INTERNATIONAL MONETARY FUND

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UKRAINE

June 2025

EIGHTH REVIEW UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY, REQUESTS FOR MODIFICATION OF PERFORMANCE CRITERIA, REPHASING OF ACCESS, AND FINANCING ASSURANCES REVIEW—PRESS RELEASE; STAFF REPORT; SUPPLEMENTARY INFORMATION; AND STATEMENT BY THE ALTERNATE EXECUTIVE DIRECTOR FOR UKRAINE

In the context of the Eighth Review Under the Extended Arrangement Under the Extended Fund Facility, Requests for Modification of Performance Criteria, 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 June 30, 2025, following discussions that ended on May 27, 2025, with the officials of Ukraine on economic developments and policies underpinning the IMF arrangement under the Extended Fund Facility. Based on information available at the time of these discussions, the staff report was completed on June 20, 2025.
- A **Staff Supplement** 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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International Monetary Fund
Washington, D.C.

PRESS RELEASE

PR25/227

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

FOR IMMEDIATE RELEASE

- The IMF Board today completed the Eighth Review of the Extended Arrangement under the Extended Fund Facility (EFF) for Ukraine, enabling a disbursement of about US$0.5 billion (SDR 0.37 billion) to Ukraine, which will be channeled for budget support.
- Ukraine's economy remains resilient, and the authorities met all end-March and continuous quantitative performance criteria, the prior action, and two structural benchmarks for the review.
- Despite the challenges, progressing with domestic revenue mobilization, strengthening the investment climate, improving governance, and completing the debt restructuring strategy are necessary to restore fiscal and debt sustainability and support growth. The full and timely disbursement of external support during the program period remains indispensable for macroeconomic stability

Washington, DC—June 30, 2025: The Executive Board of the International Monetary Fund (IMF) today completed the Eighth Review of the EFF, enabling the authorities to draw US$0.5 billion (SDR 0.37 billion, which will be channeled for budget support. This will bring the total disbursements under the IMF-supported program to US$10.6 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$152.9 billion in the program's baseline scenario. 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 and investment.

For the Eighth Review, Ukraine met all end-March and continuous quantitative performance criteria as well as the prior action to submit to the Cabinet of Ministers of Ukraine a detailed reform plan for the State Customs Service (SCS). Two structural benchmarks on tax reporting for digital platform operators and publication of the external audit of NABU were also completed. Four new benchmarks were also established, including: measures to update the single project pipeline; preparation of a prioritized roadmap for financial market infrastructure; implementation of international valuation standards; and development of legislative proposals to align securitization and bonds with international standards. The timelines of some other structural benchmarks, including the appointment of the head of the SCS, have been reset by the IMF Executive Board to allow the authorities more time to complete these important reforms. The authorities also requested a rephasing of access to IMF financing over the remainder of 2025 to better align them with Ukraine's updated balance of payments needs, while the overall size of the program remains unchanged.

The 2025 growth forecast has been maintained at 2–3 percent as a smaller electricity deficit is offset by lower gas production and weaker agricultural exports. Pressures from Russia's war will require a supplementary budget for 2025, and the medium-term fiscal path has been revised to better reflect the authorities' policy intentions on revenue mobilization and expenditure prioritization. The National Bank of Ukraine (NBU) has maintained a tight monetary policy to respond to the still high inflation, while inflation expectations remain anchored. FX 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. Gita Gopinath, First Deputy Managing Director of the IMF, issued the following statement[1]:

"Russia's war continues to take a devastating social and economic toll on Ukraine. Nevertheless, macroeconomic stability has been preserved through skillful policymaking as well as substantial external support. The economy has remained resilient, but the war is weighing on the outlook, with growth tempered by labor market strains and damage to energy infrastructure. Risks to the outlook remain exceptionally high and contingency planning is key to enable appropriate policy action should risks materialize.

"The Fund-supported program remains fully financed, with a cumulative external financing envelope of US$153 billion in the baseline scenario and US$165 billion in the downside scenario, over the 4-year program period. This includes 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 to achieving program objectives.

"The continuing war has necessitated a Supplementary Budget for 2025. Restoring fiscal sustainability and meeting elevated priority expenditures over the medium term will require continued decisive efforts to implement the National Revenue Strategy. This includes modernization of the tax and customs services (including the timely appointment of the customs head), reduction in tax evasion, and harmonization of legislation with EU standards. These reforms, combined with improvements in public investment management frameworks, medium-term budget preparation, and fiscal risk management, are critical to underpinning growth and investment.

"The authorities continue working to complete their debt restructuring strategy in line with the program's debt sustainability objectives, which is essential to create room for priority expenditures, reduce fiscal risks, and restore debt sustainability.

"Given still elevated inflation, the tight monetary policy stance is appropriate, and the NBU should stand ready to tighten further should inflation expectations deteriorate. Greater exchange rate flexibility will help strengthen economic resilience while safeguarding reserves.

"The financial sector remains stable, though vigilance is needed given heightened risks. Operational and governance weaknesses in the security markets regulator need to be tackled

[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.

urgently. Closing gaps in Ukraine’s capital markets infrastructure will be key to attracting foreign private capital for post-war reconstruction.

“Sustained progress in anticorruption and governance reforms remains crucial. The completed audit of the National Anti-Corruption Bureau is an important step; additional efforts are required, including amending the criminal procedures code, appointing the new head of the Economic Security Bureau, and strengthening AML/CFT frameworks.”

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	6,628	7,659	8,866	10,192	11,322
Real GDP 1/	3.4	-28.8	5.5	2.9	2-3	4.5	4.8
Contributions:							
Domestic demand	12.8	-19.0	11.9	3.8	5.2	3.4	2.7
Private consumption	4.5	-19.0	3.0	4.6	2.8	3.4	2.7
Public consumption	0.1	5.6	3.0	-1.5	0.3	-2.5	-2.0
Investment	8.1	-5.5	5.8	0.6	2.1	2.5	2.0
Net exports	-9.3	-9.8	-6.3	-0.8	-3.2	1.1	2.1
GDP deflator	24.8	34.9	19.9	12.3	13.5	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	7.6	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	23.1	17.4	13.7	10.8
Real wages (average)	10.5	-16.0	6.4	15.6	4.2	5.7	5.3
Savings (percent of GDP)	12.5	17.0	12.8	11.4	4.4	10.0	18.3
Private	12.7	30.2	27.4	23.3	21.4	15.9	18.0
Public	-0.2	-13.1	-14.6	-11.8	-17.1	-5.9	0.3
Investment (percent of GDP)	14.5	12.1	18.1	18.6	20.9	22.6	23.7
Private	10.7	9.6	13.4	13.3	16.6	18.3	18.9
Public	3.8	2.5	4.7	5.4	4.3	4.3	4.9
General Government (percent of GDP)							
Fiscal balance 2/	-4.0	-15.6	-19.3	-17.2	-21.3	-10.1	-4.6
Fiscal balance, excl. grants 2/	-4.0	-24.8	-25.8	-23.1	-22.1	-10.4	-5.6
External financing (net)	2.5	10.7	16.2	15.0	24.5	8.9	1.7
Domestic financing (net), of which:	1.5	5.0	3.1	0.3	-3.1	1.3	2.8
NBU	-0.3	7.3	-0.2	-0.2	-0.1	-0.1	-0.1
Commercial banks	1.4	-1.5	2.5	2.9	2.7	0.8	3.4
Public and publicly-guaranteed debt	48.9	77.7	81.2	89.7	108.6	110.4	106.4
Money and credit (end of period, percent change)							
Base money	11.2	19.6	23.3	7.7	21.7	13.1	10.4
Broad money	12.0	20.8	23.0	13.4	14.4	13.2	10.4
Credit to nongovernment	8.4	-3.1	-0.5	13.5	10.6	17.7	18.6
Balance of payments (percent of GDP)							
Current account balance	-1.9	4.9	-5.3	-7.2	-16.5	-12.6	-5.4
Foreign direct investment	3.8	0.1	2.5	1.8	2.2	4.0	5.0
Gross reserves (end of period, billions of U.S. dollars)	30.9	28.5	40.5	43.8	53.4	52.8	55.6
Months of next year's imports of goods and services	4.5	3.8	5.3	5.1	6.3	6.3	6.5
Percent of short-term debt (remaining maturity)	74.4	83.3	100.3	130.9	178.9	171.5	172.1
Percent of the IMF composite metric (float)	105.5	110.3	130.2	125.4	125.5	114.0	115.7
Goods exports (annual volume change in percent)	39.0	-37.5	-8.5	16.8	3.0	14.9	14.3
Goods imports (annual volume change in percent)	15.1	-29.7	18.5	6.0	19.3	4.7	5.5
Goods terms of trade (percent change)	-8.4	-11.6	3.6	0.5	1.3	1.0	0.4
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	-6.5	…	…	…
Memorandum items:							
Per capita GDP / Population (2017): US$2,640 / 44.8 million							
Literacy / Poverty rate (2022 est 3/): 100 percent / 25 percent							

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

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

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

3/ Based on World Bank estimates.

INTERNATIONAL MONETARY FUND

UKRAINE

June 20, 2025

EIGHTH REVIEW UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY, REQUESTS FOR MODIFICATION OF PERFORMANCE CRITERIA, REPHASING OF ACCESS, AND FINANCING ASSURANCES REVIEW

EXECUTIVE SUMMARY

Context: Over three years of Russia's war in Ukraine have taken a staggering social, humanitarian, and economic toll. Despite efforts for a ceasefire, the evolution of the war remains subject to exceptionally high uncertainty. Nevertheless, the authorities' commitment to reforms and fulfillment of all necessary Fund policies support completion of the review. First, despite some structural reform delays, the authorities have met all quantitative conditionality for this review and remain committed to the overall program objectives of restoring sustainability. Second, the program remains fully financed. Looking ahead, despite the authorities' program implementation and the large-scale external support, the program has limited space to absorb any further shocks, including from a more prolonged and intense war, while achieving the restoration of external viability by the end of the program.

Outlook and risks: The 2025 growth forecast has been maintained at 2–3 percent as a smaller-than-expected electricity deficit is offset by increased gas imports and weaker agricultural exports. Inflation remains high but is moderating, expectations are broadly stable, but vigilance is warranted. War-related pressures require a Supplementary Budget for 2025, and the medium-term fiscal path has been revised with a more measured fiscal adjustment and modified expenditure profile to reflect the authorities' policy intentions. Risks remain exceptionally high, mainly from the war, but mitigants include the authorities' decisive policymaking (albeit somewhat tempered more recently by waning reform momentum in Parliament) and contingency planning, and the international community's commitment to continue supporting Ukraine.

Focus of the review: Under difficult conditions, the discussions emphasized the importance of:

- Implementing fiscal policies to ensure financeable deficits and the restoration of medium-term fiscal and debt sustainability. The revised program frameworks reflect the Supplementary Budget for 2025 and the authorities' Budget Declaration for 2026–28. Large external disbursements under the program continue to provide adequate financing. Domestic revenue mobilization is imperative to support the fiscal adjustment under the program and secure debt sustainability. Further progress on the fiscal structural reform

agendas for customs, public financial management, medium-term budgeting, public investment management, and expenditure policies will be critical to maintain stability, develop resilience, and support reconstruction.

- Maintaining a tight monetary stance to tackle still-elevated inflation and ensuring inflation expectations remain anchored while fostering greater flexibility in the exchange rate to enable it to play a shock-absorbing role, help prevent external imbalances, and safeguard reserves. The conditions-based approach to FX liberalization should continue, supported by close monitoring to help support the effectiveness of measures.
- Remaining vigilant to financial stability risks, strengthening the bank rehabilitation framework, preparing a framework to address critical third-party risks, completing the updated NBU Resilience Assessment, and closing gaps in the capital market infrastructure through a prioritized roadmap. Urgent action to address operational and governance challenges at the National Securities and Stock Market Commission (NSSMC) needs to be completed without further delay.
- Addressing slippages in governance reforms to tackle corruption and especially support the EU accession on the rule of law. Near-term anti-corruption priorities include enacting amendments to the criminal procedural code, strengthening the asset declaration system, and further enhancing the AML/CFT architecture. Continued efforts are needed to make the energy sector more resilient and decentralized, strengthen the governance of energy SOEs, and foster the independence of the energy regulator.

Program issues: All end-March quantitative performance criteria (QPCs) were met as well as structural benchmarks (SBs) on tax reporting requirements for digital platform operators (end-April) and publication of the external audit of NABU (end-July). The authorities are requesting a modification of the floor on the non-defense primary cash balance of the general government to recalibrate an adjustor pertaining to the NBU's profit transfers to the budget. The authorities are also requesting an NIR floor modification to maintain buffers amid elevated near-term risks. Looking ahead, the authorities are requesting to reset the SBs for the appointment of the permanent head of the state customs service (SCS), the completion of the NSSMC fit and proper review, critical third-party risks, and the publication of the external assessment of NEURC, as more time is needed to complete these reforms. They also propose to add four new SBs: (i) on the strategic investment council (SIC) to approve the updated Single Project Pipeline (end-August 2025); (ii) preparation by the NBU and NSSMC of a prioritized roadmap for financial market infrastructure reforms (end-October 2025); (iii) implementation of European and international valuation standards (end-December 2025); and (iv) preparation of legislative proposals by NSSMC to align the securitization and covered bonds frameworks with international standards (end-March 2026). Moreover, as a prior action, the authorities will submit to the CMU a reform plan for the SCS. The authorities are requesting a rephasing to further backload purchases in 2025 to better align them with the updated profile of balance of payments needs.

Staff supports the completion of the Eighth Review under the Extended Arrangement, enabling a purchase of SDR 373.53 million (18.6 percent of quota).

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

Discussions were held in Kyiv over May 20–27, 2025 with Prime Minister Shmyhal, Finance Minister Sergii Marchenko, National Bank of Ukraine Governor Andriy Pyshnyy, and other senior government officials. The staff team included Gavin Gray (mission chief), Trevor Lessard and Sanaa Nadeem (deputy mission chiefs), Klaus Hellwig, Heiko Hesse, Geoffrey Keim, Andrea Manera, and Sidra Rehman (all EUR); Martina Hengge (SPR); Dermot Monaghan (MCM); Jonathan Pampolina (LEG); and Priscilla Toffano (Resident Representative), Ihor Shpak, Vladyslav Filatov, and Taras Ivanyshyn (local office). Vladyslav Rashkovan (OED) attended policy discussions. The team was supported from headquarters by Ritzy Dumo and Luis Omar Herrera Prada (EUR).

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BACKGROUND AND FOCUS OF THE REVIEW

1. **Russia's war in Ukraine is now in its fourth year, notwithstanding recent international efforts to broker a peace deal.** Continued aerial attacks on civilian and energy infrastructure are taking a severe humanitarian and economic toll. Nevertheless, the Ukrainian economy and its people remain resilient, thanks in large part to the authorities' continued perseverance in maintaining macroeconomic and financial stability while advancing structural reforms, including on the path to EU accession, as well as due to donor support, and some improvement in the energy situation. The ratification in May by Parliament of Ukraine's agreement with the US on an economic partnership to establish a Reconstruction Investment Fund (RIF) has been welcomed by stakeholders, though any economic impact is expected to materialize only over a long horizon.[1]

2. **The Eighth Review takes place at a critical juncture, as the war weighs on the outlook, and the domestic political environment complicates reaching consensus on structural reforms**. Quantitative performance under the program has been good, although fiscal structural and governance reforms have been subject to delay, especially where requiring legislative action. Overall, policy discussions focused on helping the authorities navigate near-term uncertainty to preserve economic and financial stability, articulate medium-term policy priorities, and advance critical reforms. This included recalibrating macroeconomic policies for 2025 in the context of a Supplementary Budget, as well as over the medium term, including via the 2026–28 Budget Declaration, 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.

3. **More than half-way into the 4-year EFF, there is little room to absorb new shocks and meet program objectives under the remaining program.** The outlook continues to be exceptionally uncertain given unclear prospects or timelines for a peace settlement. The program's assumptions 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. However, tail risks remain, and the current 4-year program has limited time to absorb further shocks—including from a more prolonged and intense war—while still being able to implement the policies needed to achieve medium-term external viability by the end of the program.

RECENT ECONOMIC AND PROGRAM PERFORMANCE

4. **Ukraine's economy has remained broadly resilient in the face of continued large shocks, amid sustained donor support.**

[1] Staff will incorporate the macro effects of the RIF in the macro framework once more detailed information is available, including on the projects.

- Real GDP expanded by 2.9 percent y/y in 2024, 0.6pp below the Seventh Review forecast, as a smaller-than-expected harvest drove a contraction in Q4.[2] Excluding agriculture, growth picked up in 2024Q4 relative to 2024Q3, as energy repairs supported economic activity. In 2025Q1, the electricity situation improved further with fewer aerial attacks on generating capacity, ongoing repairs, and new capacity coming online. High-frequency indicators through May 2025 show stronger consumer sentiment and business activity, although exports were weaker than expected. At the same time, the attacks on gas infrastructure have temporarily reduced the production capacity of Naftogaz, leading to considerable gas import needs. Labor shortages continue to restrain growth.

- In April, headline inflation continued increasing to 15.1 percent y/y in line with projections, while decelerating sequentially to 0.7 percent m/m driven by slower price growth in core components. Food inflation, the main driver behind the headline figure, reached 19.8 percent y/y due to base effects and cold weather. For the first time since March 2024, core inflation decelerated to 12.1 percent y/y. After deteriorating through January, inflation expectations appear to have stabilized.

- The current account deficit excluding grants widened to US$25 billion (13.1 percent of GDP in 2024 compared to 11.8 percent of GDP in 2023), as higher priority import needs outweighed strong agriculture and metallurgy exports. In 2025Q1, the current account deficit excl. grants reached US$8 billion compared to US$4.5 billion during the same period last year, reflecting a weaker trade balance from lower agricultural exports and sustained priority import needs. Nevertheless, with strong official support, including through ongoing disbursements from most of the G7 ERA financing arrangements, gross international reserves reached US$46.7 billion (5.4 months of prospective imports) as of end-April 2025.

- Financial conditions continue to improve. Lending to households and MSMEs, mostly for working capital, is increasing from anemic levels with nominal credit growth of 13.9 percent (y/y) in May 2025. As of May 2025, net credit to legal entities and individuals was 9.4 percent and 5.1 percent of GDP respectively. Banking system liquidity coverage ratios and capital levels are more than triple and double the required minima, respectively. Bank profitability remains strong (the net interest margin was 7.6 percent in 2024), but masks potential asset quality (collateral valuation) risks. NPLs were 30 percent as of end-February 2025 (EU definition), with NPLs to individuals and business at 15 percent and 39 percent, respectively; the latter NPL ratio falls to 23 percent if well-provisioned debts of the former owners of PrivatBank as well as debts predating the crisis of 2014–2016 are stripped out.

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

- The authorities successfully restrained the fiscal deficit in 2025Q1 thanks to robust tax collections and tight control over nondefense expenditures counterbalanced by continued high

[2] The statistics office (SSSU) also released final figures for 2023, revealing slightly stronger growth of 5.5 percent y/y relative to the previously estimated 5.3 percent y/y. Revisions were concentrated in 2023Q4, which grew 5.2 percent y/y (versus the previous estimate of 4.7 percent y/y) on account of stronger agriculture and investment.

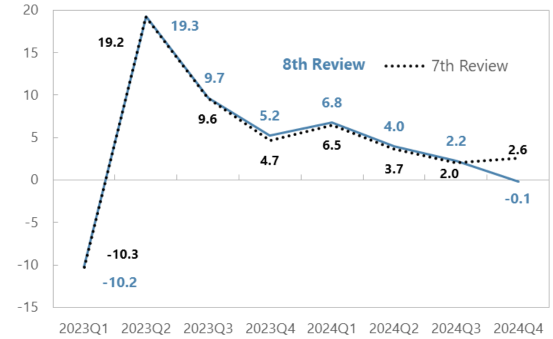
defense needs; trends which have continued into May. Large external disbursements so far this year, especially through the ERA initiative, have enabled the authorities to finance the deficit and build deposit buffers. It has also enabled them to scale back domestic government bond issuance, resulting in negative net domestic financing so far this year and some additional savings from lower debt service costs.

- At the June MPC meeting, the NBU held its key policy rate (KPR) at 15.5 percent after 250 bps of hikes since December 2024, having communicated at the April MPC a pause in the projected resumption of future rate cuts. It also signaled readiness to act decisively if inflation pressures were to become more persistent, or if inflation expectations show signs of becoming unanchored.

- The nominal exchange rate has appreciated against the US dollar year to date through May by 1.2 percent, on the back on increased FX supply, stabilized FX demand, and amid broader US dollar weakness. FX interventions have declined since end-2024 (net FX sales through May amounted to US$14.6 billion versus US$11 billion in the corresponding period last year), mainly reflecting fiscal spending patterns. FX interventions nevertheless remain sizeable—as they cover the persistent structural FX deficit of the private sector—by intermediating the public sector structural FX surplus.

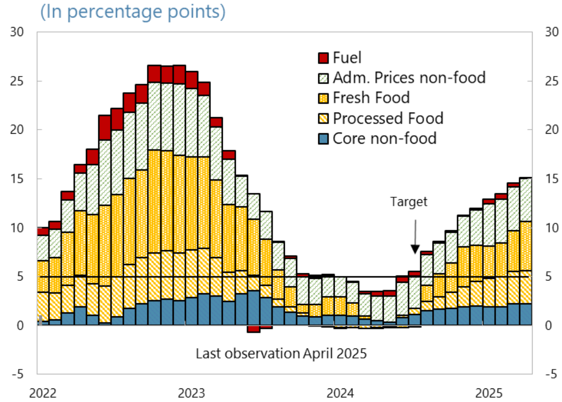
Figure 1. Ukraine: Recent Economic Indicators

Real GDP 1/
(In percent Y/Y growth rate)



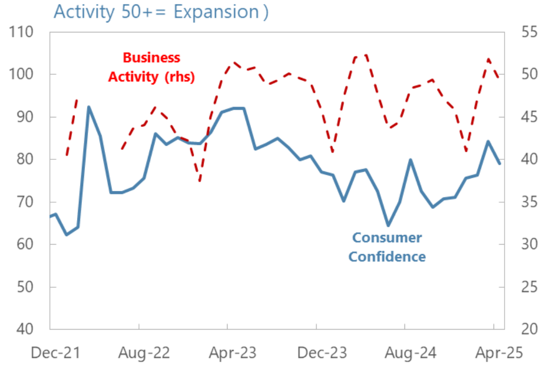
Source: State Statistics Service of Ukraine and IMF staff estimations.
1/ 8th Review incorporates actual figures and historical data revision by the authorities. For 7th Review, 2024Q3 and 2024Q4 growths were projections.

Contributors to Annual Inflation
(In percentage points)



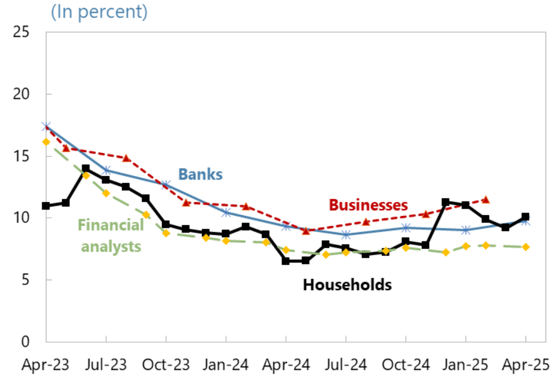
Sources: SSSU, NBU, Haver Analytics, IMF staff estimates.

Consumer Confidence and Business Activity
(Indexes. Consumer 100+= positive;
Activity 50+= Expansion)



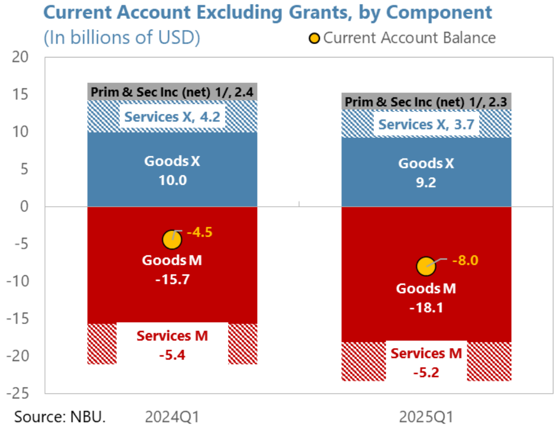
Sources: InfoSapiens, Haver Analytics.

Inflation Expectations Over the Next 12 months
(In percent)



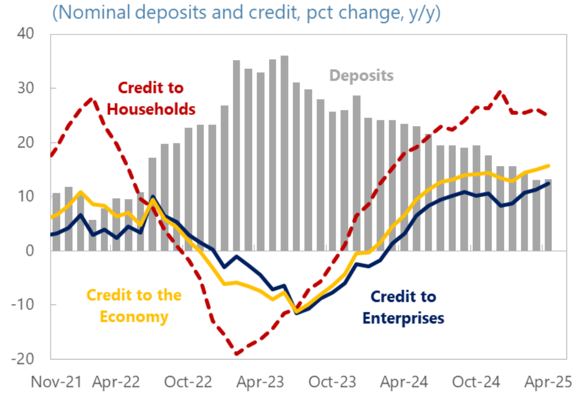
Source NBU and Info Sapiens.
Markers show data points due to different frequencies.

Current Account Excluding Grants, by Component
(In billions of USD)



Source: NBU.
1/ Excluding Grants.

Deposit and Credit to Households and Enterprises
(Nominal deposits and credit, pct change, y/y)



Source: NBU.

6. All quantitative conditionality were met. Despite the challenging circumstances, the four end-March quantitative performance criteria (QPCs) were all met. Moreover, the authorities have also met the continuous PCs and all end-March indicative targets (ITs).

7. The authorities met the structural benchmarks due by this review (Table 4). These include: (i) submitting a draft law on tax reporting requirements for digital platform operators to Parliament (end-April); and (ii) publication of the completed external audit of NABU (due end-July, met in May). Progress is well advanced for the end-June SB on the submission of the 2026–28 budget declaration. Finally, as a prior action, the authorities will submit to the CMU a reform plan for the SCS.

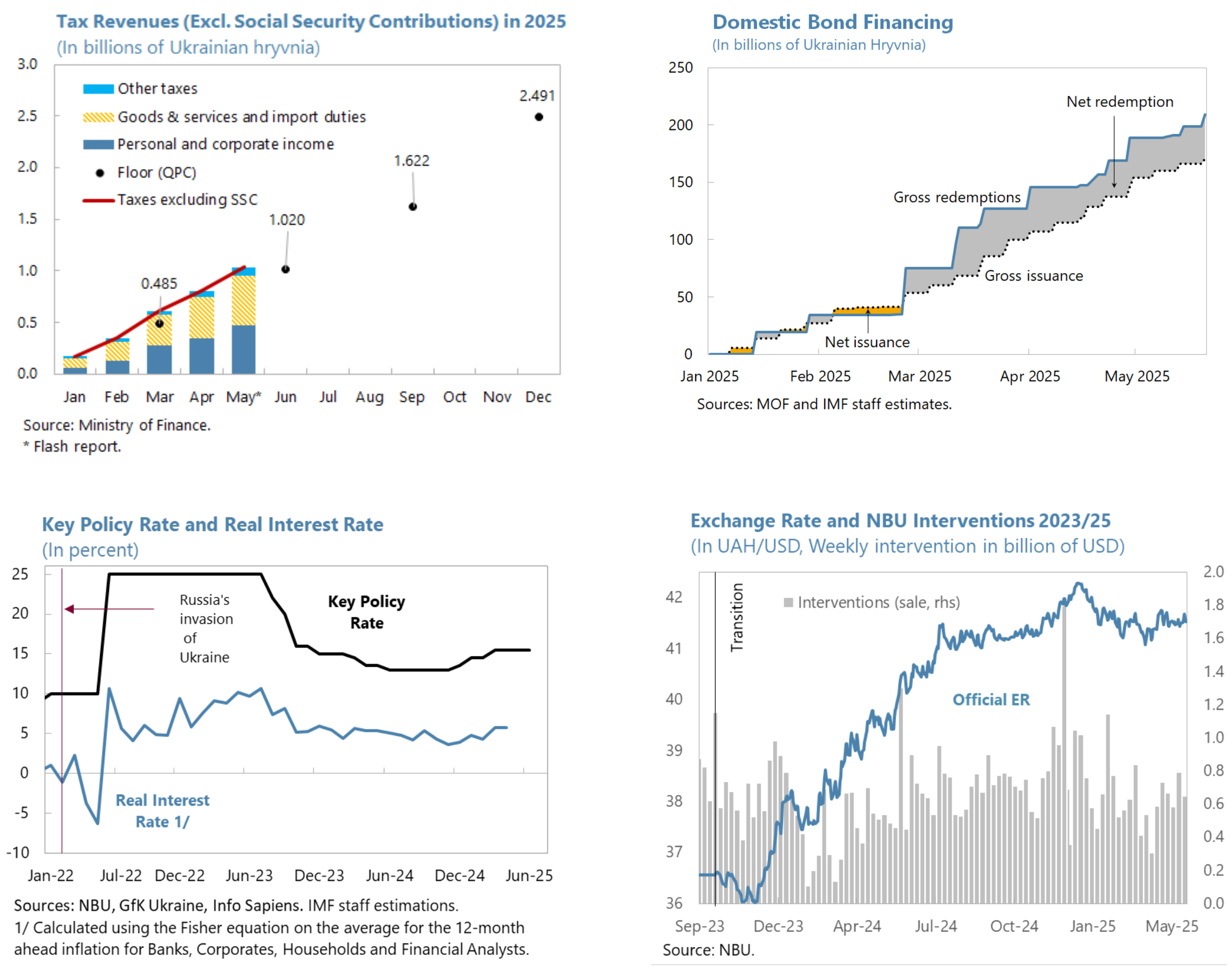
Text Table 1. Ukraine: Summary of Quantitative Performance Criteria and Indicative Targets

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

	Mar 2025				
	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/	254,800	0	254,800	381,442	Met
Floor on tax revenues (excluding Social Security Contributions)	485,000	0	485,000	614,434	Met
Ceiling on publicly guaranteed debt 3/	62,860	7,839	70,699	7,839	Met
Floor on net international reserves (in millions of U.S. dollars) 3/	27,200	-4,176	23,024	26,924	Met
II. Indicative Targets 1/ 2/					
Floor on the cash balance of the general government, excluding budget support grants (- implies a deficit) 3/	-410,500	0	-410,500	-239,245	Met
Ceiling on general government arrears	1,800	0	1,800	1,421	Met
Floor on social spending	132,000	0	132,000	164,874	Met
Ceiling on general government borrowing from the NBU 4/ 5/	-984	0	-984	-1,029	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 2025 are cumulative flows from January 1, 2025.
3/ Calculated using program accounting exchange rates as specified in the TMU.
4/ From end of previous quarter.
5/ Calculated using redemptions of government bonds as of May 28, 2025.

Figure 2. Ukraine: Recent Economic Policy Implementation



OUTLOOK AND RISKS

Risks and uncertainty remain exceptionally high. The war assumptions underpinning the program scenarios remain appropriate as peace discussions have yet to deliver tangible results, presenting both upside and downside risks to the war's duration and intensity. The current program, however, has limited scope left to absorb any new shocks, including from a more prolonged and intense war, while also leaving sufficient time for Ukraine to undertake the reforms needed to restore medium-term external viability.

8. Baseline:

- The 2025 GDP growth forecast is maintained at 2–3 percent y/y, as a smaller-than-expected electricity deficit is broadly offset by higher gas import needs due to reduced domestic production capacity and more subdued agricultural exports; the net impact of the Supplementary Budget is expected to be small, given an estimated large import component; a larger harvest is expected to support growth in 2025H2. The growth outlook for 2026 and beyond is also unchanged, despite changes in growth contributions reflecting the revised composition of the post-war fiscal consolidation and the GDP rebasing to 2021.

- Inflation is still expected to decline to 9 percent y/y by end-2025, due to an expected reversal in food price base effects in 2025H2 and tight monetary policy.

- The 2025 current account deficit excluding grants is forecast to increase relative to the Seventh Review (by 1.7 percent of GDP), reflecting (i) an increase in priority imports amid higher fiscal expenditures; (ii) higher gas imports to offset losses from attacks on energy infrastructure; and (iii) lower agricultural export volumes. While risks stemming from the expiration of the EU Autonomous Trade Measures for Ukraine remain, they appear mitigated by the redirection of agricultural exports towards other markets. International reserves are expected to end the year lower (US$53.4 billion, 125.5 percent of ARA) than at the Seventh Review, primarily reflecting the wider current account deficit and some reallocation of external financing from 2025 to 2026.

- Defense expenditure needs for 2025 have increased, necessitating a Supplementary Budget (entailing upward expenditure revisions of about 5.8 percent of GDP), which will be submitted to Parliament soon (see ¶12). Overperforming tax revenues, which are expected to continue, and expenditure savings help contain the deficit impact of higher defense expenditures. Still, the Supplementary Budget's incorporation into the baseline scenario results in a deficit of UAH 1,960 billion (22.1 percent of GDP)—up by 2.5 percent of GDP from the Seventh Review.

- Over the medium-term, the updated baseline broadly reflects key fiscal policy intentions set out in the authorities' Budget Declaration for 2026-28 (see ¶13), resulting in modest revisions to the overall deficit, which narrows over the remainder of the forecast horizon.

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

	Current Forecast				Change from Seventh Review			
	2024	2025	2026	2027	2024	2025	2026	2027
Baseline								
Real GDP growth (%)	2.9	2-3	4.5	4.8	-0.6	0.0	0.0	0.0
Inflation, eop (%)	12.0	9.0	7.0	5.0	0.0	0.0	0.0	0.0
Current account (% GDP)	-7.2	-16.5	-12.6	-5.4	-0.2	-0.6	-2.0	-0.2
Current account (US$ billion)	-13.7	-34.6	-28.3	-13.0	-0.3	-1.8	-5.0	-0.6
Current account balance excluding grants (US$ billion)	-25.0	-38.6	-28.8	-15.5	-0.3	-4.3	-5.0	-0.6
Goods trade balance (US$ billion)	-30.4	-41.6	-38.6	-36.3	-0.3	-5.1	-3.9	-0.5
FX reserves (US$ billion)	43.8	53.4	52.8	55.6	0.0	-3.4	2.0	1.5
Overall fiscal balance (% GDP)	-17.2	-21.3	-10.1	-4.6	0.0	-2.5	-0.4	-0.4
Overall fiscal balance, excl. grants (% GDP)	-23.1	-22.1	-10.4	-5.6	0.0	-2.5	-0.5	-0.4
Public debt (% GDP)	89.7	108.6	110.4	106.4	-0.1	-1.4	1.9	2.9
Gross Reserves (% IMF composite metric (float))	125.4	125.5	114.0	115.7	4.2	-1.9	7.8	6.6

Source: IMF staff estimates.

9. Downside:

- **The downside scenario maintains the assumption of a longer and more intense war winding down by 2026Q2.** Staff has updated the downside scenario by shifting the shock to now materialize in 2025Q3. The revised scenario is calibrated to a cumulative GDP loss over the projection period proportional to the loss to the Seventh Review baseline, implying real GDP growth at -1 percent y/y in 2025 and 0 percent y/y in 2026; medium term growth is unchanged. Reflecting the authorities' policy intentions, as in previous downside scenarios, reserve buffers would be deployed to support FX market stability and prevent disorderly conditions. The primary fiscal deficits have been revised to reflect the new Supplementary Budget in 2025 and widen over 2026–27 relative to the baseline, reflecting higher expenditure needs and the impact of weaker economic performance on revenues under this scenario. Deficit financing includes utilization of downside buffers built from disbursed ERA financing and higher issuance on the domestic government bond market.

- **Staff recognizes that risks to the downside scenario are exceptionally high.** Alternative downside scenarios are conceivable, including with a different war duration or a less durable peace outcomes; these, however, are premature to model at this stage given the still-evolving nature of the peace negotiations and the high uncertainty on their outcomes.

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

	Current Forecast				Change from Seventh Review			
	2024	2025	2026	2027	2024	2025	2026	2027
Downside								
Real GDP growth (%)	2.9	-1.0	0.0	3.8	-0.6	1.0	0.5	0.0
Inflation, eop (%)	12.0	13.0	9.0	7.5	0.0	0.0	0.0	0.0
Current account (% GDP)	-7.2	-17.5	-14.2	-3.7	-0.2	-0.6	-2.3	-0.5
Current account (US$ billion)	-13.7	-35.8	-28.4	-7.8	-0.3	-2.7	-5.0	-1.2
Current account balance excluding grants (US$ billion)	-25.0	-39.8	-28.9	-10.3	-0.3	-5.1	-5.0	-1.2
Goods trade balance (US$ billion)	-30.4	-42.9	-31.3	-28.9	-0.3	-6.0	-3.9	-1.1
FX reserves (US$ billion)	43.8	42.9	31.8	30.8	0.0	-2.4	3.3	-1.7
Overall fiscal balance (% GDP)	-17.2	-27.2	-22.4	-10.3	0.0	-3.5	-1.8	0.3
Overall fiscal balance, excl. grants (% GDP)	-23.4	-28.1	-22.7	-11.5	-0.3	-3.7	-1.8	0.3
Public debt (% GDP)	89.7	122.5	131.7	134.8	-0.1	4.8	3.5	3.0
Gross Reserves (% IMF composite metric (float))	125.4	102.6	70.1	65.5	4.2	-1.0	9.1	-1.0

Source: IMF staff estimates.

10. Risks to the program remain exceptionally high and pertain to the duration of the war, durability of international support, and maintaining reform momentum (Annex I):

- The war could intensify or be more prolonged, adversely impacting economic outcomes, underlying program assumptions, and the ability to restore sustainability.

- Reductions in external economic and military support could undermine an already challenging security situation, leading to weaker economic performance and open financing gaps, eroding policy buffers and the fragile social fabric.

- Reform fatigue and challenges to the political consensus could pose significant headwinds. Populist pressures and increased opposition from vested interests could make the authorities' reform efforts, including through the Parliament, more difficult.

- Conversely, an earlier end to the war could also unlock an upside scenario, conditional on adequate security guarantees, international support, as well as strong reforms. However, a less durable peace settlement or without sufficient 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.

Taken together, and with the currently available information, the baseline and downside scenarios continue to capture an adequate range of potential outcomes, as required under the EHU policy. However, compared with the Seventh Review, the ability of the program to accommodate additional adverse revisions to the downside has further diminished, as it would open a financing gap that would need to be filled in a way consistent with restoring debt sustainability, and would make it even more challenging to implement a set of policies that would restore medium-term external viability. Finally, as before, there continue to be scenarios outside of the range spanned by the program frameworks which would make the attainment of program objectives infeasible.

11. Overall enterprise risk remains significant and has increased since the 7th review. The primary reason for the increase in overall enterprise risk is attributable to the increase in *strategic risk*, stemming mostly from the uncertainty regarding the duration, intensity and evolution of the war, which remains exceptionally high. *Business risks*, including the challenges of designing and implementing the EFF-supported program have also increased, given the continuation of the war, uncertain progress of ceasefire discussions, growing reform fatigue, and resistance to revenue measures, a key program objective. *Strategic and business risks* are mitigated by the safeguards under EHU policy, including macroframeworks that are designed to be robust to a range of potential outcomes. *Strategic and financial risks* are also significantly mitigated by the ongoing, sustained, and broad-based international support to Ukraine as well as the capacity to repay assurances provided to the Fund by a significant group of Fund members. Program implementation risk continues to be mitigated by the program's design and the authorities track record under the EFF. As the war continues and risks to the program remain exceptionally high, *reputational risks* to the Fund are also likely to see a moderate rise as lingering questions of evenhandedness and the ability to maintain a UCT-program under extremely challenging conditions resurface. Operational risks have also risen as staff and the authorities continue to operate in a challenging environment to implement the program's objectives.

POLICY DISCUSSIONS

A. Macro-Fiscal Policies and Financing

Fiscal Policy in 2025

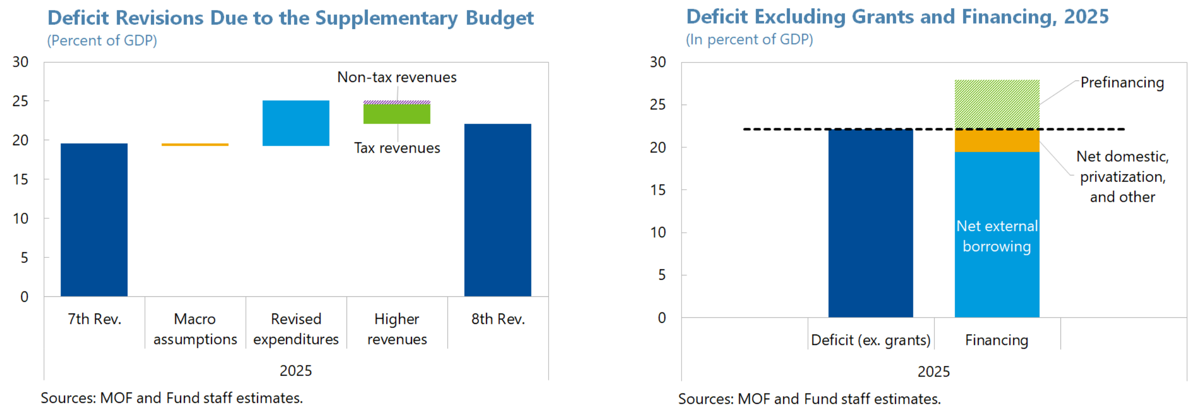
12. Defense expenditure needs for 2025 have increased, necessitating a Supplementary Budget (MEFP ¶12)**.** This budget has been integrated into the macroframework, including mitigating measures to lessen the overall effect on the deficit, although it has inevitably further eroded buffers built under the program. Any further shocks will require fully counterbalancing measures. The authorities will need to implement the revised fiscal and financing plans under the Supplementary Budget as follows:

- *Revenues and expenditures*: Net of some expenditure savings that the authorities have identified, general government expenditures are projected to be UAH 511 billion higher than in the Seventh Review. Projections of higher revenues excluding grants (up UAH 261 billion from the Seventh Review), including expectations that the strong Q1 tax performance will be durable will have an important offsetting effect. Both tax and non-tax revenues are expected to be higher, with the former benefitting from recently enacted tax measures and the latter boosted by an extra NBU profit transfer arising from earnings on burgeoning foreign assets from the frontloaded G7 ERA financial support.[3]

- *2025 deficit and financing*: The overall deficit excluding budget support grants is now projected at UAH 1,960 billion (22.1 percent of GDP), up UAH 250 billion from the Seventh Review. Appropriately, the authorities plan to finance the higher deficit by scaling up and aiming to extend the maturity of domestic bond issuance over the second half of the year. Regarding external disbursements, a portion of ERA financing previously expected to be disbursed this year has been shifted to 2026. Combined with the Supplementary Budget, the planned deposit accumulation for this year will now be US$12.2 billion, about US$5 billion lower than in the Seventh Review and used entirely for prefinancing the 2026 fiscal deficit. Next year, the profile of ERA disbursements will enable the accumulation of downside buffers of a similar magnitude as before, and consistent with the authorities' commitments to manage this financing in line with the program's parameters (MEFP ¶13).

[3] The recently enacted tax measures include an increase of the military tax rate from a package of tax measures that took effect in December and increases to excises on fuel and tobacco products to align them with minimums specified in EU directives.

Figure 3. Ukraine: Supplementary Budget for 2025 and Financing



Fiscal Policy in 2026–28 and Beyond

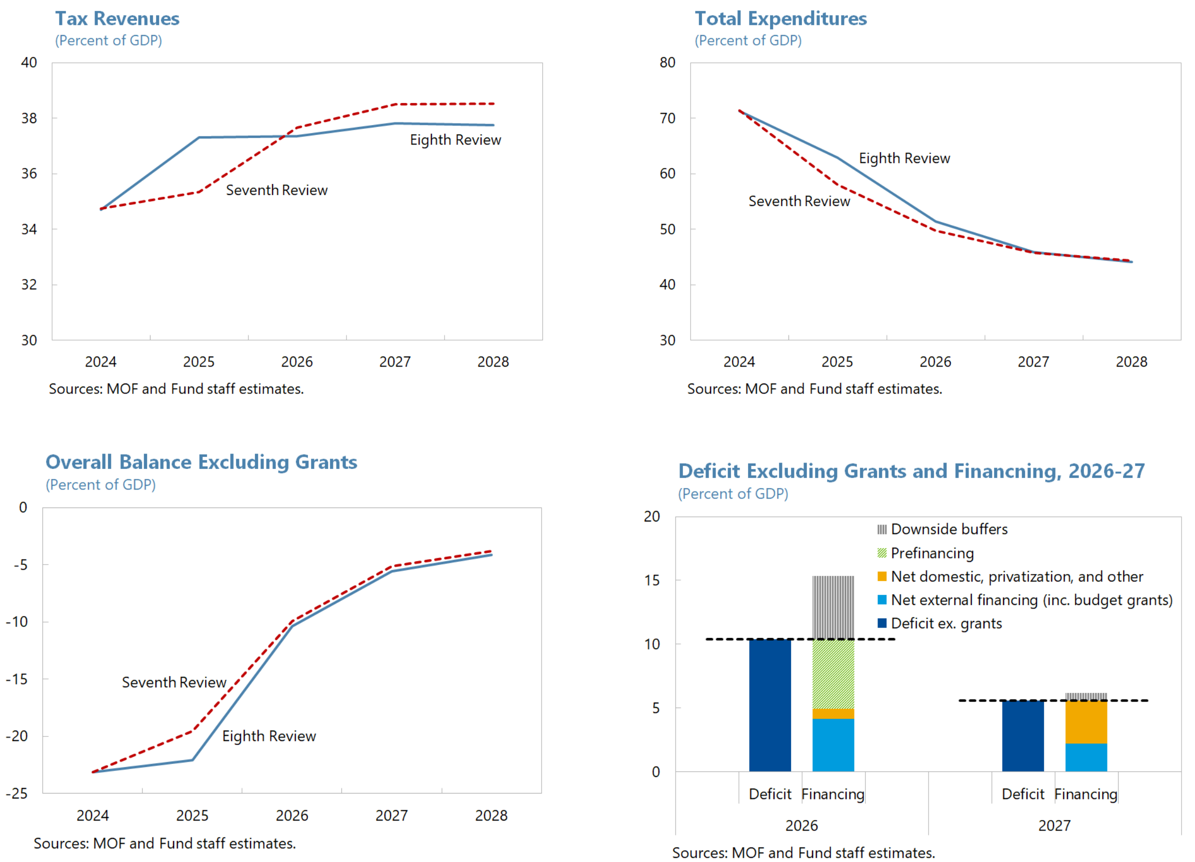
13. The Budget Declaration for 2026–28 has brought medium-term fiscal plans into greater focus, and its broad strategic priorities have been incorporated in the program. The authorities consulted staff in the preparation of the declaration, which is on track to be submitted to Parliament to meet the ***end-June structural benchmark*** (MEFP ¶14). This document, which assumes that the war will wind down this year, sets out the authorities' current thinking on security needs, non-defense expenditure priorities, and revenue policies over the next three years:

- *2026*: An overall deficit excluding grants of 10.4 percent of GDP is expected next year. The authorities' expenditure plans envisage that the immediate post-war security environment will still require high defense spending. Public investment will increase next year, consistent with reconstruction priorities, while social expenditures will be affected by indexation of the minimum subsistence level, which was last adjusted in 2024, and an increase to the medical guarantee program. Revenues will be kept at adequate levels, with the tax-to-GDP ratio remaining at least at the 2025 level. Prompt adoption and enactment of key tax legislation regarding taxation of sugary/carbonated beverages and income from digital platforms (¶15) will be important to delivering this objective, as will implementation of an enhanced method of collecting tax debts. With these measures, the deficit is only modestly higher and financed mainly by slightly higher external disbursements and the revised prefinancing parameters.

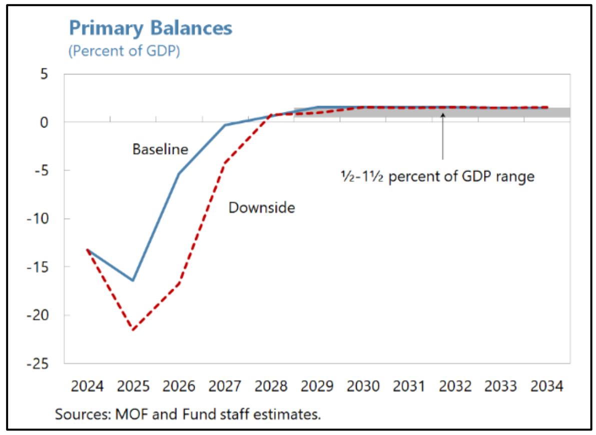
- *2027–28*: Fiscal deficits will continue to steadily narrow as gradual demobilization will allow for expenditure reductions. However, the authorities view defense needs as remaining permanently higher than previously envisaged. In part, they view maintaining a substantial level of national defense preparedness as necessary for creating adequate security conditions to facilitate the return of refugees and resettle IDPs to their pre-war places of residence. Social expenditures will reflect a return to the normal formula for indexation alongside continued growth in medical guarantees. On the revenues side, the declaration also includes the authorities' intentions to continue implementing reforms envisaged under the National Revenue Strategy, which would entail substantial progress toward implementing the program's revenue-based fiscal adjustment.

Overall, the budget declaration reflects key principles of the fiscal strategy and will lay the groundwork for the preparation of the 2026 Budget, which will be tabled mid-September. To offset expenditure needs over the medium term, the revised path for tax collections reflects an upward revision in revenues, which helps tax revenues to stabilize at 37.8 percent of GDP over the medium term, slightly lower than expected in the Seventh Review. Planned domestic revenue mobilization efforts over the medium term will be essential to deliver this path and restore debt sustainability and finance reconstruction. However, the post-war environment remains highly uncertain, with substantial security, social, and reconstruction needs. If additional expenditure pressures materialize beyond those in the budget declaration, the authorities will need to take further revenue measures—despite resistance that may arise from political and vested interests—including with respect to VAT, extending the military tax rate after the war, and combating tax avoidance/evasion. Moreover, any residual external financial support would have to be on terms consistent with restoring debt sustainability.

Figure 4. Ukraine: Fiscal Projections



14. Over the longer term, maintaining a primary surplus of around ½ to 1½ percent of GDP remains an essential component of restoring fiscal and debt sustainability. As before, revenue-based fiscal adjustment, debt restructuring (¶30), and concessional financing (including as committed by donors under the program; ¶33) are key ingredients to restoring sustainability. Both program scenarios envisage the primary balances returning toward the upper end of this range over the longer term, and consistent with the authorities' commitments under the program (MEFP ¶15).



B. Fiscal Structural Reforms

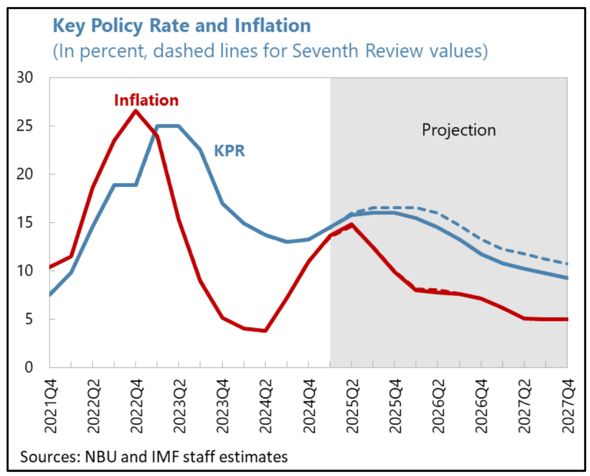
15. Effective implementation of the National Revenue Strategy (NRS) is essential for enhancing tax collection and improving the business climate. Staff welcome the considerable progress apparent from the authorities' recently published report on NRS implementation in 2024. The draft law **(end-April 2025 SB, met)** on reporting requirements for digital platform operators should be adopted quickly to bring a significant and growing sector of the economy out of the shadows. In mid-May, a working group was established to develop the operational plan **(end-September 2025 SB)** for the consolidation of IT systems of the MOF, the State Tax Service (STS), and the State Customs Service (SCS)—a major reform effort to modernize revenue administration and address governance weaknesses (MEFP ¶24). In the NRS, the successful implementation of this IT reform is a pre-condition for reforms to make the tax system more progressive and efficient. Staff urged the authorities to undertake additional efforts to level the playing field between regular taxpayers, "simplified" taxpayers, and the untaxed shadow economy. For example, more stringent efforts to collect VAT from retail businesses would ensure that goods produced in the shadow economy and smuggled imports are taxed at the point of sale.

16. Greater efforts are needed to jump-start the stalled customs reforms, which straddle revenue and governance areas. The selection of a new head of SCS is unfortunately delayed, as the CMU has yet to formally appoint the selection commission, which is a first step in the process. The authorities reiterated their commitment to SCS reforms and proposed a new sequencing to the reform process to enable greater domestic buy-in: (i) present a detailed SCS reform plan (***Prior Action***); (ii) once the plan is approved, engage with external partners to identify financing for SCS reforms, which they estimate could cost between US$0.4–US$1.2 billion for new equipment, training, salaries, etc. (by end-August); and (iii) once financing is identified, appoint the selection commission (by end-August) and appoint the new head of SCS by end-2025 (**end-June SB, *proposed reset to end-December 2025***). While staff considers that the appointment process could have proceeded concurrently with the development of the reform and financing plan, it will go along with the authorities' proposal on the expectation that the process will be completed by end-December. Nevertheless, given persistent delays in this reform, staff sees considerable risks to its timely completion. The mission also emphasized the importance of developing KPIs for the head of SCS. In line with good international practice, these KPIs should balance the need for revenue mobilization with other objectives, such as trade facilitation, governance, and risk reduction.

17. Public investment management reforms remain critical, and the authorities are making progress in line with the 2024 Action plan. The Strategic Investment Council will approve the annual update to the Single Project Pipeline (SPP) for the 2026 Budget **(proposed end-August 2025 SB)**, with projects prepared using the rigorous appraisal methodologies approved earlier this year. Staff emphasized the importance of rolling out training on project preparation (including for line ministries and local governments) and finalizing sectoral development strategies in time to provide strategic guidance for the formulation of the 2027 Budget ***(end-December 2025 SB)***.

C. Monetary and Exchange Rate Policies

18. The NBU should maintain a tight monetary stance until there is sustained evidence that inflation has peaked, while policies should be consistent with NBU's Monetary Policy Guidelines and program objectives.



- *To anchor inflation and expectations, the NBU should continue to maintain a tight monetary stance.* The NBU's policy actions thus far (¶4) have been appropriate given recent inflation outturns and projections. The decline in inflation needs to be secured, and further policy actions should remain data-driven, with a readiness to raise the KPR should inflationary risks, including from unexpected pressures from the Supplementary Budget, or there be a significant deterioration in expectations. The tight stance, primarily through the KPR, will also help preserve the attractiveness of hryvnia instruments, particularly term deposits, thereby limiting FX and thereby inflationary pressures. Albeit weak, the monetary transmission of the KPR has improved in recent months, primarily through deposit rates and government bond yields; the NBU should continue monitoring to determine whether further adjustments are needed to effectively transmit the tight monetary stance (MEFP ¶45), including via banks' limits on 3-month CDs and reserve requirements (which banks can meet using government bonds).

- **The NBU's FXI strategy should support exchange rate flexibility.** Consistent with program objectives and guided by the NBU's Strategy on transitioning to greater exchange rate flexibility and return to full-fledged inflation targeting (IT), 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, which is warranted in view of the prevailing uncertainty; it would also prevent the buildup of external imbalances, which is fundamental to restoring medium-term external viability. Furthermore, over-reliance on FXI to achieve near-term price stability can undermine the restoration of the inflation target as a nominal anchor in the envisioned eventual transition to IT. To this end, FXI should be appropriately calibrated to support consistency with the program objectives, including to ensure adequate reserves. To safeguard reserves and maintain buffers amid elevated near-term risks, the authorities have requested to tighten the NIR target for end-September 2025 (¶28; MEFP ¶47). Finally, in view of the envisaged reallocation of some external financing from December 2025 to the first half of 2026, and to accommodate the impact of the Supplementary Budget, NIR floors were somewhat lowered for end-December 2025 and end-March 2026.

19. The NBU should continue to carefully calibrate new FX liberalization measures in line with its Strategy, balancing external stability with supporting the recovery. The NBU recently eased FX controls to help support growth (including increased financing limits for foreign branches and enhanced cross-border transfer capabilities), and tightened measures to limit unproductive outflows (including enhanced currency supervision and regulations on settlement mechanisms for imports). The NBU should continue to employ—in consultation with the IMF—a judicious, data-driven approach when considering new measures and assessing the macro-criticality and potential trade-offs between supporting growth and safeguarding external stability, given heightened risks to the outlook. Close monitoring to ensure compliance and limit circumvention should continue. Such caution will also be warranted as the NBU aims to gradually phase out FX controls in the post-Martial Law period, consistent with its conditions-based Strategy.

20. The NBU continues to implement the recommendations of the 2023 safeguards assessment. The NBU has taken steps toward enhancing its secured creditor status, improving Audit Committee oversight, and establishing a mechanism to strengthen the NBU Council's overall collective fitness; legal amendments are being prepared to implement these measures, the appropriate timeline for which will be evaluated as these reforms advance. Progress continues towards filling vacancies on the Council (MEFP ¶50; where more time is required). Fulfilling these goals will further strengthen the NBU's credibility, operational capacity, and governance.

D. Financial Sector

21. The authorities continue to monitor financial sector resilience as well as strengthen capacity and safety nets:

- *The NBU's 2025 Resilience Assessment of the banking sector is almost complete (MEFP ¶53)*. The assessment includes a combination of loan file reviews involving external auditors, and solvency stress testing under baseline and adverse scenarios. It is expected that the exercise will be completed by end-December 2025 and the results will inform a schedule for closing outstanding gaps in regulatory capital requirements, harmonization of regulations with EU acquis, as well as updating contingency plans.

- *Legislative and operational changes are being implemented to close key gaps in early intervention, temporary administration, and resolution of insolvent banks (MEFP ¶55)*. Supportive legislative changes are expected to be adopted by end-December 2025. The NBU-Deposit Guarantee Fund (DGF) coordination committee has been revived and a 2025 engagement plan for joint NBU supervision and DGF oversight of problem banks, including through onsite inspections, has been agreed and is being implemented. 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.

- *The NBU is taking steps to mitigate growing critical third-party risk in banks, non-bank financial institutions, and payments service providers* **(end-September SB, *proposed to be reset to end-June 2026*)**, *(MEFP ¶59).* The aim is to detect, contain, and mitigate critical third-party risk under both going- and gone-concern conditions. A concept note was prepared in May 2025, which identified that due to legal and operational complexities, more time is needed to implement further steps including: (i) enhancing regulatory requirements to address third-party risk for banks and non-banks by end-March 2026; (ii) implementing the requirements by end-June 2026; and (iv) if needed, a draft law will be developed and submitted to parliament.

- *The NBU has aligned banks' regulatory capital structure and leverage ratio calculations with EU rules and will implement capital requirements in 2025 (MEFP ¶58).* With support of the World Bank, the NBU has closed key gaps in minimum capital requirements relative to EU standards. In addition, the NBU has updated the requirements for credit risk weighting exposure and introduced provisions for calculating settlement risk. The implementation of the new requirements will be phased to facilitate banks integrating them into their business plans. To align with the EU Directive, legislative amendments have been submitted to parliament to increase banks' minimum share capital to the equivalent of EUR 5 million, which includes a six-month transition period for existing banks.

- *The NSSMC is gradually working to strengthen governance and operational capacity in preparation for implementation of the IOSCO Principles and aligning capital flow measures for non-banks with those applied to banks (MEFP ¶60)*. The NSSMC continues to address chronic shortfalls in its operational capacity following the resignation of approximately a third of its most experienced staff in the past year. The challenges are significant given the difficulties in attracting new staff (including salary), the need to train new staff, and the substantial workload related to financial market infrastructure reforms needed to support reconstruction and recovery. An independent fit and proper review of the NSSMC Chair and Commissioners is, after considerable delay, underway **(end-June SB, proposed to be reset to end-August 2025)** (MFEP ¶60). It is based on an updated Code of Ethics prepared in consultation with the World Bank and adopted as part of IOSCO standards implementation and includes new conflict of interest rules. The procurement process has unfortunately resulted in repeated delays starting the review, which is now underway, and staff are monitoring progress. To strengthen capital flow restrictions, the NSSMC issued a regulation in mid-June 2025 requiring OTC FX bond operations carried out by non-banks to be settled through the Settlement Center.

22. The authorities will implement changes to the mortgage finance "eOselia" program by end-June 2025 (MEFP ¶57), after consultation with IFIs and other stakeholders. The program is being implemented by the Ukrainian Financial Housing Company (UFHC) and the reforms balance the need to provide affordable housing at scale, encourage new construction, and minimize the use of scarce fiscal resources. The authorities have committed to not allocate any further budget resources to the UFHC in 2025 until the strategy is complete.

23. Closing significant gaps in market instruments and infrastructure is imperative to support reconstruction and recovery through inward private investment (MEFP ¶62–63).[4] Current gaps in market standards and infrastructure limit the prospects for attracting foreign private capital, which needs to play a critical and large-scale role in Ukraine's reconstruction financing. The authorities prepared a concept note in May 2025 to consider coordination arrangements to close key market infrastructure gaps while strengthening market accountability and oversight. An interagency working group, which includes all policy stakeholders, has been formed under the Financial Stability Council.

- *The NBU and NSSMC will prepare a prioritized roadmap for financial market infrastructure reforms in consultation with IFIs and other stakeholders that is aimed at maximizing the opportunity to attract private capital* (**proposed end-October 2025 SB**). The roadmap will set out activities to (i) further coordinate and develop public, private, and public-private deal pipelines; (ii) engage with industry on market instrument reforms; (iii) prioritize new market instruments, including securitizations, covered bonds, loan syndications, loan sub-participations; and (iv) reform existing investment frameworks (including JIIs) and lending instruments (such as factoring and leasing).
- *Legislative proposals to align the securitizations and covered bonds frameworks with international standards are being prepared* (**proposed end-March 2026 SB**). Such instruments are key to enable institutional investors to acquire and hold Ukraine assets while adhering to their strict risk limits.
- *Local valuation standards are outdated and need to be aligned with European (TEGOVA) and international valuation standards (IVS)* **(proposed end-December 2025 SB)**. This will enhance confidence in valuations of real estate and bank collateral for all economic entities and public authorities, and thus facilitate cross-border transactions. Key steps include: (i) submitting to Parliament by end-August 2025 amendments to the valuations law; (ii) adopting the law by end-December 2025; and (iii) proposing 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.
- *The ownership structure of the National Depository of Ukraine (NDU)* is being adjusted to facilitate preconditions to attract international investors *(MEFP ¶61)*. A roadmap is being

[4] See Box 2 of the Seventh Review Staff Report.

prepared by end-July 2025 to facilitate the transfer of the state's share in the NDU's authorized capital to the management of the NBU.

- *War risk insurance system (MEFP ¶61)*. To safeguard the interests of households and businesses, and to facilitate compensation for damages caused by war risks materializing in Ukraine, a draft law (#12372) was submitted to Parliament in December 2024 following public consultation. The authorities expect Parliament to adopt the law by end-December 2025.

- *Closing gaps in supportive infrastructure will also be important*. This includes implementation of the new investment funds draft law to align with EU acquis as well as strengthening land and cadastral registers, property price registers and indices, credit data registers, insolvency and enforcement regimes, non-performing loans market, etc.

24. Financial sector governance continues to be strengthened:

- *A review of governance arrangements at the DGF is due by end-September.* The key reforms being prepared include strengthening DGF accountability (through updated risk management, internal controls, and decision-making structures) as well as introducing a formal and independent process for recruitment of the DGF managing director.

- *The MoF will update State-Owned Banks (SOB) Nomination Committee (NomCom) rules on the selection of independent supervisory board members by end-August 2025 (MEFP ¶70)*. The NomCom processes will be updated, in consultation with all participating IFIs, based on observed gaps in past SOB NomComs.

E. Governance

25. Sustained governance reforms and effectiveness can mitigate corruption risks in key sectors (MEFP¶65–68). Continued efforts to advance on the anti-corruption agenda will be critical, especially in sectors with severe governance vulnerabilities. Considering their importance to enhancing public trust, levelling the playing field, and achieving EU membership, the authorities should stay the course on anti-corruption reforms, specifically:

- ***Criminal Procedure Code.*** The authorities re-emphasized their commitment to amend the criminal procedural code to facilitate corruption investigations and prosecutions within the rescheduled target date (**end-July 2025 SB**). In addition to the recommendations from the NABU external audit report and the recent OECD report, the CMU integrated this reform measure in the May 2025 Roadmap for the Rule of Law towards EU membership. The authorities are making efforts to garner sufficient stakeholder support for timely enactment of the government-sponsored draft law, which is consistent with the elements of the SB. Overall, strong legal frameworks contribute to the effective sanctioning of corruption and mitigate opportunities for procedural abuse, delays or obstruction.

- **NABU External Audit.** In May, the authorities published the first external audit report of the NABU conducted by three independent experts with international experience **(end-July 2025 SB met).** The report found the NABU as moderately effective overall during the evaluation period, and substantially effective in detecting and investigating high-level corruption. It also recommended removing technical obstacles to NABU's autonomous wiretapping authority and ensuring timely and impartial access to forensic expert services, which is aligned with the authorities' commitments (MEFP ¶67, 3rd and 4th bullets). In line with its National Strategy 2025–2030, the NABU will publish an action plan to implement the external audit recommendations, including strengthening internal control mechanisms, optimizing organizational leadership and functions, and enhancing interagency cooperation.

- **Asset Declarations.** To make the most of the information in asset declarations, the NACP with IMF technical assistance will issue by end-September further guidance on methodologies for comprehensive verification of asset declarations and lifestyle monitoring with a focus on high-risk sectors such as revenue (tax and customs), procurement (especially for reconstruction and recovery), and energy.

- **Ultimate Beneficial Ownership (UBO).** By September 2025, changes to the Martial Law procurement decree No.1178 will be adopted by the CMU, which will require the publication of UBO information for companies that have received direct contracts or contracts concluded under a negotiated procedure for public procurement (**MEFP ¶70**).[5]

26. The authorities commit to further strengthen SOE corporate governance (MEFP ¶74–75).

- The independent evaluations of the supervisory boards of GTSO, Naftogaz and Ukrenergo have been finalized ahead of the end-May timeline, with all three boards currently implementing the recommendations. We welcome the appointment of the new Naftogaz CEO by its supervisory board, while the GTSO and Ukrenergo supervisory boards should also promptly appoint the new CEO under OECD standards. In particular, it will be important that the corporate governance achievements of Ukrenergo since late last year are safeguarded so that the supervisory board has full operational capacity and can act independently according to OECD principles. At the same time, the authorities commit to quickly select the fifth supervisory board member of Energoatom under OECD standards and to expand the Board to seven members, commensurate with the macro-criticality of the SOE and the tasks of the Board.

- The authorities continue to implement the State Ownership Policy (SOP) as per the SOP Action Plan, and the CMU recently adopted a Public Service Obligations (PSO) Action Plan for PSO separation of accounts (part of the EU Ukraine Plan). The authorities continue to implement a

[5] Moreover, 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. Respective changes will also be reflected in the draft Law "On Public Procurement" (No.11520) before the Second Reading.

framework for privatization and prepare a final concept for consolidated SOE management, while a review of the SOP is due by end-December 2025. In particular, the ultimate goal of centralizing SOE ownership should be to professionalize the state's ownership function and should rest on a clear legal mandate, and would require careful design including steps to reinforce MOF's strong gatekeeper role, limit quasi-fiscal risks, incorporate robust safeguards, and ensure professional merit-based leadership.

- To strengthen SOE supervisory boards, the authorities will revise the selection and appointment processes for SOE supervisory board members and modify the relevant CMU by-laws Resolutions 142 and 143 in consultation with international partners ***(*end-August 2025 SB*)***. The efficiency of the nominating committees should be enhanced, including in terms of transparency and processes as well as a roadmap for medium-term reforms to streamline and centralize the selection procedures.

F. Energy

27. The authorities are focusing their attention to prepare for the next heating season and to make the energy sector more resilient and decentralized (MEFP ¶76–79).

- While the authorities continue to repair the damage to energy generation capacity in 2025 and add additional generation capacity, they are also replenishing gas reserves via imports ahead of the next heating season. In particular, Naftogaz is implementing a comprehensive plan to import gas in 2025 to replace the domestic production lost due to attacks on the gas infrastructure. To finance these gas purchases, Naftogaz is expected to rely mostly on IFI and bilateral donor support, with the remainder financed through its own cash buffers and domestic bank financing; no additional budgetary outlays for gas imports are expected.

- The development of a legal accountability framework for the energy regulator NEURC is progressing. A NEURC draft law has been developed, which includes the legal provisions for an external audit of NEURC's independence and governance framework. The finalization of such an external audit by the Energy Community Secretariat (ECS) will require more time **(end-October SB*, proposed to be reset to end-December 2025*)** to be aligned with the timetable of the NEURC draft law. Importantly and in close consultation with international partners, the authorities commit to fill the three vacant positions for the NEURC Commissioners on a timely basis and consistent with the legal provisions in the law.

- Given the importance of the post-war energy architecture, the authorities commit to commence work for an energy roadmap to gradually liberalize gas and electricity markets, particularly with respect to strategies on tariffs, PSOs, and protecting the most vulnerable households (see Box 1).

Box 1. Ukraine: Energy Roadmap for Post-War Ukraine

Despite frequent large-scale energy attacks during the war, Ukraine's energy sector has remained resilient thanks to repairs, new generation capacity and imports backed by strong international donor support. In the first half of 2024, approximately half of generating capacity was severely damaged or destroyed (around 9GW), requiring constant and additional repairs. In early 2025, up to 50 percent of Naftogaz's gas infrastructure was also attacked and temporarily damaged, causing a sharp drop in gas production and driving gas storage down to historically low levels. Both incidents highlight the challenges and needs of the energy sector as the war continues and increasingly focuses on energy and other critical infrastructure. Meanwhile, households and firms are adapting by installing generators or taking advantage of the potential to import from Europe. According to the World Bank Fourth Rapid Damage and Needs Assessment (RDNA4), total damages in the energy and extractives sectors since the invasion amount to $20.5bn with recovery and reconstruction needs estimated at $68bn (13 percent of the total needs).

While the current priority of the authorities is to address the impact of the war on the energy sector, there is also urgency to prepare the sector's post-war reform agenda and address legacy challenges:

- While household electricity prices have been increased in 2023 and 2024 from a low base, heat and water tariffs have been subject to price moratoria since the beginning of the war. Despite the increases, household electricity prices are estimated to cover around half of the price for small business customers in Kyiv (OECD, 2025), while household gas prices are roughly 50 percent of cost recovery levels based on market exchange gas prices. A plan is needed to create a sustainable sector in the post-war period (including to reduce quasi-fiscal liabilities), where utility prices are consistent with cost recovery and a new tariff methodology is introduced that accounts for social considerations. Tariff increases would help restore profitability in the consumer energy sector, alleviate debt burdens in pockets of the sector, and stimulate entry and competition in wholesale and retail energy markets, while incentivizing energy efficiency measures. At the same time, the most vulnerable households need to be protected from higher tariffs, including through revision of the Housing Utility Subsidy (HUS) to increase its effectiveness and targeting. A major challenge in this respect will be the appropriate definition of vulnerable households in need of support.
- The discrepancy between household tariffs and production costs is supported by a system of subsidies falling under Public Service Obligations (PSOs). Examples of PSOs include Energoatom (nuclear power producer) and Ukrhydroenergo (hydropower producer) compensating the Guaranteed Buyer for the difference between the wholesale and household PSO electricity prices, or Naftogaz providing gas to households at a regulated price. Gas tariff differentials particularly impact District Heating Companies (DHCs), which currently owe UAH100 billion to Naftogaz for accrued legacy debt, and which in turn do not receive enough tariff compensation from households given the regulated price. For instance for 2023, gas price subsidies amounted to EUR 2.9 billion for households and EUR 1.7 billion for DHCs (OECD, 2025). Under the EU Ukraine Plan, the authorities are implementing a PSO reform roadmap. Overall, the PSOs and tariff differentials amid regulated prices have led to a complex energy system with a sizable debt among some key market players, which has been growing during the war, as no fiscal space in the state budget exists to compensate SOEs for their PSOs.

The authorities intend to adopt a roadmap for the gradual liberalization of gas and electricity markets within six months of the end of Martial Law, with a time-bound implementation plan for the post-Martial Law period. Such a roadmap is also part of the EU Ukraine Plan (Q2 2026). The roadmap would cover proposed PSO reforms, plans for gradual tariff increases/ tariff methodologies, mechanisms to deal with the legacy debt and arrears in the energy system by different energy players, as well as a comprehensive protection scheme for the most vulnerable households. While significant uncertainties exist during the wartime for the evolving energy sector, there is scope to advance technical analysis of the financial conditions of the sector, aided by international partners. A working group of key government

Box 1. Ukraine: Energy Roadmap for Post-War Ukraine (concluded)

stakeholders, including macro critical SOEs, would help advance work on the roadmap and coordinate technical analysis. While the implementation of the measures would be for the post-war period, care should be taken, drawing on international experience, to avoid a piece-meal approach, whilst building political consensus amid strong consistent communication will be of utmost importance to ensure timely and effective implementation. Given the high uncertainty prevailing in the war context, it will be key to conduct scenario analysis to ensure the success of the roadmap in the conditions that will prevail after the end of the war. The decentralized and more EU integrated energy sector, including in renewables, is bound to play a crucial role in the post-war recovery of Ukraine towards EU accession.

PROGRAM ISSUES

A. Conditionality

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

- *Request to modify quantitative performance criteria:* The authorities are requesting a modification of the floor on the non-defense primary cash balance of the general government to recalibrate an adjustor for the end-June and end-September test dates pertaining to the NBU's annual profit transfers to the budget to accommodate an additional distribution in May 2025 (¶12, first bullet). The authorities are also requesting to tighten the end-September 2025 NIR QPC, reflecting their objective of maintaining buffers in an environment of elevated near-term risks.

- *Structural conditionality:* The authorities are proposing four new SBs (Table 4): (i) on the SIC to approve the updated Single Project Pipeline (end-August 2025); (ii) preparation by the NBU and NSSMC of a prioritized roadmap for financial market infrastructure reforms in consultation with IFIs and other stakeholders (end-October 2025); (iii) implementation of European and international valuation standards (end-December 2025); and (iv) preparation of legislative proposals by NSSMC for submission to parliament to align the securitization and covered bonds frameworks with international standards (end-March 2026). As a prior action for this review, the authorities will submit to the CMU a reform plan for the state customs service (SCS).

29. ***Rephasing:*** The authorities are requesting a rephasing of purchases under the extended arrangement in 2025 within the existing envelope of the access to allow modest backloading to align IMF financing with the profile of Ukraine's expected balance of payments needs, amid higher-than-previously projected reserve buffers in 2025Q3, a shift of some external financing from 2025Q4 to 2026, and higher balance of payments outflows later in the year, as well as to provide more time to advance reforms. Specifically, the authorities are requesting to combine the existing Ninth and Tenth Reviews into a new Ninth Review that is expected to take place in 2025Q4, combining the purchase that would have been available at the Ninth Review (SDR325.8 million) with the purchase that would have been available at the Tenth Review (SDR791.44 million). It is proposed that the new, Ninth Review be subject to end-September 2025 QPCs and consequently, end-June 2025 QPCs are proposed to be converted to ITs. Staff will remain very closely engaged with the authorities prior to the Ninth review, including in the context of work on the 2026 budget, while the authorities' program track record thus far under the EFF gives adequate confidence on their commitment to continue reforms during this period.

Text Table 4. Ukraine: Current and Proposed Schedule of Reviews and Available Purchases

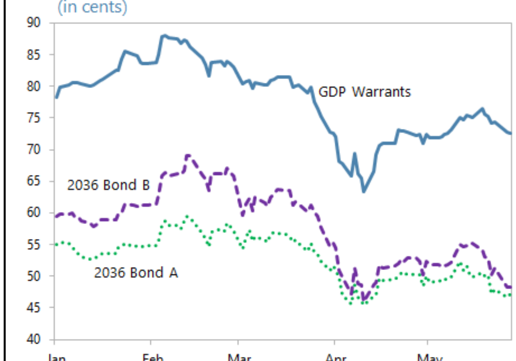
Availability Date	Proposed Schedule	Current Schedule
March 31, 2023	2,011.83	2,011.83
June 15, 2023	663.90	663.90
October 13, 2023	663.90	663.90
February 29, 2024	663.90	663.90
June 15, 2024	1,669.82	1,669.82
September 1, 2024	834.88	834.88
December 1, 2024	834.88	834.88
March 1, 2025	300.47	300.47
June 15, 2025	373.53	373.53
August 31, 2025	-	325.80
December 1, 2025	1,117.24	791.44
March 1, 2026	930.51	930.51
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

30. The authorities continue to implement their strategy to deliver the program's debt sustainability objectives. Prices on Ukraine's restructured Eurobonds and GDP warrants have fluctuated since the Seventh Review as investors have absorbed developments regarding the war and prospects for peace discussions. Key developments on different elements of the restructuring perimeter since the Seventh Review include:

Prices of Selected Eurobonds and GDP Warrants
(in cents)



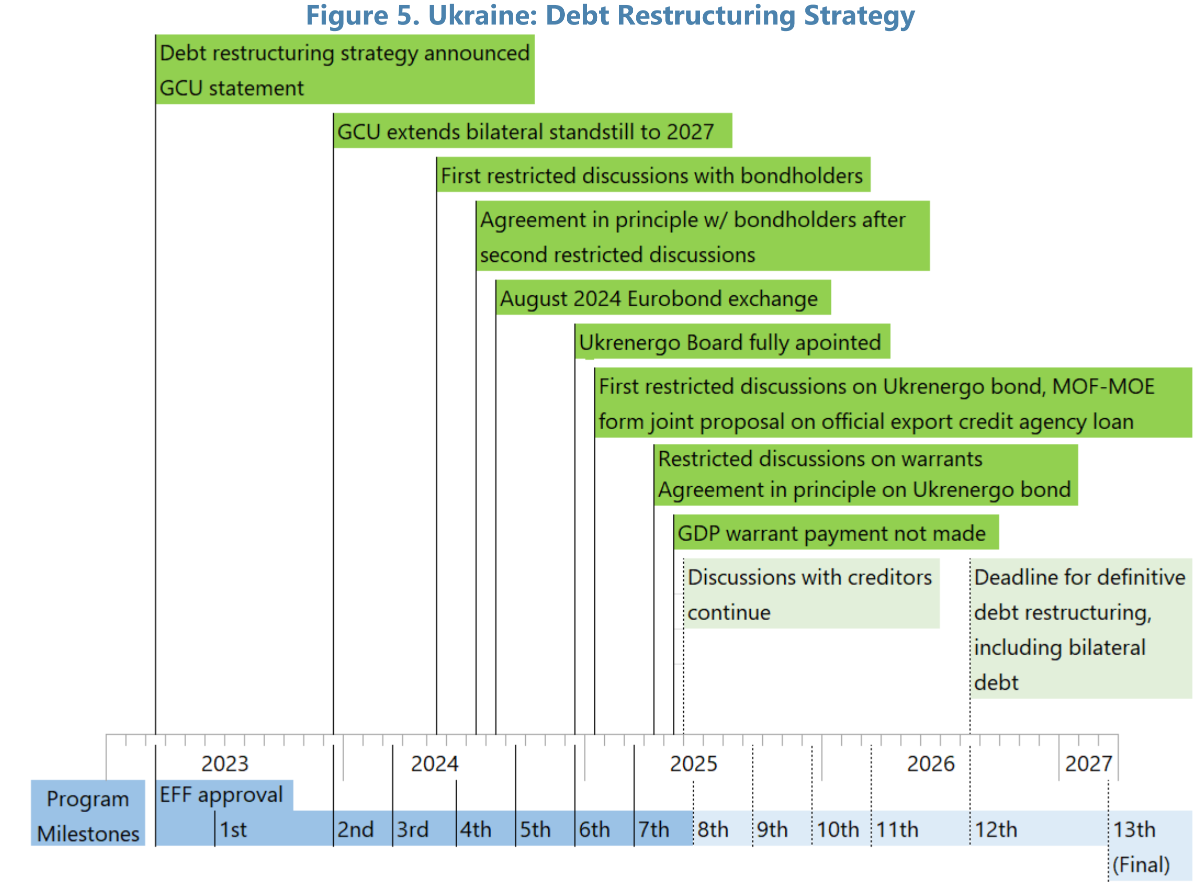
Source: Bloomberg.

- *GDP warrants*: The authorities and a group of warrant holders held restricted discussions over April 15–24, without reaching an agreement. At end-May, the authorities did not make a US$665 million payment due on the GDP warrants, consistent with the moratorium law that precludes payments on these and other external debts subject to debt operations under the authorities' restructuring strategy. The authorities continue to engage with warrant holders with a view toward reaching a comprehensive resolution of these securities (see also ¶31).

- *Other commercial claims*: On April 28, Ukrenergo announced agreement-in-principle with investors holding 45 percent of its sovereign-guaranteed bonds. The envisaged transaction entails two options: first, a tender to repurchase a portion of bonds using financing backed by an official development finance agency, and the second as an exchange of the remaining bonds into unguaranteed bonds (thus removing this claim from the public debt stock). The transaction is expected to be executed in the coming months. As for the government's loans owed to a commercial creditor in the restructuring perimeter, the authorities continue reaching out in hopes of further discussions.

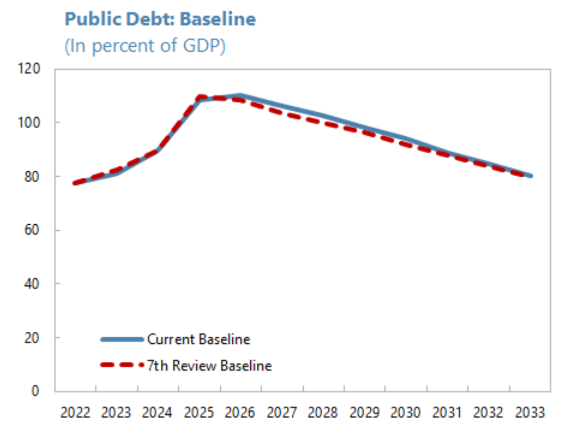
- *Official bilateral claims*: The Group of Creditors of Ukraine's (GCU) standstill remains in effect and the authorities' ongoing consultations with the GCU on the overall strategy bodes well for a successful treatment of these claims in line with the program's parameters. On a loan owed by a Ukrainian SOE to an official export credit agency, formal communications have been sent and the creditor has responded requesting further information.

Figure 5. Ukraine: Debt Restructuring Strategy



Source: IMF staff

31. The baseline debt trajectory shows modest revisions since the Seventh Review. Overall, public debt is projected at 80.4 percent of GDP in 2033, only modestly higher than in the Seventh Review, as the revisions to the primary balances, including for the supplementary budget were largely offset by revisions to other macroeconomic variables, which resulted in higher nominal GDP. The debt trajectory remains downward over the medium-term. Additionally, staff has not observed any information that would warrant any revision to its approach to incorporating ERA flows in the debt stock and sustainability assessment (Text Table 5).



Sources: IMF staff estimates.

Text Table 5. 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

32. Staff assesses that the policy requirements on debt sustainability, arrears, and financing assurances are in place to proceed with the Eighth 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 the obligations arising from the ERA financing; and (iii) the authorities' good faith efforts toward the ongoing debt restructuring process on claims that are in arrears and a credible ongoing debt restructuring process on claims that are not in arrears and on a second-stage restructuring. In particular, for the second-stage restructuring, the process 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 (MEFP ¶42). Together, this as well as the authorities' work to adjust the restructuring strategy as needed, 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 the GDP warrants, 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. These ongoing discussions 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 the 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) implement their strategy to deliver the program's debt sustainability objectives, including as regards a comprehensive treatment of the GDP warrants following the emergence of arrears on the end-May 2025 payment; (ii) efforts to execute the restructuring on the Ukrenergo bonds; (iii) continued engagement with warrant holders, which the authorities expect to continue; (iv) ongoing communication with a commercial creditor; (v) work toward a consolidated proposal on a government-guaranteed 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

33. The cumulative financing gap under the baseline has increased by US$4.1 billion to US$152.9 billion, primarily reflecting the change to fiscal financing needs. 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:

- *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 and financing needs. The full ERA envelope, equivalent to US$49.2 billion based on WEO exchange rates, has been incorporated into the baseline; this is partly used to build adequate buffers to prefinance the 2026 budget and for the downside.

- *Updates to external financing sources*: Changes to the external sources to fill the updated financing gap include among others: (i) updates to loan financing from the World Bank and (ii) revised cross exchange rate assumptions.

- *Downside scenario financing gap*: The cumulative financing gap is projected at US$165.3 billion, higher by US$2.4 billion than at the Seventh Review, reflecting changes carrying over from the baseline.

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**	**46.2**	**45.1**	**26.5**	**1.8**	**152.9**
B. Official financing (excl. IMF) 3/ 4/	**38.0**	**36.4**	**51.9**	**20.0**	**1.9**	**139.0**
EU 5/	19.5	17.3	13.5	7.8	0.5	53.8
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	0.8	0.2	0.0	6.4
Other 8/	0.3	0.2	0.2	0.0	0.0	0.5
ERA 9/	0.0	1.0	35.9	11.0	1.3	49.2
C. IMF (prospective)	**4.5**	**5.3**	**2.4**	**2.2**	**1.1**	**15.4**
D. Flow relief from debt operations 10/	**0.0**	**4.4**	**3.0**	**3.2**	**0.2**	**10.8**
E. Budget prefinancing 11/ (- = accumulation)	**…**	**…**	**-12.2**	**12.2**	**0.0**	**0.0**
F. Downside buffers 11/ (- = accumulation)	**…**	**…**	**0.0**	**-11.1**	**-1.3**	**-12.4**
Memorandum items:						
Underlying BoP gap 12/	31.1	43.3	48.2	26.0	2.4	144.9
Gross international reserves (+ = accumulation)	11.4	2.9	9.1	-0.6	0.7	20.4
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	53.4	52.8	53.5	…
% of composite metric	130.2	125.4	125.5	114.0	…	…

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 May 22, 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 2026Q3 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$468 million over 2023-25—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 May 22, 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$12.2 billion of 2025 frontloaded external disbursements are assumed to be used to prefinance the 2026 budget; US$11.1 billion and US$1.3 billion are used to build buffers for the downside in 2026 and in 2027Q1, respectively.
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)

	25Q3 thru 26Q2
A. Financing gap (excl. downside buffers) (B+C+D+E+F) 1/	**42.9**
B. Official financing (excl. IMF) 2/	**42.4**
EU 3/	14.6
Japan 4/	0.3
UK 4/	1.5
World Bank 5/	0.7
Other 6/	0.1
ERA 7/	25.2
C. IMF (prospective)	**2.7**
D. Flow relief from debt operations 8/	**3.3**
E. Budget prefinancing 9/ (- = accumulation)	**0.0**
F. Downside buffers 9/ (- = accumulation)	**-5.6**

1/ The financing gap shows external financing needs from a fiscal perspective incl. the buildup of doswide buffers.
2/ Based on available information as of May 22, 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 May 22, 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$12.2 billion of 2025 frontloaded external disbursements are assumed to be used to prefinance the 2026 budget; US$11.1 billion and US$1.3 billion are used to build buffers for the downside in 2026 and in 2027Q1, respectively.

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**	**46.2**	**45.1**	**37.6**	**3.1**	**7.8**	**15.2**	**12.8**	**12.3**	**10.0**	**9.7**	**9.3**	**165.3**
B. Official financing (excl. IMF) 3/ 4/	**38.0**	**36.4**	**51.9**	**20.0**	**1.9**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**139.0**
C. IMF (prospective)	**4.5**	**5.3**	**2.4**	**2.2**	**1.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**15.4**
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)	**...**	**...**	**-12.2**	**12.2**	**0.0**	**...**	**...**	**...**	**...**	**...**	**...**	**...**	**0.0**
Memorandum items:													
Underlying BOP Gap 8/	31.1	43.3	58.3	36.5	3.4	8.6	11.2	7.9	7.2	5.2	5.6	4.1	166.4
Gross international reserves (+ = accumulation)	11.4	2.9	-0.9	-11.1	-0.2	-0.7	3.9	4.9	5.1	4.9	4.1	5.2	-1.1
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	-2.2	-2.5	-2.8	-2.1	4.0
Gross international reserves	40.5	43.8	42.9	31.8	31.8	30.8	34.8	39.7	44.8	49.7	53.8	59.0	...
% of composite metric	130.2	125.4	102.6	70.1	...	65.5	71.9	79.0	86.4	91.9	96.4	102.1	...

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 May 22, 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$12.2 billion of frontloaded external disbursements are assumed to prefinance the 2026 budget.
8/ Underlying BOP gap indicates the decrease in reserves absent official financing and IMF support.

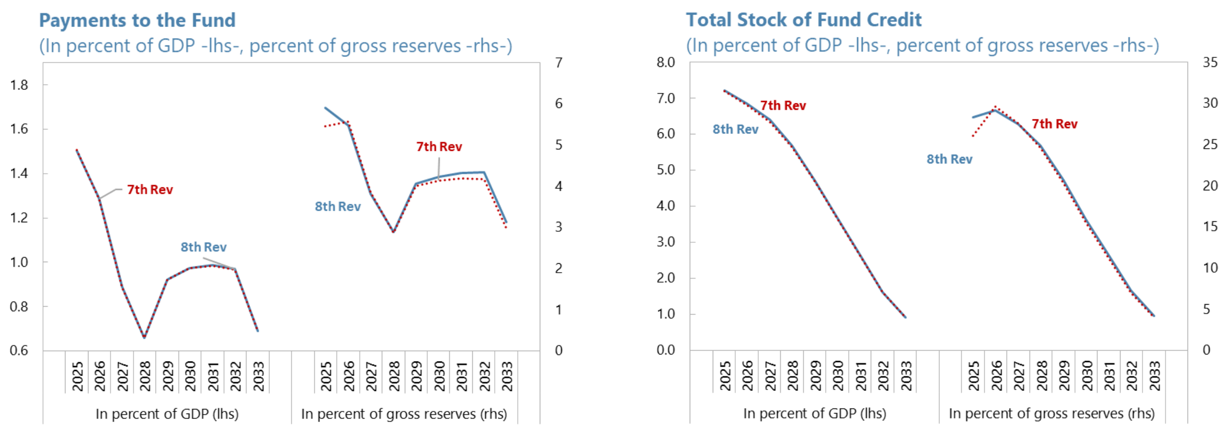
34. The joint and several capacity-to-repay (CtR) assurance provided by a significant group of creditors/donors at program approval remains valid. The assurance is required in view of the continuing exceptionally high uncertainty around the scale, intensity, and duration of the war. Consequently, the 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 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.[6]

35. Indicators of capacity to repay the Fund remain in line with levels observed at the Seventh Review (Figure 6). Under the baseline scenario, the stock of total Fund credit is expected to peak at 7.2 percent of GDP in 2025 and 29.2 percent of gross reserves in 2026. Debt service to the Fund would peak at 1.5 percent of GDP and 5.9 percent of gross reserves in 2025. A materialization

[6] 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 Articles of Agreement.

of downside risks would increase these ratios: outstanding credit to the Fund would peak at 7.7 percent of GDP in 2026 and 49.5 percent of gross reserves in 2027; debt service to the Fund would peak at 1.5 percent of GDP in 2025 and 9.1 percent of gross reserves in 2026.

Figure 6. Ukraine: Indicators of Capacity to Repay the Fund



Source: IMF staff estimates.

Source: IMF staff estimates.

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36. More than halfway into the 4-year EFF, the war continues, leaving limited space under the current program to absorb new shocks and restore external viability. Although the economy has remained broadly resilient, strains from the war are weighing on the recovery, war-driven risks to fiscal spending are materializing, and the structural reform momentum has slowed. Peace talks have yet to yield outcomes. The goal of restoring medium-term external viability by the end of the program could become challenging if there are any further shocks, including from a more prolonged and/or more intense war and the time needed to implement the program policies.

37. Despite the challenging conditions, the authorities' quantitative performance under the program has been good, but several structural key reforms are facing delays. The authorities met all continuous PCs and all end-March QPCs. The majority of SBs for this review were delivered on time, while a reset was necessary for four SBs to allow for more implementation time. Sustaining the reform momentum is essential to improve governance, unlock critical external financing, and support EU accession.

38. 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 program implications. Continuing attacks on the civilian and energy infrastructure and reform fatigue are additional risks. Policy agility and contingency planning are essential to quickly pivot to potential upside or deteriorating outcomes.

39. Revenue-based fiscal adjustment and close adherence to the program's fiscal paths are necessary to restoring medium-term fiscal and debt sustainability. The 2025 Supplementary Budget has been integrated into the program; adherence to it will help ensure that the deficit can be financed. The authorities' Budget Declaration for 2026–28 has helped bring focus to post-war priorities and the difficult tradeoffs that will need to be made. It is essential to advance domestic revenue mobilization to provide adequate resources for expenditure priorities and contribute to the narrower fiscal deficits needed to restore and maintain sustainability. The scope for further external financing outside of grant-equivalent terms is very limited. Continuing the ongoing efforts with Ukraine's creditors to advance treating all claims in the restructuring perimeter in line with the program—including GDP warrants—is essential for restoring debt sustainability.

40. The authorities should continue efforts on fiscal structural reforms. This includes implementing public investment management and medium-term budgeting reforms. Furthermore, effectively advancing on customs reforms, including timely appointment of the new head, will be critical to modernize the SCS to support revenue collection as well as tackle corruption and fraud. The credibility of the implementation of the NRS hinges on the timely implementation of ambitious IT reforms. Success on these fronts will leave Ukraine with stronger frameworks to support the recovery, reconstruction, and social protection needs after the war.

41. A tight monetary stance is appropriate to tackle inflation pressures and maintain adequate reserves. The NBU should be prepared to further tighten should inflation expectations deteriorate. The exchange rate should play a greater shock absorbing role to prevent external imbalances and safeguard reserves, given the 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. The proposed tightening of the end-September 2025 NIR target will help safeguard financing buffers for the future.

42. The authorities need to remain vigilant to financial stability risks and move quickly to prepare market infrastructure for reconstruction and recovery. 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 must be completed without further delay

43. Decisive implementation of governance reforms is essential to mitigate corruption risks, support EU accession, and facilitate post-war private capital flows. Efforts should be reinforced to enact the delayed criminal procedural code to assist anti-corruption institutions, further strengthen the AML/CFT architecture, including on publishing beneficial ownership information, and improve the asset declaration system. Moreover, transparent and credible competitions in the supreme audit institution, the administrative courts and the anti-corruption courts are critical.

44. Making the energy sector more resilient and decentralized, while strengthening its corporate governance is a top priority. The authorities should continue to prepare the energy system for the next winter while selection and appointment procedures for SOE supervisory boards should be modernized. The NEURC draft law on strengthening the independence of the energy regulator, a pre-condition for the planned external assessment, should be swiftly adopted. Work should begin on a roadmap for the liberalization of gas and electricity markets, with a time-bound implementation plan for the post Martial Law period.

45. The program continues to meet its objectives, and the requisite policies and safeguards are in place for the Fund to complete the Eighth Review. 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.

46. Staff supports the authorities' request for the resetting of four structural benchmarks, modification of quantitative performance criteria, a request for rephasing, and the completion of the Eighth Review Under the Extended Arrangement. Staff also recommends completing the financing assurances review. The authorities' 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.	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 (implemented with delay)
39	Adopt Budget Code amendments in line with Action 1 under the June 2024 PIM Action Plan.	Fiscal	End-January 2025	Met
40	Prepare a comprehensive operational strategy for the NSSMC, including initiating an independent fit and proper review.	Financial Sector	End-January 2025	Not Met
41	CMU to approve a methodological framework underpinning the PIM process, as specified in ¶39 of the MEFP.	Fiscal	End-February 2025	Met
42	Submit legislative amendments to Parliament to introduce tax reporting requirements for digital platform operators.	Fiscal	End-April 2025	**Met**
43	**Appoint a permanent head of SCS.**	**Fiscal**	**End-June 2025**	**Proposed reset to End-December 2025**
44	Submit a 2026–28 Budget Declaration on time and in line with program parameters.	Fiscal	End-June 2025	
45	Appoint the new Head of the ESBU based on the selection process.	Fiscal	End-July 2025	
46	**SIC to approve the updated Single Project Pipeline**	**Fiscal**	**Proposed, End-August 2025**	
47	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	
48	Adoption of sectoral strategies in line with the new approaches for PIM.	Fiscal	End-December 2025	

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

	Structural Benchmark	Sector	Timing	Status
49	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	
50	**Complete the independent fit and proper review of the NSSMC.**	**Financial Sector**	**End-June 2025**	**Proposed reset to End-August 2025**
51	**Prepare and submit to parliament a draft law on financial sector critical third-party risk.**	**Financial Sector**	**End-September 2025**	**Proposed reset to End-June 2026**
52	**Prepare a prioritized roadmap for financial market infrastructure reforms aimed at maximizing the opportunity to attract private capital.**	**Financial Sector**	**Proposed, End-October 2025**	
53	**Implement European (TEGOVA) and international valuation standards (IVS) in consultation with IFIs.**	**Financial Sector**	**Proposed, End-December 2025**	
54	**Submit legislative proposals to parliament to align the securitization and covered bonds frameworks with international standards and good practice in consultation with IFIs and industry.**	**Financial Sector**	**Proposed, End-March 2026**	
55	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, ¶67, 1st bullet.	Governance/ Anti-Corruption	End-July 2025	
56	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	**Met**
57	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 ¶74, 3rd bullet.	SOE Corporate Governance	End-August 2025	
58	**Complete and publish an external assessment of NEURC by the Energy Community Secretariat (upon request).**	**Energy**	**End-October 2025**	**Proposed reset to End-December 2025**
59	**Submit to the CMU a reform plan for the state customs service (SCS)**	**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 7th Review	Proj.	EFF 7th 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	6,628	7,659	8,737	8,866	10,044	10,192	11,322	12,399	13,566	14,829	16,193	17,683	19,311
Real GDP 1/	3.4	-28.8	5.5	2.9	2-3	2-3	4.5	4.5	4.8	4.3	4.2	4.1	4.0	4.0	4.0
Contributions:															
Domestic demand	12.8	-19.0	11.9	3.8	5.2	5.2	3.9	3.4	2.7	4.4	4.0	4.0	3.8	3.8	3.8
Private consumption	4.5	-19.0	3.0	4.6	3.5	2.8	3.2	3.4	2.7	2.7	2.6	2.5	2.5	2.5	2.5
Public consumption	0.1	5.6	3.0	-1.5	-1.1	0.3	-2.5	-2.5	-2.0	0.0	0.0	0.0	0.0	0.0	0.0
Investment	8.1	-5.5	5.8	0.6	2.9	2.1	3.2	2.5	2.0	1.7	1.5	1.5	1.3	1.3	1.4
Net exports	-9.3	-9.8	-6.3	-0.8	-3.2	-3.2	0.6	1.1	2.1	-0.1	0.2	0.1	0.2	0.2	0.2
GDP deflator	24.8	34.9	19.9	12.3	12.0	13.5	10.0	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	11.6	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	12.6	12.6	7.7	7.6	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	9.0	9.0	7.0	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	23.1	16.2	17.4	13.7	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	15.6	3.2	4.2	5.5	5.7	5.3	4.7	4.2	4.1	4.0	4.0	4.0
Savings (percent of GDP)	12.5	17.0	12.8	11.4	2.5	4.4	9.5	10.0	18.3	20.2	21.0	21.5	21.8	22.3	22.7
Private	12.7	30.2	27.4	23.3	17.4	21.4	14.9	15.9	18.0	18.1	17.5	17.6	17.5	17.8	17.9
Public	-0.2	-13.1	-14.6	-11.8	-14.9	-17.1	-5.4	-5.9	0.3	2.1	3.5	3.9	4.3	4.6	4.8
Investment (percent of GDP)	14.5	12.1	18.1	18.6	18.5	20.9	20.1	22.6	23.7	24.6	25.3	25.8	26.1	26.4	26.8
Private	10.7	9.6	13.4	13.3	14.5	16.6	15.8	18.3	18.9	19.2	19.5	19.8	20.2	20.5	20.8
Public	3.8	2.5	4.7	5.4	3.9	4.3	4.3	4.3	4.9	5.4	5.7	5.9	5.9	5.9	5.9
General Government (percent of GDP)															
Fiscal balance 2/	-4.0	-15.6	-19.3	-17.2	-18.8	-21.3	-9.7	-10.1	-4.6	-3.3	-2.2	-2.0	-1.7	-1.4	-1.1
Fiscal balance, excl. grants 2/	-4.0	-24.8	-25.8	-23.1	-19.6	-22.1	-9.9	-10.4	-5.6	-4.1	-2.9	-2.6	-2.2	-1.9	-1.6
External financing (net)	2.5	10.7	16.2	15.0	26.4	24.5	4.9	8.8	1.7	0.4	1.4	2.4	2.3	2.0	2.3
Domestic financing (net), of which:	1.5	5.0	3.1	0.3	-7.6	-3.1	4.8	1.3	2.8	3.0	0.9	-0.4	-0.6	-0.7	-1.2
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	-0.1	-0.1	-0.2
Commercial banks	1.4	-1.5	2.5	2.9	1.0	2.7	1.6	0.8	3.4	2.8	0.6	-0.6	-0.7	-0.8	-1.1
Public and publicly-guaranteed debt	48.9	77.7	81.2	89.7	110.0	108.6	108.5	110.4	106.4	102.9	98.3	94.1	89.0	84.8	80.4
Money and credit (end of period, percent change)															
Base money	11.2	19.6	23.3	7.7	21.6	21.7	13.1	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	14.3	14.4	13.2	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	12.8	10.6	17.7	17.7	18.6	15.5	16.5	17.6	19.7	19.7	19.7
Balance of payments (percent of GDP)															
Current account balance	-1.9	4.9	-5.3	-7.2	-15.9	-16.5	-10.6	-12.6	-5.4	-4.4	-4.3	-4.3	-4.3	-4.1	-4.0
Foreign direct investment	3.8	0.1	2.5	1.8	2.6	2.2	4.0	4.0	5.0	5.4	4.7	4.4	4.1	4.0	3.8
Gross reserves (end of period, billions of U.S. dollars)	30.9	28.5	40.5	43.8	56.8	53.4	50.8	52.8	55.6	58.3	61.6	66.5	70.0	73.0	76.9
Months of next year's imports of goods and services	4.5	3.8	5.3	5.1	7.0	6.3	6.1	6.3	6.5	6.5	6.5	6.7	6.7	6.6	6.6
Percent of short-term debt (remaining maturity)	74.4	83.3	100.3	130.9	163.8	178.9	145.9	171.5	172.1	164.8	185.8	186.6	203.7	216.0	186.7
Percent of the IMF composite metric (float)	105.5	110.3	130.2	125.4	127.3	125.5	106.2	114.0	115.7	118.3	120.3	125.9	127.0	128.4	130.3
Goods exports (annual volume change in percent)	39.0	-37.5	-8.5	16.8	3.9	3.0	16.0	14.9	14.3	6.5	7.8	7.6	8.4	8.3	8.1
Goods imports (annual volume change in percent)	15.1	-29.7	18.5	6.0	11.6	19.3	7.0	4.7	5.5	3.5	4.1	5.8	5.0	5.1	5.4
Goods terms of trade (percent change)	-8.4	-11.6	3.6	0.5	0.2	1.3	0.9	1.0	0.4	0.1	0.0	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	-6.5	...	...	...	...	...	...	...	...	...	...	...
Memorandum items:															
Per capita GDP / Population (2017): US$2,640 / 44.8 million															
Literacy / Poverty rate (2022 est 3/): 100 percent / 25 percent															

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

1/ GDP is compiled as per SNA 2008 and excludes territories that are or were in direct combat zones and temporarily occupied by Russia (consistent with the TMU). GDP is rebased to 2021.

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 7th Review	Proj.	EFF 7th Review	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue	1,990	2,609	3,583	4,140	3,420	3,685	4,019	4,202	4,680	5,059	5,520	6,021	6,562	7,151	7,802
Tax revenue	1,825	1,782	2,139	2,658	3,087	3,307	3,783	3,807	4,283	4,681	5,132	5,608	6,122	6,683	7,302
Tax on income, profits, and capital gains	514	551	656	883	982	1,091	1,125	1,265	1,420	1,561	1,708	1,867	2,039	2,227	2,432
Personal income tax	350	421	496	584	707	792	829	921	1,026	1,128	1,235	1,350	1,474	1,610	1,758
Corporate profit tax	164	131	159	299	275	299	296	344	393	433	473	517	565	617	674
Social security contributions	358	430	489	556	596	688	729	792	878	966	1,056	1,155	1,261	1,377	1,504
Property tax	43	37	44	50	57	57	51	66	73	80	87	96	104	114	124
Tax on goods and services	731	592	784	989	1,250	1,268	1,642	1,465	1,654	1,794	1,975	2,159	2,356	2,571	2,814
VAT	536	467	581	734	912	912	1,192	1,055	1,182	1,287	1,424	1,555	1,704	1,855	2,028
Excise	180	115	190	238	322	337	403	388	449	483	526	576	624	686	754
Other	14	10	14	16	16	20	47	21	23	24	25	27	28	30	32
Tax on international trade	38	26	41	48	60	60	68	67	73	78	83	90	97	105	114
Other tax	140	145	126	132	142	142	169	152	184	202	221	242	264	288	314
Nontax revenue	166	827	1,444	1,483	333	378	236	395	398	377	388	413	440	469	500
Budget support grants 2/	1	481	425	454	66	69	24	24	117	97	87	90	92	95	97
Expenditure	2,207	3,426	4,865	5,458	5,065	5,576	4,993	5,235	5,196	5,474	5,822	6,320	6,833	7,392	8,015
Current	1,995	3,298	4,562	5,053	4,653	5,110	4,484	4,747	4,585	4,734	4,973	5,361	5,786	6,250	6,767
Compensation of employees	516	1,240	1,479	1,584	1,613	1,743	1,403	1,512	1,323	1,235	1,302	1,383	1,510	1,649	1,801
Goods and services	483	848	1,674	1,505	750	764	685	724	764	813	854	937	1,033	1,140	1,247
Interest	155	162	254	305	489	439	411	486	482	491	511	526	517	512	504
Subsidies to corporations and enterprises	116	131	158	530	624	823	497	611	315	280	269	283	297	312	327
Social benefits	724	917	996	1,129	1,176	1,339	1,486	1,411	1,699	1,911	2,035	2,230	2,425	2,633	2,884
Social programs (on budget)	154	285	241	286	293	365	456	368	537	624	675	764	852	940	1,027
Pensions	519	583	746	822	860	943	1,006	1,010	1,126	1,250	1,320	1,425	1,530	1,648	1,810
Unemployment, disability, and accident	52	48	9	22	22	30	24	33	35	37	39	41	43	45	48
Other current expenditures	1	1	1	1	2	2	2	2	2	2	2	3	3	3	3
Capital	207	130	312	411	343	378	429	435	553	675	779	882	963	1,051	1,148
Net lending	5	-2	-9	-6	39	39	44	17	19	21	23	25	27	30	33
Contingency reserve 3/	0	0	0	0	30	50	34	35	39	43	47	52	56	62	67
General government overall balance	-216	-817	-1,282	-1,318	-1,645	-1,892	-973	-1,033	-516	-415	-302	-298	-270	-241	-213
General government overall balance, excluding grants	-218	-1,298	-1,707	-1,772	-1,710	-1,960	-997	-1,058	-633	-512	-389	-388	-363	-336	-310
General government financing	216	817	1,280	1,318	1,645	1,892	973	1,033	516	415	302	298	270	241	213
External	136	562	1,076	1,148	2,305	2,168	492	904	196	48	185	359	369	360	442
Disbursements	239	615	1,149	1,277	2,446	2,312	663	1,073	373	244	546	611	628	644	661
Amortizations and other external payments	-103	-53	-73	-129	-141	-144	-170	-169	-177	-195	-360	-252	-259	-284	-219
Domestic (net)	81	263	204	23	-660	-276	481	129	320	367	117	-61	-99	-119	-229
Bond financing 4/	62	295	183	156	74	230	151	73	377	361	111	-67	-105	-125	-235
o/w NBU	-14	383	-15	-12	-13	-13	-12	-12	-12	-11	-12	-12	-12	-12	-47
o/w Commercial banks	76	-80	167	222	87	244	158	85	389	342	80	-82	-118	-136	-208
Direct bank borrowing	30	-2	-7	-5	0	0	0	0	0	0	0	0	0	0	0
Deposit finance	-19	-37	-59	-141	-743	-516	324	50	-63	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	-1,156	-1,453	-562	-547	-34	76	209	228	247	271	292
Public and publicly-guaranteed debt	2,666	4,072	5,383	6,871	9,611	9,633	10,895	11,251	12,046	12,757	13,336	13,956	14,412	15,003	15,534
Nominal GDP (billions of Ukrainian hryvnia)	5,451	5,239	6,628	7,659	8,737	8,866	10,044	10,192	11,322	12,399	13,566	14,829	16,193	17,683	19,311

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 7th Review	Proj.	EFF 7th Review	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue	36.5	49.8	54.1	54.1	39.1	41.6	40.0	41.2	41.3	40.8	40.7	40.6	40.5	40.4	40.4
Tax revenue	33.5	34.0	32.3	34.7	35.3	37.3	37.7	37.4	37.8	37.8	37.8	37.8	37.8	37.8	37.8
Tax on income, profits, and capital gains	9.4	10.5	9.9	11.5	11.2	12.3	11.2	12.4	12.5	12.6	12.6	12.6	12.6	12.6	12.6
Personal income tax	6.4	8.0	7.5	7.6	8.1	8.9	8.3	9.0	9.1	9.1	9.1	9.1	9.1	9.1	9.1
Corporate profit tax	3.0	2.5	2.4	3.9	3.1	3.4	2.9	3.4	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Social security contributions	6.6	8.2	7.4	7.3	6.8	7.8	7.3	7.8	7.8	7.8	7.8	7.8	7.8	7.8	7.8
Property tax	0.8	0.7	0.7	0.7	0.7	0.6	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Tax on goods and services	13.4	11.3	11.8	12.9	14.3	14.3	16.3	14.4	14.6	14.5	14.6	14.6	14.6	14.5	14.6
VAT	9.8	8.9	8.8	9.6	10.4	10.3	11.9	10.4	10.4	10.4	10.5	10.5	10.5	10.5	10.5
Excise	3.3	2.2	2.9	3.1	3.7	3.8	4.0	3.8	4.0	3.9	3.9	3.9	3.9	3.9	3.9
Other	0.3	0.2	0.2	0.2	0.2	0.2	0.5	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Tax on international trade	0.7	0.5	0.6	0.6	0.7	0.7	0.7	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Other tax	2.6	2.8	1.9	1.7	1.6	1.6	1.7	1.5	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Nontax revenue	3.0	15.8	21.8	19.4	3.8	4.3	2.4	3.9	3.5	3.0	2.9	2.8	2.7	2.7	2.6
Budget support grants 2/	0.0	9.2	6.4	6.2	0.9	0.9	0.2	0.3	1.0	0.8	0.6	0.6	0.6	0.5	0.5
Expenditure	40.5	65.4	73.4	71.3	58.0	62.9	49.7	51.4	45.9	44.1	42.9	42.6	42.2	41.8	41.5
Current	36.6	63.0	68.8	66.0	53.3	57.6	44.6	46.6	40.5	38.2	36.7	36.2	35.7	35.3	35.0
Compensation of employees	9.5	23.7	22.3	20.7	18.5	19.7	14.0	14.8	11.7	10.0	9.6	9.3	9.3	9.3	9.3
Goods and services	8.9	16.2	25.3	19.7	8.6	8.6	6.8	7.1	6.7	6.6	6.3	6.3	6.4	6.4	6.5
Interest	2.8	3.1	3.8	4.0	5.6	5.0	4.1	4.8	4.3	4.0	3.8	3.5	3.2	2.9	2.6
Subsidies to corporations and enterprises	2.1	2.5	2.4	6.9	7.1	9.3	5.0	6.0	2.8	2.3	2.0	1.9	1.8	1.8	1.7
Social benefits	13.3	17.5	15.0	14.7	13.5	15.1	14.8	13.8	15.0	15.4	15.0	15.0	15.0	14.9	14.9
Social programs (on budget)	2.8	5.4	3.6	3.7	3.4	4.1	4.5	3.6	4.7	5.0	5.0	5.2	5.3	5.3	5.3
Pensions	9.5	11.1	11.3	10.7	9.8	10.6	10.0	9.9	9.9	10.1	9.7	9.6	9.4	9.3	9.4
Unemployment, disability, and accident insurance	1.0	0.9	0.1	0.3	0.3	0.3	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	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	4.7	5.4	3.9	4.3	4.3	4.3	4.9	5.4	5.7	5.9	5.9	5.9	5.9
Net lending	0.1	0.0	-0.1	-0.1	0.4	0.4	0.4	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Contingency reserve 3/	0.0	0.0	0.0	0.0	0.3	0.6	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
General government overall balance	-4.0	-15.6	-19.3	-17.2	-18.8	-21.3	-9.7	-10.1	-4.6	-3.3	-2.2	-2.0	-1.7	-1.4	-1.1
General government overall balance, excluding grants	-4.0	-24.8	-25.8	-23.1	-19.6	-22.1	-9.9	-10.4	-5.6	-4.1	-2.9	-2.6	-2.2	-1.9	-1.6
General government financing	4.0	15.6	19.3	17.2	18.8	21.3	9.7	10.1	4.6	3.3	2.2	2.0	1.7	1.4	1.1
External	2.5	10.7	16.2	15.0	26.4	24.5	4.9	8.9	1.7	0.4	1.4	2.4	2.3	2.0	2.3
Disbursements	4.4	11.7	17.3	16.7	28.0	26.1	6.6	10.5	3.3	2.0	4.0	4.1	3.9	3.6	3.4
Amortizations and other external payments	-1.9	-1.0	-1.1	-1.7	-1.6	-1.6	-1.7	-1.7	-1.6	-1.6	-2.7	-1.7	-1.6	-1.6	-1.1
Domestic (net)	1.5	5.0	3.1	0.3	-7.6	-3.1	4.8	1.3	2.8	3.0	0.9	-0.4	-0.6	-0.7	-1.2
Bond financing 4/	1.1	5.6	2.8	2.0	0.8	2.6	1.5	0.7	3.3	2.9	0.8	-0.4	-0.6	-0.7	-1.2
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	-0.1	-0.1	-0.2
o/w Commercial banks	1.4	-1.5	2.5	2.9	1.0	2.7	1.6	0.8	3.4	2.8	0.6	-0.6	-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	-8.5	-5.8	3.2	0.5	-0.6	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/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	0.0	0.0
Memorandum items:															
Primary balance 4/	-1.1	-12.5	-15.5	-13.2	-13.2	-16.4	-5.6	-5.4	-0.3	0.6	1.5	1.5	1.5	1.5	1.5
Public and publicly-guaranteed debt	48.9	77.7	81.2	89.7	110.0	108.6	108.5	110.4	106.4	102.9	98.3	94.1	89.0	84.8	80.4
Nominal GDP (billions of Ukrainian hryvnia)	5,451	5,239	6,628	7,659	8,737	8,866	10,044	10,192	11,322	12,399	13,566	14,829	16,193	17,683	19,311

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 7th Review	Proj.	EFF 7th Review	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Current account balance	-3.9	8.0	-9.6	-13.7	-32.8	-34.6	-23.3	-28.3	-13.0	-11.2	-11.6	-12.3	-13.2	-13.4	-14.0
Goods (net)	-6.6	-14.7	-29.1	-30.4	-36.5	-41.6	-34.6	-38.6	-36.3	-35.9	-35.3	-36.2	-35.8	-35.4	-35.2
Exports	63.1	40.9	34.7	38.9	40.4	40.1	46.8	46.0	52.6	56.0	60.3	64.9	70.4	76.2	82.4
Imports	-69.8	-55.6	-63.8	-69.3	-76.8	-81.6	-81.5	-84.6	-88.8	-91.9	-95.6	-101.1	-106.2	-111.6	-117.6
Services (net)	4.0	-11.1	-8.7	-5.5	-4.4	-4.3	4.8	3.9	14.5	17.6	17.4	17.9	18.2	18.2	18.3
Receipts	18.4	16.6	16.6	17.2	17.4	17.4	20.9	20.9	26.2	28.4	29.4	30.6	31.6	32.4	33.4
Payments	-14.4	-27.7	-25.3	-22.7	-21.8	-21.7	-16.0	-17.0	-11.7	-10.9	-11.9	-12.7	-13.4	-14.2	-15.1
Primary income (net)	-5.8	8.5	5.0	0.3	-2.2	-2.2	-1.9	-2.0	-0.8	-1.0	-1.0	-1.1	-1.2	-1.2	-1.3
Secondary income (net)	4.6	25.2	23.3	21.8	10.3	13.5	8.4	8.4	9.6	8.1	7.3	7.1	5.7	5.0	4.2
Capital account balance	0.0	0.2	0.1	5.1	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	-5.5	8.5	-20.9	-12.2	-46.5	-44.5	-17.6	-28.0	-15.9	-14.0	-14.9	-18.3	-18.0	-17.8	-19.0
Direct investment (net)	-7.5	-0.2	-4.4	-3.5	-5.4	-4.5	-8.9	-8.9	-11.9	-13.6	-12.7	-12.8	-12.7	-12.9	-13.2
Portfolio investment (net)	-1.0	2.0	2.7	6.6	0.9	1.5	-0.2	-0.2	-0.4	0.3	1.1	-0.9	-1.5	-1.5	-1.6
Financial derivatives (net)	0.2	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)	2.9	6.7	-19.1	-15.4	-42.1	-41.5	-8.6	-18.8	-3.5	-0.6	-3.3	-4.6	-3.8	-3.3	-4.2
Other investment: assets	7.7	21.0	11.4	16.7	14.7	12.8	5.0	4.6	2.0	2.0	2.2	2.2	2.4	2.5	2.9
Other investment: liabilities	4.9	14.3	30.6	32.1	56.8	54.3	13.6	23.4	5.5	2.5	5.5	6.8	6.2	5.8	7.1
Net use of IMF resources for budget support	0.2	2.3	3.6	3.9	0.8	0.8	0.6	0.6	-0.1	-0.8	-1.7	-1.1	-1.3	-1.4	-1.1
Central Bank	2.7	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General government	1.5	14.7	26.0	24.7	54.3	49.9	11.1	20.1	4.5	2.7	6.6	7.2	6.8	6.5	7.4
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	3.6	1.7	3.6	1.9	2.7	1.1	0.6	0.6	0.7	0.7	0.7	0.7
Errors and omissions	1.8	-0.3	1.6	0.3	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	13.8	9.9	-5.7	-0.3	2.9	2.7	3.3	6.0	4.8	4.4	4.9
Financing	-3.5	0.6	-13.0	-3.8	-13.8	-9.9	5.7	0.3	-2.9	-2.7	-3.3	-6.0	-4.8	-4.4	-4.9
Gross official reserves (increase: -)	-2.5	2.3	-11.4	-2.9	-13.0	-9.1	6.0	0.6	-2.8	-2.7	-3.3	-4.9	-3.5	-3.0	-3.9
Net use of IMF resources for BOP support	-0.9	-1.6	-1.6	-0.9	-0.7	-0.8	-0.3	-0.3	-0.1	0.0	0.0	-1.1	-1.3	-1.4	-1.1
Memorandum items:															
Total external debt (percent of GDP)	66.5	83.2	89.3	95.0	109.0	106.5	107.9	110.0	106.5	101.9	98.3	95.5	91.3	88.4	85.9
Current account balance excluding grants 4/	-6.5	-6.6	-21.3	-25.0	-34.3	-38.6	-23.8	-28.8	-15.5	-13.2	-13.3	-14.1	-14.9	-15.1	-15.8
Current account balance (percent of GDP)	-1.9	4.9	-5.3	-7.2	-15.9	-16.5	-10.6	-12.6	-5.4	-4.4	-4.3	-4.3	-4.3	-4.1	-4.0
Goods and services trade balance (percent of GDP)	-1.3	-15.9	-20.9	-18.8	-19.9	-21.9	-13.5	-15.5	-9.1	-7.2	-6.6	-6.3	-5.7	-5.2	-4.9
Gross international reserves	30.9	28.5	40.5	43.8	56.8	53.4	50.8	52.8	55.6	58.3	61.6	66.5	70.0	73.0	76.9
Months of next year's imports of goods and services	4.5	3.8	5.3	5.1	7.0	6.3	6.1	6.3	6.5	6.5	6.5	6.7	6.7	6.6	6.6
Percent of the IMF composite metric (float)	105.5	110.3	130.2	125.4	127.3	125.5	106.2	114.0	115.7	118.3	120.3	125.9	127.0	128.4	130.3

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

1/ Based on BPM6.

2/ In-kind donations 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 7th Review	Proj.	EFF 7th Review	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Current account balance	-1.9	4.9	-5.3	-7.2	-15.9	-16.5	-10.6	-12.6	-5.4	-4.4	-4.3	-4.3	-4.3	-4.1	-4.0
Goods (net)	-3.3	-9.0	-16.1	-15.9	-17.7	-19.8	-15.7	-17.2	-15.2	-14.1	-13.0	-12.5	-11.7	-10.8	-10.1
Exports	31.6	25.2	19.1	20.4	19.6	19.1	21.3	20.5	22.0	22.0	22.2	22.5	22.9	23.3	23.7
Imports	-34.9	-34.3	-35.2	-36.3	-37.3	-38.9	-37.0	-37.7	-37.2	-36.1	-35.3	-35.0	-34.6	-34.1	-33.8
Services (net)	2.0	-6.8	-4.8	-2.9	-2.1	-2.1	2.2	1.7	6.1	6.9	6.4	6.2	5.9	5.6	5.3
Receipts	9.2	10.3	9.2	9.0	8.5	8.3	9.5	9.3	11.0	11.2	10.8	10.6	10.3	9.9	9.6
Payments	-7.2	-17.1	-14.0	-11.9	-10.6	-10.4	-7.3	-7.6	-4.9	-4.3	-4.4	-4.4	-4.4	-4.4	-4.3
Primary income (net)	-2.9	5.2	2.8	0.2	-1.1	-1.0	-0.8	-0.9	-0.3	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4
Secondary income (net)	2.3	15.6	12.9	11.4	5.0	6.4	3.8	3.8	4.0	3.2	2.7	2.4	1.9	1.5	1.2
Capital account balance	0.0	0.1	0.1	2.7	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	-11.5	-6.4	-22.6	-21.2	-8.0	-12.5	-6.7	-5.5	-5.5	-6.3	-5.8	-5.4	-5.4
Direct investment (net)	-3.8	-0.1	-2.5	-1.8	-2.6	-2.2	-4.0	-4.0	-5.0	-5.4	-4.7	-4.4	-4.1	-4.0	-3.8
Portfolio investment (net)	-0.5	1.3	1.5	3.5	0.4	0.7	-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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investment (net)	1.4	4.1	-10.6	-8.1	-20.4	-19.8	-3.9	-8.4	-1.5	-0.2	-1.2	-1.6	-1.2	-1.0	-1.2
Other investment: assets	3.9	12.9	6.3	8.8	7.2	6.1	2.3	2.0	0.9	0.8	0.8	0.8	0.8	0.8	0.8
Other investment: liabilities	2.4	8.8	16.9	16.8	27.6	25.9	6.2	10.4	2.3	1.0	2.0	2.3	2.0	1.8	2.0
Net use of IMF resources for budget support	0.1	1.4	2.0	2.0	0.4	0.4	0.3	0.3	0.0	-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	14.4	12.9	26.4	23.8	5.0	9.0	1.9	1.1	2.4	2.5	2.2	2.0	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	1.9	0.8	1.7	0.9	1.2	0.5	0.2	0.2	0.2	0.2	0.2	0.2
Errors and omissions	0.9	-0.2	0.9	0.1	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	7.2	2.0	6.7	4.7	-2.6	-0.1	1.2	1.1	1.2	2.1	1.6	1.3	1.4
Financing	-1.7	0.4	-7.2	-2.0	-6.7	-4.7	2.6	0.1	-1.2	-1.1	-1.2	-2.1	-1.6	-1.3	-1.4
Gross official reserves (increase: -)	-1.3	1.4	-6.3	-1.5	-6.3	-4.4	2.7	0.3	-1.2	-1.1	-1.2	-1.7	-1.2	-0.9	-1.1
Net use of IMF resources for BOP support	-0.5	-1.0	-0.9	-0.5	-0.4	-0.4	-0.1	-0.1	0.0	0.0	0.0	-0.4	-0.4	-0.4	-0.3
Memorandum items:															
Current account balance excluding grants 4/	-3.2	-4.1	-11.8	-13.1	-16.7	-18.4	-10.8	-12.9	-6.5	-5.2	-4.9	-4.9	-4.9	-4.6	-4.5
Gross international reserves (USD billions)	30.9	28.5	40.5	43.8	56.8	53.4	50.8	52.8	55.6	58.3	61.6	66.5	70.0	73.0	76.9
Months of next year's imports of goods and services	4.5	3.8	5.3	5.1	7.0	6.3	6.1	6.3	6.5	6.5	6.5	6.7	6.7	6.6	6.6
Percent of the IMF composite metric (float)	105.5	110.3	130.2	125.4	127.3	125.5	106.2	114.0	115.7	118.3	120.3	125.9	127.0	128.4	130.3

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

1/ Based on BPM6.

2/ In-kind donations 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 7th Review	Proj.	EFF 7th Review	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
A. Total financing requirements	**20.3**	**31.9**	**39.7**	**51.7**	**53.8**	**54.7**	**34.2**	**38.7**	**21.7**	**20.0**	**22.7**	**21.8**	**25.2**	**23.8**	**23.8**
Current account deficit (excl. budget grants)	3.9	6.0	21.2	23.8	34.3	36.2	23.8	28.8	15.5	13.2	13.3	14.1	14.9	15.1	15.8
Portfolio investment	4.9	2.7	4.9	7.9	1.9	1.9	2.3	2.2	0.2	0.8	2.1	1.1	3.0	1.1	0.9
Private	0.6	0.9	2.5	1.3	1.5	1.4	1.9	1.8	0.0	0.6	0.9	0.5	3.0	1.0	0.9
Public	4.3	1.8	2.4	6.7	0.4	0.4	0.4	0.4	0.2	0.2	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	3.8	3.0	3.0	4.0	4.0	5.1	4.5	4.9	5.1	4.2
Private	2.7	1.1	1.3	1.6	1.9	2.7	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Banks	0.2	0.2	0.2	0.2	0.4	1.3	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	1.5	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	1.0	1.2	1.2	2.3	2.3	3.3	2.7	3.1	3.4	2.5
Other net capital outflows 1/	7.9	21.0	11.4	16.7	14.7	12.8	5.0	4.6	2.0	2.0	2.2	2.2	2.4	2.5	2.9
B. Total financing sources	**20.0**	**0.7**	**9.6**	**16.0**	**11.8**	**14.2**	**17.2**	**18.1**	**17.7**	**18.5**	**18.0**	**19.1**	**21.6**	**19.9**	**20.1**
Capital transfers	0.0	0.2	0.1	5.1	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	3.5	5.4	4.5	8.9	8.9	11.9	13.6	12.7	12.8	12.7	12.9	13.2
Portfolio investment	6.0	0.7	2.2	1.3	1.0	0.3	2.5	2.5	0.6	0.5	1.0	2.0	4.5	2.6	2.5
Private	1.8	0.2	-0.1	0.2	1.0	0.0	2.5	2.5	0.6	0.5	0.0	0.0	2.5	0.6	0.5
Public	4.2	0.5	2.2	1.1	0.0	0.3	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	3.4	4.6	6.6	4.1	4.2	4.2	3.9	3.9	3.9	3.9	3.9	3.9
Private	3.0	1.5	1.8	2.5	2.7	3.6	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	0.4	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	2.3	3.2	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	0.9	1.9	3.0	2.1	2.2	2.3	2.0	2.0	2.0	2.0	2.0	2.0
Short-term debt (incl. deposits)	-0.3	-2.9	0.5	2.7	0.8	2.7	1.7	2.5	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**	**35.7**	**42.0**	**40.5**	**17.0**	**20.6**	**4.0**	**1.5**	**4.7**	**2.7**	**3.6**	**3.9**	**3.7**
D. Official financing	**1.1**	**29.8**	**40.1**	**39.6**	**55.0**	**52.0**	**11.0**	**20.0**	**6.8**	**4.2**	**8.0**	**7.5**	**7.2**	**6.9**	**7.6**
IMF	-0.7	0.6	1.9	2.9	0.1	0.1	0.2	0.2	-0.2	-0.8	-1.7	-2.2	-2.5	-2.8	-2.1
Purchases	0.7	2.7	4.5	5.3	2.3	2.4	2.2	2.2	1.1	0.0	0.0	0.0	0.0	0.0	0.0
Repurchases	1.4	2.1	2.5	2.4	2.3	2.3	2.0	2.0	1.2	0.8	1.7	2.2	2.5	2.8	2.1
Official budget grants	0.0	14.6	11.8	11.2	1.6	4.0	0.5	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	47.9	10.3	19.2	4.5	3.0	8.0	8.0	8.0	8.0	8.0
F. Increase in reserves	**2.5**	**-2.3**	**11.4**	**2.9**	**13.0**	**9.1**	**-6.0**	**-0.6**	**2.8**	**2.7**	**3.3**	**4.9**	**3.5**	**3.0**	**3.9**
F. Errors and omissions	**1.8**	**-0.3**	**1.6**	**0.3**	**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	56.8	53.4	50.8	52.8	55.6	58.3	61.6	66.5	70.0	73.0	76.9
Months of next year's imports of goods and services	4.5	3.8	5.3	5.1	7.0	6.3	6.1	6.3	6.5	6.5	6.5	6.7	6.7	6.6	6.6
Percent of the IMF composite (float) 2/	105.5	110.3	130.2	125.4	127.3	125.5	106.2	114.0	115.7	118.3	120.3	125.9	127.0	128.4	130.3

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 7th Review	Proj.	EFF 7th Review	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Monetary survey															
Net foreign assets	850	1,252	1,926	2,403	2,867	2,699	2,729	2,800	2,977	3,208	3,535	3,998	4,414	4,855	5,305
Net domestic assets	1,221	1,249	1,151	1,085	1,121	1,293	1,787	1,721	2,016	2,289	2,517	2,636	2,830	3,055	3,333
Domestic credit	1,925	2,212	2,248	2,492	1,975	2,334	2,785	2,788	3,371	3,998	4,438	4,780	5,213	5,732	6,302
Net claims on government	898	1,218	1,259	1,369	708	1,092	1,295	1,327	1,638	1,997	2,106	2,038	1,931	1,805	1,603
Credit to the economy	1,023	991	986	1,119	1,262	1,237	1,486	1,456	1,728	1,996	2,326	2,735	3,274	3,919	4,691
Domestic currency	731	725	733	854	996	971	1,215	1,185	1,458	1,728	2,061	2,474	3,017	3,667	4,443
Foreign currency	292	266	253	265	266	266	271	271	270	267	265	261	257	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	-854	-1,041	-998	-1,067	-1,355	-1,709	-1,922	-2,144	-2,383	-2,676	-2,969
Broad money	2,071	2,501	3,077	3,488	3,988	3,992	4,516	4,520	4,993	5,497	6,052	6,633	7,244	7,910	8,638
Currency in circulation	581	666	716	760	887	888	1,005	1,006	1,111	1,223	1,347	1,518	1,707	1,905	2,108
Total deposits	1,489	1,834	2,360	2,728	3,100	3,103	3,510	3,514	3,881	4,273	4,704	5,114	5,536	6,004	6,529
Domestic currency deposits	1,014	1,204	1,628	1,883	2,156	2,159	2,502	2,505	2,803	3,094	3,424	3,731	4,047	4,402	4,806
Foreign currency deposits	474	630	732	844	944	944	1,008	1,008	1,078	1,179	1,280	1,383	1,489	1,602	1,723
Accounts of the NBU															
Net foreign assets	701	907	1,456	1,801	2,453	2,289	2,322	2,397	2,597	2,845	3,167	3,623	4,034	4,467	4,912
Net international reserves	566	670	1,078	1,223	1,849	1,684	1,678	1,753	1,937	2,166	2,472	2,908	3,301	3,714	4,140
(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	604	604	644	644	660	679	695	715	732	753	772
Net domestic assets	-38	-115	-479	-749	-1,174	-1,008	-875	-948	-998	-1,084	-1,229	-1,462	-1,631	-1,808	-1,984
Net domestic credit	175	312	6	-62	-1,091	-737	-697	-699	-528	-337	-359	-452	-475	-454	-444
Net claims on government	270	704	591	450	-228	0	81	35	-43	-56	-69	-83	-97	-110	-124
Claims on government	325	758	729	716	703	703	691	691	679	668	657	646	635	624	613
Net claims on banks	-95	-392	-585	-512	-863	-736	-778	-734	-485	-280	-289	-369	-378	-343	-319
Other items, net	-213	-427	-485	-687	-83	-272	-178	-249	-470	-747	-870	-1,009	-1,156	-1,354	-1,540
Base money	662	793	977	1,052	1,279	1,281	1,447	1,449	1,600	1,761	1,938	2,161	2,403	2,659	2,928
Currency in circulation	581	666	716	760	887	888	1,005	1,006	1,111	1,223	1,347	1,518	1,707	1,905	2,108
Banks' reserves	81	126	261	292	392	392	443	443	489	538	592	643	696	755	820
Cash in vault	47	49	48	63	63	63	71	71	79	87	96	104	113	122	133
Correspondent accounts	35	77	213	230	329	329	371	372	410	451	496	539	583	632	687
Deposit money banks															
Net foreign assets	149	345	470	602	414	410	406	402	380	362	368	375	380	388	393
Foreign assets	254	427	550	680	553	527	586	559	569	582	593	606	617	631	643
Foreign liabilities	105	82	80	78	139	117	180	156	190	220	225	231	237	244	250
Net domestic assets	1,339	1,489	1,890	2,125	2,686	2,692	3,104	3,111	3,501	3,910	4,336	4,739	5,154	5,616	6,135
Domestic credit	1,875	2,064	2,540	2,882	3,494	3,499	3,961	3,966	4,424	4,908	5,425	5,911	6,419	6,976	7,602
Net claims on government 1/	628	513	668	919	936	1,093	1,213	1,292	1,681	2,053	2,176	2,121	2,028	1,915	1,727
Credit to the economy	1,023	991	986	1,119	1,262	1,237	1,485	1,456	1,728	1,995	2,326	2,735	3,273	3,918	4,690
Other claims on the economy	5	3	3	4	4	4	5	5	5	6	6	7	7	8	9
Net claims on NBU	220	594	885	842	1,292	1,165	1,257	1,214	1,010	855	918	1,049	1,110	1,135	1,176
Other items, net	-536	-574	-650	-757	-808	-807	-857	-855	-923	-999	-1,089	-1,172	-1,265	-1,360	-1,467
Banks' liabilities	1,488	1,834	2,360	2,727	3,099	3,102	3,510	3,513	3,880	4,272	4,704	5,114	5,535	6,003	6,528
Memorandum items:															
Base money	11.2	19.6	23.3	7.7	21.6	21.7	13.1	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	16.8	16.9	13.2	13.2	4.8	5.8	6.8	7.8	8.8	9.8	9.8
Broad money	12.0	20.8	23.0	13.4	14.3	14.4	13.2	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	12.8	10.6	17.7	17.7	18.6	15.5	16.5	17.6	19.7	19.7	19.7
Real credit to the economy 2/	-1.5	-23.5	-5.3	1.3	3.5	1.5	10.0	10.0	13.0	10.0	11.0	12.0	14.0	14.0	14.0
Credit-to-GDP ratio, in percent	18.8	18.9	14.9	14.6	14.4	14.0	14.8	14.3	15.3	16.1	17.1	18.4	20.2	22.2	24.3
Velocity of broad money, ratio	2.6	2.1	2.2	2.2	2.2	2.2	2.2	2.3	2.3	2.3	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	…	…	…	…	…	…	…	…	…	…	…

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/	9,831	8,333	7,421	6,809	5,560	4,286	3,012	1,599	687
Obligations	2,344	2,016	1,348	1,001	1,583	1,552	1,507	1,600	1,053
Principal (repurchases)	1,736	1,498	913	612	1,249	1,274	1,274	1,413	912
Interest charges	608	518	435	389	334	278	233	187	142
of which: Surcharges	127	90	54	34	11	0	0	0	0
of which: Level-based	92	66	39	25	8	0	0	0	0
of which: Time-based	35	25	15	9	3	0	0	0	0
Prospective purchases									
Disbursements	1,791	1,679	795	0	0	0	0	0	0
Stock 1/	1,491	3,170	3,965	3,965	3,934	3,608	3,013	2,352	1,691
Obligations 2/	16	145	237	251	282	547	753	762	738
Principal (repurchases)	0	0	0	0	31	326	595	661	661
of which: Surcharges	4	59	101	109	108	82	35	1	0
of which: Level-based	1	16	28	30	30	22	10	0	0
of which: Time-based	0	0	0	0	0	0	0	0	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	6.9	6.4	5.7	4.7	3.7	2.6	1.6	0.9
In percent of exports of goods and nonfactor services	26.3	23.0	19.4	17.1	14.2	11.1	7.9	4.9	2.8
In percent of gross reserves	28.3	29.2	27.5	24.8	20.7	15.9	11.6	7.3	4.2
In percent of public external debt	9.8	8.8	8.6	8.0	6.9	5.5	4.2	2.7	1.5
Obligations to the Fund from existing and prospective Fund credit	2,360	2,160	1,585	1,252	1,864	2,099	2,260	2,362	1,791
In percent of quota	117.3	107.4	78.8	62.2	92.7	104.4	112.3	117.4	89.0
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	5.5	4.3	2.7	2.0	2.8	3.0	3.0	2.9	2.1
In percent of gross reserves	5.9	5.5	3.8	2.9	4.1	4.2	4.3	4.3	3.1
In percent of public external debt service	73.3	60.0	34.6	26.5	33.8	41.3	41.6	41.1	34.5

Source: Fund staff estimates and projections.

1/ End of period.

2/ Repayment schedule based on repurchase obligations and GRA charges. Includes service charges.

Table 11a. 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	2,706.47	100.0	150.0	449.0	Board approval of the EFF
June 15, 2023	663.90	885.99	33.0	183.0	482.0	First review and continuous and end-April 2023 performance criteria
October 13, 2023	663.90	881.59	33.0	166.0	432.0	Second review and continuous and end-June 2023 performance criteria
February 29, 2024	663.90	880.73	33.0	199.0	444.6	Third review and continuous and end-December 2023 performance criteria
June 15, 2024	1,669.82	2,197.01	83.0	149.0	438.3	Fourth review and continuous and end-March 2024 performance criteria
September 1, 2024	834.88	1,111.19	41.5	190.5	489.4	Fifth review and continuous and end-June 2024 performance criteria
December 1, 2024	834.88	1,088.79	41.5	199.0	560.0	Sixth review and continuous and end-September 2024 performance criteria
March 1, 2025	300.47	398.62	14.9	180.9	540.0	Seventh review and continuous and end-December 2024 performance criteria
June 15, 2025	373.53	497.76	18.6	116.5	536.9	Eighth review and continuous and end-March 2025 performance criteria
December 1, 2025	1,117.24	1,490.31	55.5	89.0	562.8	Ninth review and continuous and end-September 2025 performance criteria
March 1, 2026	930.51	1,243.27	46.3	120.4	590.5	Tenth review and continuous and end-December 2025 performance criteria
August 31, 2026	748.72	1,000.38	37.2	139.0	599.7	Eleventh review and continuous and end-June 2026 performance criteria
March 10, 2027	794.67	1,063.79	39.5	76.7	598.8	Twelveth 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 11b. Ukraine: Current 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	2,706.47	100.0	150.0	449.0	Board approval of the EFF
June 15, 2023	663.90	885.99	33.0	183.0	482.0	First review and continuous and end-April 2023 performance criteria
October 13, 2023	663.90	881.59	33.0	166.0	432.0	Second review and continuous and end-June 2023 performance criteria
February 29, 2024	663.90	880.73	33.0	199.0	444.6	Third review and continuous and end-December 2023 performance criteria
June 15, 2024	1,669.82	2,197.01	83.0	149.0	438.3	Fourth review and continuous and end-March 2024 performance criteria
September 1, 2024	834.88	1,111.19	41.5	190.5	489.4	Fifth review and continuous and end-June 2024 performance criteria
December 1, 2024	834.88	1,088.79	41.5	199.0	560.0	Sixth review and continuous and end-September 2024 performance criteria
March 1, 2025	300.47	398.62	14.9	180.9	540.0	Seventh review and continuous and end-December 2024 performance criteria
June 15, 2025	373.53	497.76	18.6	116.5	536.9	Eighth review and continuous and end-March 2025 performance criteria
August 31, 2025	325.80	434.34	16.2	132.7	545.0	Ninth review and continuous and end-June 2025 performance criteria
December 1, 2025	791.44	1,055.72	39.3	89.0	562.8	Tenth review and continuous and end-September 2025 performance criteria
March 1, 2026	930.51	1,243.27	46.3	120.4	590.5	Eleventh review and continuous and end-December 2025 performance criteria
August 31, 2026	748.72	1,000.38	37.2	122.8	599.7	Twelveth review and continuous and end-June 2026 performance criteria
March 10, 2027	794.67	1,063.79	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)

	Mar 2025					Jun 2025		Sep 2025		Dec 2025		Mar 2026		Jun 2026
	QPC	Adjustor	Adjusted QPC	Actual	Status	EBS/25/18	IT	EBS/25/18	QPC	EBS/25/18	QPC	EBS/25/18	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/	254,800	0	254,800	381,442	Met	547,200	547,200	752,400	752,400	822,000	827,000	117,800	153,600	460,500
Floor on tax revenues (excluding Social Security Contributions)	485,000	0	485,000	614,434	Met	1,019,600	1,019,600	1,622,200	1,622,200	2,491,045	2,491,045	599,000	599,000	1,292,800
Ceiling on publicly guaranteed debt 3/	62,860	7,839	70,699	7,839	Met	64,357	64,357	64,357	64,357	64,357	64,357	68,000	68,000	68,000
Floor on net international reserves (in millions of U.S. dollars) 3/	27,200	-4,176	23,024	26,924	Met	27,700	28,450	24,000	26,000	42,000	35,000	37,300	34,300	34,300
II. Indicative Targets 1/ 2/														
Floor on the cash balance of the general government, excluding budget support grants (- implies a deficit) 3/	-410,500	0	-410,500	-239,245	Met	-821,000	-821,000	-1,248,600	-1,275,000	-1,710,400	-1,960,400	-340,000	-340,000	-590,000
Ceiling on general government arrears	1,800	0	1,800	1,421	Met	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800
Floor on social spending	132,000	0	132,000	164,874	Met	271,200	271,200	414,000	414,000	560,900	560,900	160,000	160,000	327,000
Ceiling on general government borrowing from the NBU 4/ 5/	-984	0	-984	-1,029	Met	-4,100	-4,100	-1,500	-1,500	-6,500	-6,500	-2,500	-2,500	-6,264
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)	378	...	...	12	...	1,133	737	2,266	1,875	3,776	3,776	250	250	250
External budget financing (in millions of U.S. dollars) 6/	12,198	...	...	8,381	...	25,011	19,903	34,336	28,773	54,488	49,835	2,923	5,170	9,778
Budget support grants (in millions of U.S. dollars)	429	...	...	0	...	967	431	1,288	431	1,610	1,610	161	161	295
Budget support loans (in millions of U.S. dollars) 6/	11,770	...	...	8,381	...	24,044	19,473	33,047	28,342	52,878	48,225	2,762	5,009	9,483
Interest payments	86,200	...	...	59,305	...	244,600	223,740	366,100	307,450	488,800	438,790	107,773	93,600	250,500
NBU profit transfers to the government	0	...	...	0	...	63,900	84,159	63,900	84,159	63,900	84,159	0	0	151,300
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	4,000	...	...	0	...	6,000	6,000	8,000	8,000	9,935	13,016	0	0	0
Spending on gas purchases, PSO compensation and transfer to GTSO	0	...	...	0	...	0	0	0	0	0	60,000	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)	-410.5	...	...	-259.8	...	-821.0	-821.0	-1,248.6	-1,275.0	-1,710.4	-1,960.4	-340.0	-340.0	-590.0

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 March 2025 onwards, calculated using actual and projected redemptions of government bonds as of May 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.

[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
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.** Given the need to import gas for the upcoming winter heating season as domestic gas production has suffered from attacks, 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.[1] *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/grant-equivalent terms during and after the program. Under the program, the authorities are making progress on these three fronts. First, they plan to continue with 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 Seventh Review of Ukraine's arrangement under the Extended Fund Facility completed in March 2025. 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 adjustments relative to the Seventh Review to reflect the upcoming Supplementary Budget for 2025 and the authorities' deficit path in the Budget Declaration for 2026–28. The baseline also envisages revenue mobilization in line with the authorities' plans, and consistent with the program's objectives. Newly released data on real GDP show growth of 2.9 percent in 2024, somewhat below the Seventh Review's estimates. Going forward staff expects real GDP to grow by 2 percent in 2025 and 4.5 percent in 2026

[1] The restructuring of the Ukrenergo bonds, where agreement-in-principle has been reached, will be reflected when the transaction to treat these claims has been implemented.

(unchanged from the Seventh Review). Subsequent years remain little changed, and consistent with a measured reconstruction, with real GDP exceeding its pre-war level starting in 2031. In the downside, the war continues until mid-2026.

- *Financing assumptions*: Relative to the Seventh Review, changes to the baseline scenario reflect the current assumption on total official external financing, which now amounts to US$139 billion (excluding the IMF) over the program period. ERA disbursements comprise US$49.2 billion of the total. While the pattern of disbursements remains frontloaded overall, some financing has been shifted to 2026 reflecting the latest information from G7 members. Of the total, a portion of the 2025 disbursements (US$12.2 billion) will be allocated as budget prefinancing and utilized in 2026. The authorities will save an additional amount (totaling US$12.4 billion over 2025–27Q1) 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*: As in the Seventh Review, this SRDSA 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.[2] However, they continue to be a contingent liability risk, particularly in the event of an adverse judgement on the Eurobonds. The second half of 2024 US budget support which has not yet been formally cancelled under the provisions of the Ukraine Security Supplemental Appropriations Act also continues to be treated as a contingent liability.[3] 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 Seventh Review that ERA financing is considered as loans on terms similar to the EU's MFA.[4] Staff will continue monitoring the evolution of proposals as well as the UCLM

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

	UAH billion	USD billion	Pct of GDP
Public debt at end-2024, authorities' debt statistics	6,981	166	91.2
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	89.7
Memo: Public debt in the DSA, ex. ERA	6,829	162	89.2

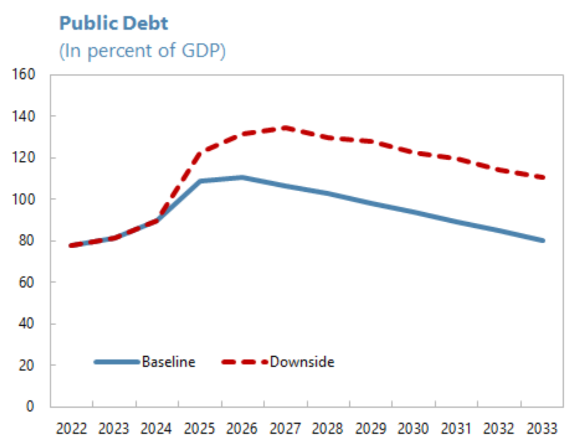
[2] The exclusion of the disputed debts does not change the mechanical results of the medium-term SRDSF tools, which would both be consistent with high risk even if the claims were included. It also does not change the overall finding that debt is unsustainable in the absence of restructuring, nor does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

[3] US budget support for 2024 was disbursed along with an arrangement specifying conditions where the amounts disbursed could be repaid in 40 years. One half of the repayment provision was formally canceled in late 2024 upon becoming eligible for such cancelation. No developments have occurred since the Seventh Review to warrant a reclassification of the remainder.

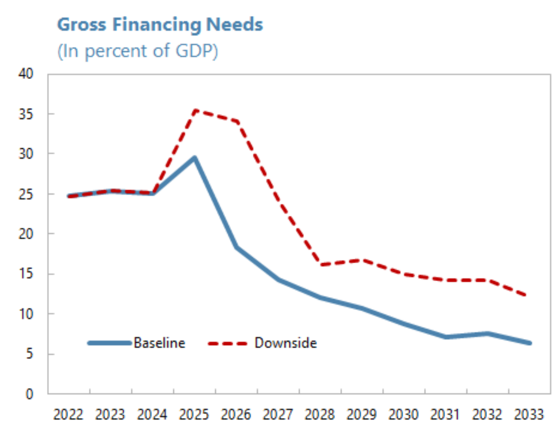
[4] Specifically, assumed terms entail a 10-year grace period, 25-year final maturity, and no interest. Based on these assumptions, there is no impact of ERA financing on GFNs in the forecast horizon.

in subsequent program reviews. Finally, pending an agreement on restructuring, each of the pre-restructuring SRDSAs incorporates projected payments as a contingent liability on Ukraine's GDP warrants consistent with their respective projected growth paths over 2026–33 and the underlying payment formula.[5]

- *Debt and GFN trajectories*: This SRDSA reflects the end-December level of public debt in both scenarios as well as the revised 2024 GDP outturn, which amounts to around 89.7 percent of GDP, close to the estimate in the Seventh Review SRDSA. 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 Seventh Review, gross financing needs have changed somewhat.



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.

[5] The 2025 warrant payment is included in interest, consistent with the 2025 Budget and thus incorporated in the deficit, gross financing need and debt accumulation in 2025.

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.

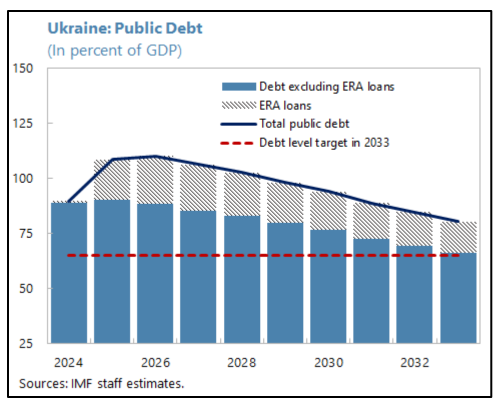
- On this basis, the debt restructuring targets are:

  - 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: (i) fiscal adjustment; (ii) substantial concessional financing; and (iii) debt restructuring, including of the GDP warrants, which constitute an important risk if left untreated. On (i), 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. Regarding item (ii), 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, on (iii), 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.



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	
	4	State governments	Yes	
	5	Local governments	Yes	
	6	Public nonfinancial corporations	Yes	
	7	Central bank	Yes	Inc. projected IMF BOP support
	8	Other public financial corporations	Yes	

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

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

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

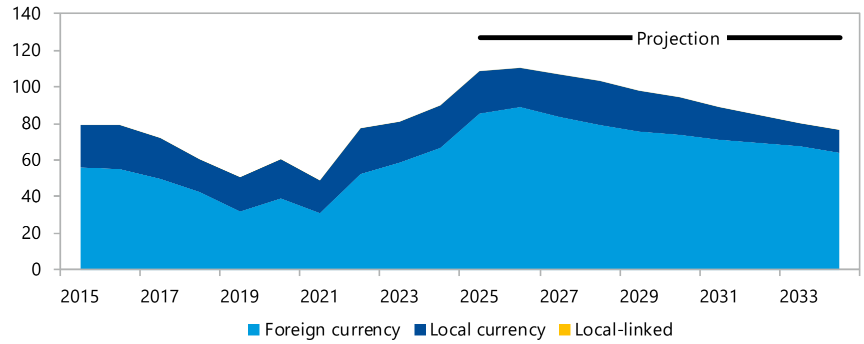
Issuer \ Holder		Budget. central govt	Extra-budget. funds	Social security funds	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
1	Budget. central govt									0
2	Extra-budget. funds									0
3	Social security funds									0
4	State govt.									0
5	Local govt.			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

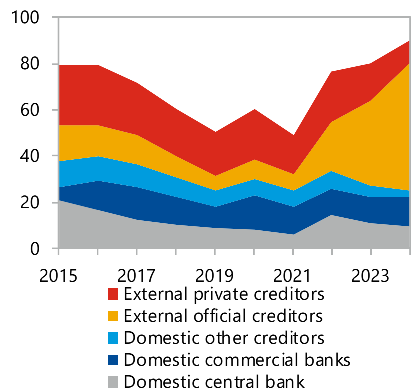
Annex II. Figure 3. Ukraine: Public Debt Structure Indicators (Baseline Scenario)

Debt by Currency (Percent of GDP)



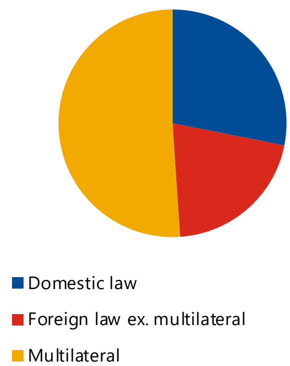
Note: The perimeter shown is general government.

Public Debt by Holder (Percent of GDP)



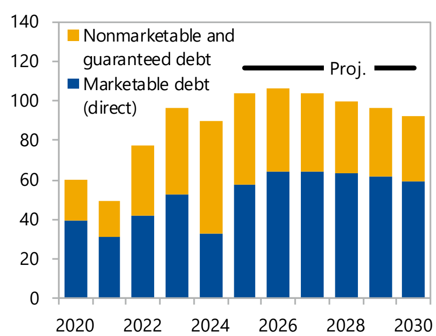
Note: The perimeter shown is general government.

Public Debt by Governing Law, 2024 (Percent)



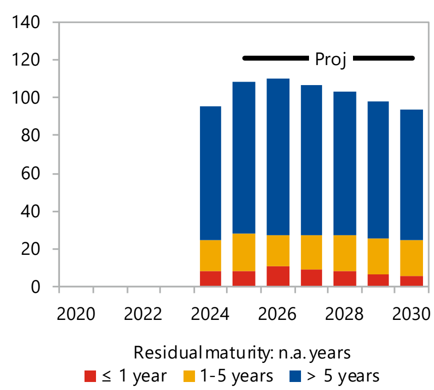
Note: The perimeter shown is general government.

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.

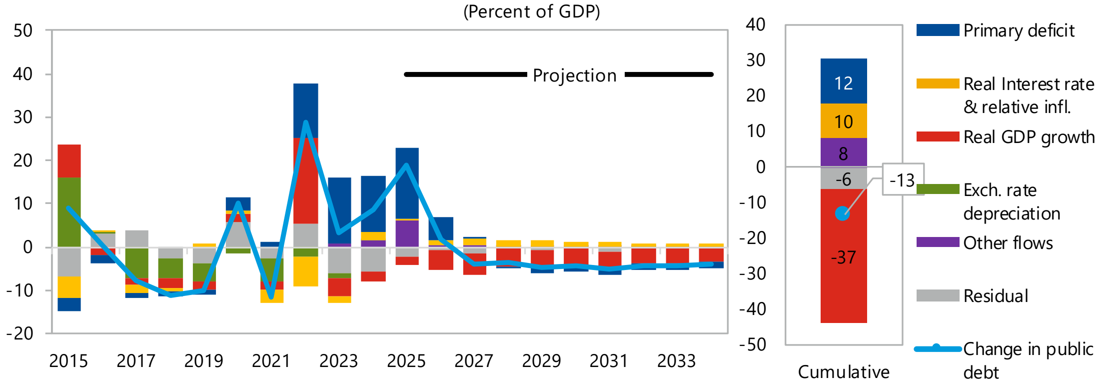
Annex II. Figure 4. Ukraine: Baseline Scenario (Post-Eurobond Restructuring)

(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	89.7	108.6	110.4	106.4	102.9	98.3	94.1	89.0	84.8	80.4	76.4
Change in public debt	8.5	18.9	1.7	-4.0	-3.5	-4.6	-4.2	-5.1	-4.2	-4.4	-4.0
Contribution of identified flows	14.3	21.3	2.3	-2.7	-3.5	-4.1	-4.1	-4.1	-4.0	-4.0	-3.9
Primary deficit	13.2	16.4	5.4	0.3	-0.6	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5
Noninterest revenues	54.1	41.6	41.2	41.3	40.8	40.7	40.6	40.5	40.4	40.4	40.5
Noninterest expenditures	67.3	57.9	46.6	41.6	40.2	39.2	39.1	39.0	38.9	38.9	39.0
Automatic debt dynamics	-0.6	-1.1	-3.7	-3.5	-3.1	-2.8	-2.7	-2.7	-2.6	-2.6	-2.5
Real interest rate and relative inflation	1.6	0.6	1.0	1.6	1.3	1.3	1.2	1.0	0.8	0.7	0.6
Real interest rate	-3.3	-5.5	-4.7	-1.7	-0.9	-0.9	-1.0	-1.1	-1.2	-1.3	-1.3
Relative inflation	4.9	6.1	5.7	3.3	2.2	2.3	2.1	2.1	2.0	1.9	1.9
Real growth rate	-2.3	-1.8	-4.7	-5.1	-4.4	-4.1	-3.9	-3.6	-3.4	-3.3	-3.1
Real exchange rate	0.1	...	...	...	...	...	...	...	...	...	...
Other identified flows	1.7	6.1	0.6	0.5	0.2	0.3	0.1	0.1	0.1	0.1	0.1
Contingent liabilities and other transactior	0.0	0.3	1.1	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	5.7	-0.5	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution of residual	-5.7	-2.4	-0.5	-1.3	0.0	-0.5	-0.1	-1.0	-0.1	-0.4	-0.1
Gross financing needs	25.1	29.6	18.4	14.3	12.0	10.7	8.8	7.2	7.6	6.4	6.5
of which: debt service	11.9	12.9	11.9	14.0	12.4	11.9	10.1	8.6	9.0	7.8	7.9
Local currency	5.9	8.3	7.6	10.4	8.7	7.5	6.6	5.2	5.7	5.1	3.7
Foreign currency	6.0	4.5	4.3	3.7	3.7	4.4	3.6	3.3	3.3	2.8	4.2
Memo:											
Real GDP growth (percent)	2.9	2.0	4.5	4.8	4.3	4.2	4.1	4.0	4.0	4.0	4.0
Inflation (GDP deflator; percent)	12.3	13.5	10.0	6.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Nominal GDP growth (percent)	15.6	15.8	15.0	11.1	9.5	9.4	9.3	9.2	9.2	9.2	9.2
Effective interest rate (percent)	7.6	6.4	5.0	4.3	4.1	4.0	3.9	3.7	3.6	3.4	3.3

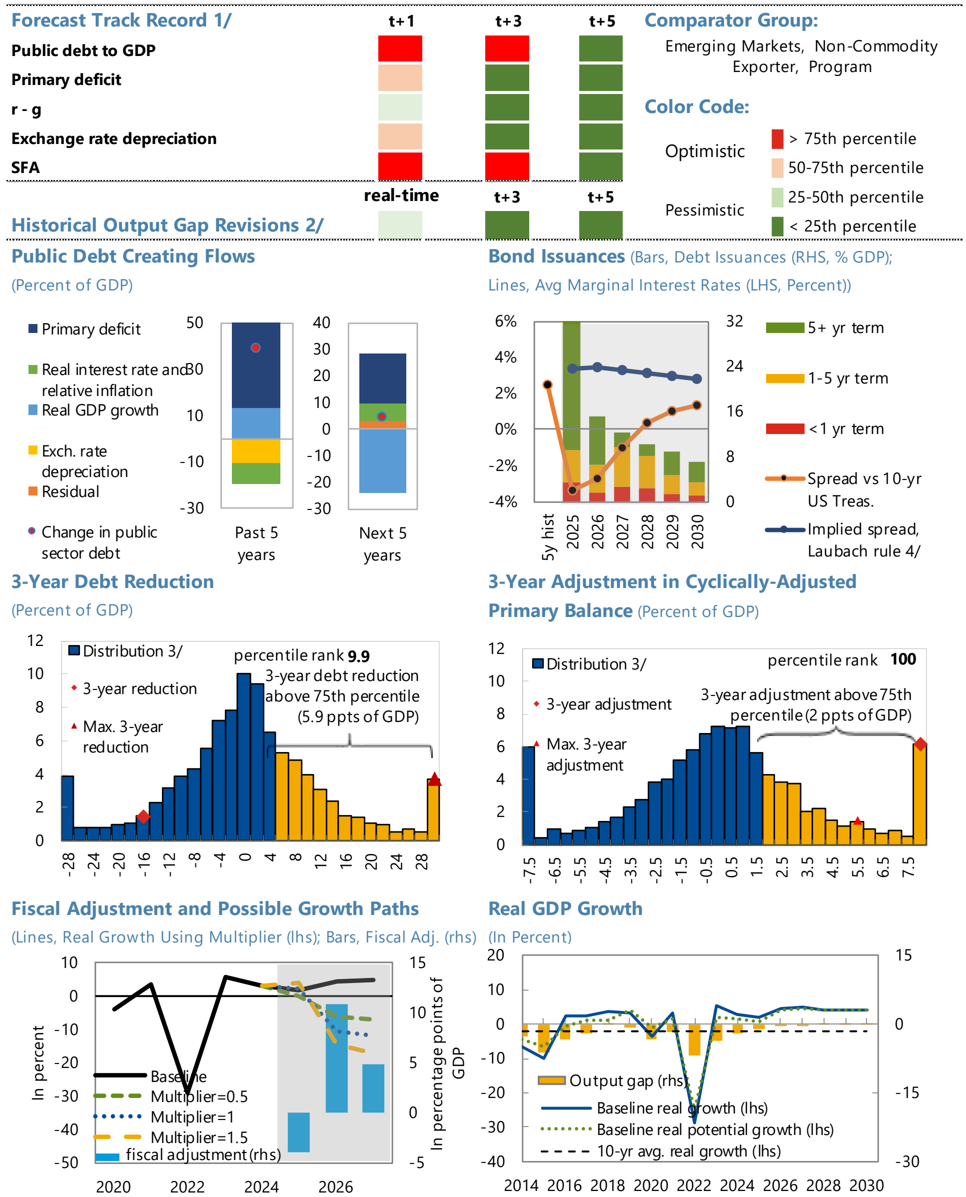
Contribution to Change in Public Debt

(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.

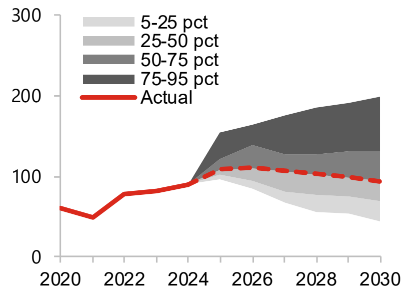
3/ Data cover annual observations over 1990-2019 for MAC advanced and emerging economies. Pct. of sample on vertical axis.

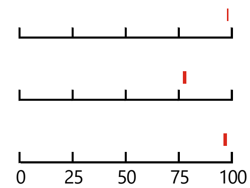
4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

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

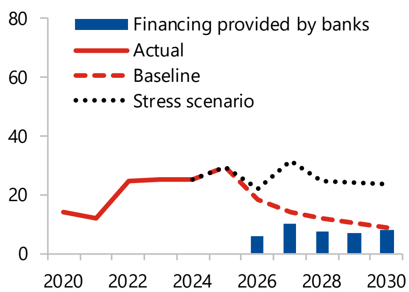
	Value	Contrib [1/]	Percentile in peer group [2/]
Debt fanchart module			
Fanchart width *(percent of GDP)*	154.5	2.2	
Probability of debt non-stabilization *(percent)*	16.5	0.1	
Terminal debt-to-GDP x institutions index	63.8	1.4	
Debt fanchart index (DFI)		3.8	
Risk signal: [3/]		**High**	
Gross financing 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)*	47.8	16.0	
GFN financeability index (GFI)		30.0	
Risk signal: [4/]		**High**	

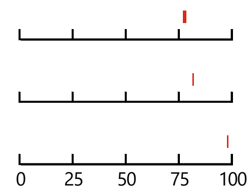
Final Fanchart (Pct of GDP)





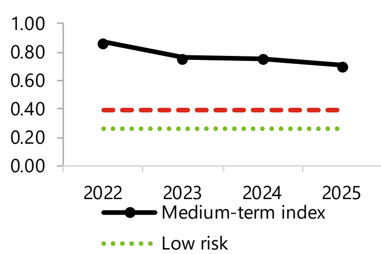
Gross Financing Needs (Pct of GDP)





Banking crisis Commodity prices Exchange rate Contingent liab. Natural disaster

Medium-Term Index (Index Number)



Medium-term risk analysis

	Value	Norm. Value	Weight	Contrib-ution
Debt fanchart index	3.8	0.84	0.50	0.42
GFN financeability index	30.0	0.58	0.50	0.29
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: 1.1 pct.

Both medium-term modules signal high sovereign stress risks in the baseline scenario, as in the previous DSA for the Seventh 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 continues to reflect the published end-December 2024 value. 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.

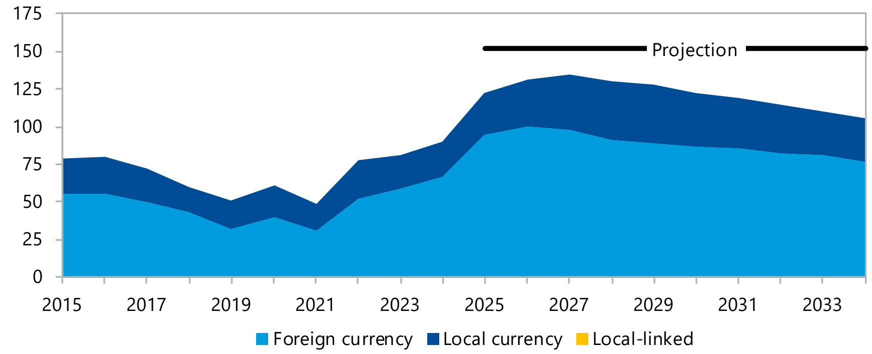
3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.

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.

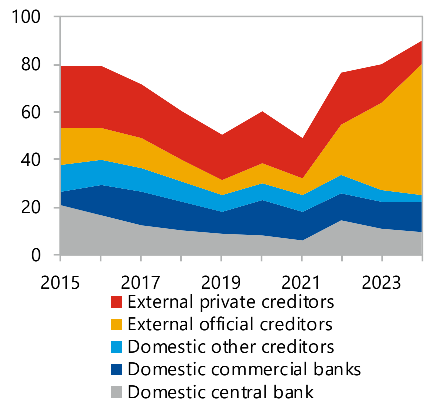
Annex II. Figure 7. Ukraine: Public Debt Structure (Post-Eurobond Restructuring Downside)

Debt by Currency (Percent of GDP)



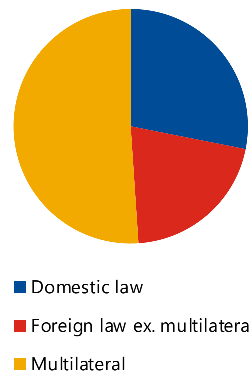
Note: The perimeter shown is general government.

Public Debt by Holder (Percent of GDP)



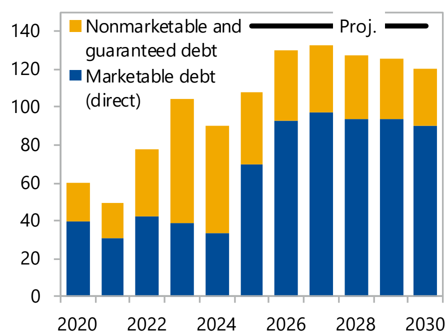
Note: The perimeter shown is general government.

Public Debt by Governing Law, 2024 (Percent)



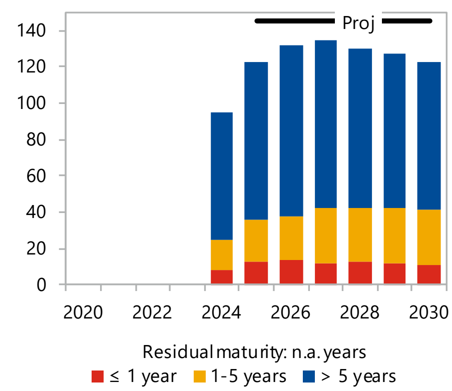
Note: The perimeter shown is general government.

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.

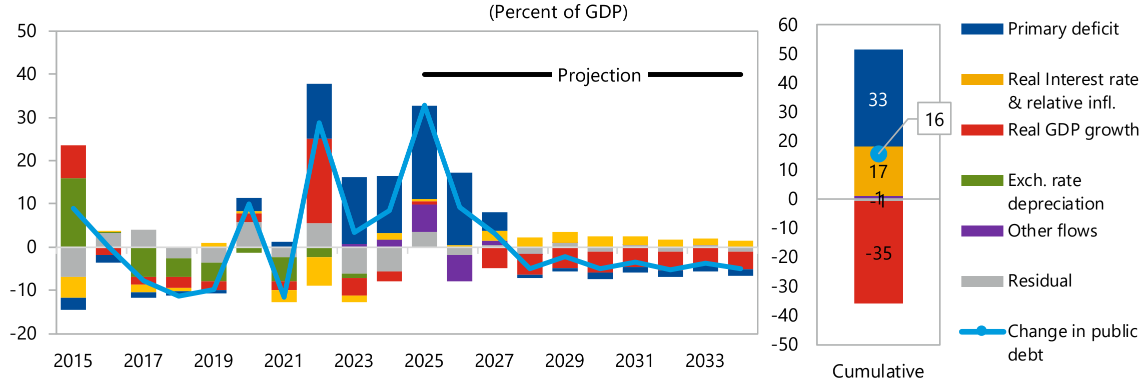
Annex II. Figure 8. Ukraine: Post-Eurobond Restructuring Downside Scenario

(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	89.7	122.5	131.7	134.8	129.9	127.7	122.8	119.4	114.2	110.5	105.5
Change in public debt	8.5	32.8	9.2	3.2	-4.9	-2.2	-4.9	-3.4	-5.2	-3.7	-5.0
Contribution of identified flows	14.2	29.2	10.9	2.7	-3.5	-3.1	-3.8	-3.9	-4.2	-4.1	-4.0
Primary deficit	13.2	21.5	16.7	4.2	-0.7	-1.0	-1.5	-1.5	-1.5	-1.5	-1.5
Noninterest revenues	54.1	41.1	39.7	40.8	40.7	40.5	40.4	40.3	40.3	40.2	40.4
Noninterest expenditures	67.3	62.6	56.4	45.0	39.9	39.5	38.9	38.8	38.7	38.7	38.9
Automatic debt dynamics	-0.6	1.4	0.4	-2.7	-2.7	-2.1	-2.3	-2.5	-2.7	-2.6	-2.6
Real interest rate and relative inflation	1.6	0.5	0.4	2.1	2.3	2.6	2.4	2.0	1.7	1.5	1.5
Real interest rate	-3.3	-7.5	-8.4	-3.3	-1.1	0.0	-0.1	-0.4	-0.7	-0.8	-0.8
Relative inflation	4.9	8.0	8.8	5.4	3.4	2.6	2.5	2.4	2.4	2.3	2.3
Real growth rate	-2.3	0.9	0.0	-4.8	-4.9	-4.8	-4.7	-4.5	-4.4	-4.2	-4.0
Real exchange rate	0.1	…	…	…	…	…	…	…	…	…	…
Other identified flows	1.6	6.2	-6.2	1.1	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Contingent liabilities and other transactions	0.0	0.3	0.0	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	5.9	-6.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution of residual	-5.7	3.6	-1.8	0.5	-1.4	0.9	-1.1	0.5	-1.0	0.4	-1.0
Gross financing needs	25.1	35.5	34.0	24.0	16.2	16.7	14.9	14.3	14.2	12.1	12.9
of which: debt service	11.9	13.6	17.3	18.6	17.0	17.6	16.4	15.7	15.7	13.5	14.3
Local currency	5.9	8.9	12.5	14.4	12.7	12.4	12.2	11.7	11.7	10.2	9.3
Foreign currency	6.0	4.7	4.8	4.2	4.3	5.2	4.2	4.0	3.9	3.3	5.0
Memo:											
Real GDP growth (percent)	2.9	-1.0	0.0	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Inflation (GDP deflator; percent)	12.3	17.0	13.0	8.0	6.0	5.0	5.0	5.0	5.0	5.0	5.0
Nominal GDP growth (percent)	15.6	15.8	13.0	12.1	10.0	9.0	9.0	9.0	9.0	9.0	9.0
Effective interest rate (percent)	7.6	7.3	5.2	5.2	5.1	5.0	4.9	4.6	4.4	4.3	4.2

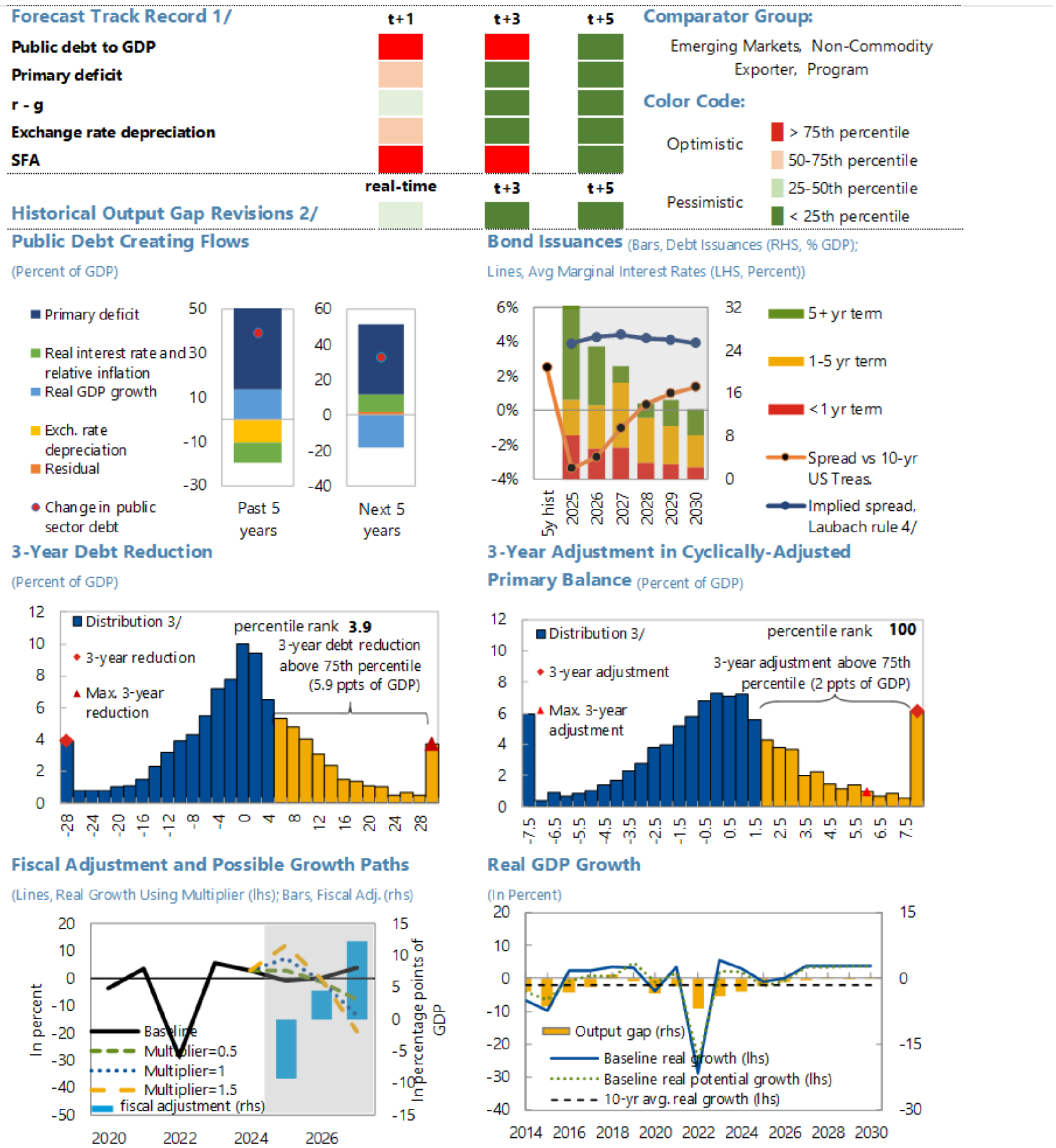
Contribution to Change in Public Debt

(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. Relative to the Seventh Review, the terminal debt level is little changed as the upward revision to the contributions from primary deficits is largely offset by the revised contribution from real GDP growth.

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.

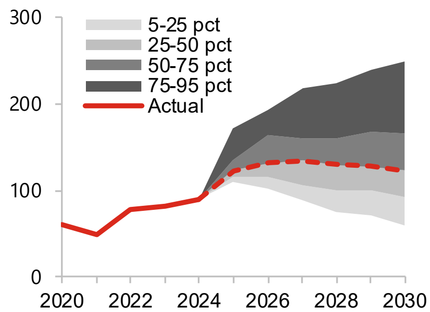
3/ Data cover annual observations over 1990-2019 for MAC advanced and emerging economies. Pct. of sample on vertical axis.

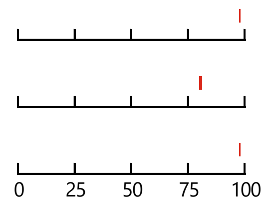
4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

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

	Value	Contrib 1/	Percentile in peer group 2/
Debt fanchart module			
Fanchart width *(percent of GDP)*	189.3	2.7	
Probability of debt non-stabilization *(percent)*	25.1	0.2	
Terminal debt-to-GDP x institutions index	83.2	1.8	
Debt fanchart index (DFI)		4.8	
Risk signal: 3/		**High**	

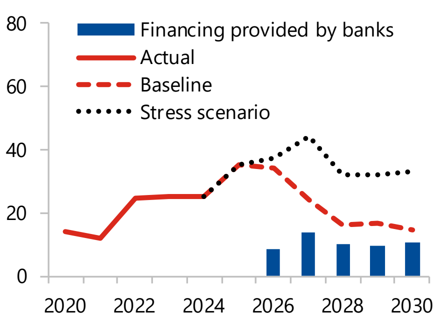
Final Fanchart (Pct of GDP)

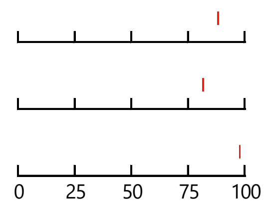




	Value	Contrib 1/	Percentile in peer group 2/
Gross financing needs (GFN) module			
Average baseline GFN *(percent of GDP)*	23.6	8.0	
Banks' claims on the gen govt *(pct bank assets)*	26.6	8.6	
Chg. In banks' claims in stress *(pct banks' assets)*	70.1	23.4	
GFN financeability index (GFI)		40.1	
Risk signal: 4/		**High**	

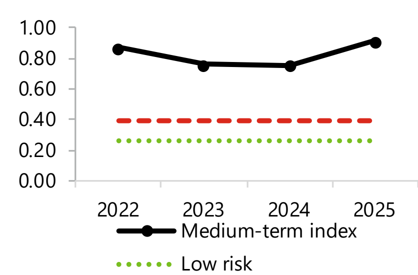
Gross Financing Needs (Pct of GDP)





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	4.8	1.06	0.50	0.53
GFN financeability index	40.1	0.77	0.50	0.39
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 Seventh 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 2025Q3, 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., -1 percent in 2025 (versus 2–3 percent in the baseline). The updated downside scenario involves broadly the same GDP losses for 2025 as at the Fifth Review in percentage 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$165.3 billion, US$12.4 billion higher than the baseline forecast for 2023Q2–27Q1 (US$152.9 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 Seventh Review. The authorities are prepared to take appropriate policy measures as needed. Contingency plans from the Seventh 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 tight expenditure envelope in the 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 last year's Eurobond restructuring has generated room in the domestic market relative to the Seventh 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 Eighth 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	6,628	7,659	8,871	10,024	11,238	12,365	13,476	14,688	16,008	17,447	19,016
Real GDP 1/	3.4	-28.8	5.5	2.9	-1.0	0.0	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Contributions:													
Domestic demand	12.8	-19.0	11.9	3.8	2.9	2.0	2.4	2.1	3.8	3.8	3.5	3.4	3.4
Private consumption	4.5	-19.0	3.0	4.6	0.8	1.8	2.6	2.6	2.5	2.5	2.5	2.5	2.4
Public consumption	0.1	5.6	3.0	-1.5	0.6	-0.7	-2.0	-1.8	0.0	0.0	0.0	0.0	0.0
Investment	8.1	-5.5	5.8	0.6	1.4	0.9	1.9	1.3	1.3	1.3	1.0	0.9	0.9
Net exports	-9.3	-9.8	-6.3	-0.8	-3.9	-2.0	1.4	1.7	0.0	0.0	0.3	0.4	0.4
GDP deflator	24.8	34.9	19.9	12.3	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	13.9	10.9	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	23.1	15.2	12.5	11.6	9.8	9.0	9.0	9.0	9.0	9.0
Real wages (average)	10.5	-16.0	6.4	15.6	1.2	1.5	3.2	3.5	3.8	3.8	3.8	3.8	3.8
Savings (percent of GDP)	12.5	17.0	12.8	11.4	2.8	7.0	18.9	20.3	21.2	20.8	20.9	21.0	21.0
Private	12.7	30.2	27.4	23.3	26.1	25.1	24.5	20.8	21.3	20.0	19.6	19.3	18.9
Public	-0.2	-13.1	-14.6	-11.8	-23.2	-18.1	-5.6	-0.6	-0.1	0.8	1.2	1.8	2.0
Investment (percent of GDP)	14.5	12.1	18.1	18.6	20.3	21.2	22.7	23.4	24.0	24.4	24.5	24.5	24.5
Private	10.7	9.6	13.4	13.3	16.4	17.0	17.9	18.5	19.0	19.4	19.5	19.5	19.6
Public	3.8	2.5	4.7	5.4	3.9	4.3	4.8	4.9	4.9	5.0	5.0	5.0	5.0
General Government (percent of GDP)													
Fiscal balance 2/	-4.0	-15.6	-19.3	-17.2	-27.2	-22.4	-10.3	-5.5	-5.0	-4.2	-3.7	-3.2	-3.0
Fiscal balance, excl. grants 2/	-4.0	-24.8	-25.8	-23.4	-28.1	-22.7	-11.5	-6.4	-5.7	-4.9	-4.4	-3.9	-3.6
External financing (net)	2.5	10.7	16.2	14.5	25.1	10.1	2.0	0.7	1.9	3.0	2.8	2.4	2.8
Domestic financing (net), of which:	1.5	5.0	3.1	2.6	2.1	12.4	8.4	4.8	3.1	1.2	1.0	0.8	0.2
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	-0.2
Commercial banks	1.4	-1.5	2.5	2.9	8.1	6.2	8.4	4.8	3.1	1.2	1.0	0.7	0.3
Public and publicly-guaranteed debt	48.9	77.7	81.2	89.7	122.5	131.7	134.8	129.9	127.7	122.8	119.4	114.2	110.5
Money and credit (end of period, percent change)													
Base money	11.2	19.6	23.3	7.7	22.0	12.8	15.6	10.0	10.0	9.0	9.0	9.0	9.0
Broad money	12.0	20.8	23.0	13.4	15.6	12.8	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	-9.6	6.8	12.9	15.5	15.5	15.5	17.6	17.6	17.6
Balance of payments (percent of GDP)													
Current account balance	-1.9	4.9	-5.3	-7.2	-17.5	-14.2	-3.7	-3.2	-2.7	-3.6	-3.6	-3.5	-3.6
Foreign direct investment	3.8	0.1	2.5	1.8	1.0	1.3	3.8	5.0	4.0	3.7	3.9	3.7	3.5
Gross reserves (end of period, billions of U.S. dollars)	30.9	28.5	40.5	43.8	42.9	31.8	30.8	34.8	39.7	44.8	49.7	53.8	59.0
Months of next year's imports of goods and services	4.5	3.8	5.3	5.0	5.2	4.1	3.9	4.1	4.4	4.7	5.0	5.1	5.2
Percent of short-term debt (remaining maturity)	74.4	83.3	100.3	130.9	144.3	103.1	94.9	97.9	119.5	125.8	144.5	158.8	143.1
Percent of the IMF composite metric (float)	105.5	110.3	130.2	125.4	102.6	70.1	65.5	71.9	79.0	86.4	91.9	96.4	102.1
Goods exports (annual volume change in percent)	35.1	-48.8	-15.7	14.1	-8.7	18.5	13.6	6.0	8.6	7.6	9.3	9.0	9.0
Goods imports (annual volume change in percent)	17.0	-24.0	22.1	7.3	11.4	-4.7	6.1	7.6	5.4	6.7	5.6	5.5	6.4
Goods terms of trade (percent change)	-8.4	-11.6	3.6	0.5	-1.5	1.7	1.6	0.6	0.3	0.2	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	-6.5	…	…	…	…	…	…	…	…	…
Memorandum items:													
Per capita GDP / Population (2017): US$2,640 / 44.8 million													
Literacy / Poverty rate (2022 est 3/): 100 percent / 25 percent													

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

1/ DGDP is compiled as per SNA 2008 and excludes territories that are or were in direct combat zones and temporarily occupied by Russia (consistent with the TMU). GDP is rebased to 2021.

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	3,645	3,981	4,583	5,028	5,455	5,936	6,449	7,023	7,644
Tax revenue	1,825	1,782	2,139	2,658	3,262	3,675	4,143	4,584	4,998	5,450	5,933	6,473	7,058
Tax on income, profits, and capital gains	514	551	656	883	1,074	1,265	1,453	1,596	1,740	1,906	2,077	2,264	2,467
Personal income tax	350	421	496	584	817	985	1,119	1,229	1,340	1,465	1,597	1,740	1,896
Corporate profit tax	164	131	159	299	256	280	334	367	400	441	481	524	571
Social security contributions	358	430	489	556	592	619	696	767	837	913	998	1,096	1,177
Property tax	43	37	44	50	52	51	51	52	57	53	53	54	54
Tax on goods and services	731	592	784	989	1,322	1,495	1,668	1,867	2,042	2,243	2,453	2,672	2,932
VAT	536	467	581	734	937	1,032	1,135	1,278	1,393	1,536	1,672	1,811	1,985
Excise	180	115	190	238	342	416	481	533	588	641	710	785	864
Other	14	10	14	16	42	47	53	57	61	66	71	77	83
Tax on international trade	38	26	41	48	69	80	95	110	120	131	142	154	173
Other tax	140	145	126	132	152	166	180	191	203	205	209	234	254
Nontax revenue	166	827	1,444	1,483	383	306	440	444	457	486	517	550	586
Budget support grants 2/	1	481	426	475	85	27	133	113	101	104	107	110	113
Expenditure	2,207	3,426	4,865	5,458	6,054	6,228	5,744	5,706	6,127	6,551	7,049	7,588	8,206
Current	1,995	3,298	4,562	5,053	5,624	5,724	5,125	5,004	5,362	5,708	6,130	6,586	7,114
Compensation of employees	516	1,240	1,479	1,584	1,985	1,860	1,301	1,119	1,175	1,248	1,358	1,483	1,620
Goods and services	483	848	1,674	1,505	900	988	1,009	877	946	993	1,108	1,171	1,285
Interest	155	162	254	305	499	569	686	768	803	839	836	833	849
Subsidies to corporations and enterprises	116	131	158	530	863	757	408	344	361	379	398	418	439
Social benefits	724	917	996	1,129	1,375	1,549	1,717	1,893	2,075	2,245	2,427	2,677	2,918
Social programs (on budget)	154	285	241	286	446	515	577	642	694	759	832	922	1,019
Pensions	519	583	746	822	910	1,012	1,097	1,165	1,270	1,320	1,391	1,540	1,675
Unemployment, disability, and accident	52	48	9	22	19	21	43	86	110	166	204	214	225
Other current expenditures	1	1	1	1	2	2	2	3	3	3	3	3	3
Capital	207	130	312	411	348	428	535	609	663	733	799	871	949
Net lending	5	-2	-9	-6	24	27	30	33	36	39	43	47	51
Contingency reserve 3/	0	0	0	0	58	49	54	60	65	71	77	84	92
General government overall balance	-216	-817	-1,282	-1,318	-2,409	-2,247	-1,161	-678	-672	-616	-600	-565	-562
General government overall balance, excluding grants	-218	-1,299	-1,707	-1,793	-2,494	-2,274	-1,295	-790	-773	-720	-707	-675	-675
General government financing	216	817	1,280	1,318	2,409	2,247	1,161	678	672	616	600	565	562
External	136	562	1,076	1,111	2,224	1,013	223	90	254	437	440	426	523
Disbursements	239	615	1,149	1,318	2,372	1,201	424	281	633	711	730	749	769
Amortizations and other external payments	-103	-53	-73	-207	-148	-187	-201	-192	-380	-274	-290	-323	-246
Domestic (net)	81	263	204	202	185	1,233	938	588	418	179	160	139	40
Bond financing 4/	62	295	183	333	705	613	932	582	412	173	154	133	34
o/w NBU	-14	383	-15	-12	-13	-12	-12	-11	-12	-12	-12	-12	-47
o/w Commercial banks	76	-80	167	222	718	625	944	593	413	173	152	130	65
Direct bank borrowing	30	-2	-7	-5	0	0	0	0	0	0	0	0	0
Deposit finance	-19	-37	-59	-136	-529	614	0	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	-1,910	-1,677	-475	91	131	224	235	269	287
Public and publicly-guaranteed debt	2,666	4,072	5,383	6,871	10,865	13,197	15,149	16,062	17,209	18,034	19,109	19,916	21,008
Nominal GDP (billions of Ukrainian hryvnia)	5,451	5,239	6,628	7,659	8,871	10,024	11,238	12,365	13,476	14,688	16,008	17,447	19,016

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	54.1	54.1	41.1	39.7	40.8	40.7	40.5	40.4	40.3	40.3	40.2
Tax revenue	33.5	34.0	32.3	34.7	36.8	36.7	36.9	37.1	37.1	37.1	37.1	37.1	37.1
Tax on income, profits, and capital gains	9.4	10.5	9.9	11.5	12.1	12.6	12.9	12.9	12.9	13.0	13.0	13.0	13.0
Personal income tax	6.4	8.0	7.5	7.6	9.2	9.8	10.0	9.9	9.9	10.0	10.0	10.0	10.0
Corporate profit tax	3.0	2.5	2.4	3.9	2.9	2.8	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Social security contributions	6.6	8.2	7.4	7.3	6.7	6.2	6.2	6.2	6.2	6.2	6.2	6.3	6.2
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	11.8	12.9	14.9	14.9	14.8	15.1	15.2	15.3	15.3	15.3	15.4
VAT	9.8	8.9	8.8	9.6	10.6	10.3	10.1	10.3	10.3	10.5	10.4	10.4	10.4
Excise	3.3	2.2	2.9	3.1	3.9	4.1	4.3	4.3	4.4	4.4	4.4	4.5	4.5
Other	0.3	0.2	0.2	0.2	0.5	0.5	0.5	0.5	0.5	0.5	0.4	0.4	0.4
Tax on international trade	0.7	0.5	0.6	0.6	0.8	0.8	0.8	0.9	0.9	0.9	0.9	0.9	0.9
Other tax	2.6	2.8	1.9	1.7	1.7	1.7	1.6	1.5	1.5	1.4	1.3	1.3	1.3
Nontax revenue	3.0	15.8	21.8	19.4	4.3	3.1	3.9	3.6	3.4	3.3	3.2	3.2	3.1
Budget support grants 2/	0.0	9.2	6.4	6.2	1.0	0.3	1.2	0.9	0.8	0.7	0.7	0.6	0.6
Expenditure	40.5	65.4	73.4	71.3	68.2	62.1	51.1	46.1	45.5	44.6	44.0	43.5	43.2
Current	36.6	63.0	68.8	66.0	63.4	57.1	45.6	40.5	39.8	38.9	38.3	37.7	37.4
Compensation of employees	9.5	23.7	22.3	20.7	22.4	18.6	11.6	9.1	8.7	8.5	8.5	8.5	8.5
Goods and services	8.9	16.2	25.3	19.7	10.1	9.9	9.0	7.1	7.0	6.8	6.9	6.7	6.8
Interest	2.8	3.1	3.8	4.0	5.6	5.7	6.1	6.2	6.0	5.7	5.2	4.8	4.5
Subsidies to corporations and enterprises	2.1	2.5	2.4	6.9	9.7	7.5	3.6	2.8	2.7	2.6	2.5	2.4	2.3
Social benefits	13.3	17.5	15.0	14.7	15.5	15.4	15.3	15.3	15.4	15.3	15.2	15.3	15.3
Social programs (on budget)	2.8	5.4	3.6	3.7	5.0	5.1	5.1	5.2	5.2	5.2	5.2	5.3	5.4
Pensions	9.5	11.1	11.3	10.7	10.3	10.1	9.8	9.4	9.4	9.0	8.7	8.8	8.8
Unemployment, disability, and accident	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	4.7	5.4	3.9	4.3	4.8	4.9	4.9	5.0	5.0	5.0	5.0
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	0.7	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
General government overall balance	-4.0	-15.6	-19.3	-17.2	-27.2	-22.4	-10.3	-5.5	-5.0	-4.2	-3.7	-3.2	-3.0
General government overall balance, excluding grants	-4.0	-24.8	-25.8	-23.4	-28.1	-22.7	-11.5	-6.4	-5.7	-4.9	-4.4	-3.9	-3.6
General government financing	4.0	15.6	19.3	17.2	27.2	22.4	10.3	5.5	5.0	4.2	3.7	3.2	3.0
External	2.5	10.7	16.2	14.5	25.1	10.1	2.0	0.7	1.9	3.0	2.7	2.4	2.7
Disbursements	4.4	11.7	17.3	17.2	26.7	12.0	3.8	2.3	4.7	4.8	4.6	4.3	4.0
Amortizations and other external payments	-1.9	-1.0	-1.1	-2.7	-1.7	-1.9	-1.8	-1.6	-2.8	-1.9	-1.8	-1.9	-1.3
Domestic (net)	1.5	5.0	3.1	2.6	2.1	12.3	8.4	4.8	3.1	1.2	1.0	0.8	0.2
Bond financing 4/	1.1	5.6	2.8	4.3	7.9	6.1	8.3	4.7	3.1	1.2	1.0	0.8	0.2
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	-0.2
o/w Commercial banks	1.4	-1.5	2.5	2.9	8.1	6.2	8.4	4.8	3.1	1.2	1.0	0.7	0.3
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	-6.0	6.1	0.0	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/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
Memorandum items:													
Primary balance	-1.1	-12.5	-15.5	-13.2	-21.5	-16.7	-4.2	0.7	1.0	1.5	1.5	1.5	1.5
Public and publicly-guaranteed debt	48.9	77.7	81.2	89.7	122.5	131.7	134.8	129.9	127.7	122.8	119.4	114.2	110.5
Nominal GDP (billions of Ukrainian hryvnia)	5,451	5,239	6,628	7,659	8,871	10,024	11,238	12,365	13,476	14,688	16,008	17,447	19,016

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	-13.7	-35.8	-28.4	-7.8	-6.9	-6.3	-8.7	-9.5	-9.7	-10.6
Goods (net)	-6.6	-14.7	-29.1	-30.4	-42.9	-31.3	-28.9	-31.4	-31.2	-32.6	-32.2	-31.7	-31.9
Exports	63.1	40.9	34.7	38.9	35.5	42.1	47.8	50.6	55.0	59.2	64.7	70.5	76.8
Imports	-69.8	-55.6	-63.8	-69.3	-78.4	-73.4	-76.7	-82.0	-86.2	-91.8	-96.9	-102.2	-108.7
Services (net)	4.0	-11.1	-8.7	-5.5	-12.3	-8.5	7.1	13.2	14.8	15.7	16.1	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	-22.7	-27.1	-25.1	-16.1	-14.0	-15.1	-16.0	-17.0	-18.0	-19.1
Primary income (net)	-5.8	8.5	5.0	0.3	1.3	0.8	1.6	0.6	-0.2	-1.6	-2.348	-2.9	-3.4
Secondary income (net)	4.6	25.2	23.3	21.8	18.0	10.7	12.4	10.7	10.2	9.8	9.0	8.6	8.0
Capital account balance	0.0	0.2	0.1	5.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account balance	-5.5	8.5	-20.9	-12.2	-35.6	-17.6	-6.9	-10.9	-11.3	-14.9	-15.6	-15.2	-16.8
Direct investment (net)	-7.5	-0.2	-4.4	-3.5	-2.0	-2.6	-7.9	-11.0	-9.2	-9.2	-10.1	-10.2	-10.4
Portfolio investment (net)	-1.0	2.0	2.7	6.6	1.4	-0.1	0.5	0.3	1.2	-0.9	-1.6	-1.3	-1.5
Financial derivatives (net)	0.2	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)	2.9	6.7	-19.1	-15.4	-35.0	-14.9	0.6	-0.2	-3.2	-4.8	-3.9	-3.7	-4.9
Other investment: assets	7.7	21.0	11.4	16.7	19.4	8.7	6.1	2.4	2.3	2.0	2.2	2.0	2.1
Other investment: liabilities	4.9	14.3	30.6	32.1	54.3	23.7	5.5	2.5	5.5	6.8	6.1	5.7	7.0
Net use of IMF resources for budget support	0.2	2.3	3.6	3.9	0.8	0.6	-0.1	-0.8	-1.7	-1.1	-1.3	-1.4	-1.1
Central Bank	2.7	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General government	1.5	14.7	26.0	24.7	49.9	20.4	4.5	2.7	6.6	7.2	6.7	6.5	7.4
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	3.6	3.6	2.7	1.1	0.6	0.6	0.7	0.7	0.7	0.7
Errors and omissions	1.8	-0.3	1.6	0.3	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	-0.2	-10.8	-0.9	3.9	4.9	6.2	6.1	5.5	6.3
Financing	-3.5	0.6	-13.0	-3.8	0.2	10.8	0.9	-3.9	-4.9	-6.2	-6.1	-5.5	-6.3
Gross official reserves (increase: -)	-2.5	2.3	-11.4	-2.9	0.9	11.1	1.0	-3.9	-4.9	-5.1	-4.9	-4.1	-5.2
Net use of IMF resources for BOP support	-0.9	-1.6	-1.6	-0.9	-0.8	-0.3	-0.1	0.0	0.0	-1.1	-1.3	-1.4	-1.1
Memorandum items:													
Current account balance (percent of GDP)	-1.9	4.9	-5.3	-7.2	-17.5	-14.2	-3.7	-3.2	-2.7	-3.6	-3.6	-3.5	-3.6
Goods and services trade balance (percent of GDP)	-1.3	-15.9	-20.9	-18.8	-27.0	-20.0	-10.5	-8.3	-7.0	-6.9	-6.2	-5.5	-5.2
Gross international reserves	30.9	28.5	40.5	43.8	42.9	31.8	30.8	34.8	39.7	44.8	49.7	53.8	59.0
Months of next year's imports of goods and services	4.5	3.8	5.3	5.0	5.2	4.1	3.9	4.1	4.4	4.7	5.0	5.1	5.2
Percent of the IMF composite metric (float)	105.5	110.3	130.2	125.4	102.6	70.1	65.5	71.9	79.0	86.4	91.9	96.4	102.1

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

1/ Based on BPM6.

2/ In-kind donations 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	-5.3	-7.2	-17.5	-14.2	-3.7	-3.2	-2.7	-3.6	-3.6	-3.5	-3.6
Goods (net)	-3.3	-9.0	-16.1	-15.9	-21.0	-15.7	-13.9	-14.3	-13.4	-13.2	-12.3	-11.4	-10.8
Exports	31.6	25.2	19.1	20.4	17.4	21.1	22.9	23.0	23.7	24.0	24.8	25.4	26.1
Imports	-34.9	-34.3	-35.2	-36.3	-38.3	-36.8	-36.8	-37.3	-37.1	-37.3	-37.1	-36.9	-36.9
Services (net)	2.0	-6.8	-4.8	-2.9	-6.0	-4.3	3.4	6.0	6.4	6.4	6.2	5.9	5.7
Receipts	9.2	10.3	9.2	9.0	7.3	8.3	11.1	12.4	12.9	12.9	12.6	12.4	12.2
Payments	-7.2	-17.1	-14.0	-11.9	-13.3	-12.6	-7.7	-6.4	-6.5	-6.5	-6.5	-6.5	-6.5
Primary income (net)	-2.9	5.2	2.8	0.2	0.6	0.4	0.8	0.3	-0.1	-0.7	-0.9	-1.0	-1.2
Secondary income (net)	2.3	15.6	12.9	11.4	8.8	5.4	5.9	4.9	4.4	4.0	3.4	3.1	2.7
Capital account balance	0.0	0.1	0.1	2.7	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	-11.5	-6.4	-17.4	-8.8	-3.3	-4.9	-4.8	-6.1	-6.0	-5.5	-5.7
Direct investment (net)	-3.8	-0.1	-2.5	-1.8	-1.0	-1.3	-3.8	-5.0	-4.0	-3.7	-3.9	-3.7	-3.5
Portfolio investment (net)	-0.5	1.3	1.5	3.5	0.7	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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investment (net)	1.4	4.1	-10.6	-8.1	-17.1	-7.5	0.3	-0.1	-1.4	-2.0	-1.5	-1.3	-1.7
Other investment: assets	3.9	12.9	6.3	8.8	9.5	4.4	2.9	1.1	1.0	0.8	0.9	0.7	0.7
Other investment: liabilities	2.4	8.8	16.9	16.8	26.6	11.9	2.7	1.2	2.4	2.8	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	0.0	-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	14.4	12.9	24.4	10.2	2.2	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	1.9	1.8	1.3	0.5	0.3	0.3	0.3	0.3	0.2	0.2
Errors and omissions	0.9	-0.2	0.9	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	1.7	-0.4	7.2	2.0	-0.1	-5.4	-0.4	1.8	2.1	2.5	2.3	2.0	2.1
Financing	-1.7	0.4	-7.2	-2.0	0.1	5.4	0.4	-1.8	-2.1	-2.5	-2.3	-2.0	-2.1
Gross official reserves (increase: -)	-1.3	1.4	-6.3	-1.5	0.4	5.6	0.5	-1.8	-2.1	-2.1	-1.9	-1.5	-1.8
Net use of IMF resources for BOP support	-0.5	-1.0	-0.9	-0.5	-0.4	-0.2	0.0	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	42.9	31.8	30.8	34.8	39.7	44.8	49.7	53.8	59.0
Months of next year's imports of goods and services	4.5	3.8	5.3	5.0	5.2	4.1	3.9	4.1	4.4	4.7	5.0	5.1	5.2
Percent of the IMF composite metric (float)	105.5	110.3	130.2	125.4	102.6	70.1	65.5	71.9	79.0	86.4	91.9	96.4	102.1

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

1/ Based on BPM6.

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

3/ Includes banks' debt for equity operations.

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

(Billions of U.S. dollars)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Act.	Act.	Act.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
A. Total financing requirements	**20.3**	**31.9**	**39.7**	**51.7**	**61.6**	**42.9**	**21.3**	**16.1**	**17.6**	**18.0**	**21.2**	**19.8**	**19.7**
Current account deficit (excl. budget grants)	3.9	6.0	21.2	23.8	37.4	28.9	10.3	8.9	8.1	10.5	11.2	11.4	12.3
Portfolio investment	4.9	2.7	4.9	7.9	1.9	2.2	1.0	0.8	2.2	1.1	2.8	1.2	1.0
Private	0.6	0.9	2.5	1.3	1.4	1.8	0.8	0.6	1.0	0.5	2.7	1.1	0.9
Public	4.3	1.8	2.4	6.7	0.4	0.4	0.2	0.2	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	5.1	4.5	4.9	5.2	4.3
Private	2.7	1.1	1.3	1.6	1.9	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Banks	0.2	0.2	0.2	0.2	0.5	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	2.3	2.3	3.3	2.7	3.2	3.5	2.5
Other net capital outflows 1/	7.9	21.0	11.4	16.7	19.4	8.7	6.1	2.4	2.3	2.0	2.2	2.0	2.1
B. Total financing sources	**20.0**	**0.7**	**9.6**	**16.0**	**9.5**	**11.6**	**13.5**	**15.8**	**14.6**	**15.5**	**18.8**	**17.1**	**17.3**
Capital transfers	0.0	0.2	0.1	5.1	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	3.5	2.0	2.6	7.9	11.0	9.2	9.2	10.1	10.2	10.4
Portfolio investment	6.0	0.7	2.2	1.3	0.5	2.3	0.5	0.5	1.0	2.0	4.3	2.5	2.5
Private	1.8	0.2	-0.1	0.2	0.2	2.3	0.5	0.5	0.0	0.0	2.3	0.5	0.5
Public	4.2	0.5	2.2	1.1	0.3	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	3.4	4.2	4.2	4.2	3.9	3.9	3.9	3.9	3.9	3.9
Private	3.0	1.5	1.8	2.5	3.6	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	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Corporates	2.8	1.4	1.7	2.4	3.2	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	0.9	0.6	2.2	2.3	2.0	2.0	2.0	2.0	2.0	2.0
Short-term debt (incl. deposits)	-0.3	-2.9	0.5	2.7	2.8	2.5	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**	**35.7**	**52.1**	**31.3**	**7.8**	**0.3**	**3.0**	**2.4**	**2.3**	**2.8**	**2.4**
D. Official financing	**1.0**	**29.8**	**40.1**	**39.6**	**54.4**	**20.2**	**6.8**	**4.2**	**8.0**	**7.5**	**7.2**	**6.9**	**7.6**
IMF	-0.7	0.6	1.9	2.9	0.1	0.2	-0.2	-0.8	-1.7	-2.2	-2.5	-2.8	-2.1
Purchases	0.7	2.7	4.5	5.3	2.4	2.2	1.1	0.0	0.0	0.0	0.0	0.0	0.0
Repurchases	1.4	2.1	2.5	2.4	2.3	2.0	1.2	0.8	1.7	2.2	2.5	2.8	2.1
Official budget grants	0.0	14.6	11.8	11.2	4.0	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	50.3	19.4	4.5	3.0	8.0	8.0	8.0	8.0	8.0
F. Increase in reserves	**2.5**	**-2.3**	**11.4**	**2.9**	**-0.9**	**-11.1**	**-1.0**	**3.9**	**4.9**	**5.1**	**4.9**	**4.1**	**5.2**
F. Errors and omissions	**1.8**	**-0.3**	**1.6**	**0.3**	**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	42.9	31.8	30.8	34.8	39.7	44.8	49.7	53.8	59.0
Months of next year's imports of goods and services	4.5	3.8	5.3	5.0	5.2	4.1	3.9	4.1	4.4	4.7	5.0	5.1	5.2
Percent of the IMF composite (float) 2/	105.5	110.3	130.2	125.4	102.6	70.1	65.5	71.9	79.0	86.4	91.9	96.4	102.1

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

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

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

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

(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	2,463	2,035	2,086	2,368	2,854	3,332	3,909	4,411	5,046
Net domestic assets	1,221	1,249	1,151	1,085	1,569	2,512	3,041	3,273	3,350	3,431	3,463	3,624	3,713
Domestic credit	1,925	2,212	2,248	2,492	2,573	3,867	5,072	5,841	6,470	6,894	7,377	7,897	8,422
Net claims on government	898	1,218	1,259	1,369	1,558	2,783	3,848	4,427	4,838	5,009	5,161	5,292	5,359
Credit to the economy	1,023	991	986	1,119	1,011	1,080	1,219	1,408	1,626	1,878	2,209	2,598	3,055
Domestic currency	731	725	733	854	742	807	942	1,134	1,355	1,612	1,948	2,341	2,803
Foreign currency	292	266	253	265	269	273	277	274	272	266	261	256	251
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	-1,004	-1,355	-2,031	-2,568	-3,120	-3,463	-3,914	-4,274	-4,709
Broad money	2,071	2,501	3,077	3,488	4,032	4,547	5,126	5,641	6,205	6,763	7,372	8,035	8,758
Currency in circulation	581	666	716	760	921	1,039	1,171	1,289	1,418	1,545	1,685	1,836	2,001
Total deposits	1,489	1,834	2,360	2,728	3,110	3,507	3,954	4,351	4,786	5,217	5,686	6,198	6,756
Domestic currency deposits	1,014	1,204	1,628	1,883	2,072	2,383	2,705	2,989	3,307	3,624	3,973	4,354	4,773
Foreign currency deposits	474	630	732	844	1,038	1,124	1,249	1,362	1,479	1,592	1,713	1,843	1,983
Accounts of the NBU													
Net foreign assets	701	907	1,456	1,801	2,011	1,578	1,632	1,936	2,409	2,884	3,448	3,947	4,569
Net international reserves	566	670	1,078	1,223	1,347	861	868	1,155	1,596	2,057	2,592	3,076	3,667
(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	781	813	827	857	871	902
Net domestic assets	-38	-115	-479	-749	-728	-131	40	-97	-386	-679	-1,045	-1,328	-1,715
Net domestic credit	175	312	6	-62	-468	441	1,240	1,552	1,726	1,685	1,688	1,657	775
Net claims on government	270	704	591	450	-13	587	572	559	545	531	518	504	490
Claims on government	325	758	729	716	703	691	679	668	657	646	635	624	613
Net claims on banks	-95	-392	-585	-512	-455	-146	668	994	1,181	1,154	1,171	1,154	286
Other items, net	-213	-427	-485	-687	-260	-572	-1,200	-1,649	-2,112	-2,364	-2,733	-2,986	-2,490
Base money	662	793	977	1,052	1,283	1,447	1,672	1,840	2,023	2,205	2,403	2,619	2,854
Currency in circulation	581	666	716	760	921	1,039	1,171	1,289	1,418	1,545	1,685	1,836	2,001
Banks' reserves	81	126	261	292	362	408	501	551	606	660	719	783	853
Cash in vault	47	49	48	63	63	71	80	89	97	106	116	126	137
Correspondent accounts	35	77	213	230	299	337	420	462	508	553	603	657	715
Deposit money banks													
Net foreign assets	149	345	470	602	451	456	454	431	445	449	461	464	476
Foreign assets	254	427	550	680	580	623	659	670	694	701	722	730	752
Foreign liabilities	105	82	80	78	128	166	206	239	248	253	262	266	276
Net domestic assets	1,339	1,489	1,890	2,125	2,658	3,050	3,500	3,919	4,340	4,767	5,225	5,733	6,278
Domestic credit	1,875	2,064	2,540	2,882	3,438	3,870	4,368	4,875	5,386	5,904	6,443	7,058	7,699
Net claims on government 1/	628	513	668	919	1,570	2,196	3,275	3,868	4,293	4,478	4,643	4,788	4,869
Credit to the economy	1,023	991	986	1,119	1,011	1,080	1,219	1,408	1,626	1,878	2,208	2,597	3,054
Other claims on the economy	5	3	3	4	4	5	5	6	6	7	7	8	9
Net claims on NBU	220	594	885	842	853	590	-130	-406	-539	-458	-415	-335	-233
Other items, net	-536	-574	-650	-757	-780	-820	-869	-957	-1,046	-1,137	-1,219	-1,326	-1,421
Banks' liabilities	1,488	1,834	2,360	2,727	3,109	3,507	3,954	4,350	4,785	5,216	5,685	6,197	6,755
Memorandum items:	(End of period, percent change unless otherwise noted)												
Base money	11.2	19.6	23.3	7.7	22.0	12.8	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	21.3	12.8	4.8	5.8	6.8	7.8	8.8	9.8	9.8
Broad money	12.0	20.8	23.0	13.4	15.6	12.8	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	-9.6	6.8	12.9	15.5	15.5	15.5	17.6	17.6	17.6
Real credit to the economy 2/	-1.5	-23.5	-5.3	1.3	-20.0	-2.0	5.0	10.0	10.0	10.0	12.0	12.0	12.0
Credit-to-GDP ratio, in percent	18.8	18.9	14.9	14.6	11.4	10.8	10.8	11.4	12.1	12.8	13.8	14.9	16.1
Velocity of broad money, ratio	2.6	2.1	2.2	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/	9,831	8,333	7,421	6,809	5,560	4,286	3,012	1,599	687
Obligations	2,344	2,016	1,348	1,001	1,583	1,552	1,507	1,600	1,053
Principal (repurchases)	1,736	1,498	913	612	1,249	1,274	1,274	1,413	912
Interest charges	608	518	435	389	334	278	233	187	142
of which: Surcharges	127	90	54	34	11	0	0	0	0
of which: Level-based	92	66	39	25	8	0	0	0	0
of which: Time-based	35	25	15	9	3	0	0	0	0
Prospective purchases									
Disbursements	1,791	1,679	795	0	0	0	0	0	0
Stock 1/	1,491	3,170	3,965	3,965	3,934	3,608	3,013	2,352	1,691
Obligations 2/	16	145	237	251	282	547	753	762	738
Principal (repurchases)	0	0	0	0	31	326	595	661	661
of which: Surcharges	4	59	101	109	108	82	35	1	0
of which: Level-based	3	43	74	79	79	60	26	1	0
of which: Time-based	1	16	28	30	30	22	10	0	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	7.4	7.7	7.3	6.6	5.5	4.3	3.1	1.9	1.1
In percent of exports of goods and nonfactor services	30.0	26.2	21.5	18.6	15.0	11.7	8.3	5.1	2.8
In percent of gross reserves	35.2	48.3	49.5	41.6	32.1	23.7	16.3	9.9	5.4
In percent of public external debt	9.8	8.8	8.5	8.0	6.9	5.5	4.1	2.6	1.5
Obligations to the Fund from existing and prospective Fund credit	2,360	2,160	1,585	1,252	1,864	2,099	2,260	2,362	1,791
In percent of quota	117.3	107.4	78.8	62.2	92.7	104.4	112.3	117.4	89.0
In percent of GDP	1.5	1.5	1.0	0.8	1.1	1.1	1.2	1.1	0.8
In percent of exports of goods and nonfactor services	6.3	4.9	3.0	2.2	2.9	3.1	3.1	3.0	2.1
In percent of gross reserves	7.3	9.1	6.9	4.8	6.3	6.3	6.1	5.9	4.1
In percent of public external debt service	73.3	60.0	34.6	26.4	33.7	41.3	40.9	40.5	33.9

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

Appendix I. Letter of Intent

Ms. Kristalina Georgieva June 19, 2025

Managing Director

International Monetary Fund

Washington, D.C., 20431

U.S.A.

Dear Ms. Georgieva:

1. Russia's illegal and unjustified full-scale invasion of our country, now in its fourth year, 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 persist 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 Rapid Damage and Needs Assessment (RDNA-4) completed in February estimated direct and documented damages of US$176 billion and reconstruction and modernization needs at US$524 billion over the next decade; these needs increase with every day the war continues. Despite the hardship, our people continue to show courage, determination, and resilience while macroeconomic, financial, and external stability has been preserved with skillful policymaking and continued large-scale 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 exceptionally high uncertainty due to the war. Our IMF-supported program, together with unprecedented official financing assurances, therefore, provides a crucial financing envelope of US$152.9 billion over the program period. In this regard, we are especially grateful to our partners for the US$50 billion Extraordinary Revenue Acceleration (ERA) Loan Initiative, and are committed to managing the disbursements prudently and transparently to finance our critical spending needs.

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 in both the baseline scenario and 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 our 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 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. We are also optimistic about the recent agreement between ourselves and the USA to create an economic partnership agreement that establishes a Reconstruction Investment Fund which will further solidify our ties, benefit both nations, and enable financing for critical and growth enhancing development projects, all while complying with our international obligations and consistent with our EU accession path plans.

5. For this Eighth Review under the EFF, we have met all the end-March 2025 and continuous quantitative performance criteria (QPCs); we also achieved all the indicative targets (ITs). We are requesting a modification of the floor on the non-defense primary cash balance of the general government to recalibrate an adjustor pertaining to the NBU's annual profit transfers to the budget to accommodate an additional distribution in May 2025. Additionally, we are requesting a modification of the end-September 2025 NIR floor to maintain buffers amid 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: (i) submission of legislative amendments to parliament to introduce tax reporting requirements for digital platform operators by end-April; and (ii) publication of the completed external audit of the National Anti-Corruption Bureau of Ukraine's effectiveness with participation of three independent experts with international experience. Finally, as a prior action for this review, we will submit to the CMU a reform plan for the state customs service (SCS). We also propose to reset four structural benchmarks: (i) on the appointment of a permanent head of SCS from end-June to end-December 2025, because more time is needed to complete the selection process; and (ii) the publication of external assessment of NEURC by the Energy Community Secretariat from end-October to end-December 2025 to align with the adoption timeline of the NEURC law; (iii) on NBU taking steps to mitigate growing critical third-party risk in banks, non-bank financial institutions, and payments service providers from end-September 2025 to end-June 2026; (iv) completion of NSSMC's fit and proper review from end-June 2025 to end-August 2025.

7. We continue to implement wide-ranging reforms, and as a demonstration of this commitment we propose four additional structural benchmarks: (i) on the SIC to approve the updated Single Project Pipeline by end-August 2025; (ii) preparation by the NBU and NSSMC of a prioritized roadmap for financial market infrastructure reforms in consultation with IFIs and other stakeholders by end-October 2025; (iii) implementation of European and international valuation standards by end-December 2025; and (iv) preparation of legislative proposals by NSSMC for submission to parliament to align the securitization and covered bonds frameworks with international standards by end-March 2026.

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- March 2025, our implementation of structural benchmarks, as well as our strong policy commitments for the period ahead, we request completion of the Eighth Review and a disbursement in the amount of SDR 373.53 million (18.6 percent of quota), which will be channeled for budget support. We also request a rephasing to backload purchases under the program within 2025 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. Russia's unprovoked, illegal, and unjustified invasion of our country, now in its fourth year, continues to bring enormous human, social, and economic costs. We are prepared to work 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, while missile and drone strikes continue countrywide, including devastating attacks on our civilian and energy 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 totals US$152.9 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 the US$50 billion in financing through the Extraordinary Revenue Acceleration (ERA) Loans for Ukraine Initiative, which is helping to 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 last year 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.

5. **We welcome the ratification in May by the Verkhovna Rada of our agreement with the US on an economic partnership agreement to establish a Reconstruction Investment Fund.** The fund will benefit both nations and enable financing for critical projects in the development of natural resources, while also fostering innovation, technological development, and recovery. Moreover, the agreement complies with Ukrainian legislation, international obligations, and Ukraine's EU accession path.

Economic Outlook

6. **The economy's growth is expected to slow in 2025 due to headwinds from Russia's continuing war.**

- After growth of 2.9 percent in 2024, GDP is expected to grow between 2 and 3 percent in 2025, reflecting, on the one hand, further stabilization of the energy situation, a stronger harvest, and accommodative fiscal policy, and on the other, headwinds, including from labor market constraints, and decreased gas production due to infrastructure damage.

- Inflation has accelerated broadly in line with expectations, reaching 15.1 percent y/y in April, due to continued pressure from food prices, energy and labor costs as well as the passthrough from depreciation. Nevertheless, inflation is expected to moderate to around 9 percent by end-2025 thanks to a sharp deceleration in food price inflation from a larger harvest, a more stable energy situation, and the tapering off of unfavorable base effects, together with an appropriately tight monetary policy stance.

- The current account deficit excluding grants reached US$25 billion in 2024 (up from US$21.3 billion in 2023), and is projected to widen further to US$38.6 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$53.4 billion (125.5 percent of the ARA metric).

- After depreciating by 2.1 percent against the US dollar through Q4-2024, including due to the fiscal impulse and seasonal factors, the hryvnia appreciated year to date through May by 1.2 percent on the back on increased FX supply and stabilized net FX demand. Over the same period, the hryvnia depreciated by 6.5 percent against the euro. FX interventions have declined since end-2024, but remain sizeable to cover the structural FX deficit of the private sector (while intermediating the public sector's structural FX surplus). The spread between the official and cash rates has remained low.

- Credit growth continues to recover, supported by improved business activity, credit guarantee schemes, with lending to households and micro, small and medium-sized enterprises increasing rapidly from anemic levels 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 towards pre-war levels. The banking system remains profitable and highly liquid amid still strong deposit growth.

7. The economy could rebound more quickly, especially if a just and durable peace agreement delivers a swift and sustained improvement in security. Even in the early stages of a peace agreement, economic performance could exceed expectations if security conditions allow and key bottlenecks are resolved more swiftly through robust return migration, improving energy security, recovering sentiment, reduced 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 and faster 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 in macro critical sectors or support from official development partners; and/or an even faster return of migrants.

8. Despite the economy's resilient growth, downside risks to the outlook persist amid exceptionally high uncertainty. Security risks could last longer than expected, putting continuing pressures on our fiscal and external positions and creating additional financing needs. A prolonged or more intense war would also 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 additional large-scale damage to energy infrastructure, or supply chain disruptions could resurface, weighing on production costs and firm profitability; there could also be a sustained need for priority imports. A peace settlement without credible security guarantees and/or sufficient financial resources for reconstruction and defense could lead to adverse economic and social outcomes. While near-term external financing risks have diminished, largely due to ongoing disbursements from the ERA Initiative, shortfalls or delays could recur, exacerbating financing constraints and requiring difficult policy trade-offs. Moreover, if such risks materialized, additional domestic financing may become difficult to mobilize.

II. Macroeconomic and Structural Policies for 2025–27

A. Overview

9. 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. These are the foundations 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, including our Budget Declaration for 2026–28, 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 monetary policy response to recent inflation pressures has helped stabilize inflation expectations. 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.

10. We acknowledge IMF staff analysis on an updated downside scenario, and we are fully committed to swiftly take 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 playing our part to ensure the burden of adjustment is shared.

- We are equally focused on identifying policies to help 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 drive total factor productivity (TFP) growth and help Ukraine converge to European income levels. In this regard, establishing effective 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

11. We successfully met all the program's fiscal targets for end-March despite continued shocks from the war:

- Tax collections totaled UAH 614 billion, exceeding the floor of UAH 485 billion (Quantitative Performance Criterion).

- We carefully executed the budget in the first quarter, delivering a general government non-defense cash primary balance excluding grants of UAH 381.4 billion (at program exchange rates), thus achieving the floor of UAH 254.8 billion with a margin (Quantitative Performance Criterion).

- The related general government cash balance excluding grants was UAH -239.2 billion, exceeding the floor of UAH -410.5 billion (Indicative Target).

- The issuance of government guarantees was UAH 7.8 billion (at program exchange rates), fully respecting the ceiling of UAH 62.9 billion (Quantitative Performance Criterion).

- Overdue accounts payable (domestic arrears) were UAH 1.4 billion at end-March, beneath the ceiling of UAH 1.8 billion (Indicative Target).

- Social spending amounted to UAH 164.9 billion, respecting the floor of UAH 132 billion and consistent with our efforts to ensure adequate protection for vulnerable groups in the population.

12. The expenditure risks in 2025 as a result of Russia's continued war have materialized and a Supplementary Budget for 2025 has become necessary. A draft Supplementary Budget has been submitted to the Cabinet of Ministers and is expected to be registered with Parliament soon. With this budget, we expect that the overall deficit excluding budget support grants will amount to UAH 1,960 billion (22.1 percent of GDP). Although our defense needs are higher than previously expected, we have found offsetting savings wherever possible to contain the impact on the deficit. The benefits of recently enacted tax measures and overperformance on both tax and non-tax revenues have also helped contain the increase in our deficit.

13. Disbursements under the G7's ERA initiative have begun, and we will manage these flows prudently and transparently to finance deficits through the remaining program period. We will continue to take the necessary steps to ensure that the US$35.9 billion in expected 2025 ERA disbursements are used consistently with the program's fiscal paths. To this end, we will allocate a portion of these disbursements as prefinancing for budget deficits during the rest of the program. We will also preserve a portion of these resources as an adequate buffer for the downside. In operationalizing this commitment, 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.

- Only revise spending categories in consultation with IMF staff and after identifying either new financing sources or compensating fiscal measures. We continue to stand ready to increase taxes if budgetary shocks materialize, and view increases in the main VAT rate as the most efficient option to mobilize resources in such a contingency.

- 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.

14. The Budget Declaration for 2026-28 begins to define our strategic priorities for the immediate post-war period. Ahead of its parliamentary submission by June 30, 2025, we were in consultation with Fund staff to ensure the Declaration was aligned with the program and thus satisfied the ***end-June Structural Benchmark***.

- *For 2026*: We expect an overall deficit excluding grants of 10.4 percent of GDP, under the assumptions underpinning the baseline macroframework. The expenditure envelopes reflect our priorities to allocate resources for defense preparedness, reconstruction initiatives, and social protection. On the revenues side, consistent with our commitment to domestic revenue mobilization, we will ensure that next year's tax revenues in terms of GDP are at least as high as in 2025, which we anticipate will be at 37.3 percent of GDP. To achieve this objective, the budget declaration envisages tax measures of about 0.5 percent of GDP, largely reflecting items already scheduled for implementation under the NRS (¶21–22). Legislation to implement these measures has already been registered in Parliament and we will seek prompt adoption and enactment of these laws so that they will be in effect by the start of next year. The steps that we are taking to strengthen tax administration and compliance (e.g., our work on compliance risk management and improved methods for collecting tax debts) will also contribute to achieving adequate tax revenues next year (¶25). Should further measures be necessary, we will focus on higher-quality and permanent measures, while avoiding suboptimal policies such as a renewal of windfall bank taxation.

- *Over 2027–28*: We expect deficits to narrow as expenditures further normalize, although we expect that certain spending needs, including defense and social spending, will be permanently higher than before the war. Consistent with our program's objective of restoring medium-term fiscal sustainability, this will require further efforts to mobilize adequate domestic revenues in these years to cover these expenditures. To this end, we are working on identifying high-quality and permanent measures of a magnitude that is sufficient to deliver the rising path of tax revenues envisaged in the program. Measures that we have identified in our NRS (¶23), including reforms to carbon, personal income, and simplified taxation, and EU accession process will be an important starting point. We expect that next year's budget declaration will further incorporate them as more specifics on the scope and timing of the reforms become available. To this end, in June, the European Union will begin a review of the compatibility of Ukraine's current tax legislation with EU directives, and the findings of this review will inform the next steps for our work program in this area. We will also determine whether adjustments to taxes are needed.

15. We recognize the need to restore fiscal and debt sustainability and this will require targeting a primary surplus of around ½–1½ percent of GDP in the medium term, beginning soon after the end of the war with Russia. We remain committed to undertaking this fiscal adjustment that will entail a sustained effort to generate 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. We are also planning on reevaluating the merits of spending norms, such as mandatory floors on spending for certain sectors (currently suspended as part of Martial Law), which reduce budget flexibility and limit reprioritization efforts.

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, covering the period February 2022-December 2024. It estimated direct documented damages reaching US$176 billion and total reconstruction and modernization needs at US$524 billion. Damages and needs are only increasing every day that Russia's 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 and the settlement of IDPs. Consistent with the law and recent PFM reforms, we will ensure that all investment projects are prioritized and selected through the established Public Investment Management (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. We will also seek to reform financial market infrastructure with the aim of mobilizing private financing for recovery and reconstruction (see ¶60–61).

C. Financing Strategy

17. Our financing strategy continues to focus on securing timely and predictable external disbursements that, given the need to restore debt sustainability, is appropriately on highly concessional terms. The war and its associated cost entail a large financing gap, which stands at US$152.9 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*: Since the start of the full-scale war, we have received budget support from international partners totaling about US$133 billion. Since the start of the program, we have received US$91 billion, of which US$15.9 billion was disbursed during January-May 15, 2025. For the remainder of the year, we expect to receive an additional US$36.4 billion.

- *Firm financing commitments are in place for the next 12 months of our IMF-supported program*: Over July 2025–June 2026, we have received assurances for US$42.4 billion of financing (excluding IMF financing). This financing includes contributions from multilateral institutions and official bilateral donors as well as a portion amounting to US$25.2 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 June 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 thus far this year, we scaled back our domestic bond issuances in the first half of 2025 to reduce debt service costs. Nevertheless, in the second half of the year, we expect to further mobilize financing from the domestic government debt market consistent with the Supplementary Budget and to ensure the program is fully financed. We are remaining closely engaged with the domestic bond market, so support this plan. We also expect that Benchmark Bonds, which banks can use to meet reserve requirements, will support these efforts, with issuance so far this year amounting to UAH 60 billion. 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, while safeguarding debt sustainability across the program macroframeworks.

19. We will continue to enhance our capacity to manage public debt as well as treasury cash and liquidity:

- *Medium-term debt strategy (MTDS)*: We are working on an MTDS update, which we expect to issue upon completing the treatment of external commercial claims (including GDP-linked securities) and ideally before the end of the year.

- *Other debt management efforts*: 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 aims to establish a fair and competitive tax framework that generates sufficient revenues to support our post-war development goals while ensuring 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 and specific timetables for tax administration, customs, and tax policy reforms. We will continue to closely monitor and report progress on NRS implementation. Notably, we have prepared and published our NRS implementation report, taking stock of reform progress until end-2024. Going forward, to reflect reform progress and ensure accountability within a comprehensive, transparent, and unified reporting framework, we will publish a comprehensive status report each year in March. The NRS Steering Committees at State Customs Services (SCS) and State Tax Services (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 have taken 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. In 2024 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 tax expenditures related to these major taxes for publication alongside the 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 reform of the ST system 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 safeguarding the confidentiality of tax data in the STS systems and a review by the MoF in cooperation with the NBU, and with TA from the IMF and other international partners, taking into account best international practices and EU Directive requirements, including specifically on the issue of the possible expansion of the grounds for extrajudicial access by tax authorities to information regarding the amount of funds received into taxpayers' bank accounts.

- We have developed legislative amendments to introduce reporting requirements for digital platform operators and international data exchange in line with EU Council DAC7 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 submitted the relevant legislative amendments to Parliament on April 30, 2025 (***Structural Benchmark*****, end-April 2025,** ***met***). We aim for swift adoption by end-2025. To further incentivize compliance, the draft law envisages a 5 percent turnover tax on income received through digital platforms. The law will not introduce new VAT exemptions.

- As planned in the NRS, in 2025 we will 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 best international practices for preventing tax evasion and ensure effective protection of the tax base from erosion and profit shifting.

24. Robust IT processes are necessary for successful NRS implementation. The MOF, in accordance with the NRS, has developed an updated IT strategy for the Public Finance Management (PFM) System, which was approved by the CMU in May 2025. The core approach outlined in the IT strategy is consolidation of IT-systems of the PFM system entities at the MOF level, ensuring the administration of these IT systems by an independent administrator using cloud technologies. This includes gradual transition to a new level of service-oriented systems, particularly within STS and SCS, to facilitate the availability of state services online. We are committed to implementing the updated IT strategy, in coordination with international partners:

- In May 2025 we created a working group, with representation among others from MOF, STS, and SCS. The working group will develop an operational plan of implementation of the updated IT-strategy for the PFM System, to be adopted by the Committee on IT management for PFM entities by end-September 2025 (***Structural Benchmark*****, end-September 2025**) for the implementation of the updated IT Strategy. This operational plan will specify a time-bound sequence of actions, with clearly defined responsibilities for the relevant units within the MOF, STS, and SCS. It will focus on IT infrastructure modernization and consolidation, including for the STS and SCS.

- 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 stored by STS, we have developed the concept note of using anonymized data on taxpayers by tax authorities (see NRS section 4.2.3), which we plan to operationalize by end-2026, subject to the availability of sufficient financing for this important reform.

25. 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 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, the Ministry of Digital Transformation is developing a track and trace system, in cooperation with the STS and MOF, and remains on track to operationalize it by January 1, 2026.

- To improve our risk-based approach to tax administration, we have 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 have launched a two-year pilot (ending in July 2026) of the compliance risk management (CRM) system. Based on lessons learned so far from this pilot, we will prepare and submit to the CMU a report on results of the pilot and necessary proposals for legislative amendments by September-2026.

- 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. Earlier this year, we also implemented IT solutions for SAF-T UA (electronic format of data submission) for large taxpayers.

- We are also working on: (i) restructuring of the STS's organizational structure with the principle of functionally organized tax administration and support modern CRM practices of functional principle; and (ii) improving the efficiency of information exchange with foreign competent authorities.

- We have identified an IT solution to more effectively collect outstanding tax debts which are recoverable and undisputed (or have exhausted the appeals process). We are currently working on implementing this solution, with the aim of having it operational by end-2025.

26. We will proceed promptly with reforms of customs including installing a new permanent head and taking concrete steps to reduce corruption risks and boost capacity to combat fraud. Reforms of the SCS are guided by: (i) the NRS; (ii) the Reform Plan of the State Customs Service of Ukraine for 2024–2030 (Order of the State Customs Service of Ukraine No. 686);

(iii) the long-term National Strategic Plan for Digital Development, Digital Transformation and Digitalization of the State Customs Service of Ukraine and its Territorial Units (Order of the Ministry of Finance of Ukraine No. 63); and (iv) the changes to the Customs Code enacted in 2024 (Law of Ukraine No. 3977-IX).

27. We have appointed a Government Commissioner for Customs Reform who, together with the MOF, will develop a time-bound action plan to ensure the effective implementation of these reforms:

- The draft plan will be submitted to CMU by June 17, 2025 (***Prior Action***). CMU will finalize the plan by mid-July, after consultations with IMF staff.

- To ensure that the SCS has the necessary tools to effectively combat smuggling, the plan will specify investment needs in IT infrastructure, including modern scanning equipment (in line with item 5.2.5 of the NRS). We will prepare relevant public investment projects in line with PIM methodologies and subject to established evaluation procedures. We aim to secure financial support for these projects from our international partners by end-August 2025.

- We also remain committed to implementing the changes to the Customs Code enacted in 2024, including key governance reforms. However, more time is needed to complete the appointment of the new head of customs (***Structural Benchmark*****, end-June 2025, proposed reset to end-December 2025**). To meet this timeline, we expect to formally appoint the selection commission no later than end-August 2025. We will also establish Key Performance Indicators (KPIs) for the head of customs (by end-November 2025). These KPIs will balance revenue collection performance with other objectives, such as trade facilitation, good governance, and reform progress. The MoF will continue to 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 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. 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.

28. Meanwhile, other SCS reforms continue:

- Following the adoption of legislation to criminalize large-scale customs fraud and smuggling in 2024, we have also adopted legislation to modernize the framework to address administrative liability for violations of customs regulations.

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

- SCS completed a Customs Integrity Perception Survey in December 2024, which we commit to repeat 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.

29. 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 established 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 2024, and we remain committed to finalizing the selection process for appointing the new ESBU as soon as possible despite the delays (***Structural Benchmark*, 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.

Strengthening the Medium-Term Budget Framework

30. We will continue enhancing expenditure planning and the MTBF, in line with the 2024 action plan to enhance the MTBF. In 2025, our focus is on the practical application of diagnostic review results, improving expenditure baseline estimates, and costing of new policies. This includes agreeing between the Ministry for Social Policy and the MOF on approaches to determine the medium-term indicators of social and pension insurance funds. 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 PIM reforms, will be well aligned with the MTBF (¶39). Through these reforms, we will strengthen our ability to guide fiscal policy, more efficiently allocate scarce public resources, and further align our budgetary framework with EU requirements.

Pensions and Social Spending

31. 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 have submitted to the Parliament:

- amendments to legislation to ensure that Article 61, Part 5 of Law 3354-20 becomes effective immediately.
- new legislation (draft law 12278) prohibiting any changes to the pension system through unrelated legislation (i.e., outside the pension law).

Also, we will focus on the 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.

32. 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 World Bank support, 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. 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. Specifically, we will submit draft legislation to Parliament to discontinue the practice of linking annual increases in certain special pensions to increases in salaries. In addition, we will improve the targeting, and prevent the abuse of certain pensions supplements by clarifying eligibility criteria.
- **Disability benefits.** We will introduce new approaches to supporting people with health impairments, including people with disabilities. To ensure comprehensive and better targeted support, we have submitted legislation (draft Law No. 12209) aiming (i) to foster rehabilitation

and inclusion of people with health impairments into the labor market, and (ii) to better protect those unable to work from poverty.

- **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 have also increased the income threshold for eligibility under the Guaranteed Minimum Income program.

Fiscal Transparency and Risks

33. Measures to enhance fiscal transparency and address fiscal risks remain important. Specifically:

- To strengthen the link between the fiscal risks assessment and the predictability of government spending, with FAD TA 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 public investments (including PPPs), guarantees, local governments and SOEs, by end-2026. 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 significantly improved 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 currently designing a new PPP law. We will ensure that the final version of the law provides for adequate risk sharing between the public and private partners, ensures integration with the public investment framework, and strengthens the gatekeeper role for the MOF. We will consult with international partners before finalizing the law.

- 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 Ministry of Infrastructure.

- We will implement the MOF's 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 the creation of new special funds and/or transfer of existing revenues of the general fund to newly created special funds.

34. 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 balanced 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 communities and to manage local and guaranteed debt.

35. The MOF remains responsible for overseeing the Business Development Fund (BDF). We will continue to adhere to the agreed coordination mechanism between the MOF and MOE. 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 continue to control and monitor spending under the program. The appropriations for the 5-7-9 program in the State 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.

36. Our reforms of the 5-7-9 program are accompanied by measures to strengthen the BDF's effectiveness and sustainability, consistent with the SME Development Strategy (Government Order No. 821). The MOF, in collaboration with international partners, has commissioned an independent assessment of the BDF (to be completed by end-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 a majority of independent candidates. In addition, the NBU formally assessed 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. The NBU informed the MOF, the MOE, and the BDF of its position regarding the key prerequisites for including BDF guarantees in eligible collateral. The NBU recommendations focused primarily on the need to reinforce the BDF's legal framework and to ensure greater clarity and robustness in its corporate governance and internal control mechanisms. To implement these changes, the MOF will amend Draft Law #11238 (see also next paragraph below), in consultation with the NBU, MOE, and IFIs.

37. To limit fiscal risks, any government lending facilities or development finance institutions will strictly adhere to international best practices. We will ensure that any legislation conforms to international best practice by establishing: (i) 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 will focus on: (i) enhancing the BDF's SME mandate, governance and controls; (ii) empowering the BDF to build capacity in line with international best practices and with the aim of reaching compliance with the EC's pillar assessment requirements; (iii) ensuring the BDF's financial sustainability through pricing of the BDF's services to reflect the risks; and (iv) further strengthening institutional capacity.

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

- ***Fund for the Liquidation of the Consequences of the Armed Aggression.*** The Fund has supported the restoration of destroyed and damaged property totaling 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

39. We are implementing the Action Plan for the Implementation of the PIM Roadmap for 2024–2028. We are enhancing the PIM framework through enhancing (i) strategic planning in accordance with the Concept of the National Strategic Planning System, which we will adopt in June 2025; (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 SPP 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.

- 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.

- By end-June 2025, the Strategic Investment Council (SIC) 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.

- By end-August 2025, the SIC will approve the annual update of the SPP **(*proposed structural benchmark*, end-August 2025)**. Only projects from the SPP will be eligible for financing from the 2026 Budget as approved by the decision of the Inter-Agency Commission for Allocation of Public Investment.

- To improve resource allocation, we will adopt sectoral strategies in line with the new approaches to public investment management by end-December 2025 (***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 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 necessary implementation plans by end-September 2025 and will request FAD TA if necessary.

- In parallel, we will finalize the required IT infrastructure (by end-2025), introducing necessary transformations to existing IT systems, in particular DREAM, to ensure full compliance with PIM methodologies and eliminate any conflict of interest in administration. We will take steps to increase the institutional capacity of agencies participating in the PIM process at the national and local level.

E. External Debt Strategy

40. 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.

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

- *Commercial claims other than Eurobonds*: We reached agreement-in-principle with a group of investors holding 45 percent of Ukrenergo's government-guaranteed bonds in the restructuring perimeter. We are aiming for implementation of this agreement over the summer. As regards the GDP warrants, although a restricted session ended in end-April without an agreement, we continue to engage with warrant holders in hopes of promptly reaching an agreement. We continue to reach out to a commercial creditor on external commercial loans that was a part of the restructuring perimeter approved in March 2023. To support our efforts, a moratorium on government payments on all these instruments was introduced in August 2024 and remains in effect. 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 (GCU) remain committed to a two-step process involving an extension of the debt standstill, accompanied by 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.

42. 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.

43. 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

44. 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 for Easing FX Restrictions, Transitioning to Greater Flexibility of the Exchange Rate, and Returning to Inflation Targeting and our Monetary Policy Guidelines for the medium term (MPG), and in close collaboration with the IMF, 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

45. We will maintain a sufficiently tight monetary policy stance to combat inflation, anchor expectations, and support macroeconomic stability, guided by our MPG. Following cumulative rate hikes of 250 bps since December 2024, we decided to keep the key policy rate unchanged at 15.5 percent, recognizing early signs of easing price pressures and the need to maintain monetary policy prudence amid ongoing uncertainty. We plan to move to an easing cycle only once incoming data provide clear and consistent evidence that inflation has peaked and remains on the path toward our target of 5 percent. Our stance is aimed at anchoring inflation expectations and preserving the attractiveness of hryvnia instruments, thereby limiting inflationary and FX pressures. In the next few months, inflationary pressures driven by food and energy constraints as well as wage growth are projected to abate, thanks to a stabilized energy situation and a larger harvest than in 2024, together with our tight monetary policy stance. Looking ahead, 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 of our monetary policy—including elements related to the parameters of 3-month CD placements, and the share of reserve requirements that can be met with eligible domestic bonds—is aligned with our monetary policy stance, guided by thorough analysis of the passthrough from the KPR to bank interest rates 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.

- *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 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 can further help keep inflation and exchange rate expectations anchored, thereby preserving confidence in the hryvnia while allowing the exchange rate to serve as a shock absorber, thus supporting our eventual return to full-fledged inflation targeting.

Exchange Rate Policies

46. The managed flexibility exchange rate regime has enhanced the FX market's capacity for self-balancing and strengthens the exchange rate's role as a shock absorber while safeguarding reserves. The NBU continues to address the war-related structural FX deficit of the private sector (while intermediating the structural surplus of FX in the public sector), including to mitigate excessive exchange rate volatility, actions that are aligned with our Strategy and MPG (see ¶45). Through March-April this year, due to seasonal factors, FX supply increased largely owing to the agriculture sector, while the non-defense component of FX demand has stabilized. More generally, while the depth of the FX market has increased with the share of FX interventions declining, the level of FXI remains high given sizeable fiscal spending. We 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 the cash FX selling rate and the official exchange rates has narrowed for most of the current year. In April, amid a seasonal improvement in the cash market conditions, it turned negative, while hovering around zero during the first half of May. As outlined in our Strategy, and based on the assessment of a set of predefined macroeconomic preconditions outlined therein, 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 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.

47. We are committed to maintaining adequate FX reserves throughout the program to safeguard external stability. Despite elevated net demand for FX in the first two months of the year that reflected government spending, we met the end-March 2025 Quantitative Performance Criterion on net international reserves thanks to prudent FX interventions. As reflected in our request to tighten the end-September 2025 NIR target (***quantitative performance criterion***), we remain committed to ensuring adequate reserves amid elevated near-term risks and achieving the established NIR floors.

48. 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 continues to 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. Most recently, we have introduced easing measures to increase financing limits for foreign branches and enhanced cross-border transfer capabilities, while introducing measures to limit unproductive outflows, including enhanced currency supervision and tightened regulations on settlements for imports. To ensure compliance with current controls and limit unproductive capital outflows, we will continue to closely monitor FX market conditions and related flows, 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 by May 2025, and close monitoring of securities account operations in order to prevent capital outflows (see ¶60). We continue to remain vigilant, aligning with the FX liberalization roadmap under our Strategy to safeguard macroeconomic stability.

NBU Independence and Governance

49. 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.

50. 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 are taking steps to enhance the NBU's financial autonomy, in particular its secured creditor status under bank resolution, and improve the Audit Committee. 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 ensure that vacant positions in the NBU Council are filled by end-July 2025 to support its operational effectiveness.

- *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. In addition, consistent with our FX liberalization roadmap under the NBU's Strategy, and as conditions permit in the post-Martial Law period, we will gradually phase out FX controls implemented under Resolution No. 18. This approach will continue to support the recovery while safeguarding external stability. Accordingly, any necessary legal amendments will be developed for submission for Parliament with an expectation of adoption by year-end, including as related to the Currency Law and the NBU Law.

51. 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

52. 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 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. Additionally, in May, we updated the Financial Sector Development Strategy and the Lending Development Strategy, which will serve to enhance European integration efforts and lay the groundwork for post-war recovery by developing financial and capital market infrastructure, and expanding financial inclusion.

53. 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 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 erode capital buffers. In the interim, the NBU's regulatory activities will be informed by supervisory observations and resilience assessments.

54. We will take all 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.

55. We are preparing legislative changes to close key gaps in early intervention, temporary administration, and resolution of insolvent banks, 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. We are implementing the action plan approved by the recently revived NBU-DGF coordination committee and we have reviewed 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.

56. 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 essential. A working group established by the Financial Stability Council is reviewing DGF governance arrangements, including 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-September 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.

57. 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 (SOBs) 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 SOBs for sale, Sense Bank and Ukrgasbank. We plan to appoint an internationally recognized financial advisor at the appropriate time 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 in consultation with the MOF, NBU, and IFIs will implement changes to the mortgage finance "eOselia" program implemented by the Ukrainian Financial Housing Company (UFHC) that balances the need to provide affordable housing at scale, encourage new construction, and minimize the use of fiscal and government debt resources. The UFHC strategic plan will be approved by the company's Supervisory Board by end-June 2025. We will not allocate any further budget resources to the UFHC in 2025 until the strategy is complete.

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

- *Financial reporting*. We have restored the requirements for mandatory quality control of services provided by audit companies that apply to non-bank financial companies. The NSSMC will continue to provide access to financial reporting files submitted to the Financial Reporting Collection Center, and will define the main tasks for expanding the functional capabilities of the Financial Reporting Collection Center in consultation with key stakeholders by end-December 2025. Key tasks include identifying appropriate budgets to integrate the Financial Reporting Collection Center software systems with state users' information systems.

- *Bank capital rules.* The NBU has aligned banks' regulatory capital structure and leverage ratio calculations with EU rules and will implement capital requirements in 2025. With support of the World Bank, we have closed key gaps in minimum capital requirements relative to EU standards. In addition, we have updated the requirements for credit risk weighting exposure and introduced provisions for calculating settlement risk. 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 we submitted legislative amendments 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 its involvement in the domestic debt market.

- *Removing regulatory arbitrage in supervisory enforcement measures.* The NBU will prepare and we will submit to Parliament amendments to Article 73 of the Law of Ukraine On Banks and Banking to set the upper limit of fines based on a bank's regulatory capital rather than its registered authorized capital by end-September 2025.

- *Immovable property databases and indices*. The Ministry of Justice and NBU have improved mechanisms for real estate transactions information collection and exchange. Processing of price data will be administered by SPFU as part of the Unified Database, which contains data on taxable transactions involving real estate owned by individuals. We will make legislative changes to expand the Unified Database to include real estate transactions that are not subject to taxation by end-December 2025. In parallel, we will prepare a residential real estate price indices methodology by end-December 2025 in consultation with IFIs to facilitate eventual publication of regular residential real estate price indices in consultation with IFIs and with IMF technical assistance.

- *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. If needed, 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*. We have aligned the definition of non-performing exposures with EU Acquis and we will take further steps to strengthen banks' NPL workout capacity and to promote 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.

59. 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 risk assessment methodology to inform supervisory engagement priorities. 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 (NBFIs), 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. Draft law #13233 was approved by the government and has been submitted to the Parliamentary Committee on Finance, Taxation and Customs Policy for consideration. The financial sanctions applied to such entities will be established by the laws of Ukraine and the regulatory legal acts of the NBU. 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 will take steps to mitigate growing critical third-party risk in banks, non-bank financial institutions, and payments service providers **(*Structural Benchmark*, end-September 2025 proposed to be reset to end-June 2026)**. The steps include: (i) preparing a concept note on oversight of critical third-party risk, including for the purpose of digital operational resilience, which was completed in May 2025; (ii) enhancing regulatory requirements to address third-party risk for banks and non-banks by end-March 2026; (iii) implement the requirements by end-June 2026; and (iv) if needed, we will develop and submit a draft law to Parliament. Any such legislation 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.

60. We will strengthen the legal, regulatory, and supervisory framework for NBFIs and financial markets.

- *Legal framework*. Between 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-September 2025, which will bring their capital requirements into 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 will: (i) further develop the early warning system and transition to risk-based supervision in the payment market by end-December 2025; (ii) will develop the reporting system; and (iii) strengthen supervision capacity through hiring specialists and building analytical capacity. The NBU will issue market guidance by end-June 2025 on measures to strengthen the risk-based payments monitoring by banks and non-bank payment service providers and we 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-June 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-December 2025 a legislative proposal to: (i) align payment acquiring services (to enable a merchant to receive and process electronic payments from a customer) with EU norms; (ii) extend the NBU's 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 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 **(*Structural Benchmark*, end-June 2025 proposed to be reset to end-August 2025)**. To strengthen capital flow restrictions, we will require that OTC FX bond operations carried out by non-banks are settled through the Settlement Center by mid-June 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.

61. 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 has prepared a targeted model of capital market infrastructure in consultation with IFIs. The NBU in consultation with the NSSMC, Ministry of Finance, and IFIs, will develop an action plan for the practical implementation of the targeted model of capital market infrastructure by end-June 2025.

- *National Depository of Ukraine (NDU)*. We will optimize the NDU ownership structure to create the necessary preconditions to attract international investors, which is a key element of our targeted model of capital market infrastructure. We will develop a roadmap to facilitate the transfer of the state's share in the NDU's authorized capital to the management of the NBU to be approved by the Financial Stability Council (FSC) by end-July 2025.

- *Stock exchange risks.* 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 (#12372) 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-December 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-July 2025. We will encourage financial institutions to do more to meet the needs of vulnerable clients and to reintegrate de-occupied territories. Draft law #13018-D for a such restricted banking license is due 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 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. The NBU will coordinate with other stakeholder authorities and will prepare detailed action plans by end-May 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 has prepared a concept note for the development of the mortgage lending market, which will be approved by the Financial Stability Council by end-June 2025 following consultation with IFIs.

- *Responsible consumer lending*. To strengthen borrowers' rights, improve information exchange, and encourage responsible lending, we submitted to Parliament in February a draft law on improving state regulation and the functioning of credit bureaus. We will take the necessary steps to facilitate the adoption of the law by Parliament by end-December 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. Relatedly, in May, the NBU has enabled FX forward transactions between banks and allowed FX sales from customers with delivery, while clarifying relevant provisions of Resolution No. 18.

62. We will reform financial market infrastructure with the aim of maximizing opportunities to attract private investment for reconstruction and recovery. Current gaps in market standards and infrastructure limit the prospects for attracting private capital, which needs to play a critical and large-scale role in Ukraine's reconstruction strategy. We have formed an interagency working group under the Financial Stability Council (FSC) that includes all policy stakeholders. Specifically:

- The NBU, NSSMC, and MOF, in consultation with IFIs, will finalize a concept note by end-June 2025 that sets out the steps to identify, prioritize, and implement the reform agenda. The 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. The FSC working group will include regular consultation with IFIs and monetary financial institutions, and will be supported by a project management office established with IFI assistance and staffed with specialists to assist working group task forces with (a) identification of detailed deliverables and timelines, (b) interagency coordination and communication, (c) market research and outreach, and (d) to monitor deliverables to ensure they are completed on time, within budget, and to the expected standard.

- The NBU and NSSMC will prepare a prioritized roadmap for financial market infrastructure reforms in consultation with IFIs and other stakeholders that is aimed at maximizing the opportunity to attract private capital (**proposed Structural Benchmark, end-October 2025**). The roadmap will include detailed activities to (i) further coordinate and develop public, private, and public-private deal pipelines; (ii) engage with industry on market instrument reforms; (iii) prioritize new market instruments, including securitizations, covered bonds, loan syndications, loan sub-participations; and (iv) reform existing investment frameworks (including JIIs) and lending instruments (such as factoring and leasing).

- We will prepare for submission to Parliament, legislative proposals to align the securitizations and covered bonds frameworks with international standards and good practice in consultation with IFIs and industry **(proposed Structural Benchmark, end-March 2026)**.

63. In parallel to the steps in the previous paragraph, we will:

- *Prepare a roadmap by end-July 2025 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 majority convergence with the EU Acquis and are committed to further closing the gaps. The NBU will prepare legislative amendments by end-September 2025 aimed at aligning banking secrecy and disclosures with Directive 2013+36/EC (CRD IV), a prerequisite to EU banking regulatory equivalence.

- *We will implement European (TEGOVA) and international valuation standards (IVS)* **(proposed Structural Benchmark, end-December 2025)**. This will enhance confidence in valuations of real estate and bank collateral for all economic entities and public authorities and facilitate cross-border transactions. Specifically, we will close the gaps with TEGOVA and IVS in consultation with IFIs by: (i) submitting to Parliament by end-August 2025 amendments to the law "On Valuation of Property, Property Rights and Professional Valuation Activities in Ukraine"; (ii) adopting the law by end-December 2025; and (iii) proposing 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.

64. 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

65. 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. Following the December 2024 enactment of the reform law on the Accounting Chamber of Ukraine (ACU), the selection process for the six vacancies for the ACU members has been initiated, specifically the identification of independent experts for the Advisory Group of Experts. We expect to form the Advisory Group of Experts by end-June and complete the selection process and appointing all members of the ACU by end-March 2026.

Anti-Corruption and Rule of Law

66. 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.

67. 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-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 a major milestone for our anti-corruption architecture, we published in May the first inaugural external audit of the NABU's effectiveness, which was conducted by three independent experts with international experience (***Structural Benchmark*, end-July 2025, met**). The report highlighted that the NABU has been moderately effective, and included key recommendations to strengthen its effectiveness. The NABU is preparing an action plan for timely implementation of the priority recommendations as part of a broader NABU strategy for 2025-30.

- Consistent with our broader reform plans for the forensic expert system for criminal law enforcement, we will ensure that the NABU by end-February 2026 has access to independent and competent forensic experts, to enable it to effectively conduct its investigative mandate, including investigating complex corruption schemes. In this regard, the Ministry of Justice will conduct consultations primarily with NABU and ESBU, on establishing a dedicated and independent forensic expert institution for their cases, which will have an independent oversight board, strong selection process for core senior staff, and robust safeguards for protecting confidential information.

- 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 undertaking 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. NABU is finalizing the process of tendering for the specified equipment.

- 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 mitigating 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. To this end and with IMF technical assistance support, the NACP will publish further guidance and general rules for risk-based, prioritized and comprehensive verification of asset declarations and on lifestyle monitoring activities with a focus on higher risk individuals by end-September 2025.

- 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. We will ensure an open and competitive selection for these vacancies within the 18-month extension of the PCIE's mandate, and adequately provision for their staffing and office needs to be able to conduct the HACC operations effectively. In this regard, in May 2025 the High Council of Justice voted in favor of two candidates for appointment to the HACC. Moreover, the legislature adopted in the same month a law to streamline the selection process that would facilitate new appointments of HACC judges.

- In December 2024, the ACU published its audit report of the HACC, and made the following recommendations: (i) provide HACC with appropriate premises; (ii) develop indicators of the average duration of cases for anti-corruption categories; and (iii) improve internal control systems. We will identify appropriate premises for the HACC (including for the new anti-corruption judges) by end-October 2025, and refurbish them.

68. We are committed to advancing the rule of law and judicial reforms. In March 2025, a law was enacted for the Specialized Administrative Courts (SAC) (with first instance and appellate levels) that will hear administrative cases against national state agencies by judges who have been properly vetted for professional competence and integrity with decisive and crucial vote of independent experts. The President submitted a law to Parliament in May, after consulting with the High Council of Justice, to formally create the SAC. We are proceeding with the appointment of members of the Expert Council and are aiming to appoint the minimum number of judges within the timelines provided for in the law.

AML/CFT

69. 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.

70. 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, the CMU will adopt changes to the Martial Law procurement decree No.1178, which will require the publication of UBO information for companies that have received direct contracts or contracts concluded under 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. Respective changes will also be reflected in the draft Law "On Public Procurement" (No.11520) before the Second Reading. 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.

71. 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 (AML/ CFT) legislative package and the FATF Standards.

Corporate Governance in SOBs and SOEs

72. We will continue to strengthen the governance of state-owned banks (SOBs). We remain committed to upholding the spirit of corporate governance reforms in SOBs and ensuring their operation on a professional and commercial basis, without political interference on operational matters, and any restrictions applied to Supervisory Boards members are prudent and justified. We have updated the framework for setting and paying remuneration to Senior Management of all SOBs 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-November 2025. In February 2026, the MOF will publish the key findings of its first annual assessment, together with the CMU's proposed actions to address the findings.

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

74. 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 produced a comprehensive SOP, State Dividend Policy and privatization strategy in October 2024, and we will implement the SOP during 2025-26 as per the SOP Action Plan: implementing the framework for privatizations (full or partial) in the future; preparing a concept for consolidated SOE management (see ¶75); 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 end-August 2025 **(Structural Benchmark, end-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 and Ukrenergo plan to promptly select new CEOs under OECD standards, while welcoming the selection of the new Naftogaz CEO. We have launched an independent evaluation of the supervisory boards of GTSO, Naftogaz and Ukrenergo in January 2025 and have finalized the assessments ahead of the May timeline. Moreover, we plan to promptly select the fifth supervisory board member of Energoatom under OECD standards and will expand the Board to seven members, commensurate with the macro-criticality of the SOE and the tasks of the Board.

75. 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 international best practices. This will include defining the roles and mandates of key government institutions engaged in SOE management, such as the MOF, MOE, CMU, other relevant line ministries, and the State Property Fund (SPFU). 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-strategic SOEs will be consistent with the principles of the medium-term reforms as envisaged in the NomCom Roadmap (see ¶74) and other key reforms of the SOP, which will have helped to enshrine modern SOE corporate governance practices. Overall, the ultimate goal of centralizing SOE ownership should be to professionalize the state's ownership function, and any centralized management framework should only proceed with caution. It should rest on a clear legal mandate, ensure adequate MOF oversight and fiscal transparency, incorporate robust safeguards against political interference to ensure professional, merit-based leadership, and require rigorous, internationally aligned reporting and accountability.

Energy Sector Reforms

76. Our immediate priority remains to mitigate the adverse impact of the war on the energy sector. Overall**,** after repairing 4GW of energy capacity in 2024, we are on good track to repair another 3GW for 2025. Moreover, 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 from 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 significant gas imports following the large-scale attacks on our gas infrastructure. Naftogaz has secured financing for gas imports from the EBRD and bilateral donors, and we are working towards securing additional donor financing. 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).

77. Potential reform measures, once conditions allow, include additional gradual tariff increases after the war (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 energy reform agenda will, inter alia, require restoring and enhancing competition in wholesale and retail gas markets. Ensuring the sustainability of the system and reducing quasi-fiscal liabilities will necessitate a gradual increase in gas and electricity tariffs to cost recovery after the war, 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. A working group of key government stakeholders, including macro critical SOEs, would be useful to advance any work on the roadmap and coordinate technical analysis. In 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.

78. 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 (ECS). The first such external assessment of NEURC will be finalized and published by December-2025 (***Structural Benchmark*, end-October-2025, proposed to be reset to end-December 2025**). The relevant NEURC law, which would include the provisions for the external assessment, will be enacted in a timely manner, taking into consideration the NEURC law recommendations of the ECS. In close consultation with international partners, we will fill the three vacant positions for the NEURC Commissioners on a timely basis and consistent with the legal provisions in the law. 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.

79. 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 completed the review of arrears and debts of DHCs by a reputable audit firm in October 2024, which has helped clarify the stock of arrears and the financial situation of DHCs, including the drivers of the arrears' accumulation.

II. Program Monitoring

80. 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 (SBs) described in this MEFP are summarized in Table 2. The Ninth and Tenth Reviews are expected to take place on or after November 30, 2025 and February 28, 2026 respectively, based on quantitative performance criteria for end-September 2025 and end-December 2025, respectively, and corresponding SBs.

Table 1. Ukraine: Quantitative Performance Criteria and Indicative Targets

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

	Mar 2025					Jun 2025		Sep 2025		Dec 2025		Mar 2026		Jun 2026
	QPC	Adjustor	Adjusted QPC	Actual	Status	EBS/25/18	IT	EBS/25/18	QPC	EBS/25/18	QPC	EBS/25/18	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/	254,800	0	254,800	381,442	Met	547,200	547,200	752,400	752,400	822,000	827,000	117,800	153,600	460,500
Floor on tax revenues (excluding Social Security Contributions)	485,000	0	485,000	614,434	Met	1,019,600	1,019,600	1,622,200	1,622,200	2,491,045	2,491,045	599,000	599,000	1,292,800
Ceiling on publicly guaranteed debt 3/	62,860	7,839	70,699	7,839	Met	64,357	64,357	64,357	64,357	64,357	64,357	68,000	68,000	68,000
Floor on net international reserves (in millions of U.S. dollars) 3/	27,200	-4,176	23,024	26,924	Met	27,700	28,450	24,000	26,000	42,000	35,000	37,300	34,300	34,300
II. Indicative Targets 1/ 2/														
Floor on the cash balance of the general government, excluding budget support grants (- implies a deficit) 3/	-410,500	0	-410,500	-239,245	Met	-821,000	-821,000	-1,248,600	-1,275,000	-1,710,400	-1,960,400	-340,000	-340,000	-590,000
Ceiling on general government arrears	1,800	0	1,800	1,421	Met	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800
Floor on social spending	132,000	0	132,000	164,874	Met	271,200	271,200	414,000	414,000	560,900	560,900	160,000	160,000	327,000
Ceiling on general government borrowing from the NBU 4/ 5/	-984	0	-984	-1,029	Met	-4,100	-4,100	-1,500	-1,500	-6,500	-6,500	-2,500	-2,500	-6,264
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)	378	...	...	12	...	1,133	737	2,266	1,875	3,776	3,776	250	250	250
External budget financing (in millions of U.S. dollars) 6/	12,198	...	...	8,381	...	25,011	19,903	34,336	28,773	54,488	49,835	2,923	5,170	9,778
Budget support grants (in millions of U.S. dollars)	429	...	...	0	...	967	431	1,288	431	1,610	1,610	161	161	295
Budget support loans (in millions of U.S. dollars) 6/	11,770	...	...	8,381	...	24,044	19,473	33,047	28,342	52,878	48,225	2,762	5,009	9,483
Interest payments	86,200	...	...	59,305	...	244,600	223,740	366,100	307,450	488,800	438,790	107,773	93,600	250,500
NBU profit transfers to the government	0	...	...	0	...	63,900	84,159	63,900	84,159	63,900	84,159	0	0	151,300
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	4,000	...	...	0	...	6,000	6,000	8,000	8,000	9,935	13,016	0	0	0
Spending on gas purchases, PSO compensation and transfer to GTSO	0	...	...	0	...	0	0	0	0	0	60,000	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)	-410.5	...	...	-259.8	...	-821.0	-821.0	-1,248.6	-1,275.0	-1,710.4	-1,960.4	-340.0	-340.0	-590.0

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 March 2025 onwards, calculated using actual and projected redemptions of government bonds as of May 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.	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 (implemented with delay)
39	Adopt Budget Code amendments in line with Action 1 under the June 2024 PIM Action Plan.	Fiscal	End-January 2025	Met
40	Prepare a comprehensive operational strategy for the NSSMC, including initiating an independent fit and proper review.	Financial Sector	End-January 2025	Not Met
41	CMU to approve a methodological framework underpinning the PIM process, as specified in ¶39 of the MEFP.	Fiscal	End-February 2025	Met
42	Submit legislative amendments to Parliament to introduce tax reporting requirements for digital platform operators.	Fiscal	End-April 2025	**Met**
43	**Appoint a permanent head of SCS.**	**Fiscal**	**End-June 2025**	**Proposed reset to End-December 2025**
44	Submit a 2026–28 Budget Declaration on time and in line with program parameters.	Fiscal	End-June 2025	
45	Appoint the new Head of the ESBU based on the selection process.	Fiscal	End-July 2025	
46	**SIC to approve the updated Single Project Pipeline**	**Fiscal**	**Proposed, End-August 2025**	
47	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	
48	Adoption of sectoral strategies in line with the new approaches for PIM.	Fiscal	End-December 2025	

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

	Structural Benchmark	Sector	Timing	Status
49	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	
50	**Complete the independent fit and proper review of the NSSMC.**	**Financial Sector**	**End-June 2025**	**Proposed reset to End-August 2025**
51	**Prepare and submit to parliament a draft law on financial sector critical third-party risk.**	**Financial Sector**	**End-September 2025**	**Proposed reset to End-June 2026**
52	**Prepare a prioritized roadmap for financial market infrastructure reforms aimed at maximizing the opportunity to attract private capital.**	**Financial Sector**	**Proposed, End-October 2025**	
53	**Implement European (TEGOVA) and international valuation standards (IVS) in consultation with IFIs.**	**Financial Sector**	**Proposed, End-December 2025**	
54	**Submit legislative proposals to parliament to align the securitization and covered bonds frameworks with international standards and good practice in consultation with IFIs and industry.**	**Financial Sector**	**Proposed, End-March 2026**	
55	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, ¶67, 1st bullet.	Governance/ Anti-Corruption	End-July 2025	
56	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	**Met**
57	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 ¶74, 3rd bullet.	SOE Corporate Governance	End-August 2025	
58	**Complete and publish an external assessment of NEURC by the Energy Community Secretariat (upon request).**	**Energy**	**End-October 2025**	**Proposed reset to End-December 2025**
59	**Submit to the CMU a reform plan for the state customs service (SCS)**	**Fiscal**	**Prior Action**	

Attachment II. Technical Memorandum of Understanding

June 19, 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 June 19, 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 asset[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-Jun.	end-Sep.	end-Dec.	end-Mar.	end-Jun.
Total official support	20,640	30,647	53,611	5,420	10,028
Budget support	19,903	28,773	49,835	5,170	9,778
Loans	19,473	28,342	48,225	5,009	9,483
Grants	431	431	1,610	161	295
Project support 2/	737	1,875	3,776	250	250

1/ Flows in USD million, cumulative from January 1, 2025 for 2025 and from January 1, 2026 for 2026, 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-Jun.	end-Sep.	end-Dec.	end-Mar.	end-Jun.
Net issuance of central government domestic FX securities	-440	-480	-504	-10	-21
Gross issuance	1,101	2,425	3,325	450	844
Repayment	1,541	2,905	3,829	460	866
Redemption	1,463	2,787	3,687	450	844
Interest	78	118	142	10	21

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 the 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 Eighth Review, the preceding quarter is December 2024, and the latest as of assessment is March 2025. 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 49 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 an NBU resolution was 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 (June 30, 2025, September 30, 2025, and December 31, 2025 for 2025 targets and March 31, 2026, and June 30, 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	
	Jun 30	Sep 30	Dec 30	Mar 31	Jun 30
Actual rollover rate on three month period prior to requesting monetary financing	123	137	153	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)	45.9	48.5	43.5	47.5	43.7
Memo: Projected redemptions (in UAH billions), as of May 23 2025	-122.7	-119.2	-128.3	-101.3	-90.3

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;[4] 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,
- 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,

[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.

[4] For the duration of the ERA arrangement with the United Kingdom, an adjustor will be included in the deficit calculation for the balance of the account at the Bank of England implementing the arrangement.

- 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,[5] 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 96 of this TMU); plus,

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

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

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

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

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

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

Adjustors for Balances in Parts C and D

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

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

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

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

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

- The floor on the overall cash balance excluding grants and on the non-Defense Cash primary Balance of the general government is subject to an automatic upward adjustment corresponding to the full amount of profits transferred by the NBU in excess of UAH 0 billion for end-March 2025, UAH 84.159 billion for the remaining test dates in 2025, UAH 0 billion for end-March 2026, and UAH 151.3 billion for all remaining test dates in 2026.

- 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 for December 2025 and zero in 2026, conditional upon availability of financing.

- For test dates in 2025 and 2026, 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 13.0 billion by end-December 2025 corresponding to the full amount of receipts from sales of confiscated Russian assets and transfers of bank accounts. This amount reflects the balance of the Fund for the Liquidation of the Consequences of the Armed Aggression, which stood at UAH 11.9 billion as of May 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 2025 the ceiling will be UAH 62.86 billion for end-March 2025 and UAH 64.36 billion for all

remaining test dates in 2025, 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 year-to-date amount of guarantees issued by the central (state) government from January 1, 2025 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:

- Consistent with debt sustainability objectives, the adjustor will be capped at UAH 115 billion in 2025. Projects subject to the adjustor in 2025 are those on the list of projects financed under government guarantees based on international agreements approved by the Strategic Investment Council and will be discussed in subsequent program reviews. In 2026, the adjustor will be consistent with total public investment projects approved for funding 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.

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. The NBU will also provide data on transactions that affect the balance of the account administering the United Kingdom's ERA financing.

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); 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 quarterly basis***, data for the entire banking sector as well as on a bank-by-bank basis for each of the banks in the State Participation Group, Foreign Banking Group and Private Capital Group showing nonperforming loans (NPLs), including migration from NPLs to performing loans (PLs); migration from PLs to NPLs; the form of NPL repayments (cash, loan sales, collateral sales, etc.); write-offs; and other factors (e.g., exchange differences and revaluations) (and compared with banks' respective timebound plans for reducing NPLs once these are approved).

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

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

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

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

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

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

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

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

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

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

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

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

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

B. Deposit Guarantee Fund

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

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

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

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

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 ***on a quarterly basis***, but no later than 80 days after the end of each quarter consolidated information from the financial statements of the 10 largest

SOEs. Specifically, the information will include data on (a) gross profit/losses; (b) net financial results; (c) subsidies received from the budget; (d) guarantees granted from the budget; (e) stock of debt, broken down by domestic and foreign; (f) taxes and dividends paid; (g) wage arrears; and (h) other payment arrears.

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 *on a quarterly basis* data on social assistance programs, including those existing before the war and newly emerging categories. The data, which will be presented in an agreed excel format, will show for each program, including IDPs (a) the number of households receiving help under HUS and other support categories; and privileges in the reporting month; (b) total value of transfers; (c) total value of outstanding HUS debt (d) income per capita of participants, both for HUS and privileges.

INTERNATIONAL MONETARY FUND

UKRAINE

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

June 26, 2025

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

On June 17, the Ministry of Finance submitted a draft medium-term action plan for customs reform to the Cabinet of Ministers, a Prior Action to complete the Eight Review which staff assesses to be met. The draft plan lays out detailed steps to advance reforms in the areas of (i) harmonization of customs legislation with EU norms; (ii) development of law enforcement capacity; (iii) strengthening anti-corruption measures; (iv) institutional development, including the selection of a new head of customs (Structural Benchmark, proposed reset to end-2025); (v) IT and cybersecurity development; (vi) provision of technical equipment; (vii) cross-border cooperation; (viii) and support to businesses. In line with the MEFP (¶27), the plan also specifies investment needs in IT infrastructure, including modern scanning equipment. The CMU will finalize the plan by mid-July, after consultations with IMF staff, after which the authorities will engage with external partners to identify financing for SCS reforms. Staff will urge the authorities to consult with other IFIs on issues within their respective areas of expertise, including on the cost estimates for technical equipment.

Statement by Mr. Vladyslav Rashkovan, Alternate Executive Director for Ukraine
June 30, 2025

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

The authorities broadly concur with staff's assessment of the severe impact of the Russia's illegal, unprovoked, and unjustified invasion, which has continued for over three years and continues to inflict devastating social and economic consequences on Ukraine.

Despite the challenging circumstances, all end-March quantitative performance criteria (QPCs) for this review have been met. Moreover, the authorities have also met the continuous PCs and all end-March indicative targets (ITs). Fiscal, monetary, and exchange rate policies have supported macro stability. The authorities also met the prior action and most of the structural benchmarks due by this review.

With such strong performance the authorities unequivocally reaffirm their strong commitment to the objectives of the IMF-supported economic program, including accelerating economic recovery, deepening governance reforms, strengthening institutions to support long-term growth, post-war reconstruction, and pursuing Ukraine's path toward EU accession. The authorities are also requesting a rephasing to further backload purchases in 2025 to better align them with the updated profile of balance of payments needs.

The program remains fully financed, mostly due to large external disbursements through the ERA initiative, EU Facility, and IMF disbursements. This funding has enabled the authorities to finance the budget deficit and build deposit buffers, and the authorities are grateful to all international partners and donors for standing with Ukraine during this time of great adversity. They also express their deep appreciation to the IMF's Management and Executive Board for the Fund's sustained support in navigating near-term uncertainty, preserving macroeconomic and financial stability, shaping medium-term policy priorities, and advancing critical reforms during this exceptionally challenging period.

The comments below provide additional context regarding the environment in which the authorities have operated since the end of March 2025, the date of the last program review.

Macro Outlook in Wartime

The macro-outlook continues to be exceptionally uncertain given unclear prospects and timelines for a peace settlement, but monetary, and exchange rate policies have supported stability. Despite intensified peace negotiations facilitated by international partners, Russia has continued strikes on civilian infrastructure in Ukrainian cities. The authorities believe that while potential peace discussions have yet to deliver tangible results, the war assumptions embedded into the program scenarios remain appropriate.

Real GDP expanded by 2.9 percent y/y in 2024, 0.6pp below the seventh review forecast. High-frequency indicators through May 2025 show stronger consumer sentiment and business activity, although exports were weaker than expected. The ratification in May by the Verkhovna Rada of Ukraine's agreement with the US on an economic partnership to establish a Reconstruction Investment Fund (RIF) is expected to bring the positive economic impact for the economy and investment climate over the long term.

At the same time, labor shortages continue to restrain growth. 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 also contribute 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.

Russia's continued military aggression has inflicted severe damage on Ukraine's energy infrastructure. Continued aerial attacks on gas infrastructure have temporarily reduced the production capacity of Naftogaz, leading to considerable gas import needs. The authorities are implementing a coordinated strategy to address energy shortages with international support. According to the fourth Rapid Damage and Needs Assessment (RDNA4), covering February 2022 to December 2024, total damages in the energy and extractives sectors amount to US$20.5 billion with recovery and reconstruction needs estimated at US$68 billion. The authorities continue to repair the damage to energy generation capacity caused by the Russia's aerial attacks and focus their attention to adding additional generation capacity and preparing for the next heating season, making the energy sector more resilient and decentralized. The authorities also progress in preparing the energy sector's post-war reform agenda and addressing legacy challenges.

Reconstruction needs caused by Russia's invasion are rising rapidly as the war continues. Total direct damages from the Russia's invasion are estimated at US$176 billion, with total reconstruction and 'build back better' costs reaching US$524 billion.

Monetary and Exchange Rate Policies

In H1'2025, inflation continued its upward trend, due to the stronger-than-anticipated impact of both potentially transitory and underlying factors. In May, headline inflation spiked to 15.9 percent y-o-y, in line with projections and further driven by the impact of spring frosts on the prices of early-season fruits and vegetables. On the other hand, the underlying inflationary pressure, as before, was fueled mostly by robust consumer demand and continued increases in production costs, in particular labor costs. However, an uptick in core inflation was rather modest: up to 12.3 percent y-o-y in May vs 11.7 percent y-o-y in January. Price growth was restrained by the stable energy supply situation this year and the National Bank of Ukraine's (NBU) monetary policy measures.

Economic agents' inflation expectations slightly deteriorated but remained broadly anchored and significantly below the current inflation rate. FX expectations of all groups of respondents improved since early 2025. This was supported by the' NBU's measures to boost monetary transmission, safeguard FX market sustainability, and protect hryvnia savings from inflation. These measures resulted in stronger demand for hryvnia saving instruments with correspondently lower volumes of net FX purchases by businesses and especially households in February-May. However, risks to inflation remain elevated, as a potentially prolonged period of high inflation readings could undermine inflation expectations and make inflationary pressures more persistent.

Implementing the managed exchange rate regime in line with the NBU's Strategy is important in preserving adequate FX reserves, a key program objective. The NBU seeks to ensure two-way exchange rate (ER) movements while avoiding excessive volatility under the managed flexibility framework; foreign exchange (FX) market sustainability also remains an important factor in the formation of inflation expectations. Greater ER flexibility allows better adjustment to market conditions, thereby strengthening the resilience of the Ukrainian economy and FX market, helping to prevent the buildup of external imbalances, and safeguarding reserves - measures warranted given the prevailing uncertainty. The NBU is committed to maintaining adequate FX reserves through the course of the program, which is fundamental to restoring medium-term external viability. The NBU is also committed to carefully calibrating FX liberalization measures. Further easing of FX controls will continue to be gradual, conditions-based, and aligned with the FX liberalization roadmap under the NBU's Strategy to balance external stability while supporting economic recovery. To safeguard reserves and maintain buffers amid elevated near-term risks, the authorities have also requested to tighten the NIR target for end-September 2025.

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 tightened its interest rate policy and implemented measures to effectively transmit the tight monetary stance. The key policy rate (KPR) was raised in several steps from 13 percent to 15.5 percent in March 2025. In addition, the NBU adjusted its interest rate policy framework (by expanding interest rate spread and banks' limits on 3-month CDs) to reinforce monetary transmission. With the FX market remaining sustainable, these steps helped further fuel demand for hryvnia savings instruments, keep inflation expectations under control, and thus contain price pressures. Considering the risk of inflation remaining high for longer, the NBU also maintained its forward guidance toward keeping its key policy rate unchanged longer than envisaged by the April macroeconomic forecast and — if needed — taking additional measures if it becomes necessary to tighten monetary conditions.

The NBU continues to implement the recommendations of the 2023 safeguards assessment. It has taken steps toward enhancing its secured creditor status, strengthening Audit Committee oversight, and establishing a mechanism to bolster the collective effectiveness of the NBU Council. Progress is also being made toward filling vacant positions on the NBU Council.

Financial Sector

The NBU continues working on the 2025 Resilience Assessment of the banking sector. Key indicators of the banking system's resilience remain high by historical standards. As a result, bank lending to businesses and households has been growing; the sector also continues to invest in government securities, supporting the government's financing needs in the period of the war. In April, the annual rates of growth in the net portfolio of hryvnia loans to households and businesses reached 34 percent and 29 percent, respectively, so loan penetration relative to GDP is rising. Banks across all groups are building up their portfolios, and financial institutions are actively competing for clients by improving the quality of their services. Banks maintain high operational efficiency, using net profits to replenish capital – now supporting credit growth.

Remaining vigilant to financial stability risks, the NBU continues reforms to align its legislation with the EU norms. The authorities implemented legislative and operational changes to close key gaps in early intervention, temporary administration, and resolution of insolvent banks, having already achieved approximately 77 percent convergence. The NBU has also aligned banks' regulatory capital structure and leverage ratio calculations with the EU. 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.

A resilient financial and capital market infrastructure is of paramount importance for adjusting the economy to financial challenges. To fulfill its obligations under the program, the Financial Stability Council (FSC) approved an updated Strategy of Ukrainian Financial Sector Development (the Strategy). The authorities also prepared a draft concept note in May 2025 to work on closing the significant gaps in market instruments and infrastructure to support reconstruction and recovery through inward private investment. The concept note outlines high-level financial market infrastructure reforms to attract private investment into Ukraine. The Strategy's roadmap will translate these into specific steps and activities. Reforms in this area are also a precondition for attracting foreign capital needed for Ukraine's reconstruction and recovery.

In addition, the NBU, in close cooperation with IFIs and Ukrainian stakeholders, has developed the target model of capital market infrastructure for Ukraine. The model envisages creation of a vertically integrated holding entity, which includes a stock exchange, majority stake in the CCP (Settlement Center) and 25 percent of the CSD (National Depository of Ukraine). The Holding Company is expected to operate for the full value chain of capital market infrastructure in Ukraine. The developed detailed action plan for implementing the target capital markets model and a roadmap to optimize NDU ownership will be presented to the FSC for approval in the coming days.

The NSSMC is gradually working to strengthen governance and operational capacity in preparation for implementation of the IOSCO Principles. An independent fit and proper review of the NSSMC commissioners, after some delay, is finally underway and to be completed before the deadline. It is based on an updated Code of Ethics prepared in consultation with the World Bank and adopted as part of IOSCO standards implementation and includes new conflict of interest rules.

Budget and Fiscal Policies

The authorities met all end-March 2025 fiscal targets amid immensely challenging conditions arising from the Russia's war. Tax collections have continued to exceed expectations. 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. Additionally, the results of a compliance review of existing UA tax legislation with EU directives, which starts in June 2025, will determine the next steps for revenue mobilization measures in 2027–2028. As a prior action for this review, the authorities submitted to the CMU a reform plan for the State Customs Service (SCS) until 2030.

Amid elevated defense needs, the overall deficit (excluding budget support grants) is now projected at 22.1 percent of GDP (up from the 7th review). The expenditure risks in 2025 have materialized as a result of Russia's continued war and a Supplementary Budget for 2025 has become necessary. This budget, which has been submitted to the Cabinet of Ministers and expected to be registered with Parliament soon, has been integrated into the program macro-framework. The authorities plan to finance it through continued implementation of the NRS, robust tax collections, tight control of nondefense spending, and increased domestic bond issuance.

The medium-term fiscal path has been also revised with a more measured fiscal adjustment and modified expenditure profile. The budget declaration for 2026–28 defines the strategic priorities for the immediate post-war period. Ahead of its June 30, 2025, parliamentary submission, the authorities consulted with Fund staff to ensure the Declaration's alignment with program parameters. Final preparation of the declaration for CMU submission is underway and on track to meet the end-June structural benchmark.

The authorities remain further focused on accelerating NRS implementation, including through modernization of the tax and customs administration, reducing tax evasion, and harmonizing fiscal legislation with EU standards. The authorities proceed with reforms of customs. As a prior action for this review, the authorities submitted to the CMU a reform plan for the State Customs Service (SCS) until 2030.

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$135 billion in budget support from international partners (as of June 20, 2025). Under the EFF program, disbursements have reached US$91 billion, including US$15.9 billion received during January–May 15, 2025. Under the G7's US$50 billion Extraordinary Revenue Acceleration (ERA) Loans initiative, Ukraine has already received US$16.9 billion including EUR 7 billion from the European Union fifth EUR 1 billion tranche disbursed in June. The authorities are grateful to all donors and partners who help to keep the current program fully financed under both baseline and downside scenarios. 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.

Despite exceptional circumstances caused by Russia's war, significant progress on the implementation of the Ukraine Plan has been made in 2024 and 2025. In the first quarter of 2025, 13 out of 16 qualitative and quantitative reform steps under the Ukraine Plan have been satisfactorily fulfilled. Subject to EU approval of the Ukraine Plan indicators in Q1 2025, the payment of the fourth Ukraine Facility instalment of EUR 3.1 billion is expected in mid-August.

Looking ahead, the authorities aim to deepen collaboration with Parliament and reinforce oversight of institutions responsible for implementing the Ukraine Plan. To further strengthen coordination and ensure timely and coherent implementation, monthly meetings are already held under the leadership of the Prime Minister, and newly biweekly meetings chaired by the First Deputy Minister of Economy are aligning efforts across all institutions.

The 2024–2028 Public Investment Management (PIM) Reform Roadmap and Action Plan cover the full lifecycle of investment projects: from strategic planning to implementation, monitoring, and evaluation. To implement the PIM Action Plan, the authorities have already amended the Budget Code to integrate PIM into the national budget process and approved a methodological framework for project preparation, appraisal, selection, and monitoring, which incorporates IMF feedback. The draft 2026–2028 medium-term plan for the state's priority public Investments is expected to be approved at the upcoming meeting of the Strategic Investment Council in end-June. After that, the Single Project Pipeline (SPP) of the state's public investments will be updated by end-August, in compliance with the program conditionalities.

Governance Reforms

An audit of the National Anticorruption Bureau's (NABU) effectiveness was conducted by three independent experts with international experience. The report highlighted that NABU has been moderately effective and set out key recommendations to strengthen its effectiveness. Notable areas for enhancement include the development of a comprehensive development strategy, stronger whistleblower protections, risks of information leaks, and clearer organizational authority. The commission also pointed to opportunities to improve data verification, refine performance indicators for analytical units, expand monitoring in priority sectors, and enhance operational independence through autonomous wiretapping. Proposed legislative improvements include transitioning to an external evaluation of the NABU's effectiveness every two years instead of annually, and refining jurisdiction and interagency coordination. The NABU is preparing an action plan for timely implementation of the priority recommendations as part of a broader NABU strategy for 2025–30.

The authorities are also committed that 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. The roadmap on the Rule of Law measures includes conducting regular audits of anti-corruption agencies, including NABU, SAPO, and NAPC.

The ESBU law approved in June 2024 established robust mechanisms for the selection commission for the Economic Security Bureau of Ukraine (ESBU) head with a decisive and crucial vote for independent experts with international experience. The selection commission for the new ESBU head was approved in October 2024. On June 24, the Selection Commission finally selected the sole candidate for the position of Director of the Economic Security Bureau of Ukraine (ESBU). According to the legislation, the Cabinet of Ministers should appoint the ESBU Director within 10 days following the Commission's announcement and publication of the results on the government website.

In line with their commitments, the authorities have enacted a law establishing a Specialized District Administrative Court (SAC) to hear administrative cases against national government bodies (such as NACP, NABU, SAPO, ESBU, and the State Customs Service). An appellate body, the Specialized Appellate Administrative Court, has been also established. Judges for these courts will be selected following a rigorous assessment of their professional competence and integrity, with an Expert Council that includes independent experts with international experience holding the decisive vote.

The selection process for the six vacancies for the Accounting Chamber of Ukraine (ACU) members has been initiated. The authorities expect to form the Advisory Group of Experts by end-June. For this purpose, the government has already appointed three representatives based on proposals from international organizations, while the Verkhovna Rada of Ukraine will determine its three representatives. The selection process and appointment of all members of the ACU is expected to be completed by March 2026.

The Cabinet of Ministers has submitted to Verkhovna Rada a draft law to amend the Criminal Procedure Code. These amendments will enable the Specialized Anti-Corruption Prosecutor's Office to manage extradition and mutual legal assistance requests, as well as streamline the consequences of the expiration of pre-trial investigation deadlines (including in corruption cases). While the Verkhovna Rada Committee has agreed to consider the draft law, discussions with parliamentarians continue. The authorities are engaging constructively with all stakeholders and remain optimistic about reaching a shared solution aligned with program conditionalities and commitments under the roadmap on the rule of law.

The authorities commit to further strengthen state-owned enterprises (SOE) corporate governance and continue to implement the State Ownership Policy (SOP) as per the SOP Action Plan. To strengthen SOE supervisory boards, the authorities had meetings with representatives of the EBRD, the World Bank, and the French agency Expertise France to agree on the necessary changes to update the process for selecting/appointing supervisory board members of critically important SOE. After consultations with international partners, a preliminary centralized management model of corporate governance has been identified and will be presented to IMF staff in the coming weeks. The authorities also welcome the appointment of the new CEOs of Naftogaz and Ukrenergo, selected via an open competitive process with a major decision-making role of the independent members of the selection commissions. A new CEO of GTSOU will be selected promptly.

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.

In respect of Ukraine's EU integration, a key priority for 2025 is the successful conclusion of this screening process, which will lay the groundwork for opening negotiation clusters. While Ukraine seeks to open all six negotiation clusters by the end of 2025, as of mid-June, the screening of four clusters has been completed: Cluster 1 "Fundamentals", Cluster 6 "External Relations," Cluster 2 "Internal Market," and Cluster 3 "Competitiveness and Inclusive Growth." In June, the screening of Cluster 4 "Green Agenda and Sustainable Connectivity" was initiated.

Ukraine has been working on these comprehensive documents throughout the year in close cooperation with civil society organizations. In May, the government approved roadmaps on the rule of law (includes 529 measures) and public administration reform (includes 91 measures), which serve as benchmarks for the opening of Cluster 1 "Fundamentals". It also approved a roadmap on the functioning of democratic institutions (includes 96 measures) and the action plan on the protection of the rights of persons belonging to national minorities (communities) of Ukraine (includes 123 measures) to fulfil the commitments under the EU Negotiating Framework. These documents set measurable targets, clear timelines, determine responsible institutions, and their further implementation demonstrates Ukraine's readiness to meet EU requirements. The European Commission acknowledged the progress and confirmed that all requirements were met for opening the first, second, and sixth clusters.

The authorities 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. In addition, substantial work is underway to strengthen AML/CFT frameworks and to develop hard skills and competences of the Ukrainian authorities through trainings. 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 absorb the planned assistance and continue refining the UCDF workplan in close coordination with the IMF and donor community.

The authorities met all end-March and continuous quantitative performance criteria and indicative targets, as well as most structural benchmarks. Based on the successful program implementation and the commitments for the period ahead, the authorities request completion of the eighth 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.