Attachment I. Memorandum of Economic and Financial Policies

I. Background, Recent Economic Developments, and Outlook

Context

1. **Russia's unprovoked, illegal, and unjustified invasion, now in its fifth year, continues to inflict severe human and economic costs.** Civilian casualties and displacement are rising, infrastructure damage remains widespread, and aerial attacks targeting energy and other civilian infrastructure are intensifying. Ground combat persists in eastern Ukraine, with Russia making limited gains at high cost. The humanitarian toll remains enormous.

2. **Despite these challenges, we have succeeded in maintaining macroeconomic and financial stability.** Reserves remain adequate and the banking system remains stable. However, the fiscal and current account deficits remain elevated, driven mainly by defense and security spending to safeguard our country, alongside critical social and humanitarian expenditures to support displaced populations and restore essential services. These needs, combined with revenue pressures from the war's economic impact, require significant external and domestic financing. Robust reform implementation and strong international partner support—including from the EU and G7—remain critical. In this regard, we are especially grateful to our donors for their continued support and commitments during the program period and beyond.

3. **The official launch of EU accession negotiations in 2024 was a historic milestone, setting the stage for our European integration path, stability and long-term growth prospects.** Our policy initiatives, guided by close engagement with the IMF and anchored in our strategic goal of EU accession, will underpin our recovery and long-term growth. Reforms to achieve EU membership will strengthen our economy and institutions, by creating conditions for increased investment and durable growth. 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.

Economic Outlook

4. **The damage from Russia's continuing war is a severe headwind, while increased global fuel prices triggered by the war in the Middle East are expected to weigh on 2026 growth and contribute to inflation.**

- Real GDP grew by 1.8 percent in 2025, down from the previous year's outturn of 3.2 percent. This slowdown was mainly attributable to the negative impact of Russia's repeated attacks on energy infrastructure as well as delays in harvesting, while an expansionary fiscal stance supported consumption. Looking ahead, growth is expected to slow to 1–1.6 percent in 2026, as expanding domestic defense production is partly offset by weaker activity in other sectors, including due to the aftermath of infrastructure attacks and the rebound in global fuel prices.

- Inflation remained elevated at 8.6 percent y/y at end-April due to supply shocks, including the increase in global fuel prices, persistent labor shortages, and damage to domestic energy infrastructure. Going forward, we expect inflation to temporarily increase to 10.5 percent (y/y) at end-December, but return to a downward trajectory in 2027.

- The current account deficit excluding grants widened in 2025, reaching US$46.9 billion (21.9 percent of GDP), primarily driven by increased critical defense and energy-related imports. With the war continuing in 2026, the current account deficit excluding grants is projected to remain elevated, broadly similar to the level in 2025. Nevertheless, thanks to sizable donor disbursements, our international reserves amounted to US$48.2 billion by end-April 2026, and are projected to rise to US$65.5 billion by the end of the year.

- The NEER depreciated by around 4½ percent through end-May. On average, our FX interventions continue to be sizable, including to intermediate the public sector's structural FX surplus and to cover the structural FX deficit of the private sector. The spread between official and cash rates remains low.

- Although lending has been strong in 2025 and early 2026, the war and uncertainty continue to weigh on confidence. Thus, credit to the economy relative to GDP is likely to remain low, at 13.8 percent in 2026. Nevertheless, we continue to support deepening through our Lending and Mortgage Development Strategies and financial inclusion through key subsidized lending programs including the 5-7-9 program, aimed at small- and medium-sized enterprises, and eOselya to support mortgage lending to households. In the long term, subsidized lending schemes need to be better targeted to avoid crowding out lending at market terms. Financial institutions continue to report solid earnings, liquidity remains adequate, gross nonperforming loans are still falling, and loan default rates have approached pre-war levels.

5. The economy could rebound more quickly, especially if reforms accelerate and a just and durable peace agreement delivers a swift and sustained improvement in security conditions. In the near term, economic performance could exceed expectations if security conditions improve quickly, resulting in high return migration, rapid energy repairs, a recovery in sentiment, and durable restoration of our supply routes. In the medium term, economic growth could be accelerated by forceful implementation of structural reforms, particularly those related to EU integration and the energy sector. Additionally, significant investments, including those financed by private investment or official development partner inflows in macro critical sectors could give a strong boost to medium-term economic performance.

6. Conversely, downside risks to the outlook amid exceptionally high uncertainty could weaken economic performance. The most significant risks pertain to the security situation. In the near term, attacks could be even more damaging or frequent than expected, especially as regards energy and other civilian infrastructure, or export transit routes could be significantly interrupted.

Should these risks materialize, near-term growth could be impacted, inflation could re-ignite, the already large fiscal and current account deficits could widen further, and balance-of-payments pressures could increase, weighing on international reserves accumulation. Over a longer horizon, if the war concludes without a peace settlement that contains credible security guarantees and/or adequate resources for reconstruction and post-war defense, then the pace of recovery, return migration, and IDP resettlement would be weaker. This would result in lower investment, persistent mismatches in the labor market, and higher macroeconomic volatility, and, consequently, weaker medium-term potential growth.

II. Macroeconomic and Structural Policies for 2026–29

A. Overview

7. The ultimate goals of our economic program—supported by the IMF—are to restore fiscal and debt sustainability as well as external viability, while maintaining macroeconomic and financial stability. Our economic program sets out a comprehensive set of policies and reforms to address the challenges posed by the ongoing war, while making progress on the reforms necessary for recovery and EU accession.

- Our current focus is to maintain macroeconomic, external, and financial stability, in order to strengthen Ukraine's capacity on its way to victory. We are implementing robust budget policies for 2026, anchored in a strong medium-term budget framework and the Budget Declaration for 2027–29, which will guide fiscal policy and the assessment of financing gaps. Monetary and exchange rate policies are focused on maintaining price and external stability, with managed exchange rate flexibility to absorb shocks, reduce external imbalances and sustain adequate reserves. The key policy rate remains tight to anchor inflation expectations, and we will be cautious in further FX liberalization, guided by our conditions-based roadmap. Structural reforms are advancing across public finances, financial sector, SOB and SOE corporate governance, anti-corruption, and the energy sector. We are implementing reforms to VAT and CIT, strengthening public investment management, and enhancing fiscal transparency.

- Despite the war, we are confident that the EFF-supported program provides the appropriate framework to restore external viability by 2029. Our strong implementation track record, commitment to reform, and continued support from stakeholders and international partners will enable us to address new challenges as they arise.

- We will continue to build on significant progress and begin to shift our focus to more expansive structural reforms to entrench macroeconomic stability and accelerate reconstruction, promoting economic growth and restoring medium-term external viability. Swift progress toward EU accession remains a major anchor, with a wide range of measures undertaken under the Ukraine Facility and EU enlargement process.

8. We have taken note of the IMF staff analysis on a downside scenario that illustrates the impact of worse security conditions persisting over a longer period and will act decisively if shocks materialize. We also recognize that the materialization of these risks would likely necessitate an even stronger domestic effort, building on the financial resources already provided by our partners. In such an eventuality, we would close financing gaps while preserving macroeconomic and financial stability as well as debt sustainability. We stand ready to implement additional revenue measures (e.g., raising the main VAT rate, ¶13, first bullet) that could be implemented swiftly and/or expenditure savings through efficiency gains or expenditure reprioritization. We also stand ready to increase issuance on the domestic government bond market as needed to finance the part of the deficit that cannot be met by concessional external financing. We also stand ready to deploy our foreign reserves, adjust our monetary policy stance, and recalibrate FX controls to maintain macroeconomic stability as needed.

9. We are equally focused on policies to achieve high and sustained growth rates, including upside scenarios that motivate reform priorities toward EU accession. Medium- and long-term growth will depend on catalyzing investment, supporting inward migration, rebuilding human capital, and fostering an enabling business environment. Effective frameworks for post-war reconstruction—leveraging official resources and catalyzing private capital, including FDI—will be critical. Implementing wide-ranging policies and reforms for EU accession and integration into the European internal market will require steadfast commitment over an extended period. Achieving a larger productivity boost would require a more ambitious reform agenda, and more successful measures to level the playing field and promote entry and competition, including deshadowing of the economy, privatization of state-dominated sectors, financial and energy sector reform, and sustained progress to combat corruption.

B. Fiscal Policy

10. Despite extremely challenging conditions at the beginning of the year, we met all of the program's fiscal targets for end-March as shown in Table 1. As regards the ***quantitative performance criteria***, tight control of deficit implementation in the first quarter helped us to respect the floor on the non-defense cash primary balance excluding grants and tax collections (excluding social security contributions) overperformed. We did not issue state guarantees in the first quarter, thus respecting the ceiling. We also met the ***indicative targets*** on the general government's cash balance excluding budget support grants, overdue accounts payable (domestic arrears) and social spending. With the IMF Executive Board's consideration of the 1st Review occurring in July, the three fiscal quantitative performance criteria for end-June have become controlling. However, consistent with the reporting procedures for treasury reporting, the final data to evaluate these targets will be shared with the IMF around July 25, and we are therefore requesting waivers of applicability. All indications suggest that they are on track to be met.

11. We have enacted a 2026 Supplementary Budget that operationalizes this year's disbursements under the €90 billion Ukraine Support Loan (USL). Revisions to the budget include priority categories on defense and reconstituting contingency buffers in the budget, including a reserve for resilience expenditures ahead of the next heating season. Total expenditures are now projected to be UAH 7,938 billion this year. We remain committed to mobilizing domestic revenues, and expect revenues excluding budget support grants to amount to UAH 5,790 billion. In total, the revised overall deficit excluding grants is estimated to reach UAH 2,148 billion (about 21 percent of GDP), which is only financeable given large-scale external donor financing.

12. This year's Budget Declaration, which sets our vision for fiscal policies for 2027-29, and was submitted to parliament in June. The Budget Declaration is aligned with key program parameters and we consulted with Fund staff at key points in the process. We prepared the Budget Declaration with important methodological improvements, including: (i) a current policy scenario; (ii) costing of new policies; and (iii) an active policy scenario aligned with the government's objectives. Consistent with our plans, including as agreed in financing arrangements with the Fund and EU, the Budget Declaration's three-year active policy scenario incorporates the effects of enacting high quality tax measures over the next three years (¶20-21). The Budget Declaration's fiscal path also includes a gradual normalization of expenditures after the war, and demonstrates progress on restoring fiscal and debt sustainability. We aim to gradually reach primary balances excluding budget support grants of 0.2-0.4 percent of GDP in the years after the program.

13. The war continues to expose us to sizable fiscal policy shocks and, as appropriate, we will take the following actions to mitigate risks to budget implementation:

- We will only revise spending categories in consultation with IMF staff and after identifying either new financing sources or compensating fiscal measures. We recognize that risks to the budget are particularly high in the short term, and stand ready to respond to shocks by seeking offsetting savings on expenditures, mobilizing additional revenues, and further tapping the domestic government bond market. Further, 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.

- We will continue to avoid any tax policy subsidies, incentives, or other administrative measures that erode the tax base and will refrain from introducing new categories of taxpayers in the existing preferential regimes.

- Following extension of the 5 percent Military Tax rate for three years after the end of Martial Law, we will ensure that revenues do not fall after this measure lapses. One option that we are considering is introducing a Reconstruction Tax to replace the Military Tax, which we would include in legislation that governs the transition from martial law.

- We also will avoid measures that would lead to additional spending obligations for the Pension Fund of Ukraine, exceeding the overall expenditure ceiling established in the PFU budget, including through ad-hoc indexation outside of the parameters of the pension reform, without prior consultation with the Fund, and an analysis of the spending impacts on the long-term sustainability of the pension fund (**continuous structural benchmark**). The legally mandated annual pension indexation using the formula prescribed by law, as well as payments to war-affected categories, are not affected by this commitment.

- We will also ensure that forecasts for core macroeconomic parameters underpinning Budget Declarations and Budget Laws are aligned with those in the IMF program. We recognize that updates to macroeconomic frameworks underpinning budgets and budget declarations may be needed to adapt to the evolution of circumstances and policy discussions.

14. Consistent with the law and recent public financial management (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 the objective of restoring fiscal and debt sustainability. To this end, for all investment projects, we will also carefully evaluate the financing mix and will seek financing on highly concessional terms. In parallel, we will advance reforms to the financial market infrastructure with the aim of mobilizing private financing for recovery and reconstruction (¶57).

C. Financing Strategy

15. Our financing strategy continues to focus on securing large-scale external disbursements, consistent with meeting our financing needs, achieving debt sustainability, and restoring medium-term external viability. The war and its associated cost entail a large financing gap, which now stands at US$140.3 billion over 2026–29 in the baseline scenario. We continue to work closely with our donors and have identified sources to ensure that this financing need can be met:

- *We have secured firm financing commitments for the next 12 months of the IMF-supported program*: Over 2026Q3–2027Q2, we have assurances for US$52.3 billion of financing (excluding IMF financing). This financing includes contributions from multilateral institutions and official bilateral donors.

- *We have good prospects on financing for the rest of the program*: From 2027Q3 onwards, our partners have assured us of their continued support, which will help ensure that the program is fully financed over its duration.

We will manage disbursements under the G7's ERA initiative and the EU USL prudently and transparently by: (i) incorporating them in the budget; (ii) accounting for them in our treasury reporting; (iii) disbursing financing for budget support purposes into the treasury single account; and (iv) avoiding any earmarking, allocation to special funds, or disbursements into accounts other than the treasury single account without prior agreement with the donor country (excluding the defense leg under the EU's USL).

16. The domestic government bond market will remain an essential source of budget finance. Over January-May 2026, the rollover rate for domestic bonds was around 108 percent, but we expect this rollover rate to moderate over the course of 2026. Nevertheless, we stand ready to step up issuances in the rest of the year, if needed. To ensure that any necessary scaling up of domestic issuance is feasible, we will remain engaged with the domestic market and continue to judiciously adjust the issuance of Benchmark bonds, which banks can use to meet reserve requirements, to support our efforts; issuances of Benchmark bonds in 2026 amounted to UAH 49.4 billion through the end of May.

17. We are proceeding with plans to enhance public debt management and treasury cash and liquidity management. 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 improvement of cross-border settlement). 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

18. We are moving forward with the fiscal structural reform agenda to support our development goals and path to EU accession. In our efforts to support sustainable growth, improve the business climate, and address the shadow economy, 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 National Revenue Strategy (NRS); (ii) ensuring fiscal sustainability and the predictability of budget policy by strengthening the medium-term budget framework; (iii) improving our public investment and PFM frameworks; (iv) reforming and strengthening the pension system and social safety net, and (v) enhancing fiscal transparency and management of fiscal risks.

Revenue Mobilization

19. Our strategic goal under the NRS is to increase revenues by closing opportunities for tax evasion, promoting growth, improving compliance, and combating the shadow economy. 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 as well as alignment with EU standards. We will continue to closely monitor and report progress on NRS implementation. To reflect reform progress and ensure accountability within a comprehensive, transparent, and unified reporting framework, we will publish comprehensive annual status reports. The report for 2025 was published in May 2026.

20. Near-term tax reforms under the program aim to broaden the tax base and make the tax system more conducive to economic growth, tax compliance, and formalization. After our original tax package envisaged for earlier this year was no longer politically feasible **(structural benchmark, end-March 2026, not met)**, we propose a modified approach: A package of tax measures will be enacted **(proposed structural benchmark, end-July 2026)**, consisting of (i) taxing income earned through digital platforms and (ii) eliminating the tax exemption for imports through small-value postal packages;

21. More time is needed to extend VAT registration requirements to simplified taxpayers. We remain committed to removing VAT exemptions from simplified regimes – a key step towards EU alignment and de-shadowing. To ensure the success of this reform, we intend to first implement measures to reduce the VAT compliance burden and build trust in the State Tax Service (STS) (see ¶29-33). Therefore, we propose to postpone the mandatory VAT registration for simplified taxpayers with turnover exceeding the general VAT registration threshold. The reform will be enacted in early 2027 **(proposed Structural Benchmark, end-April 2027)** and come into effect on January 1, 2028 – one year later than previously envisaged. As part of this reform, the VAT threshold will be raised but will not exceed the limit established by EU Directive 2006/112.

22. Leveling the playing field between simplified and general taxpayers remains a priority. In 2027, we will submit legislative amendments that will provide for: (i) excluding certain types of activities from the second group of the single tax and transferring such taxpayers to the third group of the single tax; and (ii) introducing differentiated single tax rates (up to 10 percent) for third-group single-tax payers engaged in the provision of services.

23. We will reduce abuse of the Simplified Tax (ST) system for income tax avoidance. In line with good international practice, the new draft Labor Code submitted to Parliament uses eight criteria to define "employment". Throughout the legislative process, we will work to ensure that the criteria for establishing employment relationships in the final text of the Labor Code are more robust to support the deshadowing of the economy and prevent the abuse of the simplified tax system to conceal employment. Moreover, digitalization and better data integration—including through our new "obryi" system—will help address informal employment.

24. We will develop legislation to further make the ST system more targeted and limit its abuse. With IMF TA support, we will submit draft laws to Parliament **(proposed structural benchmark, end-December 2026)** to (i) limit the practice of companies artificially splitting to remain below the thresholds for preferential regimes, (ii) to limit the possibility for businesses to return to the use of ST after their transition to the general taxation system, and (iii) to limit the use of ST to provide services to current or former employers. These important reforms will reduce the abuse of the simplified tax system and IMF staff along with others estimate that the full year effect of these measures is likely to exceed 0.1 percent of GDP, providing important revenue mobilization and furthering our overarching objective to de-shadow the economy.

25. Under the program, we will close several major corporate income tax (CIT) loopholes:

- Discussions with IMF experts have revealed that more time is needed to finalize the content and draft the legislation on transfer pricing and interest limitation rules; consequently, the **end-June structural benchmark was not met**. We therefore request an additional two months to submit to Parliament revised draft laws to amend the Tax Code **(proposed structural benchmark, end-August 2026)**, aiming to:

(i) align transfer pricing rules with international good practices as reflected in OECD standards, extend their coverage to domestic transactions, and make compliance with the arm's length principle mandatory for all businesses.

(ii) align the interest limitation rule with international good practices as reflected in Article 4 of the EU Anti-Tax Avoidance Directives (ATAD).

- By end-September 2026, we will:

  (i) develop and submit to Parliament a draft law to implement Article 5 (exit taxation), Article 6 (General Anti-Abuse Rule, GAAR), and Articles 9, 9a, 9b (hybrid mismatches) of ATAD. For the GAAR, the operative thresholds across all GAAR provisions will be aligned to a single standard, a general remedial principle (GAAR consequences) will be introduced to ensure consistent and proportionate consequences across all taxpayers, and the scope of the rule will explicitly cover all tax types. This draft law will establish restrictions on deducting from the corporate income tax base expenses that lack a reasonable economic rationale (business purpose) and eliminate other gaps and deficiencies in the legislation that may affect the effective application of ATAD rules. The draft law will also provide for the abolition of the tax exemption for income of foreign companies whose place of effective management is located in Ukraine. Accordingly, all foreign legal entities / foreign entities without legal personality that have a place of effective management within the territory of Ukraine will be treated as tax residents.

  (ii) conduct with IMF TA an assessment of the adequacy and effectiveness of the ATAD rules, which have already been partially implemented in Ukrainian legislation, in particular Articles 7 and 8 (the Controlled Foreign Company rule) in order to identify shortcomings in the current provisions and to select optimal tax rules and their administration and to submit to Parliament by end-2026 a draft law providing for the implementation of these tax rules.

- As part of the comprehensive reform (see ¶57) of Joint Investment Institutions (JIIs), following the adoption of the Law on Investment Funds (No. 13246), we will, if necessary, submit to Parliament by end-May 2027 a draft law aimed at minimizing direct and indirect losses of budget tax revenues associated with the preferential tax regime for JIIs, as well as ensuring a neutral approach to investments and investors.

26. We will further advance several additional tax reforms under the NRS. We will (i) develop a comprehensive package of measures for the post-war period to reform the taxation of carbon emissions; (ii) analyze and assess the taxation of extractive industries; and (iii) define the principles of taxation of virtual assets, aligned with EU rules, as well as the framework for information exchange in line with the OECD Global Forum initiatives. Work in several of these areas has already begun and will be supported by IMF TA and other development partners.

27. We will continue with our ongoing efforts to quantify and disclose tax privileges. We will phase in the new methodology to assess tax privileges 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. 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. Moreover, the MOF will consult with IMF staff on the methodology of assessing the impact of any new tax proposal.

28. 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 System. The core approach outlined in the IT strategy is to consolidate at the MOF level the IT systems of the STS and State Customs Service (SCS), and ensuring the IT systems are managed by an independent administrator (OPF) using cloud technologies. The strategy includes the gradual transition to a new level of service-oriented systems, particularly within STS and SCS, to make services available online. An operational plan for the reform implementation was approved in September 2025. An important milestone for 2026 will be the design of a centralized data warehouse **(structural benchmark, end-December 2026)**, including a robust data access policy.

29. We will simplify the VAT reporting process:

- For small businesses, we will use (i) cash register data to pre-populate certain indicators of tax invoices and (ii) tax invoices to pre-populate VAT returns. The VAT return pre-population service will become operational by the end of 2026, and the service for pre-populating tax invoices based on cash register data will become available in the first quarter of 2027. These changes will not affect taxpayers' obligation to submit accurate information.

- During 2026, we will also revise our VAT declaration forms to simplify reporting for all VAT payers. The objective is to reduce the content as much as possible.

30. We are actively working on making compliance checks more risk-based:

- We have launched a two-year pilot (ending July 31, 2026) of the risk management system, including the automated IT tool. By end-August 2026, the STS will prepare information on the pilot project’s results. Based on this information, we will then (by end-2026) prepare and submit to the CMU a report on the lessons learned from the pilot and, if needed, proposals for legislative amendments.

- After implementation of the automated Compliance Risk Management (CRM) system, we will submit proposals for amendments to the Tax Code to eliminate legal constraints that currently limit the effectiveness of the State Tax Service (STS) and negatively affect tax compliance.

- We will submit amendments to the Tax Code raising the threshold for unscheduled audits based on a VAT refund request or negative VAT liability from UAH100,000 to UAH1,000,000 **(proposed structural benchmark, end-August 2026)**.

- STS will conduct an analysis of risk criteria used by the VAT invoice registration system (SMKOR). Criteria that do not effectively signal a material risk of non-compliance will be refined. Our aim is to reduce the number of suspended invoices to less than 0.08 percent of total invoices per month. By end-September, 2026, the STS will report the results of these changes in terms of cost savings and changes in compliance. Subsequently, the CMU will by end-December 2026 issue an updated resolution 1165 to reflect these changes.

- By end-October 2026, the STS will conduct at least three pilots (in line with FAD advice) to test VAT non-compliance risks. One of the pilots will assess the risk of underreported sales to avoid VAT registration. Based on the pilots, we will by end-December 2026 propose measures to improve VAT compliance, including by targeting taxpayers with turnover close to the VAT and ST thresholds.
- We will strengthen SCS/STS collaboration to enhance VAT risk assessments. For the second half of 2026, we aim to step up simultaneous audits and considerably increase their number. By March 2027, the STS and SCS will send to the MOF a report on lessons learned. Moreover, the STS annual report will include results from these parallel audits. We will also ensure that the STS makes more systematic use of information from export declarations when assessing VAT risks.

31. We will improve the effectiveness and fairness of tax audits and other compliance checks. By end-January 2027, the MOF will approve a concept note and time-bound action plan, to be implemented during 2027, to improve the effectiveness, fairness, and credibility of tax control, including tax audits and verification of tax invoices. The operational objectives will be to increase the sustainability of audit findings, reduce the cost to compliant taxpayers, prevent coercive practices, and reduce the number of court cases. The measures will include steps to (i) limit the ability of STS staff to expand the scope of ongoing tax audits (beyond the grounds and merits provided by the law, depending on the type of audit), (ii) establish clear and uniform evidentiary standards (corresponding to relevant binding conclusions of the Supreme Court applicable in tax cases), (iii) avoid repeat inspections without new evidence, legislative changes, or changes to binding conclusions of the Supreme Court, (iv) strengthen quality assurance mechanisms, (v) enhance the role of the STS legal department in reviewing audit findings against established judicial practice, (vi) strengthen the independence, effectiveness, and transparency of the administrative dispute resolution process, and (vii) ensure timely implementation of court decisions. To ensure an inclusive process, we aim to receive input from taxpayers by end-July 2026 and will hold public consultations on the draft concept note in December 2026.

32. Going forward, STS performance measurement will give more weight to reducing compliance costs. We will adopt strategic and operational key performance indicators (KPIs) for the STS in line with international best practice **(proposed structural benchmark, end-December 2026)**. Instead of setting revenue collection targets, the KPIs will include targets that balance actual revenue gains (resulting from compliance measures) with increased administrative efficiency that drives down compliance costs for both the government and taxpayers. Performance against the KPIs will be published on a quarterly basis, with breakdowns by region and taxpayer segment (where applicable).

33. We are committed to immediately improving outcomes for compliant taxpayers. We aim to speed up administrative processes and to be more selective in litigation so that the courts are not asked to resolve cases where the STS has a low probability of success. We commit to the following monthly operational targets for the second half of 2026:

- At least 85 percent of suspended VAT invoices for which supporting documentation has been submitted by taxpayers will be registered within five days of receipt of such documentation.
- We aim to improve the quality and substantiation of decisions to refuse registration of tax invoices, taking into account the latest jurisprudence of the Supreme Court when making such decisions on blocking tax invoices, as well as to ensure their compliance with applicable law and judicial practice. This is intended to reduce the number of court appeals and the volume of related litigation, as well as to reduce the number of court decisions that overturn STS rulings. Our goal is that the majority of court disputes concerning the suspension/blocking of VAT invoices are resolved in favor of the STS.
- We also commit to improving the quality of audit findings to ensure a steady reduction in unsuccessful litigation cases and to strengthen the credibility and effectiveness of tax enforcement. Our goal is to establish a sustained positive judicial practice, with further improvements—from the current level of around 60 percent—in the share of cases resolved in favor of the STS.
- 100 percent of court decisions in favor of taxpayers will be implemented without delay within three days from the date they enter into force and following the completion of all relevant judicial procedures.

The STS will report on these outcomes monthly on its website (see also TMU ¶92–97).

34. We remain committed to implementing the changes to the Customs Code enacted in 2024, including key governance reforms. Following the appointment of a new head of customs in April 2026 **(structural benchmark, end-March 2026, not met, implemented with delay)**, we are working to swiftly establish his KPIs in consultation with IMF staff. 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 also ensure that the process of attestation of SCS staff will be launched in 2026.

35. We will continue to safeguard the institutional independence of the Economic Security Bureau of Ukraine (ESBU) and ensure its effectiveness in countering offences that undermine the functioning of the state's economy. The ESBU has begun the attestation of staff, prioritizing the attestation of heads of division and territorial offices and their deputies. The 2027 budget will provide an adequate level of funding for the ESBU, taking into account the filling of vacancies, and competitive salaries (including addressing in tax legislation the compensation of withheld tax from monetary allowances similar to other law enforcement agencies) for ESBU staff. We will also ensure the efficient management and use of the funds allocated to the ESBU and improve the Bureau's access to necessary economic data to strengthen its analytical capacity. The ESBU will leverage the anti-money laundering and counter terrorist financing (AML/CFT) framework to support efforts to detect large-scale tax evasion and smuggling of goods in significant amounts through financial intelligence tools, in coordination with relevant agencies.

Public Financial Management

36. We will improve the alignment of SOE financial planning with the annual budget processes. With IMF TA, we will review the experience from our first annual SOE financial planning cycle and identify actions to improve the alignment between the SOE financial planning and annual budget processes.

37. We continue to strengthen fiscal risk management. The Fiscal Risk Statement (FRS) in the 2027 Budget will include projections of fiscal variables (deficit, debt) under certain shock scenarios, prepared with IMF TA, as well as improved reporting of PPP fiscal risks. To strengthen the link between the fiscal risks assessment and the predictability of government spending, we will update the methodological guidance (with input from MOE and other line ministries in their respective areas of responsibility) for assessing fiscal risks in key spending areas and contingent liabilities, including public investments (including PPPs), guarantees, local governments and SOEs, by end-2026.

38. 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 enhance the identification, analysis, and reporting of Public Sector Obligations (PSOs) and quasi-fiscal activities (see also ¶70). We will refrain from imposing new PSOs and will only introduce new ones after prior consultation with IMF staff on their appropriate design, including separate and transparent accounting of PSO obligations in line with international best practice. Regarding SOE financial indicators, we will review, if necessary, 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.

39. We will enhance the institutional independence and effectiveness of audit institutions to ensure that public funds are used for their intended purposes and any misuse is prevented or detected. We will establish the Advisory Group of Experts (AGE), whose task is to vet candidates for the ACU Board, and will appoint its six members. All ACU board members will be appointed from the pool of vetted candidates in accordance with the 2024 amendments by end-December 2026 (**structural benchmark, end-December 2026**).

Public Investment Management

40. The Action Plan for the Implementation of the public investment management (PIM) Roadmap for 2024–2028 designates the MOF as the gatekeeper for all stages of PIM. Our PIM reforms, with a key role for the annual SPP process, are guided by the principles of budget unity, coherence, and predictability and strengthen coordination between the MOF, MOE, Ministry of Development, and other line ministries who remain responsible for project execution. Building on our achievements in 2024–25, we will continue implementing the Action Plan:

- By end-August 2026, the Strategic Investment Council will approve the SPP update for the 2027 Budget. Only projects prepared and appraised using the PIM methodologies will be eligible for the SPP and for funding in the 2027 Budget.

- To improve the alignment of resource allocation with strategic priorities, we have adopted a policy framework (regulation and methodological guidance) for preparing sectoral strategies and a time-bound action plan for the update of sectoral strategies. We are now implementing the action plan and will adopt sectoral strategies in line with the policy framework (as well as sector-specific guidelines for public investment projects preparation and prioritization) by end-December 2026.

- By end-September 2027, 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.

- By end-2026, we will (i) introduce greater proportionality in project preparation, appraisal, and assurance by simplifying requirements for smaller projects and focusing scrutiny on larger, riskier investments; and (ii) establish clear definitions to better distinguish between public investment projects and routine capital spending such as maintenance and repair.

Pensions and Social Spending

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

- **Pensions.** With IMF and World Bank support, we are developing a comprehensive pension reform covering all components of the system. The reform will aim to improve adequacy and fiscal sustainability, strengthen the contributory principle, and address old-age poverty through a more transparent and equitable design. Our reform proposal to the CMU will include an analysis of the long-term fiscal implications, prepared in consultation with IMF staff. We will ensure—through compensating revenue or expenditure measures if needed—that the reform does not widen the deficit of the general government sector over the medium term. Moreover, 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, by end-2026, submit draft legislation to Parliament to discontinue the practice of linking annual increases in certain special pensions to increases in salaries.

- **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 are preparing legislation to establish a new mechanism for assessing individual functional capacity, aligned with the International Classification of Functioning, Disability and Health (ICF). This will allow social benefits and rehabilitation measures to be based on the assessment of daily functioning. The new model will improve fairness, transparency, and efficiency in allocating disability-related support and promote the rehabilitation and inclusion of people with disabilities into the labor market.

- **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).

- **Social standards.** We are taking steps to restore the role of the subsistence minimum as a genuine social standard. We will adopt legislation to decouple the subsistence minimum from technical calculations of public sector wages, fines, and other administrative indicators. In parallel, we are developing a new structural methodology for calculating the subsistence minimum and its components in line with EU approaches. We will also review the current linkages of social assistance programs to the subsistence minimum to ensure consistency with fiscal sustainability.

E. External Debt Strategy

42. Our efforts to restore debt sustainability on a forward-looking basis remain guided by the strategy announced in March 2023. 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 debt on a sustainable path. Our goal remains to restore debt sustainability and ensure that our program is fully financed, including in a downside scenario. Our strategy is also 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.

43. Building on the successful Eurobond and GDP warrants exchanges in 2024-25, we are making progress on the additional components of the strategy:

- *Commercial claims*: The execution process of the transaction continues, based on the agreement in principle reached in 2025, with a group of investors holding 45 percent of Ukrenergo's state-guaranteed bonds in the restructuring perimeter. With Cargill, we continue negotiations and have shared proposals, at advisor and principal level, to restructure the loans on terms comparable to other commercial claims. We are aiming to reach an agreement as soon as possible. In the meantime, a moratorium on government payments on all these instruments was introduced in August 2024 and remains in effect. We continue to be aided by our external financial and legal 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, a new cutoff date, and a separate assurance to deliver a final debt treatment sufficient to restore debt sustainability before the final review of the IMF-supported program. A Memorandum of Understanding with GCU members to implement the standstill was signed in April 2026. 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.

44. 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 undertaking 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, if needed, 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.

45. 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

46. Our monetary and exchange rate policies aim to safeguard price and external stability while building 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 policies to evolving macroeconomic conditions, including cautiously advancing FX liberalization while ensuring external viability—a key program objective.

47. We will maintain a sufficiently tight monetary policy stance and key policy rate (KPR) to bring down inflation, anchor expectations, and support macroeconomic stability. Given the heightened external uncertainty and still-elevated risks to the outlook, we have halted the easing cycle and kept the policy rate on hold, accompanied by a tightening bias. This reflects mounting inflationary pressures, deteriorating inflation expectations, and a depreciation of the exchange rate against the US dollar, including due to consequences of Russia's airstrikes and the escalation of tensions in the Middle East. Going forward, monetary policy decisions will remain guided by incoming data on inflation developments and inflation expectations, the situation in the FX market, and the balance of risks. We remain ready to tighten should risks materialize, including risks of de-anchoring inflation expectations. Our stance aims to preserve the attractiveness of hryvnia instruments, limit inflationary and FX pressures, and maintain confidence in the domestic currency, while remaining focused on returning inflation to the 5 percent target over the policy horizon of three years, with readiness to adjust the stance should risks materialize.

48. To strengthen external buffers and prospects for medium-term external viability, we will continue to accumulate reserves and facilitate greater exchange rate flexibility. To this end, we have set Net International Reserves (NIR) targets (***quantitative performance criterion***) with a view to support reserve accumulation and enhance exchange rate flexibility. While the NBU continues to address the war-related structural FX deficit of the private sector, we recognize that allowing the exchange rate to adjust in response to changes in domestic and external factors will strengthen the functioning of the FX market, while supporting the gradual return to full-fledged inflation targeting. The materialization of risks associated with the war in the Middle East—including the rise in global energy prices and heightened uncertainty—necessitated temporarily higher FX interventions to preserve orderly market conditions, leading to an expected miss of the end-June target on NIR by US$2.88 – US$3.08 billion. Despite the challenging backdrop, exchange rate flexibility has increased since late 2025, demonstrating the NBU's effective implementation of the managed float exchange rate regime and its commitment to gradually transitioning towards a full-fledged inflation targeting framework with a flexible exchange rate. Going forward, we will continue to apply an approach to FX interventions aimed at strengthening the role of the exchange rate as a shock absorber alongside mitigating excessive volatility.

49. We will ensure strict adherence to the FX liberalization roadmap balancing the trade-offs between supporting growth and safeguarding external stability. FX liberalization will continue to follow a conditions-based roadmap ensuring that the pace of easing supports growth and safeguards external stability while maintaining consistency with the overall policy mix. To ensure compliance with current controls and limit unproductive capital outflows, we will continue to monitor FX market conditions, including through bank-level analysis to detect circumvention of controls and enforcement of capital controls on securities transactions alongside oversight of virtual asset transactions to preserve the efficacy of CFMs; and 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. We commit to a comprehensive stocktaking of FX measures implemented to date by end-August 2026 and are advancing work on post-war transition arrangements, including assessing potential amendments to the Laws of Ukraine, specifically Currency Law and the NBU Law, to support the gradual and sequenced removal of FX regulation specifics and other measures introduced under Martial Law. Furthermore, we are committed to the standard **continuous performance criterion** of (i) not introducing or intensifying any exchange restrictions; (ii) not introducing or intensifying import restrictions for BoP reasons; (iii) not introducing or modifying multiple currency practices; and (iv) not concluding bilateral payment agreements in violation of Article VIII of the Articles of Agreements.

NBU Independence and Governance

50. A strong and independent NBU remains critical to achieving macroeconomic stability. We will adhere to the following principles, also in line with the 2026 Safeguards Assessment:

- *Implement Safeguards Assessment recommendations*. In consultation with IMF staff, draft legal amendments have been prepared to strengthen the NBU Council's collective fitness and clarify the Audit Committee's role in relation to the NBU Council's mandate, including on governance, ethics, and integrity. We will submit them to Parliament, including in the context of broader EU accession-related legislation. We will ensure that vacant positions in the NBU Council are filled by end-September 2026 to ensure its continuous operation.

- *Monetary financing:* We remain committed to avoiding monetary financing, including indirect forms; if external disbursements are delayed, any use will be strictly limited under the agreed MOF–NBU framework articulated in the Technical Memorandum of Understanding.

- *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 refraining from using NBU profit for earmarked spending and will direct this revenue category to the General Fund of the State Budget. 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.

- *Wartime measures and liquidity management:* As liquidity conditions evolve, we will adjust our monetary policy framework to better align with economic conditions. When conditions permit, we will phase 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.

G. Financial Sector

51. We continue to safeguard financial stability and reinforce financial crisis preparedness. Following our efforts to restore stability to the financial system through regulatory intervention and ensuring bank branch operations remain available at the start of the invasion, we are now focusing on normalizing the regulatory regime and aligning it with the EU acquis. We have restored pre-full scale invasion regulatory requirements and are introducing several capital buffers. We will continue to take a prudent approach to micro- and macroprudential regulation and ensure the financial sector remains able to respond adeptly to shocks and support the economy. Acknowledging the need for banks to increase their capital to comfortably above regulatory requirements to withstand shocks and support post-war reconstruction, there is a need to avoid extraordinary taxation of the banks (¶13). The Deposit Guarantee Fund (DGF) meanwhile has contributed to financial stability through the successful resolution of three small insolvent banks. The NBU and the DGF continue to address weak banks and have prepared contingency plans to respond to further potential high-impact events in their respective areas. More specifically:

- The NBU has prepared and updated contingency plans that assess key financial and operational risks to financial stability under various downside conditions with associated monitoring and emergency response frameworks. These plans will be updated as needed.
- Key gaps in the legal framework regarding early intervention measures, temporary administration, and resolution of insolvent banks have been identified and a draft law covering these key gaps and improving existing liquidation procedures is expected to be adopted in July 2026. Further changes to the law incorporating lessons learned from recent insolvent bank resolution cases are envisaged as part of alignment with the EU acquis.
- The adequacy of DGF financial resources has been reviewed and emergency financial backstops will continue at least until the target reserve ratio has been reached.

52. The NBU will continue to test the resilience of the banking system while considering wartime developments and needs. Following the completion of an in-depth resilience assessment in 2025, the NBU launched a regular resilience assessment this year. An analysis of business model viability will also be undertaken in consultation with IFIs. In light of the results of the 2025 resilience assessment, the NBU will further implement capital requirements in line with EU standards, including the establishment of capital buffers in the form of the capital conservation buffer and requirements for domestic systemic important banks and individual capital requirements under Basel Pillar II in accordance with the approved plan. While implementing these buffers, NBU will ensure these are gradually phased in, given the volatile bank operating environment. Once conditions have stabilized, the NBU will (i) complete a targeted asset quality review (AQR) in consultation with IFIs to assess the adequacy of banks' capital buffers based on the agreed ToR, (ii) carry out a subsequent bank viability assessment and (iii) incorporate the results of the targeted AQR into its regulatory measures. In parallel, the current blanket prohibition on bank capital distribution will remain in place: i) until the results of the resilience assessment of the banks are fully reflected in banks' capital requirements and financial statements, and ii) capital buffers and individual capital requirements have been fully implemented.

53. The implementation of Basel Pillar 2 requirements is an important step to further strengthen banking supervision. The NBU has finalized the supervisory methodology to determine Pillar II increased capital adequacy and liquidity requirements (P2R) based on a supervisory assessment. P2R will be phased-in in 2027 and 2028. In view of the introduction of new capital requirements, NBU will align the capital stack with EU standards. The NBU is taking steps to mitigate growing critical third-party risk in banks, insurers and non-bank financial payment service providers (PSPs) through the implementation of new regulatory requirements (**structural benchmark, end-June 2026, met**). To this end, the NBU conducted a public consultation with the market on draft regulatory requirements in March for banks and for insurers and non-bank PSPs in May-June. The new third-party risk management requirements, including Resolution No. 70 that amends Regulation No. 64 on the Organization of the Risk Management System in Ukrainian Banks and Banking Groups, Resolution No. 72 covering payment service providers and Resolution No. 73 for insurers were published in June 2026. If needed, the NBU will develop a draft law in consultation with IFIs including measures for detection, containment, and mitigation of market-systemic critical third-party risk for third parties that are either going- or gone-concern and have it submitted to Parliament. Entities identified as critical third parties will be subject to NBU's fit and proper rules.

54. We will update our SOB strategy with a view to reducing 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 strictly informed by financial stability and national security considerations during the martial law period. 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**). Further envisaged reforms regarding SOBs are:

- We are preparing the sale of two systemic SOBs, Sense Bank and Ukrgazbank, and will appoint an internationally recognized financial advisor by end-July 2026. Given uncertainties regarding the timing of the sale processes, we will ensure SOB supervisory boards remain fully operational for all SOBs.

- We have strengthened the independence and professionalism of the nominations process of the supervisory boards by amending the SOB Nomination Committee framework and creating an annual performance assessment for SOB supervisory boards which will be implemented once the general SOB strategy has been approved. As both reforms were due just after the approval of the EFF-supported program and required coordination with IFIs, these were only finalized in April 2026 (**structural benchmark, end-February 2026, implemented with delay**).

- We have approved an updated general SOB strategy in consultation with IFIs (**structural benchmark, end-June 2026**) and will use it to inform our strategies for individual banks with majority public ownership. The strategy will detail how the protections for fully government owned SOBs in Article 7 of the Law on Banks and Banking will be extended to majority government owned systemically important SOBs.

- 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 on Banks and Banking and following formal notification, review, and approval of the process by the NBU.

55. Governance of the Deposit Guarantee Fund (DGF) will be enhanced/strengthened while preserving its current critical role in the financial safety net. A draft law was submitted to parliament in April 2026 with a proposal to adjust DGF governance arrangements including equal representation from institutions comprising the DGF Administrative Board, DGF accountability, internal controls, and procedures for the appointment of the Managing Director. We expect the law to be adopted by end-2026. Given the essential role of the DGF in safeguarding deposits and addressing insolvent banks, we will refrain from making any changes to the allocation of roles and responsibilities of financial safety net stakeholders during Martial Law.

56. Improvements to the National Securities and Stock Markets Commission (NSSMC) governance are ongoing. Once conditions stabilize, vast private investment will be needed to aid reconstruction and recovery. This requires further development of our financial markets' infrastructure and alignment with good practices to enable Ukraine to attract a broad range of investors. A functional audit of the NSSMC, supported by IFIs, is expected to be completed by end-2026 and guide NSSMC in its internal restructuring. In view of the significant reforms NSSMC will undertake, both regarding its internal organization and regulatory framework, a more robust and effective NSSMC governance structure is needed. This will take the form of a supervisory board to provide strategic direction, ensure collegial responsibility and implementation of reforms, and enhance NSSMC's effectiveness and credibility by promoting independence, accountability, transparency, and integrity in its operations. We will make changes to the NSSMC's governance structure and decision-making bodies in consultation with IFIs by introducing a two-tier governance structure comprising a majority-independent supervisory board to oversee the existing executive and Commission functions. As a first step, NSSMC, in consultation with CMU and IFIs, has finalized a concept note in July 2026 outlining the structure, composition and mandate of the supervisory board. The new governance structure will be aligned with the Constitution in terms of government responsibilities for regulatory agencies and implemented through amendment of the NSSMC law (**structural benchmark, end-December 2026**).

57. We will reform financial and capital market infrastructure (FCMI) with the aim of maximizing opportunities to attract private investment for reconstruction and recovery. We will close gaps in institutions, regulation, market standards and infrastructure as set out in the Financial Stability Council's (FSC) FCMI development roadmap to enhance the prospects for attracting private capital, which needs to play a critical and large-scale role in Ukraine's reconstruction strategy. The roadmap includes detailed activities to further coordinate and develop public, private, and public-private deal pipelines and reform of existing investment funds frameworks (also covering JIIs) through adoption of the investment funds law (#13246) by end-

October 2026 and lending instruments (such as factoring and leasing). More specifically, the roadmap covers:

- *Market instrument reforms.* Legislative proposals to align the asset backed securities frameworks with international standards and good practice were submitted to Parliament in April 2026 and are expected to be adopted by September 2026.

- *Capital markets infrastructure*. A vertically integrated markets infrastructure will be created involving the State, a strategic partner and SOBs. It will incorporate existing infrastructure elements such as the Settlement Center and the minority stake in the National Depositary of Ukraine (NDU) that has been transferred for management by NBU. Prior to further CSD consolidation, we will ensure that the NBU obtains and owns a majority stake in NDU and representation in the supervisory board reflects NBU's majority stake in line with internal standards and best practices and IMF technical assistance. Legislative proposals to provide the legal basis for the implementation of a vertically integrated markets infrastructure were submitted to Parliament in June 2026 and are expected to be adopted by end-July 2026.

- *Implementing the lending and mortgage lending development strategies*. A strategy approved by the FSC in July 2024 has been updated in May 2026 to support banks' lending to priority sectors during the war, further developing credit infrastructure to support banks' risk management and lending decisions and deepening creditor protection.[1] In parallel, the FSC approved an update to the June 2025 mortgage lending strategy.[2] In early June 2026, the NBU approved the concept for the implementation of EU Directive 2021/2167 on credit servicers and credit purchasers. Based on this, the NBU will submit the corresponding draft law to Parliament by end-June 2027.

- *Further aligning banking norms with the EU to achieve Regulatory Equivalence.* NBU, with support of IFIs, has achieved substantial alignment of banking legislation with the EU acquis and will refrain from relaxing existing prudential requirements. NBU will first seek to obtain EBA's official assessment of the equivalence of confidentiality and professional secrecy regimes before launching the process for an official regulatory equivalence assessment. To this end, amendments to our laws to align the legal framework on bank secrecy, specifically regarding information disclosure by NBU with Directive 2013/36/EC (CRD IV) were submitted to parliament in May 2026 and are expected to be adopted by end-September 2026.

58. We are reforming financial and credit market regulations to align with international good practice and improve asset price discovery. NBU will take further steps to strengthen banks' NPL workout capacity and promote the secondary market for NPLs, in line with the NPL strategy approved by the FSC. We reaffirm our commitment to continuing efforts to recover value from the

[1] For the lending development strategy, see https://bank.gov.ua/en/news/all/strategiya-z-rozvitku-kredituvannya-22795.
[2] For the mortgage development strategy, see https://bank.gov.ua/en/news/all/strategiya-z-rozvitku-ipotechnogo-kredituvannya-22797.

(continued)

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. Minimum capital requirements and the procedure for calculating the large exposures limit have been aligned with EU standards. In addition, we will make sure banks and banking groups shall comply with requirements regarding the building up of a capital conservation buffer starting from 1 January 2027, and the requirements for building up systemic importance buffer starting from 1 January 2028.[3] The NBU will continue monitoring economic conditions and introduce further requirements based on: (i) banks' adherence to the new capital requirements aligned with EU standards; (ii) the results of resilience assessments, and (iii) the banking system's role of lending to the economy and its involvement in the domestic debt market. NBU has reinstated the normal regulatory deadlines for conducting fit and proper assessments. We will make legislative changes to implement European (TEGOVA) and international valuation standards (IVS) by end-July 2026 that will be followed by the development of an implementation roadmap. These legislative changes will also encompass the expansion of the Unified Database to include real estate transactions that are not subject to taxation. We have finalized the mechanism for publication of the HPI by end-May 2026 and will account for the above-mentioned legislative changes to the data collection while preparing HPI.

59. Further regulation of the payments market is being advanced to strengthen the system and support de-shadowing. Parliament is expected to adopt legislation that will allow NBU to submit an application to join the Single European Payments Area by July 2026. The NBU is improving its supervision and has already taken measures to counteract illegal use of the payment system and legislative changes are being advanced in parliament to extend its powers to restrict payment service providers (PSPs) that fail to comply with regulatory requirements. To complement these efforts, we will facilitate PSPs' information exchange on clients that bear high risks of illegal use of payment systems by tightening regulatory requirements and implementing a "money-mule" register. The relevant legislative proposal, prepared by NBU, will be adopted by parliament by end-September 2026. The NBU has finalized a legislative proposal that includes (i) extending the NBU's supervisory and regulatory powers to technology operators and (ii) clarifying financial and payment licenses with clear ownership structure requirements for PSPs which is expected to be adopted by end-2026.

60. We are taking steps to mitigate the risks that virtual assets may pose to price stability, the effectiveness of capital flows measures, the monetary transmission mechanism and tax revenues. Parliament is expected to adopt by end-September 2026 a law to regulate virtual assets, which has been developed in consultation with IFIs to align with international best practice while considering economic development goals and mitigating price and financial stability risks. We will ensure the law clearly sets out (i) regulators' roles and responsibilities; (ii) the conditions for virtual

[3] See https://bank.gov.ua/ua/news/all/utochneno-vimogi-schodo-formuvannya-bankami-bufera-sistemnoyi-vajlivosti#

asset service providers in terms of licensing and market access; (iii) potential controls to limit crypto transactions to preserve the efficacy of CFMs; and (iv) alignment with the EU acquis.

61. We will continue to strengthen the legal, regulatory, and supervisory framework for NBFIs. A legal framework for financial services and financial companies, insurance and credit unions and payment market participants is being phased-in. This includes (i) transitioning to a risk-based approach for supervising NBFIs; (ii) strengthening powers to revoke licenses and liquidate failed NBFIs; (iii) strengthening ownership structures; and (iv) improving disclosure requirements. The NBU, in cooperation with other public authorities, is developing a strategy for the insurance market aimed at identifying the key priorities for its transformation and fostering its growth and alignment with European standards. NSSMC is moving forward with the regulation of financial intermediaries to align their capital requirements with the EU acquis. As regards 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.

H. Governance and Anti-Corruption

62. Strengthening governance, the rule of law and combatting corruption remain central to our reform agenda. Given our broader goal of joining the EU, we are committed to reinvigorating reform momentum to uphold the confidence of the public, investors, and international partners. We remain firmly committed to preserving the operational independence of the National Anti-Corruption Bureau of Ukraine (NABU), Specialized Anti-Corruption Prosecutor's Office (SAPO) and the High Anti-Corruption Court (HACC), and will refrain from taking any measures that would undermine their independence, powers or resources, including through amendments to their legal or regulatory frameworks. We are committed to ensuring the completion of the ongoing selection process and appointment of the Deputy Head of SAPO by end-December 2026. We have recently completed the selection of additional judges to HACC and will ensure that the Court is provided with sufficient resources to support the newly appointed judges and sustain the timely and effective adjudication of high-level corruption cases.

63. We will prioritize prevention of corruption in high-risk critical sectors through targeted reforms. Building on IMF technical assistance on strengthening the asset declaration and lifestyle monitoring frameworks, the National Agency for Corruption Prevention (NACP) will issue regulations prioritizing and enhancing the verification of asset declarations of senior officials in these high-risk sectors (**structural benchmark, end-June 2026, not met, proposed to be reset to end-September 2026**), and publish, on a bi-annual basis, key performance indicators on risk-based verification and lifestyle monitoring activities starting end-September 2026. We will launch an independent external audit of the NACP, to assess, in particular, the agency's effectiveness in verifying the accuracy of high-level officials' asset declarations and in managing its whistleblower function in 2024–2025, and will propose options to remedy any identified shortcomings. To strengthen the audit process in the future, by end-July 2026, the Cabinet of Ministers will issue a Resolution approving updated criteria and a methodology for evaluating the performance of the NACP.

64. We will enact by end-December a legal framework for independent, reliable, timely, and high-quality forensic services to support criminal investigations that fall under NABU's jurisdiction. To advance this objective, we will prepare, by end-September 2026, in consultation with key stakeholders, draft legislation aligned with European forensic science standards (including guidance of the European Network of Forensic Science Institute, Council of Europe Standard Operating Procedures for forensic services, and ISO/IEC 17025). The draft legislation will (i) strengthen the institutional and operational independence of the Scientific Research Centre of Independent Forensic Expertise (SRCIF), including through the establishment of a supervisory body, responsible for the transparent and merit-based selection of the SRCIF leadership and safeguards against undue influence; (ii) timely access by NABU to SRCIF-provided forensic services, as a rule within 2 months, as well as an increase of the SRCIF's overall operational capacity; and (iii) expand opportunities for the use of private forensic expertise by limiting the exclusive competence of state expert institutions to a narrowly defined list of examinators. We remain fully committed to advancing additional legislative and institutional reforms essential for strengthening anti-corruption enforcement. Amendments to the Criminal Code and Criminal Procedure Code have been prepared, and we will continue consultations with stakeholders to ensure that longstanding systemic weaknesses that hinder investigations, create delays at the trial stage, and undermine accountability for corruption, are addressed.

65. We will effectively implement AML/CFT measures to strengthen financial integrity. We recognize the importance of maintaining reform momentum and will avoid measures that could weaken the AML/CFT framework. The NBU will strengthen its AML/CFT supervisory activities with the goal of ensuring that its rules and guidance on enhanced due diligence for politically exposed persons are applied by banks proportionate to risks, and do not automatically disqualify groups of people, in line with the FATF standards. Amendments to Article 32 of the AML/CFT law and Article 73 of the Banking Law, in line with EU requirements are currently before Parliament. These will serve to strengthen the AMLCFT enforcement framework, including by ensuring that the penalties for AML/CFT violations by entities regulated and supervised by the NBU are effective, dissuasive, and proportionate, in line with the FATF standards. The financial sanctions applicable to such entities will be clearly prescribed in the laws of Ukraine and the regulatory legal acts of the NBU by March 2027.

66. We will strengthen the beneficial ownership framework including verification, enforcement mechanisms, and sanctions. By end-December 2026, we will strengthen the sanctions regime for beneficial ownership obligations through legislative amendments that extend sanctionable UBO obligations in line with the FATF standards, including by raising maximum fines and expanding enforcement measures—such as the dissolution of a legal entity for material breaches of AML legislation. This will ensure that sanctions are effective, proportionate, and dissuasive, supported by clear guidance on aggravating and mitigating factors.

67. We are committed to strengthening the integrity of the tax system by using AML/CFT tools more effectively to detect and deter tax crimes. With IMF capacity development support, we will enhance the use of AML/CFT tools to combat tax crimes and strengthen overall tax and customs compliance. With IMF capacity development support, we completed an independent review of the operations and effectiveness of the State Financial Monitoring Service (SFMS) and based on the action plan will address the identified deficiencies. By end-March 2027, we will also deepen operational cooperation between the FIU, tax authorities and law enforcement bodies to ensure the timely use of financial intelligence for detecting tax crimes, improving case selection, and supporting effective enforcement actions.

68. We will continue to address SOE corporate governance shortcomings highlighted by the Energoatom case through a comprehensive action plan. In close consultation with international partners, we have appointed a new supervisory board for Energoatom, filled vacant positions in the supervisory board of Ukrhydroenergo and Ukrenergo, and appointed six members to the supervisory board of Naftogaz. We have also repealed the norm introduced by CMU Resolution 1441, thus restoring independent board evaluations. By end-July 2026, we will: (i) fill the supervisory board of GTSOU; and (ii) amend the charters of Energoatom and Ukrhydroenergo in line with the revised SOP (¶69). By end-August 2026, we will select a new Energoatom CEO through a competitive merit-based procedure with integrity checks by simple majority of the supervisory board based on a competition launched in June. By end-September 2026, we will select a new CEO for GTSOU and fill the vacant state representative position on Naftogaz's supervisory board. By end-December 2026, we will complete a comprehensive financial and operational analysis by an independent firm with support from independent external legal counsel, focused on the key periods, transactions, governance decisions and control failures relevant to the alleged Operation Midas corruption scheme, with prioritization of the highest-risk and highest-materiality areas identified during the review process. In parallel, we will also carry out a comprehensive corporate governance assessment of Energoatom in line with CMU Ordinance No. 1223-r.

69. We will continue to strengthen SOE corporate governance in close consultation with international partners.

- We will enact changes to the State Ownership Policy (SOP) by end-July 2026 to mandate that all SOE charters require simple majority voting for supervisory board decisions, except for the approval of the strategic development plan, and avoid provisions that enable veto or supermajority requirements. We will amend the Law "On Joint Stock Companies" (2645-IX) to remove any conflicting provisions by end-December 2026.

- In close consultation with IMF and international partners, we will continue a comprehensive reform of SOE supervisory board nomination procedures according to a roadmap with time-bound measures to improve nominations across both strategic and non-strategic SOEs, increasing efficiency and ensuring the individual and collective fitness of supervisory board members, which will be approved by end-July 2026.

- We will ensure that all SOE CEO nominations and dismissals are decided by a simple majority of supervisory boards, with appropriate charter amendments if needed.

- We have amended CMU Ordinance 1223-r to mandate comprehensive corporate governance assessments with the involvement of reputable independent auditors and/or consultants for nine macro-critical SOEs ("top SOEs": Naftogaz, Ukrainian Railways, Ukraine Defense Industry, Energoatom, Ukrhydroenergo, Centrenergo, Ukrenergo, Ukrposhta, GTSOU), which will be completed by end-December 2026. We will ensure that top SOEs remain subject to regular financial audits.

- We will continue implementing the SOP as per the SOP Action Plan including the framework for privatizations (full or partial); 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 commit to publishing a revised SOP by end-July 2026, which would more closely align with OECD Guidelines on Corporate Governance of SOEs, following recommendations from the 2025 OECD Review. We will consult with the IMF and international partners on all related draft legislations and CMU resolutions.

70. We will increase the transparency and accountability of SOEs to promote effective management and accurately quantify quasi-fiscal activities:

- Financial statements and audit reports for top SOEs excluding defense (in accordance with IFRS standards where applicable) through 2025 have been published. Going forward, we will ensure that financial statements and audits of top SOEs are published on a timely basis, including through appropriate amendments of the SOP.

- By end-July 2026, we will start developing the template for an annual SOE report in accordance with the requirements of the SOP, which would include information on SOEs financials through a common set of indicators, payments to the state budget and fiscal support, specific PSO obligations and quasi-fiscal activities carried out by each SOE, and alignment of company-level governance with international best practice. A pilot report aggregating the results of top SOEs excluding defense will be developed by end-September 2026.

- We will continue implementing the PSO Action Plan and ensure that financial statements reflecting a separation of PSO and non-PSO activities are published for all SOEs that are subject to PSOs by end-June 2027. To this end, we will adopt legislation regulating PSOs in consultation with international partners.

I. Energy Sector Reforms

71. Our immediate priority remains to mitigate the adverse impact of the war on the energy sector. We continue to work swiftly to repair damage to generating capacity, and to ensure sufficient electricity and heating provision to households and firms in the heating season and beyond, including through increased decentralized generation. We are very grateful for continuing donor support, including for equipment, and will seek additional donor support for repairs and the execution of Resilience Plans. To complement internal resources, Naftogaz secured adequate financing for gas imports from the EBRD, EIB, and bilateral donors for the previous heating season and to balance the system, and efforts to mobilize financing for the current period are ongoing. Any transfers from the State Budget to energy companies for emergency needs related to the war will be allocated through amendments to the budget, subject to the availability of financing and only after consultation with IMF staff.

72. We are strongly committed to implementing an ambitious reform agenda to address long-standing structural problems in the energy sector that have been exacerbated by Russia's war. Restoring the sustainability of the sector and reducing quasi-fiscal liabilities will necessitate a gradual increase in gas, electricity, and heating tariffs for households to cost recovery levels, while ensuring adequate and well-targeted support to protect vulnerable households. Returning to prices fully reflecting market conditions will require the restoration and enhancement of competition in wholesale and retail markets and may only be possible after the war winds down.

- By end-July 2026, the Ministry of Energy will prepare a draft roadmap for the gradual liberalization of gas and electricity markets, with a time-bound implementation plan. By end-December 2026, based on the draft prepared by the Ministry of Energy and input from stakeholders, the CMU will finalize and adopt the roadmap, which will be based on technical analysis of the financial condition of the sector, in coordination with the European Commission. The roadmap will describe the steps needed to reform the PSOs to gradually liberalize market prices once martial law is lifted and ensure that vulnerable consumers are adequately protected, as well as preparatory steps to be implemented before the end of martial law. To ensure that the proposed reform is fiscally sustainable, we will conduct and publish technical analysis quantifying the costs of QFA resulting from price caps and PSOs in the electricity, gas and heating sectors, the incidence of existing subsidies, and reform scenarios to achieve gradual cost recovery while ensuring adequate social protection, building on the findings of IMF TA to the Ministry of Energy (**structural benchmark, end-July 2026, proposed to be reset to end-October 2026**).

- By end-February 2027, based on the findings of the TA, we will assess the fiscal and social impact of potential utility tariff adjustments on existing and newly eligible beneficiaries under the current subsidy mechanism, including through scenario-based estimates of coverage, adequacy, and budgetary needs. Any policy adjustments will aim to protect vulnerable households, preserve payment discipline, and ensure medium-term fiscal sustainability.

- Following the adoption of the roadmap, and to support reconstruction and repairs, we will plan to carry out a gradual adjustment in electricity tariffs while ensuring an adequate level of utility subsidies to protect vulnerable households. These increases could begin as early as needed, taking into consideration the evolution of the war.

- To allow the future adjustment of household gas, heat and hot water tariffs, we intend to prepare amendments to law 2479-IX to remove the moratorium on price increases, consistent with our commitments under the Ukraine Facility Plan. After the removal of the moratorium, we will gradually increase gas prices, accompanied by adequate adjustments in utility subsidies to protect vulnerable households. This would provide needed resources to maintain an adequate supply of gas and heating.

- 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 that achieves cost recovery. We will explore mechanisms and legal amendments to ensure that local heat and hot water tariffs gradually converge to, and later at least maintain, cost-recovery levels. We will consult with IMF staff on plans to clear arrears through direct or indirect budget support.

73. We will strengthen governance in the energy sector by reinforcing NEURC independence. The NEURC law will be amended and enacted in a timely manner to strengthen NEURC's independence and regularly assess its governance and independence, and to make nomination procedures more transparent (**proposed structural benchmark, end-October 2026**). In particular, the law will require that the Competition Commission be composed of six members with full voting power, three of whom are proposed by international partners, and will increase the transparency of decisions. Within six months of the entry into force of the amended NEURC law, we will finalize and publish the first external assessment of NEURC's governance and independence based on the new legal framework.

J. Program Monitoring

74. Program implementation is being monitored through quarterly reviews via quantitative performance criteria, indicative targets, and structural benchmarks. We commit to provide to IMF staff all 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. Prior actions and Structural Benchmarks (SBs) described in this MEFP are summarized in Table 2. The Second and Third Reviews are expected to take place on or after September 1, 2026 and December 1, 2026 respectively, based on quantitative performance criteria for end-June 2026 and end-September 2026, respectively, and corresponding SBs.

Table 1. Ukraine: Quantitative Performance Criteria and Indicative Targets

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

	Mar 2026					Jun 2026		Sep 2026		Dec 2026		Mar 2027		Jun 2027
	QPC	Adjustor	Adjusted QPC	Actual	Status	EBS/26/9	QPC	EBS/26/9	QPC	EBS/26/9	QPC	EBS/26/9	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/	310.0	-497.2	-187.2	366.5	Met	687.4	687.4	943.2	610.0	1,076.3	885.0	348.1	207.5	418.7
Floor on tax revenues (excluding Social Security Contributions)	580.0	0.0	580.0	710.3	Met	1,280.0	1,280.0	2,057.0	2,057.0	3,000.0	3,000.0	651.3	728.0	1,530.0
Ceiling on publicly guaranteed debt 3/	65.0	0.0	65.0	0.0	Met	65.0	65.0	65.0	65.0	65.0	65.0	73.0	65.0	65.0
Floor on net international reserves (in billions of U.S. dollars) 3/	44.2	-7.5	36.7	37.1	Met	51.3	51.3	51.9	33.1	49.2	47.3	51.6	47.0	47.1
II. Indicative Targets 1/ 2/														
Floor on the cash balance of the general government, excluding budget support grants (- implies a deficit) 3/	-402.9	-497.2	-900.1	-269.8	Met	-801.2	-801.2	-1,287.1	-1,583.3	-1,927.4	-2,148.2	-452.5	-452.3	-945.7
Ceiling on general government arrears	1.8	0.0	1.8	1.6	Met	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Floor on social spending	160.7	0.0	160.7	176.0	Met	330.3	330.3	504.2	504.2	684.0	684.0	180.5	151.9	312.2
Ceiling on general government borrowing from the NBU 4/ 5/	-2.5	0.0	-2.5	-2.5	Met	-6.3	-6.3	0.0	0.0	-3.4	-3.4	-0.8	-0.8	-5.5
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 billions of U.S. dollars)	0.4	...	...	0.1	...	0.9	0.7	1.5	1.4	2.8	2.8	0.4	0.1	0.4
External budget financing (in billions of U.S. dollars) 6/	12.7	...	...	5.3	...	28.0	18.0	37.0	24.2	46.9	49.8	9.9	9.9	19.5
Budget support grants (in billions of U.S. dollars)	0.9	...	...	5.3	...	1.1	9.8	1.5	14.1	1.9	27.0	0.1	9.4	18.8
Budget support loans (in billions of U.S. dollars) 6/	11.8	...	...	0.0	...	26.9	8.2	35.4	10.1	45.1	22.8	9.8	0.5	0.7
Interest payments	96.5	...	...	65.3	...	243.2	204.4	358.7	312.7	518.2	518.0	95.0	90.0	224.9
NBU profit transfers to the government	146.0	...	...	0.0	...	146.0	146.1	146.0	146.1	146.0	146.1	63.0	27.7	27.7
Government bonds for the purposes of bank recapitalization and DGF financing	0	...	...	0.0	...	0	0	0	0	0	0	0	0	0
Cash balance of the general government, excluding budget support grants, treasury report at current exchange rates (- implies a deficit; in billions of Ukrainian hryvnia)	-402.9	...	...	-263.3	...	-801.2	-901.2	-1,287.1	-1,583.3	-1,927.4	-2,148.2	-452.5	-452.3	-945.7

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 2026 and 2027 are cumulative flows from January 1, 2026, and 2027, respectively.

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

4/ From end of previous quarter.

5/ For March 2026 onwards, calculated using actual and projected redemptions of government bonds as of June 25, 2026.

6/ Excludes prospective IMF disbursements under the EFF.

Table 2. Ukraine: Prior Actions and Structural Benchmarks (new items in blue)				
No.	**Structural Benchmark or Prior Action**	**Sector**	**Timing**	**Status**
1	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 (MEFP ¶54)	Financial	Continuous	
2	Refrain from assigning any new ad-hoc spending obligations to the Pension Fund of Ukraine, as specified and subject to the exception listed in MEFP¶13	Fiscal	Continuous	
3	Implement recommendations in MEFP ¶51 (IMF Country Report No. 2026/058) to strengthen the nomination process for SOB supervisory boards	Financial, Governance	End-Feb 2026	Not met (implemented with delay)
4	Adopt a package of tax measures for 2026–27, as specified in MEFP ¶21 (IMF Country Report No. 2026/058)	Fiscal	End-Mar 2026	Not met
5	Appoint a new permanent head of customs	Fiscal, Governance	End-Mar 2026	Not met (implemented with delay)
6	Submission to Parliament of amendments to the Tax Code, as specified in MEFP ¶25 (IMF Country Report No. 2026/058), including to align transfer pricing rules with OECD standards and to implement Article 4 of the EU ATAD	Fiscal, Governance	End-Jun 2026	Not met (proposed to be reformulated as Structural Benchmark 12)
7	Approve an updated SOB strategy that considers privatization objectives and how the safeguards in Article 7 of the Law on Banks and Banking can be extended to all majority systemic state-owned banks (MEFP ¶54)	Financial, Governance	End-Jun 2026	
8	Implement, by means of entry into force, of a critical third-party risk oversight framework (MEFP ¶53)	Financial	End-Jun 2026	Met
9	NACP to issue new regulations establishing a risk-based system for verification of asset declarations, prioritizing senior officials in identified high-risk areas (MEFP ¶63)	Governance	End-Jun 2026	Not met (proposed reset to End-Sep 2026)
10	Publish a technical analysis quantifying the costs of current QFA in electricity, gas, and heating, the incidence of existing subsidies, and fiscally sustainable reform scenarios to achieve gradual cost recovery while ensuring adequate protection of	Energy	End-Jul 2026	Proposed reset to End-Oct 2026

	vulnerable consumers, reflecting the findings of IMF TA to the Ministry of Energy (MEFP ¶72)			
11	Enact legislation to introduce a tax on income earned from digital platforms and to remove the tax exemption on low-value imports through postal shipments (MEFP ¶20)	Fiscal	End-Jul 2026	
12	Submission to Parliament of amendments to the Tax Code, as specified in MEFP ¶25, including to reform transfer pricing and interest limitation rules (MEFP ¶25)	Fiscal	End-Aug 2026	
13	Submit amendments to the Tax Code to raise the threshold for unscheduled audits upon VAT refund requests and negative VAT liabilities from UAH 100,000 to UAH 1,000,000 (MEFP ¶30)	Fiscal	End-Aug 2026	
14	Enact legislation to ensure NEURC independence and improve nomination procedures (MEFP ¶73)	Energy	End-Oct 2026	
15	Adoption of new organizational KPIs for STS (MEFP ¶32)	Fiscal	End-Dec 2026	
16	Create the design of a centralized data warehouse for tax and customs administration (MEFP ¶28)	Fiscal, Governance	End-Dec 2026	
17	Strengthen NSSMC decision-making structures and processes by amending the NSSMC law to align governance with the Constitution and implement a two-tier governance structure including a supervisory board with clearly defined roles and responsibilities. (MEFP ¶56)	Financial, Governance	End-Dec 2026	
18	Appoint all ACU board members from the pool of vetted candidates in accordance with the 2024 amendments (MEFP ¶39)	Fiscal, Governance	End-Dec 2026	
19	Submit anti-avoidance rules to prevent abuse of the Simplified Tax regime (MEFP ¶24)	Fiscal	End-Dec 2026	
20	Enact the removal of the VAT exemption for ST and raise the VAT registration threshold, effective Jan 1, 2028 (MEFP ¶21)	Fiscal	End-Apr 2027	