871	9,054	9,611	10,445	10,895	11,548	12,227	12,861	13,461	14,006	14,588	15,165
Nominal GDP (billions of Ukrainian hryvnia)	5,451	5,239	6,538	7,648	8,680	8,737	9,874	10,044	11,157	12,219	13,368	14,612	15,956	17,423	19,026

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

1/ National methodology, cash basis.

2/ Comprises grants to the general fund.

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

4/ 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.	Proj.	EFF 6th Review	Proj.	EFF 6th Review	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue	36.5	49.8	54.8	54.1	39.5	39.1	39.9	40.0	41.6	41.3	41.1	41.1	41.0	40.9	40.8
Tax revenue	33.5	34.0	32.7	34.7	35.6	35.3	37.5	37.7	38.5	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	11.5	11.3	11.2	11.5	11.2	11.3	11.4	11.5	11.5	11.5	11.6	11.6
Personal income tax	6.4	8.0	7.6	7.6	8.1	8.1	8.3	8.3	8.2	8.3	8.3	8.3	8.3	8.4	8.4
Corporate profit tax	3.0	2.5	2.4	3.9	3.2	3.1	3.2	2.9	3.0	3.1	3.2	3.2	3.2	3.2	3.2
Social security contributions	6.6	8.2	7.5	7.3	6.9	6.8	7.2	7.3	7.2	7.3	7.2	7.3	7.3	7.3	7.2
Property tax	0.8	0.7	0.7	0.7	0.7	0.7	0.5	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	12.9	14.4	14.3	15.9	16.3	17.1	17.0	17.0	17.0	17.0	17.2	17.2
VAT	9.8	8.9	8.9	9.6	10.5	10.4	11.6	11.9	12.4	12.3	12.2	12.2	12.2	12.3	12.3
Excise	3.3	2.2	2.9	3.1	3.7	3.7	3.9	4.0	4.2	4.3	4.3	4.3	4.4	4.4	4.4
Other	0.3	0.2	0.2	0.2	0.2	0.2	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.4
Tax on international trade	0.7	0.5	0.6	0.6	0.7	0.7	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	1.7	1.6	1.6	1.6	1.7	1.7	1.7	1.7	1.5	1.4	1.4	1.4
Nontax revenue	3.0	15.8	22.1	19.4	3.9	3.8	2.4	2.4	3.1	2.8	2.6	2.6	2.5	2.4	2.4
Budget support grants 2/	0.0	9.2	6.5	6.2	1.0	0.9	0.3	0.2	1.0	0.8	0.7	0.6	0.6	0.5	0.5
Expenditure	40.5	65.4	74.4	71.4	58.4	58.0	49.8	49.7	45.7	44.3	43.9	42.9	42.5	42.2	41.9
Current	36.6	63.0	69.8	66.1	53.6	53.3	46.2	44.6	39.9	38.0	37.2	36.0	35.6	35.3	35.0
Compensation of employees	9.5	23.7	22.6	20.7	18.6	18.5	15.3	14.0	9.6	9.0	8.7	8.2	8.2	8.2	8.2
Goods and services	8.9	16.2	25.6	19.7	8.6	8.6	7.0	6.8	6.5	6.0	6.2	6.0	6.2	6.4	6.4
Interest	2.8	3.1	3.9	4.0	5.6	5.6	3.8	4.1	4.1	3.8	3.5	3.3	3.1	2.8	2.5
Subsidies to corporations and enterprises	2.1	2.5	2.4	6.9	7.2	7.1	5.3	5.0	3.5	2.9	2.5	2.4	2.4	2.3	2.2
Social benefits	13.3	17.5	15.2	14.8	13.5	13.5	14.9	14.8	16.1	16.3	16.2	16.0	15.8	15.7	15.7
Social programs (on budget)	2.8	5.4	3.7	3.7	3.4	3.4	4.6	4.5	5.9	5.9	6.1	6.1	6.0	6.1	6.1
Pensions	9.5	11.1	11.4	10.7	9.9	9.8	10.0	10.0	10.0	10.2	9.9	9.7	9.6	9.4	9.4
Unemployment, disability, and accident insurance	1.0	0.9	0.1	0.3	0.3	0.3	0.2	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	5.4	4.0	3.9	4.3	4.3	5.1	5.5	5.9	6.0	6.0	6.0	6.0
Net lending	0.1	0.0	-0.1	-0.1	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.6	0.6	0.6	0.6
Contingency reserve 3/	0.0	0.0	0.0	0.0	0.3	0.3	-1.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
General government overall balance	-4.0	-15.6	-19.6	-17.2	-18.9	-18.8	-9.9	-9.7	-4.1	-3.0	-2.7	-1.9	-1.6	-1.3	-1.1
General government overall balance, excluding grants	-4.0	-24.8	-26.1	-23.2	-19.7	-19.6	-10.1	-9.9	-5.2	-3.8	-3.4	-2.5	-2.2	-1.9	-1.6
General government financing	4.0	15.6	19.6	17.2	18.9	18.8	9.9	9.7	4.1	3.0	2.7	1.9	1.6	1.3	1.1
External	2.5	10.7	16.5	15.0	18.0	26.4	8.9	4.9	1.8	0.4	1.3	2.4	2.2	2.0	2.3
Disbursements	4.4	11.7	17.6	16.7	19.8	28.0	10.8	6.6	3.3	1.9	4.0	4.1	3.8	3.6	3.4
Amortizations and other external payments	-1.9	-1.0	-1.1	-1.7	-1.8	-1.6	-1.9	-1.7	-1.4	-1.6	-2.6	-1.7	-1.6	-1.6	-1.1
Domestic (net)	1.5	5.0	3.1	0.3	0.9	-7.6	1.0	4.8	2.3	2.6	1.4	-0.5	-0.6	-0.7	-1.2
Bond financing 4/	1.1	5.6	2.8	2.0	0.8	0.8	0.9	1.5	2.1	2.6	1.4	-0.6	-0.7	-0.7	-1.3
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	-0.1	-0.1	-0.2
o/w Commercial banks	1.5	-1.5	2.5	2.9	1.0	1.0	0.9	1.6	2.2	2.4	1.2	-0.7	-0.7	-0.8	-1.1
Direct bank borrowing	0.6	0.0	-0.1	-0.1	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	-1.8	0.0	-8.5	0.0	3.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Privatization and other items	0.1	0.4	1.3	0.2	0.1	0.1	0.1	0.1	0.1	0.0	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 4/	-1.1	-12.5	-15.7	-13.2	-13.2	-13.2	-6.0	-5.6	0.0	0.8	0.8	1.5	1.5	1.5	1.5
Public and publicly-guaranteed debt	48.9	77.7	82.3	89.8	104.3	110.0	105.8	108.5	103.5	100.1	96.2	92.1	87.8	83.7	79.7
Nominal GDP (billions of Ukrainian hryvnia)	5,451	5,239	6,538	7,648	8,680	8,737	9,874	10,044	11,157	12,219	13,368	14,612	15,956	17,423	19,026

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

1/ National methodology, cash basis.

2/ Comprises grants to the general fund.

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

4/ 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.	Proj.	EFF 6th Review	Proj.	EFF 6th Review	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Current account balance	-3.9	8.0	-9.6	-13.4	-29.3	-32.8	-22.0	-23.3	-12.4	-10.6	-10.9	-11.6	-12.4	-12.7	-13.3
Goods (net)	-6.6	-14.7	-29.1	-30.1	-35.1	-36.5	-34.0	-34.6	-35.7	-35.3	-34.7	-35.5	-35.1	-34.6	-34.4
Exports	63.1	40.9	34.7	38.9	40.7	40.4	47.5	46.8	52.6	56.0	60.4	65.0	70.4	76.3	82.5
Imports	-69.8	-55.6	-63.8	-69.0	-75.8	-76.8	-81.5	-81.5	-88.3	-91.3	-95.1	-100.5	-105.6	-110.9	-116.9
Services (net)	4.0	-11.1	-8.7	-5.6	-3.3	-4.4	5.5	4.8	14.5	17.5	17.4	17.9	18.1	18.2	18.2
Receipts	18.4	16.6	16.6	17.2	17.5	17.4	20.8	20.9	26.2	28.4	29.4	30.6	31.6	32.4	33.4
Payments	-14.4	-27.7	-25.3	-22.8	-20.8	-21.8	-15.3	-16.0	-11.7	-10.9	-12.0	-12.7	-13.5	-14.3	-15.1
Primary income (net)	-5.8	8.5	5.0	0.8	-0.3	-2.2	-1.1	-1.9	-0.7	-0.8	-0.9	-0.9	-1.1	-1.2	-1.2
Secondary income (net)	4.6	25.2	23.3	21.5	9.4	10.3	7.6	8.4	9.6	8.1	7.2	7.0	5.6	4.9	4.1
Capital account balance	0.0	0.2	0.1	0.3	0.0	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	-16.9	-31.0	-46.5	-26.9	-17.6	-16.0	-13.9	-14.7	-18.0	-17.6	-17.4	-18.6
Direct investment (net)	-7.5	-0.2	-4.4	-3.8	-4.9	-5.4	-8.9	-8.9	-11.9	-13.6	-12.6	-12.8	-12.7	-12.9	-13.1
Portfolio investment (net)	-1.0	2.0	2.7	1.6	0.8	0.9	0.1	-0.2	-0.5	0.2	1.1	-0.9	-1.5	-1.6	-1.6
Financial derivatives (net)	0.2	0.0	0.0	0.2	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	-19.1	-14.9	-27.0	-42.1	-18.1	-8.6	-3.7	-0.5	-3.1	-4.3	-3.5	-3.0	-3.9
Other investment: assets	7.7	21.0	11.4	15.2	10.7	14.7	4.1	5.0	2.0	2.0	2.2	2.2	2.4	2.5	2.9
Other investment: liabilities	4.9	14.3	30.6	30.1	37.7	56.8	22.2	13.6	5.7	2.5	5.3	6.5	5.9	5.5	6.7
Net use of IMF resources for budget support	0.2	2.3	3.6	3.8	1.2	0.8	0.3	0.6	0.2	-0.8	-1.7	-1.1	-1.2	-1.4	-1.0
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	24.5	35.5	54.3	20.1	11.1	4.4	2.6	6.3	6.9	6.5	6.2	7.1
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	1.1	1.8	0.9	1.7	1.8	1.9	1.1	0.6	0.6	0.7	0.7	0.7	0.7
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	3.8	1.7	13.8	4.9	-5.7	3.7	3.3	3.8	6.4	5.2	4.8	5.3
Financing	-3.5	0.6	-13.0	-3.8	-1.7	-13.8	-4.9	5.7	-3.7	-3.3	-3.8	-6.4	-5.2	-4.8	-5.3
Gross official reserves (increase: -)	-2.5	2.3	-11.4	-2.9	-1.0	-13.0	-4.5	6.0	-3.3	-3.3	-3.8	-5.4	-4.0	-3.4	-4.3
Net use of IMF resources for BOP support	-0.9	-1.6	-1.6	-0.9	-0.8	-0.7	-0.3	-0.3	-0.4	0.0	0.0	-1.1	-1.2	-1.4	-1.0
Memorandum items:															
Current account balance excluding grants 4/	-6.5	-6.6	-21.3	-24.7	-30.9	-34.3	-22.6	-23.8	-14.8	-12.6	-12.7	-13.3	-14.2	-14.4	-15.1
Current account balance (percent of GDP)	-1.9	4.9	-5.4	-7.0	-14.6	-15.9	-10.1	-10.6	-5.3	-4.2	-4.1	-4.1	-4.1	-4.0	-3.9
Goods and services trade balance (percent of GDP)	-1.3	-15.9	-21.2	-18.7	-19.2	-19.9	-13.1	-13.5	-9.1	-7.1	-6.5	-6.2	-5.6	-5.1	-4.8
Gross international reserves	30.9	28.5	40.5	43.8	43.3	56.8	47.9	50.8	54.1	57.4	61.2	66.5	70.5	73.9	78.2
Months of next year's imports of goods and services	4.5	3.8	5.3	5.3	5.4	7.0	5.8	6.1	6.4	6.4	6.5	6.7	6.8	6.7	6.9
Percent of the IMF composite metric (float)	104.4	103.6	124.1	121.2	100.5	127.3	100.2	106.2	109.1	113.0	116.1	122.3	124.7	126.9	129.8

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.

4/ Based on the authorities' classification of grants for historical data and based on IMF projections of grants over the forecast horizon.

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.	Proj.	EFF 6th Review	Proj.	EFF 6th Review	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Current account balance	-1.9	4.9	-5.4	-7.0	-14.6	-15.9	-10.1	-10.6	-5.3	-4.2	-4.1	-4.1	-4.1	-4.0	-3.9
Goods (net)	-3.3	-9.0	-16.3	-15.8	-17.5	-17.7	-15.7	-15.7	-15.2	-14.1	-13.0	-12.5	-11.7	-10.8	-10.1
Exports	31.6	25.2	19.4	20.4	20.3	19.6	21.9	21.3	22.4	22.4	22.7	22.9	23.4	23.8	24.3
Imports	-34.9	-34.3	-35.7	-36.2	-37.9	-37.3	-37.5	-37.0	-37.6	-36.5	-35.7	-35.5	-35.1	-34.6	-34.4
Services (net)	2.0	-6.8	-4.9	-2.9	-1.6	-2.1	2.5	2.2	6.2	7.0	6.5	6.3	6.0	5.7	5.4
Receipts	9.2	10.3	9.3	9.0	8.8	8.5	9.6	9.5	11.1	11.4	11.0	10.8	10.5	10.1	9.8
Payments	-7.2	-17.1	-14.2	-12.0	-10.4	-10.6	-7.0	-7.3	-5.0	-4.4	-4.5	-4.5	-4.5	-4.5	-4.5
Primary income (net)	-2.9	5.2	2.8	0.4	-0.2	-1.1	-0.5	-0.8	-0.3	-0.3	-0.3	-0.3	-0.4	-0.4	-0.4
Secondary income (net)	2.3	15.6	13.0	11.3	4.7	5.0	3.5	3.8	4.1	3.2	2.7	2.5	1.9	1.5	1.2
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	0.0	0.0
Financial account balance	-2.8	5.3	-11.7	-8.9	-15.5	-22.6	-12.4	-8.0	-6.8	-5.6	-5.5	-6.4	-5.9	-5.4	-5.5
Direct investment (net)	-3.8	-0.1	-2.5	-2.0	-2.4	-2.6	-4.1	-4.0	-5.1	-5.4	-4.7	-4.5	-4.2	-4.0	-3.9
Portfolio investment (net)	-0.5	1.3	1.5	0.9	0.4	0.4	0.1	-0.1	-0.2	0.1	0.4	-0.3	-0.5	-0.5	-0.5
Financial derivatives (net)	0.1	0.0	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
Other investment (net)	1.4	4.1	-10.7	-7.8	-13.5	-20.4	-8.3	-3.9	-1.6	-0.2	-1.2	-1.5	-1.1	-0.9	-1.1
Other investment: assets	3.9	12.9	6.4	8.0	5.3	7.2	1.9	2.3	0.9	0.8	0.8	0.8	0.8	0.8	0.8
Other investment: liabilities	2.4	8.8	17.1	15.8	18.8	27.6	10.2	6.2	2.4	1.0	2.0	2.3	2.0	1.7	2.0
Net use of IMF resources for budget support	0.1	1.4	2.0	2.0	0.6	0.4	0.1	0.3	0.1	-0.3	-0.6	-0.4	-0.4	-0.4	-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	9.1	14.6	12.9	17.8	26.4	9.2	5.0	1.9	1.1	2.4	2.4	2.1	1.9	2.1
Banks 3/	0.2	-0.3	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 sectors	0.0	-1.3	0.6	1.0	0.5	0.8	0.9	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	2.0	0.9	6.7	2.2	-2.6	1.6	1.3	1.4	2.3	1.7	1.5	1.6
Financing	-1.7	0.4	-7.3	-2.0	-0.9	-6.7	-2.2	2.6	-1.6	-1.3	-1.4	-2.3	-1.7	-1.5	-1.6
Gross official reserves (increase: -)	-1.3	1.4	-6.4	-1.5	-0.5	-6.3	-2.1	2.7	-1.4	-1.3	-1.4	-1.9	-1.3	-1.1	-1.3
Net use of IMF resources for BOP support	-0.5	-1.0	-0.9	-0.5	-0.4	-0.4	-0.1	-0.1	-0.2	0.0	0.0	-0.4	-0.4	-0.4	-0.3
Memorandum items:															
Current account balance excluding grants 4/	-3.2	-4.1	-11.9	-13.0	-15.4	-16.7	-10.4	-10.8	-6.3	-5.0	-4.8	-4.7	-4.7	-4.5	-4.4
Gross international reserves (USD billions)	30.9	28.5	40.5	43.8	43.3	56.8	47.9	50.8	54.1	57.4	61.2	66.5	70.5	73.9	78.2
Months of next year's imports of goods and services	4.5	3.8	5.3	5.3	5.4	7.0	5.8	6.1	6.4	6.4	6.5	6.7	6.8	6.7	6.9
Percent of the IMF composite metric (float)	104.4	103.6	124.1	121.2	100.5	127.3	100.2	106.2	109.1	113.0	116.1	122.3	124.7	126.9	129.8

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.

4/ Based on the authorities' classification of grants for historical data and based on IMF projections of grants over the forecast horizon.

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.	Proj.	EFF 6th Review	Proj.	EFF 6th Review	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
A. Total financing requirements	**20.3**	**31.9**	**39.7**	**45.0**	**46.3**	**53.8**	**31.9**	**34.2**	**21.0**	**19.2**	**21.9**	**22.0**	**24.4**	**23.1**	**23.0**
Current account deficit (excl. budget grants)	3.9	6.0	21.2	23.5	30.9	34.3	22.6	23.8	14.8	12.6	12.7	13.3	14.2	14.4	15.1
Portfolio investment	4.9	2.7	4.9	2.9	1.8	1.9	2.5	2.3	0.1	0.7	2.1	2.1	3.0	1.0	0.9
Private	0.6	0.9	2.5	1.3	1.5	1.5	2.1	1.9	0.0	0.6	0.8	1.5	2.9	1.0	0.8
Public	4.3	1.8	2.4	1.7	0.4	0.4	0.4	0.4	0.1	0.1	1.2	0.6	0.0	0.0	0.0
Medium and long-term debt	3.6	2.1	2.2	3.2	2.9	2.9	2.8	3.0	4.0	4.0	5.0	4.4	4.9	5.1	4.2
Private	2.7	1.1	1.3	1.6	1.5	1.9	1.4	1.8	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Banks	0.2	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	0.3
Corporates	2.5	0.9	1.1	1.5	1.1	1.5	1.1	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Public	0.9	1.0	0.9	1.6	1.4	1.0	1.4	1.2	2.2	2.2	3.2	2.7	3.1	3.4	2.5
Other net capital outflows 1/	7.9	21.0	11.4	15.4	10.7	14.7	4.1	5.0	2.0	2.0	2.2	2.2	2.4	2.5	2.9
B. Total financing sources	**20.0**	**0.7**	**9.6**	**9.5**	**10.3**	**11.8**	**16.7**	**17.2**	**17.5**	**18.4**	**17.9**	**20.1**	**21.5**	**19.8**	**20.0**
Capital transfers	0.0	0.2	0.1	0.3	0.0	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	4.4	3.8	4.9	5.4	8.9	8.9	11.9	13.6	12.6	12.8	12.7	12.9	13.1
Portfolio investment	6.0	0.7	2.2	1.3	1.0	1.0	2.3	2.5	0.6	0.5	1.0	3.0	4.5	2.6	2.5
Private	1.8	0.2	-0.1	0.2	1.0	1.0	2.3	2.5	0.6	0.5	0.0	1.0	2.5	0.6	0.5
Public	4.2	0.5	2.2	1.1	0.0	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	3.6	4.6	3.7	4.1	4.1	3.8	3.8	3.8	3.8	3.8	3.8
Private	3.0	1.5	1.8	2.5	1.6	2.7	1.6	2.0	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Banks	0.2	0.0	0.1	0.1	0.4	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	2.4	1.2	2.3	1.2	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Public (incl. project financing)	3.8	1.1	0.6	0.7	2.0	1.9	2.1	2.1	2.2	1.9	1.9	1.9	1.9	1.9	1.9
Short-term debt (incl. deposits)	-0.3	-2.9	0.5	1.0	0.8	0.8	1.7	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**	**30.1**	**35.5**	**36.0**	**42.0**	**15.3**	**17.0**	**3.5**	**0.9**	**4.0**	**1.9**	**3.0**	**3.3**	**3.1**
D. Official financing	**1.1**	**29.8**	**40.1**	**39.5**	**37.0**	**55.0**	**19.8**	**11.0**	**6.7**	**4.2**	**7.7**	**7.3**	**6.9**	**6.7**	**7.3**
IMF	-0.7	0.6	1.9	2.9	0.4	0.1	-0.1	0.2	-0.2	-0.8	-1.7	-2.1	-2.5	-2.7	-2.1
Purchases	0.7	2.7	4.5	5.3	2.7	2.3	1.9	2.2	1.0	0.0	0.0	0.0	0.0	0.0	0.0
Repurchases	1.4	2.1	2.5	2.4	2.3	2.3	2.0	2.0	1.2	0.8	1.7	2.1	2.5	2.7	2.1
Official budget grants	0.0	14.6	11.8	11.2	1.6	1.6	0.6	0.5	2.5	2.0	1.7	1.7	1.7	1.7	1.7
Official budget loans	1.7	14.5	26.4	25.4	35.0	53.3	19.3	10.3	4.4	3.0	7.7	7.7	7.7	7.7	7.7
F. Increase in reserves	**2.5**	**-2.3**	**11.4**	**2.9**	**1.0**	**13.0**	**4.5**	**-6.0**	**3.3**	**3.3**	**3.8**	**5.4**	**4.0**	**3.4**	**4.3**
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**	**0.0**	**0.0**
Memorandum items:															
Gross international reserves	30.9	28.5	40.5	43.8	43.3	56.8	47.9	50.8	54.1	57.4	61.2	66.5	70.5	73.9	78.2
Months of next year's imports of goods and services	4.5	3.8	5.3	5.3	5.4	7.0	5.8	6.1	6.4	6.4	6.5	6.7	6.8	6.7	6.9
Percent of the IMF composite (float) 2/	104.4	103.6	124.1	121.2	100.5	127.3	100.2	106.2	109.1	113.0	116.1	122.3	124.7	126.9	129.8

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

(Billions of Ukrainian Hryvnia)

	2021	2022	2023	2024	2025		2026		2027	2028	2029	2030	2031	2032	2033
	Act.	Act.	Act.	Act.	EFF 6th Review	Proj.	EFF 6th Review	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Monetary survey															
Net foreign assets	850	1,252	1,926	2,403	2,163	2,867	2,435	2,729	2,926	3,194	3,542	4,035	4,477	4,943	5,445
Net domestic assets	1,221	1,249	1,151	1,085	1,943	1,121	2,167	1,787	2,061	2,297	2,504	2,591	2,759	2,959	3,183
Domestic credit	1,925	2,212	2,248	2,492	2,921	1,975	3,383	2,785	3,309	3,874	4,350	4,599	5,012	5,511	6,052
Net claims on government	898	1,218	1,259	1,369	1,674	708	1,874	1,295	1,541	1,850	2,035	1,950	1,842	1,717	1,511
Credit to the economy	1,023	991	986	1,119	1,243	1,262	1,504	1,486	1,763	2,018	2,309	2,643	3,163	3,786	4,532
Domestic currency	731	725	733	854	969	996	1,227	1,215	1,493	1,751	2,045	2,382	2,907	3,534	4,284
Foreign currency	292	266	253	265	274	266	276	271	269	267	265	261	256	252	248
Other claims on the economy	5	4	3	4	4	4	5	5	5	6	6	7	7	8	9
Other items, net	-704	-963	-1,097	-1,407	-978	-854	-1,215	-998	-1,247	-1,577	-1,846	-2,009	-2,253	-2,553	-2,869
Broad money	2,071	2,501	3,077	3,488	4,107	3,988	4,602	4,516	4,988	5,491	6,046	6,626	7,236	7,901	8,628
Currency in circulation	581	666	716	760	914	887	1,024	1,005	1,110	1,222	1,345	1,516	1,705	1,903	2,105
Total deposits	1,489	1,834	2,360	2,728	3,192	3,100	3,577	3,510	3,877	4,269	4,700	5,109	5,530	5,997	6,521
Domestic currency deposits	1,014	1,204	1,628	1,883	2,237	2,156	2,582	2,502	2,799	3,088	3,418	3,724	4,039	4,393	4,796
Foreign currency deposits	474	630	732	844	955	944	995	1,008	1,078	1,181	1,282	1,385	1,491	1,604	1,726
Accounts of the NBU															
Net foreign assets	701	907	1,456	1,801	1,679	2,453	1,959	2,322	2,543	2,827	3,169	3,655	4,090	4,548	5,043
Net international reserves	566	670	1,078	1,223	1,237	1,849	1,499	1,678	1,883	2,146	2,472	2,936	3,354	3,790	4,262
(In billions of U.S. dollars)	20.8	18.3	28.4	29.1	...	...	...	...	...	...	...	...	...	...	...
Reserve assets	844	1,042	1,539	1,841	...	...	...	...	...	...	...	...	...	...	...
Other net foreign assets	134	237	378	577	443	604	460	644	660	681	697	719	737	758	781
Net domestic assets	-38	-115	-479	-749	-362	-1,174	-485	-875	-945	-1,068	-1,233	-1,496	-1,690	-1,892	-2,118
Net domestic credit	175	312	6	-62	-106	-1,091	-52	-697	-585	-453	-440	-623	-664	-661	-674
Net claims on government	270	704	591	450	551	-228	536	81	81	68	54	41	27	13	0
Claims on government	325	758	729	716	704	703	691	691	679	668	657	646	635	624	613
Net claims on banks	-95	-392	-585	-512	-657	-863	-588	-778	-666	-520	-494	-663	-690	-674	-673
Other items, net	-213	-427	-485	-687	-256	-83	-432	-178	-360	-615	-793	-873	-1,026	-1,231	-1,445
Base money	662	793	977	1,052	1,317	1,279	1,474	1,447	1,598	1,759	1,937	2,159	2,400	2,657	2,925
Currency in circulation	581	666	716	760	914	887	1,024	1,005	1,110	1,222	1,345	1,516	1,705	1,903	2,105
Banks' reserves	81	126	261	292	403	392	450	443	488	537	591	643	695	754	819
Cash in vault	47	49	48	63	65	63	73	71	79	87	96	104	113	122	133
Correspondent accounts	35	77	213	230	338	329	378	371	409	450	496	539	583	632	687
Deposit money banks															
Net foreign assets	149	345	470	602	484	414	476	406	383	367	373	381	387	394	402
Foreign assets	254	427	550	680	621	553	643	586	597	613	624	639	652	667	683
Foreign liabilities	105	82	80	78	137	139	167	180	214	245	251	259	265	273	281
Net domestic assets	1,339	1,489	1,890	2,125	2,708	2,686	3,101	3,104	3,493	3,901	4,326	4,728	5,142	5,602	6,118
Domestic credit	1,875	2,064	2,540	2,882	3,468	3,494	3,923	3,961	4,418	4,900	5,417	5,901	6,407	6,962	7,580
Net claims on government 1/	628	513	668	919	1,123	936	1,338	1,213	1,460	1,783	1,980	1,909	1,815	1,704	1,511
Credit to the economy	1,023	991	986	1,119	1,243	1,262	1,503	1,485	1,762	2,017	2,309	2,642	3,163	3,786	4,531
Other claims on the economy	5	3	3	3	4	4	5	5	5	6	6	7	7	8	9
Net claims on NBU	220	594	883	841	1,098	1,292	1,077	1,257	1,191	1,094	1,122	1,342	1,422	1,465	1,529
Other items, net	-536	-574	-650	-757	-761	-808	-822	-857	-925	-999	-1,091	-1,173	-1,265	-1,360	-1,462
Banks' liabilities	1,488	1,834	2,360	2,727	3,192	3,099	3,577	3,510	3,877	4,268	4,699	5,108	5,529	5,997	6,520
Memorandum items:															
Base money	11.2	19.6	23.3	7.7	17.2	21.6	12.0	13.1	10.4	10.1	10.1	11.5	11.2	10.7	10.1
Currency in circulation	12.6	14.6	7.5	6.1	14.4	16.8	12.1	13.2	4.8	5.8	6.8	7.8	8.8	9.8	10.8
Broad money	12.0	20.8	23.0	13.4	14.4	14.3	12.1	13.2	10.4	10.1	10.1	9.6	9.2	9.2	9.2
Credit to the economy	8.4	-3.1	-0.5	13.5	12.9	12.8	21.0	17.7	18.7	14.5	14.5	14.5	19.7	19.7	19.7
Real credit to the economy 2/	-1.5	-23.5	-5.3	1.3	5.0	3.5	13.5	10.0	13.0	9.0	9.0	9.0	14.0	14.0	14.0
Credit-to-GDP ratio, in percent	18.8	18.9	15.1	14.6	14.3	14.4	15.2	14.8	15.8	16.5	17.3	18.1	19.8	21.7	23.8
Velocity of broad money, ratio	2.6	2.1	2.1	2.2	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	3.3	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.0	3.0	3.0
Hryvnia per U.S. dollar (end of period)	27.3	36.6	38.0	42.0	44.5	...	...	...	...	...	...	...	...	...	...

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), 2025–33

(In millions of SDR)

	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Projections								
Existing Fund credit									
Stock 1/	9,531	8,033	7,120	6,508	5,284	4,060	2,837	1,474	612
Obligations	2,338	2,000	1,330	981	1,540	1,489	1,443	1,536	989
Principal (repurchases)	1,736	1,498	913	612	1,224	1,224	1,224	1,363	862
Interest charges	601	502	417	369	316	265	219	173	127
of which: Surcharges	122	82	46	26	5	0	0	0	0
Prospective purchases									
Disbursements	1,791	1,679	795	0	0	0	0	0	0
Stock 1/	1,791	3,470	4,265	4,265	4,209	3,833	3,188	2,477	1,767
Obligations 2/	35	170	264	278	331	613	816	823	795
Principal (repurchases)	0	0	0	0	56	376	645	711	711
of which: Surcharges	11	68	110	117	114	82	35	1	0
Stock of existing and prospective Fund credit 1/	11,322	11,503	11,385	10,773	9,493	7,893	6,025	3,951	2,378
In percent of quota 2/	563	572	566	536	472	392	299	196	118
In percent of GDP	7.2	6.8	6.3	5.6	4.7	3.7	2.6	1.6	0.9
In percent of exports of goods and nonfactor services	25.6	22.2	18.9	16.7	13.9	10.8	7.7	4.8	2.7
In percent of gross reserves	26.0	29.6	27.5	24.6	20.3	15.5	11.2	7.0	4.0
In percent of public external debt	9.6	9.1	8.8	8.2	7.1	5.7	4.2	2.7	1.5
Obligations to the Fund from existing and prospective Fund credit	2,373	2,170	1,594	1,260	1,870	2,102	2,259	2,359	1,784
In percent of quota	117.9	107.9	79.2	62.6	93.0	104.5	112.3	117.2	88.7
In percent of GDP	1.5	1.3	0.9	0.7	0.9	1.0	1.0	1.0	0.7
In percent of exports of goods and nonfactor services	5.4	4.2	2.6	2.0	2.7	2.9	2.9	2.8	2.0
In percent of gross reserves	5.5	5.6	3.9	2.9	4.0	4.1	4.2	4.2	3.0
In percent of public external debt service	72.9	59.6	34.4	26.3	33.6	40.8	40.5	40.0	33.4

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

Availability date	Millions of SDR	Millions of USD 1/	Percent of quota	12-month access	Cumulative access	Conditions
March 31, 2023	2,011.83	2,706.00	100.0	150.0	449.0	Board approval of the EFF
June 15, 2023	663.90	886.00	33.0	183.0	482.0	First review and continuous and end-April 2023 performance criteria
October 13, 2023	663.90	882.00	33.0	166.0	432.0	Second review and continuous and end-June 2023 performance criteria
February 29, 2024	663.90	881.00	33.0	199.0	444.6	Third review and continuous and end-December 2023 performance criteria
June 15, 2024	1,669.82	2,197.00	83.0	149.0	438.3	Fourth review and continuous and end-March 2024 performance criteria
September 1, 2024	834.88	1,111.00	41.5	190.5	489.4	Fifth review and continuous and end-June 2024 performance criteria
December 1, 2024	834.88	1,089.00	41.5	199.0	560.0	Sixth review and continuous and end-September 2024 performance criteria
March 1, 2025	300.47	392.03	14.9	180.9	540.0	Seventh review and continuous and end-December 2024 performance criteria
June 15, 2025	373.53	487.36	18.6	116.5	536.9	Eighth review and continuous and end-March 2025 performance criteria
August 31, 2025	325.80	425.08	16.2	132.7	545.0	Ninth review and continuous and end-June 2025 performance criteria
December 1, 2025	791.44	1,032.62	39.3	89.0	562.8	Tenth review and continuous and end-September 2025 performance criteria
March 1, 2026	930.51	1,215.46	46.3	120.4	590.5	Eleventh review and continuous and end-December 2025 performance criteria
August 31, 2026	748.72	978.00	37.2	122.8	599.7	Twelveth review and continuous and end-June 2026 performance criteria
March 10, 2027	794.67	1,039.00	39.5	76.7	598.8	Thirteenth review and continuous and end-December 2026 performance criteria
Total	11,608.25		577.0			
Memorandum item:						
Quota	2,011.8					

Source: IMF staff calculations.
1/ For future disbursements, based on April 2025 WEO 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)

	Dec 2024					Mar 2025		Jun 2025		Sep 2025		Dec 2025		Mar 2026
	QPC	Adjustor	Adjusted QPC	Actual	Status	EBS/24/151	QPC	EBS/24/151	QPC	EBS/24/151	QPC	EBS/24/151	IT	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/ 3/	415,410	0	415,410	756,038	Met	254,800	254,800	547,200	547,200	752,400	752,400	822,000	822,000	117,800
Floor on tax revenues (excluding Social Security Contributions)	2,042,250	0	2,042,250	2,101,877	Met	485,000	485,000	1,019,600	1,019,600	1,622,200	1,622,200	2,491,045	2,491,045	599,000
Ceiling on publicly guaranteed debt 3/	47,900	13,718	61,618	46,799	Met	62,860	62,860	64,357	64,357	64,357	64,357	64,357	64,357	68,000
Floor on net international reserves (in millions of U.S. dollars) 3/	26,300	-206	26,095	28,228	Met	24,300	27,200	24,800	27,700	23,000	24,000	23,000	42,000	37,300
II. Indicative Targets 1/ 2/														
Floor on the cash balance of the general government, excluding budget support grants (- implies a deficit) 3/	-1,801,685	0	-1,801,685	-1,611,539	Met	-342,100	-410,500	-718,400	-821,000	-1,146,000	-1,248,600	-1,710,400	-1,710,400	-340,000
Ceiling on general government arrears	1,800	0	1,800	1,354	Met	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800
Floor on social spending	537,800	0	537,800	601,388	Met	132,000	132,000	271,200	271,200	414,000	414,000	560,900	560,900	160,000
Ceiling on general government borrowing from the NBU 4/ 5/	0	0	0	-49	Met	-984	-984	-4,100	-4,100	-1,500	-1,500	-6,500	-6,500	-2,500
III. Continuous performance criterion 1/ 2/														
Ceiling on non-accumulation of new external debt payments arrears by the general government	0	0	0	0	Met	0	0	0	0	0	0	0	0	0
IV. Memorandum items														
External project financing (in millions of U.S. dollars)	1,496	...	...	1,564	...	191	378	572	1,133	1,144	2,266	1,906	3,776	250
External budget financing (in millions of U.S. dollars) 6/	35,367	...	...	36,390	...	9,105	12,198	19,282	25,011	27,280	34,336	35,813	54,488	2,923
Budget support grants (in millions of U.S. dollars)	10,012	...	...	10,033	...	429	429	965	967	1,286	1,288	1,608	1,610	161
Budget support loans (in millions of U.S. dollars) 6/	25,355	...	...	26,357	...	8,677	11,770	18,318	24,044	25,994	33,047	34,206	52,878	2,762
Interest payments	429,820	...	...	305,011	...	86,200	86,200	244,600	244,600	366,100	366,100	488,800	488,800	107,773
NBU profit transfers to the government	38,000	...	...	38,643	...	0	0	63,900	63,900	63,900	63,900	63,900	63,900	0
Government bonds for the purposes of bank recapitalization and DGF financing	0	...	...	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	23,743	...	...	16,953	...	0	4,000	0	6,000	0	8,000	0	9,935	0
Spending on gas purchases, PSO compensation and transfer to GTSO	60,000	...	...	0	...	0	0	0	0	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)	-1,850.4	...	...	-1,320.7	...	-342.1	-410.5	-718.4	-821.0	-1,146.0	-1,248.6	-1,710.4	-1,710.4	-340.0

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 2025 and 2026 are cumulative flows from January 1, 2025, and 2026, 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 actual and projected redemptions of government bonds as of February 28, 2025.

6/ Excludes prospective IMF disbursements under the EFF.

Annex I. Risk Assessment Matrix[1]

Risks and Risk Likelihood		Expected Impact	Policy Response
External Risks			
Regional conflicts. Intensification of conflicts (e.g., in the Middle East, Ukraine, Sahel, and East Africa) or terrorism disrupt trade in energy and food, tourism, supply chains, remittances, FDI and financial flows, payment systems, and increase refugee flows.	**Medium**	**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, while medium term prospects could weaken. 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, exerting pressure 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 implement 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.
Sovereign debt distress. Higher interest rates, stronger U.S. dollar, and shrinking development aid amplified by sovereign-bank feedback result in capital outflows, rising risk premia, loss of market	**High**	**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
access, abrupt expenditure cuts, and lower growth in highly indebted countries.			
Commodity price volatility. Supply and demand volatility (due to conflicts, trade restrictions, OPEC+ decisions, AE energy policies, or green transition) increases commodity price volatility, external and fiscal pressures, social discontent, and economic instability.	**Medium**	**Medium.** Notwithstanding progress at expanding domestic gas production, 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 further 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.
Tighter financial conditions and systemic instability.	**Medium**	**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 discontent. Real income loss, spillovers from conflicts, dissatisfaction with migration, and worsening inequality ignite social unrest, populism, polarization, and resistance to reforms or suboptimal policies. This weakens growth and leads to policy uncertainty and market repricing.	**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.

Risks and Risk Likelihood		Expected Impact	Policy Response
Loss of reform momentum.	Medium	**High.** Poor governance, corruption, retrenchment of oligarchic interests, and lack of oversight on the use of external 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.	Adhere to governance reforms while maintaining recent progress made in strengthening 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. Persistent conflicts, inward-oriented policies, protectionism, weaker international cooperation, labor mobility curbs, and fracturing technological and payments systems lead to higher input costs, hinder green transition, and lower trade and potential 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) continues to be based on a baseline scenario, complemented by a downside scenario. Following the convention thus far under the program, only agreed debt restructurings are incorporated, implying that the terms of the August 2024 Eurobond restructuring are included but all other claims in the authorities' restructuring perimeter maintain their pre-restructuring terms. These analyses continue to show that although the Eurobond restructuring is an important step forward, 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 build off recently enacted tax measures to further undertake a revenue-based fiscal adjustment. Second, official donors have provided commitments for exceptional financial support and assurances of a debt restructuring before the final review of the program. Finally, 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 Sixth Review of Ukraine's arrangement under the Extended Fund Facility completed in December 2024. As has been the case since the start of the program, that SRDSA found an overall assessment of high risks, based on determinations of high risks at both the medium- and long-term horizons. These judgments were aligned with the results of the mechanical tools and reinforced by exceptionally 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, including a commitment to a further restructuring as needed; assurances from official creditors; and a credible process for external debt restructuring of the remaining claims in the perimeter 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*: Staff has made modest adjustments relative to the Sixth Review; the baseline remains aligned with the enacted 2025 Budget and revised defense spending outlook for the medium term. It also envisages revenue mobilization in line with the authorities' plans, and consistent with the program's objectives. Real GDP growth is estimated at 3.5 percent in 2024, 2 percent in 2025 and 4.5 percent in 2026 (a downgrade over 2025–26 from the Sixth Review). Subsequent years remain little changed, and consistent with a measured reconstruction, with real GDP exceeding its pre-war level starting in 2031. Inflation has risen more than expected recently, entailing some upward revisions to projections. In the downside, the war continues to extend until mid-2026.

- *Financing assumptions*: Relative to the Sixth Review, changes to the baseline scenario reflect the current assumption on total official external financing, which now amounts to US$132.7 billion (excluding the IMF) over the program period. ERA disbursements comprise US$44.1 billion of the total and its phasing is now more frontloaded reflecting the latest information from G7 members, with a portion of the 2025 disbursements (US$8.4 billion) allocated as budget prefinancing and an additional amount (totaling US$10.1 billion over 2025–26) saved as contingent financing for the downside scenario. 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.

- *Debt perimeter and contingent liabilities*: The DSA reflects the authorities' end-2024 debt statistics, with some adjustments. First, consistent with the Fund's procedures, three debts with Russia, on which the Ukrainian authorities continue representing a dispute, are excluded from this DSA's debt stock.[1] However, they continue to be a contingent liability risk, particularly in the event of an adverse judgement on the Eurobonds. Additionally, this DSA's debt stock includes US$1 billion of ERA financing through the FORTIS FIF in December 2024. This treatment is consistent with the conservative forecasting assumption maintained from the Sixth Review that ERA financing is considered as loans on terms similar to the EU's MFA.[2] Staff will continue monitoring the evolution of proposals as well as the UCLM and will update the DSA's modeling assumptions accordingly, guided by the appropriate statistical guidelines in subsequent program reviews. Following the formal cancelation of half of the 2024 US budget support under the provisions of the Ukraine Security Supplemental Appropriations Act, no developments have arisen since the last review to warrant a change in the assessment of the second half of this transaction as a contingent liability.[3] Finally, pending an agreement on restructuring, each of the pre-restructuring SRDSAs incorporates projected payments as a contingent liability on Ukraine's

Derivation of the DSA's Debt Stock from Authoriites' Debt Statistics

	UAH billion	USD billion	Pct of GDP
Public debt at end-2024, authorities' debt statisitcs	6,981	166	91.3
Less: disputed claims	152	4	2.0
Add: ERA disbursed at end-2024	42	1	0.5
Public debt in the DSA	6,871	163	89.8
Memo: Public debt in the DSA, ex. ERA	6,829	162	89.3

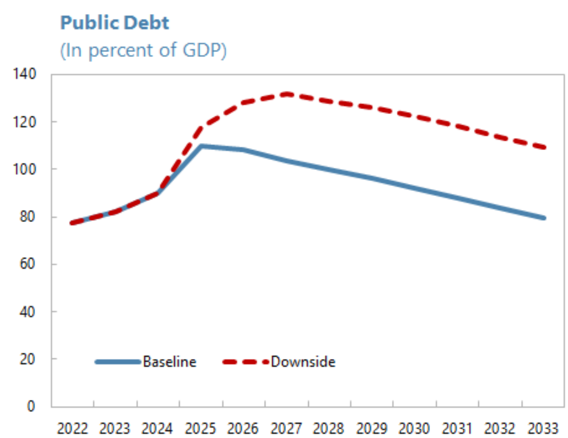
[1] The exclusion of the disputed debts does not change the mechanical results of the medium-term SRDSF tools, which would both be consistent with high risk even if the claims were included. It also does not change the overall finding that debt is unsustainable in the absence of restructuring, nor does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

[2] Specifically, assumed terms entail a 10-year grace period, 25-year final maturity, and no interest. Based on these assumptions, there is no impact of ERA financing on GFNs in the forecast horizon.

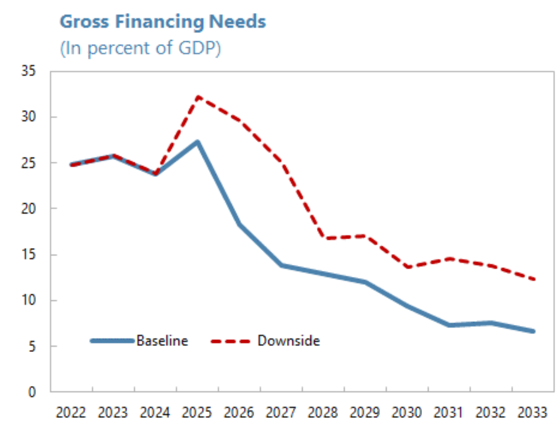
[3] US budget support for 2024 is being disbursed along with an arrangement specifying conditions where the amounts disbursed could be repaid in 40 years.

GDP warrants consistent with their respective projected growth paths over 2024–33, under a passive policy assumption around the warrants.

- *Debt and GFN trajectories*: This DSA reflects the end-December level of public debt in both scenarios, which amounts to 89 percent of projected 2024 GDP, a bit below the forecast of 92 {percent of GDP in the Sixth Review DSA. However, 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 resuming a downward trend over the medium run. Relative to the Sixth Review gross financing needs have changed modestly.



Sources: IMF staff estimates.



Sources: IMF staff estimates.

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 from the Sixth Review, which arise from indicative modeling remain appropriate:

- ERA financing continues to be 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 embedded in the arrangement, for which G7 members and the EC have provided assurances. As set out in the relevant EC regulation, the 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. Current understandings around such a structure support the assessment that there would be 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.

- On this basis, the debt restructuring targets are:

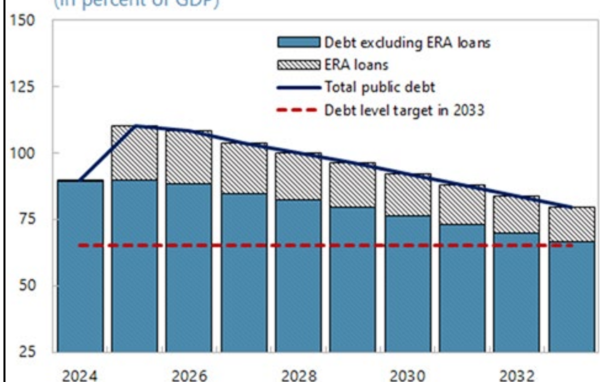
    - Public debt excluding ERA liabilities should reach 65 percent of GDP by 2033.

    - 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 of 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, and they have made recent progress along these lines. 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, despite the Eurobond restructuring, which confirmed substantial debt relief, the baseline's debt level and GFNs do not yet converge to levels consistent with a return to sustainability. However, staff assesses that there is a credible process in place to treat the remaining external commercial claims and deliver the debt and GFN targets.

Public Debt
(In percent of GDP)



Sources: IMF staff estimates.

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 impelementation 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	
CPS / NFPS / GG: expected	4	State governments	Yes	
	5	Local governments	Yes	
CPS / NFPS	6	Public nonfinancial corporations	Yes	
CPS	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/

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

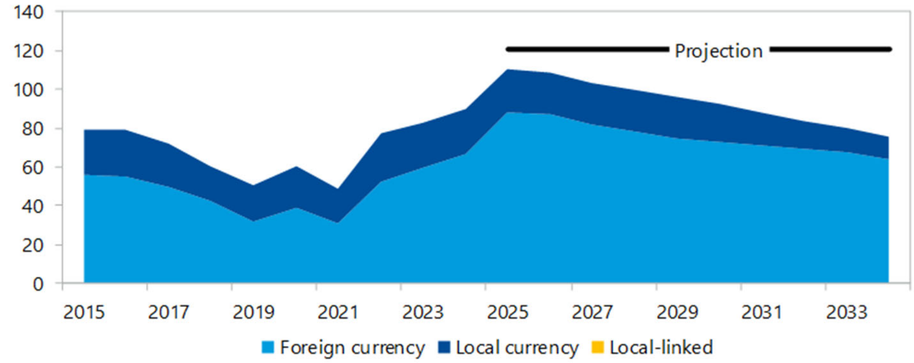
Issuer \ Holder		Budget. central govt	Extra-budget. funds	Social security funds	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
1	Budget. central govt									0
2	Extra-budget. funds									0
3	Social security funds									0
4	State govt.									0
5	Local govt.									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.

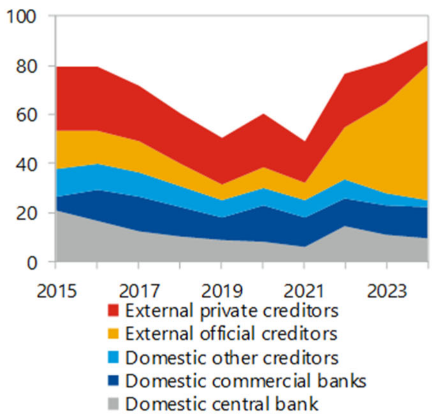
Annex II. Figure 3. Ukraine: Public Debt Structure Indicators (Baseline Scenario)

Debt by Currency (Percent of GDP)



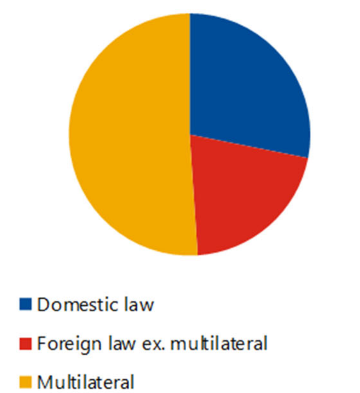
Note: The perimeter shown is general government.

Public Debt by Holder (Percent of GDP)



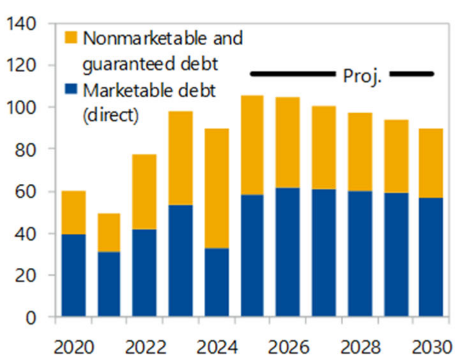
Note: The perimeter shown is general government.

Public Debt by Governing Law, 2024 (Percent)



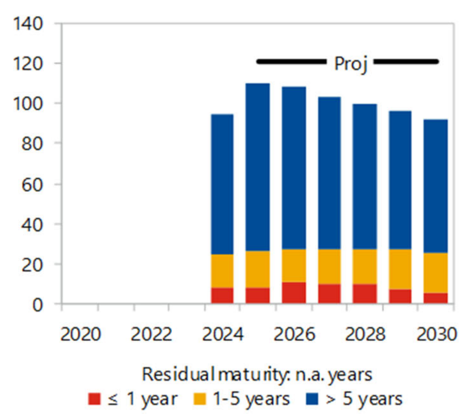
Note: The perimeter shown is general government.

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-2024, debt held by external official creditors rose further still, 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.

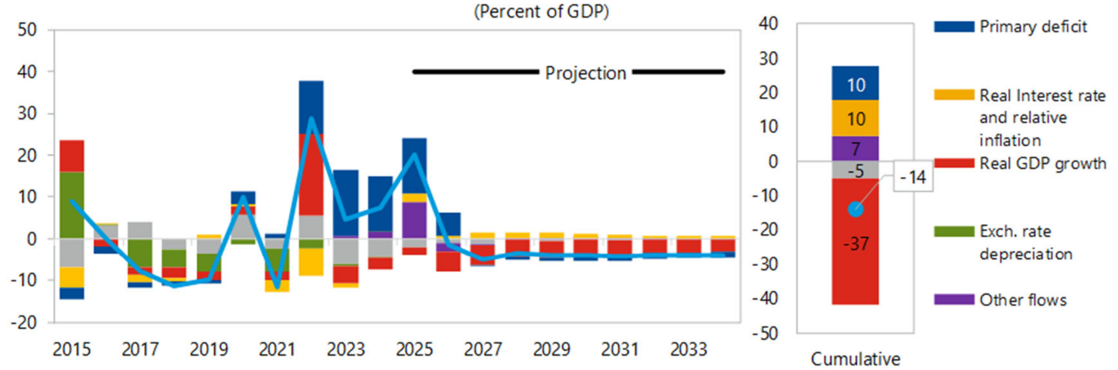
Annex II. Figure 4. Ukraine: Baseline Scenario (Post-Eurobond Restructuring)

(Percent of GDP Unless Indicated Otherwise)

	Est.	Medium-term projection						Extended projection			
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Public debt	89.8	110.0	108.5	103.5	100.1	96.2	92.1	87.8	83.7	79.7	75.8
Change in public debt	7.5	20.2	-1.5	-5.0	-3.4	-3.9	-4.1	-4.3	-4.1	-4.0	-3.9
Contribution of identified flows	11.9	22.3	-0.6	-3.7	-3.5	-3.4	-4.2	-4.0	-4.0	-4.0	-3.9
Primary deficit	13.2	13.2	5.6	0.0	-0.8	-0.8	-1.5	-1.5	-1.5	-1.5	-1.5
Noninterest revenues	54.1	39.1	40.0	41.6	41.3	41.1	41.1	41.0	40.9	40.8	40.8
Noninterest expenditures	67.4	52.4	45.6	41.6	40.6	40.4	39.6	39.5	39.4	39.4	39.4
Automatic debt dynamics	-3.0	0.4	-4.1	-3.5	-2.9	-2.9	-2.9	-2.7	-2.6	-2.6	-2.5
Real interest rate and relative inflation	0.1	2.1	0.7	1.5	1.4	1.1	0.9	0.9	0.7	0.6	0.6
Real interest rate	-5.2	-3.7	-5.5	-1.7	-1.0	-1.1	-1.1	-1.2	-1.2	-1.3	-1.3
Relative inflation	5.3	5.8	6.1	3.2	2.3	2.2	1.9	2.0	2.0	1.9	1.9
Real growth rate	-2.8	-1.8	-4.7	-5.0	-4.3	-4.0	-3.8	-3.5	-3.4	-3.2	-3.1
Real exchange rate	-0.3	...	...	...	...	...	...	...	...	...	...
Other identified flows	1.7	8.7	-2.1	-0.2	0.2	0.3	0.1	0.1	0.1	0.1	0.1
Contingent liabilities and other transactions	0.0	0.3	1.2	0.0	0.2	0.3	0.2	0.2	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	1.7	8.4	-3.3	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution of residual	-4.4	-2.2	-0.9	-1.3	0.0	-0.5	0.2	-0.3	0.0	0.0	0.0
Gross financing needs	23.8	27.2	18.2	13.8	12.9	12.0	9.4	7.3	7.6	6.6	6.8
of which: debt service	10.6	13.7	11.4	13.9	13.4	12.5	10.7	8.6	8.9	8.0	8.1
Local currency	6.0	9.1	7.1	10.3	9.7	8.0	7.1	5.2	5.6	5.1	3.8
Foreign currency	4.6	4.6	4.3	3.6	3.7	4.5	3.6	3.4	3.4	2.8	4.3
Memo:											
Real GDP growth (percent)	3.5	2.0	4.5	4.8	4.3	4.2	4.1	4.0	4.0	4.0	4.0
Inflation (GDP deflator; percent)	13.0	12.0	10.0	6.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Nominal GDP growth (percent)	17.0	14.2	15.0	11.1	9.5	9.4	9.3	9.2	9.2	9.2	9.2
Effective interest rate (percent)	5.7	7.3	4.3	4.2	4.0	3.8	3.8	3.6	3.5	3.3	3.2

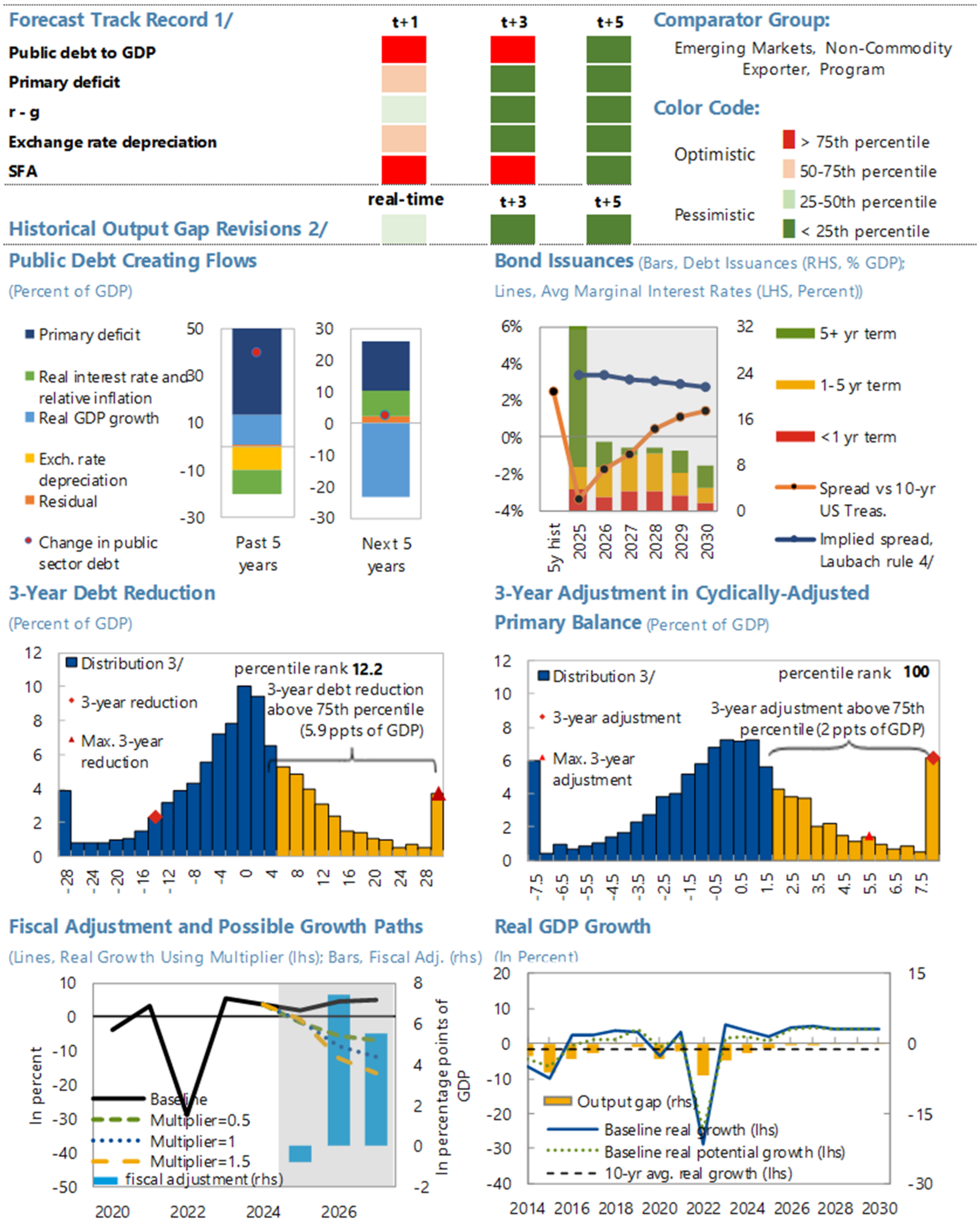
Contribution to Change in Public Debt

(Percent of GDP)



Ukraine's public debt continued to rise in 2024. After the war winds down, an expected recovery arising from improving macroeconomic conditions and confidence will lead to a downward trajectory over the 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 projections reflect the standstill with a group of official bilateral creditors. Projections also reflect the impact of the August 2024 Eurobond restructuring. Finally, the allocation of ERA disbursements to pre-finance the future budgets and accumulate buffers for the downside is accounted for in "other transactions".

Annex II. Figure 5. Ukraine: Realism of Baseline Assumptions



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 primary deficit and the real interest rate/relative inflation will exert upward pressure on debt ratios. 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.

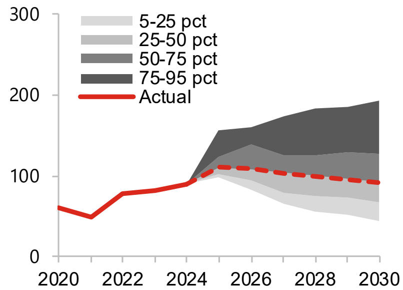
3/ Data cover annual observations over 1990-2019 for MAC advanced and emerging economies. Pct. of sample on vertical axis.

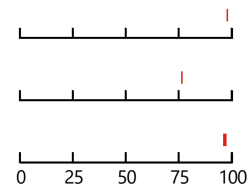
4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

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

	Value	Contrib 1/	Percentile in peer group 2/
Debt fanchart module			
Fanchart width *(percent of GDP)*	150.0	2.2	
Probability of debt non-stabilization *(percent)*	14.9	0.1	
Terminal debt-to-GDP x institutions index	63.2	1.4	
Debt fanchart index (DFI)		3.7	
Risk signal: 3/		**High**	

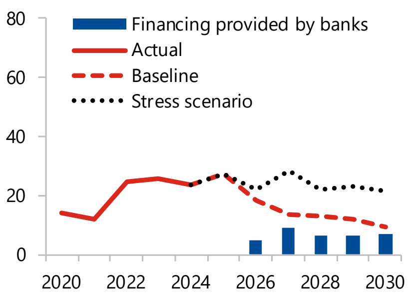
Final Fanchart (Pct of GDP)

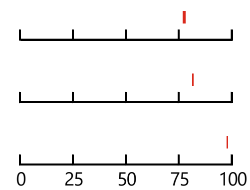




	Value	Contrib 1/	Percentile in peer group 2/
Gross financing needs (GFN) module			
Average baseline GFN *(percent of GDP)*	15.6	5.3	
Banks' claims on the ge govt *(pct bank assets)*	26.6	8.6	
Chg. In banks' claims in stress *(pct banks' assets)*	44.5	14.9	
GFN financeability index (GFI)		28.9	
Risk signal: 4/		**High**	

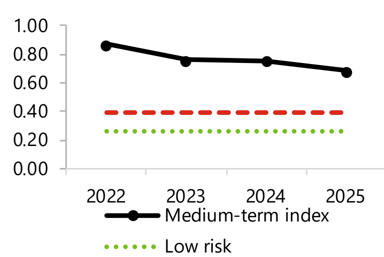
Gross Financing Needs (Pct of GDP)





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	3.7	0.82	0.50	0.41
GFN financeability index	28.9	0.55	0.50	0.28
Medium-term index		0.7		
Risk signal: 5/	**High**			
Final assessment:	**High**			

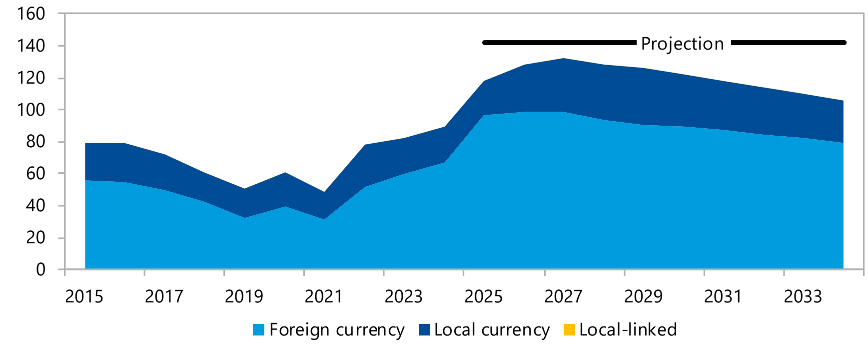
Prob. of missed crisis, 2025-2030, if stress not predicted: 81.8 pct.
Prob. of false alarms, 2025-2030, if stress predicted: 2.3 pct.

Both medium-term modules signal high sovereign stress risks in the baseline scenario, as in the previous DSA for the Sixth Review. The DFI 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 reflects newly published end-December 2024 value and rose since the last DSA. 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.

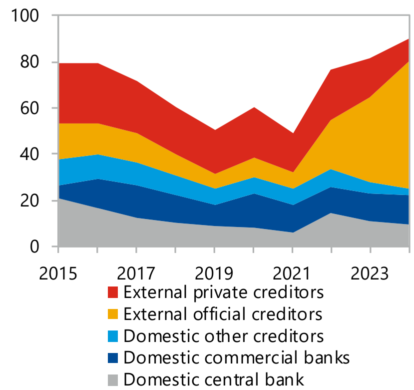
Annex II. Figure 7. Ukraine: Public Debt Structure (Post-Eurobond Restructuring Downside)

Debt by Currency (Percent of GDP)



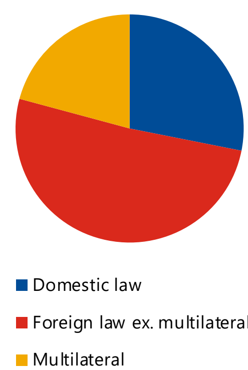
Note: The perimeter shown is general government.

Public Debt by Holder (Percent of GDP)



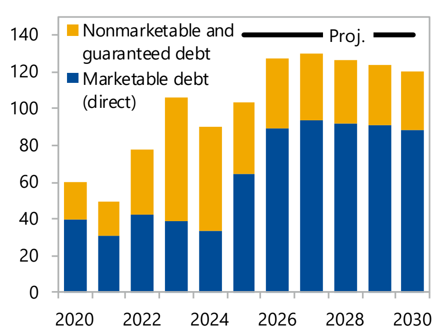
Note: The perimeter shown is general government.

Public Debt by Governing Law, 2024 (Percent)



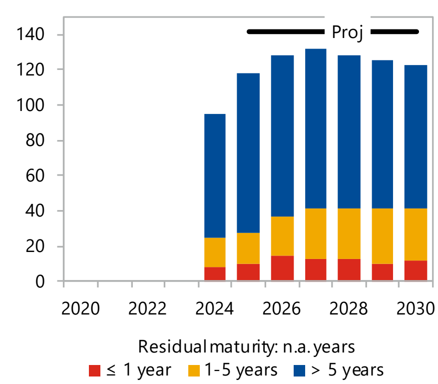
Note: The perimeter shown is general government.

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.

Given the adverse shocks, the debt trajectory is higher in the downside scenario than in the baseline. While the downside scenario includes somewhat higher external financing than the baseline, there is still further issuance on the domestic market, which results in a higher share of local currency debt.

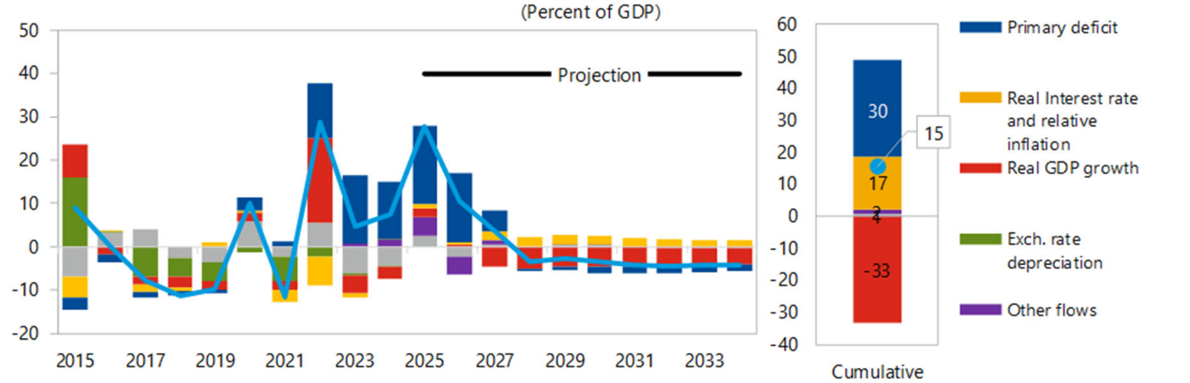
Annex II. Figure 8. Ukraine: Post-Eurobond Restructuring Downside Scenario

(Percent of GDP Unless Indicated Otherwise)

	Actual	Medium-term projection						Extended projection			
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Public debt	89.8	117.7	128.2	131.8	128.5	125.8	122.3	118.1	113.7	109.4	105.2
Change in public debt	7.5	27.9	10.5	3.7	-3.4	-2.6	-3.6	-4.1	-4.4	-4.3	-4.2
Contribution of identified flows	11.9	25.5	12.8	3.1	-3.3	-3.1	-4.0	-4.0	-4.2	-4.1	-4.0
Primary deficit	13.2	17.9	16.1	4.8	-0.7	-0.7	-1.5	-1.5	-1.5	-1.5	-1.5
Noninterest revenues	54.1	40.7	39.9	41.4	41.7	41.3	41.3	41.3	41.2	41.1	41.1
Noninterest expenditures	67.4	58.6	56.0	46.3	41.0	40.6	39.8	39.8	39.7	39.6	39.6
Automatic debt dynamics	-3.0	3.0	0.9	-2.7	-2.5	-2.4	-2.6	-2.5	-2.7	-2.7	-2.6
Real interest rate and relative inflation	0.1	1.2	0.3	2.0	2.3	2.4	2.0	1.9	1.6	1.5	1.4
Real interest rate	-5.2	-7.5	-9.1	-3.4	-1.4	-0.3	-0.4	-0.5	-0.8	-0.9	-0.9
Relative inflation	5.3	8.7	9.4	5.3	3.7	2.7	2.4	2.5	2.4	2.4	2.3
Real growth rate	-2.8	1.8	0.6	-4.7	-4.8	-4.7	-4.6	-4.5	-4.3	-4.2	-4.0
Real exchange rate	-0.3	...	...	...	...	...	...	...	...	...	...
Other identified flows	1.6	4.5	-4.2	1.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Contingent liabilities and other transactions	0.0	0.3	0.1	1.2	0.0	0.1	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	1.6	4.2	-4.2	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution of residual	-4.4	2.4	-2.3	0.5	-0.1	0.4	0.5	-0.2	-0.2	-0.2	-0.2
Gross financing needs	23.8	32.2	29.6	24.9	16.8	17.1	13.6	14.5	13.8	12.3	13.0
of which: debt service	10.6	13.9	13.4	18.9	17.5	17.7	15.0	15.9	15.2	13.7	14.4
Local currency	6.0	9.1	8.5	14.8	13.1	12.4	10.7	11.9	11.2	10.2	9.2
Foreign currency	4.6	4.8	4.9	4.1	4.3	5.3	4.3	4.1	4.0	3.4	5.2
Memo:											
Real GDP growth (percent)	3.5	-2.0	-0.5	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Inflation (GDP deflator; percent)	13.0	17.0	13.0	8.0	6.0	5.0	5.0	5.0	5.0	5.0	5.0
Nominal GDP growth (percent)	17.0	14.7	12.4	12.1	10.0	9.0	9.0	9.0	9.0	9.0	9.0
Effective interest rate (percent)	5.7	7.5	4.3	5.1	4.9	4.7	4.7	4.5	4.3	4.1	4.1

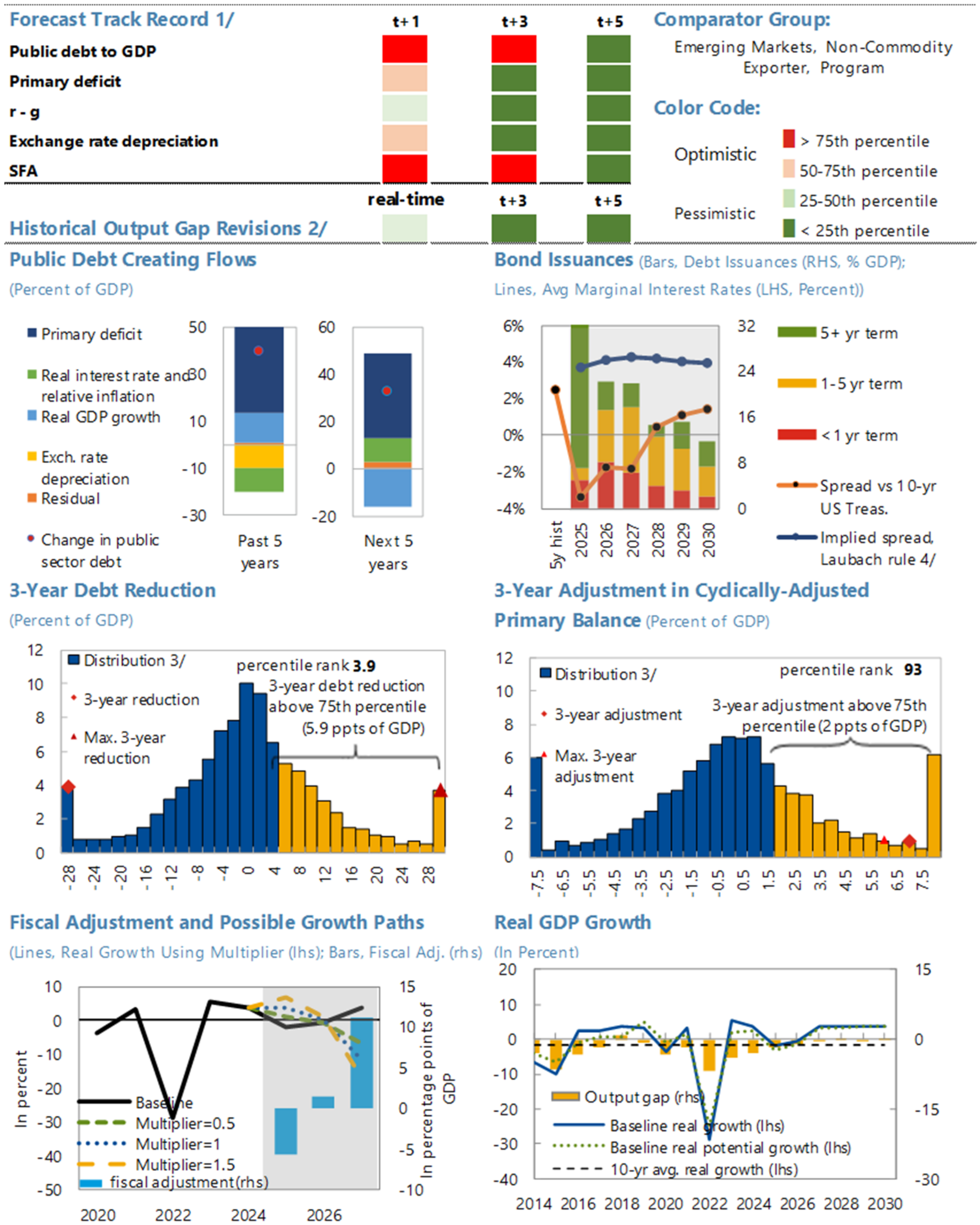
Contribution to Change in Public Debt

(Percent of GDP)



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 adverse scenario, particularly in the next 5 years.

Annex II. Figure 9. Ukraine: Realism of Downside Scenario 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 substantilly 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.

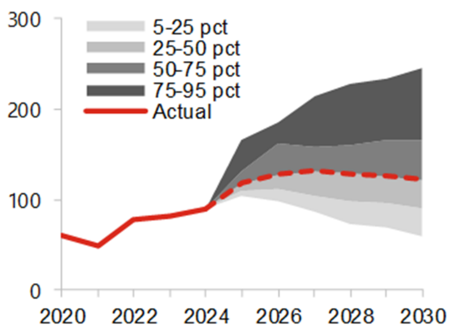
2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates and final estimates in the latest October WEO) in the total distribution of revisions across the data sample.

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

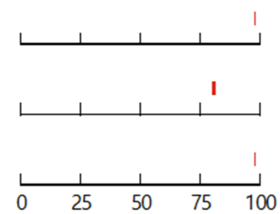
4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

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

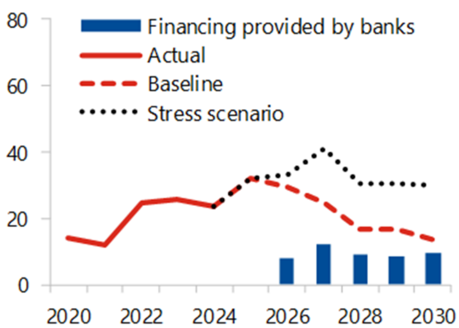
Final Fanchart (Pct of GDP)



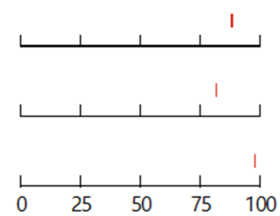
	Value	Contrib [1/]	Percentile in peer group [2/]
Debt fanchart module			
Fanchart width *(percent of GDP)*	186.7	2.7	
Probability of debt non-stabilization *(percent)*	23.5	0.2	
Terminal debt-to-GDP x institutions index	83.9	1.8	
Debt fanchart index (DFI)		4.7	
Risk signal: [3/]		**High**	



Gross Financing Needs (Pct of GDP)

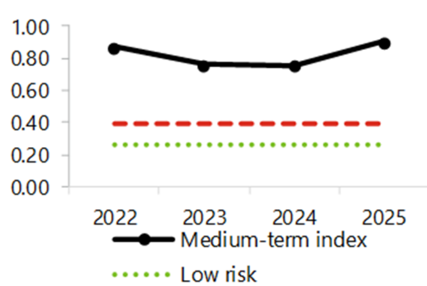


	Value	Contrib	
Gross financing needs (GFN) module			
Average baseline GFN *(percent of GDP)*	22.4	7.6	
Banks' claims on the ge govt *(pct bank assets)*	26.6	8.6	
Chg. In banks' claims in stress *(pct banks' assets)*	69.4	23.2	
GFN financeability index (GFI)		39.5	
Risk signal: [4/]		**High**	



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	4.7	1.05	0.50	0.53
GFN financeability index	39.5	0.76	0.50	0.38
Medium-term index		0.9		
Risk signal: 5/	**High**			
Final assessment:	**High**			

Prob. of missed crisis, 2025-2030, if stress not predicted: 100.0 pct.
Prob. of false alarms, 2025-2030, if stress predicted: 0.0 pct.

As in the baseline, both medium-term modules signal hgih risks of sovereign stress. The signals are also the same as the Sixth 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
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 now assumed to start in 2025Q2, 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 shock would weigh strongly on firm and household sentiment and the pace of migrant return and would entail further large-scale energy infrastructure damage and power outages relative to the baseline. As a result, real GDP growth would be weaker than in the baseline, i.e., -2 percent in 2025 (versus 2–3 percent in the baseline). The updated downside scenario involves the same GDP losses for 2025 as at the Sixth Review in percentage terms, which translate into larger losses in absolute terms. 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 to offset excessive exchange rate movements, 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 and fiscal balance. The current downside scenario assumes some convergence to the baseline over the medium term, supported by the anchor of EU accession, return migration flows and private investment. Other downside scenarios, with a different endpoint for the war and pace and conditions of recovery could also be envisioned.

2. The updated cumulative financing gap in the downside scenario is estimated at US$162.9 billion, US$14.1 billion higher than the baseline forecast for 2023Q2–27Q1 (US$148.8 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 full use of the financing from the ERA loan financing (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 definitive debt treatment entailing the available restructurable debt 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 to decisively 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 (tax) measures, streamlining capital expenditure and other lower priority expenditure items, identifying additional financing, and implementing decisive measures to maintain financial stability and protecting international 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 Sixth Review. The authorities are prepared to take appropriate policy measures as needed. Contingency plans from the Sixth 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 Sixth 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, including from external factors, beyond the downside scenario may compel the authorities to take temporary unconventional measures amid potentially larger financing gaps that arise. 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. Any downside measures would need to be carefully sequenced given the macroeconomic and social impacts during the war. 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, 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 is 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 Seventh 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	7,648	8,771	9,861	11,055	12,163	13,256	14,448	15,747	17,162	18,705
Real GDP 1/	3.4	-28.8	5.3	3.5	-2.0	-0.5	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Contributions:													
Domestic demand	12.9	-22.9	13.9	5.8	1.8	3.7	4.0	6.1	6.0	5.6	5.1	4.9	4.9
Private consumption	4.7	-16.8	5.5	3.1	0.5	2.3	3.2	3.4	3.2	3.3	3.0	2.8	2.7
Public consumption	0.1	12.5	2.6	-0.1	-0.6	-0.6	-1.8	0.0	0.0	0.0	0.0	0.0	0.0
Investment	8.1	-18.6	5.8	2.7	1.9	2.0	2.6	2.8	2.7	2.3	2.1	2.1	2.2
Net exports	-9.5	-5.9	-8.6	-2.3	-3.8	-4.2	-0.2	-2.3	-2.2	-1.8	-1.3	-1.1	-1.1
GDP deflator	24.8	34.9	18.5	13.0	17.0	13.0	8.0	6.0	5.0	5.0	5.0	5.0	5.0
Unemployment rate (ILO definition; period average, percent)	9.8	24.5	19.1	13.1	14.4	14.3	13.7	11.8	11.1	10.5	9.5	9.0	8.6
Consumer prices (period average)	9.4	20.2	12.9	6.5	14.6	10.2	8.2	6.1	5.0	5.0	5.0	5.0	5.0
Consumer prices (end of period)	10.0	26.6	5.1	12.0	13.0	9.0	7.5	5.0	5.0	5.0	5.0	5.0	5.0
Nominal wages (average)	20.8	1.0	20.1	21.9	14.8	10.9	11.3	9.8	9.0	9.0	9.0	9.0	9.0
Real wages (average)	10.5	-16.0	6.4	14.4	0.2	0.7	2.9	3.5	3.8	3.8	3.8	3.8	3.8
Savings (percent of GDP)	12.5	17.0	9.8	9.4	0.8	6.0	15.5	16.4	17.5	17.0	17.2	17.6	18.0
Private	12.7	30.2	24.6	21.3	20.8	22.3	21.5	16.7	17.5	16.1	16.0	15.9	16.0
Public	-0.2	-13.1	-14.8	-11.9	-20.0	-16.2	-6.0	-0.4	-0.1	0.9	1.2	1.7	2.0
Investment (percent of GDP)	14.5	12.1	15.1	16.5	17.7	18.0	18.7	19.2	19.9	20.3	20.6	21.0	21.4
Private	10.7	9.6	10.4	11.1	14.0	13.7	14.1	14.5	15.1	15.5	15.8	16.1	16.5
Public	3.8	2.5	4.8	5.4	3.7	4.3	4.6	4.8	4.8	4.8	4.8	4.8	4.8
General Government (percent of GDP)													
Fiscal balance 2/	-4.0	-15.6	-19.6	-17.2	-23.6	-20.6	-10.6	-5.1	-4.8	-3.9	-3.6	-3.1	-2.8
Fiscal balance, excl. grants 2/	-4.0	-24.8	-26.1	-23.4	-24.6	-20.8	-11.8	-6.1	-5.6	-4.7	-4.3	-3.8	-3.5
External financing (net)	2.5	10.7	16.5	14.5	27.6	5.5	4.1	0.7	1.8	3.0	2.8	2.5	2.8
Domestic financing (net), of which:	1.5	5.0	3.1	2.7	-4.0	15.0	6.6	4.4	3.0	0.9	0.8	0.6	0.1
NBU	-0.3	7.3	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.3
Commercial banks	1.4	-1.5	2.5	2.9	0.3	10.9	6.5	4.5	3.0	0.9	0.8	0.6	0.2
Public and publicly-guaranteed debt	48.9	77.7	82.3	89.8	117.7	128.2	131.8	128.5	125.8	122.3	118.1	113.7	109.4
Money and credit (end of period, percent change)													
Base money	11.2	19.6	23.3	7.7	20.7	12.2	15.6	10.0	10.0	9.0	9.0	9.0	9.0
Broad money	12.0	20.8	23.0	13.4	14.4	12.2	12.7	10.0	10.0	9.0	9.0	9.0	9.0
Credit to nongovernment	8.4	-3.1	-0.5	13.5	-3.9	6.8	12.9	15.5	13.4	13.4	15.5	17.6	17.6
Balance of payments (percent of GDP)													
Current account balance	-1.9	4.9	-5.4	-7.0	-16.9	-12.0	-3.2	-2.9	-2.4	-3.3	-3.4	-3.3	-3.3
Foreign direct investment	3.8	0.1	2.5	2.0	1.3	1.3	3.8	5.1	4.1	3.9	4.0	3.8	3.7
Gross reserves (end of period, billions of U.S. dollars)	30.9	28.5	40.5	43.8	45.3	28.5	32.6	37.2	42.8	48.5	54.0	58.7	64.8
Months of next year's imports of goods and services	4.5	3.8	5.3	5.3	5.8	3.7	4.1	4.4	4.8	5.1	5.4	5.6	5.8
Percent of short-term debt (remaining maturity)	67.5	64.3	111.4	131.7	130.1	80.9	88.7	93.7	111.2	121.9	140.1	154.3	140.7
Percent of the IMF composite metric (float)	104.4	103.6	124.1	121.2	103.5	61.0	66.5	74.1	82.2	90.4	96.9	102.4	109.2
Goods exports (annual volume change in percent)	35.1	-49.2	-15.6	14.2	-7.9	19.6	11.7	5.8	8.7	7.7	9.1	9.1	8.7
Goods imports (annual volume change in percent)	17.0	-23.9	21.5	8.5	1.8	-1.3	9.9	9.1	5.6	6.7	5.5	5.7	5.9
Goods terms of trade (percent change)	-8.4	-11.6	3.6	0.5	-3.4	2.1	2.2	1.2	0.6	0.1	0.0	0.0	0.0
Exchange rate													
Hryvnia per U.S. dollar (end of period)	27.3	36.6	38.0	42.0	...	...	...	...	...	...	...	...	...
Hryvnia per U.S. dollar (period average)	27.3	32.3	36.6	40.2	...	...	...	...	...	...	...	...	...
Real effective rate (CPI-based, percent change)	2.6	3.2	-6.7	-6.8	...	...	...	...	...	...	...	...	...
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	4,140	3,569	3,932	4,579	5,070	5,473	5,966	6,502	7,066	7,689
Tax revenue	1,825	1,782	2,139	2,658	3,175	3,592	4,102	4,585	4,972	5,432	5,934	6,462	7,044
Tax on income, profits, and capital gains	514	551	656	883	1,038	1,190	1,367	1,527	1,664	1,823	1,987	2,165	2,359
Personal income tax	350	421	496	584	795	937	1,063	1,192	1,299	1,421	1,549	1,687	1,839
Corporate profit tax	164	131	159	299	243	253	304	334	364	402	438	478	520
Social security contributions	358	430	489	556	572	619	696	762	832	908	997	1,083	1,175
Property tax	43	37	44	50	52	51	51	52	57	53	53	54	54
Tax on goods and services	731	592	784	989	1,288	1,486	1,711	1,940	2,094	2,308	2,541	2,766	3,022
VAT	536	467	581	734	909	1,028	1,184	1,353	1,457	1,602	1,760	1,905	2,078
Excise	180	115	190	238	337	411	475	530	576	641	710	785	861
Other	14	10	14	16	42	47	52	57	61	66	71	76	82
Tax on international trade	38	26	41	48	67	78	95	112	122	135	146	159	178
Other tax	140	145	126	132	158	169	182	192	203	206	211	235	256
Nontax revenue	166	827	1,444	1,483	394	339	477	485	501	533	568	604	644
Budget support grants 2/	1	481	426	475	84	26	133	114	103	107	110	113	116
Expenditure	2,207	3,426	4,865	5,458	5,642	5,961	5,754	5,695	6,115	6,532	7,069	7,600	8,221
Current	1,995	3,298	4,562	5,053	5,253	5,459	5,161	5,023	5,382	5,726	6,191	6,642	7,177
Compensation of employees	516	1,240	1,479	1,584	1,863	1,892	1,322	1,141	1,198	1,273	1,385	1,513	1,652
Goods and services	483	848	1,674	1,505	805	809	876	731	793	832	939	994	1,098
Interest	155	162	254	305	502	440	641	708	739	779	799	791	807
Subsidies to corporations and enterprises	116	131	158	530	714	657	410	336	353	370	389	408	429
Social benefits	724	917	996	1,129	1,367	1,658	1,909	2,105	2,297	2,468	2,676	2,934	3,188
Social programs (on budget)	154	285	241	286	458	625	776	854	917	992	1,077	1,180	1,288
Pensions	519	583	746	822	890	1,011	1,090	1,165	1,270	1,310	1,395	1,540	1,675
Unemployment, disability, and accident insurance	52	48	9	22	19	21	43	86	110	166	204	214	225
Other current expenditures	1	1	1	1	2	2	2	2	3	3	3	3	3
Capital	207	130	312	411	323	428	510	581	633	698	761	829	903
Net lending	5	-2	-9	-6	24	27	30	33	36	39	43	46	51
Contingency reserve 3/	0	0	0	0	42	47	53	58	63	69	75	82	89
General government overall balance	-216	-817	-1,282	-1,318	-2,074	-2,029	-1,175	-626	-641	-566	-567	-534	-532
General government overall balance, excluding grants	-218	-1,299	-1,707	-1,793	-2,158	-2,055	-1,308	-739	-744	-673	-677	-647	-648
General government financing	216	817	1,280	1,318	2,074	2,029	1,175	626	641	566	567	534	532
External	136	562	1,076	1,106	2,425	545	449	88	245	430	437	423	521
Disbursements	239	615	1,149	1,317	2,573	734	630	277	622	705	726	746	766
Amortizations and other external payments	-103	-53	-73	-210	-149	-189	-181	-189	-377	-274	-289	-323	-245
Domestic (net)	81	263	204	206	-351	1,484	726	538	396	136	130	111	11
Bond financing 4/	62	295	183	337	15	1069	704	532	390	130	124	105	5
o/w NBU	-14	383	-15	-12	-13	-12	-12	-11	-12	-12	-12	-12	-47
o/w Commercial banks	76	-80	167	222	28	1,075	716	543	392	130	122	103	37
Direct bank borrowing	30	-2	-7	-5	0	0	0	0	0	0	0	0	0
Deposit finance	-19	-37	-59	-136	-375	409	16	0	0	0	0	0	0
Privatization and other items	7	20	7	11	9	6	6	6	6	6	6	6	6
Financing Gap/unindentified measures (-gap/+surplus)	0	0	-2	0	0	0	0	0	0	0	0	0	0
Memorandum items:													
Primary balance	-62	-655	-1,028	-1,013	-1,571	-1,589	-535	82	98	213	232	257	275
Public and publicly-guaranteed debt	2,666	4,072	5,383	6,871	10,323	12,641	14,575	15,625	16,680	17,664	18,604	19,521	20,472
Nominal GDP (billions of Ukrainian hryvnia)	5,451	5,239	6,538	7,648	8,771	9,861	11,055	12,163	13,256	14,448	15,747	17,162	18,705

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

1/ National methodology, cash basis.

2/ Comprises grants to the general fund.

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

4/ 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	54.1	40.7	39.9	41.4	41.7	41.3	41.3	41.3	41.2	41.1
Tax revenue	33.5	34.0	32.7	34.7	36.2	36.4	37.1	37.7	37.5	37.6	37.7	37.7	37.7
Tax on income, profits, and capital gains	9.4	10.5	10.0	11.5	11.8	12.1	12.4	12.6	12.5	12.6	12.6	12.6	12.6
Personal income tax	6.4	8.0	7.6	7.6	9.1	9.5	9.6	9.8	9.8	9.8	9.8	9.8	9.8
Corporate profit tax	3.0	2.5	2.4	3.9	2.8	2.6	2.7	2.7	2.7	2.8	2.8	2.8	2.8
Social security contributions	6.6	8.2	7.5	7.3	6.5	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3
Property tax	0.8	0.7	0.7	0.7	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	12.9	14.7	15.1	15.5	16.0	15.8	16.0	16.1	16.1	16.2
VAT	9.8	8.9	8.9	9.6	10.4	10.4	10.7	11.1	11.0	11.1	11.2	11.1	11.1
Excise	3.3	2.2	2.9	3.1	3.8	4.2	4.3	4.4	4.3	4.4	4.5	4.6	4.6
Other	0.3	0.2	0.2	0.2	0.5	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	0.6	0.8	0.8	0.9	0.9	0.9	0.9	0.9	0.9	1.0
Other tax	2.6	2.8	1.9	1.7	1.8	1.7	1.7	1.6	1.5	1.4	1.3	1.4	1.4
Nontax revenue	3.0	15.8	22.1	19.4	4.5	3.4	4.3	4.0	3.8	3.7	3.6	3.5	3.4
Budget support grants 2/	0.0	9.2	6.5	6.2	1.0	0.3	1.2	0.9	0.8	0.7	0.7	0.7	0.6
Expenditure	40.5	65.4	74.4	71.4	64.3	60.5	52.1	46.8	46.1	45.2	44.9	44.3	43.9
Current	36.6	63.0	69.8	66.1	59.9	55.4	46.7	41.3	40.6	39.6	39.3	38.7	38.4
Compensation of employees	9.5	23.7	22.6	20.7	21.2	19.2	12.0	9.4	9.0	8.8	8.8	8.8	8.8
Goods and services	8.9	16.2	25.6	19.7	9.2	8.2	7.9	6.0	6.0	5.8	6.0	5.8	5.9
Interest	2.8	3.1	3.9	4.0	5.7	4.5	5.8	5.8	5.6	5.4	5.1	4.6	4.3
Subsidies to corporations and enterprises	2.1	2.5	2.4	6.9	8.1	6.7	3.7	2.8	2.7	2.6	2.5	2.4	2.3
Social benefits	13.3	17.5	15.2	14.8	15.6	16.8	17.3	17.3	17.3	17.1	17.0	17.1	17.0
Social programs (on budget)	2.8	5.4	3.7	3.7	5.2	6.3	7.0	7.0	6.9	6.9	6.8	6.9	6.9
Pensions	9.5	11.1	11.4	10.7	10.1	10.3	9.9	9.6	9.6	9.1	8.9	9.0	9.0
Unemployment, disability, and accident insurance	1.0	0.9	0.1	0.3	0.2	0.2	0.4	0.7	0.8	1.1	1.3	1.2	1.2
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
Capital	3.8	2.5	4.8	5.4	3.7	4.3	4.6	4.8	4.8	4.8	4.8	4.8	4.8
Net lending	0.1	0.0	-0.1	-0.1	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Contingency reserve 3/	0.0	0.0	0.0	0.0	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
General government overall balance	-4.0	-15.6	-19.6	-17.2	-23.6	-20.6	-10.6	-5.1	-4.8	-3.9	-3.6	-3.1	-2.8
General government overall balance, excluding grants	-4.0	-24.8	-26.1	-23.4	-24.6	-20.8	-11.8	-6.1	-5.6	-4.7	-4.3	-3.8	-3.5
General government financing	4.0	15.6	19.6	17.2	23.6	20.6	10.6	5.1	4.8	3.9	3.6	3.1	2.8
External	2.5	10.7	16.5	14.5	27.6	5.5	4.1	0.7	1.8	3.0	2.8	2.5	2.8
Disbursements	4.4	11.7	17.6	17.2	29.3	7.4	5.7	2.3	4.7	4.9	4.6	4.3	4.1
Amortizations and other external payments	-1.9	-1.0	-1.1	-2.8	-1.7	-1.9	-1.6	-1.6	-2.8	-1.9	-1.8	-1.9	-1.3
Domestic (net)	1.5	5.0	3.1	2.7	-4.0	15.0	6.6	4.4	3.0	0.9	0.8	0.6	0.1
Bond financing 4/	1.1	5.6	2.8	4.4	0.2	10.8	6.4	4.4	2.9	0.9	0.8	0.6	0.0
o/w NBU	-0.3	7.3	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.3
o/w Commercial banks	1.4	-1.5	2.5	2.9	0.3	10.9	6.5	4.5	3.0	0.9	0.8	0.6	0.2
Direct bank borrowing	0.6	0.0	-0.1	-0.1	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	-1.8	-4.3	4.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Privatization and other items	0.1	0.4	0.1	0.1	0.1	0.1	0.1	0.0	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	-13.2	-17.9	-16.1	-4.8	0.7	0.7	1.5	1.5	1.5	1.5
Public and publicly-guaranteed debt	48.9	77.7	82.3	89.8	117.7	128.2	131.8	128.5	125.8	122.3	118.1	113.7	109.4
Nominal GDP (billions of Ukrainian hryvnia)	5,451	5,239	6,538	7,648	8,771	9,861	11,055	12,163	13,256	14,448	15,747	17,162	18,705

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

1/ National methodology, cash basis.

2/ Comprises grants to the general fund.

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

4/ 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	-9.6	-13.4	-33.1	-23.4	-6.6	-6.2	-5.4	-7.8	-8.6	-8.8	-9.4
Goods (net)	-6.6	-14.7	-29.1	-30.1	-36.9	-27.5	-27.8	-30.9	-30.5	-31.9	-31.5	-31.1	-31.0
Exports	63.1	40.9	34.7	38.9	35.8	42.8	47.8	50.6	55.0	59.2	64.6	70.5	76.6
Imports	-69.8	-55.6	-63.8	-69.0	-72.7	-70.2	-75.6	-81.4	-85.5	-91.1	-96.1	-101.6	-107.6
Services (net)	4.0	-11.1	-8.7	-5.6	-12.3	-7.6	7.1	13.2	14.8	15.7	16.0	16.4	16.7
Receipts	18.4	16.6	16.6	17.2	14.9	16.6	23.2	27.2	29.9	31.7	33.0	34.4	35.8
Payments	-14.4	-27.7	-25.3	-22.8	-27.2	-24.2	-16.1	-14.0	-15.1	-16.0	-17.0	-18.0	-19.1
Primary income (net)	-5.8	8.5	5.0	0.8	1.2	0.9	1.7	0.8	0.2	-1.3	-2.043	-2.6	-3.1
Secondary income (net)	4.6	25.2	23.3	21.5	14.9	10.7	12.4	10.7	10.2	9.7	9.0	8.6	8.0
Capital account balance	0.0	0.2	0.1	0.3	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	-16.9	-35.4	-7.0	-11.0	-10.8	-11.0	-14.6	-15.3	-14.9	-16.5
Direct investment (net)	-7.5	-0.2	-4.4	-3.8	-2.6	-2.5	-7.9	-10.9	-9.2	-9.1	-10.1	-10.1	-10.3
Portfolio investment (net)	-1.0	2.0	2.7	1.6	0.9	0.0	0.4	0.2	1.2	-0.9	-1.6	-1.4	-1.5
Financial derivatives (net)	0.2	0.0	0.0	0.2	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	-19.1	-14.9	-33.6	-4.4	-3.6	-0.1	-3.0	-4.5	-3.7	-3.5	-4.7
Other investment: assets	7.7	21.0	11.4	15.2	22.5	9.2	6.1	2.4	2.3	2.0	2.2	2.0	2.1
Other investment: liabilities	4.9	14.3	30.6	30.1	56.1	13.6	9.7	2.5	5.3	6.5	5.9	5.5	6.7
Net use of IMF resources for budget support	0.2	2.3	3.6	3.8	0.8	0.6	0.2	-0.8	-1.7	-1.1	-1.2	-1.4	-1.0
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	24.5	54.3	11.1	8.4	2.6	6.3	6.9	6.5	6.2	7.1
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	1.1	1.8	1.0	1.9	1.1	0.6	0.6	0.7	0.7	0.7	0.7
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	3.8	2.2	-16.4	4.4	4.6	5.6	6.8	6.7	6.1	7.1
Financing	-3.5	0.6	-13.0	-3.8	-2.2	16.4	-4.4	-4.6	-5.6	-6.8	-6.7	-6.1	-7.1
Gross official reserves (increase: -)	-2.5	2.3	-11.4	-2.9	-1.5	16.8	-4.0	-4.6	-5.6	-5.7	-5.5	-4.7	-6.1
Net use of IMF resources for BOP support	-0.9	-1.6	-1.6	-0.9	-0.7	-0.3	-0.4	0.0	0.0	-1.1	-1.2	-1.4	-1.0
Memorandum items:													
Current account balance (percent of GDP)	-1.9	4.9	-5.4	-7.0	-16.9	-12.0	-3.2	-2.9	-2.4	-3.3	-3.4	-3.3	-3.3
Goods and services trade balance (percent of GDP)	-1.3	-15.9	-21.2	-18.7	-25.1	-18.0	-10.1	-8.3	-7.0	-6.9	-6.2	-5.6	-5.1
Gross international reserves	30.9	28.5	40.5	43.8	45.3	28.5	32.6	37.2	42.8	48.5	54.0	58.7	64.8
Months of next year's imports of goods and services	4.5	3.8	5.3	5.3	5.8	3.7	4.1	4.4	4.8	5.1	5.4	5.6	5.8
Percent of the IMF composite metric (float)	104.4	103.6	124.1	121.2	103.5	61.0	66.5	74.1	82.2	90.4	96.9	102.4	109.2

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 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	4.9	-5.4	-7.0	-16.9	-12.0	-3.2	-2.9	-2.4	-3.3	-3.4	-3.3	-3.3
Goods (net)	-3.3	-9.0	-16.3	-15.8	-18.8	-14.1	-13.6	-14.4	-13.6	-13.5	-12.6	-11.7	-11.0
Exports	31.6	25.2	19.4	20.4	18.2	21.9	23.4	23.6	24.5	25.0	25.8	26.5	27.2
Imports	-34.9	-34.3	-35.7	-36.2	-37.0	-36.0	-37.0	-38.1	-38.0	-38.5	-38.4	-38.2	-38.2
Services (net)	2.0	-6.8	-4.9	-2.9	-6.3	-3.9	3.5	6.2	6.6	6.6	6.4	6.2	5.9
Receipts	9.2	10.3	9.3	9.0	7.6	8.5	11.3	12.7	13.3	13.4	13.2	12.9	12.7
Payments	-7.2	-17.1	-14.2	-12.0	-13.9	-12.4	-7.9	-6.5	-6.7	-6.8	-6.8	-6.8	-6.8
Primary income (net)	-2.9	5.2	2.8	0.4	0.6	0.5	0.8	0.4	0.1	-0.5	-0.8	-1.0	-1.1
Secondary income (net)	2.3	15.6	13.0	11.3	7.6	5.5	6.1	5.0	4.5	4.1	3.6	3.2	2.8
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	-8.9	-18.0	-3.6	-5.4	-5.0	-4.9	-6.2	-6.1	-5.6	-5.9
Direct investment (net)	-3.8	-0.1	-2.5	-2.0	-1.3	-1.3	-3.8	-5.1	-4.1	-3.9	-4.0	-3.8	-3.7
Portfolio investment (net)	-0.5	1.3	1.5	0.9	0.4	0.0	0.2	0.1	0.5	-0.4	-0.6	-0.5	-0.5
Financial derivatives (net)	0.1	0.0	0.0	0.1	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	-10.7	-7.8	-17.1	-2.3	-1.8	0.0	-1.3	-1.9	-1.5	-1.3	-1.7
Other investment: assets	3.9	12.9	6.4	8.0	11.4	4.7	3.0	1.1	1.0	0.8	0.9	0.8	0.7
Other investment: liabilities	2.4	8.8	17.1	15.8	28.6	7.0	4.7	1.2	2.3	2.7	2.3	2.1	2.4
Net use of IMF resources for budget support	0.1	1.4	2.0	2.0	0.4	0.3	0.1	-0.4	-0.7	-0.4	-0.5	-0.5	-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	9.1	14.6	12.9	27.6	5.7	4.1	1.2	2.8	2.9	2.6	2.3	2.5
Banks 3/	0.2	-0.3	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	-1.3	0.6	1.0	0.5	1.0	0.5	0.3	0.3	0.3	0.3	0.3	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
Overall balance	1.7	-0.4	7.3	2.0	1.1	-8.4	2.2	2.2	2.5	2.9	2.7	2.3	2.5
Financing	-1.7	0.4	-7.3	-2.0	-1.1	8.4	-2.2	-2.2	-2.5	-2.9	-2.7	-2.3	-2.5
Gross official reserves (increase: -)	-1.3	1.4	-6.4	-1.5	-0.8	8.6	-2.0	-2.2	-2.5	-2.4	-2.2	-1.8	-2.2
Net use of IMF resources for BOP support	-0.5	-1.0	-0.9	-0.5	-0.4	-0.2	-0.2	0.0	0.0	-0.4	-0.5	-0.5	-0.4
Memorandum items:													
Gross international reserves (USD billions)	30.9	28.5	40.5	43.8	45.3	28.5	32.6	37.2	42.8	48.5	54.0	58.7	64.8
Months of next year's imports of goods and services	4.5	3.8	5.3	5.3	5.8	3.7	4.1	4.4	4.8	5.1	5.4	5.6	5.8
Percent of the IMF composite metric (float)	104.4	103.6	124.1	121.2	103.5	61.0	66.5	74.1	82.2	90.4	96.9	102.4	109.2

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 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 Act.	2022 Act.	2023 Act.	2024 Proj.	2025 Proj.	2026 Proj.	2027 Proj.	2028 Proj.	2029 Proj.	2030 Proj.	2031 Proj.	2032 Proj.	2033 Proj.
A. Total financing requirements	**20.3**	**31.9**	**39.7**	**45.0**	**61.8**	**38.4**	**20.1**	**15.3**	**16.6**	**18.0**	**20.2**	**18.9**	**18.4**
Current account deficit (excl. budget grants)	3.9	6.0	21.2	23.5	34.7	23.9	9.0	8.2	7.1	9.6	10.3	10.6	11.1
Portfolio investment	4.9	2.7	4.9	2.9	1.9	2.3	0.9	0.7	2.2	2.1	2.8	1.1	1.0
Private	0.6	0.9	2.5	1.3	1.5	1.9	0.8	0.6	1.0	1.5	2.7	1.1	0.9
Public	4.3	1.8	2.4	1.7	0.4	0.4	0.1	0.1	1.2	0.6	0.0	0.0	0.0
Medium and long-term debt	3.6	2.1	2.2	3.2	2.9	3.0	4.0	4.0	5.0	4.4	4.9	5.1	4.2
Private	2.7	1.1	1.3	1.6	1.9	1.8	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Banks	0.2	0.2	0.2	0.2	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	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Public	0.9	1.0	0.9	1.6	1.0	1.2	2.2	2.2	3.2	2.7	3.1	3.4	2.5
Other net capital outflows 1/	7.9	21.0	11.4	15.4	22.5	9.2	6.1	2.4	2.3	2.0	2.2	2.0	2.1
B. Total financing sources	**20.0**	**0.7**	**9.6**	**9.5**	**8.4**	**10.7**	**13.4**	**15.7**	**14.5**	**16.4**	**18.7**	**16.9**	**17.2**
Capital transfers	0.0	0.2	0.1	0.3	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	4.4	3.8	2.6	2.5	7.9	10.9	9.2	9.1	10.1	10.1	10.3
Portfolio investment	6.0	0.7	2.2	1.3	1.0	2.3	0.5	0.5	1.0	3.0	4.3	2.5	2.5
Private	1.8	0.2	-0.1	0.2	1.0	2.3	0.5	0.5	0.0	1.0	2.3	0.5	0.5
Public	4.2	0.5	2.2	1.1	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	3.9	4.1	4.1	3.8	3.8	3.8	3.8	3.8	3.8
Private	3.0	1.5	1.8	2.5	2.0	2.0	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Banks	0.2	0.0	0.1	0.1	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	2.4	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Public (incl. project financing)	3.8	1.1	0.6	0.7	1.9	2.1	2.2	1.9	1.9	1.9	1.9	1.9	1.9
Short-term debt (incl. deposits)	-0.3	-2.9	0.5	1.0	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**	**30.1**	**35.5**	**53.5**	**27.8**	**6.7**	**-0.4**	**2.1**	**1.6**	**1.5**	**1.9**	**1.2**
D. Official financing	**1.0**	**29.8**	**40.1**	**39.5**	**55.0**	**11.0**	**10.7**	**4.2**	**7.7**	**7.3**	**6.9**	**6.7**	**7.3**
IMF	-0.7	0.6	1.9	2.9	0.1	0.2	-0.2	-0.8	-1.7	-2.1	-2.5	-2.7	-2.1
Purchases	0.7	2.7	4.5	5.3	2.3	2.2	1.0	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	1.7	2.1	2.5	2.7	2.1
Official budget grants	0.0	14.6	11.8	11.2	1.6	0.5	2.5	2.0	1.7	1.7	1.7	1.7	1.7
Official budget loans	1.7	14.5	26.4	25.4	53.3	10.3	8.4	3.0	7.7	7.7	7.7	7.7	7.7
F. Increase in reserves	**2.5**	**-2.3**	**11.4**	**2.9**	**1.5**	**-16.8**	**4.0**	**4.6**	**5.6**	**5.7**	**5.5**	**4.7**	**6.1**
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	43.8	45.3	28.5	32.6	37.2	42.8	48.5	54.0	58.7	64.8
Months of next year's imports of goods and services	4.5	3.8	5.3	5.3	5.8	3.7	4.1	4.4	4.8	5.1	5.4	5.6	5.8
Percent of the IMF composite (float) 2/	104.4	103.6	124.1	121.2	103.5	61.0	66.5	74.1	82.2	90.4	96.9	102.4	109.2

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.

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

(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.
Monetary survey													
Net foreign assets	850	1,252	1,926	2,403	2,627	1,918	2,242	2,610	3,133	3,719	4,324	4,923	5,604
Net domestic assets	1,221	1,249	1,151	1,085	1,365	2,561	2,807	2,946	2,979	2,943	2,938	2,992	3,023
Domestic credit	1,925	2,212	2,248	2,492	2,101	3,650	4,652	5,382	5,972	6,328	6,749	7,243	7,742
Net claims on government	898	1,218	1,259	1,369	1,022	2,498	3,351	3,880	4,269	4,397	4,519	4,621	4,659
Credit to the economy	1,023	991	986	1,119	1,075	1,148	1,296	1,497	1,697	1,925	2,223	2,614	3,074
Domestic currency	731	725	733	854	808	879	1,023	1,227	1,430	1,662	1,966	2,362	2,826
Foreign currency	292	266	253	265	266	269	273	270	267	262	257	252	248
Other claims on the economy	5	4	3	4	4	5	5	6	6	7	7	8	9
Other items, net	-704	-963	-1,097	-1,407	-736	-1,089	-1,844	-2,436	-2,993	-3,385	-3,811	-4,252	-4,718
Broad money	2,071	2,501	3,077	3,488	3,992	4,479	5,050	5,556	6,112	6,662	7,261	7,915	8,627
Currency in circulation	581	666	716	760	912	1,024	1,154	1,270	1,397	1,522	1,659	1,809	1,971
Total deposits	1,489	1,834	2,360	2,728	3,079	3,455	3,895	4,286	4,714	5,139	5,601	6,105	6,654
Domestic currency deposits	1,014	1,204	1,628	1,883	2,041	2,331	2,646	2,912	3,222	3,532	3,871	4,243	4,651
Foreign currency deposits	474	630	732	844	1,038	1,124	1,249	1,374	1,493	1,607	1,730	1,862	2,003
Accounts of the NBU													
Net foreign assets	701	907	1,456	1,801	2,141	1,424	1,749	2,130	2,639	3,213	3,808	4,398	5,068
Net international reserves	566	670	1,078	1,223	1,476	706	984	1,335	1,816	2,362	2,933	3,500	4,145
(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	378	577	665	718	765	795	823	851	874	898	923
Net domestic assets	-38	-115	-479	-749	-871	2	-101	-317	-645	-1,040	-1,440	-1,817	-2,256
Net domestic credit	175	312	6	-62	-888	296	899	1,195	1,332	1,252	1,189	1,156	1,081
Net claims on government	270	704	591	450	141	536	538	524	511	497	483	469	455
Claims on government	325	758	729	716	703	691	679	668	657	646	635	624	613
Net claims on banks	-95	-392	-585	-512	-1,029	-240	361	672	822	755	706	687	627
Other items, net	-213	-427	-485	-687	18	-294	-1,000	-1,512	-1,978	-2,291	-2,629	-2,974	-3,337
Base money	662	793	977	1,052	1,270	1,425	1,648	1,813	1,994	2,173	2,368	2,581	2,812
Currency in circulation	581	666	716	760	912	1,024	1,154	1,270	1,397	1,522	1,659	1,809	1,971
Banks' reserves	81	126	261	292	358	402	494	543	597	651	709	772	841
Cash in vault	47	49	48	63	63	70	79	87	96	105	114	124	135
Correspondent accounts	35	77	213	230	296	332	414	456	501	546	595	648	706
Deposit money banks													
Net foreign assets	149	345	470	602	486	494	494	481	494	506	516	525	536
Foreign assets	254	427	550	680	639	687	728	753	775	797	815	833	851
Foreign liabilities	105	82	80	78	153	193	234	272	282	291	299	307	316
Net domestic assets	1,339	1,489	1,890	2,125	2,592	2,960	3,401	3,805	4,220	4,632	5,084	5,579	6,118
Domestic credit	1,875	2,064	2,540	2,882	3,383	3,792	4,283	4,766	5,273	5,763	6,304	6,894	7,537
Net claims on government 1/	628	513	668	919	881	1,962	2,813	3,356	3,758	3,900	4,035	4,152	4,204
Credit to the economy	1,023	991	986	1,119	1,074	1,148	1,295	1,496	1,697	1,924	2,222	2,613	3,073
Other claims on the economy	5	3	3	3	4	5	5	6	6	7	7	8	9
Net claims on NBU	220	594	883	841	1,424	678	169	-92	-188	-68	39	121	251
Other items, net	-536	-574	-650	-757	-791	-832	-882	-961	-1,053	-1,131	-1,220	-1,316	-1,419
Banks' liabilities	1,488	1,834	2,360	2,727	3,078	3,454	3,895	4,285	4,714	5,138	5,600	6,104	6,653
Memorandum items:	(End of period, percent change unless otherwise noted)												
Base money	11.2	19.6	23.3	7.7	20.7	12.2	15.6	10.0	10.0	9.0	9.0	9.0	9.0
Currency in circulation	12.6	14.6	7.5	6.1	20.1	12.2	4.8	5.8	6.8	7.8	8.8	9.8	10.8
Broad money	12.0	20.8	23.0	13.4	14.4	12.2	12.7	10.0	10.0	9.0	9.0	9.0	9.0
Credit to the economy	8.4	-3.1	-0.5	13.5	-3.9	6.8	12.9	15.5	13.4	13.4	15.5	17.6	17.6
Real credit to the economy 2/	-1.5	-23.5	-5.3	1.3	-15.0	-2.0	5.0	10.0	8.0	8.0	10.0	12.0	12.0
Credit-to-GDP ratio, in percent	18.8	18.9	15.1	14.6	12.3	11.6	11.7	12.3	12.8	13.3	14.1	15.2	16.4
Velocity of broad money, ratio	2.6	2.1	2.1	2.2	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	3.3	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1
Hryvnia per U.S. dollar (end of period)	27.3	36.6	38.0	42.0	…	…	…	…	…	…	…	…	…

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), 2025–33

(In millions of SDR)

	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Projections								
Existing Fund credit									
Stock 1/	9,531	8,033	7,120	6,508	5,284	4,060	2,837	1,474	612
Obligations	2,338	2,000	1,330	981	1,540	1,489	1,443	1,536	989
Principal (repurchases)	1,736	1,498	913	612	1,224	1,224	1,224	1,363	862
Interest charges	601	502	417	369	316	265	219	173	127
of which: Surcharges	122	82	46	26	5	0	0	0	0
Prospective purchases									
Disbursements	1,791	1,679	795	0	0	0	0	0	0
Stock 1/	1,791	3,470	4,265	4,265	4,209	3,833	3,188	2,477	1,767
Obligations 2/	35	170	264	278	331	613	816	823	795
Principal (repurchases)	0	0	0	0	56	376	645	711	711
Interest charges	35	170	264	278	274	237	171	112	84
of which: Surcharges	11	68	110	117	114	82	35	1	0
Stock of existing and prospective Fund credit 1/	11,322	11,503	11,385	10,773	9,493	7,893	6,025	3,951	2,378
In percent of quota 2/	563	572	566	536	472	392	299	196	118
In percent of GDP	7.5	7.7	7.3	6.6	5.5	4.4	3.2	2.0	1.1
In percent of exports of goods and nonfactor services	29.2	25.3	21.0	18.2	14.7	11.4	8.1	4.9	2.8
In percent of gross reserves	32.6	52.7	45.7	38.0	29.1	21.4	14.6	8.8	4.8
In percent of public external debt	9.6	9.1	8.6	8.0	6.9	5.5	4.1	2.6	1.5
Obligations to the Fund from existing and prospective Fund credit	2,373	2,170	1,594	1,260	1,870	2,102	2,259	2,359	1,784
In percent of quota	117.9	107.9	79.2	62.6	93.0	104.5	112.3	117.2	88.7
In percent of GDP	1.6	1.5	1.0	0.8	1.1	1.2	1.2	1.2	0.8
In percent of exports of goods and nonfactor services	6.1	4.8	2.9	2.1	2.9	3.0	3.0	3.0	2.1
In percent of gross reserves	6.8	9.9	6.4	4.4	5.7	5.7	5.5	5.3	3.6
In percent of public external debt service	72.9	59.6	34.4	26.3	33.6	40.9	40.6	40.1	33.4

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 March 21, 2025

Managing Director

International Monetary Fund

Washington, D.C., 20431

U.S.A.

Dear Ms. Georgieva:

1. Three years since the start of Russia's illegal and unjustified full-scale invasion of our country, the war continues to bring enormous human, social, and economic costs. We are focused, together with our allies, on achieving an enduring and just peace that will ensure our security, bring Russia's war to a definitive end, and enable our population's living conditions to begin to return to normal. Unfortunately, attacks are still persisting with severe consequences: civilian casualties are large, over a quarter of the population has been displaced, and infrastructure damage is massive and increasing, with serious long-lasting implications for our people. The recently updated Rapid Damage and Needs Assessment (RDNA-4) of February 2025 estimated direct and documented damages of US$176 billion and reconstruction and modernization needs at US$524 billion over the next decade, and these needs increase with every day of the war. Despite this hardship, 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 strong and sustained 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$148.8 billion over the program period. In this regard, we are especially grateful to our partners for their efforts to bring to fruition the US$50 billion Extraordinary Revenue Acceleration (ERA) Loan Initiative.

3. The goal of our IMF-supported program remains to restore fiscal and debt sustainability on a forward-looking basis as well as medium-term external viability. It also aims to promote long-run 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 Russia's illegal 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 are expected to lay the foundations for stronger prospects after the war ends, when 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. For this Seventh Review under the EFF, we have met all the end-December 2024 and continuous quantitative performance criteria (QPCs); we also achieved all the indicative targets (ITs). We are requesting modifications of the net international reserves floors QPCs for all test dates in 2025, to reflect a more frontloaded disbursement schedule for ERA financing. This request reflects our commitment to utilizing these flows prudently and consistently with the program's parameters. It also reflects our objective of preserving external sustainability, and maintaining adequate buffers in an environment of elevated near-term risks.

6. We continue to strive to implement key policy measures and structural reforms under the program, as highlighted in Table 2 of the MEFP. To this end, we have met the following structural benchmarks due between end-December 2024 and end-February 2025: (i) preparation of the bank rehabilitation framework; (ii) implementation of a supervisory risk assessment methodology; (iii) adoption of budget code amendments in line with the Public Investment Management (PIM) action plan; and (iv) CMU adoption of a methodological framework underpinning the PIM process. Moreover, we respected the continuous structural benchmark on the banking system. While we were unable to meet the end-December structural benchmark on the enactment of a law establishing a specialized administrative court, Parliament adopted this reform with a delay. Unfortunately, we were not able to meet the implementation dates for the National Securities and Stock Market Commission's (NSSMC) comprehensive operational strategy, including initiating an independent fit-and-proper review. We were also not able to meet the end-December 2024 and end-February 2025 structural benchmarks for the amendments to the criminal procedural code, the appointment of the new head of the Economic Security Bureau of Ukraine (ESBU), and the external audit of the National Anticorruption Bureau of Ukraine (NABU), which we propose to reset all three for end-July 2025. Because more time is needed to develop and submit a draft law on critical third-party risk, we also request to reset this benchmark's implementation date from end-May to end-September 2025. Finally, as a prior action for this review, we enacted law #11090, which was adopted by Parliament to align excise taxes on tobacco products with EU directives.

7. We continue to implement wide-ranging reforms, and as a demonstration of this commitment we propose four additional structural benchmarks: (i) completing the independent fit and proper review of the NSSMC by end-June 2025; (ii) revising selection and appointment processes for SOE supervisory board members and adopting appropriate changes to relevant CMU by-laws by August 2025; (iii) developing an operational plan for the implementation of the MOF's updated IT strategy by end-September 2025; and (iv) adopting sectoral strategies in line with new PIM approaches by end-December 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, in March 2023, we announced the intention to undertake a treatment of our external public debt, in line with program parameters. After successfully completing an exchange of outstanding government and Ukravtodor bonds in August 2024, we are making progress on other elements of the debt restructuring strategy. 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. It is expected such a treatment would take place once conditions of exceptionally high uncertainty abate, or at the latest by the penultimate review of the program. In light of the collaborative discussions we are having with our creditors, we request the completion of the financing assurances review.

9. Based on our successful implementation of the program targets for end-December 2024, our implementation of structural benchmarks, as well as our strong policy commitments for the period ahead, we request completion of the Seventh Review and a disbursement in the amount of SDR 300.47 million (14.9 percent of quota), which will be channeled for budget support. We also request the rephasing to backload purchases under the program for 2025–26 to better align them with the profile of our balance-of-payments needs. 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.

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 and 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. Three years since the start of the war, Russia's unprovoked, illegal, and unjustified invasion of our country continues to bring enormous human, social, and economic costs. Recent developments portend the start of peace talks, and we are prepared to enter negotiations toward an enduring and just peace that will ensure our security, bring Russia's war to a definitive end, and allow the population's living conditions to begin to return to normal. Regrettably, pending such an agreement civilian casualties keep rising, around a quarter of the population has been displaced and missile strikes continue countrywide, 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 forces 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$148.8 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 current economic policies and preparations for recovery and post-war reconstruction. 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. Despite the continuing war, we remain committed to sound policies that support macroeconomic and financial stability. Our external partners have also provided assurances that adequate resources will be available to help finance our budget and meet our still sizable external financing needs. In this regard, we are especially grateful to the EU and our bilateral G7 partners for finalizing arrangements to make around US$50 billion available through the Extraordinary Revenue Acceleration (ERA) Loans for Ukraine Initiative. This financing, which has already begun to disburse, will help meet our sizable financing needs on terms consistent with the program's objective of restoring debt sustainability.

4. The official launch of EU accession negotiations in June 2024 was a historic milestone, setting the stage for our European integration path, and reinforcing stability and long-term growth prospects. 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, 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 2024 despite strains on energy and labor markets, and the economy will continue recovering in 2025 despite Russia's continuing war, and as energy shortages recede.

- Growth in 2024 is estimated at around 3.5 percent, thanks to our efforts to repair damage to energy infrastructure, resilient business and consumer confidence and robust government spending.

- Growth is expected between 2 and 3 percent in 2025, reflecting, on the one hand, further stabilization of the energy situation, a larger harvest than in 2024, and accommodative fiscal policy, and on the other, headwinds from labor market frictions, decreased gas production due to infrastructure damage, and the closure of the Pokrovsk coal mine.

- Inflation has accelerated quicker than expected, reaching 12.9 percent y/y in January 2025, due to continued pressure from food prices, energy and labor costs as well as the passthrough from depreciation. Inflation is expected to moderate to around 9 percent by end-2025. This deceleration will reflect an appropriately tight monetary policy response, a sharp deceleration in food and energy inflation from a larger harvest, a more stable energy situation, and fading unfavorable base effects that will drive inflation higher in the first half of the year.

- The current account deficit excluding grants reached US$24.7 billion in 2024 (up from US$21.3 billion in 2023), and is projected to widen further to US$34.3 billion in 2025 primarily due to increased import needs. Supported by frontloaded ERA disbursements, gross international reserves are projected to end the year at US$56.8 billion (127.3 percent of the ARA metric).

- After depreciating through end-December 2024 by a cumulative 15 percent since the transition to managed exchange rate flexibility, the hryvnia has remained broadly stable in recent months. FX interventions remain sizeable 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.

- Credit growth continues to recover, broadly supported by improved business activity, credit guarantee schemes, and the decline in interest rates earlier in 2024. The role of state support in lending to businesses (5-7-9 program) has declined, 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 still strong deposit growth.

6. **The economy could rebound more quickly, especially if a just peace agreement delivers a swift and enduring improvement in the security situation.** Even from early stages of the peace, economic performance could exceed expectations if security conditions allow and key bottlenecks resolve more swiftly through robust return migration, recovering sentiment, a resolution of war-related supply disruptions, and durable access to seaports and other supply routes. Additionally, our efforts on critical recovery and repair projects would also support stronger growth, as could stronger progress in the planned energy reforms. In the medium-term, economic growth could be accelerated by forceful implementation of structural reforms, including in the context of EU integration; significant investments to promote reconstruction and economic transformation, including those financed by private investment inflows or support from official development partners; and/or an even faster return of migrants.

7. **Despite the recent resilient growth, downside risks to the outlook persist, 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, discourage migrant return and worsen labor market mismatches, and delay private investment, all of which would slow growth. Export transit routes could be significantly interrupted, there could be further large-scale damage to the energy infrastructure, or supply chain disruptions could resurface, weighing on production costs and firm profitability. While near-term external financing risks have diminished following recent disbursements and the ERA financing agreement, 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 2025–27

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 priority 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 robust budget implementation in 2025, consistent with a strong medium-term budget 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. The easing cycle in 2023–24 allowed lower borrowing costs for the government and private sector, and since then, our decisive policy response to recent inflation pressures has helped to stabilize inflation expectations. 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, SOE 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 ongoing war, we are confident that the EFF-supported program provides the appropriate framework to achieve our goals of restoring external viability by 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.

- We will continue to build on the significant progress so far and, when appropriate, shift our focus to more expansive structural reforms to entrench macroeconomic stability and bolster reconstruction to promote economic growth and thereby help restore medium-term external viability. As conditions allow, we will revert to pre-war policy frameworks. Swift 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 and in the EU enlargement report.

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 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 immense challenges from Russia's continuing war, we registered a strong performance under the program once again, delivering all end-December fiscal targets:

- Tax collections were UAH 2,101.9 billion, overperforming the target of UAH 2,042.3 billion (***Quantitative Performance Criterion***).

- Prudent budget implementation resulted in a non-defense cash primary balance of the general government of UAH 756.0 billion (at program exchange rates), exceeding the floor of UAH 415.4 billion (***Quantitative Performance Criterion***).

- In parallel, the overall balance excluding grants was UAH -1,611.5 billion (at program exchange rates), above its floor of UAH -1,801.7 billion (***Indicative Target***).

- The issuance of government guarantees was UAH 46.8 billion (at program exchange rates), comfortably below the adjusted ceiling of UAH 61.6 billion (***Quantitative Performance Criterion***).

- The accumulation of overdue accounts payable (domestic arrears) dipped to UAH 1.4 billion, well below the ceiling of UAH 1.8 billion (***Indicative Target***).

- And, reflecting our commitment to ensure adequate social protection for vulnerable groups, social spending amounted to UAH 601.4 billion, exceeding the floor of UAH 537.8 billion.

11. The 2025 Budget remains the anchor for fiscal policies. As has been the case since the start of Russia's war, expenditures will remain high at UAH 5,065 billion (58.0 percent of GDP), reflecting the need to provide for our defense and despite the tight prioritization of other expenditures. We project revenues excluding grants of UAH 3,355 billion (38.4 percent of GDP), with tax revenues at UAH 3,087 billion (35.3 percent of GDP), reflecting the yield of a tax package enacted late last year. Nevertheless, the overall deficit excluding grants is expected to reach UAH 1,710 billion in 2025 (19.6 percent of GDP).

12. External support, especially the G7's ERA initiative, is essential for financing the deficit, and we commit to prudent and transparent management of these resources. Regarding ERA disbursements, which we expect to reach US$39.4 billion in 2025, we will take steps to ensure that they are used according to the program's fiscal paths over 2025–2027Q1. We will to the extent possible allocate a portion of ERA disbursements as prefinancing for budget deficits in the rest of the program and maintain an adequate buffer for the downside. To do so, we will rely on the relevant rules on revenue overperformance and the article of the budget code pertaining to prefinancing limits. The articles of the budget code pertaining to expenditure limits will help us to avoid expenditure risks as we execute the 2025 Budget consistent with program parameters. Further, we will only revise spending categories in consultation with IMF staff and after identifying either new financing sources or compensating fiscal measures. Last, we will administer these flows as budget support, ensuring that the 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.

13. We recognize the need for our own contribution to the effort, and will ensure adequate revenues, including through additional action if needed. We will benefit from the yield of the recently enacted package of tax measures mentioned above, which raised military tax rates and broadened its applicability, introduced presumptive tax on fuel stations, reformed corporate tax on non-bank financial institutions, and extended windfall bank taxation for another year. Additionally, we are taking major steps toward harmonizing our tobacco excise taxes with EU directives and will enact law #11090 as a ***prior action*** for this review. Despite these efforts, we remain highly exposed to shocks and our room for maneuver remains constrained. Reflecting this reality, we remain ready to respond to budgetary shocks—either revenue shortfalls or fresh expenditure demands—with an increase in taxes. We continue to view increases in the main VAT rate as being the most efficient potential source of additional revenue at this juncture. Thus, it remains central to our contingency planning and our commitment to pursue policies that preserve stability and restore fiscal and debt sustainability through revenue-based fiscal adjustment.

14. To entrench medium-term budget planning, we have begun work on next year's Budget Declaration. While last year's declaration covering 2025–27 was a helpful anchor for the budget discussions, we expect that the upcoming budget declaration for 2026–28 will be even more consequential. We plan on it serving as a critical anchor for fiscal policies in the post war reconstruction and recovery phase. We recognize the importance of a sound medium-term fiscal framework, and this document will help us to plan for critical spending on recovery and reconstruction, defense, and adequate social protection. Given the Budget Declaration's role in highlighting the government's strategic priorities, it will also help clarify the role of domestic revenue mobilization to ensure a decisive return to fiscal and debt sustainability. Thus, in consultation with the Fund, we will prepare and submit the 2026-28 budget declaration on time, and in line with the program's parameters (***Structural Benchmark, end-June 2025***).

15. 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 reliance on external financing, in line with the strategic objectives of the NRS.

16. Every day that Russia's war continues the already staggering reconstruction needs rise. The fourth Rapid Damage and Needs Assessment (RDNA-4) was published on February 25, 2025. The updated damage and needs assessment, covering the period February 2022-December 2024, now estimates direct documented damages reaching US$176 billion and total reconstruction and modernization needs at US$524 billion. It is worth noting that the RDNA-4 estimates do not account for undocumented damages, mineral resources extracted from occupied territories, and other factors. Moreover, damages and needs are increasing on a daily basis as the war continues. Addressing the largest needs—concentrated in housing, energy, 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 in these sectors will also help promote the return of refugees. In considering initiatives in this area, we will ensure that investment projects are prioritized and selected through the PIM framework, fit into the medium-term budgetary framework (MTBF) and are consistent with a return to fiscal and debt sustainability. To this end, we will also carefully evaluate the financing mix, and will seek financing on highly concessional terms.

C. Financing Strategy

17. Our financing strategy continues to focus on securing timely and predictable external disbursements on appropriately concessional terms. The war and its associated cost entail a large financing gap, which stands at US$148.8 billion over the baseline program period. We continue to work 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*: Over the first three years of the full-scale war, we have received budget support from international partners totaling close to US$120 billion. Since the start of the program, we have received US$78.1 billion, of which US$3.1 billion was disbursed during January-February 2025. For the remainder of the year, we expect to receive an additional US$52.3 billion.

- *Firm financing commitments are in place for the next 12 months of our IMF-supported program*: Over April 2025-March 2026, we have received assurances for US$45.7 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$31 billion from the 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 March 2026, key partners have assured us of their continued support, helping ensure that our program remains fully financed.

18. We recognize that financing the budget and maintaining stability will require mobilizing resources as needed from the domestic government bond market. With the large-scale external disbursements committed this year, we expect that the need for domestic financing to cover the budget deficit will be smaller than last year's sizable effort. Nevertheless, we will remain closely engaged with the domestic bond market in 2025. We will also stand ready to further strengthen efforts as needed for the remainder of this year. The usage of benchmark bonds, which banks can utilize to meet reserve requirements, continues to support the absorption of government debt securities. Year-to-date, UAH 20 billion of benchmark bonds have been issued. 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.

19. We will continue to enhance public debt management. We will ensure that our debt management strategy remains consistent with the program’s debt sustainability objectives. Upon completing the treatment of external commercial claims (including GDP-linked securities) and before the end of the year, we will update the Medium-Term Debt Strategy (MTDS). 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 by 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.

D. Fiscal Structural Reforms

20. We are moving forward with the fiscal structural reform agenda to support our development goals and path to EU accession. We are focusing on: (i) raising revenues to help meet reconstruction and social spending needs, guided by the objective of enhancing the efficiency, fairness and simplicity of the tax system, through the home-grown NRS; (ii) improving our public investment and public financial management frameworks; (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 strengthening the MTBF.

Revenue Mobilization

21. 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 opportunities for tax evasion, increasing compliance, and combating the shadow economy. NRS implementation is underway with detailed implementation plans with specific timetables for tax administration, customs, and tax policy reforms. We will closely monitor NRS implementation plans. To reflect reform progress and ensure accountability within a comprehensive, transparent, and unified reporting framework, we will publish a comprehensive annual status report each March going forward. We are finalizing this year's report and will publish it by the end of March 2025. NRS Steering Committees at SCS and STS will 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.

22. Near-term tax policy measures focus on raising revenues from excises, aligning with the EU acquis, and streamlining tax privileges. We took measures to increase excise rates, a first step in a gradual increase to EU minimum levels over the medium term. 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. We 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. We will phase in this methodology and gradually apply it 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. By end-September 2025, we will determine the benchmark tax system for each major tax (CIT, VAT, PIT, and excise tax). We will conduct a comprehensive inventory of all tax expenditures for publication alongside 2027 annual budget documentation, and we will conduct regular calculations of tax expenditure costs.

23. 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; (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, we will consider reforms to make the tax system more equitable (e.g., through a more progressive PIT). Also, we plan to carry out a comprehensive reform of the Simplified Tax (ST) system in order to limit the sphere of application and 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. In particular, starting at the latest by early 2027, we will begin to implement measures that will limit the possibility for business entities to return to the use of ST after their transition to the general taxation system, revise the approaches to determine and index the thresholds for ST, and narrow eligibility of ST by excluding certain types of activities. 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 review by the MoF in cooperation with the NBU, with TA from the IMF and other international partners, taking into account the best international practices and EU Directive requirements, the issue of the possible expansion of the grounds for extrajudicial access by tax authorities to the information regarding the amount of funds received into taxpayers' bank accounts.

- We are 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 of 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 (***Structural Benchmark*, end-April 2025**).

- As planned in the NRS, we will, in 2025, submit legislative amendments to the CMU for the implementation of rules to combat tax evasion practices that take into account the requirements of the EU Anti-Tax Avoidance Directive and the best international practices for preventing tax evasion and ensure effective protection of the tax base from erosion and profit shifting.

24. 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:

- We have published a survey of taxpayers in 2024 and, in line with best international practice, we commit to publish a new taxpayer survey on a biannual basis.

- 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.

- To guide the digital transformation required for the effective implementation of the NRS, the MOF, together with the STS and SCS, will develop the operational plan for the implementation of the updated IT Strategy of the MoF, which will be adopted by end-September 2025 (***proposed Structural Benchmark*, end-September 2025**). The operational plan will include a focus on IT infrastructure modernization and consolidation, including for the STS and SCS, ensuring that all NRS IT reforms remain on track.

- 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, we have developed the concept of using de-personified data on taxpayers by tax authorities (see NRS section 4.2.3), which we plan to operationalize by end-2026, conditional on funding needed for this important reform.

- To improve our risk-based approach to tax administration, we developed methodological documents to operationalize the tax risk management system. We have adopted 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.

- 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 are also on track to 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 of 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.

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

- Following the adoption of legislation to criminalize large-scale customs fraud and smuggling, we have also submitted legislation to modernize the framework to address administrative liability for violations of customs regulations, to be adopted by end-March 2025.

- 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 83 by February 2025. We will ensure a steady increase in the number of participants while making every effort to maintain its integrity. We have introduced a random check methodology to establish a baseline measure of compliance risk and assess the validity of existing risk criteria.

- We are moving swiftly to implement the recently enacted Customs Code, with key reforms to simplify procedures, establish a framework for integrity-based dismissal and periodic re-attestation, attestation of central office employees and all employees, create a disciplinary committee, enable contractual hiring, bar re-hiring of personnel dismissed for ethics violations, and align national customs legislation with EU regulations by 2027. Additional reforms include granting customs authorities law enforcement status and centralization of customs IT and infrastructure by mid-2026. We will ensure that the MOF continues to provide effective leadership and oversight of customs-related reforms and that the MOF approves any proposals before submission to the CMU. This will help to maintain a coherent, fiscally responsible, and well-coordinated reform agenda. By end-June 2025, and in line with the enhanced selection process in the Customs Code we will appoint a new permanent head of customs (***Structural Benchmark*, end-June 2025**). The MoF will oversee the selection, KPI-based performance evaluation, and policy guidance for the SCS head, ensuring transparency and accountability while allowing SCS operational independence. Any vacancies for regional customs heads will be filled as soon as possible. We also commit to improving efficiency by gradually and selectively centralizing and standardizing functions such as HR, accounting, and litigation, across Ukraine's customs service to enhance efficiency, productivity, and compliance.

- SCS completed a Customs Integrity Perception Survey in December 2024, which we commit to repeating on a biannual basis and using this information to inform future anti-corruption policy. 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.

26. Economic Security Bureau of Ukraine (ESBU). 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 address violations in the tax and customs spheres). The ESBU law approved in June 2024 establishes robust mechanisms 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 the attestation process of existing staff (to assess their integrity and professional competence), as well as HR commissions to select new staff. The selection commission for the new ESBU head was approved in October, and we remain committed to finalizing the selection process for appointing the new ESBU as soon as possible despite the delays (***Structural Benchmark*, end-February 2025; not met and proposed reset for end-July 2025**). The new ESBU head will approve procedures of attestation and form the attestation commission within three months of being appointed. 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

27. We will continue enhancing expenditure planning and the MTBF. A diagnostic review comparing pre-war MTBF policies and practices to best practices has been completed and we have adopted an action plan to enhance the MTBF. In 2025, our focus will be on the practical application of diagnostic review results, improving expenditure baseline estimates, and costing of new policies. Building on experiences of practical application and with FAD TA, by end-October 2025 we will identify next steps to further improve expenditure baseline estimates and costing of new policies to ensure their usage by all key spending units. We will ensure that PFM-related reforms, including Public Investment Management (PIM) reforms, will be well aligned with the MTBF (¶38). Through these reforms, the government of Ukraine strengthens its ability to guide fiscal policy, more efficiently allocate scarce public resources, and further align its budgetary framework with EU requirements.

Pensions and Social Spending

28. 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-July 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).

Also, we will focus on consolidation of pension legislation provisions to replace various sectoral legislative acts that regulate pension rights, and we will take all necessary steps to organize expenditures for payments under retrospective court decisions and pensions recalculated by court decisions.

29. We are preparing modifications to the pension system and mechanisms to support vulnerable layers of the population:

- **Pensions.** In the next few years, and with the support of the World Bank, we plan to work on a comprehensive conceptual framework to improve and simplify the pension system. Also, we will work to introduce unified conditions for assignment of insurance pensions. We 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) passing any new legislation that would give rise to additional pension-related contingent liabilities, which are not provided with financial resources; 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 the 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 program.

Fiscal Transparency and Risks

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

- 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, local governments 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.

- We have made significant improvements in fiscal risk analysis and reporting and remain committed to further strengthening. With FAD TA, we will improve fiscal risk reporting by, for example, including projections of fiscal variables (deficit, debt) under certain shock scenarios starting with the Budget Declaration for 2027–2029 and the FRS, and improve the reporting of PPP fiscal risks in the FRS.

- We are strengthening the capacity for public investment fiscal risk management and have established a unit within the MoF's Fiscal Risk Management Department. The unit will complement the assessment of project risk undertaken by the PIM sectoral unit, MOE, and MOI.

- We implement the MOFs SOE financial oversight and fiscal risk management function into the SOE governance framework and align it with secondary legislation. We will gradually enhance the identification, analysis, and reporting of Public Sector Obligations and Quasi-Fiscal Activities.

- 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.

31. **We are strengthening the framework to limit long-term debt vulnerabilities of local governments.** We will ensure debt sustainability at the local level by improving the regulatory and legal framework, increasing the level of fiscal prudence among local governments, ensuring a safe debt level and balance of local budgets. To this end, we are making efforts to strengthen the institutional capacity of local governments to attract credit resources for the implementation of the strategic goals of the development of territorial communicates and to manage local and guaranteed debt.

32. **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 Annual Budget will be consistent with the parameters of the program and fiscal constraints. We will also ensure that the 5-7-9 program remains solely within the BDF, preventing its delegation to (or replication by) other entities, unless a government decision, made after prior consultations with IMF staff, allows it.

33. **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-June 2025) 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. To strengthen BDF governance and financial self-sustainability, we have enacted legislation to align the asset declaration obligations of the BDF's foreign independent supervisory board members with

those of SOBs, increased BDF's fees from 0.15 percent to 0.5 percent, shifted responsibility for paying such fees from the government to banks participating in the 5-7-9 program and established a BDF supervisory board with majority of independent candidates. We further commit to:

- The BDF will review and update its guarantees framework, as needed, by end-April 2025 in consultation with relevant stakeholders, to ensure adequate guarantees backstops and taking into account its financial position. The NBU will formally assess the eligibility of guarantees issued by the BDF as collateral for the prudential reserves calculations and its liquidity coefficients (Annex 6 to NBU Resolution No. 351) in consultation with IFIs by end-May 2025.

34. 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: (i) the need for appropriate oversight (including by the competent authorities); (ii) a business model that ensures long-term financial sustainability to mitigate fiscal risks, and incorporates sound risk management frameworks; and (iii) 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. To this end, by end-June 2025, we will conduct an external assessment of the draft law on the National Development Institution (NDI) and related legislation against international best practice and in consultation with IFIs while laying out the fiscal implications and risks and providing recommendations that should be implemented before the SME development finance institute is created. The NDI draft law will be renamed as the draft law on the Business Development Fund and redrafted to explicitly emphasize its focus on enhancing the SME mandate and governance of the BDF.

35. 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 has supported the restoration of destroyed and damaged property in the amount of UAH 38.1 billion in 2023 and UAH 17 billion in 2024. In 2025, the Fund will continue to serve its purpose as stated in the Article 43 of the State Budget Law and 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. Since mid-2023, the MOF has published 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

36. We are implementing the 2023 Roadmap and 2024 Action Plan to reform our PIM framework. We are enhancing the PIM framework through enhancing (i) strategic planning; (ii) integration of public investment into the MTBF; (iii) procedures for preparing, appraising, selecting, and implementing projects; (iv) institutional capacity; and (v) the monitoring and evaluation of implementation. Our PIM reforms, with a key role for the annual Single Project Pipeline process, will follow the principles of budget unity, coherence, and predictability and strengthen coordination between the MOF, MOE, Ministry of Infrastructure, and other line ministries who remain responsible for project execution. The detailed Action Plan designates the MOF as a gatekeeper in all stages of public investment management. The first stage of the Action Plan, covering 2024–2025, is now being executed:

- Amendments to the Budget Code have been adopted to (i) integrate PIM into the budget process by including only appraised and selected projects in the budget; (ii) define roles in the PIM process; (iii) introduce medium-term planning for public investment, including prioritization of ongoing projects; and (iv) mandate the use of a unified IT platform (**Structural Benchmark**, **end-January 2025, met**).

- The CMU has approved the methodological framework for the PIM process, including procedures and criteria for (1) preparing projects, (2) forming the single project pipeline, (3) appraising projects, (4) selecting projects, (5) determining financing sources and mechanisms, and (6) implementing, monitoring, and evaluating projects (**Structural Benchmark, end-February 2025, met**).

- By end-May 2025, the Strategic Investment Council will approve the Medium-Term Plan of Priority Public Investments, ensuring total capital spending on existing and new projects aligns with the respective envelopes for new and existing projects as published in the Budget Declaration 2026–2028.

- To improve resource allocation, we will adopt sectoral strategies in line with the new approaches to public investment management by end-December 2025 (***proposed structural benchmark*, end-December 2025**). These strategies will include key priorities and indicators—consistent with expenditure limits aligned with the total available resource envelope for new projects—which will guide the prioritization of public investment areas under the Medium-Term Plan of Priority Investments in 2026 and selection of projects for the updated SPP.

- 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. We will prepare the legal amendments and the necessary implementation plans by the end of September 2025 and will request FAD TA if necessary.

- 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

37. Our efforts to restore debt sustainability on a forward-looking basis remain guided by the strategy announced in March 2023. The August 2024 Eurobond exchange was a major step forward in the process. However, a treatment of the remaining external commercial claims in the restructuring perimeter 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. Our goal remains to restore public debt sustainability and ensure that our program is fully financed, including in a downside scenario. 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.

38. Building on the successful Eurobond exchange, we are making progress on the additional components of the strategy:

- *Commercial claims other than Eurobonds*: We continue to engage with holders of GDP warrants; government-guaranteed bonds of Ukrenergo, where restricted discussions on restructuring proposals between Ukrenergo and its bondholders occurred in February; and a commercial creditor on external commercial loans that were a part of the restructuring perimeter approved in March 2023. A moratorium on government payments on these instruments was introduced in August 2024. We are committed to prompt implementation of the strategy in line with the debt sustainability objectives of the program. 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 developments unfold. Going forward, we will seek treatments on comparable terms with other official creditors, including guaranteed loans, and the definitive restructuring of these claims.

39. 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.

40. 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

41. 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, while ensuring external viability is restored, a key objective of our program.

Monetary Policy

42. We will maintain a sufficiently tight monetary policy stance to combat inflation, anchor expectations, and support macroeconomic stability, guided by our Monetary Policy Guidelines (MPG). Inflation, which was slightly below the target in 2024H1, has been accelerating rapidly since mid-2024, primarily driven by supply-side shocks that are expected to unwind. While inflation expectations have not deteriorated significantly, the risks of de-anchoring have intensified should inflation remain persistently high. In response, we paused the easing cycle, followed by two rate hikes totaling 250 bps since December 2024, accompanied by strong one-sided forward guidance. This will help anchor inflation expectations, and serve to preserve the attractiveness of hryvnia instruments, thus limiting FX pressures. In the next few months, inflation pressures are projected to persist, driven by food and energy constraints as well as wage growth. Later this year, we expect these price pressures to abate thanks to a stabilized energy situation and a larger harvest than in 2024. We will conduct monetary policy with a view toward returning inflation to its target within our policy horizon of up to three years. The NBU stands ready to adjust its monetary policy if the balance of risks to inflation and the economic outlook changes significantly over the forecast horizon, with a focus on a consistent policy mix aligned with our guidelines:

- *Operational design*. We will ensure the operational design is aligned with the tightened monetary policy stance, guided by thorough analysis of its potential impact on banks' behavior and overall financial conditions. Over time, consistent with the evolution of liquidity conditions, we may consider the introduction of additional instruments 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.

- *Reserve requirements and CDs*. Recent adjustments to reserve requirements—including the share that can be met with eligible domestic bonds—and CDs serve to enhance banks' liquidity management while supporting the government's financing needs. In our March MPC, we introduced additional measures to strengthen monetary transmission, including refinements to 3-month CD investment limits and adjusting the spread. If needed, we are prepared to adapt should the current approach hinder effective liquidity absorption.

- *Flexible inflation targeting*. We will achieve our monetary policy objectives through the flexible inflation targeting regime defined by our MPG. To safeguard macroeconomic and financial stability, we have adopted an interim flexible inflation targeting regime with managed flexibility of the exchange rate to facilitate the adjustment of the Ukrainian economy to shocks while maintaining control over expectations. In this context, we are continuing our efforts to further strengthen the effectiveness of the KPR towards its role as our main policy instrument to achieve the inflation target. Meanwhile, the main role of FXI remains covering the structural FX deficit of the private sector and avoiding excessive volatility in the FX market, while ensuring its stable functioning. 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 together with allowing the exchange rate to serve as a shock absorber, thus supporting our eventual return to full-fledged inflation targeting.

Exchange Rate Policies

43. 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. In December 2024 and January 2025, FX demand surged due to substantial year-end budget expenditures causing moderate depreciation, prompting the NBU to increase FXI both to address the war-related structural FX deficit of the private sector (while accommodating the structural surplus of FX in the public sector) and to mitigate excessive exchange rate volatility, actions that are aligned with our Strategy and guidelines (see ¶44). As outlined in our Strategy, we will continue to allow sufficient exchange rate flexibility to enable it to serve as a shock absorber, while also preventing the accumulation of external imbalances, and thereby safeguarding valuable reserve buffers. Allowing the exchange rate to adjust to domestic and external shocks and ensuring a two-way fluctuation in response to changes in the balance of supply and demand will enhance the resilience of the FX market and the Ukrainian economy. 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. The spread between exchange rates on the cash and official exchange rates marginally increased, while remaining moderate at below 2 percent since December, with the spread in March compressed below 0.5 percent. We continue to monitor the FX market closely and to calibrate our FX intervention policy in order to achieve the program's objective of external stability, including consistency with the program's NIR targets.

44. We are committed to maintaining adequate FX reserves throughout the program to safeguard external stability. Despite high net demand for FX due to seasonal spending from the public sector, we met the end-December 2024 Quantitative Performance Criterion on net international reserves thanks to careful FX intervention and large official financing inflows. As reflected in our request to tighten all 2025 NIR targets, we remain committed to ensuring adequate reserves and achieving the established NIR floors for 2025 (***quantitative performance criteria***) to safeguard the frontloaded ERA disbursements this year that are needed across the program period, and in light of the balance of risks to the outlook.

45. 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, the liberalization of FX controls will be guided by careful assessments of macroeconomic conditions and the outlook, ensuring consistency with the overall policy mix to enhance the investment environment, facilitate debt management, and attract capital inflows. To ensure the compliance with current controls and limit unproductive capital outflows, we will continue close monitoring, including through: (i) bank-level data analysis to identify and address potential circumvention of controls; (ii) careful assessment by the Government and NBU, on a needs-basis, of existing and potential new cases for exceptions and extensions to import and export settlement deadlines; and (iii) alignment by the NSSMC of OTC operations for FX government bonds with those applied to bank operations, and close monitoring of securities account operations in order to prevent capital outflows (see ¶59). We continue to remain vigilant, aligning with the FX liberalization roadmap under our Strategy to safeguard macroeconomic stability.

NBU Independence and Governance

46. We remain committed to avoiding monetary financing. In the event of unexpected critical needs or delayed external disbursements, we will first explore additional measures, such as excess government deposits or accessing the debt market. Monetary financing will be a last resort, strictly limited, and governed by the framework 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, including directed liquidity provision 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.

47. 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. We will adhere to the following principles, including in line with the 2023 Safeguards Assessment:

- *Ensure financial autonomy.* We will ensure adherence to our profit retention rules and that the distribution of NBU profits to the state budget takes place in line with procedures established under 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.

- *Implement Safeguards Assessment recommendations*. We have strengthened counterparty eligibility criteria for refinancing operations (see ¶54) and are taking steps to enhance the NBU's secured creditor status under bank resolution in line with safeguards assessment recommendations. We will continue working with IMF staff to develop and adopt amendments to the NBU law to strengthen collective fitness of the NBU Council. We will continue working on strengthening the NBU's financial autonomy, in particular its secured creditor status. We will ensure that vacant positions in the NBU Council are filled by end-April 2025.

- *Unwinding unconventional wartime measures undertaken to support price and external stability*. Urgent wartime challenges required nonstandard measures by the NBU to support macroeconomic stability. We will strive to ensure such measures are well-targeted, clearly communicated and time bound. For example, as liquidity conditions evolve, we will adjust our monetary policy framework to better align with economic conditions, including assessing a return to a corridor system. When conditions permit, we are committed to phasing out war-time measures to strengthen our monetary policy toolkit, uphold NBU credibility and independence, and thereby support our transition to a full-fledged inflation targeting framework with a floating exchange rate.

48. 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.

G. Financial Sector

49. Our wide-ranging emergency measures have preserved financial stability. We continue to closely monitor developments in the financial sector and will adjust policies as necessary. Despite the 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. Most of the branches in the Power Banking network have remained open and operational during prolonged disruptions to electricity supply. The licenses of eight small banks (around 4 percent of system net assets) have been revoked under Martial Law and one bank (also around 4 percent of system net assets) has been nationalized.

50. 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 will complete a resilience assessment by end-December 2025, which includes asset quality reviews that will involve external auditors, and stress testing under baseline and adverse scenarios. The results of the assessment will be considered as part of Pillar 2 implementation and inform a schedule for closing outstanding gaps in regulatory capital requirements and harmonization of regulations with EU acquis.
- The NBU assessed key financial and operational risks to financial stability under various downside conditions in consultation with IMF staff and has updated NBU's monitoring and emergency response frameworks accordingly (***Structural Benchmark*****, end October 2024**). We will continue to monitor the situation and adjust contingency plans accordingly.
- 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.

51. 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.

52. The DGF, MOF and NBU have updated the bank rehabilitation framework (***Structural Benchmark*****, end-December 2024**)**.** It included: (i) measures to strengthen operational readiness; (ii) draft legislative changes to close key gaps in early intervention, temporary administration, and resolution frameworks, as set out in the NBU-DGF roadmap, as well as necessary ongoing changes to improve existing liquidation procedures. The draft law is expected to be adopted by end-December 2025; (iii) reviving the work of the NBU-DGF coordination committee to improve information sharing between and to foster cooperation and functioning of the two institutions. We are implementing the action plan approved by the coordination committee; and (iv) a review of the adequacy of DGF financial backstops. We will continue to maintain emergency financial backstops at least until the target ratio has been reached. In addition, the NBU has aligned its frameworks for counterparty eligibility in monetary policy operations with international best practice and their coordination with lender-of-last-resort operations.

53. 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 appointed a new Managing Director in November 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 review will cover the composition of the Administrative Board as well as DGF accountability, 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-June 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.

54. 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 has instructed SOBs to maintain best practice risk appetite frameworks and the NBU will assess the frameworks as a thematic review as part of the 2025 annual Supervisory Review and Evaluation Process. 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 the privatization of banks with majority public ownership, Parliament approved a law on SOB privatization in October 2024. We are also preparing two systemic state-owned banks for sale, Sense Bank and Ukrgasbank. We plan to appoint an internationally recognized financial advisor by end-July 2025 using a transparent procedure and in consultation with IFIs. The privatization of SOBs is excluded from the general privatization law. Given uncertainties with the timing of sale processes, we will ensure SOB supervisory boards remain fully operational, including for Sense Bank.

- The Ministry of Economy will develop a strategy for the Ukrainian Financial Housing Company in consultation with the MOF, NBU, and IFIs by end-June/ 2025 that fully considers fiscal and debt constraints and minimizes the use of fiscal resources. We will not allocate any further budget resources to the Ukrainian Financial Housing Company in 2025 until the strategy is complete.

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

- *Financial reporting*. 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.* The NBU has aligned banks' regulatory capital structure and leverage ratio calculations with EU rules and will implement Pillar 2 capital requirements in 2025. With 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, in February 2025 the NBU prepared amendments to the legislation to increase banks' minimum share capital to the equivalent of EUR 5 million, which includes a six-month transition period for existing banks. The NBU will continue monitoring 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.

- *Immovable property databases and indices*. As set out in a proposal developed in March 2024 to increase the transparency of the real estate market the Ministry of Justice and the NBU will by

September 2025: (i) launch a publicly accessible database of real estate transaction prices with detailed metadata including structural parameters of primary and secondary market; and (ii) publish residential and commercial property price indexes.

- *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. We will prepare an update of the legislation, with input from Fund technical assistance, and in consultation with IFIs by end-October 2025 to align with international best practice while considering economic development goals and mitigating price and financial stability risks. The regulation and supervision roles and responsibilities will be decided in consultation with the Financial Stability Council and the IMF. We will prepare a Memorandum of Understanding in consultation with IFIs that defines the coordination and information sharing arrangements between the respective regulators by end-September 2025.

- *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 came into force on January 1st, 2025, and had no significant impact on the volume of non-performing exposures reported in the banking system. 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. Parliament is expected to adopt by end-August 2025, legislative 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.

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

- *Supervisory panels*. NBU Supervisory Committees 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, and adjusted processes accordingly.

- *Transition to risk-based supervision*. The NBU has implemented a supervisory risk assessment methodology to inform supervisory engagement priorities (***Structural Benchmark*, end-December 2024, met**). We will refine the supervisory methodology and expand the supervisory plan to include all material bank risks and develop methodologies for increased capital adequacy and liquidity requirements based on supervisory risk assessments by end-December 2025. We are also adjusting the organizational structure for bank supervision to leverage efficiencies as we implement 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, financial crimes and other illegal activities. By end-June 2025, 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. In this regard, we are committed to invest in building the capacity of new and existing NBU staff to improve organizational performance, remain flexible and respond rapidly to changes and challenges in the AML/CFT framework.

- *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 prepared an analysis of the issues in October 2024 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. To mitigate growing critical third-party risk in banks, non-bank financial institutions, and payments service providers, we will: (i) prepare a concept note on oversight of critical third-party risk and digital operational resilience by end-March 2025; and (ii) develop and submit a draft law to parliament (***Structural Benchmark*****, end-May 2025, proposed to be reset to end-September 2025**). The draft law will be prepared in consultation with IFIs and will include measures for detection, containment, and mitigation of critical third-party risk under both going- and gone-concern conditions. Entities identified as critical third parties will be subject to NBU's fit and proper rules.

- *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.

57. 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 develop 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*. 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 a draft regulation for financial intermediaries by end-June 2025, which will bring their capital requirements in line with the EU acquis. The regulation will be enacted by the NSSMC 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*. To prioritize supervisory activities of payment service providers in consultation with IFIs, we: (i) will further develop the early warning system and transition to transition to risk-based supervision in the payment market by end-December 2025; (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; (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 (vi) will prepare market guidance by end-March 2025 on measures to strengthen the risk-based payments monitoring by banks and non-bank payment service providers. We have and will continue to introduce regulation, including in the self-governed market, to restrict abnormal behavior. To minimize illegal use of the payment infrastructure, the NBU will prepare by end-May 2025 a legislative proposal to: (i) extend the supervisor's authority to limit operations of payment service providers non-compliant with regulatory requirements; (ii) establish a public register to be used by banks when establishing business relations and servicing customers; and (iii) align services with EU norms. Additionally, we will prepare by end-September 2025 a legislative proposal to: (i) align payment and acquiring services with EU norms; (ii) extend its supervisory and regulatory powers to technology operators on the payments market; and (iii) clearly delineate financial and payment licenses, while transition options will be given to market players; and (iv) establish clear ownership structure requirements for payment service providers to enhance transparency and integrity in the market.

- *Capital market regulation and harmonization with IOSCO principles*. Following the enactment of Law 3585-IX in March 2024 on the improvement of state regulation of capital and commodity markets, we are moving 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-December 2025. To prepare for implementation and to front-load critical reforms, the NSSMC have: (i) proposed a reorganizational and operational strategy in consultation with IFIs; (ii) updated the Commission's

Employees Code of Ethics in line with international best practice in consultation with IFIs; (iii) initiated an advance independent fit and proper review of NSSMC Chair and Commissioners in accordance with Article 12 of the above law and disclosures made in line with the Code of Ethics and in consultation with IFIs; and (iv) strengthened the effectiveness of capital flow measures, including through regulatory harmonization and aligning capital flow restrictions for securities operations with those applied to bank operations (***Structural Benchmark*****, end-January 2025, not met**). We were, however, able to deliver all items except (iii) although we remain committed to fulfilling this task in order to underpin its institutional foundation and effectiveness, the NSSMC will complete the independent fit and proper review **(*proposed Structural Benchmark*, end-June 2025)**. Additionally, to further strengthen capital flow restrictions, we will require that OTC FX bond operations carried out by non-banks are settled through the Settlement Center by end-March 2025.

- *Related parties*. Taking into account supervisory observations in the recognition of related parties, we will submit a draft law to Parliament to: (i) strengthen the related parties definition to capture economic interdependencies and related party risks; and (ii) adjust restrictions on related party market transactions. We will take the necessary steps to facilitate the adoption of the law by end-September 2025.

- *Insurance transparency.* We have required 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*. Effective procedures are needed for addressing violations in the provision of financial services and payment services, including strengthening the regulator's role in such procedures. The NBU, in collaboration with the Ministry of Internal Affairs and the National Police of Ukraine, will propose coordination arrangements by end-June 2025 to promote more effective detection, documentation, and processing of administrative offenses related to unauthorized provision of financial and payment services. To respond effectively to critical threats to the stability of our financial system in the event of adverse court rulings regarding NBU decisions to revoke licenses of non-bank financial institutions, we will, in consultation with IMF staff, develop proposals to improve legislation regulating the license revocation and liquidation procedures for non-bank financial institutions.

58. We continue monitoring and adjusting to financial and credit market challenges under martial law:

- *Debt 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, in consultation with the

NSSMC, MOF, and IFIs, will develop a targeted model for capital market infrastructure development, including the resolution of the CSD regulator and shareholder conflict of interest, that will facilitate engagement of foreign investors by end-March 2025. The CMU, NSSMC, and NBU will implement the agreed targeted model of capital markets infrastructure by end-May 2025. Following undercapitalization of the largest stock exchange, which threatened the smooth 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*. To preserve interests of households and businesses, and to facilitate compensation for damages caused by war risks materializing in Ukraine, a working group of the FSC prepared and submitted a draft law to parliament in December 2024 following public consultation. We will work closely with the respective committee in the parliament to facilitate its adoption by end-June 2025.

- *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-March 2025. We will encourage financial institutions to do more to meet the needs of vulnerable clients and to reintegrate de-occupied territories. The NBU prepared draft law (#13018) for a specialized and restricted banking license which is expected to be adopted by end-June 2025 and 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 in July 2024 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 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. Banks supporting the lending development strategy will be subject to more intensive supervision on a proportionate basis. The NBU will coordinate with other stakeholder authorities and will prepare detailed action plans by end-March 2025 to implement the steps outlined in the Strategy's second (implementation) phase, including for exchange of information, protection of creditors' rights, and tackling NPLs. The NBU, in consultation with IFIs, will prepare a concept note for the development of the mortgage lending market by end-June 2025.

- *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-June 2025. 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, have prepared a concept note that sets out the steps, conditions and timing needed to introduce and develop the foreign exchange derivative financial instruments (including forwards) market.

59. The NBU, NSSMC, and MOF, in consultation with IFIs, will prepare a concept note by end-May 2025 that sets out the steps to identify financial market infrastructure reforms aimed at maximizing opportunities to attract private investment. Current gaps in market standards and infrastructure threaten to weigh on prospects of attracting private capital. We will form an interagency working group under the Financial Stability Council that includes all policy stakeholders. The concept note will consider coordination arrangements to subsequently diagnose and close key market infrastructure gaps while strengthening market accountability and oversight. We will subsequently update our Financial Sector Strategy, as appropriate.

60. In parallel to the steps in the previous paragraph, by end-June 2025 we will:

- *Prepare a roadmap to close gaps in the Joint Investment Institutions (JII) framework* relative to international good practice and in consultation with IFIs. This includes strengthening regulation and monitoring, while fully considering the fiscal implications of associated tax expenditures.

- *Further align banking norms with the EU to achieve Regulatory Equivalence*. This important step towards EU market access will facilitate a reduction of Ukraine sovereign regulatory risk weights, which will positively impact EU banks' incentives to hold Ukraine risk. We have achieved about 70 percent convergence with the EU Acquis, and aim to achieve 75 percent convergence by end-June 2025. EU equivalence with professional secrecy and confidentiality is a prerequisite to banking regulatory equivalence. The NBU will prepare legislative amendments by end-September 2025 aimed at aligning banking secrecy and disclosures with Directive 2013+36/EC (CRD IV).

- *Implement European valuation standards (EVS)*, which will enhance confidence in valuations of real estate and bank collateral for all economic entities and public authorities and facilitate cross-border transactions. The State Property Fund (SPF) will close the gaps with TEGOVA "Blue Book" EVS in consultation with the NBU, NSSMC and IFIs, and: (i) 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", 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 the creation of a register of valuations for financial assets.

61. 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

62. 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 has been enacted that enhances 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 (***Structural Benchmark,*** **end-December 2024, met**). We have started the selection process for the six vacant ACU members and will aim to have a full membership of the ACU in line with the timelines provided in the law.

Anti-Corruption and Rule of Law

63. 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.

64. 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-December 2024; not met and proposed to be reset for end-July 2025**). 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-February 2025; not met and proposed to be reset for end-July 2025**). The auditors continue to gather and assess information and have received good cooperation with the NABU and other relevant stakeholders. 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) and based on the memorandum of understanding with law enforcement agencies, the NABU is making preparations for the implementation plan in the post-Martial Law period by securing resources, equipment and technological solutions to independently intercept communications of landlines and mobile devices.

- In December 2024, a law was enacted to enhance corporate criminal liability, to support the country's efforts towards accession to the OECD Anti-Bribery Convention. The law will be applicable to private and public legal entities either resident or non-resident in Ukraine and covering, among others, domestic corruption offenses, and consistent with international standards.

- 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.

- Since the restoration of public access to asset declarations in January 2024, the National Agency for Corruption Prevention (NACP) has been monitoring them. A robust risk-based verification system is critical to mitigate corruption in higher risks areas such as procurement and customs. In this regard, the NACP will continue to enhance its capacities to conduct risk-based verification of asset declaration focusing on public officials under the NABU's jurisdiction in higher risk areas, including in reconstruction and recovery. It will maximize lifestyle monitoring investigations, technologies (including increasing data warehousing capacities), and information requests to other agencies and foreign counterparts.

- Members of the Public Council of International Experts (PCIE) have been appointed, who will vet candidates for the 24 vacancies to the High Anti-Corruption Court (HACC) both at the first instance (15 vacancies) and appellate (9 vacancies) levels. A law was enacted in November 2024 to extend the PCIE's mandate for the purpose of completing the ongoing selection process of remaining vacancies for HACC judges. We will ensure the open and competitive selection for these vacancies and adequately provision for their staffing and office needs to be able to conduct the HACC operations effectively.

- In December 2024, the ACU published its audit report of the HACC, and made the following recommendations: to provide HACC with the proper premises, develop indicators of the average duration of cases for anti-corruption categories, and improve internal control systems.

65. 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 Specialized Administrative Court (SAC) (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; not met**). 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 commissions that include the participation of independent experts (such as NACP, NABU, SAPO, ESBU and SCS). Swift operationalization of the new SAC law through the appointment of a minimum number of judges within the timelines provided for in the law will enable independent adjudication of administrative cases against national state agencies and promote the rule of law.

AML/CFT

66. 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 August 2024 NBU guidance, financial institutions and covered non-bank institutions are implementing a risk-based approach to politically exposed persons, and are being monitored by the NBU for compliance within the risk-based supervisory approach.

67. We will also improve the effectiveness of the ultimate beneficial ownership (UBO) regime to enhance transparency in public procurement, detect conflicts of interest through transparent ownership structures, and prevent the misuse of companies. We are committed to two actions by September 2025: First, amendments will be made to the Law "On Public Procurement", which will require the publication of UBO information for companies that have received direct contracts or a negotiated procedure for public procurement. Second, whereas currently, only successful resident bidders are subject to the publication of UBO information, UBO information will be also published for successful non-resident bidders. Furthermore, we will have enhanced the sanctioning regime by revising the legal framework, in consultation with the IMF, to ensure effective, proportionate, and dissuasive action against non-compliance with beneficial ownership requirements.

68. The operations and effectiveness of the State Financial Monitoring Service (SFMS), the Financial Intelligence Unit (FIU) of Ukraine, in analyzing and disseminating suspicious transaction reports will be strengthened, including through the development and implementation of a technical assistance roadmap. To prepare the FIU for the upcoming MONEYVAL assessment, and ensure our system is aligned with the harmonized (operational) framework of European countries (as set out in EU law), an independent fact- finding review of the strengths and weaknesses of the SFMS will be undertaken by end-December 2025 in consultation with the IMF and relevant stakeholders, including agreement on the terms of reference, criteria and methodology. The review will be carried out by an internationally recognized firm, which will analyze information provided by the SFMS in accordance with the requirements of the EU Anti-money laundering/countering the financing of terrorism legislative package and the FATF Standards.

Corporate Governance in SOBs and SOEs

69. 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 have reviewed the framework for setting and paying remuneration to Senior Management of all SOBs in December 2024 in consultation with IFIs and based on the principles that remuneration is 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.

70. We will update the SOB Nomination Committee (NomCom) rules in consultation with IFIs and ensure all SOB independent supervisory board vacancies are filled. We will update the independent supervisory board selection process by end-April 2025 by enabling applicants to one SOB to be considered for possible vacant positions in other SOBs to address any attrition in their supervisory boards. We will also update the NomCom processes based on lessons learned from past NomComs in consultation with IFIs by end-June 2025.

71. We will continue to strengthen SOE corporate governance, including through implementing law #3587-IX and the state ownership policy (SOP), in close consultation with international partners.

- The CMU approved the regulation for the financial indicators in August 2024 (No. 984) consistent with the gatekeeper role of the MOF to limit quasi-fiscal risks and help safeguard debt sustainability. If necessary, we will review the financial indicators at the latest in early 2027 before the next SOE financial planning season in 2028, and we will make any changes to the financial indicators through a CMU resolution.

- We have produced a comprehensive SOP, State Dividend Policy and privatization strategy. We will implement the SOP, including the State Dividend Policy by: classifying those SOEs of strategic importance; implementing the framework for privatizations (full or partial) in the future; preparing a concept consolidated SOE management (see ¶73); adopting the CMU resolution for the formation of mandatory supervisory boards; requiring that financial statements are prepared in accordance with IFRS subject to an appropriate transition period; and implementing SOE information disclosure and SOE remuneration policy (not applicable to SOBs). We will consult with the IMF and international partners on such draft legislation and CMU resolutions. We commit to review and publish the SOP by December 2025. 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) with the help of IMF TA (see ¶32).

- We will revise the selection and appointment processes for SOE supervisory board members and adopt appropriate changes to the relevant CMU by-laws, including Resolutions 142 and 143, by August 2025 **(proposed Structural Benchmark, August 2025)** in consultation with Fund staff and international partners. The first stage of revising the CMU by-laws will envisage enhancing the efficiency of the NomCom activities, including through standardization of documentation related to recruitment, and improving transparency of the NomCom decisions. At the same time, we will adopt a roadmap for more substantial medium-term reforms of the SOE board recruitment in line with international best practices, taking into account the status of SOEs and results of the triage. In particular, the roadmap would aim for a) streamlining and centralizing the selection procedure for the supervisory board candidates, including through an IFI-agreed monitoring process; b) clearly identifying and delineating the roles and responsibilities of key decision makers; c) increasing efficiency of each separate stage of the process and thus shortening the time for selections' completion; d) ensuring proper compositions of supervisory boards with regards to SOE profile and required competencies; e) improving onboarding for new board members. Modernizing such corporate governance SOE board appointment procedures will be especially important for the post-Martial law environment to help catalyze private foreign investments into strategic and systemic SOEs.

- We will continue advancing energy corporate governance reforms. In this regard, the Supervisory Boards of GTSO, Naftogaz and Ukrenergo plan to promptly select the new CEOs under OECD standards. We have approved a framework for assessing supervisory board activity and launched an independent evaluation of the supervisory boards of GTSO, Naftogaz and Ukrenergo in January 2025 and commit to conclude and publish it by end-May 2025.

72. We are exploring options, in close consultation with international partners, to enhance SOE management, including the potential introduction of a centralized SOE management

model, consistent with the SOE corporate governance reform agenda in the SOP and best international practices. This will include 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). In particular, we will ensure a strong gatekeeper role of the MOF for SOE financial oversight, limit quasi-fiscal risks, and help safeguard debt sustainability. Importantly, any new SOE management framework must not dilute the government's authority over dividend policy, ensuring that SOE dividends are directed to the state budget and are transparently reported to ensure accountability and oversight. Any primary legislation to formalize a centralized SOE management model for non-major SOEs will be consistent with the principles of the medium-term reforms as envisaged in the NomCom Roadmap (see ¶72) and other key reforms of the SOP, which will have helped to enshrine modern SOE corporate governance practices.

Energy Sector Reforms

73. **Our immediate priority remains to mitigate the adverse impact of the war on the energy sector.** We have continued implementing our multi-pronged approach to deal with the energy crisis, with donor coordination taking place through the Ukraine Donor Platform (UDP) and the G7+ energy group. Overall**,** we succeeded in repairing 4GW of energy capacity in 2024 with another 3GW of repairs planned for 2025. In addition, over 0.8GW of new power generation was commissioned and connected to the energy grid in 2024, with 0.9GW of distributed gas-fired generation planned in 2025. 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.

- We continue to work swiftly to repair damage to our generating capacity, and to ensure sufficient electricity provision to households and firms, including for the next heating season. We 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 are mostly relying on their working capital to repair and restore energy facilities, while we are grateful for continuing donor support, including for equipment. We need additional financial assistance by donors to support repairs, as well as decentralized electricity generation support programs, including gas generation projects. We expanded the role of 5-7-9 and the BDF to support the energy sector and are implementing SOB energy support lending programs, including for households.

- For 2025, we plan additional gas imports for domestic consumption of up to 4 bcm under the baseline, while additional gas could be stored by non-residents for EU strategic reserves. 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, available financing, and capped at UAH 60 billion (about 0.8 percent of GDP).

74. Potential reform measures, once conditions allow, include additional gradual tariff increases (subject to a new tariff methodology and social considerations), external financing, and 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 to cost recovery, while allocating adequate and well-targeted support to protect vulnerable households. Based on a proposal by the Ministry of Energy and input by stakeholders, the CMU will adopt a roadmap for the gradual liberalization of gas and electricity markets within 6 months of the end of Martial Law, 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. Over the coming months, we will adopt a law on market coupling, which will significantly advance the integration of Ukraine's energy market with the EU.

75. 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 decentralization of power generation, and thus help make the energy system more resilient to missile attacks. We commit to develop an accountability framework for NEURC, which enshrines regular external assessments of NEURC's governance and independence frameworks in the law. Such assessments will be requested by NEURC to the Energy Community Secretariat. The first such external assessment of NEURC will be finalized and published by October-2025 (***Structural Benchmark*, October-2025**). Finally, we will ensure that NEURC will have sufficient staff to take on the expanded mandate such as the REMIT implementation in line with EU regulations and supporting the energy decentralization plans of the authorities.

76. We will tackle the arrears and debt of District Heating Companies (DHCs) comprehensively once war-related pressures on the budget subside by developing a new tariff methodology with cost-reflective tariffs. We have completed the review of arrears and debts of DHCs by a reputable audit firm, which has helped clarify the stock of arrears and the financial situation of DHCs, including the drivers of the arrears' accumulation.

I. Program Monitoring

77. 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 Eighth, Ninth, and Tenth Reviews are expected to take place on or after June 15, August 31, and November 30 respectively, based on quantitative performance criteria for end-March 2025, end-June 2025, and end-September 2025 respectively, and corresponding structural benchmarks.

Table 1. Ukraine: Quantitative Performance Criteria and Indicative Targets

(End of period; millions of Ukrainian hryvnias, unless otherwise indicated)

	Dec 2024					Mar 2025		Jun 2025		Sep 2025		Dec 2025		Mar 2026
	QPC	Adjustor	Adjusted QPC	Actual	Status	EBS/24/151	QPC	EBS/24/151	QPC	EBS/24/151	QPC	EBS/24/151	IT	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/ 3/	415,410	0	415,410	756,038	Met	254,800	254,800	547,200	547,200	752,400	752,400	822,000	822,000	117,800
Floor on tax revenues (excluding Social Security Contributions)	2,042,250	0	2,042,250	2,101,877	Met	485,000	485,000	1,019,600	1,019,600	1,622,200	1,622,200	2,491,045	2,491,045	599,000
Ceiling on publicly guaranteed debt 3/	47,900	13,718	61,618	46,799	Met	62,860	62,860	64,357	64,357	64,357	64,357	64,357	64,357	68,000
Floor on net international reserves (in millions of U.S. dollars) 3/	26,300	-206	26,095	28,228	Met	24,300	27,200	24,800	27,700	23,000	24,000	23,000	42,000	37,300
II. Indicative Targets 1/ 2/														
Floor on the cash balance of the general government, excluding budget support grants (- implies a deficit) 3/	-1,801,685	0	-1,801,685	-1,611,539	Met	-342,100	-410,500	-718,400	-821,000	-1,146,000	-1,248,600	-1,710,400	-1,710,400	-340,000
Ceiling on general government arrears	1,800	0	1,800	1,354	Met	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800
Floor on social spending	537,800	0	537,800	601,388	Met	132,000	132,000	271,200	271,200	414,000	414,000	560,900	560,900	160,000
Ceiling on general government borrowing from the NBU 4/ 5/	0	0	0	-49	Met	-984	-984	-4,100	-4,100	-1,500	-1,500	-6,500	-6,500	-2,500
III. Continuous performance criterion 1/ 2/														
Ceiling on non-accumulation of new external debt payments arrears by the general government	0	0	0	0	Met	0	0	0	0	0	0	0	0	0
IV. Memorandum items														
External project financing (in millions of U.S. dollars)	1,496	...	...	1,564	...	191	378	572	1,133	1,144	2,266	1,906	3,776	250
External budget financing (in millions of U.S. dollars) 6/	35,367	...	...	36,390	...	9,105	12,198	19,282	25,011	27,280	34,336	35,813	54,488	2,923
Budget support grants (in millions of U.S. dollars)	10,012	...	...	10,033	...	429	429	965	967	1,286	1,288	1,608	1,610	161
Budget support loans (in millions of U.S. dollars) 6/	25,355	...	...	26,357	...	8,677	11,770	18,318	24,044	25,994	33,047	34,206	52,878	2,762
Interest payments	429,820	...	...	305,011	...	86,200	86,200	244,600	244,600	366,100	366,100	488,800	488,800	107,773
NBU profit transfers to the government	38,000	...	...	38,643	...	0	0	63,900	63,900	63,900	63,900	63,900	63,900	0
Government bonds for the purposes of bank recapitalization and DGF financing	0	...	...	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	23,743	...	...	16,953	...	0	4,000	0	6,000	0	8,000	0	9,935	0
Spending on gas purchases, PSO compensation and transfer to GTSO	60,000	...	...	0	...	0	0	0	0	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)	-1,850.4	...	...	-1,320.7	...	-342.1	-410.5	-718.4	-821.0	-1,146.0	-1,248.6	-1,710.4	-1,710.4	-340.0

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 2025 and 2026 are cumulative flows from January 1, 2025, and 2026, 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 actual and projected redemptions of government bonds as of February 28, 2025.

6/ Excludes prospective IMF disbursements under the EFF.

Table 2. Ukraine: Structural Benchmarks and Prior Action (modified/new SBs in bold text; blue 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 and Prior Action (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 and Prior Action (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	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
26	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
27	Adopt amendments to the Customs Code, in line with international best practice.	Fiscal	End-October 2024	Met
28	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	Met
29	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	Met
30	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	Met
31	Produce a SOE state ownership policy, dividend policy and privatization strategy	SOE Corporate Governance	End-October 2024	Met
32	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
33	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,	Governance/ Anti-Corruption	End-December 2024	Met

Table 2. Ukraine: Structural Benchmarks and Prior Action (continued)

	Structural Benchmark	Sector	Timing	Status
	establishing a minimum of 11 members, enhancing the scope of its audit functions, and steps to safeguard the ACU's financial independence consistent with international standards on supreme audit institutions			
34	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	Met
35	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	Met
36	The DGF, MOF and NBU will prepare a bank rehabilitation framework in consultation with IMF staff.	Financial Sector	End-December 2024	**Met**
37	Implement a supervisory risk assessment methodology to inform supervisory engagement priorities.	Financial Sector	End-December 2024	**Met**
38	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	**Not Met**
39	Adopt Budget Code amendments in line with Action 1 under the June 2024 PIM Action Plan.	Fiscal	End-January 2025	**Met**
40	CMU to approve a methodological framework underpinning the PIM process, as specified in ¶136 of the MEFP.	Fiscal	End-February 2025	**Met**
41	Submit legislative amendments to Parliament to introduce tax reporting requirements for digital platform operators.	Fiscal	End-April 2025	
42	Appoint a permanent head of SCS.	Fiscal	End-June 2025	
43	Submit a 2026–28 Budget Declaration on time and in line with program parameters.	Fiscal	End-June 2025	
44	**Appoint the new Head of the ESBU based on the selection process.**	**Fiscal**	**End-July 2025**	**Not Met *(Reset from end-February 2025)***
45	**The MOF, together with the STS and SCS, will develop the operational plan for the implementation of the updated IT Strategy, which will be adopted to support the digital transformation required for the digital transformation for the NRS.**	**Fiscal**	**End-September 2025**	
46	**Adoption of sectoral strategies in line with the new approaches for PIM.**	**Fiscal**	**End-December 2025**	
47	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	

Table 2. Ukraine: Structural Benchmarks and Prior Action (concluded)

	Structural Benchmark	Sector	Timing	Status
48	Prepare a comprehensive operational strategy for the NSSMC, including initiating an independent fit and proper review.	Financial Sector	End-January 2025	**Not Met**
49	**Complete the independent fit and proper review of the NSSMC.**	**Financial Sector**	**End-June 2025**	
50	**Prepare and submit to parliament a draft law on financial sector critical third-party risk.**	**Financial Sector**	**End-September 2025**	***Reset from end-May 2025***
51	**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, ¶64, 1st bullet.**	**Governance/ Anti-Corruption**	**End-July 2025**	**Not Met *(Reset from end-December 2024)***
52	**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-July 2025**	**Not Met *(Reset from end-February 2025)***
53	**Revise the selection and appointment processes for SOE supervisory board members and adopt appropriate changes to the relevant CMU by-laws, in line with MEFP ¶71, 3rd bullet.**	**SOE Corporate Governance**	**End-August 2025**	
54	Complete and publish an external assessment of NEURC by the Energy Community Secretariat (upon request).	Energy	End-October 2025	
55	**Enact law #11090 on tobacco excise taxes.**	**Fiscal**	**Prior Action**	

Attachment II. Technical Memorandum of Understanding

March 21, 2025

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 March 21, 2025 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:

1. 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);

2. 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,

3. 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. Budget support loans and grants are recorded in the general fund of the government's fiscal accounts. 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 recorded in special fund expenditures 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.

I. 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)

	2025				2026
	end-Mar.	end-Jun.	end-Sep.	end-Dec.	end-Mar.
Total official support	12,576	26,144	36,601	58,264	3,173
Budget support	12,198	25,011	34,336	54,488	2,923
Loans	11,770	24,044	33,047	52,878	2,762
Grants	429	967	1,288	1,610	161
Project support 2/	378	1,133	2,266	3,776	250

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. Includes the UK's ERA contribution.

Table C. Ukraine: Issuance of Central Government Domestic FX Securities1/
(Cumulative in USD millions, at program exchange rates)

	2025				2026
	end-Mar.	end-Jun.	end-Sep.	end-Dec.	end-Mar.
Net issuance of central government domestic FX securities	-48	-78	-107	-128	0
Gross issuance	1,014	1,463	2,697	3,597	0
Repayment	1,062	1,540	2,804	3,724	0
Redemption	1,014	1,463	2,697	3,597	0
Interest	48	78	107	128	0

1/ Flows in USD million, cumulative from January 1, 2025 for 2025 and from January 1, 2026 for 2026, 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 Seventh Review, the preceding quarter is September 2024, and the latest as of assessment is December 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 [48] 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. Adjustors apply if two conditions are jointly satisfied: (i) there is a shortfall in external financing defined as any shortfall of the financing listed in Table B, and (ii) 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 the percentage thresholds of actual redemptions over the same period listed in the first line of Table D (123 for the target dates in 2025 and 2026). Should both these conditions be verified, 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 (March 31, 2025, June 30, 2025, September 30, 2025, and December 31, 2025 for 2025 targets and March 31, 2026 for 2026 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 2024 for 2025 targets, and end-December 2025 for 2026 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:				
	2025				2026
	Mar 31	Jun 30	Sep 30	Dec 30	Mar 31
Actual rollover rate on three month period prior to requesting monetary financing	123	123	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)	49.0	45.9	48.5	43.5	47.5
Memo: Projected redemptions (in UAH billions), as of February 28 2025	-129.2	-124.1	-119.0	-188.3	-132.8

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, including associated non-cash transactions beginning with the end-December 2024 test date; 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

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

above the projected stock of budgetary arrears (overdue account payables) in state budget and 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 7.6 billion as of January 1, 2025. 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. In 2026, the adjustor will be consistent with total public investment as published in the Budget Declaration for 2026-28, and subsequently, the ceiling for the public investment in the 2026 annual budget law. Projects subject to the adjustor in 2026 will be discussed in subsequent program reviews, including as regards the annual budget law.

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.

II. 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. 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.

III. 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 the 21st 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 IMF staff. In this context, it will also provide the results of any foreign exchange auctions. ***On a weekly basis***, the NBU will provide to the IMF information as agreed with IMF staff on the indicators of FX interventions approved by the NBU Board and related computations. In addition to regular consultation, 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, ***<u>on a monthly basis</u>***, 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 ***<u>on a monthly basis</u>*** 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 ***<u>on a monthly basis</u>*** 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, ***<u>on a monthly basis</u>***, 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 ***<u>on a monthly basis</u>*** 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, ***<u>on a monthly basis</u>***, 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 ***on a monthly basis*** 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 ***on a monthly basis*** 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 ***on a monthly basis*** 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 ***on a monthly basis*** 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 ***on a monthly basis*** 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).

- 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.

- The Ministry of Finance will provide monthly information, no later than 25 days after the end of each month, on the utilization of ERA financing.

- The Ministry of Finance will provide semi-annual information, no later than 25 days after receiving information from the European Commission, the distribution of ULCM resources corresponding to ERA loans on the total amounts distributed, the amounts corresponding to interest and principal by donor, and the outstanding balances of ERA loans by donor.

84. 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.

85. 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.

86. 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.

87. 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.

88. 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.

89. 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.

90. 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.

91. 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						

92. The STS will provide ***<u>on a quarterly basis</u>*** 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.

93. The Ministry of Finance will provide ***<u>on a monthly basis</u>*** 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

94. 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.

95. The Ministry of Economy will provide ***<u>on a quarterly basis</u>***, 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.

96. 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

97. 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

98. The Ministry of Social Policy will collect and submit to IMF staff *<u>on a quarterly basis</u>* 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.

UKRAINE

March 26, 2025

SEVENTH REVIEW UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY, REQUESTS FOR MODIFICATION OF A PERFORMANCE CRITERION, REPHASING OF ACCESS, AND FINANCING ASSURANCES REVIEW—SUPPLEMENTARY INFORMATION

Approved By
Uma Ramakrishnan (EUR) and Mark Flanagan (SPR)

Prepared By European Department

This supplement provides an update on developments since the issuance of the Staff Report. This update does not alter the thrust of the staff appraisal.

A law reforming tobacco excises was enacted on March 25, 2025, completing the prior action for consideration of the Seventh Review under the Extended Arrangement. This law aims to gradually align tobacco excises with minimum levels prescribed by EU directives over the next few years. The additional revenue from this law will support the implementation of the 2025 Budget and contribute to the revenues-based fiscal adjustment incorporated in the program. Enactment of this law also constitutes progress on the implementation of the authorities' National Revenue Strategy and the path toward EU membership.

A law creating new specialized administrative courts has also been enacted, which is a landmark reform that was an end-December 2024 structural benchmark. The administrative courts (first instance and appellate levels) will hear administrative cases against national state agencies (including anti-corruption agencies, the finance ministry and the NBU). Looking ahead, a separate and short law to be initiated by the President will enable the formal creation of the courts, after which the process of selecting judges will begin. Independent experts with international experience will have a decisive and crucial vote for a three-year period in the vetting process for candidates to the courts.

Preliminary data indicate that the current account deficit excluding grants amounted to US$25 billion in 2024, US$0.3 billion higher than estimated in the staff report. This compares with US$21.3 billion in 2023. The merchandise trade deficit amounted to $30.4 billion, compared with US$29.1 billion in 2023, reflecting an increase in priority import needs which outweighed strong agriculture and metallurgy exports.

Statement by Mr. Vladyslav Rashkovan, Alternate Executive Director for Ukraine
March 28, 2025

On behalf of the Ukrainian authorities, I would like to express their deep appreciation to the IMF staff for the in-depth report, the constructive engagement during the recent mission to Kyiv and Warsaw, and the continued virtual dialogue with the authorities.

The authorities broadly concur with staff's assessment of the severe impact of Russia's illegal, unprovoked, and unjustified invasion, which continues to inflict devastating social and economic consequences on Ukraine. They reaffirm their strong commitment to the objectives of the IMF-supported economic program, including fostering economic recovery, enhancing governance, strengthening institutions to support long-term growth, post-war reconstruction, and Ukraine's path toward EU accession.

The authorities are grateful for the continued support of the IMF's Management and Executive Board throughout this exceptionally challenging period. They also extend thanks to all international partners and donors for standing with Ukraine during this time of great adversity.

The comments below provide additional context regarding the environment in which the authorities have operated since the end of December 2024, the date of the last program review.

Macro Outlook in Wartime

Russia's continued military aggression has inflicted severe damage on Ukraine's energy infrastructure. Despite intensified peace negotiations facilitated by international partners, Russia has continued strikes on civilian infrastructure in Ukrainian cities. In early 2025, a new wave of attacks was launched on gas storage facilities and gas extraction sites, resulting in significant losses in production and distribution capacities. To address shortfalls during the heating season, Naftogaz was forced to import natural gas.

The authorities are implementing a coordinated strategy to address energy shortages with international support. The commissioning of 0.9 GW of reserve distributed generation, expansion of electricity import capacity to 2.1 GW, and international assistance for restoring damaged infrastructure have helped mitigate the crisis. Industries have adapted through direct electricity imports, self-generation, and energy-saving measures, helping to alleviate the impact of energy deficits on economic activity.

The war caused a massive humanitarian crisis, with significant implications for the labor market. More than a quarter of Ukraine's population has been displaced, either internally or abroad. While many refugees intend to return once conditions improve, a growing share is settling in host countries, increasing the risk of long-term labor shortages, which could hinder post-war recovery.

Tight labor market conditions are contributing to wage pressures and inflation. As economic activity recovers, demand for workers continues to rise, as indicated by growing job openings. At the same time, labor force participation is gradually increasing, with more individuals reentering the job market. Nonetheless, labor shortages remain substantial, particularly in key sectors.

Despite extraordinary challenges, Ukraine's economy has demonstrated resilience. GDP grew by approximately 3.5 percent in 2024 and is projected to expand by 2–3 percent in 2025. A faster recovery is possible if peace efforts succeed, and the security environment stabilizes. However, risks remain exceptionally high, particularly due to the renewed military escalation since November 2024, which increased civilian suffering, economic damage, and fiscal pressures.

Reconstruction needs are rising rapidly as the war continues. According to the fourth Rapid Damage and Needs Assessment (RDNA-4), covering February 2022 to December 2024, direct damages are estimated at US$176 billion, with total reconstruction and 'build back better' costs reaching US$524 billion. These figures likely underestimate the full extent of losses, as they exclude occupied territories, undocumented damages, and resource depletion. The scale of destruction continues to grow with each passing day of the war.

Monetary and Exchange Rate Policies

In early 2025, inflation continued to increase, in particular due to the stronger impact of underlying factors. In February, headline inflation spiked to 13.4 percent y-o-y, fueled mostly by the transitory effects of last year's weaker harvests. At the same time, the impact of underlying inflationary factors increased as businesses' expenses on energy and wages continued to pass through to prices and strong consumer demand. As a result, core inflation grew rapidly (up to 12.0 percent y-o-y in February), outpacing forecast estimates, especially in terms of the services component.

Economic agents' inflation and exchange rate expectations were mixed but remained anchored. This was supported by the National Bank of Ukraine's (NBU) previous measures to safeguard FX market sustainability and protect hryvnia savings from inflation. These measures resulted in lower volumes of net FX purchases by businesses and households in February-March, as well as in sustained demand for hryvnia savings instruments. However, risks to inflation remain elevated as a potentially long-lasting period of high inflation readings could negatively affect inflation expectations and make inflationary pressures more persistent.

Safeguarding foreign exchange (FX) market sustainability remains an important factor in the formation of inflation expectations. The NBU seeks to ensure two-way exchange rate (ER) movements while avoiding excessive volatility under the managed flexibility framework. Greater ER flexibility allows its better adjustment to market conditions to strengthen 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. Therefore, further gradual easing of FX controls will continue to be approved in stages, aligned with the FX liberalization roadmap under the NBU's strategy to safeguard FX market stability.

Thus, to keep inflation expectations in check, maintain FX market sustainability, and to gradually bring inflation back to its 5 percent target over the policy horizon, the NBU started a tightening cycle

of its interest rate policy in December 2024. The key policy rate was raised in several steps from 13 percent to 15.5 percent in March 2025. With the FX market remaining sustainable, these steps will help to further support demand for hryvnia savings instruments, keep inflation expectations under control, and thus limit pressures on prices. Considering the risk of inflation remaining high for longer, the NBU also maintained its forward guidance toward implementing additional measures (including potential further interest rate policy tightening) if risks to price dynamics and inflation expectations continue to rise.

Amid exceptionally high uncertainty, the NBU's monetary and exchange rate policies will remain focused on safeguarding price and external stability, maintaining sufficiently positive real interest rates while adapting to inflation and economic risks. In line with the updated medium-term Monetary Policy Guidelines, the NBU is also committed to continuing a gradual transition toward a full-fledged inflation-targeting regime with a floating exchange rate when appropriate conditions allow.

Budget, Fiscal and Debt Policies

The authorities met all end-December 2024 fiscal targets amid immensely challenging conditions arising from the Russia's war. While tax collections have continued to overperform expectations, the sizable new tax measures package signed by the President last November will yield around UAH 141 billion or around 1.6 percent of GDP in 2025. Reforms to boost domestic revenue mobilization under the National Revenue Strategy (NRS) remain a high priority to help meet budget financing needs. Monitoring NRS implementation plans reflects reform progress and ensures accountability within a comprehensive, transparent, and unified reporting framework. The annual report of the implementation of the NRS in 2024 was published on March 12, 2025. The authorities are also taking further steps to harmonize the tax legislation with EU directives. As part of the broader commitment to the NRS and as a prior action for this review the tobacco excise tax law was enacted to align excise taxes on tobacco products with EU directives.

The 2025 Budget remains the key fiscal anchor, aligned with program objectives and national priorities. Total revenues excluding budget support grants will be UAH 3,355 billion (38.4 percent of GDP), of which most will be tax collections UAH 3,087 billion (35.3 percent of GDP). The authorities remain focused on accelerating NRS implementation, including through modernization of the tax and customs administration, reducing tax evasion, and harmonizing fiscal legislation with EU standards. These efforts—combined with medium-term budget planning, and fiscal risk oversight—will strengthen fiscal sustainability, attract investment, and support Ukraine's recovery and long-term growth.

The introduction of a Public Investment Management (PIM) system is one of the key innovations in the 2025 Budget framework. This reform aims to enhance the efficiency and transparency of public spending by prioritizing strategic investment projects aligned with Ukraine's recovery and development goals. The overall PIM framework will enable better allocation of resources to priority sectors and needs, support faster infrastructure reconstruction, and increase capital spending transparency. The reform should also help Ukraine prepare for the absorption and management of EU structural and cohesion funds upon accession. The detailed Action Plan designates the Ministry of Finance (MoF) as the gatekeeper throughout all stages of the PIM process. Implementation of the first phase of the plan, covering 2024–2025, is already underway: amendments to the Budget Code have been enacted and the methodological framework for the

PIM process has been approved, meeting the structural benchmarks for end-January and end-February 2025.

International budget support remains a cornerstone of Ukraine's macro-financial stability. Since the start of Russia's full-scale invasion, Ukraine has received nearly US$120 billion in budget support from international partners. Under the EFF program, disbursements have reached US$78.1 billion, including US$3.1 billion received during January–February 2025. Under the G7's US$50 billion Extraordinary Revenue Acceleration (ERA) Loans initiative, Ukraine has already received US$1 billion from the United States and €4 billion from the European Union—including a second €1 billion tranche disbursed in March. In the same month, Ukraine also received the first tranche from Canada of CAD 2.5 billion (approximately US$1.7 billion) and the first tranche from the United Kingdom of £752 million (approximately US$1 billion).

The authorities are grateful to all donors and partners who help to keep the current program fully financed under both baseline and downside scenarios, with a cumulative external financing envelope of US$148.8 billion and US$162.9 billion, respectively, over the four-year period. The authorities underscore that full, timely, and predictable disbursements—on terms consistent with debt sustainability—are critical to safeguarding macroeconomic stability and enabling uninterrupted program implementation.

On top of that, in the context of the current IMF-supported program, the authorities are progressing in restructuring Ukraine's external public debt to restore debt sustainability. The authorities are committed to prompt implementation of the strategy in line with the debt sustainability objectives of the program. The MoF continues to be aided by external financial advisors and remains 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.

The authorities are also thankful to the creditors in the Group of Creditors of Ukraine (GCU) who 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 MoF remains in close contact with the GCU. Going forward, they will seek treatment on comparable terms with other official creditors, including guaranteed loans, and the definitive restructuring of these claims.

Governance Reforms

The external audit of the National Anti-Corruption Bureau (NABU) has been delayed due to external factors but is currently underway. Initially scheduled for completion by end-September 2024, the deadline was extended to end-February 2025 due to delays in appointing the Commission's members. The audit was not completed by end-February 2025, as international experts could not finalize their work due to circumstances beyond their control. The authorities' role is only to publish the audit report prepared by the experts. Therefore, accordingly, the authorities request an extension of the deadline for this structural benchmark to end-July 2025, with the audit report to be published by that time.

The establishment of the Specialized Administrative Court is progressing in accordance with broader justice sector reform. In line with the commitments, legislation was adopted to establish a Specialized District Administrative Court to adjudicate administrative cases against national government bodies (including the NACP, NABU, SAPO, ESBU, and the State Customs Service), as well as a

Specialized Appellate Administrative Court. Judges will be appointed through a rigorous selection process based on professional competence and integrity, with an Expert Council—featuring independent international experts—holding the decisive vote. The law was enacted after the deadline of end-December 2024, but the courts themselves will be established and judges appointed by Q3'2025, in line with the conditions of the Ukraine Facility Plan.

Amendments to the Criminal Procedure Code are under parliamentary consideration to strengthen anti-corruption prosecution. The Cabinet of Ministers submitted draft legislation to amend the Criminal Procedure Code in line with their commitments. These changes will enable the Specialized Anti-Corruption Prosecutor's Office (SAPO) to manage extradition and mutual legal assistance requests and will streamline provisions on the expiration of pre-trial investigation deadlines, including in corruption cases. While the draft has been cleared for parliamentary consideration, discussions with MPs are ongoing amid criticism from business associations. The authorities are engaging constructively with stakeholders to achieve a consensus that meets the program conditions. Given the delay, the authorities request an extension of the structural benchmark deadline to end-July 2025.

Concluding Remarks

Amid exceptionally high uncertainty, the authorities' key objective under the program is to preserve macroeconomic and financial stability while laying the groundwork for post-war recovery. The authorities remain committed to implementing wide-ranging structural reforms—including in public finance, monetary policy, governance, and energy resilience—to support reconstruction, foster sustainable growth, and accelerate Ukraine's EU integration.

Ukraine itself is making steady progress in the EU screening process and preparing for the opening of negotiation clusters. The first phase of the official screening of Ukrainian legislation for EU compliance—explanatory sessions conducted by the European Commission—has been completed. Ukraine and the EU are now engaged in bilateral meetings, with Clusters 1 ("Fundamentals"), 2 ("Internal Market"), and 6 ("External Relations") already fully screened. Ukraine is currently participating in bilateral sessions for Cluster 3 ("Competitiveness and Inclusive Growth"). A key priority for 2025 is the successful conclusion of this screening process, which will lay the groundwork for opening negotiation clusters. Draft roadmaps for the Rule of Law and Public Administration Reform have been prepared to facilitate the opening of Cluster 1. These roadmaps define strategic reform priorities and set clear implementation deadlines. Their development included extensive consultations with the European Commission, the Ukrainian Parliament, and civil society, and were formally presented to the EU on March 10–11, 2025.

Advancing EU banking regulatory equivalence is a key priority to support financial integration and investment. As part of the EU accession process, the Ukrainian authorities are actively closing regulatory gaps to align with EU banking norms, having already achieved approximately 75 percent convergence. Further narrowing the remaining gaps will pave the way for the European Banking Authority to grant regulatory equivalence, allowing Ukraine's country risk to be treated as sovereign risk (i.e., zero-risk weighted). This designation would encourage existing EU banks to remain active in Ukraine and help attract new capital, expertise, and sound governance practices from additional EU-based institutions. Achieving bank secrecy equivalence is an essential precondition for full regulatory equivalence and remains a priority reform objective for the NBU.

Sectoral integration with the EU in general remains a vital element of Ukraine's wartime resilience and post-war recovery. Trade liberalization with the EU is essential to Ukraine's economic stability and development. Also, Ukraine submitted its application to join the Single Euro Payments Area (SEPA), takes all the efforts to sign the Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA), and advancing integration into the EU energy and transport networks. These steps should deepen Ukraine's economic ties with the EU and contribute to the infrastructure development essential for long-term growth.

The authorities greatly appreciate the support provided under the UCDF, but also its responsiveness, and the Fund's flexibility in addressing the authorities' requests regarding evolving capacity development (CD) needs and absorptive capacity. In the fiscal area CD has been delivered to support domestic revenue mobilization, public financial management, and expenditure policy. Similarly, CD in monetary and financial areas have focused on financial regulation and supervision, monetary policy analysis and modelling, central bank operations, and virtual assets, with work also beginning to improve AML/CFT frameworks.

The authorities would also highly appreciate if the UCDF's could cover the reform areas under EFF, previously supported by other donors. The situation remains exceptional uncertain, and consequently technical assistance (TA) needs and requests by Ukraine naturally evolve and adapt to these changes. Therefore, donor flexibility during these times is important and necessary to ensure that support is well-tailored to Ukraine's needs and brings maximum impact for Ukraine's economy. The authorities welcome the opportunity to continue refining the workplan for the UCDF and look forward to the next Steering Committee meeting on April 03, 2025, in Kyiv.

The authorities met all end-December and continuous quantitative performance criteria and indicative targets, as well as most structural benchmarks. The authorities also requested a rephasing of IMF disbursements to better align them with Ukraine's updated profile of balance of payments needs. Based on the successful program implementation and the commitments for the period ahead, the authorities request completion of the seventh review and agree with the publication of the report. The authorities reiterate their strong commitment to maintaining a close policy dialogue with the IMF, towards EU accession.