INTERNATIONAL MONETARY FUND

IMF Country Report No. 24/366

UKRAINE

December 2024

SIXTH REVIEW UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY, REQUESTS FOR MODIFICATION OF A PERFORMANCE CRITERION, AND FINANCING ASSURANCES REVIEW—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE ALTERNATE EXECUTIVE DIRECTOR FOR UKRAINE

In the context of the Sixth Review Under the Extended Arrangement Under the Extended Fund Facility, Requests for Modification of a Performance Criterion, and Financing Assurances Review, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on December 20, 2024, following discussions that ended on November 18, 2024, with the officials of Ukraine on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on December 11, 2024.
- A **Supplementary Information** updating information on recent developments.
- A **Statement by the Alternate Executive Director** for Ukraine.

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

Copies of this report are available to the public from

International Monetary Fund • Publication Services
PO Box 92780 • Washington, D.C. 20090
Telephone: (202) 623-7430 • Fax: (202) 623-7201
E-mail: publications@imf.org Web: http://www.imf.org

International Monetary Fund
Washington, D.C.

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

FOR IMMEDIATE RELEASE

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

Washington, DC—December 20, 2024: The Executive Board of the International Monetary Fund (IMF) today completed the Sixth Review of the EFF, enabling the authorities to draw US$1.1 billion (SDR 834.9 million), which will be channeled by the authorities for budget support. This will bring the total disbursements under the IMF-supported program to US$9.8 billion.

Ukraine's 48-month EFF, with access of SDR 11.6 billion (equivalent to US$15.5 billion, or about 577 percent of quota), was approved on March 31, 2023, and forms part of a US$148 billion support package for Ukraine. The authorities' IMF-supported program helps anchor policies that sustain fiscal, external, and macro-financial stability at a time of exceptionally high uncertainty. The EFF aims to support the economic recovery, enhance governance, and strengthen institutions with the aim of promoting long-term growth in the context of reconstruction and Ukraine's path to EU accession.

Ukraine's performance under its program remains strong. All end-September and continuous quantitative performance criteria and indicative targets were met. The authorities have also completed a prior action on the enactment of the package of tax measures, have met all end-October structural benchmarks due by the Sixth Review and three of the end-December benchmarks.

Economic growth in 2024 has been upgraded given better than expected resilience to the energy shocks. However, a slowdown is expected in 2025 due to an increasingly tight labor market, the impact of Russian attacks on Ukrainian energy infrastructure, and continued uncertainty about the war. Inflation has risen recently, mainly due to food prices, while inflation expectations remain well anchored. Adequate reserves have been sustained by continued sizeable external support. Overall, the outlook remains subject to exceptionally high uncertainty.

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

"Russia's war in Ukraine continues to take a devastating social and economic toll on Ukraine. Despite the war, macroeconomic stability is being preserved through skillful policymaking by the Ukrainian authorities as well as substantial external support. The economy has remained resilient, reflecting the continued adaptability of households and firms, although risks are tilted to the downside due to headwinds from attacks on energy infrastructure and a tight labor market. Preparedness and contingency planning are key to enable appropriate policy action should risks materialize.

The program remains fully financed with a cumulative external financing envelope of US$148 billion in the baseline and US$177 billion in the downside over the 4-year program period, including commitments from the G7's Extraordinary Revenue Acceleration Loans for Ukraine (ERA) initiative. Full, timely and predictable external support—on terms consistent with debt sustainability—remains essential to maintaining full program financing and safeguarding stability.

A tax package and 2025 Budget in line with the program baseline have been enacted, but there are few remaining buffers and strict budget execution will be key. Continued progress at domestic revenue mobilization is imperative for Ukraine to meet its high priority spending needs and to restore fiscal sustainability. Strong implementation of the National Revenue Strategy and customs reform will help raise further revenues, improve compliance, combat evasion, and support EU accession.

After completing the Eurobond exchange in August, the authorities are now focusing on reaching agreement with other holders of external commercial claims, including GDP warrants, in line with their strategy. A swift agreement in line with the program's debt sustainability objectives would reduce fiscal risks and create space for critical spending needs.

Inflation has accelerated more than expected in recent months, and the recent tightening of monetary policy was appropriate; the NBU should stand ready to take further action should inflation expectations deteriorate. Allowing exchange rate flexibility will help strengthen the resilience of the economy to external shocks while safeguarding reserves.

The financial sector remains stable, but vigilance is needed given heightened risks. Progress on strengthening bank resolution and risk-based supervision, stress-testing frameworks and contingency planning should be sustained.

Reform momentum in anticorruption and governance needs to be sustained. In particular, the authorities need to advance the creation of a new court for high public disputes, and amend the criminal procedure code."

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

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

	2021	2022	2023	2024	2025	2026	2027
	Act.	Act.	Act.	Proj.	Proj.	Proj.	Proj.
Real economy (percent change, unless otherwise indicated)							
Nominal GDP (billions of Ukrainian hryvnias) 1/	5,451	5,239	6,538	7,629	8,680	9,874	10,937
Real GDP 1/	3.4	-28.8	5.3	4.0	2.5-3.5	5.3	4.5
Contributions:							
Domestic demand	12.9	-22.9	13.9	6.5	4.9	4.5	4.2
Private consumption	4.7	-16.8	5.5	3.3	3.2	3.8	3.5
Public consumption	0.1	12.5	2.6	-0.1	-1.1	-2.5	-1.9
Investment	8.1	-18.6	5.8	3.3	2.9	3.2	2.6
Net exports	-9.5	-5.9	-8.6	-2.5	-2.4	0.8	0.3
GDP deflator	24.8	34.9	18.5	12.2	11.0	8.0	6.0
Unemployment rate (ILO definition; period average, percent)	9.8	24.5	19.1	13.3	11.8	10.2	9.4
Consumer prices (period average)	9.4	20.2	12.9	6.2	10.3	7.7	5.0
Consumer prices (end of period)	10.0	26.6	5.1	10.0	7.5	6.6	5.0
Nominal wages (average)	20.8	1.0	20.1	19.1	18.9	14.1	10.5
Real wages (average)	10.5	-16.0	6.4	12.1	7.8	6.0	5.3
Savings (percent of GDP)	12.5	17.0	9.8	8.5	2.9	9.1	15.2
Private	12.7	30.2	24.6	24.1	17.9	14.7	13.6
Public	-0.2	-13.1	-14.8	-15.6	-14.9	-5.6	1.5
Investment (percent of GDP)	14.5	12.1	15.1	16.9	17.5	19.3	20.4
Private	10.7	9.6	10.4	13.6	13.6	15.0	15.3
Public	3.8	2.5	4.8	3.4	4.0	4.3	5.1
General Government (percent of GDP)							
Fiscal balance 2/	-4.0	-15.6	-19.6	-18.9	-18.9	-9.9	-3.6
Fiscal balance, excl. grants 2/	-4.0	-24.8	-26.1	-24.3	-19.7	-10.1	-4.6
External financing (net)	2.4	10.7	16.5	14.8	18.0	8.9	1.4
Domestic financing (net), of which:	1.6	5.0	3.1	4.1	0.9	1.0	2.2
NBU	-0.3	7.3	-0.2	-0.2	-0.2	-0.1	-0.1
Commercial banks	1.5	-1.5	2.5	4.1	1.0	0.9	2.2
Public and publicly-guaranteed debt	48.9	77.7	82.3	92.2	104.3	105.8	101.8
Money and credit (end of period, percent change)							
Base money	11.2	19.6	23.3	15.0	17.2	12.0	10.1
Broad money	12.0	20.8	23.0	16.7	14.4	12.1	10.1
Credit to nongovernment	8.4	-3.1	-0.5	11.6	12.9	21.0	17.6
Balance of payments (percent of GDP)							
Current account balance	-1.9	4.9	-5.4	-8.4	-14.6	-10.1	-5.3
Foreign direct investment	3.8	0.1	2.5	2.5	2.4	4.1	5.2
Gross reserves (end of period, billions of U.S. dollars)	30.9	28.5	40.5	42.3	43.3	47.9	50.1
Months of next year's imports of goods and services	4.5	3.8	5.3	5.3	5.4	5.8	5.9
Percent of short-term debt (remaining maturity)	67.5	64.3	87.1	102.7	99.8	112.3	116.0
Percent of the IMF composite metric (float)	104.4	103.6	124.1	112.0	100.5	100.2	102.0
Goods exports (annual volume change in percent)	35.3	-44.7	-15.8	15.5	1.6	16.7	10.6
Goods imports (annual volume change in percent)	16.9	-23.6	21.7	9.3	6.9	8.9	9.4
Goods terms of trade (percent change)	-8.4	-11.6	3.6	0.3	-1.9	1.2	1.4
Exchange rate							
Hryvnia per U.S. dollar (end of period)	27.3	36.6	38.0	…	…	…	…
Hryvnia per U.S. dollar (period average)	27.3	32.3	36.6	…	…	…	…
Real effective rate (deflator-based, percent change)	8.8	30.5	-2.0	…	…	…	…
Memorandum items:							
Per capita GDP / Population (2017): US$2,640 / 44.8 million							
Literacy / Poverty rate (2022 est 3/): 100 percent / 25 percent							

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

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

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

3/ Based on World Bank estimates.

UKRAINE

December 11, 2024

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

EXECUTIVE SUMMARY

Context: This program review is taking place as Ukraine approaches a critical juncture. Conditions of exceptionally high uncertainty remain as Russia's war in Ukraine continues. Amid continuing attacks on energy infrastructure, comprehensive efforts to prepare for the ongoing winter, including the heating season, are underway. The social, humanitarian, and economic costs remain staggering and have only risen further. Abroad, political transitions or election cycles in key partners for Ukraine may trigger renewed efforts to end the war, as well as changes in the degree or modalities of international support, adding to the uncertainty around the outlook. Despite the risks and challenges, recent developments support completion of the review. First, the authorities have steadfastly implemented reforms despite the war, including enacting a tax package supporting the restoration of fiscal and debt sustainability. Second, the G7 has agreed on the US$50 billion Extraordinary Revenue Acceleration Loans for Ukraine (ERA) Initiative, and is finalizing its modalities, fulfilling an essential component of the program's financing.

Outlook and risks: The economy has remained resilient despite the immense challenges. Recent activity indicators have been stronger than expected, resulting in an upgrade of the 2024 growth forecast, though a moderation is expected next year due to strains from labor and energy shortages. Inflation is slightly above expectations, and vigilance is warranted should pressures persist. Based on available information, the medium-term outlook is little changed compared to the Fifth Review. Risks remain exceptionally high particularly arising from uncertainty about the outlook for the war, including how it ends. Repeated attacks on energy infrastructure also remain a high risk; while the authorities' preparedness is a strong mitigant, sustained infrastructure damage could take a further humanitarian and economic toll. Finally, reform fatigue is a risk at a time when the momentum is needed on a wide-ranging set of transformative reforms.

Focus of the review: With limited changes to the outlook and overall strong performance under the program, the discussions underscored the importance of:

- Finalizing the 2025 Budget in line with program parameters, including a critical tax package, and ensuring that it is aligned with available financing. Deepening efforts on domestic revenue mobilization to ensure a durable return to fiscal and debt sustainability, and continuing efforts on fiscal structural reforms, including in the priority areas of public financial management, medium-term budgeting, and expenditure policies.

- Maintaining the current monetary stance, while standing ready to tighten should inflation expectations show signs of de-anchoring. As set out in the Monetary Policy Guidelines, ensuring that the exchange rate continues to play a shock absorbing role to prevent external imbalances and safeguard reserves, especially in view of near-term uncertainties. Continuing with the careful, conditions-based approach to FX liberalization, supported by strong monitoring of the effectiveness of measures.

- Being vigilant to financial stability risks, making progress on strengthening the bank rehabilitation framework, introducing risk-based supervision, updating stress testing frameworks, and contingency plans. Swift action to address critical operational challenges of the National Securities and Stock Market Commission (NSSMC) is also important.

- Progressing on reforms to strengthen governance and rule of law with the aim of tackling corruption, supporting EU accession, and supporting growth. Key near-term tasks include strengthening the criminal procedural code to assist anti-corruption institutions, adopting the law establishing the High Public Disputes Court (HPDC), and enacting legislation to reform the supreme audit institution (Accounting Chamber of Ukraine).

- Continuing efforts to prepare for the winter energy season and strengthening the independence and governance at the state-owned electricity transmission operator.

Program issues: The authorities met all the end-September quantitative performance criteria (QPCs) and delivered on all end-October structural benchmarks (SBs) for the Sixth Review, as well as one of the end-December benchmarks. The authorities are requesting to modify a QPC by raising the floor for net international reserves for end-March 2025, to reflect the positive outlook for international reserves in 2025Q1, consistent with their commitment to external sustainability. They are also proposing to add three SBs to (i) prepare a strategy for the NSSMC by end-January 2025; (ii) prepare and submit to parliament a draft law on financial sector critical third-party risk by end-May 2025; and (iii) complete and publish a third-party external assessment of the National Energy and Utilities Regulatory Commission (NEURC) by end-October 2025. Finally, the enactment of the package of tax measures is a prior action for this review.

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

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

Discussions were held in Kyiv over November 11–18, 2024 with Finance Minister Sergii Marchenko, National Bank of Ukraine Governor Andriy Pyshnyy, and other senior government officials. The staff team included Gavin Gray (mission chief), Trevor Lessard and Sanaa Nadeem (deputy mission chiefs), Heiko Hesse, Geoffrey Keim, Andrea Manera, and Torsten Wezel (all EUR); Martina Hengge (SPR); Dermot Monaghan (MCM); Jonathan Pampolina (LEG); Tjeerd Tim (FAD); and Priscilla Toffano (Resident Representative), Ihor Shpak and Vladyslav Filatov (local office). Emmanuel Mathias and Ender Emre (LEG) attended several meetings. Jeroen Clicq and Vladyslav Rashkovan (both OED) attended policy discussions. The team was supported from headquarters by Ritzy Dumo and Luis Omar Herrera Prada (EUR).

CONTENTS

FIGURES

TABLES

ANNEXES

APPENDIX

CONTEXT AND RECENT DEVELOPMENTS

A. Background and Focus of the Review

1. **Russia's war in Ukraine continues to exact a steep humanitarian toll.** Aerial attacks, particularly through drones, have intensified in recent months. Black Sea shipping lanes remain open, despite recent attacks against freight vessels. With the third anniversary of the Russian invasion approaching, the humanitarian impact remains staggering: available data suggest 6.75 million refugees already outside Ukraine alongside recent signs of rising outward migration; nearly 4 million internally displaced persons; nearly 12,000 civilians killed and almost 26,000 injured;[1] and one-third of the population facing food insecurity.

2. **The Sixth Review takes place as Ukraine could be approaching a critical juncture.** Upcoming political transitions and election cycles in several of Ukraine's partners could eventually trigger new negotiations to bring the war to an end, and potentially, modifications to the international financial and security support for Ukraine. However, the scope and timing of such negotiations are still to be defined, and the precise changes are still unknown. Meanwhile, Ukraine's circumstances have not fundamentally changed since the Fifth Review: intense fighting, exceptionally high uncertainty, and very large financing needs, with the G7's initiative to provide US$50 billion of financing through the Extraordinary Revenue Acceleration Loans for Ukraine (ERA) initiative coming to fruition. Thus, discussions for the review focused on helping the authorities navigate the high near-term uncertainty to preserve economic and financing stability, while calibrating macroeconomic policies for 2025 and the rest of the program to ensure that financing gaps are closed, debt sustainability is restored, and medium-term external viability is regained.

B. Economic Performance

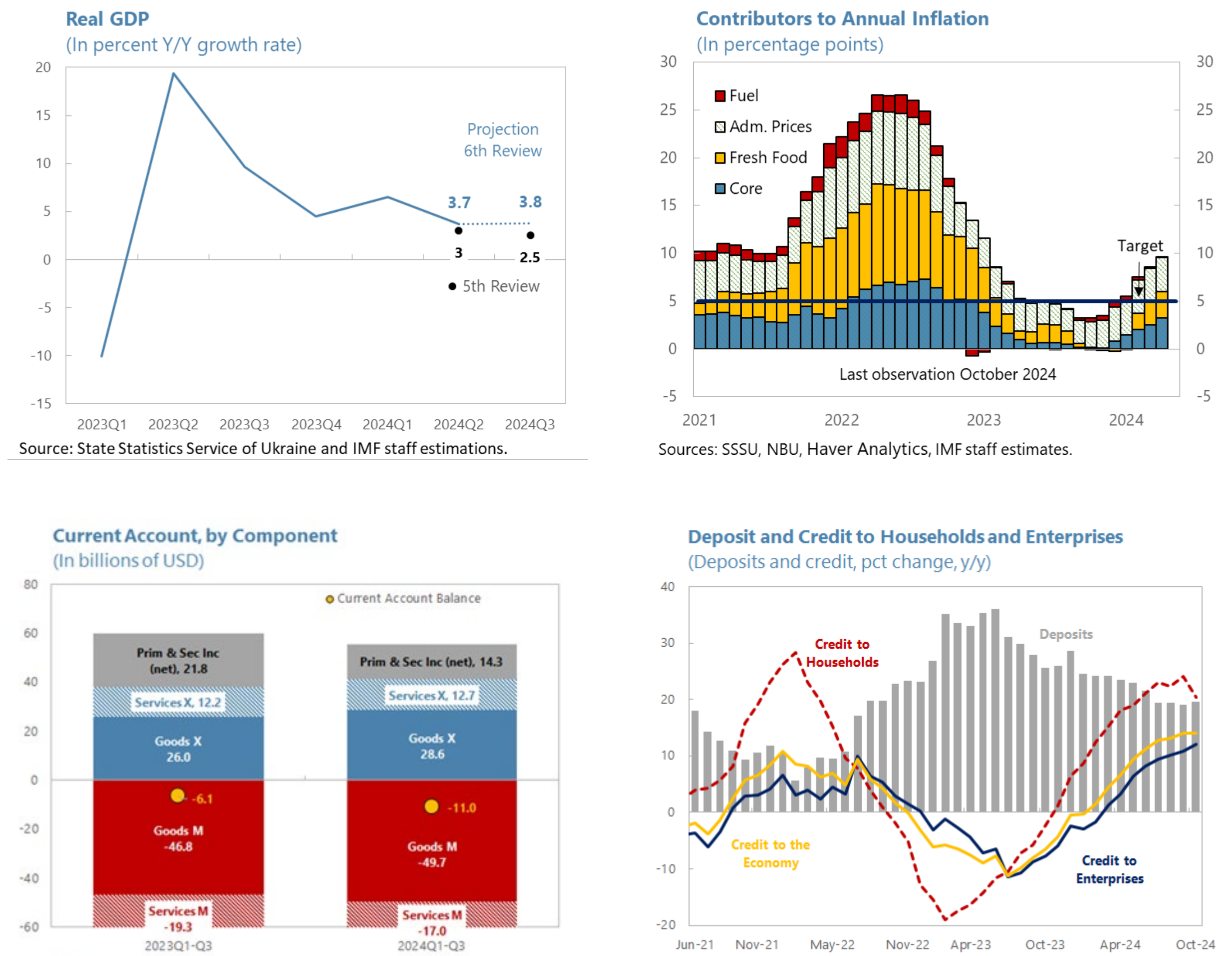
3. **The economy remains resilient despite the war:**

- Real GDP expanded 3.7 percent y/y during 2024Q2 (0.7 pp above the Fifth Review assumption) and an early estimate for Q3 indicates growth of 3.8 percent (versus the 2½ percent Fifth Review assumption). Activity has been supported by agricultural exports boosted by an accelerated harvest and a lower energy deficit in August and September. Outward migration seems to have picked up, with refugees reaching 6.75 million in October from around 6.5 million in May.

- Inflation has risen slightly faster than anticipated in recent months, reaching 9.7 percent y/y in October, primarily driven by higher raw food prices, rising wages due to tight labor markets and energy costs.

[1] United Nations, Human Rights Monitoring Mission in Ukraine, *Protection of Civilians in Armed Conflict—September 2024 Update*.

Figure 1. Ukraine: Recent Economic Indicators



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

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

Source: NBU.

Source: NBU.

- Business and household sentiment have reflected these trends. In October, business expectations continued to slowly recover from the summer trough. Household sentiment surveys reported only a small deterioration in the current situation, but a marked decline in expectations for next year, driven by negative perceptions around the acceleration of inflation. That said, one-year ahead expectations remain well-anchored at around 8 percent.

- The current account deficit for January–September widened by US$4.8 billion over the same period last year to reach US$11 billion. The result principally reflects a reduction in grants, and the impact of Ukrainian migrants gradually losing residency status, which has led to offsetting movements in the services and primary income balances. The merchandise trade balance was roughly flat. Nevertheless, owing to official support, gross international reserves totaled US$36.6 billion (4.5 months of prospective imports) at end-October 2024.

- Financial conditions remain stable. As of October, banks' liquidity remains healthy at more than four times the minimum requirements and the mild m/m downward trend in deposits continues. Credit—both to corporates and households—continued to trend up but from low levels.

- Prices of Ukraine's restructured sovereign Eurobonds on balance rallied since the bond exchange and extended following the outcome of the US election, and spreads fell below 1,000 basis points in early November albeit subject to volatility as markets weighed the implications of the rising aerial attacks.

4. The authorities are working swiftly to address the challenges posed by the ongoing damaging attacks on the energy infrastructure. Repairs have processed well and new electricity generating equipment has come steadily online, complemented by a relaxation by the EU of the import cap to 2.1GW (from 1.7GW), with an additional 250MW of emergency support available. The authorities have also stockpiled gas for the heating season consistent with their target level. Nevertheless, the energy situation continues to be very challenging in the period ahead, with the electricity deficit and blackouts critically depending on the extent of further Russian attacks and the severity of the winter period.

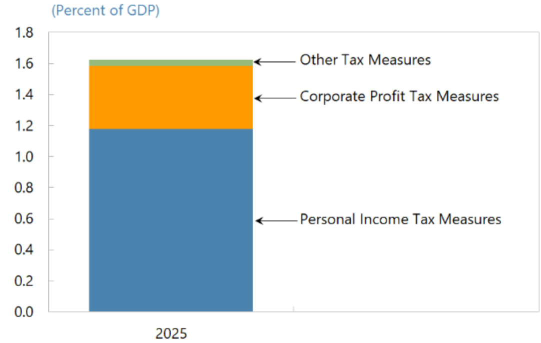
5. Fiscal, monetary, and exchange rate policy implementation remained consistent with maintaining stability:

- Tax collections have performed robustly throughout the year, and the cumulative fiscal deficit through the end of the third quarter was slightly narrower than expected. Good progress has also been made in mobilizing domestic financing to cover the deficit, supported by adjustments to reserve requirements (RRs) that increased the share of benchmark government bonds that can count toward RRs since October 11. Around a quarter of UAH 151 billion in domestic government bond issuances in October and November have been benchmark bonds. External partners have broadly disbursed according to expectations through end-October.

- With inflation accelerating slightly faster than anticipated, the NBU held the key policy rate (KPR) at 13 percent at the October and November MPC meetings. MPC members are prepared to tighten if further shocks materialize or if inflation expectations show signs of de-anchoring.

- The exchange rate has fluctuated in a narrow band since September with only modest flexibility day-to-day. Interventions have remained elevated, including to meet a rise in seasonal FX demand. FX liberalization measures since September have been limited (see ¶27).

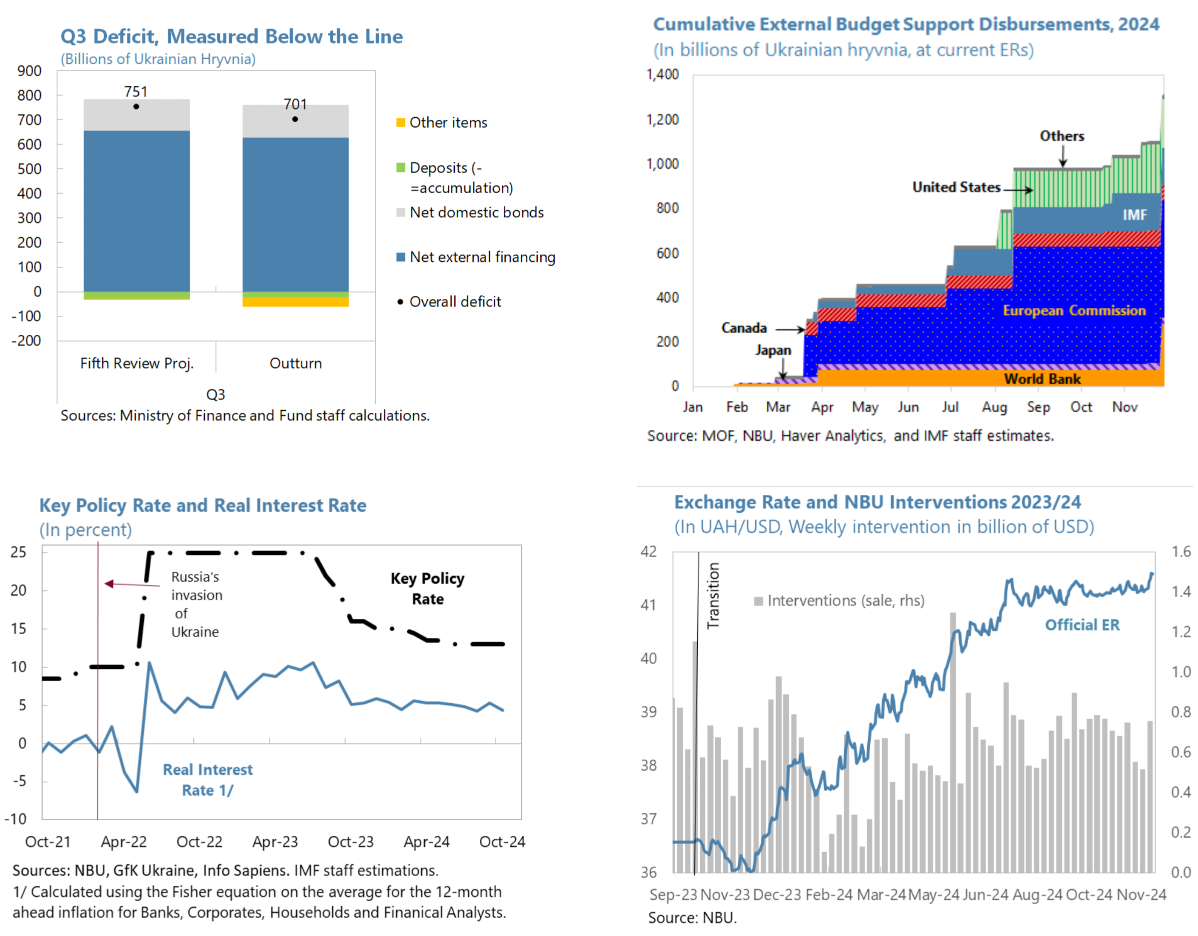
Estimated Yields of Tax Package in 2025
(Percent of GDP)



Sources: MOF and IMF staff estimates.

6. A newly enacted tax package will help ensure adequate budgetary resources in the near term and maintain progress toward restoring fiscal and debt sustainability. These measures will take effect only from December 2024, following the recent adoption of additional legislation to address the consequences of the lengthy interval between the law's adoption by Parliament on October 10, 2024, and its enactment on November 28, 2024.[2] Consequently, only a minor impact will result from the tax package this year. However, the package is still expected to raise over 1½ percent of GDP in new revenues in 2025, constituting important progress on revenue mobilization. The law broadly reflects expectations in the last review, including: (i) raising the military tax rate and broadening the applicability of military tax to taxpayers in the simplified system; (ii) presumptive taxation on fuel stations and currency dealers; (iii) aligning the bank and non-bank corporate profit tax rates at the higher rate applicable to banks; and (iv) administrative measures on filing procedures. Parliamentarians also voted to extend the 50 percent extraordinary corporate profit tax on bank profits for another year.

Figure 2. Ukraine: Recent Economic Policy Implementation



[2] The provisions to implement some necessary changes to the tax package have been added to the recently adopted law #9319 and include changes to avoid unintended retroactive taxation given the lag in enactment, exempting single taxpayers in temporarily occupied territories from paying military tax, and other technical changes.

C. Program Performance

7. The authorities met all end-September quantitative performance criteria. Despite the challenging circumstances, and as expected at the time of the Fifth Review, the four end-September QPCs were all met; likewise, the authorities respected the continuous PCs since the last review.[3] Additionally, all end-September indicative targets were met.

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

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

	Sep 2024				
	QPC	Adjustor	Adjusted QPC	Actual	Status
I. Quantitative Performance Criteria 1/ 2/					
Floor on the non-defense cash primary balance of the general government, excluding budget support grants (- implies a deficit) 3/	368,313	0	368,313	650,954	Met
Floor on tax revenues (excluding Social Security Contributions)	1,398,600	0	1,398,600	1,527,903	Met
Ceiling on publicly guaranteed debt 3/	47,900	13,718	61,618	22,667	Met
Floor on net international reserves (in millions of U.S. dollars) 3/	28,800	-4,435	24,365	24,988	Met
II. Indicative Targets 1/ 2/					
Floor on the cash balance of the general government, excluding budget support grants (- implies a deficit) 3/	-1,123,107	0	-1,123,107	-898,146	Met
Ceiling on general government arrears	1,800	0	1,800	1,687	Met
Floor on social spending	390,000	0	390,000	427,680	Met
Ceiling on general government borrowing from the NBU 4/ 5/	0	0	0	-33	Met
III. Continuous performance criterion 1/ 2/					
Ceiling on non-accumulation of new external debt payments arrears by the general government	0	0	0	0	Met

Sources: Ukrainian authorities and IMF staff estimates and projections.
1/ Definitions and adjustors are specified in the Technical Memorandum of Understanding (TMU).
2/ Targets and projections for 2024 are cumulative flows from January 1, 2024.
3/ Calculated using program accounting exchange rates as specified in the TMU.
4/ From end of previous quarter.
5/ Calculated using the projected redemptions of government bonds as of November 16, 2024.

8. All structural benchmarks (SBs) due by the time of the Sixth Review have been met. The four end-October SBs included: (i) the MOF's diagnostic of the medium-term budget framework (MTBF); (ii) an assessment by the NBU of financial and operational risks under downside scenarios, and preparation of contingency plans; (iii) the analysis of the debts and finances of district heating companies; and (iv) production of a SOE state ownership policy, dividend policy, and privatization strategy. A further end-October SB for amendments to the Customs Code was already met at the

[3] External arrears have continued to emerge on debts in the restructuring perimeter and in line with the authorities' debt restructuring strategy. They do not constitute a breach of the ceiling on external arrears as such claims are excluded from the measurement of the target (see TMU ¶ 26).

time of the Fifth Review. In addition, the end-December SB on the functional independence of the energy regulator NEURC was also met. The authorities continued to respect the continuous structural benchmark on the banks.

OUTLOOK AND RISKS

A. Baseline Scenario

9. Updates to the baseline are modest. The scenario continues to assume the war winds down by end-2025 and assumptions regarding energy sector developments and major policy objectives are maintained:

- *For 2024, revisions to the baseline mainly reflect the integration of recent data releases*:
  - Strong outturns have been incorporated into full-year projections, lifting 2024 real GDP growth to 4 percent y/y, up 1pp from the Fifth Review.
  - The economic consequences of the winter energy deficit may be more limited than previously anticipated (despite the recent attacks) due to business investments in own generation capacity, increased potential for imports from Europe, and efforts to repair and install additional generation capacity and distribution.
  - End-year inflation has been revised up 1pp to 10 percent, primarily due to continuing pressures from accelerating raw food prices, which also affected food-related core items, as well as the passthrough of past depreciation, rising wages and energy costs.
  - The wider current account deficit (8.4 percent of GDP) reflects data updates to primary income which are partially offset by a stronger trade balance. Official financing, and to a smaller extent stronger net FDI inflows driven by reinvested earnings, supported international reserves which are broadly unchanged at US$42.3 billion. Credit growth has been revised up to 11.6 percent, Dec/Dec, reflecting favorable recent data releases.
- *For 2025, revisions to the baseline are minor relative to the Fifth Review*:
  - The projection for real GDP growth is unchanged at 2.5–3.5 percent as the higher potential from faster repairs of energy capacity in 2024 and new capacity in 2025 would be offset by the effects of a tighter labor market, supporting stronger income and consumption growth amid easing price pressures in the second half of the year. Accommodative fiscal policy is a further factor supporting economic performance.
  - Average inflation has been revised upwards by 1.3pp to 10.3 percent y/y from a more marked acceleration in 2024H1 due to the carryover of accelerating business costs and adverse base effects. The largely transient inflation pressures are expected to subside in

2024H2, which, together with appropriate policies, is expected to bring end-of-year inflation to 7½ percent.

- The current account deficit remains at around 14½ percent of GDP as a somewhat stronger trade balance helps to offset lower primary income; the increase relative to 2024 primarily reflects lower grants and elevated import needs. International reserves are expected to reach US$43.3 billion, somewhat lower than at the Fifth Review but still adequate (100.5 percent of ARA metric).

- The overall fiscal deficit remains broadly unchanged, reflecting the Parliament-approved 2025 Budget.

- Over the medium term, projections for major economic variables are little changed. In line with the expectation of a measured recovery, real GDP growth would rise in the years right after the war, before gradually converging to its potential of 4 percent; inflation would gradually converge to the NBU's target level of 5 percent by 2027 as war-related inflation volatility subsides. The current account would begin to normalize a bit faster than at the Fifth Review reflecting expectations of a somewhat faster post-war external adjustment; reserves will remain fully within adequate ranges assuming increased private investment flows and policies supporting the resolution of external imbalances. Overall fiscal balances are modestly wider over the forecast horizon, continuing to reflect somewhat more elevated spending needs over the medium term; however, offsetting changes to other macroeconomic variables are containing the impact on projected public debt ratios.

Text Table 2. Ukraine: Summary of the Baseline Scenario

	Current Forecast				Change from Fifth Review			
	2024	2025	2026	2027	2024	2025	2026	2027
Baseline								
Real GDP growth (%)	4.0	2.5-3.5	5.3	4.5	1.0	0.0	0.0	0.0
Inflation, eop (%)	10.0	7.5	6.6	5.0	1.0	0.0	0.0	0.0
Current account (% GDP)	-8.4	-14.6	-10.1	-5.3	-0.3	-0.3	0.3	0.6
Current account (US$ billion)	-15.9	-29.3	-22.0	-12.2	-0.9	-2.1	-0.3	0.7
Current account balance excluding grants (US$ billion)	-26.0	-30.9	-22.6	-14.7	-0.4	-2.1	-0.3	0.7
Goods trade balance (US$ billion)	-29.5	-35.1	-34.0	-35.4	2.6	1.1	2.1	4.5
FX reserves (US$ billion)	42.3	43.3	47.9	50.1	-0.2	-1.5	-1.3	-2.4
Overall fiscal balance (% GDP)	-18.9	-18.9	-9.9	-3.6	-0.2	0.3	-0.3	-0.9
Overall fiscal balance, excl. grants (% GDP)	-24.3	-19.7	-10.1	-4.6	0.3	0.3	-0.3	-0.9
Public debt (% GDP)	92.2	104.3	105.8	101.8	-3.4	-2.3	-1.8	-0.8
Gross Reserves (% IMF composite metric (float))	112.0	100.5	100.2	102.0	-1.6	-4.2	-3.8	-4.9

Source: IMF staff estimates.

B. Downside Scenario

10. The program's downside scenario continues to envisage a longer and more intense war. Staff has updated the downside maintaining the assumption that the war extends until mid-2026, though the shock now materializes in 2025Q1 and projections for 2024 align with those of the baseline. The scenario entails a longer lasting and more intense shock on economic activity, budget needs and the balance of payments relative to the baseline, with subsequent implications for macroeconomic policies (Annex III). The total external financing gap under the downside scenario amounts to US$177.2 billion compared with US$148 billion under the baseline. Projections for major macroeconomic variables for this scenario are notably worse than in the baseline but are little changed relative to the Fifth Review and entail: (i) a contraction in real GDP followed by a slow recovery (ii) higher and more persistent inflation; (iii) a worsening in the current account balance excluding grants with international reserves remaining below 100 percent of the ARA metric through 2027; and (iv) an overall deficit excluding grants that is still above 20 percent until 2026.

Text Table 3. Ukraine: Summary of the Downside Scenario

	Current Forecast				Change from Fifth Review			
	2024	2025	2026	2027	2024	2025	2026	2027
Downside								
Real GDP growth (%)	4.0	-2.5	0.0	4.0	3.0	0.0	0.0	0.0
Inflation, eop (%)	10.0	11.0	8.5	7.5	-2.0	1.0	0.5	2.0
Current account (% GDP)	-8.4	-12.9	-11.8	-4.8	2.4	-0.1	0.1	1.8
Current account (US$ billion)	-15.9	-24.5	-22.6	-9.6	3.7	-1.9	-1.5	2.6
Current account balance excluding grants (US$ billion)	-26.0	-31.9	-28.0	-13.7	10.8	-1.9	-1.5	2.6
Goods trade balance (US$ billion)	-29.5	-34.2	-31.8	-31.9	9.5	1.8	2.5	6.4
FX reserves (US$ billion)	42.3	41.1	43.5	45.5	9.3	5.8	3.0	3.0
Overall fiscal balance (% GDP)	-18.9	-22.8	-18.4	-8.8	-0.5	-1.0	-0.1	-0.7
Overall fiscal balance, excl. grants (% GDP)	-24.3	-26.7	-21.3	-10.8	3.6	-0.7	0.1	-0.6
Public debt (% GDP)	92.2	114.6	128.2	130.2	-4.9	-2.9	-3.9	-4.1
Gross Reserves (% IMF composite metric (float))	112.0	96.9	90.3	90.1	22.9	13.3	5.9	5.5

Source: IMF staff estimates.

C. Risks to the Outlook

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

- *The war could intensify or last longer*, implying headwinds to economic performance and policy implementation and posing risks to the medium-term outlook. Further attacks on energy infrastructure compounded by a harsh winter, and adverse demographics constitute a specific risk on this front. As time goes on, scope is narrowing to recalibrate the program's war assumptions and restore medium-term external viability by the end of the program.

- *International support may no longer be durable.* The program scenarios assume that Ukraine will continue to receive significant financial and security assistance into the future. Should the appetite of Ukraine's partners to continue support begin to wane, either Ukraine would face pressures from abrupt shifts in policies or suboptimal responses to close elevated financing gaps, or the trajectory of the war itself could deteriorate. The materialization of either could entail substantial impacts including weaker economic performance, eroded policy buffers, a more fragile security situation, and social disruption.

- *An earlier end to the war could entail a wide set of outcomes.* A potential peace settlement could, on the one hand, result in an upside scenario conditional on the available international support and accelerated reforms, a stronger recovery and medium-term potential could result from a quicker return migration and private investment flows anchored by EU accession. On the other hand, despite an earlier end to the war, the security situation may not stabilize promptly thereafter, or the war's ultimate damages could be even greater than currently understood. In this event, there are risks of adverse economic and social outcomes, including lower private investment, higher migration, and weaker reform momentum, entailing a slower or incomplete post-war recovery.

- *The onset of reform fatigue* is a vulnerability regardless of the evolution of the war. Delivering the program's objectives will require steadfast implementation of policy adjustment and structural reforms over many years (including under the downside scenario), which may prove challenging, including for social cohesion.

D. Enterprise Risks

12. Staff assesses that the Fund faces significant and increased enterprise risk arising from Ukraine's Extended Arrangement under the Extended Fund Facility (EFF). Enterprise risks to the Fund primarily stem from the uncertainty around the duration and intensity of the war, the durability of international support, and potential post-war outcomes. Risks to the outlook are such that a range of possible scenarios could materialize, including tail scenarios in which the existing financing assurances and safeguards under the program could prove insufficient. Staff continues to monitor developments and consult with security experts to better understand the security situation and risks to the program's design, scenarios, and financing assurances. While risks remain high, past program performance and understandings for the future support staff's recommendation to complete the review notwithstanding the risks. Staff also assesses that all legal and policy requirements to proceed with the review are met at this stage.

POLICY DISCUSSIONS

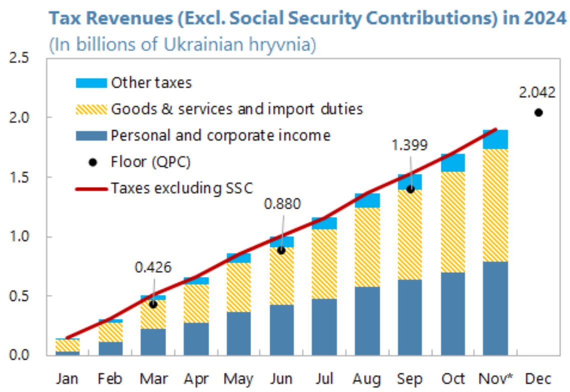
A. Macro-Fiscal Policies and Financing

13. The 2024 Supplementary Budget and financing should be implemented as planned.

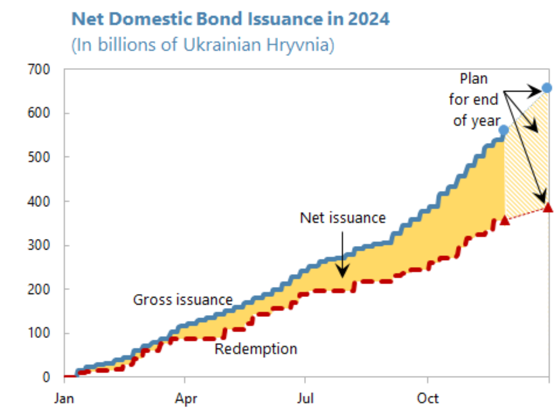
- *Above the line deficit in 2024*: The projection for the overall deficit excluding grants remains around UAH 1,850 billion (24.3 percent of GDP; MEFP ¶11), consistent with expectations at the Fifth Review. With revenues continuing to perform well, expenditures should be implemented consistent with the Supplementary Budget. Any new priorities will need to be met with fully offsetting savings on other expenditures, since it is late in the year for new revenue measures. In this vein, savings in existing budget programs have been identified for the recently announced UAH 1,000 eSupport initiative (up to UAH 10 billion) for households to purchase utilities, medicines, and other specified items or services.

- *Financing*: Despite large external disbursements late this year, efforts to mobilize substantial net domestic financing need to continue at full thrust as planned through the end of the year (MEFP ¶18). Doing so will also insulate implementation of the 2024 Supplementary Budget from risks around the timing of external disbursements at the end of the year and also assure adequate cash balances early next year.

Figure 3. Ukraine: 2024 Fiscal Policy Implementation



Source: Ministry of Finance.
* Flash estimate.



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

14. Financing for the 2025 Budget reflects the authorities' recent efforts to ensure that domestic revenue measures contribute to the fiscal effort (MEFP ¶13)**.** The 2025 budget was adopted on November 19 and contains only limited changes relative to the Fifth Review and continues to reflect the expectation that the war will begin to wind down only toward the end of next year. Key policies in the budget include:

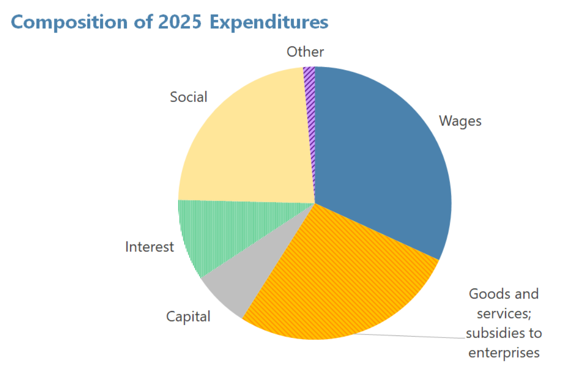
- *Expenditures*: Like this year, national defense is receiving the largest budgetary allocation by far. Other categories are being tightly prioritized accordingly, although provisions for several other priorities have been incorporated. Specifically, while the overall public wage bill is tightly controlled, it contains salary adjustments for customs officers and ACU staff, in line with reforms to those institutions, as well as teachers, who will also receive bonuses next year. Adequate space is also being made for social expenditures, although it will be contained by strict eligibility verification and fewer beneficiaries due to population dynamics.

- *Revenues:* The budget internalizes both the package of tax measures and legislation to gradually align tobacco excises with EU directives. Ensuring that both are fully enacted by the start of the year is the top priority, with enactment of the tax package (Law #11416-d) being a ***prior action*** for the Board's consideration of this review. Despite this effort, Ukraine remains exposed to very large risks that could impact budget implementation. Consequently, the authorities remain ready to respond as necessary through offsetting measures, particularly through action on revenues given limited scope for further expenditure cuts. At this stage, an increase in the main VAT rate would be the most appropriate response, and the authorities have committed to doing so if needed (MEFP ¶12).

- *Financing*: The overall deficit excluding grants will remain high next year at UAH 1,710 billion or 19.7 percent of GDP. It will be mainly financed through external donor support, with the largest financing contribution being ERA financing (US$21.9 billion). Large-scale external financing will help contain the ask from domestic financing after this year's exceptionally large net issuance. Moreover, successfully obtaining flow relief next year on the remaining external commercial obligations in the restructuring perimeter could reduce borrowing requirements on the domestic market further, helping to rebuild the domestic market's absorption capacity in case shocks emerge as well as create room for credit growth to support the recovery.

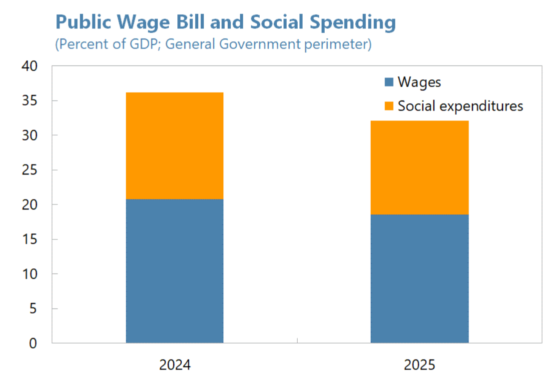
Figure 4. Ukraine: Details on the 2025 Budget

The composition of expenditures is overwhelmingly focused on categories with defense components.



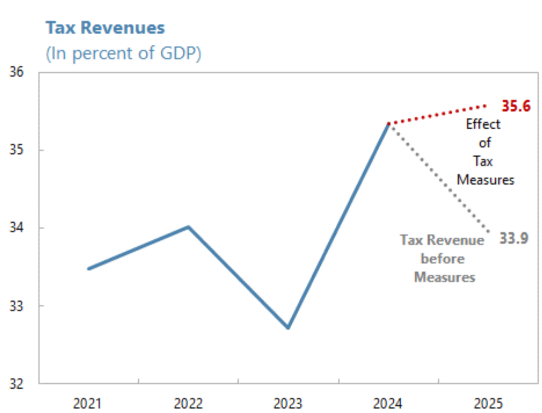
Sources: MOF and IMF staff estimates.

Expenditure prioritization is helping to keep spending at manageable levels, even though they are still high.



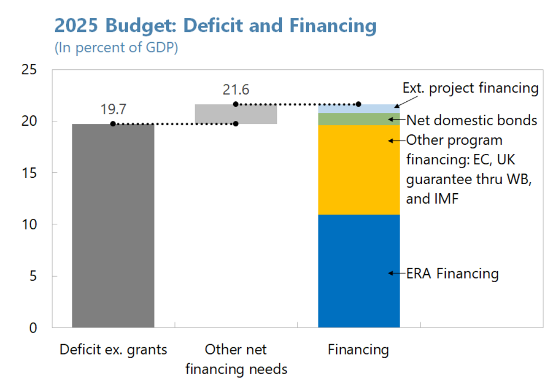
Sources: MOF and IMF staff estimates.

The budget also assumes the enactment of the package of tax measures which will help ensure adequate revenues.



Source: MoF and IMF staff projections

Even so, the deficit will be wide, but mainly financed through external financing, especially the ERA initiative.



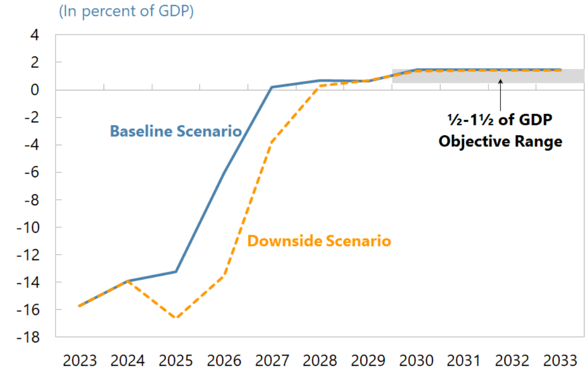
Sources: MOF and IMF staff estimates.

15. Timely preparation of next year's Budget Declaration will allow the government to align its fiscal strategy and budgetary planning with policy priorities for the rest of the program period. Covering the 2026–28 period, the Budget Declaration can serve as a critical anchor for fiscal policies in the post-war period, supporting a return to fiscal sustainability while planning recovery and reconstruction. Timely consultations with IMF staff will help the authorities prepare the Budget Declaration in line with program parameters (***Structural Benchmark,*** **end-June 2025**; MEFP ¶14). Key priorities for the Budget Declaration include recovery and reconstruction plans, defense preparedness, and adequate social protection particularly for those made vulnerable by the war. It will also need to lay out the authorities' plans to make further progress on domestic revenue mobilization to ensure financeable fiscal balances and deliver debt sustainability. Specific items in this space include further aligning tax policies with EU directives, and reforming environmental taxation ahead of the definitive phase of the EU's Carbon Border Adjustment Mechanism (CBAM).[4]

16. The G7's ERA financing has been fully incorporated in the framework to close the financing gaps under the baseline and downside and must be managed carefully. The baseline scenario incorporates US$33.1 billion of ERA disbursements through 2027Q1 and the downside includes the full US$50 billion. Thus, any additional commitment of these resources beyond their allocation for the program's financing risks re-opening financing gaps. To avoid this risk, the authorities have committed to using these resources consistent with the program's parameters and to manage these flows transparently and through the treasury single account (MEFP ¶13, third bullet).

17. Over the longer term, primary surpluses of ½ to 1½ percent of GDP are a critical element to the program's fiscal and debt sustainability objectives. The authorities have committed to this range as their contribution to the overall effort (MEFP ¶15). Both the baseline and downside scenarios maintain an assumption of primary surpluses at the upper end of this range toward the end of the horizon arising from revenue-based fiscal adjustment and normalizing expenditures after the war ends. Nevertheless, despite the surpluses and the recent Eurobond restructuring, there are modest gaps between debt indicators and their targets under the Sixth Review financial programming baseline (¶42). Thus, along with a medium-term primary balance toward the upper end of the range (1½ percent of GDP), completion of the remaining steps of the restructuring strategy are necessary to deliver the targets under the current financial programming baseline without an additional

Primary Balance: Baseline and Downside Scenarios
(In percent of GDP)



Sources: MOF and Fund staff estimates.

[4] Recent staff estimates suggest that aligning excises with EU directives could raise 1.3–1.5 percent of GDP and reforming carbon pricing could yield around 2 percent of GDP.

treatment of the Eurobonds (¶41), although the attainment of the debt sustainability objectives will continue to be re-assessed in subsequent program reviews.

B. Fiscal Structural Reforms

18. The authorities must continue strengthening domestic revenue mobilization through the implementation of the National Revenue Strategy (NRS). With the government focusing on implementing the NRS that was adopted in December 2023, progress should be closely monitored using a unified and transparent reporting framework to ensure accountability, starting in March 2025 (MEFP ¶23). An important component of the NRS relates to the reform of IT systems to help strengthen public perceptions of the State Tax Service's integrity. To this end, the authorities are updating the strategy for digital development, transformation, and digitalization of public finance management by the end of December 2024 to align it with the NRS (MEFP ¶23.) However, while the NRS prioritizes administrative and IT reforms, efforts to enhance domestic revenue generation should remain proactive and results-oriented.

19. Advancing tax measures should remain a priority. The authorities have reaffirmed their intention to streamline the Simplified Tax system (ST), including by reversing its expanding scope, curbing systematic abuse, and excluding certain groups from eligibility (MEFP ¶25). Near-term measures include introducing tax reporting requirements for digital platform operators (***Structural Benchmark*, end-April 2025**). In line with the recently approved methodology for tax privileges, the authorities will conduct regular reviews of all tax expenditures and have committed to providing updated and comprehensive reporting on tax privileges alongside the annual budget documentation (MEFP ¶24).

20. The authorities have committed to implementing the reformed customs code by appointing a new customs head, and leveraging the potential benefits of centralizing and standardizing customs functions. With the recently adopted customs code, the authorities should move forward with implementing measures that strengthen the customs system and reduce corruption and fraud. A new head of customs should be appointed (***Structural Benchmark*, end-June 2025**) as per the customs code requirements. The authorities are committed to enhancing efficiency and compliance by gradually centralizing and standardizing customs functions (MEFP ¶27). Relatedly, momentum on the ESBU reform needs to continue after the selection commission for the new ESBU head was approved in October so that the new head can be appointed based on the selection process and in time **(*Structural Benchmark*, end-February 2025).**

21. Public financial management (PFM) reforms will help position the authorities for the start of reconstruction. Completion of a diagnostic review of pre-war MTBF policies and practices (***Structural benchmark*, met, October-2024**) sets the stage for implementing reforms to enhance budgetary planning, including improving expenditure baseline estimates and policy costing (MEFP ¶29). These medium-term budgetary planning reforms align closely with Public Investment Management (PIM) reforms, which are both relevant for the reconstruction phase. In line with the PIM reform, the Strategic Investment Council, chaired by the Prime Minister, has endorsed a priority list of projects for budget funding in the 2025 Budget. Near-term PIM reform steps (MEFP ¶38) include updating the Budget Code (***Structural Benchmark*, end-January 2025**) and approving a new methodological framework underpinning the PIM process (***Structural Benchmark*, end-February 2025.)**

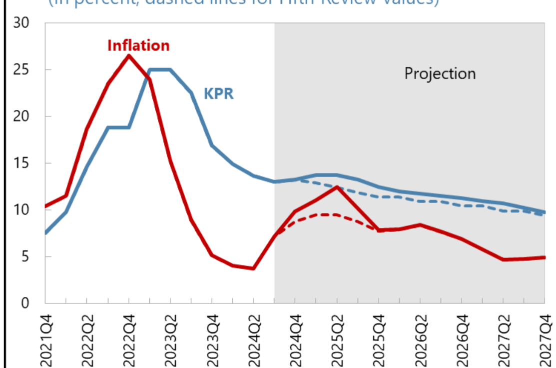
22. Reforms to enhance fiscal risk management continue to be implemented. The government remains committed to further enhancements of fiscal risk management, including strengthened fiscal risk reporting in next year's Budget Declaration and in the Fiscal Risk Statement. The authorities are taking measures to strengthen the governance of the Business Development Fund (BDF) and the 5-7-9 program, including through the passed legislation to align asset declaration obligations of the BDFs foreign independent supervisory board members with those of the SOBs. Future measures include a review, and update as needed, of the BDF guarantee framework by end-February 2025 (MEFP ¶35). The authorities have also committed to conduct an external assessment of the draft law on the National Development Institution and related legislation by September 2025, comparing it against international best practice and in consultation with IFIs while laying out the fiscal implications and risks and providing recommendations that should be implemented before the SME development finance institute is created.

23. Reform measures for the pension system and support to vulnerable groups are being designed and implemented. Announced in the 2025 Budget, the authorities will start the pension reform process by July 2025, through which they aim to implement a system that is sustainable and compliant with the EU Acquis, reduce the numerous special pension arrangements and reduce legal risks stemming from the current complex pension system (MEFP ¶31). By end-2024, the authorities will send draft legislation to Parliament to enhance the support mechanisms for vulnerable groups, which includes consolidating different social assistance programs.

C. Monetary and Exchange Rate Policies

24. Monetary policy settings are appropriate at this juncture, though vigilance is warranted with a readiness to tighten if needed. The NBU has kept the KPR unchanged while adjusting its forward guidance to tighten should inflation pressures be longer lasting, or inflation expectations show signs of de-anchoring. Currently, the main contribution to the pickup in inflation comes from food prices, which should decelerate sharply in 2025H2 as base effects from low food prices observed in 2024H1 fade; inflation expectations, as measured by the NBU's and private sector surveys, remain anchored. Should the factors driving inflation remain largely temporary, the NBU should take advantage of the flexibility afforded by its Monetary Policy Guidelines (MPG, MEFP ¶44), which recognizes the volatility of inflation under the current conditions, to see through temporary

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



Sources: NBU and IMF staff estimates

spikes in inflation and avoid an excessively tight stance, given output remains below potential. However, should pressures from wages and energy prices persist, or a marked acceleration of inflation weakens expectations if agents do not see through temporary factors, the NBU should tighten. Doing so would allow the NBU to signal its commitment to price stability and support reaching the inflation target over its policy horizon of up to three years.

25. The NBU should fulfill its price stability mandate through a careful calibration of its monetary and exchange rate policies in line with the MPGs, its Strategy, and program objectives. The NBU's flexible inflation targeting regime carefully balances several policy objectives in the intermediate stage of Ukraine's path to full-fledged inflation targeting. Under the MPG, the policy horizon to bring inflation to the 5 percent target can extend out to three years (i.e., through 2027), allowing the NBU to tolerate moderate inflation arising from temporary shocks in the interim to continue supporting economic recovery. The KPR should increasingly serve as the main instrument to achieve the inflation target, complemented with efforts to strengthen transmission with other tools, while FXI should serve primarily to limit volatility on the FX market and fill the structural war-related deficit of FX (MEFP ¶45). The exchange rate should be a shock absorber; the adjustment of the exchange rate to market conditions would help safeguard reserves, especially in view of heightened risks, and prevent the buildup of external imbalances, which is fundamental to restoring medium-term external viability. An over-reliance on FXI to achieve price stability could make it more difficult for inflation to recover its role as a nominal anchor in the transition to full-fledged inflation targeting as envisioned under the NBU's Strategy. To this end, FX interventions should be appropriately calibrated through FX intervention rules supporting consistency with the program objectives (MEFP ¶47 and MEFP ¶48).

26. While adjustments to reserve requirements (RR) have been successful in supporting the government's domestic borrowing strategy, its impact on liquidity conditions should be monitored to ensure alignment with the monetary stance. Effective October 11, the NBU increased RR by 5 percentage points (except for longer-term local currency household deposits) and the share of RR that can be met with domestic government bonds (from 50 to 60 percent). This measure helped induce demand for UAH 40 billion in benchmark bonds (BB) issued in October-November and is expected to induce demand for up to an additional UAH 110 billion through year-end. The final impact on liquidity is expected to be largely neutral once enough BB are issued to fulfill the additional requirements and the resources raised by the government are returned to the banking system in the form of deposits. The NBU should continue to monitor the impact of this measure on liquidity conditions to ensure consistency with the monetary stance. Given the limited issuance of BB to fulfill the updated RR, on balance, recent adjustments have increased liquidity absorption, which is consistent with the NBU's tighter forward guidance. More generally, although the RR mechanism has encouraged primary bond uptake under the prevailing extenuating circumstances, the use of the RR in this way dilutes its effectiveness in managing the large liquidity surplus and may increase the dependence of the government bond market, which has been increasingly functioning on market terms, on such support. Thus, the share of government bonds allowed to meet RR should be phased out over time as conditions permit (MEFP ¶46).

27. The cautious approach to further FX liberalization remains warranted. Considering the need to preserve international reserves amid heightened risks, FX liberalization should continue to be pursued with caution, carefully weighing the balance of the resulting FX outflows with benefits to the economy. Given heightened uncertainty, only limited liberalization measures have been passed in November, allowing enterprises to pay for old imports under monthly limits provided that the transactions have participation of a foreign ECA, a foreign state, or a foreign state-owned bank, and broadening the set of counterparts for transfers against the provision of technical assistance. At the same time, the NBU should continue its efforts to monitor compliance with existing capital flow management measures and continue to swiftly address circumventions. In November, NBU addressed violations of the cap on dividend repatriation and circumventions that involved the use of FX loans to purchase FX-denominated securities (see also ¶31).

28. The work on implementing the recommendations of the 2023 safeguards assessment continues. While a number of recommendations have been implemented, work continues to align the collective fitness criteria and appointment process for members of the NBU Council and the Board with best practices. With the help of IMF TA, the NBU is making progress on strengthening counterparty eligibility in refinancing operations and emergency liquidity assistance as part of the end-December SB on strengthening the bank rehabilitation framework. The authorities have committed to promptly fill vacant positions in the NBU Council (3 out of 9 are currently vacant) by end-April 2025, to enable effective functioning and proper and continued oversight (MEFP ¶52).

D. Financial Sector

29. In an environment of high near-term risks, the NBU's analysis of risks and preparation of contingency plans is welcome. This work has involved identifying financial and operational vulnerabilities under various conditions, updating high-frequency monitoring, setting response triggers, as well as prioritizing supervisory, monetary policy, and capital flow management measures that would be needed to preserve financial stability (***Structural Benchmark,*** **end-October 2024, met**). The NBU continues to evaluate and adjust its crisis monitoring and response framework as new information emerges (MEFP ¶56).

30. Operational gaps in the financial safety nets are being identified and addressed. The Deposit Guarantee Fund (DGF) and NBU in consultation with the MoF and international financial institutions have identified and are closing key operational gaps in the bank intervention and resolution frameworks (***Structural Benchmark,*** **end-December 2024**). This includes: (i) legislative amendments as necessary to facilitate effective information sharing between the NBU as banks supervisor and the DGF as resolution authority; (ii) updating the memorandum of understanding (MoU) that sets out the bank supervision and resolution teams' coordination and information sharing arrangements; and (iii) an operational workplan to transition to full implementation of the MoU, which will involve regular coordination meetings to respond to developments (MEFP ¶58).

31. The National Securities and Stock Market Commission (NSSMC) is taking immediate steps to implement key IOSCO principles and capital flow management measures (*proposed*

Structural Benchmark*, end-January 2025).** To front-load critical reforms, the NSSMC will: (i) propose a reorganizational and operational strategy in consultation with IFIs; (ii) update and implement its Employees Code of Ethics in line with international best practice in consultation with IFIs; (iii) initiate an advance independent fit and proper review of NSSMC Chair and Commissioners in accordance with Article 12 of the above law and disclosures made in line with the Code of Ethics and in consultation with IFIs; and (iv) in consultation with the NBU, take steps by end-December 2024 to ensure the effectiveness of capital flow management measures, including through regulatory harmonization and aligning capital flow restrictions for securities operations with those applied to bank operations. (proposed Structural Benchmark*, end-January 2025**). The Commission will complete the independent fit and proper review by end-March 2025 (MEFP ¶63).

32. The NBU has taken decisive steps to implement risk-based supervision (***Structural Benchmark*, end-December 2024**)**.** Reforms contained in the detailed implementation plan include: (i) organizational restructuring of supervision teams; (ii) introduction of supervisory 'challenge panels' to leverage specialist expertise and strengthen decision making; (iii) development of expertise for effective supervision, including ICT risks as part of operational risk; and (iv) professional development initiatives (MEFP ¶62).

33. The NBU is taking steps to mitigate growing critical third-party risk in banks, non-bank financial institutions, and payments service providers (***proposed Structural Benchmark*, end-May 2025**)**.** Specifically, the NBU will: (i) prepare a concept note on oversight of critical third-party risk and digital operational resilience by end-February 2025; and (ii) develop and submit a draft law to Parliament. It will be prepared in consultation with IFIs and will include measures for detection, containment, and mitigation of critical third-party risk under both going- and gone-concern conditions. Entities identified as critical third parties will be subject to NBU's fit and proper rules (MEFP ¶62).

34. The decision to extend the bank windfall tax into 2025 could discourage future investment into the banking system. This is the second windfall tax applied to banks in two years, which introduces uncertainty in tax policy for such investments. The authorities recognize the potential risks and have signaled their intention to avoid any further windfall taxes on banks (MEFP ¶12).

E. Governance

35. Strengthening the effectiveness of governance institutions through the following reforms will reduce corruption risks, promote growth, and help support public procurement transparency during the war and reconstruction (MEPF ¶66–72):

- *Ensuring that public funds are effectively used and subject to accountability* through legislative reforms on the governance and mandate of the Accounting Chamber of Ukraine, the supreme audit institution (***Structural Benchmark*, end-December 2024**).[5] This effort complements the authorities' systems for transparency in procurement (i.e., ProZorro system and DREAM).

- *Enhancing institutional capacities to investigate high-level corruption*, especially in the war context, by the amendments to the criminal procedural code, including removing mandatory dismissal of pre-trial investigations due to lapse of time limits (***Structural Benchmark*, end-December 2024**).

- *Contributing to effective anti-corruption law enforcement* with timely publication of the inaugural audit of the National Anti-Corruption Bureau of Ukraine (***Structural Benchmark*, end-February 2025**).[6] On December 4, Parliament also approved the law to enhance corporate criminal liability, which contributes towards Ukraine's path towards accession to the OECD Anti-Bribery Convention.

- *Detecting, preventing, and deterring the laundering of proceeds of crime*—including for corruption—by leveraging AML/CFT tools such as enhanced due diligence for politically exposed persons and transparency of beneficial ownership information.

- *Advancing the independent and objective adjudication of administrative cases against central state agencies* by the creation of the High Public Disputes Court and robust selection processes for its judges with a decisive and crucial vote of independent experts (***Structural Benchmark*, end-December 2024**).

36. Progress has been made on SOE corporate governance reforms (MEFP ¶74-75). After the adoption of the landmark SOE corporate governance reform Law #3587-IX in early 2024 to enshrine modern principles, the implementation of the law has made steady progress in close coordination with international partners.[7] Regulations for the financial indicators for the template for independently evaluating supervisory boards have been approved by the CMU in August and November, respectively. The authorities have produced a comprehensive state ownership policy (SOP), dividend policy, and privatization strategy (***Structural Benchmark*, end-October 2024, met**). Further progress is needed in implementing the SOP across a number of areas such as a triage SOE list (e.g., identifying strategic SOEs), framework for privatization, concept preparation for consolidated SOE management, and legislation for mandatory supervisory boards.

37. The full supervisory board of Ukrenergo is expected to be restored by early December (MEFP ¶74). After the corporate governance crisis in the fall when the previous CEO was ousted, the authorities committed to restore the supervisory board consistent with OECD standards (***Structural***

---

[5] The Verkhovna Rada adopted the relevant draft law in 2nd Reading last October 30.

[6] As required under the law, the external audit commission published the criteria and methodology for auditing the NABU on November 22.

[7] Close to 10 years in the making and reflecting OECD guidelines, the law establishes a competitive and transparent selection process for SOE supervisory board members, sets up regular independent evaluations of SOE supervisory boards, gives SOE boards ultimate powers to appoint and dismiss CEOs and approve the financial, investment and strategic plans.

***Benchmark*, end-December 2024**), with independent board members constituting the majority. The overhaul of Ukrenergo's supervisory board and the appointment of a new CEO will pave the way for the restructuring of Ukrenergo guaranteed bonds, which are part of the authorities' restructuring perimeter. Relatedly, the authorities commit to launching an independent evaluation of the supervisory boards of Ukrenergo, GTSO and Naftogaz by March 2025. A review of the appointment procedures for independent SOE board members (Resolution 777) by September 2025 will help strengthen the process.

F. Energy

38. The energy situation seems to have improved on the back of faster repairs, firms' adaptability, new capacities (including imports) and decisive and comprehensive actions by the authorities and donor support (see ¶5). Despite this, downside risks prevail, including due to the prospect of further Russian attacks and the risk of a harsh winter. While the country is close to self-sufficiency for gas production and consumption, the authorities are prepared for Naftogaz to import any additional gas needed. The impact of the expiry of the gas transit corridor end-2024, should be also closely monitored to ensure an orderly transition for the gas sector. Looking ahead, work would need to begin in early 2025 on a roadmap for gradually liberalizing gas and electricity markets, in particular strategies on tariffs, PSOs, and protecting the most vulnerable households.

39. The authorities have met the program conditionality relating to the energy sector (MEFP ¶79–80):

- The authorities have successfully reviewed the arrears and debts, due to tariff differentials, of the District Heating Companies (DHCs) by an external audit firm (***Structural Benchmark*, end-October 2024, met**). The authorities commit to address the arrears and debt stock comprehensively once war-related pressures on the budget subside by developing a new tariff methodology with cost-reflective tariffs.

- Moreover, the energy regulator NEURC plays an important role in efforts to integrate the Ukrainian energy market with the EU, to attract needed FDI and advance the decentralization of power generation, and thus help make the energy system more resilient. To ensure its functional independence, legal amendments have been enacted to exempt NEURC's regulatory decisions from the state registration procedure (***Structural Benchmark*, end-December 2024, met**).

- The authorities will develop an accountability framework for NEURC in the law, which would allow for regular external assessments of NEURC's independence and governance frameworks by the Energy Community Secretariat (ECS) upon request every 2–3 years. The first such external assessment of NEURC will be finalized and published by October-2025 (***proposed Structural Benchmark*, October-2025**). This will help to further the independence and accountability of NEURC. Finally, the selection process for the remaining NEURC Commissioner vacancy should be concluded in a transparent and merit-based manner consistent with the law.

PROGRAM ISSUES

A. Conditionality

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

- *Request to modify a quantitative performance criterion*: In light of the positive outlook for international reserves in 2025Q1, their commitment to preserve external sustainability, and the need to maintain adequate buffers in view of near-term risks, the authorities are requesting to increase the floor on net international reserves for end-March 2025.

- *Structural benchmarks (SBs)*: The authorities are proposing to add three new SBs (Table 4): (i) prepare a strategy for the National Securities and Stock Markets Commission (NSSMC) by end-January 2025 (including to ensure the effectiveness of capital flow management measures by end-December 2024); (ii) prepare and submit to Parliament a draft law on financial sector critical third-party risk by end-May 2025; and (iii) completing and publishing a third-party external assessment of the National Energy and Utilities Regulatory Commission (NEURC) by end-October 2025.The authorities are committed to these reforms, and have the capacity to implement them.

- *Prior action:* Recognizing the criticality of adequate tax revenues to smooth fiscal policy implementation, the authorities enacted the package of tax measures (Law #11416-d) ahead of the IMF Executive Board's consideration of the Sixth Review.

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

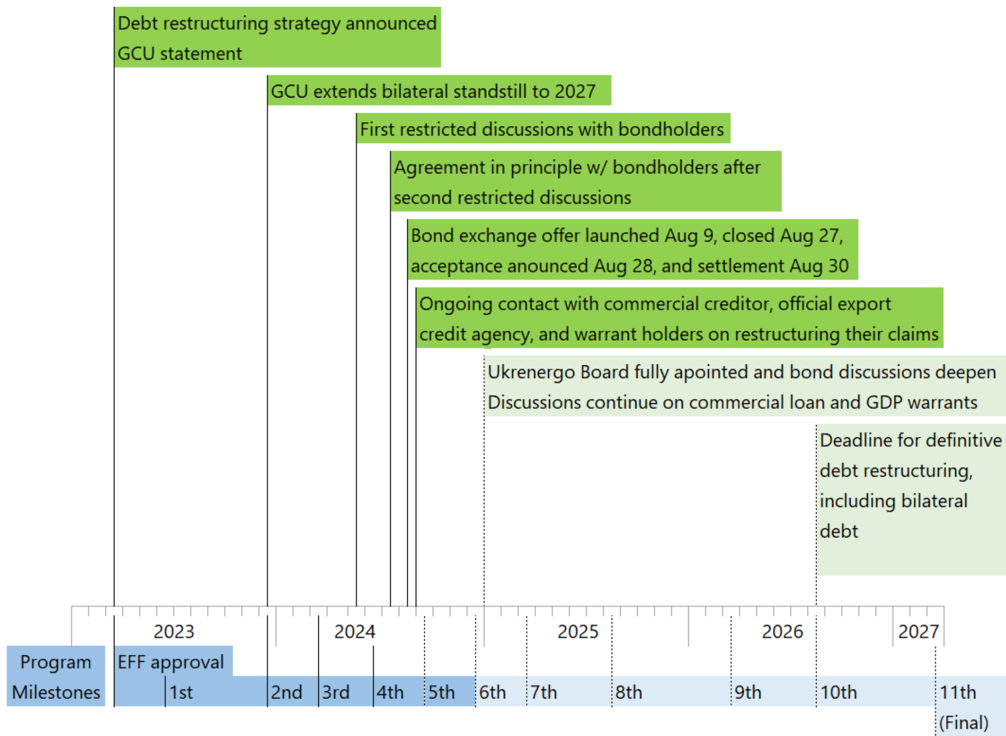
41. The authorities are moving ahead with the remaining steps of their external debt restructuring strategy.

- *External commercial claims excluding Eurobonds*: With the Eurobond exchange now completed, the focus is shifting to remaining commercial claims in the perimeter. To that end, the authorities have presented a commercial creditor with proposals to restructure claims; discussions on that proposal will continue. Additionally, a planned debt operation involving a guaranteed bond of Ukrenergo is expected to move ahead after the supervisory board is fully reinstated. And last, on the GDP warrants, a committee of warrant holders has formed, and discussions have been initiated between the authorities and their warrant holders ahead of the next scheduled payment in May 2025. All three claims are subject to a moratorium law passed in August, preventing payments while the discussions are ongoing.

- *Official bilateral debt*: An official export credit agency has reached out to the authorities, requesting a treatment in line with the approach being taken for other bilateral claims. Regarding those other bilateral claims held by the Group of Creditors of Ukraine (GCU), the

December 2023 standstill remains in place until 2027. The authorities have committed to keep the GCU apprised of its developments and seek their endorsement for the agreements they reach with other creditors. This outreach will maintain good prospects for the definitive restructuring of the official claims by the final review of the program or the conclusion of EHU, whichever comes first.

Figure 5. Ukraine: Debt Restructuring Strategy



Source: IMF staff

42. The updated debt sustainability analyses reflect the current status of the ERA financing, and the program's debt sustainability objectives remain the same. As the EU and other G7 members are still finalizing their ERA arrangements, staff has maintained the same conservative forecasting assumption from the Fifth Review and incorporated ERA financing in public debt. As expected, the loans will be serviced by distributions from the Ukraine Loan Cooperation Mechanism (ULCM) that collects proceeds from the extraordinary profits qualifying CSDs derive from immobilized Russian assets (Figure 6). Based on assurances from the European Commission and the G7, staff continues to judge that the risks of Ukraine having to assume any residual liability for servicing ERA financing are sufficiently mitigated so that this financing can be carved out from the assessment of the debt restructuring targets.[8] Moreover, the US has formally cancelled half of the repayable economic assistance (US$4.65 billion) provided under the Ukraine Security Supplemental Appropriations Act; the remainder continues to be treated as a contingent liability for

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

debt sustainability analysis purposes. Thus, reflecting all recent developments, the targets summarized in Text Table 4 continue to remain appropriate.

Text Table 4. Ukraine: Debt Restructuring Targets

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

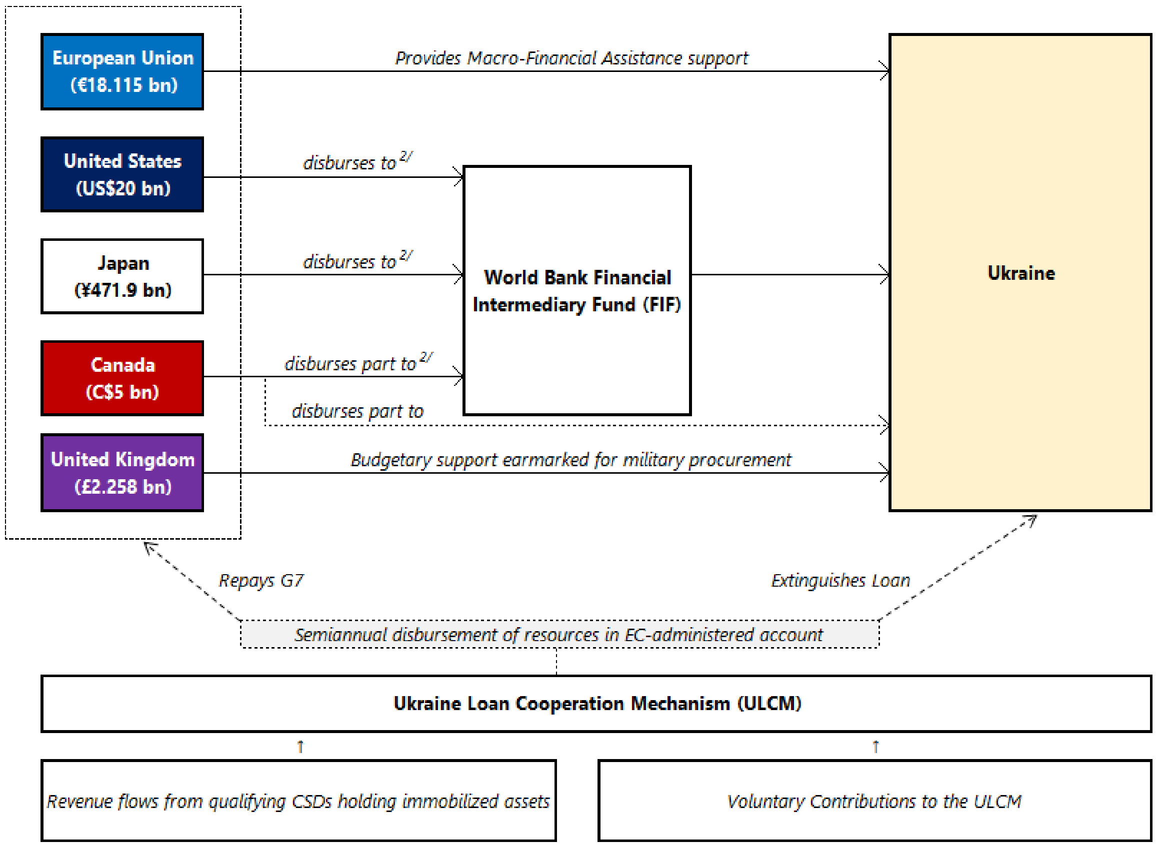
43. Staff assesses that the policy requirements have been met and adequate safeguards are in place for the Fund to proceed with lending:

- *Debt sustainability*: As before, staff assesses that debt is sustainable on a forward-looking basis given (i) the fiscal adjustment under the program; (ii) concessional financing commitments from donors and steps that the G7 has taken to insulate Ukraine from ever having to face a burden from making repayments on the ERA financing; and (iii) a credible ongoing debt restructuring process. For the latter, the second-stage restructuring remains credible due to the continued retention of advisors, information sharing on potential timelines and outcomes, and commitment to undertake any such debt operation by the end of EHU or the penultimate review of the program. Together, this provides sufficient assurance that the authorities are on track to deliver the debt restructuring targets.

- *Lending into arrears (LIA)*: With arrears now accumulating on the loans from the commercial creditor and the Ukrenergo bond, the Fund's LIA policy now applies. Staff assesses this policy's requirements are met: (i) prompt Fund support is essential for the successful implementation of the program, and (ii) Ukraine is pursuing appropriate policies and is making a good faith effort to reach a collaborative agreement with its private creditors. The ongoing discussions are an indication of the adequacy of information sharing, and the opportunity being provided to private creditors to provide input to the strategy and design of individual instruments.

- *Financing assurances review*: The process continues to evolve broadly in line with the original timeline. Moreover, developments in debtor-creditor relations continue to indicate that the restructuring will take place consistent with the program and along the expected timeline. This assessment reflects: (i) the authorities' ongoing dialog with a commercial supplier; (ii) the request by an official export credit agency to pursue a treatment in line with the bilateral restructuring; (iii) work on engaging warrant holders to reach an agreement by the time of the next payment in May 2025; (iv) efforts to restructure Ukrenergo's bond when its supervisory board is fully installed; and (v) regular efforts to keep the GCU apprised and seek their endorsement of developments ahead of their definitive restructuring.

Figure 6. Ukraine: Indicative Structure for the ERA Initiative[1/]



Sources: *Annex to the G7 Finance Ministers' Statement on Extraordinary Revenue Acceleration (ERA) Loan initiative, 25 October 2024*; World Bank, *Establishment of a Financial Intermediary Fund for* Ukraine; and IMF staff.
1/ Based on information available as of December 4, 2024.
2/ Subject to necessary procedures, approvals, and authorities.

C. Financing Needs and Assurances

44. The cumulative financing gap under the baseline scenario is little changed at US$148 billion. Staff assesses that there are firm commitments for the next twelve months and good prospects for financing for the rest of the program period. The key revisions include:

- *Updates to the external financing sources*: Changes to the external sources to fill the updated financing gap include among others: (i) reduced official financing by US$3.5 billion; (ii) a new loan from South Korea to co-finance the World Bank Health Enhancement and Lifesaving (HEAL) project (US$100 million); (iii) fresh grant financing from Norway (€11 million); and (iv) revised cross exchange rate assumptions.

- *Allocation of the ERA financing*: The phasing of ERA financing has been updated to reflect staff's current understanding of the disbursement timing of the individual G7 components.

- *Impact of the IMF's review of charges and the surcharge policy*: An estimated US$382 million of savings over the program period arising from this reform has been reflected in the framework.

- *Downside scenario financing gap*: The cumulative financing gap is projected at US$177.2 billion, somewhat lower than at the Fifth Review, reflecting the changes carrying over from the baseline. As at the Fifth Review, US$50 billion in ERA financing is included to cover downside financing needs.

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

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

	2023	2024	2025	2026	2027Q1	Cumulative (prog. period) 1/
A. Financing gap	**42.5**	**45.3**	**42.3**	**25.0**	**2.1**	**148.0**
Underlying BoP Gap 2/	31.1	43.6	41.4	20.4	1.5	131.9
Gross international reserves (+ = accumulation)	11.4	1.8	1.0	4.5	0.6	16.1
B. Official financing (excl. IMF) 3/ 4/	**38.0**	**35.6**	**36.6**	**19.9**	**0.8**	**121.7**
EU 5/	19.5	17.5	13.7	7.9	0.6	54.4
US 6/	10.9	5.7	0.0	0.0	0.0	13.2
Japan 7/	3.6	4.3	0.0	0.0	0.0	7.9
Canada	1.8	1.8	0.0	0.0	0.0	3.5
UK 7/	1.0	1.0	1.0	1.0	0.0	3.5
Norway	0.2	0.3	0.0	0.0	0.0	0.5
World Bank 6/	0.7	4.8	0.0	0.0	0.0	5.3
Other 8/	0.3	0.2	0.0	0.0	0.0	0.3
ERA 9/	0.0	0.0	21.9	11.0	0.3	33.1
C. IMF (prospective)	**4.5**	**5.3**	**2.7**	**1.9**	**1.1**	**15.5**
D. Flow relief from debt operations 10/	**0.0**	**4.4**	**3.0**	**3.2**	**0.2**	**10.8**
E. Residual financing gap (A-B-C-D)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Memorandum items:						
Capital market access	0.0	0.0	0.0	0.0	0.0	0.0
IMF (net disbursements)	1.9	3.0	0.4	-0.1	0.7	4.0
Gross international reserves	40.5	42.3	43.3	47.9	48.4	…
% of composite metric	124.1	112.0	100.5	100.2	…	…

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

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

3/ Based on available information as of November 18, 2024. Staff assessments are consistent with technical discussions with creditors and donors and their track record and terms of financing.

4/ Official financing estimates from 2026Q1 onward assume creditor and donor flows for which there are good prospects.

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

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

7/ Japan and UK support in 2024 is channeled via the World Bank in the form of credit enhancements (Japan) and guarantees (UK), as well as grants (Japan). In addition to budget financing shown in the table, Japan has been providing interest capitalization—estimated at US$388 million over 2023-24—which supports interest payment relief to Ukraine for a maximum period of up to March 2027.

8/ For 2023, "Other" comprises grants channeled via the World Bank PEACE project from a range of bilateral official donors. For 2024, it includes among others (i) grant financing of $60 million under the Ukraine Relief, Recovery, Reconstruction, and Reform Trust Fund (URTF) to support the Housing Repair for People's Empowerment (HOPE) operation and (ii) loan financing to support the Health Enhancement and Life-Saving (HEAL) operation, comprising €3 million channeled via the World Bank and guaranteed by Spain, €10 million in co-financing from the Council of Europe Development Bank (CEB); and US$100 million in co-financing from South Korea.

9/ Financing from the G7's Extraordinary Revenue Acceleration Loans for Ukraine (ERA) Initiative. Based on available information as of November 18, 2024.

10/ Flow relief includes the terms of the August 2024 exchange on Ukraine's sovereign Eurobonds and potential relief from the treatment of commerical loans. It does not include GDP warrants.

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

(Billions of U.S. dollars)

	25Q1 thru 25Q4
A. Financing gap	**42.3**
Underlying BoP Gap 1/	41.4
Gross international reserves (+ = accumulation)	1.0
B. Official financing (excl. IMF) 2/	**36.6**
EU 3/	13.7
UK 4/	1.0
ERA 5/	21.9
C. IMF (prospective)	**2.7**
D. Flow relief from debt operations 6/	**3.0**
E. Residual financing gap (A-B-C-D)	**0.0**

1/ Underlying BOP gap indicates the decrease in reserves absent official financing and IMF support.
2/ Based on available information as of November 18, 2024. Prospective disbursements incorporate those for which there are firm commitments, and the USD equivalent is based on the August 2024 WEO exchange rate forecasts (where applicable).
3/ This item on EU financing includes support under the Ukraine Facility instrument in 2024-27.
4/ UK support is channeled via the World Bank in the form of guarantees.
5/ Financing from the G7's Extraordinary Revenue Acceleration Loans for Ukraine (ERA) Initiative. Based on available information as of November 18, 2024.
6/ Flow relief includes the terms of the August 2024 exchange on Ukraine’s sovereign Eurobonds and potential relief from the treatment of commerical loans. It does not include GDP warrants.

Table 3. Ukraine: Downside Scenario Financing Gap and Sources

(Billions of U.S. dollars)

	2023	2024	2025	2026	2027		2028	2029	2030	2031	2032	2033	Cumulative (prog. period) 1/
					Q1	Q2-Q4							
A. Financing gap	**42.5**	**45.3**	**48.9**	**38.8**	**10.8**	**7.8**	**15.2**	**12.8**	**12.3**	**10.0**	**9.7**	**9.3**	**177.2**
Underlying BOP Gap 2/	31.1	43.6	50.2	36.4	10.3	6.3	12.0	9.1	8.2	6.1	7.0	5.1	165.5
Gross international reserves (+ = accumulation)	11.4	1.8	-1.3	2.4	0.5	1.5	3.2	3.8	4.1	3.9	2.7	4.2	11.7
B. Official financing (excl. IMF) 3/ 4/	**38.0**	**35.6**	**43.2**	**33.7**	**9.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**150.9**
C. IMF (prospective)	**4.5**	**5.3**	**2.7**	**1.9**	**1.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**15.5**
D. Flow relief from debt operations 5/	**0.0**	**4.4**	**3.0**	**3.2**	**0.2**	**2.5**	**8.0**	**5.7**	**5.1**	**2.9**	**2.6**	**2.1**	**10.8**
E. Adjusted financing gap (A-B-C-D)	**...**	**...**	**...**	**...**	**...**	**5.3**	**7.1**	**7.1**	**7.1**	**7.1**	**7.1**	**7.1**	**...**
F. Exceptional financing 6/	**...**	**...**	**...**	**...**	**...**	**5.3**	**7.1**	**7.1**	**7.1**	**7.1**	**7.1**	**7.1**	**...**
G. Residual financing gap (E-F)	**...**	**...**	**...**	**...**	**...**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Memorandum items:													
Capital market access	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	2.0	2.0	2.0	2.0	0.0
IMF (net disbursements)	1.9	3.0	0.4	-0.1	0.7	-0.9	-0.8	-1.8	-2.2	-2.5	-2.8	-2.1	4.0
Gross international reserves	40.5	42.3	41.1	43.5	43.5	45.5	48.7	52.5	56.5	60.4	63.2	67.3	...
% of composite metric	124.1	112.0	96.9	90.3	...	90.1	94.2	97.0	102.2	105.3	107.0	110.3	...

1/ Cumulative program period calculations begin from 2023Q2 through 2027Q1.
2/ Underlying BOP gap indicates the decrease in reserves absent official financing and IMF support.
3/ Based on available information as of November 18, 2024. Staff assessments are consistent with technical discussions with creditors and donors and their track record and terms of financing.
4/ Includes exceptional support from donors (approximately 80 percent in concessional loans, 20 percent in grants) under financing assurances required to restore debt sustainability.
5/ Flow relief includes the terms of the August 2024 exchange on Ukraine's sovereign Eurobonds and potential relief from the treatment of commerical loans. For 2027, the flow relief is broken down across the program and post-program period. It does not include GDP warrants.
6/ Exceptional financing would include a mix of higher program period grants (which reduces debt service subsequently), a larger second-stage restructuring, and additional financing (consistent with assurances received). For 2027, exceptional financing of US$5.3 billion is assumed over the post-program period 2027Q2-Q4.

45. **The capacity-to-repay (CtR) assurance provided by a significant group of creditors/donors at program approval remains valid**. The assurance is required in view of the continuing exceptionally high uncertainty around the scale, intensity, and duration of the war. Consequently, the economic outlook, which possesses tail risks beyond the downside, and the program itself cannot fully establish a safeguard on capacity to repay, as in normal UCT-program contexts. As such, in line with the Fund's EHU policy, at the time of the program request, a significant group of creditors/donors comprising countries in the G7 plus Belgium, Lithuania, the Netherlands, Poland, Slovakia, and Spain extended an assurance that management and staff understood to (i) reaffirm their recognition of the Fund's preferred creditor status in respect of the amounts currently outstanding to Ukraine, plus any purchases under the proposed extended arrangement; and (ii) further undertake to provide adequate financial support to secure Ukraine's ability to service all of its obligations to the Fund, in accordance with the Fund's preferred creditor status and complementing the Fund's multilayered risk management framework.[9] Staff will continue to undertake outreach with members that indicate an interest in joining the CtR assurance.

46. **Indicators of capacity to repay the Fund remain in line with levels observed at the Fifth Review**. Under the baseline scenario, the stock of total Fund credit is expected to peak at 8 percent of GDP in 2024 and 35.8 percent of gross reserves in 2025. Debt service to the Fund would peak at

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

1.8 percent of GDP and 8 percent of gross reserves in 2024. A materialization of downside risks would increase these ratios: outstanding credit to the Fund would peak at 8.1 percent of GDP and 37.7 percent of gross reserves in 2025; debt service to the Fund would still peak at 1.8 percent of GDP and 8 percent of gross reserves in 2024.

STAFF APPRAISAL

47. The Sixth Review is taking place as Ukraine approaches a critical juncture. The upcoming political transitions and election cycles in several of Ukraine's partners have the potential to trigger new efforts to end the war, as well as changes in Ukraine's international support. However, the situation remains stable and the G7's ERA financing is instrumental to close Ukraine's financing gaps. The immediate tasks are navigating the near-term uncertainty to maintain economic stability, preserve buffers, and continuing to implement strong policies to deliver a return to medium-term external viability.

48. Despite the challenges and uncertainties, the authorities have again delivered a strong performance under the program. The authorities met all continuous PCs and all end-September QPCs. The implementation of all structural benchmarks for this review have taken place on time.

49. Near-term risks remain exceptionally high, although their nature has not changed substantially. The principal adverse shocks pertain to the duration and intensity of the war and their implications for the macro framework and financing. Other important risks arise from further attacks to the energy infrastructure and the durability of international support. Reform fatigue is a real risk as the authorities continue to implement complex and wide-ranging structural reforms in challenging circumstances.

50. The 2025 budget is in line with program parameters, but concrete steps are required going forward to achieve the needed revenue-based fiscal adjustment. The 2025 budget is well calibrated to Ukraine's policy priorities and committed financing under the program. Any deviations from the budget will need to be compensated for by offsetting measures. At this time, an increase in the standard VAT rate remains the most appropriate response to budget shocks. Going forward, decisively restoring fiscal and debt sustainability will require additional and sustained efforts on domestic revenue mobilization, with a focus on aligning taxation with EU requirements, which would entail potentially substantial yields as well as supporting the goal of accession.

51. Prompt completion of the debt restructuring strategy is essential. With the Eurobond exchange now complete, focus should shift to timely treatment of remaining commercial claims in the restructuring perimeter, particularly the GDP warrants, to provide critical flow relief during the program period and help restore sustainability. On-going discussions between the authorities and creditors are welcome and should continue to progress with a view toward delivering the program's debt sustainability objectives.

52. The authorities should build on their good progress on implementing important fiscal structural reforms. The authorities have started implementing public investment management and medium-term budgeting reforms. Likewise, effective implementation of the customs code will help modernize the SCS by increasing efficiency and transparency, and tackling corruption and fraud. Building on these steps, as well as other reforms pertaining to the NRS and pension reform, is essential. Success on these fronts will leave Ukraine well-positioned with strong frameworks to support the recovery, reconstruction, and social protection needs now and after the war.

53. The monetary stance is appropriate, with a readiness to tighten if warranted. The NBU should remain vigilant for risks to inflation and be prepared to tighten in the near term should inflation drivers be of a more persistent nature or expectations become unanchored. The exchange rate should be allowed to fulfill its shock absorbing role, safeguard reserves amid heightened risks and prevent external imbalances. Going forward, the implementation of flexible inflation targeting will need to internalize Ukraine's challenging circumstances and align with the Monetary Policy Guidelines, the NBU's Strategy, and program objectives. The cautious, conditions-based approach to FX liberalization remains appropriate.

54. The authorities need to remain vigilant to financial stability risks. Whereas important steps have been taken, progress on strengthening the bank rehabilitation framework, introducing risk-based supervision, updating stress testing frameworks, and strengthening contingency plans should be sustained in view of heightened risks. Swift action to address critical operational challenges of the National Securities and Stock Market Commission (NSSMC) is also important.

55. Irreversibility of governance and anti-corruption reforms will help improve societal and economic outcomes and make progress on EU accession. Efforts that support independent and accountable governance institutions contribute towards levelling the playing field and sustaining economic growth. Moving forward, transparency, accountability and effective law enforcement will be critical to mitigate corruption risks as Ukraine accelerates reconstruction efforts. Building a strong rule-of-law culture will also support the investment climate and ensure that post-war reconstruction is inclusive and benefits the most affected and vulnerable.

56. Efforts must continue to address the energy deficit, while strengthening corporate governance in the energy sector. While there is considerable uncertainty on the size of the potential energy deficit this winter, the comprehensive efforts by the authorities to close the gap are welcome and will help mitigate the risk of prolonged blackouts. The steps taken to ensure that Ukrenergo's supervisory board is fully appointed, with independent members constituting the majority is also welcome. The next steps should focus on reforming the energy regulator and containing financial risks of energy operators and utilities.

57. The program remains on track to meet its objectives and the requisite policies and safeguards are met for the Fund to proceed with financing. The program continues to provide an anchor for the path to restoring medium-term external viability by entailing a framework for policies consistent with sustainability, guiding the ongoing debt restructuring, and catalyzing large-scale donor financing. Going forward, the authorities will need to continue delivering on policy commitments and external partners will need to provide their committed support in a timely manner and on appropriate terms, including to ensure that the program remains fully financed and medium-term external viability can be restored across both program scenarios. Full implementation by all parties continues to provide prospects for success.

58. Staff supports the authorities' request for a modification of a quantitative performance criterion and the completion of the Sixth Review Under the Extended Arrangement. Staff also recommends completing the financing assurances review. The authorities' strong performance under the program and commitments from donors signify the program remaining on track to meet its objectives.

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

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

Table 4. Ukraine: Structural Benchmarks (continued)

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

Table 4. Ukraine: Structural Benchmarks (continued)

	Structural Benchmark	Sector	Timing	Status
22	Develop a concept note on the 5-7-9 program with proposals to target small and medium enterprises by phasing out the eligibility of large companies, enhance monitoring, and maintain adequate safeguards.	Fiscal	End-March 2024	Met
23	Enact amendments to the procedural code to rationalize matters or issues to be heard at the first instance by one anti-corruption judge or by a panel of three anti-corruption judges.	Governance/ Anti-Corruption	End-April 2024	Not Met (implemented with delay)
24	Adopt a new law on the ESBU that has a clear mandate and scope for investigative powers consistent with good practice by focusing on major economic crimes; establishing legal basis for operation of the ESBU in terms of the selection of management and staff. The law will respect the existing delineation between the investigative powers of the ESBU and the National Anti-corruption Bureau of Ukraine (NABU).	Fiscal	End-June 2024	Met
25	Based on the outcomes of a roadmap on development of PIM procedures, adopt a government decree with an action plan and timeline that provides clear linkages between MTBF and capital expenditures, including reconstruction priorities, and specifying the gatekeeper role of the MOF.	Fiscal	End-December 2024	Met
26	Develop a methodology to assess the effectiveness of tax privileges, including their cost to the budget, in order to have a unified reform approach	Fiscal	End-September 2024	Met
27	Identify major public companies severely affected by the war and prepare a review of potential fiscal and quasi-fiscal costs	Fiscal	End-September 2024	Met
28	Adopt amendments to the Customs Code, in line with international best practice.	Fiscal	End-October 2024	Met
29	With the help of IMF TA, produce a diagnostic review of pre-war MTBF policies and practices relative to best practices.	Fiscal	End-October 2024	**Met**
30	NBU to assess key financial and operational risks to financial stability under various downside scenarios and to prepare contingency plans.	Financial Sector	End-October 2024	**Met**
31	Analyze the debts and assess financial conditions of District Heating Companies (DHCs) through a desk review by a reputable audit firm, including by separating arrears until and after February 2022.	Energy	End-October 2024	**Met**
32	To ensure NEURC's functional independence, adopt amendments to the law #3354-IX to exempt regulatory decisions by NEURC from the state registration procedure, in line with MEFP, ¶79.	Energy	End-December 2024	**Met**
33	Produce a SOE state ownership policy, dividend policy and privatization strategy	SOE Corporate Governance	End-October 2024	**Met**

Table 4. Ukraine: Structural Benchmarks (continued)

	Structural Benchmark	Sector	Timing	Status
34	Adopt Budget Code amendments in line with Action 1 under the June 2024 PIM Action Plan, as specified in ¶39 of the MEFP.	Fiscal	End-January 2025	
35	Appoint the new Head of the ESBU based on the selection process.	Fiscal	End-February 2025	
36	CMU to approve a methodological framework underpinning the PIM process, as specified in ¶38 of the MEFP.	Fiscal	End-February 2025	
37	Submit legislative amendments to Parliament to introduce tax reporting requirements for digital platform operators.	Fiscal	End-April 2025	
38	Appoint a permanent head of SCS	Fiscal	End-June 2025	
39	Submit a 2026–28 Budget Declaration on time and in line with program parameters.	Fiscal	End-June 2025	
40	All systemic banks with majority state ownership will fall under the responsibility of the MOF, and any non-systemic banks that come under state ownership will not be recapitalized using fiscal resources and will be transferred to the DGF for resolution upon breach of prudential requirements.	Financial Sector	Continuous	
41	The DGF, MOF and NBU will prepare a bank rehabilitation framework in consultation with IMF staff.	Financial Sector	End-December 2024	
42	Implement a supervisory risk assessment methodology to inform supervisory engagement priorities	Financial Sector	End-December 2024	
43	Complete the formation of the full supervisory board of Ukrenergo (7 members), with independent members constituting the majority of the supervisory board.	Energy	End-December 2024	
44	Amend the Criminal Procedural Code to enable the Specialized Anti-Corruption Prosecutor's Office to manage extradition and mutual legal assistance request and rationalize consequences from expiration of time limits for pre-trial investigations (including for corruption cases) in line with MEFP, ¶69, 1st bullet.	Governance/ Anti-Corruption	End-December 2024	
45	Publish the completed external audit of the National Anti-Corruption Bureau of Ukraine's effectiveness with participation of three independent experts with international experience.	Governance/ Anti-Corruption	End-February 2025	
46	Enact a law to establish a new court that will hear administrative cases against national state agencies (e.g., NBU, NABU, NACP) by judges who have been properly vetted for professional competence and integrity.	Governance/ Anti-Corruption	End-December 2024	
47	Enact amendments to the law to reform the Accounting Chamber of Ukraine (the supreme audit institution), including through a decisive vote of independent experts with international experience for vetting new members, establishing a minimum of 11 members, enhancing the	Governance/ Anti-Corruption	End-December 2024	

Table 4. Ukraine: Structural Benchmarks (concluded)

	Structural Benchmark	Sector	Timing	Status
	scope of its audit functions, and steps to safeguard the ACU's financial independence consistent with international standards on supreme audit institutions, in line with MEFP, ¶67.			
48	**Prepare a comprehensive operational strategy for the NSSMC, including initiating an independent fit and proper review**	**Financial Sector**	**End-January 2025**	
49	**Prepare and submit to parliament a draft law on financial sector critical third-party risk.**	**Financial Sector**	**End-May 2025**	
50	**Complete and publish an external assessment of NEURC by the Energy Community Secretariat (upon request)**	**Energy**	**End-October 2025**	
51	**Enact the tax package (Law #11416-d)**	**Fiscal**	**Prior Action**	**Met**

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

	2021	2022	2023	2024		2025		2026	2027	2028	2029	2030	2031	2032	2033
	Act.	Act.	Act.	EFF 5th Review	Proj.	EFF 5th Review	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Real economy (percent change, unless otherwise indicated)															
Nominal GDP (billions of Ukrainian hryvnias) 1/	5,451	5,239	6,538	7,542	7,629	8,542	8,680	9,874	10,937	11,978	13,105	14,325	15,643	17,082	18,653
Real GDP 1/	3.4	-28.8	5.3	3	4.0	2.5-3.5	2.5-3.5	5.3	4.5	4.3	4.2	4.1	4.0	4.0	4.0
Contributions:															
Domestic demand	12.9	-22.9	13.9	6.3	6.5	5.1	4.9	4.5	4.2	5.8	5.4	5.3	5.1	5.2	5.2
Private consumption	4.7	-16.8	5.5	3.1	3.3	3.2	3.2	3.8	3.5	3.1	3.1	3.1	3.1	3.1	3.0
Public consumption	0.1	12.5	2.6	-0.1	-0.1	-1.0	-1.1	-2.5	-1.9	0.0	0.0	0.0	0.0	0.0	0.0
Investment	8.1	-18.6	5.8	3.3	3.3	2.9	2.9	3.2	2.6	2.7	2.3	2.2	2.1	2.1	2.1
Net exports	-9.5	-5.9	-8.6	-3.3	-2.5	-2.6	-2.4	0.8	0.3	-1.5	-1.2	-1.2	-1.1	-1.2	-1.2
GDP deflator	24.8	34.9	18.5	12.0	12.2	10.5	11.0	8.0	6.0	5.0	5.0	5.0	5.0	5.0	5.0
Unemployment rate (ILO definition; period average, percent)	9.8	24.5	19.1	14.2	13.3	12.7	11.8	10.2	9.4	8.7	8.5	8.5	8.5	8.5	8.5
Consumer prices (period average)	9.4	20.2	12.9	5.8	6.2	9.0	10.3	7.7	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Consumer prices (end of period)	10.0	26.6	5.1	9.0	10.0	7.5	7.5	6.6	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Nominal wages (average)	20.8	1.0	20.1	16.6	19.1	17.1	18.9	14.1	10.5	9.9	9.4	9.3	9.2	9.2	9.2
Real wages (average)	10.5	-16.0	6.4	10.2	12.1	7.5	7.8	6.0	5.3	4.7	4.2	4.1	4.0	4.0	4.0
Savings (percent of GDP)	12.5	17.0	9.8	9.2	8.5	5.2	2.9	9.1	15.2	17.5	18.1	18.7	19.2	19.8	20.4
Private	12.7	30.2	24.6	25.5	24.1	20.2	17.9	14.7	13.6	14.8	14.9	14.4	14.5	14.8	15.1
Public	-0.2	-13.1	-14.8	-16.3	-15.6	-15.0	-14.9	-5.6	1.5	2.8	3.3	4.3	4.7	5.1	5.3
Investment (percent of GDP)	14.5	12.1	15.1	17.3	16.9	19.5	17.5	19.3	20.4	21.6	22.3	22.8	23.3	23.8	24.3
Private	10.7	9.6	10.4	14.8	13.6	15.4	13.6	15.0	15.3	16.1	16.4	16.9	17.3	17.8	18.3
Public	3.8	2.5	4.8	2.4	3.4	4.1	4.0	4.3	5.1	5.5	5.9	6.0	6.0	6.0	6.0
General Government (percent of GDP)															
Fiscal balance 2/	-4.0	-15.6	-19.6	-18.7	-18.9	-19.2	-18.9	-9.9	-3.6	-2.8	-2.7	-1.6	-1.3	-1.0	-0.7
Fiscal balance, excl. grants 2/	-4.0	-24.8	-26.1	-24.5	-24.3	-20.0	-19.7	-10.1	-4.6	-3.6	-3.3	-2.2	-1.9	-1.5	-1.2
External financing (net)	2.4	10.7	16.5	15.2	14.8	18.2	18.0	8.9	1.4	0.3	1.4	2.5	2.3	2.1	2.4
Domestic financing (net), of which:	1.6	5.0	3.1	3.5	4.1	1.0	0.9	1.0	2.2	2.5	1.2	-0.8	-1.0	-1.1	-1.6
NBU	-0.3	7.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.3
Commercial banks	1.5	-1.5	2.5	3.5	4.1	1.0	1.0	0.9	2.2	2.1	1.0	-1.0	-1.1	-1.2	-1.5
Public and publicly-guaranteed debt	50.5	77.7	82.3	95.6	92.2	106.6	104.3	105.8	101.8	96.9	93.6	88.4	84.3	79.3	75.0
Money and credit (end of period, percent change)															
Base money	11.2	19.6	23.3	16.7	15.0	13.2	17.2	12.0	10.1	10.1	10.1	11.5	11.2	10.7	10.1
Broad money	12.0	20.8	23.0	15.4	16.7	13.3	14.4	12.1	10.1	10.1	10.1	9.6	9.2	9.2	9.2
Credit to nongovernment	8.4	-3.1	-0.5	9.0	11.6	12.9	12.9	21.0	17.6	14.4	14.5	14.4	19.7	19.7	19.7
Balance of payments (percent of GDP)															
Current account balance	-1.9	4.9	-5.4	-8.1	-8.4	-14.3	-14.6	-10.1	-5.3	-4.1	-4.1	-4.1	-4.1	-3.9	-3.9
Foreign direct investment	3.8	0.1	2.5	2.0	2.5	2.1	2.4	4.1	5.2	5.5	4.8	4.5	4.2	4.0	3.8
Gross reserves (end of period, billions of U.S. dollars)	30.9	28.5	40.5	42.6	42.3	44.9	43.3	47.9	50.1	53.4	57.4	62.8	66.9	70.5	74.9
Months of next year's imports of goods and services	4.5	3.8	5.3	5.1	5.3	5.4	5.4	5.8	5.9	6.0	6.1	6.3	6.4	6.4	6.6
Percent of short-term debt (remaining maturity)	67.5	64.3	87.1	106.2	102.7	106.3	99.8	112.3	116.0	107.2	124.6	132.5	145.1	154.2	144.6
Percent of the IMF composite metric (float)	104.4	103.6	124.1	113.5	112.0	104.7	100.5	100.2	102.0	106.2	108.8	116.0	118.9	121.2	124.2
Goods exports (annual volume change in percent)	35.3	-44.7	-15.8	15.7	15.5	6.2	1.6	16.7	10.6	6.6	7.8	7.6	8.5	8.3	8.1
Goods imports (annual volume change in percent)	16.9	-23.6	21.7	14.1	9.3	7.0	6.9	8.9	9.4	4.2	5.0	5.7	5.0	5.1	5.4
Goods terms of trade (percent change)	-8.4	-11.6	3.6	0.3	0.3	-1.8	-1.9	1.2	1.4	0.8	0.4	0.0	0.0	0.0	0.0
Exchange rate															
Hryvnia per U.S. dollar (end of period)	27.3	36.6	38.0	…	…	…	…	…	…	…	…	…	…	…	…
Hryvnia per U.S. dollar (period average)	27.3	32.3	36.6	…	…	…	…	…	…	…	…	…	…	…	…
Real effective rate (deflator-based, percent change)	8.8	30.5	-2.0	…	…	…	…	…	…	…	…	…	…	…	…
Memorandum items:															
Per capita GDP / Population (2017): US$2,640 / 44.8 million															
Literacy / Poverty rate (2022 est 3/): 100 percent / 25 percent															

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

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

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

3/ Based on World Bank estimates.

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

(Billions of Ukrainian Hryvnia)

	2021	2022	2023	2024		2025		2026	2027	2028	2029	2030	2031	2032	2033
	Act.	Act.	Act.	EFF 5th Review	Proj.	EFF 5th Review	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue	1,990	2,609	3,583	3,402	3,868	3,418	3,426	3,941	4,544	4,947	5,388	5,885	6,413	6,992	7,628
Tax revenue	1,825	1,782	2,139	2,718	2,696	3,056	3,087	3,705	4,199	4,607	5,041	5,517	6,022	6,578	7,187
Tax on income, profits, and capital gains	514	551	656	878	890	955	982	1,137	1,258	1,391	1,532	1,685	1,840	2,014	2,199
Personal income tax	350	421	496	611	606	727	707	822	909	999	1,098	1,205	1,315	1,441	1,574
Corporate profit tax	164	131	159	267	284	228	275	315	349	393	435	480	524	573	625
Social security contributions	358	430	489	564	556	596	596	714	786	871	943	1,051	1,150	1,248	1,353
Property tax	43	37	44	46	50	56	57	51	56	52	57	53	53	54	54
Tax on goods and services	731	592	784	1,042	1,014	1,250	1,250	1,574	1,829	1,999	2,187	2,397	2,635	2,894	3,178
VAT	536	467	581	796	760	912	912	1,144	1,335	1,453	1,589	1,739	1,910	2,097	2,291
Excise	180	115	190	231	238	322	322	383	443	492	539	594	655	722	805
Other	14	10	14	15	16	16	16	47	51	55	60	64	70	75	81
Tax on international trade	38	26	41	49	49	60	60	68	86	91	107	116	124	133	149
Other tax	140	145	126	139	136	139	142	161	183	202	214	216	220	235	255
Nontax revenue	166	827	1,444	684	1,172	362	339	236	344	340	348	368	390	414	440
Budget support grants 2/	1	481	425	436	405	74	71	25	117	97	86	88	90	92	94
Expenditure	2,207	3,426	4,865	4,815	5,313	5,056	5,065	4,914	4,933	5,279	5,736	6,119	6,621	7,156	7,762
Current	1,995	3,298	4,562	4,568	4,994	4,619	4,653	4,566	4,458	4,703	5,055	5,348	5,772	6,228	6,749
Compensation of employees	516	1,240	1,479	1,582	1,582	1,600	1,613	1,507	1,158	1,195	1,269	1,313	1,429	1,561	1,704
Goods and services	483	848	1,674	957	1,390	746	750	689	725	766	874	923	1,034	1,159	1,267
Interest	155	162	254	381	381	489	489	379	410	413	434	445	438	416	407
Subsidies to corporations and enterprises	116	131	158	457	457	612	624	522	388	348	335	352	370	388	408
Social benefits	724	917	996	1,189	1,182	1,170	1,176	1,467	1,775	1,978	2,140	2,312	2,498	2,701	2,961
Social programs (on budget)	154	285	241	288	292	287	293	456	654	717	813	883	962	1,059	1,162
Pensions	519	583	746	872	861	861	860	987	1,096	1,235	1,300	1,400	1,505	1,610	1,765
Unemployment, disability, and accident insurance	52	48	9	29	29	22	22	24	25	26	28	29	30	32	34
Other current expenditures	1	1	1	2	2	2	2	2	2	2	2	3	3	3	3
Capital	207	130	312	184	256	354	343	420	555	663	776	855	942	1,028	1,123
Net lending	5	-2	-9	21	21	39	39	44	49	53	58	84	92	100	109
Contingency reserve 3/	0	0	0	42	42	44	30	-116	-128	-141	-154	-168	-184	-201	-219
General government overall balance	-216	-817	-1,282	-1,413	-1,445	-1,637	-1,639	-973	-390	-332	-347	-234	-209	-164	-135
General government overall balance, excluding grants	-218	-1,298	-1,707	-1,850	-1,850	-1,712	-1,710	-998	-507	-428	-434	-322	-299	-256	-229
General government financing	216	817	1,280	1,413	1,445	1,637	1,639	973	390	332	347	234	209	164	135
External	132	560	1,076	1,150	1,129	1,556	1,559	878	152	31	189	355	361	354	439
Disbursements	239	615	1,149	1,321	1,300	1,721	1,718	1,064	318	243	544	607	620	634	648
Amortizations and other external payments	-108	-55	-73	-171	-171	-165	-159	-186	-167	-212	-355	-251	-259	-280	-209
Domestic (net)	85	263	204	263	316	81	80	95	238	301	158	-121	-152	-190	-304
Bond financing 4/	66	295	183	259	309	72	71	89	232	295	152	-127	-158	-196	-310
o/w NBU	-14	383	-15	-12	-12	-13	-13	-12	-12	-11	-12	-12	-12	-12	-47
o/w Commercial banks	80	-77	167	263	313	86	84	91	244	252	134	-141	-171	-206	-282
Direct bank borrowing	30	-2	-7	0	0	0	0	0	0	0	0	0	0	0	0
Deposit finance	-19	-37	-59	0	0	0	0	0	0	0	0	0	0	0	0
Privatization and other items	7	20	87	4	7	9	9	6	6	6	6	6	6	6	6
Financing Gap/unindentified measures (-gap/+surplus)	0	0	-2	0	0	0	0	0	0	0	0	0	0	0	0
Memorandum items:															
Primary balance	-62	-655	-1,028	-1,032	-1,064	-1,149	-1,150	-594	20	81	86	211	229	253	272
Public and publicly-guaranteed debt	2,666	4,072	5,383	7,209	7,031	9,109	9,054	10,445	11,136	11,610	12,271	12,662	13,179	13,545	13,982
Nominal GDP (billions of Ukrainian hryvnia)	5,451	5,239	6,538	7,542	7,629	8,542	8,680	9,874	10,937	11,978	13,105	14,325	15,643	17,082	18,653

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

1/ National methodology, cash basis.

2/ Comprises grants to the general fund.

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

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

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

(Percent of GDP)

	2021	2022	2023	2024		2025		2026	2027	2028	2029	2030	2031	2032	2033
	Act.	Act.	Act.	EFF 5th Review	Proj.	EFF 5th Review	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue	36.5	49.8	54.8	45.1	50.7	40.0	39.5	39.9	41.5	41.3	41.1	41.1	41.0	40.9	40.9
Tax revenue	33.5	34.0	32.7	36.0	35.3	35.8	35.6	37.5	38.4	38.5	38.5	38.5	38.5	38.5	38.5
Tax on income, profits, and capital gains	9.4	10.5	10.0	11.6	11.7	11.2	11.3	11.5	11.5	11.6	11.7	11.8	11.8	11.8	11.8
Personal income tax	6.4	8.0	7.6	8.1	7.9	8.5	8.1	8.3	8.3	8.3	8.4	8.4	8.4	8.4	8.4
Corporate profit tax	3.0	2.5	2.4	3.5	3.7	2.7	3.2	3.2	3.2	3.3	3.3	3.4	3.4	3.4	3.4
Social security contributions	6.6	8.2	7.5	7.5	7.3	7.0	6.9	7.2	7.2	7.3	7.2	7.3	7.4	7.3	7.3
Property tax	0.8	0.7	0.7	0.6	0.7	0.7	0.7	0.5	0.5	0.4	0.4	0.4	0.3	0.3	0.3
Tax on goods and services	13.4	11.3	12.0	13.8	13.3	14.6	14.4	15.9	16.7	16.7	16.7	16.7	16.8	16.9	17.0
VAT	9.8	8.9	8.9	10.6	10.0	10.7	10.5	11.6	12.2	12.1	12.1	12.1	12.2	12.3	12.3
Excise	3.3	2.2	2.9	3.1	3.1	3.8	3.7	3.9	4.0	4.1	4.1	4.1	4.2	4.2	4.3
Other	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.4
Tax on international trade	0.7	0.5	0.6	0.7	0.6	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Other tax	2.6	2.8	1.9	1.8	1.8	1.6	1.6	1.6	1.7	1.7	1.6	1.5	1.4	1.4	1.4
Nontax revenue	3.0	15.8	22.1	9.1	15.4	4.2	3.9	2.4	3.1	2.8	2.7	2.6	2.5	2.4	2.4
Budget support grants 2/	0.0	9.2	6.5	5.8	5.3	0.9	1.0	0.3	1.1	0.8	0.7	0.6	0.6	0.5	0.5
Expenditure	40.5	65.4	74.4	63.8	69.6	59.2	58.4	49.8	45.1	44.1	43.8	42.7	42.3	41.9	41.6
Current	36.6	63.0	69.8	60.6	65.5	54.1	53.6	46.2	40.8	39.3	38.6	37.3	36.9	36.5	36.2
Compensation of employees	9.5	23.7	22.6	21.0	20.7	18.7	18.6	15.3	10.6	10.0	9.7	9.2	9.1	9.1	9.1
Goods and services	8.9	16.2	25.6	12.7	18.2	8.7	8.6	7.0	6.6	6.4	6.7	6.4	6.6	6.8	6.8
Interest	2.8	3.1	3.9	5.1	5.0	5.7	5.6	3.8	3.7	3.4	3.3	3.1	2.8	2.4	2.2
Subsidies to corporations and enterprises	2.1	2.5	2.4	6.1	6.0	7.2	7.2	5.3	3.6	2.9	2.6	2.5	2.4	2.3	2.2
Social benefits	13.3	17.5	15.2	15.8	15.5	13.7	13.5	14.9	16.2	16.5	16.3	16.1	16.0	15.8	15.9
Social programs (on budget)	2.8	5.4	3.7	3.8	3.8	3.4	3.4	4.6	6.0	6.0	6.2	6.2	6.2	6.2	6.2
Pensions	9.5	11.1	11.4	11.6	11.3	10.1	9.9	10.0	10.0	10.3	9.9	9.8	9.6	9.4	9.5
Unemployment, disability, and accident insurance	1.0	0.9	0.1	0.4	0.4	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Other current expenditures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital	3.8	2.5	4.8	2.4	3.4	4.1	4.0	4.3	5.1	5.5	5.9	6.0	6.0	6.0	6.0
Net lending	0.1	0.0	-0.1	0.3	0.3	0.5	0.4	0.4	0.4	0.4	0.4	0.6	0.6	0.6	0.6
Contingency reserve 3/	0.0	0.0	0.0	0.6	0.6	0.5	0.3	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2
General government overall balance	-4.0	-15.6	-19.6	-18.7	-18.9	-19.2	-18.9	-9.9	-3.6	-2.8	-2.7	-1.6	-1.3	-1.0	-0.7
General government overall balance, excluding grants	-4.0	-24.8	-26.1	-24.5	-24.3	-20.0	-19.7	-10.1	-4.6	-3.6	-3.3	-2.2	-1.9	-1.5	-1.2
General government financing	4.0	15.6	19.6	18.7	18.9	19.2	18.9	9.9	3.6	2.8	2.7	1.6	1.3	1.0	0.7
External	2.4	10.7	16.5	15.2	14.8	18.2	18.0	8.9	1.4	0.3	1.4	2.5	2.3	2.1	2.4
Disbursements	4.4	11.7	17.6	17.5	17.0	20.2	19.8	10.8	2.9	2.0	4.2	4.2	4.0	3.7	3.5
Amortizations and other external payments	-2.0	-1.1	-1.1	-2.3	-2.2	-1.9	-1.8	-1.9	-1.5	-1.8	-2.7	-1.8	-1.7	-1.6	-1.1
Domestic (net)	1.6	5.0	3.1	3.5	4.1	1.0	0.9	1.0	2.2	2.5	1.2	-0.8	-1.0	-1.1	-1.6
Bond financing 4/	1.2	5.6	2.8	3.4	4.1	0.8	0.8	0.9	2.1	2.5	1.2	-0.9	-1.0	-1.1	-1.7
o/w NBU	-0.3	7.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.3
o/w Commercial banks	1.5	-1.5	2.5	3.5	4.1	1.0	1.0	0.9	2.2	2.1	1.0	-1.0	-1.1	-1.2	-1.5
Direct bank borrowing	0.6	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deposit finance	-0.3	-0.7	-0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization and other items	0.1	0.4	1.3	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Financing Gap/undidentified measures (-gap/+surplus)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:															
Primary balance 4/	-1.1	-12.5	-15.7	-13.7	-13.9	-13.4	-13.2	-6.0	0.2	0.7	0.7	1.5	1.5	1.5	1.5
Public and publicly-guaranteed debt	48.9	77.7	82.3	95.6	92.2	106.6	104.3	105.8	101.8	96.9	93.6	88.4	84.3	79.3	75.0
Nominal GDP (billions of Ukrainian hryvnia)	5,451	5,239	6,538	7,542	7,629	8,542	8,680	9,874	10,937	11,978	13,105	14,325	15,643	17,082	18,653

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

1/ National methodology, cash basis.

2/ Comprises grants to the general fund.

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

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

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

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

	2021	2022	2023	2024		2025		2026	2027	2028	2029	2030	2031	2032	2033
	Act.	Act.	Act.	EFF 5th Review	Proj.	EFF 5th Review	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Current account balance	-3.9	8.0	-9.6	-14.9	-15.9	-27.1	-29.3	-22.0	-12.2	-10.2	-11.0	-11.7	-12.5	-12.8	-13.5
Goods (net)	-6.6	-14.7	-29.1	-32.1	-29.5	-36.2	-35.1	-34.0	-35.4	-34.9	-34.7	-35.6	-35.1	-34.7	-34.5
Exports	63.1	40.9	34.7	40.1	40.1	42.6	40.7	47.5	52.6	56.0	60.4	65.0	70.5	76.3	82.5
Imports	-69.8	-55.6	-63.8	-72.3	-69.6	-78.8	-75.8	-81.5	-87.9	-90.9	-95.1	-100.5	-105.6	-110.9	-116.9
Services (net)	4.0	-11.1	-8.7	-6.2	-5.8	-3.7	-3.3	5.5	14.4	17.5	17.4	17.9	18.1	18.2	18.2
Receipts	18.4	16.6	16.6	16.7	17.1	17.1	17.5	20.8	26.1	28.4	29.4	30.5	31.6	32.4	33.4
Payments	-14.4	-27.7	-25.3	-22.9	-22.9	-20.8	-20.8	-15.3	-11.7	-10.9	-12.0	-12.7	-13.5	-14.3	-15.1
Primary income (net)	-5.8	8.5	5.0	4.9	-0.3	3.8	-0.3	-1.1	-0.7	-0.9	-1.0	-1.0	-1.2	-1.3	-1.4
Secondary income (net)	4.6	25.2	23.3	18.4	19.7	8.9	9.4	7.6	9.4	8.1	7.3	7.1	5.7	5.0	4.1
Capital account balance	0.0	0.2	0.1	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account balance	-5.5	8.5	-20.9	-18.9	-18.5	-30.2	-31.0	-26.9	-14.8	-13.5	-15.0	-18.3	-17.9	-17.7	-18.9
Direct investment (net)	-7.5	-0.2	-4.4	-3.8	-4.7	-4.0	-4.9	-8.9	-11.9	-13.6	-12.6	-12.8	-12.7	-12.9	-13.1
Portfolio investment (net)	-1.0	2.0	2.7	0.4	1.7	0.8	0.8	0.1	-0.4	0.7	0.8	-0.9	-1.5	-1.6	-1.6
Financial derivatives (net)	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investment (net)	2.9	6.7	-19.1	-15.5	-15.4	-27.0	-27.0	-18.1	-2.5	-0.7	-3.1	-4.5	-3.7	-3.2	-4.2
Other investment: assets	7.7	21.0	11.4	14.8	14.9	9.3	10.7	4.1	2.0	2.0	2.2	2.2	2.4	2.5	2.9
Other investment: liabilities	4.9	14.3	30.6	30.3	30.3	36.3	37.7	22.2	4.6	2.6	5.3	6.7	6.1	5.8	7.0
Net use of IMF resources for budget support	0.2	2.3	3.6	4.0	3.9	1.2	1.2	0.3	0.2	-0.8	-1.8	-1.1	-1.3	-1.4	-1.1
Central Bank	2.7	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General government	1.5	14.7	26.0	25.4	25.5	34.2	35.5	20.1	3.3	2.8	6.5	7.2	6.7	6.5	7.5
Banks 3/	0.4	-0.4	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other sectors	0.0	-2.2	1.1	0.9	0.9	0.9	0.9	1.8	1.0	0.6	0.6	0.6	0.6	0.6	0.6
Errors and omissions	1.8	-0.3	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	3.5	-0.6	13.0	4.1	2.8	3.1	1.7	4.9	2.6	3.3	4.0	6.6	5.4	5.0	5.5
Financing	-3.5	0.6	-13.0	-4.1	-2.8	-3.1	-1.7	-4.9	-2.6	-3.3	-4.0	-6.6	-5.4	-5.0	-5.5
Gross official reserves (increase: -)	-2.5	2.3	-11.4	-3.1	-1.8	-2.3	-1.0	-4.5	-2.2	-3.3	-4.0	-5.5	-4.1	-3.6	-4.4
Net use of IMF resources for BOP support	-0.9	-1.6	-1.6	-1.0	-1.0	-0.8	-0.8	-0.3	-0.4	0.0	0.0	-1.1	-1.3	-1.4	-1.1
Memorandum items:															
Current account balance excluding grants	-3.9	-6.0	-21.2	-25.6	-26.0	-28.8	-30.9	-22.6	-14.7	-12.2	-12.7	-13.5	-14.2	-14.5	-15.2
Current account balance (percent of GDP)	-1.9	4.9	-5.4	-8.1	-8.4	-14.3	-14.6	-10.1	-5.3	-4.1	-4.1	-4.1	-4.1	-3.9	-3.9
Goods and services trade balance (percent of GDP)	-1.3	-15.9	-21.2	-20.8	-18.6	-21.0	-19.2	-13.1	-9.0	-7.0	-6.5	-6.2	-5.6	-5.1	-4.7
Gross international reserves	30.9	28.5	40.5	42.6	42.3	44.9	43.3	47.9	50.1	53.4	57.4	62.8	66.9	70.5	74.9
Months of next year's imports of goods and services	4.5	3.8	5.3	5.1	5.3	5.4	5.4	5.8	5.9	6.0	6.1	6.3	6.4	6.4	6.6
Percent of the IMF composite metric (float)	104.4	103.6	124.1	113.5	112.0	104.7	100.5	100.2	102.0	106.2	108.8	116.0	118.9	121.2	124.2

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

1/ Based on BPM6.

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

3/ Includes banks' debt for equity operations.

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

(Percent of GDP, unless otherwise indicated)

	2021	2022	2023	2024		2025		2026	2027	2028	2029	2030	2031	2032	2033
	Act.	Act.	Act.	EFF 5th Review	Proj.	EFF 5th Review	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Current account balance	-1.9	4.9	-5.4	-8.1	-8.4	-14.3	-14.6	-10.1	-5.3	-4.1	-4.1	-4.1	-4.1	-3.9	-3.9
Goods (net)	-3.3	-9.0	-16.3	-17.5	-15.5	-19.1	-17.5	-15.7	-15.3	-14.1	-13.1	-12.5	-11.6	-10.7	-9.9
Exports	31.6	25.2	19.4	21.8	21.1	22.4	20.3	21.9	22.7	22.6	22.7	22.9	23.2	23.5	23.8
Imports	-34.9	-34.3	-35.7	-39.2	-36.7	-41.5	-37.9	-37.5	-37.9	-36.6	-35.8	-35.4	-34.8	-34.2	-33.8
Services (net)	2.0	-6.8	-4.9	-3.4	-3.0	-1.9	-1.6	2.5	6.2	7.1	6.6	6.3	6.0	5.6	5.3
Receipts	9.2	10.3	9.3	9.1	9.0	9.0	8.8	9.6	11.3	11.4	11.1	10.8	10.4	10.0	9.6
Payments	-7.2	-17.1	-14.2	-12.5	-12.1	-11.0	-10.4	-7.0	-5.0	-4.4	-4.5	-4.5	-4.4	-4.4	-4.4
Primary income (net)	-2.9	5.2	2.8	2.7	-0.1	2.0	-0.2	-0.5	-0.3	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4
Secondary income (net)	2.3	15.6	13.0	10.0	10.4	4.7	4.7	3.5	4.0	3.2	2.7	2.5	1.9	1.5	1.2
Capital account balance	0.0	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account balance	-2.8	5.3	-11.7	-10.3	-9.7	-15.9	-15.5	-12.4	-6.4	-5.5	-5.6	-6.4	-5.9	-5.5	-5.5
Direct investment (net)	-3.8	-0.1	-2.5	-2.0	-2.5	-2.1	-2.4	-4.1	-5.2	-5.5	-4.8	-4.5	-4.2	-4.0	-3.8
Portfolio investment (net)	-0.5	1.3	1.5	0.2	0.9	0.4	0.4	0.1	-0.2	0.3	0.3	-0.3	-0.5	-0.5	-0.5
Financial derivatives (net)	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investment (net)	1.4	4.1	-10.7	-8.4	-8.1	-14.2	-13.5	-8.3	-1.1	-0.3	-1.2	-1.6	-1.2	-1.0	-1.2
Other investment: assets	3.9	12.9	6.4	8.0	7.9	4.9	5.3	1.9	0.9	0.8	0.8	0.8	0.8	0.8	0.8
Other investment: liabilities	2.4	8.8	17.1	16.4	16.0	19.1	18.8	10.2	2.0	1.1	2.0	2.4	2.0	1.8	2.0
Net use of IMF resources for budget support	0.1	1.4	2.0	2.2	2.0	0.6	0.6	0.1	0.1	-0.3	-0.7	-0.4	-0.4	-0.4	-0.3
Central Bank	1.4	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General government	0.8	9.1	14.6	13.8	13.4	18.0	17.8	9.2	1.4	1.1	2.4	2.5	2.2	2.0	2.2
Banks 3/	0.2	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other sectors	0.0	-1.3	0.6	0.5	0.5	0.5	0.5	0.9	0.5	0.2	0.2	0.2	0.2	0.2	0.2
Errors and omissions	0.9	-0.2	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	1.7	-0.4	7.3	2.2	1.5	1.6	0.9	2.2	1.1	1.3	1.5	2.3	1.8	1.5	1.6
Financing	-1.7	0.4	-7.3	-2.2	-1.5	-1.6	-0.9	-2.2	-1.1	-1.3	-1.5	-2.3	-1.8	-1.5	-1.6
Gross official reserves (increase: -)	-1.3	1.4	-6.4	-1.7	-0.9	-1.2	-0.5	-2.1	-1.0	-1.3	-1.5	-1.9	-1.4	-1.1	-1.3
Net use of IMF resources for BOP support	-0.5	-1.0	-0.9	-0.6	-0.5	-0.4	-0.4	-0.1	-0.2	0.0	0.0	-0.4	-0.4	-0.4	-0.3
Memorandum items:															
Current account balance excluding grants	-1.9	-3.7	-11.9	-13.9	-13.7	-15.2	-15.4	-10.4	-6.3	-4.9	-4.8	-4.7	-4.7	-4.5	-4.4
Gross international reserves (USD billions)	30.9	28.5	40.5	42.6	42.3	44.9	43.3	47.9	50.1	53.4	57.4	62.8	66.9	70.5	74.9
Months of next year's imports of goods and services	4.5	3.8	5.3	5.1	5.3	5.4	5.4	5.8	5.9	6.0	6.1	6.3	6.4	6.4	6.6
Percent of the IMF composite metric (float)	104.4	103.6	124.1	113.5	112.0	104.7	100.5	100.2	102.0	106.2	108.8	116.0	118.9	121.2	124.2

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

1/ Based on BPM6.

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

3/ Includes banks' debt for equity operations.

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

(Billions of U.S. dollars)

	2021	2022	2023	2024		2025		2026	2027	2028	2029	2030	2031	2032	2033
	Act.	Act.	Act.	EFF 5th Review	Proj.	EFF 5th Review	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
A. Total financing requirements	**20.3**	**31.9**	**39.7**	**46.9**	**48.9**	**42.8**	**46.3**	**31.9**	**20.7**	**19.0**	**24.2**	**21.9**	**24.2**	**22.9**	**22.9**
Current account deficit (excl. budget grants)	3.9	6.0	21.2	25.6	26.0	28.8	30.9	22.6	14.7	12.2	12.7	13.5	14.2	14.5	15.2
Portfolio investment	4.9	2.7	4.9	3.5	5.0	1.8	1.8	2.5	0.1	1.2	4.3	2.1	2.8	0.9	0.9
Private	0.6	0.9	2.5	2.9	3.3	1.5	1.5	2.1	0.0	1.1	3.1	1.5	2.8	0.9	0.8
Public	4.3	1.8	2.4	0.5	1.6	0.4	0.4	0.4	0.1	0.1	1.2	0.5	0.0	0.0	0.0
Medium and long-term debt	3.6	2.1	2.2	3.1	3.1	2.9	2.9	2.8	3.8	3.6	4.9	4.2	4.7	4.9	4.0
Private	2.7	1.1	1.3	1.5	1.5	1.5	1.5	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Banks	0.2	0.2	0.2	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Corporates	2.5	0.9	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Public	0.9	1.0	0.9	1.6	1.6	1.4	1.4	1.4	2.4	2.2	3.5	2.8	3.3	3.5	2.6
Other net capital outflows 1/	7.9	21.0	11.4	14.8	14.9	9.3	10.7	4.1	2.0	2.0	2.2	2.2	2.4	2.5	2.9
B. Total financing sources	**20.0**	**0.7**	**9.6**	**11.0**	**12.2**	**9.0**	**10.3**	**16.7**	**17.1**	**18.1**	**20.1**	**19.8**	**21.0**	**19.4**	**19.7**
Capital transfers	0.0	0.2	0.1	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment, net	7.5	0.2	4.4	3.8	4.7	4.0	4.9	8.9	11.9	13.6	12.6	12.8	12.7	12.9	13.1
Portfolio investment	6.0	0.7	2.2	3.1	3.3	1.0	1.0	2.3	0.5	0.5	3.5	3.0	4.3	2.5	2.5
Private	1.8	0.2	-0.1	2.5	2.5	1.0	1.0	2.3	0.5	0.5	2.5	1.0	2.3	0.5	0.5
Public	4.2	0.5	2.2	0.6	0.8	0.0	0.0	0.0	0.0	0.0	1.0	2.0	2.0	2.0	2.0
Medium and long-term debt	6.8	2.6	2.4	3.2	3.2	3.1	3.6	3.7	3.7	3.5	3.5	3.5	3.5	3.5	3.5
Private	3.0	1.5	1.8	1.7	1.7	1.6	1.6	1.6	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Banks	0.2	0.0	0.1	0.5	0.5	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Corporates	2.8	1.4	1.7	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Public (incl. project financing)	3.8	1.1	0.6	1.5	1.5	1.5	2.0	2.1	2.2	2.0	2.0	2.0	2.0	2.0	2.0
Short-term debt (incl. deposits)	-0.3	-2.9	0.5	0.8	0.8	0.8	0.8	1.7	0.9	0.5	0.5	0.5	0.5	0.5	0.5
C. Financing needs (A - B)	**0.3**	**31.1**	**30.1**	**35.9**	**36.7**	**33.8**	**36.0**	**15.3**	**3.6**	**0.9**	**4.0**	**2.1**	**3.2**	**3.4**	**3.3**
D. Official financing	**1.0**	**29.2**	**39.9**	**39.0**	**38.4**	**36.1**	**37.0**	**19.8**	**5.8**	**4.2**	**8.0**	**7.6**	**7.3**	**7.0**	**7.7**
IMF	-0.7	0.6	1.9	2.9	2.8	0.4	0.4	-0.1	-0.2	-0.8	-1.8	-2.2	-2.5	-2.8	-2.1
Purchases	0.7	2.7	4.5	5.3	5.3	2.7	2.7	1.9	1.1	0.0	0.0	0.0	0.0	0.0	0.0
Repurchases	1.4	2.1	2.5	2.4	2.5	2.3	2.3	2.0	1.2	0.8	1.8	2.2	2.5	2.8	2.1
Official budget grants	0.0	14.0	11.6	10.6	10.1	1.6	1.6	0.6	2.5	2.0	1.7	1.7	1.7	1.7	1.7
Official budget loans	1.7	14.5	26.4	25.4	25.5	34.1	35.0	19.3	3.5	3.1	8.0	8.0	8.0	8.0	8.0
F. Increase in reserves	**2.5**	**-2.3**	**11.4**	**3.1**	**1.8**	**2.3**	**1.0**	**4.5**	**2.2**	**3.3**	**4.0**	**5.5**	**4.1**	**3.6**	**4.4**
F. Errors and omissions	**1.8**	**-0.3**	**1.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Memorandum items:															
Gross international reserves	30.9	28.5	40.5	42.6	42.3	44.9	43.3	47.9	50.1	53.4	57.4	62.8	66.9	70.5	74.9
Months of next year's imports of goods and services	4.5	3.8	5.3	5.1	5.3	5.4	5.4	5.8	5.9	6.0	6.1	6.3	6.4	6.4	6.6
Percent of the IMF composite (float) 2/	104.4	103.6	124.1	113.5	112.0	104.7	100.5	100.2	102.0	106.2	108.8	116.0	118.9	121.2	124.2

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

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

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

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

(Billions of Ukrainian Hryvnia)

	2021	2022	2023	2024		2025		2026	2027	2028	2029	2030	2031	2032	2033
	Act.	Act.	Act.	EFF 5th Review	Proj.	EFF 5th Review	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Monetary survey															
Net foreign assets	850	1,252	1,926	2,155	2,047	2,300	2,163	2,435	2,609	2,811	3,185	3,615	4,062	4,467	4,932
Net domestic assets	1,221	1,249	1,151	1,394	1,544	1,720	1,943	2,167	2,459	2,769	2,959	3,119	3,291	3,564	3,836
Domestic credit	1,925	2,212	2,248	2,585	2,680	2,793	2,921	3,383	3,878	4,426	4,870	5,076	5,438	5,866	6,338
Net claims on government	898	1,218	1,259	1,506	1,576	1,576	1,674	1,874	2,104	2,397	2,548	2,418	2,258	2,060	1,783
Credit to the economy	1,023	991	986	1,075	1,101	1,213	1,243	1,504	1,768	2,024	2,316	2,651	3,173	3,798	4,546
Domestic currency	731	725	733	812	835	945	969	1,227	1,495	1,753	2,047	2,386	2,913	3,542	4,294
Foreign currency	292	266	253	263	266	268	274	276	274	271	269	265	261	256	252
Other claims on the economy	5	4	3	3	3	4	4	5	5	5	6	7	7	8	9
Other items, net	-704	-963	-1,097	-1,190	-1,137	-1,073	-978	-1,215	-1,418	-1,657	-1,911	-1,957	-2,147	-2,303	-2,502
Broad money	2,071	2,501	3,077	3,549	3,590	4,020	4,107	4,602	5,069	5,581	6,144	6,734	7,354	8,030	8,769
Currency in circulation	581	666	716	790	799	894	914	1,024	1,128	1,242	1,367	1,541	1,733	1,934	2,140
Total deposits	1,489	1,834	2,360	2,759	2,791	3,125	3,192	3,577	3,940	4,338	4,776	5,192	5,619	6,095	6,627
Domestic currency deposits	1,014	1,204	1,628	1,863	1,936	2,118	2,237	2,582	2,863	3,170	3,508	3,823	4,147	4,511	4,924
Foreign currency deposits	474	630	732	895	855	1,006	955	995	1,077	1,168	1,267	1,369	1,472	1,584	1,703
Accounts of the NBU															
Net foreign assets	701	907	1,456	1,647	1,562	1,801	1,679	1,959	2,144	2,368	2,731	3,158	3,596	3,996	4,453
Net international reserves	566	670	1,078	1,209	1,144	1,345	1,237	1,499	1,666	1,886	2,233	2,653	3,076	3,467	3,911
(In billions of U.S. dollars)	20.8	18.3	28.4	…	…	…	…	…	…	…	…	…	…	…	…
Reserve assets	844	1,042	1,539	…	…	…	…	…	…	…	…	…	…	…	…
Other net foreign assets	134	238	378	438	418	456	443	460	477	483	498	505	520	528	542
Net domestic assets	-38	-115	-479	-507	-439	-510	-362	-485	-520	-581	-764	-965	-1,157	-1,297	-1,482
Net domestic credit	175	312	6	21	29	-151	-106	-52	48	135	111	-139	-235	-328	-424
Net claims on government	270	704	591	567	567	551	551	536	522	509	495	482	468	454	440
Claims on government	325	758	729	717	717	704	704	691	680	669	658	647	636	625	614
Net claims on banks	-95	-392	-585	-545	-538	-702	-657	-588	-474	-374	-384	-621	-703	-782	-864
Other items, net	-213	-427	-485	-528	-467	-359	-256	-432	-568	-716	-875	-826	-922	-969	-1,058
Base money	662	793	977	1,140	1,124	1,291	1,317	1,474	1,623	1,787	1,967	2,193	2,438	2,699	2,971
Currency in circulation	581	666	716	790	799	894	914	1,024	1,128	1,242	1,367	1,541	1,733	1,934	2,140
Banks' reserves	81	126	261	350	325	396	403	450	496	545	600	652	706	765	832
Cash in vault	47	49	48	56	57	64	65	73	80	88	97	106	114	124	135
Correspondent accounts	35	77	213	294	268	333	338	378	415	457	503	547	591	641	697
Deposit money banks															
Net foreign assets	149	345	470	508	484	500	484	476	466	443	454	457	467	471	479
Foreign assets	254	427	550	623	594	640	621	643	663	667	685	691	708	716	731
Foreign liabilities	105	82	80	114	110	140	137	167	198	224	231	234	241	245	251
Net domestic assets	1,339	1,489	1,890	2,250	2,306	2,625	2,708	3,101	3,474	3,894	4,321	4,734	5,152	5,623	6,147
Domestic credit	1,875	2,064	2,540	2,951	3,014	3,379	3,468	3,923	4,363	4,874	5,396	5,905	6,416	6,996	7,631
Net claims on government 1/	628	513	668	939	1,009	1,025	1,123	1,338	1,582	1,888	2,052	1,937	1,790	1,606	1,343
Credit to the economy	1,023	991	986	1,075	1,101	1,213	1,243	1,503	1,768	2,024	2,316	2,651	3,173	3,798	4,546
Other claims on the economy	5	3	3	3	3	4	4	5	5	5	6	7	7	8	9
Net claims on NBU	220	594	883	933	901	1,137	1,098	1,077	1,007	957	1,022	1,311	1,446	1,585	1,734
Other items, net	-536	-574	-650	-701	-708	-754	-761	-822	-889	-980	-1,075	-1,171	-1,265	-1,373	-1,484
Banks' liabilities	1,488	1,834	2,360	2,759	2,790	3,124	3,192	3,577	3,939	4,337	4,775	5,191	5,618	6,094	6,627
Memorandum items:															
Base money	11.2	19.6	23.3	16.7	15.0	13.2	17.2	12.0	10.1	10.1	10.1	11.5	11.2	10.7	10.1
Currency in circulation	12.6	14.6	7.5	10.3	11.5	13.3	14.4	12.1	4.8	5.8	6.8	7.8	8.8	9.8	10.8
Broad money	12.0	20.8	23.0	15.4	16.7	13.3	14.4	12.1	10.1	10.1	10.1	9.6	9.2	9.2	9.2
Credit to the economy	8.4	-3.1	-0.5	9.0	11.6	12.9	12.9	21.0	17.6	14.4	14.5	14.4	19.7	19.7	19.7
Real credit to the economy 2/	-1.5	-23.5	-5.3	0.0	1.5	5.0	5.0	13.5	12.0	9.0	9.0	9.0	14.0	14.0	14.0
Credit-to-GDP ratio, in percent	18.8	18.9	15.1	14.3	14.4	14.2	14.3	15.2	16.2	16.9	17.7	18.5	20.3	22.2	24.4
Velocity of broad money, ratio	2.6	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.2	2.1	2.1	2.1	2.1	2.1	2.1
Money multiplier, ratio	3.1	3.2	3.1	3.1	3.2	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.0	3.0	3.0
Hryvnia per U.S. dollar (end of period)	27.3	36.6	38.0	…	…	…	…	…	…	…	…	…	…	…	…

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

1/ Includes claims for recapitalization of banks.

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

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

(In millions of SDR)

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Projections									
Existing Fund credit										
Stock 1/	10,432	8,696	7,198	6,285	5,673	4,589	3,504	2,419	1,195	473
Obligations	2,536	2,311	1,967	1,293	943	1,379	1,335	1,291	1,387	842
Principal (repurchases)	1,780	1,736	1,498	913	612	1,085	1,085	1,085	1,224	723
Interest charges	757	574	469	380	332	294	250	207	163	120
of which: Surcharges	168	102	59	23	4	0	0	0	0	0
Prospective purchases										
Disbursements	4,003	2,022	1,449	795	0	0	0	0	0	0
Stock 1/	835	2,857	4,305	5,100	5,100	4,854	4,319	3,535	2,685	1,835
Obligations 2/	4	113	239	331	345	569	804	980	982	947
Principal (repurchases)	0	0	0	0	0	246	534	784	850	850
of which: Surcharges	0	42	94	133	139	119	80	32	0	0
Stock of existing and prospective Fund credit 1/	11,267	11,553	11,503	11,385	10,773	9,442	7,823	5,955	3,881	2,308
In percent of quota 2/	560	574	572	566	536	469	389	296	193	115
In percent of GDP	8.0	7.8	7.1	6.6	5.9	4.8	3.7	2.6	1.6	0.9
In percent of exports of goods and nonfactor services	26.4	26.7	22.6	19.5	17.2	14.2	11.0	7.9	4.8	2.7
In percent of gross reserves	35.7	35.8	32.3	30.6	27.2	22.2	16.8	12.0	7.4	4.2
In percent of public external debt	14.6	11.1	9.7	9.5	8.8	7.5	6.0	4.4	2.8	1.6
Obligations to the Fund from existing and prospective Fund credit	2,540	2,424	2,206	1,624	1,288	1,947	2,139	2,272	2,369	1,789
In percent of quota	126.3	120.5	109.7	80.7	64.0	96.8	106.3	112.9	117.7	88.9
In percent of GDP	1.8	1.6	1.4	0.9	0.7	1.0	1.0	1.0	1.0	0.7
In percent of exports of goods and nonfactor services	6.0	5.6	4.3	2.8	2.1	2.9	3.0	3.0	2.9	2.1
In percent of gross reserves	8.0	7.5	6.2	4.4	3.3	4.6	4.6	4.6	4.5	3.2
In percent of public external debt service	94.8	76.1	68.7	38.7	31.5	38.3	46.5	45.1	44.9	37.8

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

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

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

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

Table 12. Ukraine: Quantitative Performance Criteria and Indicative Targets

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

	Sep 2024					Dec 2024		Mar 2025		Jun 2025		Sep 2025		Dec 2025
	QPC	Adjustor	Adjusted QPC	Actual	Status	EBS/24/108	QPC	EBS/24/108	QPC	EBS/24/108	Proposed QPC	EBS/24/108	Proposed IT	Proposed IT
I. Quantitative Performance Criteria 1/ 2/														
Floor on the non-defense cash primary balance of the general government, excluding budget support grants (- implies a deficit) 2/	368,313	0	368,313	650,954	Met	415,410	415,410	254,800	254,800	546,800	547,200	751,000	752,400	822,000
Floor on tax revenues (excluding Social Security Contributions)	1,398,600	0	1,398,600	1,527,903	Met	2,042,250	2,042,250	485,000	485,000	1,019,600	1,019,600	1,622,200	1,622,200	2,491,045
Ceiling on publicly guaranteed debt	47,900	13,718	61,618	22,667	Met	47,900	47,900	62,860	62,860	62,860	64,357	62,860	64,357	64,357
Floor on net international reserves (in millions of U.S. dollars) 3/	28,800	-4,435	24,365	24,988	Met	26,300	26,300	23,800	24,300	24,800	24,800	23,000	23,000	23,000
II. Indicative Targets 1/ 2/														
Floor on the cash balance of the general government, excluding budget support grants (- implies a deficit)	-1,123,107	0	-1,123,107	-898,146	Met	-1,557,208	-1,801,685	-342,400	-342,100	-719,000	-718,400	-1,146,900	-1,146,000	-1,710,400
Ceiling on general government arrears	1,800	0	1,800	1,687	Met	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800
Floor on social spending	390,000	0	390,000	427,680	Met	537,800	537,800	135,000	132,000	270,000	271,200	410,000	414,000	560,900
Ceiling on general government borrowing from the NBU 4/ 5/	0	0	0	-33	Met	0	0	-984	-984	-4,100	-4,100	-1,500	-1,500	-6,500
III. Continuous performance criterion 1/ 2/														
Ceiling on non-accumulation of new external debt payments arrears by the general government	0	0	0	0	Met	0	0	0	0	0	0	0	0	0
IV. Memorandum items														
External project financing (in millions of U.S. dollars)	271	…	…	271	…	1,496	1,496	191	191	572	572	1,144	1,144	1,906
External budget financing (in millions of U.S. dollars) 6/	21,310	…	…	21,310	…	35,367	35,367	9,105	9,105	19,282	19,282	27,280	27,280	35,813
Budget support grants (in millions of U.S. dollars)	6,556	…	…	6,556	…	10,012	10,012	429	429	965	965	1,286	1,286	1,608
Budget support loans (in millions of U.S. dollars) 6/	14,754	…	…	14,754	…	25,355	25,355	8,677	8,677	18,318	18,318	25,994	25,994	34,206
Interest payments	284,320	…	…	284,320	…	429,820	429,820	86,700	86,200	244,800	244,600	366,600	366,100	488,800
NBU profit transfers to the government	38,000	…	…	38,643	…	38,000	38,000	0	0	63,861	63,900	63,861	63,900	63,900
Government bonds for the purposes of bank recapitalization and DGF financing	0	…	…	0	…	0	0	0	0	0	0	0	0	0
Spending from receipts resulting from sales of confiscated Russian assets and transfers of bank accounts	0	…	…	16,737	…	23,743	23,743	0	0	0	0	0	0	0
Spending on gas purchases, PSO compensation and transfer to GTSO	60,000	…	…	0	…	60,000	60,000	0	0	0	0	0	0	0
Cash balance of the general government, excluding budget support grants, treasury report at current exchange rates (- implies a deficit; in billions of Ukrainian hryvnia)	-1,046.6	…	…	-969.4	…	-1,741.1	-1,850.4	-342.4	-342.1	-719.0	-718.4	-1,146.9	-1,146.0	-1,710.4

Sources: Ukranian authorities and IMF staff estimates and projections.

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

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

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

4/ From end of previous quarter.

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

6/ Excludes prospective IMF disbursements under the EFF.

Annex I. Risk Assessment Matrix[1]

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

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

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

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

Annex II. Sovereign Risk and Debt Sustainability Analysis

This updated Sovereign Risk and Debt Sustainability Analysis (SRDSA) is based on a baseline scenario and, as before, it is complemented by a downside scenario. Following the convention thus far under the program, only agreed debt restructurings are incorporated, implying that the terms of the August 2024 Eurobond restructuring are included but all other claims in the authorities' restructuring perimeter maintain their pre-restructuring terms. These analyses continue to show that although the Eurobond restructuring is an important step forward, further steps are needed to restore debt sustainability, including: (i) completing the remainder of the restructuring strategy with sufficiently deep debt treatments, (ii) fiscal adjustment, and (iii) financing on sufficiently concessional terms during and after the program. Under the program, the authorities are making progress on these three fronts. First, they plan to undertake a revenue-based fiscal adjustment and have recently enacted important tax measures to this effect. Official donors have provided commitments for exceptional financial support and assurances of a debt restructuring before the final review of the program. A credible process continues on the remaining steps of the external commercial debt restructuring. Thus, the debt sustainability assessment remains that public debt is sustainable on a forward-looking basis.

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

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

- *Revisions to the macroeconomic outlook*: Staff has made modest adjustments relative to the Fifth Review, and the baseline remains aligned with the Supplementary Budget for 2024, the enacted 2025 Budget, and revised defense spending outlook for the medium term. It also envisages revenue mobilization in line with the authorities' plans, including the recently enacted tax package. Real GDP growth has been marked up 1 pp to 4.0 percent in 2024 and is unchanged in 2025. Subsequent years remain little changed, and consistent with a measured reconstruction, with real GDP exceeding its pre-war level starting in 2031. Inflation has risen recently a little more than expected, entailing minor revisions to projections. In the downside, the war continues to extend until mid-2026.

- *Financing assumptions:* Relative to the Fifth Review, changes to the baseline scenario reflect the current assumption on total official external financing, which now amounts to US$121.7 billion (excluding the IMF) over the program period. ERA financing comprises US$33.1 billion of the total and its phasing has been updated to reflect the latest information from G7 members. Pending finalized proposals from the G7 members on their terms and conditions, staff has maintained its conservative forecasting assumptions from the Fifth Review. Specifically, the DSA considers ERA financing as loans on terms similar to the EU's MFA.[1] Staff will continue monitoring the evolution of proposals and incorporate them according to their contractual terms and appropriate statistical treatment when final agreements, both on the ERA financing and the ULCM, are made available. Staff is also continuing to monitor the provision of 2024 U.S. budget support under the provisions of the Ukraine Security Supplemental Appropriations Act.[2]Recently, the first half of this financing was formally cancelled upon becoming eligible for such cancelation. At this time, no information suggests a change in circumstances regarding the financing arrangement with the United States and staff continues treating the second half of this transaction as a contingent liability. As expected, a portion of the U.S. financing for 2024 has been channeled through the World Bank's SPUR facility. After the program, there are no commitments from external donors, and budget support disbursements from these partners are expected to be lower, around US$5–12 billion per year. Reflecting the exceptional uncertainty and in view of the remaining debt treatments, the baseline continues to envisage a return to market access only in 2029.

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

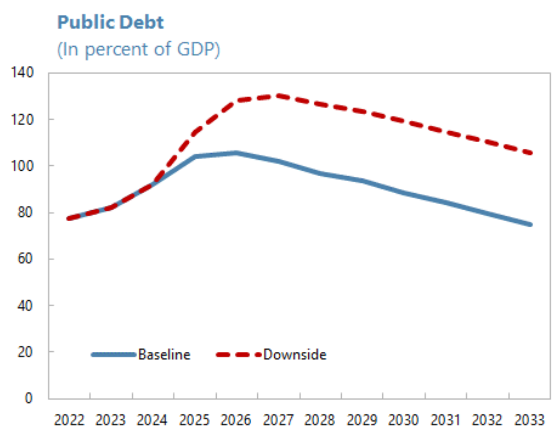
- *Debt and GFN trajectories*: The current estimate for the end-2023 debt outturn is the same as in the Fifth Review at 82 percent of GDP. In both the baseline and downside scenarios, the paths of the debt-to-GDP ratios follow a similar trajectory as in the last SRDSA—rising at first, before resuming a downward trend over the medium run. Relative to the Fifth Review gross financing

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

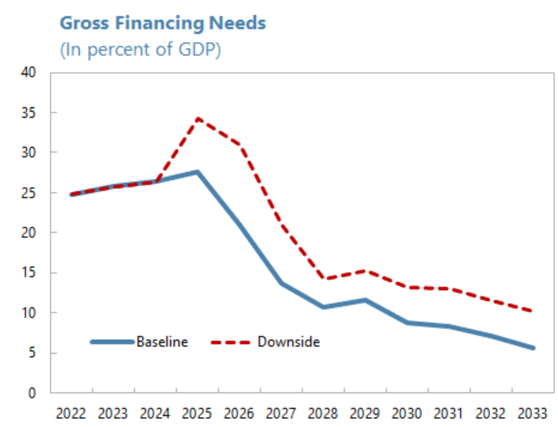
[2] U.S. budget support for 2024 is being disbursed along with an arrangement specifying conditions where the amounts disbursed could be repaid in 40 years.

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

needs are now slightly higher in both the baseline and downside as higher inflation is assumed to have resulted in higher borrowing costs on domestic government bonds.



Sources: IMF staff estimates.



Sources: IMF staff estimates.

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

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

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

4. The debt restructuring targets from the Fifth Review, which arise from indicative modeling remain appropriate:

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

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

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

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

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

DSA Summary Assessment

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

Source: Fund staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

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

						Comments
1. Debt coverage in the DSA: 1/	CG	GG	NFPS	CPS	Other	
1a. If central government, are non-central government entities insignificant?					n.a.	

2. Subsectors included in the chosen coverage in (1) above:

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

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

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

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

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

Reporting on Intra-Government Debt Holdings

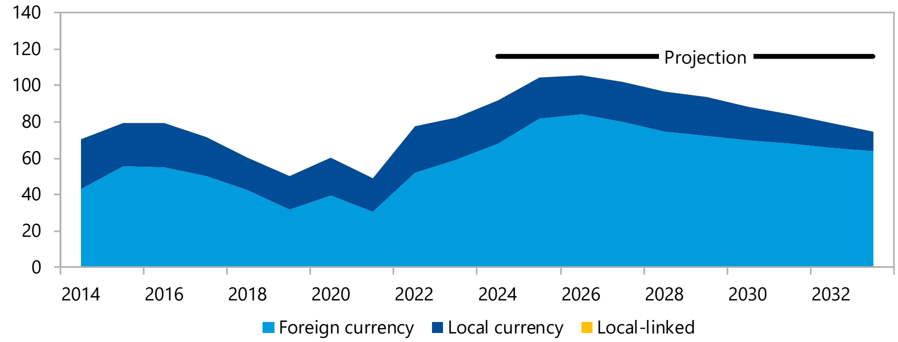
				Issuer \ Holder	Budget. central govt	Extra-budget. funds	Social security funds	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
CPS	NFPS	GG: expected	CG	1 Budget. central govt									0
				2 Extra-budget. funds									0
				3 Social security funds									0
				4 State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

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

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

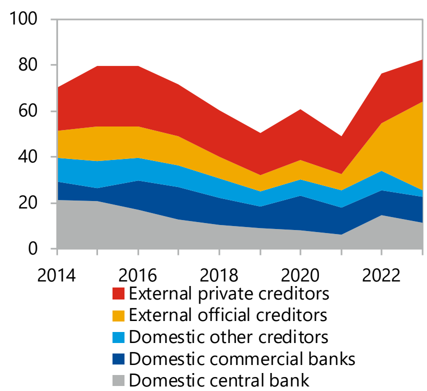
Annex II. Figure 3. Ukraine: Public Debt Structure Indicators

Debt by Currency (Percent of GDP)



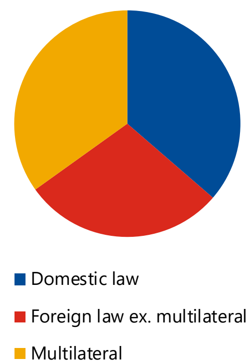
Note: The perimeter shown is general government.

Public Debt by Holder (Percent of GDP)



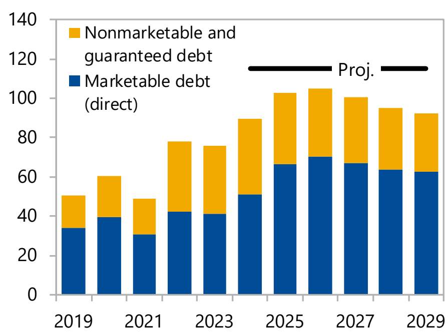
Note: The perimeter shown is general government.

Public Debt by Governing Law, 2022 (Percent)



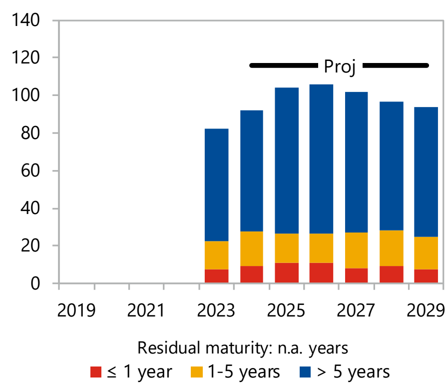
Note: The perimeter shown is general government.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is general government.

Public Debt by Maturity (Percent of GDP)



Note: The perimeter shown is general government.

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

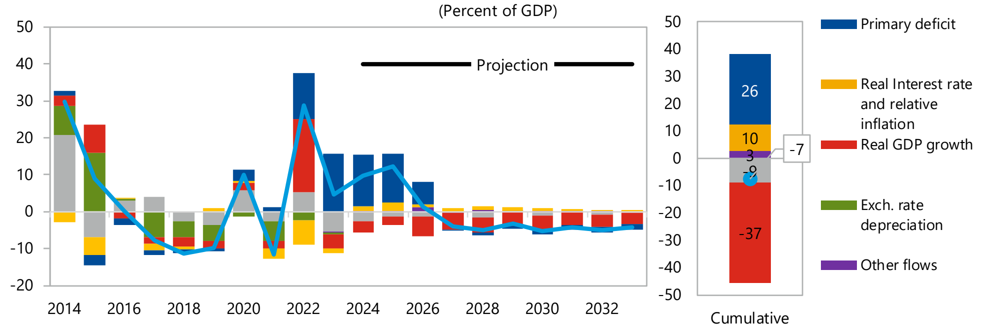
Annex II. Figure 4. Ukraine: Baseline Scenario (Post-Eurobond Restructuring)

(Percent of GDP Unless Indicated Otherwise)

	Actual	Medium-term projection						Extended projection			
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Public debt	82.3	92.2	104.3	105.8	101.8	96.9	93.6	88.4	84.3	79.3	75.0
Change in public debt	4.6	9.8	12.2	1.5	-4.0	-4.9	-3.3	-5.2	-4.1	-5.0	-4.3
Contribution of identified flows	9.9	12.3	13.5	2.7	-3.7	-3.4	-3.4	-4.2	-4.1	-4.2	-4.1
Primary deficit	15.7	13.9	13.2	6.0	-0.2	-0.7	-0.7	-1.5	-1.5	-1.5	-1.5
Noninterest revenues	54.8	50.7	39.5	39.9	41.5	41.3	41.1	41.1	41.0	40.9	40.9
Noninterest expenditures	70.5	64.6	52.7	45.9	41.4	40.6	40.5	39.6	39.5	39.5	39.4
Automatic debt dynamics	-5.6	-1.9	0.0	-4.5	-3.5	-3.2	-3.0	-2.9	-2.7	-2.8	-2.7
Real interest rate and relative inflation	-1.2	1.3	2.3	0.8	1.1	1.0	0.9	0.8	0.7	0.5	0.4
Real interest rate	-7.1	-3.6	-3.1	-3.5	-2.0	-1.2	-1.1	-1.2	-1.2	-1.4	-1.5
Relative inflation	6.0	4.9	5.4	4.3	3.1	2.2	2.1	2.0	1.9	1.9	1.8
Real growth rate	-3.9	-3.2	-2.2	-5.3	-4.6	-4.2	-3.9	-3.7	-3.4	-3.2	-3.0
Real exchange rate	-0.5	...	...	...	...	...	...	...	...	...	...
Other identified flows	-0.2	0.3	0.2	1.2	-0.1	0.4	0.2	0.1	0.1	0.1	0.1
Contingent liabilities and other transactions	0.0	0.4	0.3	1.3	0.0	0.4	0.2	0.2	0.2	0.1	0.1
(minus) Interest Revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0
Contribution of residual	-5.3	-2.5	-1.4	-1.3	-0.3	-1.4	0.1	-1.0	-0.1	-0.8	-0.3
Gross financing needs	25.8	26.4	27.6	21.1	13.7	10.8	11.6	8.7	8.4	7.2	5.7
of which: debt service	10.0	12.1	14.0	13.8	13.9	11.0	12.0	10.0	9.7	8.6	7.0
Local currency	6.9	7.6	9.5	9.6	10.5	7.6	7.7	6.7	6.5	5.5	4.4
Foreign currency	3.1	4.5	4.5	4.2	3.5	3.4	4.3	3.4	3.2	3.1	2.6
Memo:											
Real GDP growth (percent)	5.3	4.0	2.5	5.3	4.5	4.3	4.2	4.1	4.0	4.0	4.0
Inflation (GDP deflator; percent)	18.5	12.2	11.0	8.0	6.0	5.0	5.0	5.0	5.0	5.0	5.0
Nominal GDP growth (percent)	24.8	16.7	13.8	13.8	10.8	9.5	9.4	9.3	9.2	9.2	9.2
Effective interest rate (percent)	7.0	7.1	7.1	4.2	3.9	3.7	3.7	3.6	3.5	3.2	3.0

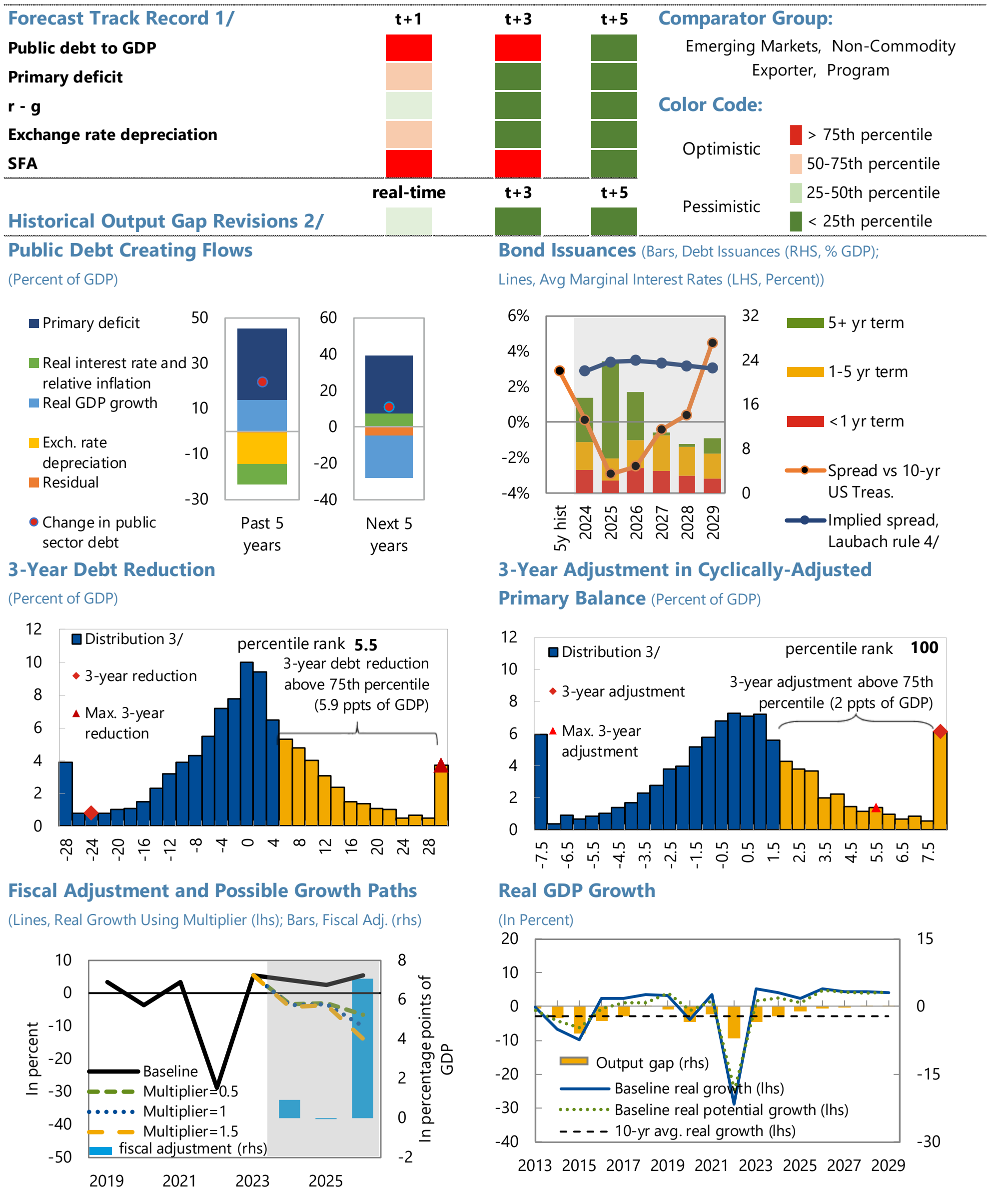
Contribution to Change in Public Debt

(Percent of GDP)



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

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



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

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

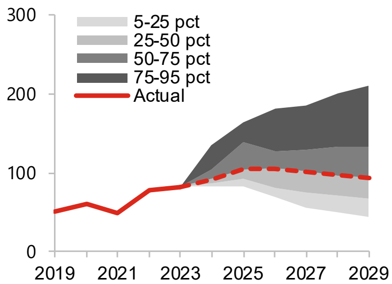
2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates and final estimates in the latest October WEO) in the total distribution of revisions across the data sample.

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

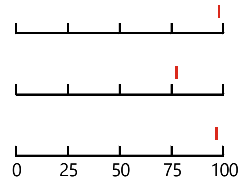
4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

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

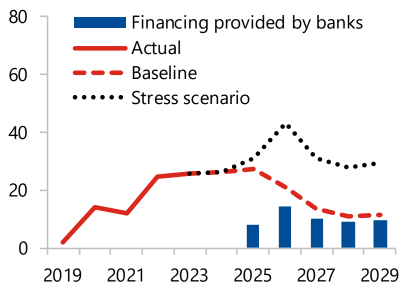
Final Fanchart (Pct of GDP)



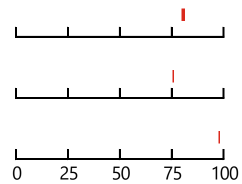
	Value	Contrib [1/]	Percentile in peer group [2/]
Debt fanchart module			
Fanchart width *(percent of GDP)*	166.3	2.4	
Probability of debt non-stabilization *(percent)*	17.0	0.1	
Terminal debt-to-GDP x institutions index	66.0	1.4	
Debt fanchart index (DFI)		4.0	
Risk signal: [3/]		**High**	



Gross Financing Needs (Pct of GDP)

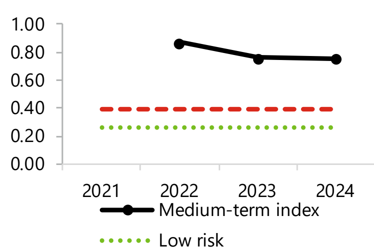


	Value	Contrib [1/]	Percentile in peer group [2/]
Gross financing needs (GFN) module			
Average baseline GFN *(percent of GDP)*	18.5	6.3	
Banks' claims on the ge govt *(pct bank assets)*	22.9	7.4	
Chg. In banks' claims in stress *(pct banks' assets)*	56.3	18.8	
GFN financeability index (GFI)		32.6	
Risk signal: [4/]		**High**	



Banking crisis Commodity prices Exchange rate Contingent liab. Natural disaster

Medium-Term Index (Index Number)



Medium-term risk analysis

	Value	Norm. Value	Weight	Contrib-ution
Debt fanchart index	4.0	0.89	0.50	0.44
GFN financeability index	32.6	0.63	0.50	0.31
Medium-term index		0.8		
Risk signal: 5/	**High**			
Final assessment:	**High**			

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

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

Source: IMF staff estimates and projections.

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

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

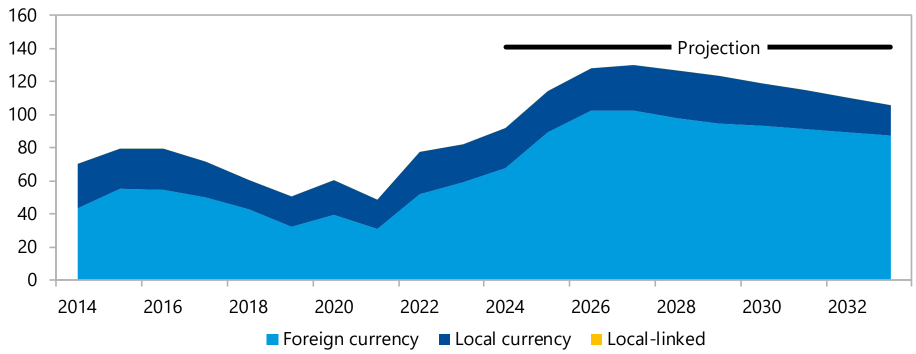
3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.

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

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

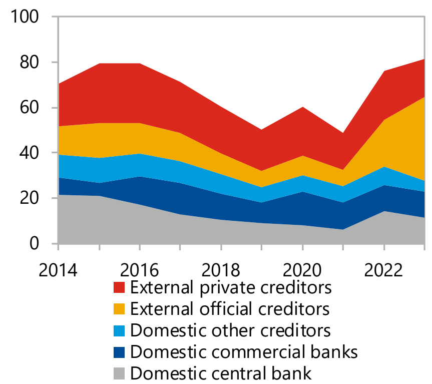
Annex II. Figure 7. Ukraine: Public Debt Structure (Post-Eurobond Restructuring Downside)

Debt by Currency (Percent of GDP)



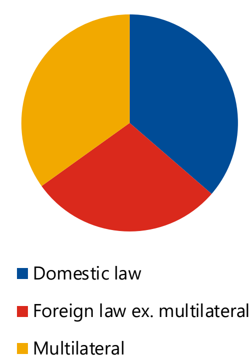
Note: The perimeter shown is general government.

Public Debt by Holder (Percent of GDP)



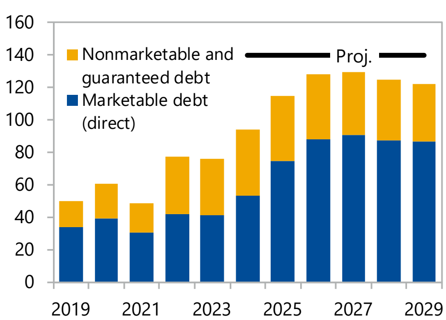
Note: The perimeter shown is general government.

Public Debt by Governing Law, 2022 (Percent)



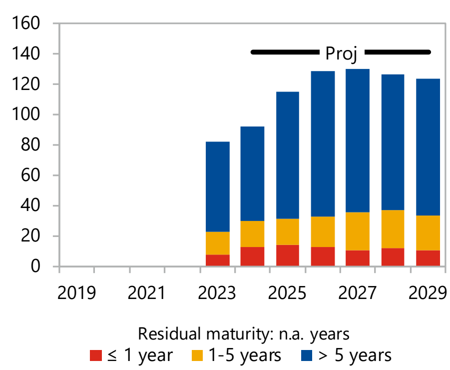
Note: The perimeter shown is general government.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is general government.

Public Debt by Maturity (Percent of GDP)



Note: The perimeter shown is general government.

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

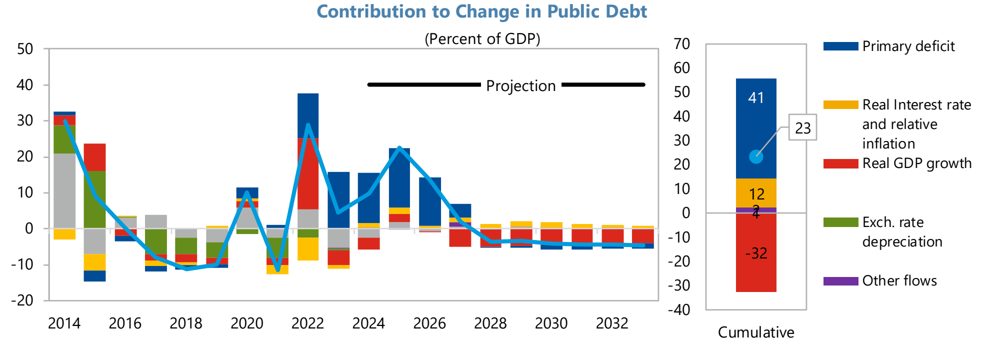
Annex II. Figure 8. Ukraine: Post-Eurobond Restructuring Downside Scenario

(Percent of GDP Unless Indicated Otherwise)

	Actual	Medium-term projection						Extended projection			
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Public debt	82.3	92.2	114.6	128.2	130.2	126.5	123.2	119.2	114.7	110.3	105.8
Change in public debt	4.6	9.8	22.4	13.7	1.9	-3.7	-3.2	-4.1	-4.5	-4.4	-4.5
Contribution of identified flows	9.9	12.3	20.6	14.3	1.4	-3.6	-3.7	-4.4	-4.6	-4.7	-4.6
Primary deficit	15.7	13.9	16.6	13.5	3.8	-0.3	-0.7	-1.4	-1.4	-1.4	-1.4
Noninterest revenues	54.8	50.7	43.0	42.7	42.4	41.6	41.4	41.4	41.4	41.2	41.2
Noninterest expenditures	70.5	64.6	59.6	56.2	46.3	41.3	40.7	40.0	40.0	39.8	39.8
Automatic debt dynamics	-5.6	-1.9	4.0	0.7	-3.6	-3.3	-3.1	-3.1	-3.2	-3.3	-3.3
Real interest rate and relative inflation	-1.2	1.3	1.7	0.7	1.3	1.5	1.5	1.4	1.2	0.9	0.8
Real interest rate	-7.1	-3.6	-6.8	-6.9	-4.2	-2.3	-1.2	-1.2	-1.4	-1.6	-1.7
Relative inflation	6.0	4.9	8.5	7.6	5.5	3.8	2.7	2.6	2.6	2.5	2.5
Real growth rate	-3.9	-3.2	2.4	0.0	-4.9	-4.8	-4.6	-4.5	-4.4	-4.2	-4.0
Real exchange rate	-0.5	…	…	…	…	…	…	…	…	…	…
Other identified flows	-0.2	0.3	-0.1	0.1	1.2	-0.1	0.1	0.0	0.0	0.0	0.1
Contingent liabilities and other transactions	0.0	0.4	0.0	0.1	1.2	0.0	0.1	0.1	0.1	0.1	0.1
(minus) Interest Revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0
Contribution of residual	-5.3	-2.5	1.8	-0.6	0.6	-0.1	0.5	0.3	0.1	0.3	0.1
Gross financing needs	25.8	26.4	34.2	31.0	21.0	14.2	15.2	13.2	13.0	11.6	10.3
of which: debt service	10.0	12.1	17.6	17.3	16.0	14.5	15.8	14.5	14.4	12.9	11.6
Local currency	6.9	7.6	12.9	12.6	12.0	10.4	10.6	10.3	10.4	9.0	8.3
Foreign currency	3.1	4.5	4.7	4.7	4.0	4.1	5.2	4.1	3.9	3.9	3.3
Memo:											
Real GDP growth (percent)	5.3	4.0	-2.5	0.0	4.0	3.8	3.8	3.8	3.8	3.8	3.8
Inflation (GDP deflator; percent)	18.5	12.2	16.2	11.5	8.0	6.0	5.0	5.0	5.0	5.0	5.0
Nominal GDP growth (percent)	24.8	16.7	13.3	11.5	12.3	10.0	9.0	9.0	9.0	9.0	9.0
Effective interest rate (percent)	7.0	7.1	7.8	4.8	4.3	4.1	4.0	3.9	3.7	3.4	3.3

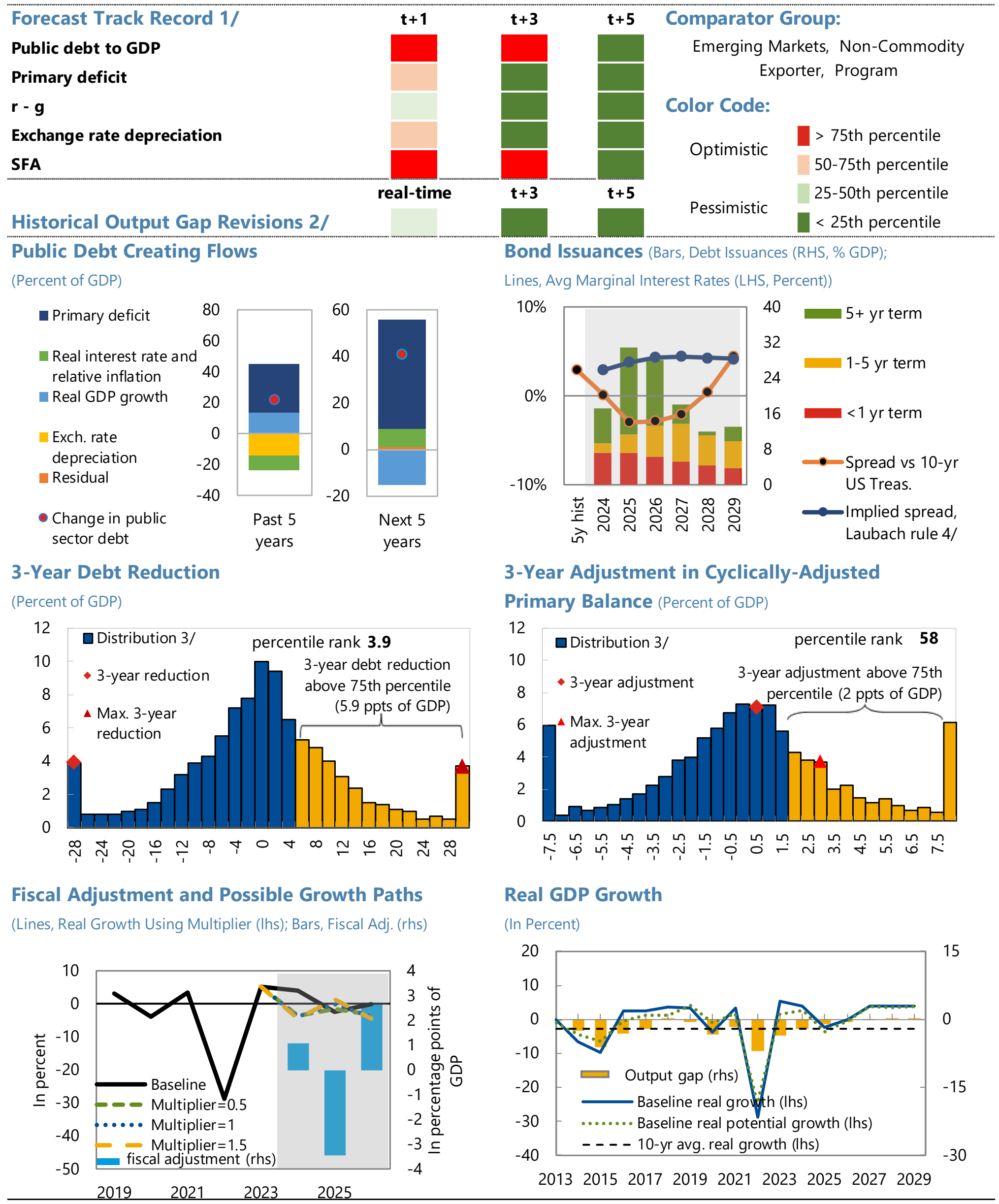
Contribution to Change in Public Debt

(Percent of GDP)



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

Annex II. Figure 9. Ukraine: Realism of Post-Eurobond Restructuring Downside



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

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

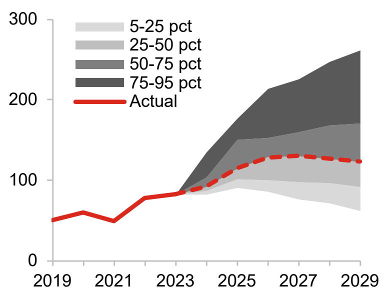
2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates and final estimates in the latest October WEO) in the total distribution of revisions across the data sample.

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

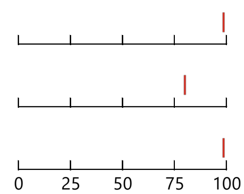
4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

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

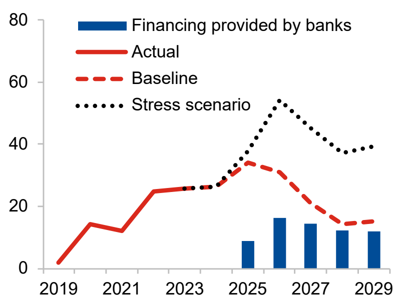
Final Fanchart (Pct of GDP)



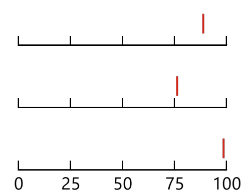
	Value	Contrib [1/]	Percentile in peer group [2/]
Debt fanchart module			
Fanchart width *(percent of GDP)*	199.9	2.9	
Probability of debt non-stabilization *(percent)*	20.9	0.2	
Terminal debt-to-GDP x institutions index	86.8	1.9	
Debt fanchart index (DFI)		5.0	
Risk signal: [3/]		**High**	



Gross Financing Needs (Pct of GDP)

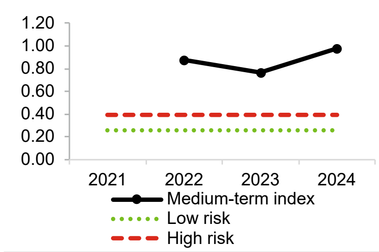


	Value	Contrib	
Gross financing needs (GFN) module			
Average baseline GFN *(percent of GDP)*	23.7	8.1	
Banks' claims on the gen govt *(pct bank assets)*	22.9	7.4	
Chg. In banks' claims in stress *(pct banks' assets)*	85.3	28.5	
GFN financeability index (GFI)		44.0	
Risk signal: [4/]		**High**	



Banking crisis Commodity prices Exchange rate Contingent liab. Natural disaster

Medium-Term Index (Index Number)



Medium-term risk analysis

	Value	Norm. Value	Weight	Contrib-ution
Debt fanchart index	5.0	1.10	0.50	0.55
GFN financeability index	44.0	0.85	0.50	0.42
Medium-term index		1.0		
Risk signal: 5/	**High**			
Final assessment:	**High**			

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

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

Source: IMF staff estimates and projections.
1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.
2/ The comparison group is emerging markets, non-commodity exporter, program.
3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.
4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.
5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

Annex III. Downside Scenario

1. In line with the Fund's policy on lending under exceptionally high uncertainty, staff has updated the downside scenario with the underlying assumption maintained of a more intense war running through mid-2026. With the shock now assumed to start in 2025Q1, the downside scenario still assumes a longer and more intense war compared with the current baseline scenario (war assumed to wind down by mid-2026 versus in the last quarter of 2025 in the baseline). This shock would weigh strongly on firm and household sentiment and the pace of migrant return and would entail further large-scale energy infrastructure damage and power outages relative to the baseline. As a result, real GDP growth would be weaker than in the baseline, i.e., -2.5 percent in 2025 (versus 2.5–3.5 percent in the baseline). The updated downside scenario involves the same GDP losses for 2025 as at the Fifth Review in percentage terms, which translate into larger losses in absolute terms. High defense needs and weaker economic activity would cause the fiscal deficit to further increase in 2025–26, despite the assumed implementation of some adjustment measures; the fiscal balance would improve gradually thereafter. Imbalances in the FX market would resurface and then be expected to persist for longer, given worse export performance, leading to higher nominal depreciation in the coming years before converging to the baseline trend. At the same time, staff assumes some FXI especially for 2025–26 given the buffers accumulated by the authorities to offset excessive exchange rate movements, which contributes to a lower path of reserves compared to the baseline. The subsequent recovery in output would be more subdued than in the baseline scenario, given the even greater damage to the capital stock and worsened labor force dynamics, and weakened balance sheets, with the result that output would remain below pre-war levels for longer, with lingering effects on the external sector and fiscal balance. The current downside scenario assumes some convergence to the baseline over the medium term, supported by the anchor of EU accession, return migration flows and private investment. Other downside scenarios, with a different endpoint for the war and pace and conditions of recovery could also be envisioned.

2. The updated cumulative financing gap in the downside scenario is estimated at US$177.2 billion, US$29.2 billion higher than the baseline forecast for 2023Q2–27Q1 (US$148 billion), requiring additional steps to ensure debt sustainability. The additional financing in this downside scenario would need to be in the form of highly concessional loans (close to grant terms), including full use of the financing from the US$50 billion ERA initiative (which is assumed to remain neutral for the DSA). Given the presence of exceptional financing in the five-year post-program period (up to the US$7.1 billion per year as described in the program request), this scenario would also require some mix of additional grants in the program period, highly concessional financing consistent with assurances received, and a further definitive debt treatment entailing the available restructurable debt to ensure debt sustainability. This would bring total public debt and gross financing needs to the targets consistent with sustainable debt, thus underpinning debt sustainability on a forward-looking basis.

3. Since the start of the war, the authorities have taken measures decisively to respond to shocks as they have materialized, carefully balancing the need for a prompt and effective

response with social considerations. As underscored at the program request and subsequent reviews, these included a multitude of measures, including introducing revenue measures, streamlining capital expenditure and other lower priority expenditure items, identifying additional financing, and implementing decisive measures to maintain financial stability and protecting international reserves, including through FX controls. The authorities have further enhanced their very strong track record by demonstrating their ability to take on additional reforms and measures since program approval to achieve economic and financial stability.

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

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

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

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

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Act.	Act.	Act.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Real economy (percent change, unless otherwise indicated)													
Nominal GDP (billions of Ukrainian hryvnias) 1/	5,451	5,239	6,538	7,629	8,644	9,636	10,823	11,908	12,979	14,145	15,417	16,803	18,314
Real GDP 1/	3.4	-28.8	5.3	4.0	-2.5	0.0	4.0	3.8	3.8	3.8	3.8	3.8	3.8
Contributions:													
Domestic demand	12.9	-22.9	13.9	6.5	0.5	4.2	4.2	6.1	6.0	5.5	5.1	4.9	4.9
Private consumption	4.7	-16.8	5.5	3.3	-0.3	2.8	3.4	3.4	3.2	3.3	2.9	2.8	2.7
Public consumption	0.1	12.5	2.6	-0.1	-0.6	-0.6	-1.8	0.0	0.0	0.0	0.0	0.0	0.0
Investment	8.1	-18.6	5.8	3.3	1.4	2.0	2.6	2.7	2.7	2.3	2.1	2.1	2.2
Net exports	-9.5	-5.9	-8.6	-2.5	-3.0	-4.2	-0.2	-2.3	-2.2	-1.7	-1.3	-1.1	-1.1
GDP deflator	24.8	34.9	18.5	12.2	16.2	11.5	8.0	6.0	5.0	5.0	5.0	5.0	5.0
Unemployment rate (ILO definition; period average, percent)	9.8	24.5	19.1	13.3	14.6	14.0	13.0	11.5	11.1	10.5	9.5	9.0	8.6
Consumer prices (period average)	9.4	20.2	12.9	6.2	13.8	8.2	8.0	6.1	5.0	5.0	5.0	5.0	5.0
Consumer prices (end of period)	10.0	26.6	5.1	10.0	11.0	8.5	7.5	5.0	5.0	5.0	5.0	5.0	5.0
Nominal wages (average)	20.8	1.0	20.1	19.1	12.8	9.3	11.2	9.8	9.0	9.0	9.0	9.0	9.0
Real wages (average)	10.5	-16.0	6.4	12.1	-0.8	1.0	3.0	3.5	3.8	3.8	3.8	3.8	3.8
Savings (percent of GDP)	12.5	17.0	9.8	9.5	3.7	6.0	13.7	15.2	15.6	14.9	15.1	15.3	15.6
Private	12.7	30.2	24.6	25.1	23.1	20.1	17.8	14.8	14.7	13.1	12.8	12.6	12.7
Public	-0.2	-13.1	-14.8	-15.6	-19.3	-14.0	-4.1	0.3	0.9	1.8	2.2	2.6	2.9
Investment (percent of GDP)	14.5	12.1	15.1	17.8	16.6	17.8	18.5	18.4	18.9	19.1	19.3	19.5	19.9
Private	10.7	9.6	10.4	14.5	13.1	13.4	13.8	13.6	14.0	14.2	14.4	14.7	15.0
Public	3.8	2.5	4.8	3.4	3.5	4.4	4.7	4.9	4.9	4.9	4.9	4.9	4.9
General Government (percent of GDP)													
Fiscal balance 2/	-4.0	-15.6	-19.6	-18.9	-22.8	-18.4	-8.8	-4.5	-3.9	-3.1	-2.6	-2.2	-1.9
Fiscal balance, excl. grants 2/	-4.0	-24.8	-26.1	-24.3	-26.7	-21.3	-10.8	-5.5	-4.7	-3.8	-3.3	-2.9	-2.6
External financing (net)	2.4	10.7	16.5	14.8	19.3	14.8	5.1	0.8	2.1	3.2	3.0	2.7	3.0
Domestic financing (net), of which:	1.6	5.0	3.1	4.1	3.5	3.6	3.6	3.7	1.8	-0.1	-0.3	-0.5	-1.1
NBU	-0.3	7.3	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.3
Commercial banks	1.5	-1.5	2.5	4.1	3.6	3.6	3.7	3.7	1.7	-0.1	-0.4	-0.5	-0.9
Public and publicly-guaranteed debt	48.9	77.7	82.3	92.2	114.6	128.2	130.2	126.5	123.2	119.2	114.7	110.3	105.8
Money and credit (end of period, percent change)													
Base money	11.2	19.6	23.3	15.0	13.3	12.5	15.3	11.4	10.0	9.0	9.0	9.0	9.0
Broad money	12.0	20.8	23.0	16.7	13.3	12.5	12.3	11.5	10.0	9.0	9.0	9.0	9.0
Credit to nongovernment	8.4	-3.1	-0.5	11.6	3.2	11.8	11.8	9.2	11.3	13.4	16.5	17.6	17.6
Balance of payments (percent of GDP)													
Current account balance	-1.9	4.9	-5.4	-8.4	-12.9	-11.8	-4.8	-3.3	-3.2	-4.2	-4.2	-4.3	-4.2
Foreign direct investment	3.8	0.1	2.5	2.5	1.1	1.3	3.5	4.8	4.1	4.0	4.1	3.9	3.8
Gross reserves (end of period, billions of U.S. dollars)	30.9	28.5	40.5	42.3	41.1	43.5	45.5	48.7	52.5	56.5	60.4	63.2	67.3
Months of next year's imports of goods and services	4.5	3.8	5.3	5.4	5.0	5.4	5.7	5.8	5.9	6.0	6.0	6.0	6.0
Percent of short-term debt (remaining maturity)	67.5	64.3	87.1	102.7	94.6	102.0	105.4	97.7	113.9	119.2	130.8	138.1	130.2
Percent of the IMF composite metric (float)	104.4	103.6	124.1	112.0	96.9	90.3	90.1	94.2	97.0	102.2	105.3	107.0	110.3
Goods exports (annual volume change in percent)	35.3	-44.7	-15.8	15.5	-13.9	23.9	11.8	5.1	7.4	6.7	9.5	8.9	9.1
Goods imports (annual volume change in percent)	16.9	-23.6	21.7	9.3	-3.2	10.0	8.6	3.1	5.9	6.1	5.5	6.0	5.8
Goods terms of trade (percent change)	-8.4	-11.6	3.6	0.3	-1.9	1.3	1.6	0.9	0.4	0.0	0.0	0.0	0.0
Exchange rate													
Hryvnia per U.S. dollar (end of period)	27.3	36.6	38.0	...	...	...	...	...	...	...	...	...	...
Hryvnia per U.S. dollar (period average)	27.3	32.3	36.6	...	...	...	...	...	...	...	...	...	...
Real effective rate (deflator-based, percent change)	8.8	30.5	-2.0	...	...	...	...	...	...	...	...	...	...
Memorandum items:													
Per capita GDP / Population (2017): US$2,640 / 44.8 million													
Literacy / Poverty rate (2022 est 3/): 100 percent / 25 percent													

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

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

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

3/ Based on World Bank estimates.

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

(Billions of Ukrainian Hryvnia)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Act.	Act.	Act.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue	1,990	2,609	3,583	3,868	3,718	4,116	4,593	4,955	5,377	5,854	6,378	6,929	7,547
Tax revenue	1,825	1,782	2,139	2,696	3,108	3,543	4,040	4,484	4,880	5,324	5,812	6,326	6,902
Tax on income, profits, and capital gains	514	551	656	890	1,025	1,155	1,327	1,486	1,620	1,766	1,924	2,097	2,286
Personal income tax	350	421	496	606	788	911	1,033	1,163	1,267	1,381	1,505	1,640	1,788
Corporate profit tax	164	131	159	284	237	244	294	324	353	385	419	457	498
Social security contributions	358	430	489	556	570	609	686	752	817	893	973	1,059	1,153
Property tax	43	37	44	50	51	48	49	49	49	49	50	50	50
Tax on goods and services	731	592	784	1,014	1,248	1,478	1,696	1,894	2,062	2,257	2,470	2,687	2,939
VAT	536	467	581	760	881	1,043	1,193	1,317	1,440	1,575	1,716	1,870	2,043
Excise	180	115	190	238	324	387	450	519	561	615	682	740	813
Other	14	10	14	16	43	48	53	58	62	67	72	77	83
Tax on international trade	38	26	41	49	65	83	100	113	123	135	147	161	176
Other tax	140	145	126	136	150	170	182	189	208	224	248	271	298
Nontax revenue	166	827	1,444	1,172	611	573	553	471	497	530	565	604	645
Budget support grants 2/	1	481	425	406	336	273	223	114	103	107	110	114	118
Expenditure	2,207	3,426	4,865	5,313	5,693	5,893	5,541	5,495	5,886	6,288	6,782	7,301	7,902
Current	1,995	3,298	4,562	4,994	5,319	5,387	4,948	4,817	5,173	5,566	5,996	6,444	6,968
Compensation of employees	516	1,240	1,479	1,582	1,884	1,844	1,301	1,115	1,171	1,249	1,361	1,474	1,597
Goods and services	483	848	1,674	1,390	824	796	861	743	780	819	900	940	1,022
Interest	155	162	254	381	537	474	535	573	601	626	623	608	610
Subsidies to corporations and enterprises	116	131	158	457	710	628	403	328	344	351	369	387	407
Social benefits	724	917	996	1,182	1,362	1,643	1,846	2,056	2,274	2,519	2,741	3,032	3,329
Social programs (on budget)	154	285	241	292	457	593	736	816	969	1,143	1,279	1,400	1,641
Pensions	519	583	746	861	886	1,029	1,058	1,155	1,182	1,210	1,259	1,391	1,407
Unemployment, disability, and accident insurance	52	48	9	29	19	21	51	85	124	166	203	241	281
Other current expenditures	1	1	1	2	2	2	2	2	2	3	3	3	3
Capital	207	130	312	256	302	426	503	579	631	688	749	817	890
Net lending	5	-2	-9	21	24	26	30	33	36	39	42	46	50
Contingency reserve 3/	0	0	0	42	48	53	60	66	47	-5	-5	-6	-6
General government overall balance	-216	-817	-1,282	-1,445	-1,974	-1,777	-948	-540	-509	-434	-405	-372	-354
General government overall balance, excluding grants	-218	-1,299	-1,707	-1,850	-2,310	-2,050	-1,171	-653	-612	-541	-515	-486	-472
General government financing	216	817	1,280	1,445	1,974	1,777	948	540	509	434	405	372	354
External	132	560	1,076	1,129	1,672	1,427	555	99	274	449	457	449	547
Disbursements	239	615	1,149	1,300	1,839	1,634	746	286	650	733	757	781	806
Amortizations and other external payments	-108	-55	-73	-171	-167	-206	-191	-187	-375	-284	-299	-332	-259
Domestic (net)	85	263	204	316	302	350	392	440	234	-15	-52	-77	-193
Bond financing 4/	66	295	183	309	296	344	386	434	228	-21	-58	-83	-199
o/w NBU	-14	383	-15	-12	-13	-12	-12	-11	-12	-12	-12	-12	-47
o/w Commercial banks	80	-77	167	313	309	345	398	445	227	-21	-60	-85	-167
Direct bank borrowing	30	-2	-7	0	0	0	0	0	0	0	0	0	0
Deposit finance	-19	-37	-59	0	0	0	0	0	0	0	0	0	0
Privatization and other items	7	20	87	7	6	6	6	6	6	6	6	6	6
Financing Gap/unindentified measures (-gap/+surplus)	0	0	-2	0	0	0	0	0	0	0	0	0	0
Memorandum items:													
Primary balance	-62	-655	-1,028	-1,064	-1,437	-1,303	-413	34	92	192	218	236	256
Public and publicly-guaranteed debt	2,666	4,072	5,383	7,031	9,904	12,357	14,089	15,063	15,996	16,856	17,685	18,536	19,377
Nominal GDP (billions of Ukrainian hryvnia)	5,451	5,239	6,538	7,629	8,644	9,636	10,823	11,908	12,979	14,145	15,417	16,803	18,314

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

1/ National methodology, cash basis.

2/ Comprises grants to the general fund.

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

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

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

(Percent of GDP)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Act.	Act.	Act.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue	36.5	49.8	54.8	50.7	43.0	42.7	42.4	41.6	41.4	41.4	41.4	41.2	41.2
Tax revenue	33.5	34.0	32.7	35.3	36.0	36.8	37.3	37.7	37.6	37.6	37.7	37.6	37.7
Tax on income, profits, and capital gains	9.4	10.5	10.0	11.7	11.9	12.0	12.3	12.5	12.5	12.5	12.5	12.5	12.5
Personal income tax	6.4	8.0	7.6	7.9	9.1	9.5	9.5	9.8	9.8	9.8	9.8	9.8	9.8
Corporate profit tax	3.0	2.5	2.4	3.7	2.7	2.5	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Social security contributions	6.6	8.2	7.5	7.3	6.6	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3
Property tax	0.8	0.7	0.7	0.7	0.6	0.5	0.4	0.4	0.4	0.3	0.3	0.3	0.3
Tax on goods and services	13.4	11.3	12.0	13.3	14.4	15.3	15.7	15.9	15.9	16.0	16.0	16.0	16.1
VAT	9.8	8.9	8.9	10.0	10.2	10.8	11.0	11.1	11.1	11.1	11.1	11.1	11.2
Excise	3.3	2.2	2.9	3.1	3.7	4.0	4.2	4.4	4.3	4.4	4.4	4.4	4.4
Other	0.3	0.2	0.2	0.2	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Tax on international trade	0.7	0.5	0.6	0.6	0.8	0.9	0.9	0.9	1.0	1.0	1.0	1.0	1.0
Other tax	2.6	2.8	1.9	1.8	1.7	1.8	1.7	1.6	1.6	1.6	1.6	1.6	1.6
Nontax revenue	3.0	15.8	22.1	15.4	7.1	5.9	5.1	4.0	3.8	3.7	3.7	3.6	3.5
Budget support grants 2/	0.0	9.2	6.5	5.3	3.9	2.8	2.1	1.0	0.8	0.8	0.7	0.7	0.6
Expenditure	40.5	65.4	74.4	69.6	65.9	61.2	51.2	46.1	45.4	44.5	44.0	43.5	43.1
Current	36.6	63.0	69.8	65.5	61.5	55.9	45.7	40.5	39.9	39.4	38.9	38.4	38.0
Compensation of employees	9.5	23.7	22.6	20.7	21.8	19.1	12.0	9.4	9.0	8.8	8.8	8.8	8.7
Goods and services	8.9	16.2	25.6	18.2	9.5	8.3	8.0	6.2	6.0	5.8	5.8	5.6	5.6
Interest	2.8	3.1	3.9	5.0	6.2	4.9	4.9	4.8	4.6	4.4	4.0	3.6	3.3
Subsidies to corporations and enterprises	2.1	2.5	2.4	6.0	8.2	6.5	3.7	2.8	2.7	2.5	2.4	2.3	2.2
Social benefits	13.3	17.5	15.2	15.5	15.8	17.1	17.1	17.3	17.5	17.8	17.8	18.0	18.2
Social programs (on budget)	2.8	5.4	3.7	3.8	5.3	6.2	6.8	6.9	7.5	8.1	8.3	8.3	9.0
Pensions	9.5	11.1	11.4	11.3	10.2	10.7	9.8	9.7	9.1	8.6	8.2	8.3	7.7
Unemployment, disability, and accident insurance	1.0	0.9	0.1	0.4	0.2	0.2	0.5	0.7	1.0	1.2	1.3	1.4	1.5
Other current expenditures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital	3.8	2.5	4.8	3.4	3.5	4.4	4.7	4.9	4.9	4.9	4.9	4.9	4.9
Net lending	0.1	0.0	-0.1	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Contingency reserve 3/	0.0	0.0	0.0	0.6	0.6	0.6	0.6	0.6	0.4	0.0	0.0	0.0	0.0
General government overall balance	-4.0	-15.6	-19.6	-18.9	-22.8	-18.4	-8.8	-4.5	-3.9	-3.1	-2.6	-2.2	-1.9
General government overall balance, excluding grants	-4.0	-24.8	-26.1	-24.3	-26.7	-21.3	-10.8	-5.5	-4.7	-3.8	-3.3	-2.9	-2.6
General government financing	4.0	15.6	19.6	18.9	22.8	18.4	8.8	4.5	3.9	3.1	2.6	2.2	1.9
External	2.4	10.7	16.5	14.8	19.3	14.8	5.1	0.8	2.1	3.2	3.0	2.7	3.0
Disbursements	4.4	11.7	17.6	17.0	21.3	17.0	6.9	2.4	5.0	5.2	4.9	4.6	4.4
Amortizations and other external payments	-2.0	-1.1	-1.1	-2.2	-1.9	-2.1	-1.8	-1.6	-2.9	-2.0	-1.9	-2.0	-1.4
Domestic (net)	1.6	5.0	3.1	4.1	3.5	3.6	3.6	3.7	1.8	-0.1	-0.3	-0.5	-1.1
Bond financing 4/	1.2	5.6	2.8	4.1	3.4	3.6	3.6	3.6	1.8	-0.1	-0.4	-0.5	-1.1
o/w NBU	-0.3	7.3	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.3
o/w Commercial banks	1.5	-1.5	2.5	4.1	3.6	3.6	3.7	3.7	1.7	-0.1	-0.4	-0.5	-0.9
Direct bank borrowing	0.6	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deposit finance	-0.3	-0.7	-0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization and other items	0.1	0.4	1.3	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Financing Gap/undidentified measures (-gap/+surplus)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:													
Primary balance	-1.1	-12.5	-15.7	-13.9	-16.6	-13.5	-3.8	0.3	0.7	1.4	1.4	1.4	1.4
Public and publicly-guaranteed debt	48.9	77.7	82.3	92.2	114.6	128.2	130.2	126.5	123.2	119.2	114.7	110.3	105.8
Nominal GDP (billions of Ukrainian hryvnia)	5,451	5,239	6,538	7,629	8,644	9,636	10,823	11,908	12,979	14,145	15,417	16,803	18,314

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

1/ National methodology, cash basis.

2/ Comprises grants to the general fund.

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

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

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

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

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Act.	Act.	Act.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Current account balance	-3.9	8.0	-9.6	-15.9	-24.5	-22.6	-9.6	-6.9	-7.2	-9.7	-10.4	-11.1	-11.6
Goods (net)	-6.6	-14.7	-29.1	-29.5	-34.2	-31.8	-31.9	-31.3	-32.0	-33.6	-33.1	-33.2	-33.0
Exports	63.1	40.9	34.7	40.1	34.5	42.7	47.8	50.2	54.0	57.5	63.0	68.6	74.9
Imports	-69.8	-55.6	-63.8	-69.6	-68.7	-74.5	-79.7	-81.5	-85.9	-91.2	-96.1	-101.9	-107.8
Services (net)	4.0	-11.1	-8.7	-5.8	-11.2	-6.9	7.1	13.1	14.8	15.6	16.0	16.3	16.6
Receipts	18.4	16.6	16.6	17.1	15.0	16.5	23.2	27.1	29.9	31.7	33.0	34.3	35.7
Payments	-14.4	-27.7	-25.3	-22.9	-26.2	-23.4	-16.1	-14.0	-15.1	-16.0	-17.0	-18.0	-19.1
Primary income (net)	-5.8	8.5	5.0	-0.3	2.9	1.7	1.7	0.8	0.1	-1.3	-2.078	-2.6	-3.1
Secondary income (net)	4.6	25.2	23.3	19.7	18.0	14.4	13.6	10.5	9.9	9.6	8.8	8.4	7.9
Capital account balance	0.0	0.2	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account balance	-5.5	8.5	-20.9	-18.5	-24.0	-25.3	-12.0	-10.0	-10.9	-14.9	-15.5	-15.2	-16.8
Direct investment (net)	-7.5	-0.2	-4.4	-4.7	-2.1	-2.5	-6.9	-10.0	-9.1	-9.2	-10.1	-10.1	-10.3
Portfolio investment (net)	-1.0	2.0	2.7	1.7	0.8	0.1	0.4	0.2	1.2	-1.0	-1.6	-1.4	-1.6
Financial derivatives (net)	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investment (net)	2.9	6.7	-19.1	-15.4	-22.7	-23.0	-5.5	-0.2	-3.1	-4.7	-3.9	-3.7	-5.0
Other investment: assets	7.7	21.0	11.4	14.9	15.8	8.2	6.1	2.4	2.3	2.0	2.2	2.0	2.1
Other investment: liabilities	4.9	14.3	30.6	30.3	38.5	31.2	11.6	2.6	5.3	6.7	6.1	5.8	7.0
Net use of IMF resources for budget support	0.2	2.3	3.6	3.9	1.2	0.3	0.2	-0.8	-1.8	-1.1	-1.3	-1.4	-1.1
Central Bank	2.7	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General government	1.5	14.7	26.0	25.5	36.4	29.1	10.3	2.8	6.5	7.2	6.7	6.5	7.5
Banks 3/	0.4	-0.4	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other sectors	0.0	-2.2	1.1	0.9	0.9	1.8	1.0	0.6	0.6	0.6	0.6	0.6	0.6
Errors and omissions	1.8	-0.3	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	3.5	-0.6	13.0	2.8	-0.5	2.8	2.4	3.2	3.8	5.2	5.2	4.1	5.2
Financing	-3.5	0.6	-13.0	-2.8	0.5	-2.8	-2.4	-3.2	-3.8	-5.2	-5.2	-4.1	-5.2
Gross official reserves (increase: -)	-2.5	2.3	-11.4	-1.8	1.3	-2.4	-2.0	-3.2	-3.8	-4.1	-3.9	-2.7	-4.2
Net use of IMF resources for BOP support	-0.9	-1.6	-1.6	-1.0	-0.8	-0.3	-0.4	0.0	0.0	-1.1	-1.3	-1.4	-1.1
Memorandum items:													
Current account balance (percent of GDP)	-1.9	4.9	-5.4	-8.4	-12.9	-11.8	-4.8	-3.3	-3.2	-4.2	-4.2	-4.3	-4.2
Goods and services trade balance (percent of GDP)	-1.3	-15.9	-21.2	-18.6	-23.9	-20.2	-12.4	-8.6	-7.8	-7.7	-7.0	-6.5	-6.0
Gross international reserves	30.9	28.5	40.5	42.3	41.1	43.5	45.5	48.7	52.5	56.5	60.4	63.2	67.3
Months of next year's imports of goods and services	4.5	3.8	5.3	5.4	5.0	5.4	5.7	5.8	5.9	6.0	6.0	6.0	6.0
Percent of the IMF composite metric (float)	104.4	103.6	124.1	112.0	96.9	90.3	90.1	94.2	97.0	102.2	105.3	107.0	110.3

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

1/ Based on BPM6.

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

3/ Includes banks' debt for equity operations.

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

(Percent of GDP, unless otherwise indicated)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Act.	Act.	Act.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Current account balance	-1.9	4.9	-5.4	-8.4	-12.9	-11.8	-4.8	-3.3	-3.2	-4.2	-4.2	-4.3	-4.2
Goods (net)	-3.3	-9.0	-16.3	-15.5	-18.0	-16.6	-15.9	-14.9	-14.5	-14.5	-13.5	-12.8	-12.1
Exports	31.6	25.2	19.4	21.1	18.1	22.4	23.9	24.0	24.5	24.8	25.7	26.5	27.4
Imports	-34.9	-34.3	-35.7	-36.7	-36.1	-39.0	-39.8	-38.9	-39.0	-39.3	-39.2	-39.4	-39.5
Services (net)	2.0	-6.8	-4.9	-3.0	-5.9	-3.6	3.5	6.3	6.7	6.7	6.5	6.3	6.1
Receipts	9.2	10.3	9.3	9.0	7.9	8.6	11.6	12.9	13.6	13.7	13.5	13.3	13.1
Payments	-7.2	-17.1	-14.2	-12.1	-13.8	-12.2	-8.0	-6.7	-6.9	-6.9	-6.9	-7.0	-7.0
Primary income (net)	-2.9	5.2	2.8	-0.1	1.5	0.9	0.8	0.4	0.0	-0.6	-0.8	-1.0	-1.1
Secondary income (net)	2.3	15.6	13.0	10.4	9.5	7.5	6.8	5.0	4.5	4.1	3.6	3.3	2.9
Capital account balance	0.0	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account balance	-2.8	5.3	-11.7	-9.7	-12.6	-13.3	-6.0	-4.8	-5.0	-6.4	-6.3	-5.9	-6.2
Direct investment (net)	-3.8	-0.1	-2.5	-2.5	-1.1	-1.3	-3.5	-4.8	-4.1	-4.0	-4.1	-3.9	-3.8
Portfolio investment (net)	-0.5	1.3	1.5	0.9	0.4	0.1	0.2	0.1	0.6	-0.4	-0.6	-0.5	-0.6
Financial derivatives (net)	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investment (net)	1.4	4.1	-10.7	-8.1	-11.9	-12.0	-2.8	-0.1	-1.4	-2.0	-1.6	-1.4	-1.8
Other investment: assets	3.9	12.9	6.4	7.9	8.3	4.3	3.0	1.1	1.0	0.9	0.9	0.8	0.8
Other investment: liabilities	2.4	8.8	17.1	16.0	20.2	16.3	5.8	1.2	2.4	2.9	2.5	2.2	2.6
Net use of IMF resources for budget support	0.1	1.4	2.0	2.0	0.6	0.1	0.1	-0.4	-0.8	-0.5	-0.5	-0.5	-0.4
Central Bank	1.4	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General government	0.8	9.1	14.6	13.4	19.1	15.2	5.2	1.4	2.9	3.1	2.7	2.5	2.7
Banks 3/	0.2	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other sectors	0.0	-1.3	0.6	0.5	0.5	1.0	0.5	0.3	0.3	0.3	0.3	0.2	0.2
Errors and omissions	0.9	-0.2	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	1.7	-0.4	7.3	1.5	-0.3	1.5	1.2	1.5	1.7	2.2	2.1	1.6	1.9
Financing	-1.7	0.4	-7.3	-1.5	0.3	-1.5	-1.2	-1.5	-1.7	-2.2	-2.1	-1.6	-1.9
Gross official reserves (increase: -)	-1.3	1.4	-6.4	-0.9	0.7	-1.3	-1.0	-1.5	-1.7	-1.7	-1.6	-1.1	-1.5
Net use of IMF resources for BOP support	-0.5	-1.0	-0.9	-0.5	-0.4	-0.2	-0.2	0.0	0.0	-0.5	-0.5	-0.5	-0.4
Memorandum items:													
Gross international reserves (USD billions)	30.9	28.5	40.5	42.3	41.1	43.5	45.5	48.7	52.5	56.5	60.4	63.2	67.3
Months of next year's imports of goods and services	4.5	3.8	5.3	5.4	5.0	5.4	5.7	5.8	5.9	6.0	6.0	6.0	6.0
Percent of the IMF composite metric (float)	104.4	103.6	124.1	112.0	96.9	90.3	90.1	94.2	97.0	102.2	105.3	107.0	110.3

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

1/ Based on BPM6.

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

3/ Includes banks' debt for equity operations.

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

(Billions of U.S. dollars)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Act.	Act.	Act.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
A. Total financing requirements	**20.3**	**31.9**	**39.7**	**48.9**	**52.4**	**41.5**	**24.6**	**15.6**	**20.8**	**19.7**	**21.8**	**20.9**	**20.3**
Current account deficit (excl. budget grants)	3.9	6.0	21.2	26.0	31.9	28.0	13.7	8.9	8.9	11.5	12.1	12.9	13.3
Portfolio investment	4.9	2.7	4.9	5.0	1.8	2.5	0.9	0.7	4.7	2.0	2.7	1.1	0.9
Private	0.6	0.9	2.5	3.3	1.5	2.1	0.8	0.6	3.5	1.5	2.7	1.1	0.9
Public	4.3	1.8	2.4	1.6	0.4	0.4	0.1	0.1	1.2	0.5	0.0	0.0	0.0
Medium and long-term debt	3.6	2.1	2.2	3.1	2.9	2.8	3.8	3.6	4.9	4.2	4.7	4.9	4.0
Private	2.7	1.1	1.3	1.5	1.5	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Banks	0.2	0.2	0.2	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Corporates	2.5	0.9	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Public	0.9	1.0	0.9	1.6	1.4	1.4	2.4	2.2	3.5	2.8	3.3	3.5	2.6
Other net capital outflows 1/	7.9	21.0	11.4	14.9	15.8	8.2	6.1	2.4	2.3	2.0	2.2	2.0	2.1
B. Total financing sources	**20.0**	**0.7**	**9.6**	**12.2**	**7.5**	**10.3**	**12.1**	**14.5**	**16.6**	**16.2**	**18.4**	**16.6**	**16.8**
Capital transfers	0.0	0.2	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment, net	7.5	0.2	4.4	4.7	2.1	2.5	6.9	10.0	9.1	9.2	10.1	10.1	10.3
Portfolio investment	6.0	0.7	2.2	3.3	1.0	2.3	0.5	0.5	3.5	3.0	4.3	2.5	2.5
Private	1.8	0.2	-0.1	2.5	1.0	2.3	0.5	0.5	2.5	1.0	2.3	0.5	0.5
Public	4.2	0.5	2.2	0.8	0.0	0.0	0.0	0.0	1.0	2.0	2.0	2.0	2.0
Medium and long-term debt	6.8	2.6	2.4	3.2	3.6	3.7	3.7	3.5	3.5	3.5	3.5	3.5	3.5
Private	3.0	1.5	1.8	1.7	1.6	1.6	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Banks	0.2	0.0	0.1	0.5	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Corporates	2.8	1.4	1.7	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Public (incl. project financing)	3.8	1.1	0.6	1.5	2.0	2.1	2.2	2.0	2.0	2.0	2.0	2.0	2.0
Short-term debt (incl. deposits)	-0.3	-2.9	0.5	0.8	0.8	1.7	0.9	0.5	0.5	0.5	0.5	0.5	0.5
C. Financing needs (A - B)	**0.3**	**31.1**	**30.1**	**36.7**	**44.9**	**31.2**	**12.5**	**1.1**	**4.2**	**3.6**	**3.4**	**4.3**	**3.5**
D. Official financing	**1.0**	**29.2**	**39.9**	**38.4**	**43.6**	**33.6**	**14.5**	**4.2**	**8.0**	**7.6**	**7.3**	**7.0**	**7.7**
IMF	-0.7	0.6	1.9	2.8	0.4	-0.1	-0.2	-0.8	-1.8	-2.2	-2.5	-2.8	-2.1
Purchases	0.7	2.7	4.5	5.3	2.7	1.9	1.1	0.0	0.0	0.0	0.0	0.0	0.0
Repurchases	1.4	2.1	2.5	2.5	2.3	2.0	1.2	0.8	1.8	2.2	2.5	2.8	2.1
Official budget grants	0.0	14.0	11.6	10.1	7.4	5.4	4.1	2.0	1.7	1.7	1.7	1.7	1.7
Official budget loans	1.7	14.5	26.4	25.5	35.8	28.3	10.5	3.1	8.0	8.0	8.0	8.0	8.0
F. Increase in reserves	**2.5**	**-2.3**	**11.4**	**1.8**	**-1.3**	**2.4**	**2.0**	**3.2**	**3.8**	**4.1**	**3.9**	**2.7**	**4.2**
F. Errors and omissions	**1.8**	**-0.3**	**1.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Memorandum items:													
Gross international reserves	30.9	28.5	40.5	42.3	41.1	43.5	45.5	48.7	52.5	56.5	60.4	63.2	67.3
Months of next year's imports of goods and services	4.5	3.8	5.3	5.4	5.0	5.4	5.7	5.8	5.9	6.0	6.0	6.0	6.0
Percent of the IMF composite (float) 2/	104.4	103.6	124.1	112.0	96.9	90.3	90.1	94.2	97.0	102.2	105.3	107.0	110.3

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

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

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

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

(Billions of Ukrainian Hryvnia)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Act.	Act.	Act.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Monetary survey													
Net foreign assets	850	1,252	1,926	2,047	2,241	2,520	2,772	3,078	3,516	4,016	4,546	5,057	5,639
Net domestic assets	1,221	1,249	1,151	1,544	1,827	2,056	2,368	2,653	2,789	2,856	2,944	3,108	3,261
Domestic credit	1,925	2,212	2,248	2,680	3,010	3,485	4,154	4,717	5,119	5,328	5,592	5,909	6,216
Net claims on government	898	1,218	1,259	1,576	1,869	2,210	2,729	3,161	3,387	3,365	3,304	3,219	3,053
Credit to the economy	1,023	991	986	1,101	1,137	1,270	1,420	1,551	1,726	1,957	2,281	2,682	3,154
Domestic currency	731	725	733	835	865	995	1,142	1,272	1,450	1,687	2,016	2,422	2,899
Foreign currency	292	266	253	266	271	275	278	279	276	271	266	260	256
Other claims on the economy	5	4	3	3	4	4	5	5	6	6	7	8	8
Other items, net	-704	-963	-1,097	-1,137	-1,183	-1,429	-1,786	-2,063	-2,330	-2,472	-2,648	-2,801	-2,955
Broad money	2,071	2,501	3,077	3,590	4,068	4,576	5,140	5,731	6,304	6,872	7,490	8,164	8,899
Currency in circulation	581	666	716	799	905	1,018	1,144	1,275	1,403	1,529	1,667	1,817	1,980
Total deposits	1,489	1,834	2,360	2,791	3,162	3,557	3,995	4,455	4,900	5,341	5,822	6,346	6,917
Domestic currency deposits	1,014	1,204	1,628	1,936	2,069	2,374	2,684	3,045	3,368	3,692	4,047	4,435	4,861
Foreign currency deposits	474	630	732	855	1,093	1,183	1,312	1,410	1,532	1,649	1,775	1,910	2,056
Accounts of the NBU													
Net foreign assets	701	907	1,456	1,562	1,715	1,983	2,232	2,550	2,973	3,459	3,976	4,472	5,041
Net international reserves	566	670	1,078	1,144	1,235	1,464	1,679	1,975	2,377	2,844	3,342	3,817	4,365
(In billions of U.S. dollars)	20.8	18.3	28.4	…	…	…	…	…	…	…	…	…	…
Reserve assets	844	1,042	1,539	…	…	…	…	…	…	…	…	…	…
Other net foreign assets	134	238	378	418	481	519	553	575	595	615	635	655	676
Net domestic assets	-38	-115	-479	-439	-442	-551	-582	-710	-950	-1,255	-1,573	-1,854	-2,187
Net domestic credit	175	312	6	29	42	137	412	477	408	163	-71	-294	-578
Net claims on government	270	704	591	567	551	536	522	508	495	481	467	453	439
Claims on government	325	758	729	717	704	691	680	669	658	647	636	625	614
Net claims on banks	-95	-392	-585	-538	-509	-400	-110	-31	-86	-318	-538	-747	-1,017
Other items, net	-213	-427	-485	-467	-485	-688	-994	-1,188	-1,358	-1,417	-1,502	-1,559	-1,609
Base money	662	793	977	1,124	1,273	1,432	1,651	1,839	2,023	2,205	2,403	2,618	2,854
Currency in circulation	581	666	716	799	905	1,018	1,144	1,275	1,403	1,529	1,667	1,817	1,980
Banks' reserves	81	126	261	325	368	414	507	564	620	676	736	802	874
Cash in vault	47	49	48	57	64	72	81	91	100	109	118	129	141
Correspondent accounts	35	77	213	268	304	341	426	474	521	567	618	673	733
Deposit money banks													
Net foreign assets	149	345	470	484	526	537	539	528	543	557	570	584	598
Foreign assets	254	427	550	594	674	725	768	795	819	842	864	888	912
Foreign liabilities	105	82	80	110	149	188	229	267	276	286	294	304	314
Net domestic assets	1,339	1,489	1,890	2,306	2,636	3,020	3,455	3,926	4,357	4,784	5,251	5,761	6,318
Domestic credit	1,875	2,064	2,540	3,014	3,373	3,800	4,286	4,841	5,369	5,878	6,437	7,042	7,705
Net claims on government 1/	628	513	668	1,009	1,318	1,674	2,207	2,652	2,893	2,884	2,837	2,766	2,614
Credit to the economy	1,023	991	986	1,101	1,136	1,270	1,420	1,550	1,726	1,957	2,281	2,682	3,154
Other claims on the economy	5	3	3	3	4	4	5	5	6	6	7	8	8
Net claims on NBU	220	594	883	901	915	851	654	633	744	1,031	1,312	1,587	1,928
Other items, net	-536	-574	-650	-708	-737	-780	-831	-915	-1,012	-1,095	-1,185	-1,281	-1,387
Banks' liabilities	1,488	1,834	2,360	2,790	3,161	3,557	3,995	4,454	4,900	5,341	5,821	6,345	6,916
Memorandum items:	(End of period, percent change unless otherwise noted)												
Base money	11.2	19.6	23.3	15.0	13.3	12.5	15.3	11.4	10.0	9.0	9.0	9.0	9.0
Currency in circulation	12.6	14.6	7.5	11.5	13.3	12.5	4.8	5.8	6.8	7.8	8.8	9.8	10.8
Broad money	12.0	20.8	23.0	16.7	13.3	12.5	12.3	11.5	10.0	9.0	9.0	9.0	9.0
Credit to the economy	8.4	-3.1	-0.5	11.6	3.2	11.8	11.8	9.2	11.3	13.4	16.5	17.6	17.6
Real credit to the economy 2/	-1.5	-23.5	-5.3	1.5	-7.0	3.0	4.0	4.0	6.0	8.0	11.0	12.0	12.0
Credit-to-GDP ratio, in percent	18.8	18.9	15.1	14.4	13.1	13.2	13.1	13.0	13.3	13.8	14.8	16.0	17.2
Velocity of broad money, ratio	2.6	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Money multiplier, ratio	3.1	3.2	3.1	3.2	3.2	3.2	3.1	3.1	3.1	3.1	3.1	3.1	3.1
Hryvnia per U.S. dollar (end of period)	27.3	36.6	38.0	…	…	…	…	…	…	…	…	…	…

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

1/ Includes claims for recapitalization of banks.

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

Annex III. Table 6. Ukraine: Indicators of Fund Credit (Downside Scenario), 2021–33

(In millions of SDR)

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Projections									
Existing Fund credit										
Stock 1/	10,432	8,696	7,198	6,285	5,673	4,589	3,504	2,419	1,195	473
Obligations	2,536	2,311	1,967	1,293	943	1,379	1,335	1,291	1,387	842
Principal (repurchases)	1,780	1,736	1,498	913	612	1,085	1,085	1,085	1,224	723
Interest charges	757	574	469	380	332	294	250	207	163	120
of which: Surcharges	168	102	59	23	4	0	0	0	0	0
Prospective purchases										
Disbursements	4,003	2,022	1,449	795	0	0	0	0	0	0
Stock 1/	835	2,857	4,305	5,100	5,100	4,854	4,319	3,535	2,685	1,835
Obligations 2/	4	113	239	331	345	569	804	980	982	947
Principal (repurchases)	0	0	0	0	0	246	534	784	850	850
Interest charges	4	113	239	331	345	322	270	197	132	97
of which: Surcharges	0	42	94	133	139	119	80	32	0	0
Stock of existing and prospective Fund credit 1/	11,267	11,553	11,503	11,385	10,773	9,442	7,823	5,955	3,881	2,308
In percent of quota 2/	560	574	572	566	536	469	389	296	193	115
In percent of GDP	7.9	8.1	8.1	7.6	6.9	5.8	4.5	3.3	2.0	1.1
In percent of exports of goods and nonfactor services	26.3	31.3	26.1	21.6	18.8	15.2	11.8	8.4	5.1	2.8
In percent of gross reserves	35.5	37.7	35.5	33.6	29.8	24.2	18.6	13.3	8.3	4.6
In percent of public external debt	14.5	11.0	9.1	8.5	8.0	6.8	5.5	4.0	2.6	1.5
Obligations to the Fund from existing and prospective Fund credit	2,540	2,424	2,206	1,624	1,288	1,947	2,139	2,272	2,369	1,789
In percent of quota	126.3	120.5	109.7	80.7	64.0	96.8	106.3	112.9	117.7	88.9
In percent of GDP	1.8	1.7	1.6	1.1	0.8	1.2	1.2	1.2	1.2	0.9
In percent of exports of goods and nonfactor services	5.9	6.6	5.0	3.1	2.2	3.1	3.2	3.2	3.1	2.2
In percent of gross reserves	8.0	7.9	6.8	4.8	3.6	5.0	5.1	5.1	5.1	3.6
In percent of public external debt service	94.4	75.9	68.6	38.6	31.4	38.3	46.4	45.1	44.8	37.8

Source: Fund staff estimates and projections.

1/ End of period.

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

Appendix I. Letter of Intent

Ms. Kristalina Georgieva December 11, 2024

Managing Director

International Monetary Fund

Washington, D.C., 20431

U.S.A.

Dear Ms. Georgieva:

1. Russia's illegal and unjustified invasion of our country continues to bring enormous human, social, and economic costs. As attacks persist, civilian casualties are large, over a quarter of the population has been displaced, and infrastructure damage is massive and increasing, with serious long-lasting consequences for our people. The Rapid Damage and Needs Assessment (RDNA-3) of February 2024 estimated reconstruction needs at US$486 billion over the next decade, and these needs increase with every day of the war. Through this hardship, our people continue to show courage, determination, and resilience while macroeconomic, financial, and external stability has been preserved with skillful policymaking and external support.

2. Our strong and sustained performance thus far under the Extended Fund Facility (EFF) has clearly demonstrated our capacity to implement sound economic policies despite these challenging circumstances. However, we continue to face major risks amid the exceptionally high uncertainty due to the war. Our IMF-supported program, together with significant official financing assurances, therefore provides a crucial financing envelope of US$148 billion over the program period. In this regard, we are especially grateful to our partners for their efforts to make US$50 billion available through the Extraordinary Revenue Acceleration (ERA) Loans for Ukraine Initiative.

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

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

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

5. For this Sixth Review under the EFF, we have met all the end-September 2024 and continuous quantitative performance criteria (QPCs) and all of the indicative targets (ITs). We are requesting to modify a QPC by raising the floor for net international reserves for end-March 2025, to reflect the positive outlook for international reserves in 2025Q1 and reinforce our commitment to external sustainability, and to maintain adequate buffers in view of near-term risks.

6. We continue to implement key policy measures and structural reforms under the program, as highlighted in Table 2 of the MEFP, and have met the following structural benchmarks for end-October: we produced a diagnostic review of pre-war MTBF policies and practices relative to best practices; the NBU assessed key financial and operational risks to financial stability and prepared contingency plans; we analyzed debts and assessed financial conditions of District Heating Companies (DHCs) through a desk review undertaken by a reputable audit firm; and we produced a SOE state ownership policy, dividend policy and privatization strategy. Moreover, to ensure our energy regulator NEURC's functional independence, we adopted amendments to law #3915-IX to exempt its regulatory decisions from the state registration procedure (end-December 2024 structural benchmark). Additionally, we respected the continuous structural benchmark on the banking system. Finally, as a prior action for this review, we enacted a package of tax measures on November 28.

7. We continue to implement wide-ranging reforms, and as a demonstration of this commitment we propose three additional structural benchmarks: (i) prepare a comprehensive operational strategy for the NSSMC, including initiating an independent fit and proper review (by end-January 2025); (ii) preparing and submitting to parliament a draft law on financial sector critical third-party risk (by end-May 2025); and (iii) completing a third-party external audit of NEURC, enshrined in the law, and publishing it (by end-October 2025).

8. Our international partners have assured us of their continued support to help ensure that debt sustainability is restored, and the program is fully financed. As part of our efforts to restore debt sustainability, in March 2023, we announced the intention to undertake a treatment of our external public debt, in line with program parameters. After successfully completing an exchange of outstanding government and Ukravtodor bonds in August, we are making progress on other elements of the debt restructuring strategy. Should the case arise where the macroeconomic and debt outlook worsen, we also commit to undertaking a further external commercial debt treatment

as needed to restore debt sustainability in line with program parameters. It is expected such a treatment would take place once conditions of exceptionally high uncertainty abate, or at the latest by the penultimate review of the program. In light of the collaborative discussions we are having with our creditors, we request the completion of the financing assurances review.

9. Based on our successful implementation of the program targets for end-September 2024, our implementation of structural benchmarks, as well as our strong policy commitments for the period ahead, we request completion of the Sixth Review and a disbursement in the amount of SDR 834.88 million (41.5 percent of quota), which will be channeled for budget support. A memorandum of understanding between the National Bank of Ukraine (NBU) and the Ministry of Finance (MOF) has been established to govern the mechanism of servicing of the government’s obligations to the Fund by the NBU on behalf of the MOF.

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

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

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

Sincerely yours,

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

Attachment I. Memorandum of Economic and Financial Policies

I. Background, Recent Economic Developments, and Outlook

Context

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

2. **The Extended Fund Facility (EFF) arrangement provides a strong anchor for our economic policies, and we continue to sustain strong performance under the program.** The arrangement has helped mobilize an external financing package from our international partners that now totals US$148 billion over the program period (2023Q2–27Q1). In these very difficult times, the program has helped infuse greater predictability into our macroeconomic management and remains a key anchor for our economic policies. We remain highly committed to our program objectives, as demonstrated by our robust implementation of macroeconomic and structural reforms under the program thus far. Sustained disbursements of external financing underline the commitment of our international partners to our stability, reform, and recovery.

3. **As we plan ahead to next year, and despite the continuing war, we remain committed to sound policies that support macroeconomic and financial stability.** Our external partners have also provided assurances that adequate resources will be available to help finance our budget and meet our still sizable external financing needs. In this regard, we are especially grateful to the EU and our bilateral G7 partners for their efforts to make US$50 billion available through the Extraordinary Revenue Acceleration (ERA) Loans for Ukraine Initiative. This financing will help meet our needs, and on terms consistent with the program's objective of restoring debt sustainability.

4. **The official launch of EU accession negotiations in June was a historic milestone that sets the stage for our euro integration path, and helps reinforce stability and long-term growth.** Reforms to achieve EU accession will strengthen our economy and institutions, as they are essential to creating conditions for increased investment and growth going forward. Our candidate status implies that the choice of the regulatory regime defined by the EU acquis will frame our recovery and reconstruction process. Progressive integration into the European internal market should enhance trade and technology transfer to the Ukrainian economy, helping sustain the recovery. In 2024–27, the Ukraine Plan and €50 billion Ukraine facility, together with the ERA financing, will provide a critical support for our budgetary needs, recovery, reconstruction, and modernization efforts as we advance on our path to EU membership.

Economic Outlook

5. Activity remained resilient despite strains on energy and labor markets, and the economy will continue recovering in 2025 despite Russia's war continuing for longer, and as energy shortages recede.

- Economic activity was resilient in 2024H1, despite widespread shortages caused by large-scale attacks on energy infrastructure (with around 50 percent of energy capacity either damaged or destroyed). The recovery continued through 2024Q3, where growth is estimated at 3.8 percent y/y, thanks to strong early harvesting activity in July and a marked reduction in energy shortages in August and September.

- Growth is expected at around 4 percent in 2024, with the recovery expected to slow in the last quarter due to the impact of the energy attacks and an expected decrease in harvest activity, offsetting the expected strengthening in exports from the Black Sea corridor and robust consumption growth. Continuing repair and recovery in the energy sector (including from new capacity in gas turbines) and accommodative fiscal policy are expected to support the economy in the coming months. Some energy deficit is expected in the winter season, including from the higher demand, but the impact on the economy will be mitigated through our multipronged measures such as anti-missile defense, repairs, higher EU imports (increased to a 2.1 GW cap) and extra generation capacity (e.g., gas turbines).

- Inflation, which decelerated from 26.6 percent y/y in end-2022 to 3.3 percent y/y in May, picked up somewhat quicker than expected to 9.7 percent y/y in October, under pressure from increasing energy and labor costs and the passthrough from depreciation. Inflation is expected to edge up further to up to 10 percent by end-year due to pressures from business labor and energy costs, continued passthrough from the past currency depreciation and the fading of favorable base effects from raw food prices that helped contain inflation earlier in the year. The further stabilization of the energy situation, a larger harvest and an accommodative fiscal policy will support growth in 2025, which is expected between 2.5 and 3.5 percent. Thanks to an appropriate monetary policy response and receding cost pressures from food and energy, inflation is expected to decelerate to 7.5 percent by the end of 2025, after an acceleration in the first half of the year driven primarily by base effects.

- For 2024, the current account deficit is expected to widen to US$15.9 billion (from US$9.6 billion in 2023), despite an improvement in the trade balance and flow relief from the commercial debt treatment, reflecting a moderation in grants and a deteriorated primary balance amid higher public sector interest payments and FX liberalization, among other factors. Supported by external financing, reserves are expected to end the year at US$42.3 billion (112 percent of the ARA metric). In 2025, the current account deficit is projected to widen further to US$29.3 billion on account of a further decline in grants, high import needs, and the lower grain harvest in 2024. Gross reserves are projected to reach US$43.3 billion at end-2025 or 100.5 percent of ARA, supported by sizable official financing.

- After depreciating through end-July 2024 by a cumulative 12.2 percent since the transition to managed exchange rate flexibility, the hryvnia has remained broadly stable. FX interventions remain sizeable to fill the structural deficit, against a backdrop of increased net FX demand of the private sector (while accommodating the structural surplus of FX of the public sector). The spread between the official and cash rates has remained low.

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

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

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

II. Macroeconomic and Structural Policies for 2025–27

A. Overview

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

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

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

- Once the war tapers off, expected in late 2025 under the baseline scenario, we will build on the significant progress so far and shift our focus to more expansive structural reforms to entrench macroeconomic stability, and reconstruction to promote economic growth and thereby help restore medium-term external viability. As conditions allow, Ukraine will revert to pre-war policy frameworks. Progress toward EU accession will be a major anchor for our policies; we have committed to undertake a wide range of measures in support of this under the Ukraine Facility.

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

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

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

B. Fiscal Policy

10. We met all the end-September 2024 fiscal targets amid immensely challenging conditions arising from Russia's war. Specifically:

- Tax collections have continued to overperform expectations, and tax revenues (excluding social security contributions) reached UAH 1,527.9 billion, exceeding the floor of UAH 1,398.6 billion (***Quantitative Performance Criterion***).

- Strong revenues and tight non-defense expenditure prioritization led to an end-September non-defense cash primary balance of the general government excluding grants of UAH 651.0 billion (at program exchange rates), above the program's floor of UAH 368.3 billion (***Quantitative Performance Criterion***).

- Relatedly, the overall balance excluding grants was UAH 898.1 billion (at program exchange rates), exceeding the floor of UAH -1,123.1 billion (***Indicative Target***).

- The issuance of government guarantees was UAH 22.7 billion, well below the adjusted ceiling of UAH 61.6 billion (***Quantitative Performance Criterion***).

- The accumulation of overdue accounts payable (domestic arrears was UAH 1.7 billion as of end-September, below the ceiling of UAH 1.8 billion (***Indicative Target***).

- Social spending amounted to UAH 427.7 billion at end-September, respecting the floor of UAH 390.0 billion (***Indicative Target***).

11. For the rest of this year, we are implementing fiscal policies consistent with the 2024 Supplementary Budget. The Supplementary Budget has authorized additional expenditures to reflect the need to provide for national defense while also tightly prioritizing other categories. Nevertheless, we remain committed to ensuring adequate resources for the social safety net, including to address the needs of war veterans and vulnerable groups. The floor on social spending (***Indicative Target***) underscores our commitment to safeguarding this spending. We will also strive to ensure that revenues, especially taxes, achieve our plan for the rest of the year, ensuring an appropriate degree of burden sharing. Overall, in 2024, we continue to expect that the overall balance of the general government excluding grants will reach UAH -1,850 billion or around 24.3 percent of GDP. Our progress in budget implementation continues to be monitored by the floor on the non-defense primary balance of the general government excluding grants (***Quantitative Performance Criterion***) and the floor on the overall cash balance of the general government excluding grants (***Indicative Target***).

12. To ensure adequate revenues, we have taken important recent efforts to mobilize taxes and stand ready to do more:

- On October 10, Parliament adopted a package of amendments to the tax code in the second reading. The package contains a number of measures, including (i) raising the Military Tax rate from 1.5 to 5 percent; (ii) broadening the base of Military Tax by extending it to taxpayers in the Simplified Tax System; (iii) introducing presumptive taxation on fuel stations; and (iv) increasing the corporate tax rate applied to non-bank financial institutions (excluding insurance) to that already applied to banks (25 percent). It also contained a second year of an exceptional profit tax on banks (50 percent), which we intend to avoid repeating in the years ahead in favor of high-quality, permanent measures.

- We are also taking steps to harmonize our tax code with EU directives. To build on the legislation enacted in September that will gradually align fuel excises with EU levels, we adopted parallel legislation on tobacco excises on December 4. We will begin discussions with EU counterparts on the next steps of adjusting our taxes to meet EU requirements next year.

- Considering that we remain highly exposed to potential shocks and our room for maneuver remains constrained, we remain ready to respond to budgetary shocks—either expenditure shortfalls or fresh expenditure demands—with an increase in taxes. As before, we view increases in the main VAT rate as being the most efficient potential source of additional revenue at this juncture and it remains central to our contingency planning. Moreover, this intention underscores our commitment to pursue policies that preserve stability and restore fiscal and debt sustainability through revenue-based fiscal adjustment.

13. **The preparations for the 2025 Budget are taking place according to schedule and are in line with the program's assumptions and financing parameters**. Regarding the process, the first reading of the 2025 Budget law occurred October 31, after which a revised budget for the second reading was submitted to Parliament on November 8. We expect parliamentary adoption by the end of the month.

- *Expenditures*: The Budget authorizes expenditures of UAH 5,065 billion or about 58 percent of GDP, reflecting our expectation that the war will continue into the next year. This very high level of expenditures reflects they priority that we are giving to defense, and notwithstanding our efforts to identify savings elsewhere. We also remain committed to adequate social protection, and as in 2024, we will continue to set aside an appropriate allocation for these programs.

- *Revenues*: We expect to realize the benefits of the tax measures described above, which we estimate will yield around UAH 141 billion or around 1.6 percent of GDP. Recognizing the importance of realizing these revenues for smooth implementation of the 2025 Budget, before the IMF Executive Board's consideration of this review, we enacted the package of tax measures (Law #11416-d) as adopted by Parliament on November 28 (***prior action***). Total revenues excluding grants will be UAH 3,340 billion, of which the vast majority will be comprised of tax collections.

- *Balance*: We will continue to have a sizable fiscal deficit next year, with the 2025 overall deficit excluding grants expected to be UAH 1,710 billion (19.7 percent of GDP). As has been the case since the start of the program, this deficit will be mainly financed by the support of our external partners. The largest external disbursements to finance the budget next year will come the G7's ERA mechanism. We remain committed to ensuring that the ERA financing is being incorporated in a manner consistent with the fiscal paths under the program (over 2025-27Q1). To this end, we will administer these flows as budget support, ensuring that the financing is: (i) transparently incorporated in the budget, (ii) accounted for in our treasury reporting, (iii) disbursed into the treasury single account, and (iv) not directed to any special fund without prior agreement from the donor country.

14. To entrench medium-term budget planning, we are beginning work on next year's Budget Declaration. This year's declaration was a helpful anchor for the budget discussions and we expect that next year's budget declaration for 2026-28 will be even more consequential. We expect that it will serve as a critical anchor for fiscal policies in the post war period. We recognize the importance of a sound medium-term fiscal framework, both to support our efforts to return to sustainability and to plan for recovery and reconstruction. Thus, in consultation with the Fund, we will prepare and submit next year's budget declaration on time, and in line with the program's parameters (***end-June 2025 Structural Benchmark***).

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

16. Every day that Russia's war continues the already staggering reconstruction needs rise. The latest Rapid Damage and Needs Assessment (RDNA-3), published on February 15, 2024, estimated reconstruction needs of US$486 billion over the next ten years. Since then, the attacks on energy and other infrastructure have pushed damages up further. Addressing the largest needs—concentrated in housing, transport, and commerce and industry—will be vital to delivering essential public services, restoring the economy's productive capacity, and providing adequate social protection. Repair and recovery on these fronts will also help promote the return of refugees. In considering initiatives in this area, we will ensure that these activities are consistent with a return to fiscal and debt sustainability. To this end, we will carefully evaluate the financing mix, and will seek financing on highly concessional terms. Additionally, we will make sure that the mechanisms used for reconstruction financing are consistent with the principles of integrated public investment management to ensure that reconstruction projects fit into the medium-term budget framework (see ¶29).

C. Financing Strategy

17. Our financing strategy continues to focus on securing timely and predictable external disbursements on appropriately concessional terms. The likelihood of a longer war and its associated cost entails a larger financing gap, which now stands at US$148 billion over the program period. We have been working closely with our donors and have identified sources to ensure that this financing need can be met:

- *We remain very grateful for the substantial budget support from our donors*: Since the start of the program, we have received US$60.6 billion, of which US$27.3 billion was disbursed between January and November 14, 2024. For the remainder of the year, we expect to receive an additional US$13.6 billion.

- *Firm financing commitments are in place for the next 12 months of our IMF-supported program*: Over January 2025-December 2025, we have received assurances for US$36.6 billion of financing (excluding IMF financing). This financing includes contributions from multilateral institutions and official bilateral donors as well as a portion amounting to US$21.9 billion from the US$50 billion ERA mechanism. The provision of support in the amounts, terms, and timing envisaged will be vital to maintaining economic and financial stability.

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

18. We recognize that financing the budget and maintaining stability will require mobilizing resources as needed from the domestic government bond market:

- In line with our strategy for implementing the Supplementary 2024 Budget, we have ramped up issuance on the domestic market. Consequently, over the first ten months of 2024, we have mobilized net domestic bond financing of UAH 480.5 billion (around US$11.8 billion) broadly on market terms, implying a rollover rate of 152 percent so far this year. To support substantial absorption of our recent external debt placements, we made adjustments to regulations pertaining to reserve requirements at the NBU's September MPC meeting (¶46). About UAH 85 billion has been issued year-to-date as designated benchmark bonds that banks may use to meet reserve requirements. We stand ready to further strengthen efforts as needed to help meet our financing needs for the remainder of 2024.

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

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

19. We will continue to enhance the management of public debt and treasury cash and liquidity:

- We will ensure our debt management strategy remains consistent with the program's debt sustainability objectives. We will update the Medium-Term Debt Strategy (MTDS) upon completing our plans for the treatment of external commercial claims, including GDP-linked securities. We are also committed to strengthening our debt management capacity, including by increasing staffing and training. We will continue to support the development of the domestic debt market, including through medium-term efforts to maintain the attractiveness of locally-issued instruments and diversify the set of investors (including encouraging non-resident participation). Moreover, our efforts should help facilitate international capital market access in the medium term, consistent with debt sustainability objectives, and thereby enable the bond market to play an active role in reconstruction.

- *Treasury cash and liquidity management*: The expected provision of large-scale financing, including through the ERA initiative as well as risks to budget execution from the ongoing war highlight the need to strengthen capacity in this area. To avoid vulnerabilities, strengthen budget execution and commitment controls, and to help lower the volatility and transaction costs of treasury resource management, we are committed to further strengthening liquidity forecasting and cash management To this end, we continue to review the findings of a diagnostic assessment of treasury cash and liquidity management based that we conducted with the help of IMF TA, examining international best practices with regards to the roles of finance ministries, treasuries, central banks, and debt management agencies and identify next steps.

D. Fiscal Structural Reforms

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

Revenue Mobilization

23. Our efforts to increase revenues through tax policy and administrative reforms are guided by the NRS. The NRS, adopted in December 2023, aims to establish a fair and competitive tax framework to generate sufficient revenues to address our post-war development goals while maintaining fiscal and debt sustainability. The strategic goals include improving tax revenues by closing existing opportunities for tax evasion, increasing compliance, and combating the shadow economy. Our focus has now shifted to NRS implementation, we have developed detailed implementation plans with specific timetables for tax administration, customs, and tax policy reforms. We will closely monitor the NRS's implementation plans and publish a comprehensive annual status report each March, starting in 2025, to reflect reform progress and ensure accountability within a comprehensive, transparent, and unified reporting framework. We have already created NRS Steering Committees at SCS and STS to supervise reform implementation. We will continue to abstain from tax policy and administrative measures that may adversely affect the tax base and will refrain from introducing new categories of taxpayers in the existing preferential regimes. We are developing amendments to the strategy of digital development, digital transformations, and digitalization of public finance management for the period till 2025, approved by the CMU in 2021, to bring it in line with the NRS till 2030, approved by the CMU in 2023. We plan to submit the amendments for the CMU approval by end-2024.

24. Near-term tax policy measures focus on raising revenues from excises, aligning with the EU acquis, and streamlining tax privileges. We recently took measures to increase excise rates, a first step in a gradual increase to EU minimum levels over the medium term. In line with the NRS, we are also planning to better target and rationalize tax exemptions, minimize revenue losses, and avoid compromising equity and economic efficiency. We recently adopted a formal assessment methodology for tax privileges and guidelines specifying (i) the number of topics on tax privileges to be evaluated in an annual cycle, (ii) a standardized evaluation template, and (iii) the publication process of underlying assessments. We will phase in this methodology and gradually apply it to all relevant topics, targeting the most significant tax expenditures first, and leading to a regular evaluation cycle covering all topics over a number of years. We will compile an updated and comprehensive inventory of all tax expenditures for publication alongside budget documentation, starting with the 2026 annual budget.

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

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

- In the future, when conditions allow, we will consider reforms to make the tax system more equitable (e.g., through a more progressive personal income tax (PIT)). Also, we plan to carry out a comprehensive reform of the ST system in order to limit the sphere of application and the scope for abuse. The ST system's reform will aim to minimize opportunities for medium and large businesses to legally avoid the payment of taxes or to hide from taxation the sales volumes of goods and services, including goods illegally imported or produced; it will also aim to make it economically infeasible to use the ST system to move the legal basis for labor relations to civil law. In particular, starting at the latest by the start of 2027 we will begin to implement measures that will limit the possibility for business entities to return to the use of ST after their transition to the general taxation system, revise the approaches to determine and index the thresholds for ST, and narrow eligibility of ST by excluding certain types of activities. However, as outlined in the NRS, such PIT and ST reforms require administrative reforms, including to safeguard the confidentiality of tax data in the STS systems and to provide tax authorities an access to data about the volume of funds on taxpayers' accounts in banks.

- We are currently developing legislative amendments to introduce reporting requirements for digital platform operators and international data exchange in line with EU Council DAC 7 Directive / OECD Model reporting rules, which will allow the STS to obtain data from digital platform operators and international authorities about incomes of private individuals who receive incomes without registration of private entrepreneurship or use the ST system. This will become an effective tool to control the timeliness, accuracy, and completeness of declarations of such incomes and will contribute to a significant expansion of the tax base due to inclusion of private individuals whose income is currently not taxed. The measure will facilitate revenue mobilization and harmonization of Ukrainian tax legislation with EU legislation and OECD standards and will become a first step to reform the ST system via the introduction of new digital control tools by the STS. We will submit relevant legislative amendments to Parliament by end April 2025 **(Structural Benchmark, end-April 2025)**.

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

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

- We expect to be able to publish the results of a survey of taxpayers conducted earlier this year by an independent company by end-2024 and no later than 2 weeks after we receive the results.

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

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

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

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

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

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

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

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

- We have also stepped-up efforts to improve compliance risk management, including through an automatic risk management system and a significant expansion of the authorized economic operator (AEO) program from one participant at end-2023 to 65 by November 2024. We will ensure a steady increase in the number of participants while making every effort to maintain its integrity. By end-2024, we will introduce a random check methodology to establish a baseline measure of compliance risk and assess the validity of existing risk criteria.

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

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

28. Economic Security Bureau of Ukraine (ESBU). The ESBU will focus on major economic and financial crimes, and strengthen its analytical capacity to prevent such crimes effectively using a risk-based approach (complemented by efforts to ensure the capacity of the STS and SCS to address violations in the tax and customs spheres). The ESBU law approved in June 2024 establishes robust mechanisms for the selection commission for the ESBU head with a decisive and crucial vote for independent experts with international experience. Independent experts will also play an important role in the attestation process of existing staff (to assess their integrity and professional competence), as well as HR commissions to select new staff. The selection commission for the new ESBU head was approved in October, and we are on track to appoint the new ESBU head based on the selection process **(*Structural Benchmark*, end-February 2025).** The new ESBU head will approve procedures of attestation and form the attestation commission within three months of being appointed. The attestation of heads of division and territorial offices and their deputies will be prioritized. We will leverage the anti-money laundering and counter terrorist financing (AML/CFT) framework to support efforts to detect tax evasion and smuggling of goods in significant amounts through the use of financial intelligence tools, in coordination with relevant agencies.

Restoring the Medium-Term Budget Framework

29. We will continue enhancing expenditure planning and the medium-term budget framework (MTBF). A diagnostic review comparing pre-war MTBF policies and practices to best practices has been completed (**Structural Benchmark met, end-October 2024**). Based on this review, we developed an action plan to enhance the MTBF, which is incorporated into a MOF Order for implementation. In 2025, our focus will be on the practical application of diagnostic review results, improving expenditure baseline estimates and costing of new policies. Building on experiences of practical application and with FAD TA, by end-October 2025 we will identify next steps to further improve expenditure baseline estimates and costing of new policies to ensure their usage by all key spending units. We will ensure that PFM-related reforms, including Public Investment Management reforms, will be well aligned with the MTBF (¶36). Through these reforms, the government of Ukraine strengthens its ability guide fiscal policy, more efficiently allocate scarce public resources, and further aligns its budgetary framework with EU requirements.

Pensions and Social Spending

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

- amendments to the legislation to ensure that Article 61, Part 5 of Law 3354-20 becomes effective immediately.

- new legislation prohibiting any changes to the pension system through unrelated legislation (i.e., outside the pension law).

Also, we will focus on consolidation of pension legislation provisions to replace various sectoral legislative acts that regulate pension rights.

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

- **Pensions.** In the next few years, we plan to work on a comprehensive conceptual framework to improve and simplify the pension system and are reviewing the possibility of introducing a second pillar of the pension scheme, when conditions are in place. We reiterate that any proposed legal amendments that would increase pension expenditures need to be accompanied by a medium-term fiscal and debt sustainability analysis, and a clear identification of the necessary resources in the amendments to the Pension Fund of Ukraine budget. We will refrain from: (i) introducing new special pensions or privileges; (ii) passing any new legislation that would give rise to additional pension-related contingent liabilities, which are not provided with financial resources; and (iii) modifications that would lead to a lowering of the legally defined retirement age. In the near term, we will take measures to limit the amount of additional benefits paid to certain categories of pensioners, on top of the contributive part of their pensions. We will also offer a unified approach to the annual increase of all pensions assigned in the pension system, exclusively through the indexation mechanism. In addition, we will improve the targeting and prevent the abuse of certain pensions supplements, by clarifying eligibility criteria.

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

Fiscal Transparency and Risks

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

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

- We have made significant improvements in fiscal risk analysis and reporting. The Fiscal Risk Statement (FRS) for the 2025 budget featured an enhanced SOE fiscal risk analysis, incorporating a consolidated view of financial performance analysis and stress testing across major SOEs. Going forward, with FAD TA we will further quantify fiscal risks by including projections of fiscal variables (deficit, debt) under certain shock scenarios in the Budget Declaration and the FRS.

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

- In collaboration with the MOE, the MOF published, as part of the FRS, a list of PPPs and prepared a review of the associated risks and potential impact on the 2025 Budget and onwards. We are committed to improving the reporting of PPP fiscal risks in the FRS for the 2025 budget and have requested FAD TA to support this.

- We will implement the MOFs SOE fiscal risk management function for SOEs into the new SOE governance framework and align it with secondary legislation, including Order 984 on Financial Indicators. This requires comprehensive analysis of SOE financial and fiscal risks, for which we have requested FAD TA. We will gradually enhance the identification, analysis, and reporting of Public Sector Obligations (PSOs) and Quasi-Fiscal Activities (QFAs).

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

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

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

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

35. Our reforms of the 5-7-9 program are accompanied by measures to strengthen the BDF's effectiveness and sustainability, consistent with the SME Development Strategy (Government Order No. 821). The MOF, in collaboration with international partners, has commissioned an independent assessment of the BDF (to be completed by end-June 2025) and its support programs, with the goal of refining their operational design to effectively serve only those SMEs that face substantial barriers to funding and of informing the future role of the BDF. Moreover, the World Bank will carry out a policy effectiveness review of the 5-7-9 program in 2024. We will wait for the results of these studies before making any changes to the BDF's structure or scope of activities. To ensure legal certainty and attract a wide range of qualified candidates for the BDF supervisory board, legislation was recently passed to align the asset declaration obligations of the BDF's foreign independent supervisory board members with those of SOBs, effective November 2024 through the enactment of law #3818-IX. To further strengthen the governance and financial self-sustainability of the BDF, we have recently increased BDF's fees from 0.15 percent to 0.5 percent and shifted responsibility for paying such fees from the government to banks participating in the 5-7-9 program, and we are committed to:

- Establishing a BDF supervisory board with majority of independent candidates (by end-January 2025).

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

36. To limit fiscal risks, any government lending facilities or development finance institutions will strictly adhere to international best practice. We will ensure that any legislation along these lines conforms to international best practice. Specifically, we will ensure that any proposal internalizes the need for appropriate oversight (including by the competent authorities), a business model that ensures long-term financial sustainability to mitigate fiscal risks, and incorporates sound risk management frameworks and corporate governance standards, to provide insulation from political interference. The implementation of any new programs will not affect existing government lending and granting programs along with the coordination mechanism with clearly defined roles for the MOE and the MOF. We will consult with IMF staff and other international partners before launching any such programs. To this end, by end-September 2025, we will conduct an external assessment of the draft law on the National Development Institution and related legislation against international best practice and in consultation with IFIs while laying out the fiscal implications and risks and providing recommendations that should be implemented before the SME development finance institute is created.

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

- ***Fund for the Liquidation of the Consequences of the Armed Aggression.*** The Fund served its purpose well in the context of Budget 2023 and continues to serve it in the current year, supporting the restoration of destroyed and damaged property in the amount of UAH 38.1 billion in 2023 and UAH 16.7 billion for the first nine months of 2024. In 2025, the Fund will continue to serve its purpose as stated in the Article 43 of the draft State Budget Law and we will keep control over commitments and appropriations with the MoF as prescribed by the budgetary legislation.

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

Strengthening Public Investment Management

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

- As a first step to implement the 2023 Roadmap, we have established the Strategic Investment Council (SIC), which will play a central role in defining the project pipeline, including endorsing public investment projects for the annual budget. We will enact legal amendments (in line with Action 1 under the Action Plan) to (i) integrate PIM into the budget process, ensuring that only projects that were appraised and selected in the prescribed manner are included in the budget; (ii) define the functions of the participants in the PIM process; (iii) introduce medium-term planning of public investment, including prioritization of ongoing projects; and (iv) establish the mandatory use of a unified IT platform (DREAM; IT systems of the MOF and the MOE). The amended Budget Code will give MOF a clear mandate to verify—and report in annual budget documents—that all projects financed from the budget (and all PPPs and guarantee-backed projects) were appraised and selected in the prescribed manner (***Structural Benchmark***, **end-January 2025**). Moreover, by end-February 2025, Cabinet will approve secondary legislation required to implement the Budget Code amendments.

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

    i. The degree of scrutiny will be commensurate with the scale and complexity of the project.
    ii. To speed up delivery, project review decisions will be timely.
    iii. To avoid a political commitment to projects before there is reasonable confidence in key project variables (e.g., cost estimates or delivery schedules), the procedures will include mechanisms to abandon or modify projects at any stage in the process. We will submit any necessary changes in regulation or legislation to this effect. In line with its gatekeeper role, MOF will have the right to trigger such mechanisms, especially for larger projects.
    iv. Conflicts of interest will be avoided, for example when officials appraise project proposals submitted by their own ministry.

v. The source of financing will be considered only after a decision on whether to proceed. Moreover, availability of finance will not inform the decision, including for externally financed projects.

vi. The review of project proposals by the MOF, MOE and MOI will be conducted in an integrated fashion (rather than by each ministry separately), so that interdependencies between the technical, economic, and financial reviews are adequately captured in the overall quality assurance of project proposals.

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

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

E. External Debt Strategy

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

40. With the completion of the Eurobond exchange, we are turning to additional components of our strategy:

- *Commercial claims other than Eurobonds*: In addition to the bonds, we intend to pursue treatments of: (i) GDP warrants; (ii) government guaranteed bonds of Ukrenergo; and (iii) external commercial loans owed to a commercial creditor, which was a part of the restructuring perimeter approved in March 2023. To this end, we have made contact with the holders of these claims and a moratorium on government payments on the respective instruments was introduced in August 2024. We are committed to prompt implementation of the strategy in line with the debt sustainability objectives of the program. We continue to be aided by our external financial advisors and remain committed to a credible process for restructuring these claims in line with the overall strategy under the program, including with transparency for information and communication.

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

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

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

F. Monetary and Exchange Rate Policies

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

Monetary Policy

44. We will maintain an appropriate monetary policy stance to support price stability, anchor inflation expectations, and enhance FX market stability. Rapid disinflation supported an easing cycle in the first half of the year, allowing us to cut the key policy rate (KPR) by 200 bps. However, since our July MPC, we have kept the KPR on hold at 13 percent, in view of accelerating inflation from energy and labor costs, food supply shocks and the passthrough of currency depreciation. Our decision will also help keep real rates high to preserve the attractiveness of hryvnia instruments and limit the demand for FX. Pending the resolution of recent inflationary shocks, we will maintain this tight monetary stance, while standing ready to tighten our interest rate policy if inflation continues to accelerate above our forecast or expectations show signs of deanchoring, and to resume the easing cycle once inflationary pressures abate. Despite the recent acceleration, expectations remained well-anchored. As pressures on inflation are expected to largely abate due to a stabilized energy situation and an expected larger harvest next year, we plan to steer monetary policy towards sustaining moderate inflation through 2025, followed by its return toward the target of 5 percent over our policy horizon of up to three years. The NBU intends to adapt its monetary policy if the balance of risks to inflation and the economic outlook changes significantly over the forecast horizon. Overall, in line with our Strategy, we intend to maintain sufficiently positive real interest rates to support price and external stability.

45. We will achieve our monetary policy objectives through the flexible inflation targeting regime defined by our updated Monetary Policy Guidelines (MPG). As outlined in our Strategy, we intend to return to a full-fledged inflation targeting regime as conditions permit. However, in the meantime, as expressed in our MPG, in order to safeguard macroeconomic and financial stability we have adopted an interim flexible inflation targeting regime. This deviates from the pre-war regime along several dimensions, including due to the managed flexibility of the exchange rate. In addition, the flexibility inherent in our inflation targeting regime accommodates short-term deviations from the inflation target in response to shocks, which should facilitate the adjustment of the Ukrainian economy to such shocks while maintaining control over expectations. Nevertheless, our strong commitment to achieving and supporting price stability in the medium term is crucial in guiding inflation expectations. Another key difference from our pre-war regime, as per the MPG, is the reliance on a combination of interest rate and exchange rate policies as well as FX restrictions and other tools that are consistent with maintaining price stability. In this context, we are continuing our efforts to further strengthen the effectiveness of the KPR towards its role as our main policy instrument to achieve the inflation target. Meanwhile, the main role of FXI is to cover the structural deficit and avoid excessive volatility in the FX market, ensuring its stable functioning. At the same time, to support our eventual transition to full-fledged inflation targeting, we will continue to allow sufficient exchange rate flexibility to serve as a shock absorber, while also preventing the accumulation of external imbalances, and safeguarding valuable reserve buffers.

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

- The adoption of the floor system in our monetary policy operational framework, that assigns the key policy rate to the overnight CD, continues to support monetary transmission. Our use of 3-month CDs, access to which is linked to retail hryvnia term deposit growth, has supported real returns and volumes of such deposits, enhancing FX market sustainability and bank funding. Going forward, we will continue to make technical changes to our operational design if needed to ensure consistency with appropriate monetary conditions, proper transmission of monetary policy, and to support external stability and FX reserves. Further changes to our operational design will be based on a thorough analysis of their potential impact on banks' behavior and monetary policy conditions, considering the need to maintain hryvnia assets' attractiveness and monetary stability.

- In October, we increased reserve requirements and the share of these requirements that can be met with eligible domestic bonds to 60 percent; this was aimed at strengthening the flexibility of banks in managing their liquidity and supporting the uptake of government bonds in the primary market to meet financing needs in 2024. This is expected to have a broadly neutral impact on liquidity and an increase in banks' benchmark bond holdings by about UAH 150 billion relative to before this adjustment to the RR. We will continue to carefully monitor the impact of these adjustments on liquidity conditions, including to ensure consistency with our monetary policy objectives.

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

Exchange Rate Policies

47. Effective operationalization of the managed flexibility exchange rate regime has enhanced the FX market's capacity for self-balancing and strengthens the exchange rate's role as a shock absorber while safeguarding reserves. The exchange rate, while supported by FX interventions, has fluctuated in both directions in response to market conditions. FX trading has increased significantly, accompanied by a notable increase in its depth: since the transition to managed flexibility, transactions excluding the NBU's participation have more than tripled, and their share more than doubled. The spread between exchange rates on the cash and official exchange rates remained compressed, not exceeding 0.9 percent in September-October 2024, thus aligning different FX market segments. In general, these developments help to reduce the FX market's sensitivity to short-term volatility and strengthen its ability to self-balance. Allowing the exchange rate to adjust to domestic and external shocks and ensuring the exchange rate fluctuates in both directions in response to changes in the balance of supply and demand will enhance the resilience of the FX market and Ukrainian economy. We continue to monitor the FX market closely and to calibrate our FX intervention policy to achieve the program's objective of external stability, including consistency with the program NIR targets. As envisioned in our Strategy, FX interventions will be used to fill the war-related structural FX deficit of the private sector (while accommodating the structural surplus of FX in the public sector) and to reduce excessive volatility of the exchange rate, with the level of the exchange rate otherwise determined by prevailing market conditions. Avoiding excessive exchange rate volatility under the managed flexibility framework will further help keep inflation and exchange rate expectations under control, thereby preserving confidence in the hryvnia and supporting our eventual return to full-fledged inflation targeting. We will also continue to facilitate the functioning of the FX cash market to ensure a low and stable spread, in line with our

Strategy, including by easing access to noncash FX and increasing cash FX supply depending on market conditions.

48. We are committed to maintaining adequate FX reserves throughout the program to safeguard external stability. Despite an unexpected increase in demand for FX cash, we met the end-September 2024 Quantitative Performance Criterion on net international reserves thanks to an increase in FX supply—especially from the agricultural sector— as well as positive net issuance of domestic FX securities. We remain committed to achieving the established NIR targets at the end of the year and through 2025 to ensure adequate reserves in light of the balance of risks to the outlook.

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

NBU Independence and Governance

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

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

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

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

52. We are taking concrete steps to incorporate recommendations of the 2023 Safeguards Assessment. In July, pursuant to a key recommendation of the Safeguards Assessment, the NBU Council conducted a self-assessment assisted by external consultants, containing recommendations to further improve its oversight role and collective fitness. We will continue working with IMF staff to develop and adopt amendments to the NBU law to establish appropriate selection criteria for the Council and strengthen financial autonomy safeguards, clarify counterparty eligibility for refinancing operations and emergency liquidity assistance and further strengthen NBU's status as a secured creditor. We will ensure that vacant positions in the NBU Council are filled by end-April 2025.

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

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

G. Financial Sector

55. Our wide-ranging emergency measures have preserved financial stability. We continue to closely monitor developments in the financial sector and will make adjustments to policies as necessary. Despite the severe impact of the war, the majority of bank branches remain operational, online banking services are fully available to all clients with internet connectivity, the non-cash payment system is functioning normally, and liquidity is robust for most banks. To ensure the continuity of the banking network, we introduced "Power Banking" in late 2022. The network currently includes over 2,400 branches or about 55 percent of the total, which are capable of providing banking services even during prolonged power outages. The Power Banking project continues to evolve to further strengthen resilience. Despite heavy attacks on energy infrastructure in September, 98.5 percent of the branches in the Power Banking network remained open and operational during prolonged disruptions to electricity supply. The licenses of eight small banks (around 4 percent of system net assets) have been revoked under Martial Law and one bank (also around 4 percent of system net assets) was nationalized.

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

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

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

- The NBU has assessed key financial and operational risks to financial stability under various downside conditions in consultation with IMF staff and has updated NBU's monitoring and emergency response frameworks accordingly (***Structural Benchmark*, end October 2024**).

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

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

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

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

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

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

- We will continue to undertake analysis of the state of the banking system and wartime developments and needs. Informed by the NBU resilience assessment, we developed capital management plans and adjusted the business plans of SOBs needing capital increases to meet the requirements. The MoF in its capacity as SOB shareholder has instructed SOBs to maintain best practice risk appetite frameworks and the NBU will assess the frameworks as a thematic review as part of the 2025 annual Supervisory Review and Evaluation Process. Once the independent AQR is concluded, we will use its results to update the general SOB strategy and subsequently, strategies for individual banks with majority public ownership, including with respect to privatization (in line with our Financial Sector Strategy).

- In preparation for the privatization of banks with majority public ownership, Parliament approved a law on SOB privatization in October 2024. We are also preparing two systemic state-owned banks for sale, Sense Bank and Ukrgasbank. We plan to appoint an internationally recognized financial advisor by end-March 2025 using a transparent procedure and in consultation with IFIs. The privatization of SOBs is excluded from the general privatization law. Given uncertainties with the timing of sale processes, we will ensure SOB supervisory boards remain fully operational, including for Sense Bank, and will propose amendments to the independent supervisory board selection process by establishing a shortlisted panel of pre-screened candidates to accommodate any attrition in Supervisory Boards by end-January 2025.

- The Ministry of Economy will develop a strategy for the Ukrainian Financial Housing Company in consultation with the Ministry of Finance, National Bank of Ukraine and IFIs by end-June 2025 that: (i) fully considers fiscal and debt constraints, (ii) minimizes the use of fiscal resources, and (iii) aligns with the general objectives of the updated financial sector development strategy approved by the Financial Stability Council. We will not allocate any further budget resources to the Ukrainian Financial Housing Company in 2025 until the strategy is complete.

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

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

- *Bank capital rules.* The NBU has aligned banks' regulatory capital structure and leverage ratio calculations with EU rules. With support of the World Bank, we will close key gaps in regulatory capital requirements by end-June 2025 and other gaps thereafter. The implementation of the new requirements will be phased to facilitate banks integrating them into their business plans. To align with the EU Directive, the NBU will prepare amendments to the legislation to increase banks' minimum share capital to the equivalent of EUR 5 million by end-January 2025, with a six-month transition period for existing banks. The NBU will continue monitoring economic conditions and relax controls and reinstate pre-war regulations when it is safe to do so and based on banks' adherence to the new capital requirements aligned with EU standards, the results of resilience assessments, and considering the banking system's role of lending to the economy and their involvement in the domestic debt market.

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

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

- *Virtual assets*. Virtual assets pose risks to price stability, the effectiveness of monetary transmission, and tax revenue in the absence of a strong legal framework. The NBU and NSSMC will prepare an update of the legislation, with input from Fund technical assistance, and in consultation with IFIs by end-February 2025 to align with international best practice while considering economic development goals and mitigating price and financial stability risks. The regulation and supervision roles and responsibilities will be decided in consultation with the Financial Stability Council and the IMF. We will prepare a Memorandum of Understanding in consultation with IFIs that defines the coordination and information sharing arrangements between the NSSMC and NBU by end-January 2025.

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

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

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

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

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

- *AML and Banking Supervision*. The NBU will continue strengthening risk-based AML/CFT supervision of banks, payment service providers and non-bank financial institutions, particularly in relation to corruption, tax crimes and illegal gambling. By end-March 2025, we will amend Article 32 of the AML/CFT law and corresponding amendments to Article 73 of the Banking Law to ensure that the penalties for AML/CFT violations by entities regulated and supervised by the NBU are effective, dissuasive, and proportionate, in line with the FATF standards. The financial sanctions applied to such entities will be established by the laws of Ukraine and the regulatory legal acts of the National Bank of Ukraine. In this regard, we are committed to invest in building the capacity of new and existing NBU staff to improve organizational performance, remain flexible and respond rapidly to changes and challenges in the AML/CFT framework.

- *Supervision of banking hybrid business models*. We recognize the growing importance of banks' hybrid business models, including Banking-as-a-Service, a model in which banks integrate their digital banking services with non-bank businesses. The NBU prepared an analysis of the issues in October 2024 in consultation with IMF staff, that considers the specific risks of such business models (including operational resilience, critical third parties, and AML/CFT), and aligns with international standards and best practices. To mitigate growing critical third-party risk in banks, non-bank financial institutions, and payments service providers, we will: (i) prepare a concept note on oversight of critical third-party risk and digital operational resilience by end-February 2025; and (ii) develop and submit a draft law to parliament (***proposed Structural Benchmark*, end-May 2025**). It will be prepared in consultation with IFIs and will include measures for detection, containment, and mitigation of critical third-party risk under both going- and gone-concern conditions. Entities identified as critical third parties will be subject to NBU's fit and proper rules.

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

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

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

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

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

- *Payments market*. Law 3994-IXpassed in October aligns Ukrainian law with the EU payment services directive (PSD2, 2015/2366) and international good practice. To prioritize supervisory activities of payment service providers in consultation with IFIs, we: (i) prepared a concept note for a supervisory risk assessment methodology in August 2024 and will implement the methodology by end-December 2024; (ii) will develop the reporting system; (iii) will strengthen supervision capacity through hiring specialists and building analytical competence; (iv) prepared a concept note in June 2024 on regulatory requirements for person to person (p2p) and other such electronic payments. We have and will continue to introduce regulation to restrict abnormal behavior; and (v) developed a concept note in August 2024 on the establishment of a public register to record card holder and merchant violations, and its potential use by market participants and government agencies such as cyber police, SSU, ESBU, and SFSU. To minimize illegal use of the payment infrastructure, the NBU will prepare by end-December 2024 a legislative proposal to: (i) extend supervisor's authority to limit operations of payment service providers non-compliant with regulatory requirements; and (ii) establish two public registers to be used by banks when establishing business relations and servicing customers. The first register will be of persons with a high risk of payment transactions related to illegal activities, and the second of business entities to promote correct use of payments activity codes. Additionally, the NBU will prepare a concept note by end-December 2024 on measures to strengthen the risk-based approach by banks and non-bank payment service providers.

- *Capital market regulation and harmonization with IOSCO principles*. Following the enactment of Law 3585-IX on the improvement of state regulation of capital and commodity markets, we are moving swiftly to align with IOSCO principles by conducting the screening process to become a signatory of IOSCO's multilateral MoU by end-June 2025 with full implementation of the other provisions of the law by end-December 2025. To prepare for implementation and to front-load critical reforms, the NSSMC will: (i) propose a reorganizational and operational strategy in consultation with IFIs; (ii) update and implement the Commission's Employees Code of Ethics in line with international best practice in consultation with IFIs; (iii) initiate an advance independent fit and proper review of NSSMC Chair and Commissioners in accordance with Article 12 of the above law and disclosures made in line with the Code of Ethics and in consultation with IFIs; and (iv) by end-December 2024 in consultation with the NBU, take steps to ensure the effectiveness of capital flow measures, including through regulatory harmonization and aligning capital flow restrictions for securities operations with those applied to bank operations (**proposed**

Structural Benchmark, end-January 2025). The Commission will complete the independent fit and proper review by end-March 2025.

- *Related parties*. Taking into account supervisory observations in the recognition of related parties, we have submitted a draft law to Parliament aimed at strengthening supervisory powers to capture economic interdependencies and related party risks. We will take the necessary steps to facilitate the adoption of the law by end-March 2025.

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

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

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

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

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

- *War risk insurance system*. The working group of the FSC has finalized a draft law establishing a fully functional war insurance system. The NBU and the Ministry of Economy held public consultations in September and October 2024 in preparation for finalizing and submitting the draft law to Parliament by end-December 2024.

- *Financial inclusion.* The war is jeopardizing access to financial services for households and enterprises in areas close to the armed conflict zone, in the liberated territories, as well as for certain groups of the population. The war is also restricting IFIs' ability to comprehensively assess financial inclusion developments and priorities. We have collated fresh data with the assistance of the World Bank using a best-efforts approach and will update our financial inclusion strategy in consultation with IFIs by end-March 2025. We will encourage financial institutions to do more to meet the needs of vulnerable clients and to reintegrate de-occupied territories. The NBU prepared draft law (#12044) for a specialized and restricted banking license in July 2024 which aims to quickly tackle growing financial inclusion challenges by leveraging on existing infrastructure. These specialized banks will: (i) be subject to the full extent of the Law of Ukraine on Banks and Banking; (ii) participate in the Ukraine deposit insurance scheme; (iii) have limits imposed on lending and funding operations. The proposal has been prepared in consultation with key stakeholders and IFIs, and with due regard to international good practice.

- *Lending development strategy*. The Financial Stability Council approved a strategy in July 2024 to support bank lending that aims to provide a unified policy approach to support fresh credit, which includes a prioritized interagency NPL resolution action plan informed by the 2023 NBU resilience assessment. It focuses on targeting subsidized lending instruments to key priority sectors during the war and further developing credit infrastructure to support banks' risk management and lending decisions. NBU regulation and supervision will continue to apply to institutions that provide financial services to a large volume of clients, and any authorities or agencies mandated with improving the lending infrastructure will adhere to the approved strategy. The NBU will coordinate with other stakeholder authorities and will prepare detailed action plans by end-February 2025 to implement the steps outlined in the Strategy's second (implementation) phase, including for exchange of information, protection of creditors' rights, and tackling NPLs.

- *Responsible consumer lending*. To strengthen borrowers' rights, improve information exchange, and encourage responsible lending, we submitted to Parliament in February a draft law on improving state regulation and the functioning of credit bureaus. We will take the necessary steps to facilitate the adoption of the law by Parliament by end-April 2025. We will also enhance the supervision of credit bureaus by establishing requirements for ownership and internal controls within six months of the law being adopted by the parliament and signed by the President.

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

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

H. Governance and Anti-Corruption

Governance of Reconstruction

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

67. **We will undertake efforts to enhance the institutional independence and effectiveness of key audit institutions to ensure that public funds, including for reconstruction and recovery, are used for their intended purposes and any misuse is prevented or detected.** In this respect, a law will be enacted that enhances the independence (organizational, functional, and financial), mandate and effectiveness of the Accounting Chamber of Ukraine (ACU) to fulfill its constitutional oversight function over public expenditures in line with standards of the International Organization of Supreme Audit Institutions, and audit all public funds (***Structural Benchmark,* end-December 2024**). In particular, the law will: (i) enhance its independence including strengthening the selection process for new ACU members for an open, transparent, credible and competitive procedure with a decisive and crucial vote of independent experts with international experience and improving dismissal procedures; (ii) establish that ACU has a minimum of 11 members; (iii) enable the ACU to select the scope of the audit free from any direction or interference and to have full and timely access to all relevant information and databases to perform its audit functions; (iv) empower the ACU to exercise external audit function on all public funds (including funds or budgets of local

governments, SOEs and off-budget funds); and (v) establish formal procedures in the legislature for reviewing and monitoring external audit reports and following up on audit recommendations with commensurate financial and technical resources; and (vi) establish a periodic peer review mechanism by independent experts with international audit experience for ten years from the enactment of the law. The enacted law is expected to continue requiring the ACU to independently determine its priority tasks and funding requirements and submit its proposed budget to the Ministry of Finance during the preparation of the budget declaration and state budget; in case of disagreements, and if the CMU is unable to settle such differences, both the ACU and Ministry of Finance shall submit information, including proper justification and calculations, alongside the draft state budget to Parliament, where the final decision is taken by the Verkhovna Rada Budget Committee. In this regard, the Rada approved a draft law on October 30. We are committed to start the selection process for the six vacant ACU members and have a full membership of the ACU in line with the timelines provided in the law.

Anti-Corruption and Rule of Law

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

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

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

- As provided for in the law, the external audit of the NABU's effectiveness with participation of three independent experts with international experience will be completed and its report published (***Structural Benchmark*****, end-February 2025**). After consultation with IMF staff, the terms of reference and the criteria and methodology approved by the commission in conducting the external audit was published in November. Based on the analysis conducted by the auditors, the audit report will include clear, reasoned, and evidence-based conclusions as well as prioritized recommendations on the effectiveness of NABU and its operational and institutional independence.

- Consistent with our broader reform plans for the forensic expert system for criminal law enforcement, we will ensure that the NABU by end-July 2025 has access to independent and competent forensic experts, to enable it to effectively conduct its investigative mandate, including investigating complex corruption schemes.

- To effectively implement the law empowering the NABU to intercept communications (wiretapping), the NABU and law enforcement agencies have finalized a memorandum of understanding on the implementation plan in the post-Martial Law period to provide resources, equipment and technological solutions for the NABU to independently intercept communications of landlines and mobile devices.

- We will also enact by end-January 2025 a law to enhance corporate criminal liability, to support the country's efforts towards accession to the OECD Anti-Bribery Convention. The law will be applicable to private and public legal entities either resident or non-resident in Ukraine and covering, among others, domestic corruption offenses, and consistent with international standards.

- We are committed to conduct an external independent audit of SAPO and publish the audit report consistent with the two-year period provided in the December 2023 amendments to the SAPO law.

- Since the restoration of public access to asset declarations in January 2024, the National Agency for Corruption Prevention (NACP) continues to monitor and verify them on a risk-based approach. A robust and sustainable asset declaration system is critical to preventing and mitigating corruption risks in procurement, particularly for recovery and reconstruction.

- We have initiated the process for nominating and appointing new members of the Public Council of International Experts (PCIE), which will vet candidates for the 24 new vacancies to the High Anti-Corruption Court (HACC) both at the first instance (15 vacancies) and appellate (9 vacancies) levels. A law has been enacted in November to extend the PCIE's mandate for the purpose of completing the ongoing selection process of all 24 vacancies for HACC judges. We will ensure the open and competitive selection for these new vacancies and adequately provision for their staffing and office needs.

70. The NBU is taking steps to ensure that risk-based implementation of AML tools helps prevent, detect, and deter the laundering of proceeds of corruption. Following the August 2024 NBU guidance, financial institutions and covered non-bank institutions are implementing a risk-based approach to politically exposed persons, and are being monitored by the NBU for compliance within the risk-based supervisory approach.

71. We will also improve the effectiveness of the ultimate beneficial ownership (UBO) regime to enhance transparency in public procurement, detect conflicts of interest through transparent ownership structures, and prevent the misuse of companies. By end-December 2024, the Ministry of Justice will enhance the operational framework for obtaining adequate, accurate and up-to-date UBO information.

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

Corporate Governance in SOBs and SOEs

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

74. We will continue to strengthen SOE corporate governance.

- We are implementing law #3587-IX on SOE corporate governance. This includes, in particular, developing secondary legislation to operationalize SOEs' financial planning processes, including the required financial indicators designed with the help of IMF TA that are consistent with the gatekeeper role of the MOF to limit quasi-fiscal risks and help safeguard debt sustainability. The

CMU approved the regulation for the financial indicators in August 2024 (No. 984), and, if necessary, we will review the financial indicators at the latest in early 2027 before the next SOE financial planning season in 2028. If necessary, we will make any changes to the financial indicators through a CMU resolution. The implementation of #3587-IX has also included revamping the nomination process and independent evaluation procedure for SOE supervisory board activity, consistent with OECD standards. We also commit to review Resolution 777, which guides the appointment procedures for independent supervisory board members in SOEs, by September 2025 in consultation with Fund staff and international partners.

- We will advance energy corporate governance reforms, including to complete the formation of the full supervisory board of Ukrenergo (7 members), with independent members in the majority **(*Structural Benchmark*, end-December 2024)**. In particular, the new independent Supervisory Board members will be chosen in a transparent and merit-based selection process consistent with OECD standards. The new Supervisory Board will be tasked with selecting the new Ukrenergo CEO under the same OECD standards in a very timely manner. We have developed a framework for assessing supervisory board activity and commit to launch an independent evaluation of the supervisory boards of GTSO, Naftogaz and Ukrenergo in January 2025 and to conclude and publish it by end-March 2025.

75. We are exploring options, in close consultation with international partners, to strengthen SOE management through the existing SOE corporate governance reform agenda. Drawing on best practices, we will define the scope for strengthening SOE management, such as centralized modes, including defining the roles and mandates of key government institutions engaged in SOE management, such as the MOF, MOE, CMU, and the State Property Fund (SPFU). We continue to adhere to the following SOE reform agenda items after adoption of #3587-IX (as discussed in ¶74) and policy sequencing in close consultation with international partners, which are all essential preconditions for strengthening SOE management, including: (i) implementing related secondary legislation for #3587-IX, including having established a methodology for and subsequently conducting regular independent evaluations of SOE supervisory board activity; (ii) we have assessed the financial conditions and fiscal risks of the SOEs in the state ownership policy (SOP); and (iii) we have produced a comprehensive SOP, dividend policy and privatization strategy ***(Structural Benchmark met)***. We will implement the SOP, including the State Dividend Policy by: classifying those SOEs of strategic importance; implementing the framework for privatizations (full or partial) in the future, as well as preparing a concept of consolidated SOE management; finalizing the legislation for the formation of mandatory supervisory boards, and evaluation of supervisory board activity; establishing financial statements in accordance with IFRS subject to an appropriate phase-in period; and implementing SOE information disclosure and SOE remuneration policy (not applicable to SOBs). We will consult with the IMF and international partners on such draft legislations and CMU resolutions. We commit to review the SOP by December 2025. More broadly, we will also assess the financial viability of key SOEs as an input to developing a framework to deal with quasi-fiscal costs, including legacy Public Service Obligations (PSOs) with the help of IMF TA (see ¶32).

Energy Sector Reforms

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

- We continue to work swiftly to repair the damage to our generating capacity, and to ensure sufficient electricity provision to households and firms, during the winter heating season. We also aim to make our energy system more resilient to future attacks, such as through decentralized energy generation, including gas turbines, and the Green Transformation in a conducive market and regulatory environment with an independent energy regulator (see below). Affected companies are mostly relying on their working capital to repair and restore energy facilities, while we are grateful for continuing donor support, including for equipment. We need additional financial assistance by donors to support repairs, as well as decentralized electricity generation support programs, including gas generation projects. We expanded the role of 5-7-9 and the BDF to support the energy sector and are implementing SOB energy support lending programs.
- For the current 2024/25 heating season, we do not plan additional gas imports for domestic consumption under the baseline, while additional gas could be stored by non-residents for EU country needs. If gas imports are needed, Naftogaz has secured additional financing for gas imports from the EBRD and bilateral donors. If Naftogaz faces a liquidity shortfall, we will assess the amount of PSO compensation in 2025 based on actual documentary proven expenditures of Naftogaz verified by the State Audit Service and other stakeholders. The relevant calculations will be finalized by end-August 2025. The potential spending pressure from gas imports and PSO compensation will be accommodated through an adjustor on fiscal balance targets, subject to the above assessment, the findings of the stock of arrears of District Heating Companies (DHCs) based on a desk audit (see below), available financing, and capped at UAH 60 billion (about 0.8 percent of GDP).

77. Potential reform measures, once conditions allow, include additional gradual tariff increases (subject to a new tariff methodology and social considerations), external financing, and transparent and exceptional direct budget support to energy SOEs pending available budgetary resources. Once the war winds down, the reform agenda in the energy sector will, inter alia, require restoring and enhancing competition in wholesale and retail gas markets. Furthermore, ensuring the sustainability of the system and reducing quasi-fiscal liabilities will necessitate a gradual increase in gas and electricity tariffs to cost recovery, while allocating adequate and well-targeted support to protect vulnerable households. Based on a proposal by the Ministry of Energy and input by stakeholders, the CMU will adopt a roadmap for the gradual liberalization of gas and electricity markets within 6 months after the end of Martial Law, with a time-bound implementation plan for the post Martial Law period. The roadmap will be based on technical analysis of the financial condition of the sector, in coordination with the European Commission.

78. The updated strategies of the GTSO and the transmission industry appropriately reflect the new operating environment by seeking to rightsize the system and identifying alternative sources of gas supply. This will be critical for the GTSO to prepare financially and operationally for the zero-transit situation when the transit contract expires at end-2024. In particular, we adopted draft law #11083 in late August that allows for a special regime of operations for GTSO to reduce its operational expenditures and maintenance for non-critical gas transmission purposes. To help address the energy deficit during the upcoming winter season, we continue implementing plans to install gas turbines for electricity generation. Finally, the adjusted transmission tariffs for 2025 should also factor in the financial situation of GTSO in the new zero-transit environment.

79. Consistent with our commitments to the EU and other international partners, we will ensure the independence of the National Energy and Utilities Regulatory Commission (NEURC). The regulator plays an important role in efforts to integrate the Ukrainian energy market with the EU, to attract needed FDI and advance the decentralization of power generation, and thus help make the energy system more resilient to missile attacks. Specifically, in order to align the Law of Ukraine 'On the NEURC' with European legislation to ensure NEURC's functional independence, we have adopted amendments in #3915-IX to exempt regulatory decisions by NEURC from the state registration procedure (***Structural Benchmark***, **met)** and also to implement Article 5 of the Law of Ukraine 'On the NEURC' prohibiting state bodies from interfering with NEURC's activities. We have appointed two new NEURC's Commissioners based on the results of the competition carried out in line with the norms of the Law of Ukraine 'On the NEURC.' We commit to develop an accountability framework for NEURC, which enshrines regular external assessments of NEURC's governance and independence frameworks in the law. Such assessments will be requested by NEURC to the Energy Community Secretariat. The first such external assessment of NEURC will be finalized and published by October-2025 (***proposed Structural Benchmark***, **October-2025**). Finally, we will ensure that NEURC will have sufficient staff to take on the expanded mandate such as the REMIT implementation in line with EU regulations and supporting the energy decentralization plans of the authorities.

80. We have completed the review of arrears and debts of District Heating Companies (DHCs) (**end-October *Structural Benchmark, met***). The desk review, conducted by a reputable audit firm, has helped clarify the stock of arrears and the financial situation of DHCs, including the drivers of the arrears' accumulation, ahead of the 2024/25 heating season. We will tackle this arrears and debt issue comprehensively once war-related pressures on the budget subside by developing a new tariff methodology with cost-reflective tariffs.

I. Program Monitoring

81. Program implementation is being monitored through quarterly reviews via quantitative performance criteria, indicative targets, and structural benchmarks. We commit to providing to IMF staff all the data needed for adequate monitoring of the program, including as detailed in the attached TMU. The complete schedule of reviews is presented in the companion staff report, and quantitative conditionality is detailed in Table 1. The program will also be monitored through the continuous performance criterion (PC) on the non-accumulation of external payments arrears and standard continuous PCs. Structural Benchmarks described in this MEFP are summarized in Table 2. The Seventh, Eighth and Ninth Reviews are expected to take place on or after March 1, 2025, June 15, and August 31, respectively, based on quantitative performance criteria for end-December 2024, end-March 2025, and end-June 2025, respectively, and corresponding structural benchmarks.

Table 1. Ukraine: Quantitative Performance Criteria and Indicative Targets

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

	Sep 2024					Dec 2024		Mar 2025		Jun 2025		Sep 2025		Dec 2025
	QPC	Adjustor	Adjusted QPC	Actual	Status	EBS/24/108	QPC	EBS/24/108	QPC	EBS/24/108	Proposed QPC	EBS/24/108	Proposed IT	Proposed IT
I. Quantitative Performance Criteria 1/ 2/														
Floor on the non-defense cash primary balance of the general government, excluding budget support grants (- implies a deficit) 2/	368,313	0	368,313	650,954	Met	415,410	415,410	254,800	254,800	546,800	547,200	751,000	752,400	822,000
Floor on tax revenues (excluding Social Security Contributions)	1,398,600	0	1,398,600	1,527,903	Met	2,042,250	2,042,250	485,000	485,000	1,019,600	1,019,600	1,622,200	1,622,200	2,491,045
Ceiling on publicly guaranteed debt	47,900	13,718	61,618	22,667	Met	47,900	47,900	62,860	62,860	62,860	64,357	62,860	64,357	64,357
Floor on net international reserves (in millions of U.S. dollars) 3/	28,800	-4,435	24,365	24,988	Met	26,300	26,300	23,800	24,300	24,800	24,800	23,000	23,000	23,000
II. Indicative Targets 1/ 2/														
Floor on the cash balance of the general government, excluding budget support grants (- implies a deficit)	-1,123,107	0	-1,123,107	-898,146	Met	-1,557,208	-1,801,685	-342,400	-342,100	-719,000	-718,400	-1,146,900	-1,146,000	-1,710,400
Ceiling on general government arrears	1,800	0	1,800	1,687	Met	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800
Floor on social spending	390,000	0	390,000	427,680	Met	537,800	537,800	135,000	132,000	270,000	271,200	410,000	414,000	560,900
Ceiling on general government borrowing from the NBU 4/ 5/	0	0	0	-33	Met	0	0	-984	-984	-4,100	-4,100	-1,500	-1,500	-6,500
III. Continuous performance criterion 1/ 2/														
Ceiling on non-accumulation of new external debt payments arrears by the general government	0	0	0	0	Met	0	0	0	0	0	0	0	0	0
IV. Memorandum items														
External project financing (in millions of U.S. dollars)	271	...	...	271	...	1,496	1,496	191	191	572	572	1,144	1,144	1,906
External budget financing (in millions of U.S. dollars) 6/	21,310	...	...	21,310	...	35,367	35,367	9,105	9,105	19,282	19,282	27,280	27,280	35,813
Budget support grants (in millions of U.S. dollars)	6,556	...	...	6,556	...	10,012	10,012	429	429	965	965	1,286	1,286	1,608
Budget support loans (in millions of U.S. dollars) 6/	14,754	...	...	14,754	...	25,355	25,355	8,677	8,677	18,318	18,318	25,994	25,994	34,206
Interest payments	284,320	...	...	284,320	...	429,820	429,820	86,700	86,200	244,800	244,600	366,600	366,100	488,800
NBU profit transfers to the government	38,000	...	...	38,643	...	38,000	38,000	0	0	63,861	63,900	63,861	63,900	63,900
Government bonds for the purposes of bank recapitalization and DGF financing	0	...	...	0	...	0	0	0	0	0	0	0	0	0
Spending from receipts resulting from sales of confiscated Russian assets and transfers of bank accounts	0	...	...	16,737	...	23,743	23,743	0	0	0	0	0	0	0
Spending on gas purchases, PSO compensation and transfer to GTSO	60,000	...	...	0	...	60,000	60,000	0	0	0	0	0	0	0
Cash balance of the general government, excluding budget support grants, treasury report at current exchange rates (- implies a deficit; in billions of Ukrainian hryvnia)	-1,046.6	...	...	-969.4	...	-1,741.1	-1,850.4	-342.4	-342.1	-719.0	-718.4	-1,146.9	-1,146.0	-1,710.4

Sources: Ukranian authorities and IMF staff estimates and projections.

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

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

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

4/ From end of previous quarter.

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

6/ Excludes prospective IMF disbursements under the EFF.

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

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

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

Table 2. Ukraine: Structural Benchmarks (continued)

	Structural Benchmark	Sector	Timing	Status
22	Develop a concept note on the 5-7-9 program with proposals to target small and medium enterprises by phasing out the eligibility of large companies, enhance monitoring, and maintain adequate safeguards.	Fiscal	End-March 2024	Met
23	Enact amendments to the procedural code to rationalize matters or issues to be heard at the first instance by one anti-corruption judge or by a panel of three anti-corruption judges.	Governance/ Anti-Corruption	End-April 2024	Not Met (implemented with delay)
24	Adopt a new law on the ESBU that has a clear mandate and scope for investigative powers consistent with good practice by focusing on major economic crimes; establishing legal basis for operation of the ESBU in terms of the selection of management and staff. The law will respect the existing delineation between the investigative powers of the ESBU and the National Anti-corruption Bureau of Ukraine (NABU).	Fiscal	End-June 2024	Met
25	Based on the outcomes of a roadmap on development of PIM procedures, adopt a government decree with an action plan and timeline that provides clear linkages between MTBF and capital expenditures, including reconstruction priorities, and specifying the gatekeeper role of the MOF.	Fiscal	End-December 2024	Met
26	Develop a methodology to assess the effectiveness of tax privileges, including their cost to the budget, in order to have a unified reform approach	Fiscal	End-September 2024	Met
27	Identify major public companies severely affected by the war and prepare a review of potential fiscal and quasi-fiscal costs	Fiscal	End-September 2024	Met
28	Adopt amendments to the Customs Code, in line with international best practice.	Fiscal	End-October 2024	Met
29	With the help of IMF TA, produce a diagnostic review of pre-war MTBF policies and practices relative to best practices.	Fiscal	End-October 2024	**Met**
30	NBU to assess key financial and operational risks to financial stability under various downside scenarios and to prepare contingency plans.	Financial Sector	End-October 2024	**Met**
31	Analyze the debts and assess financial conditions of District Heating Companies (DHCs) through a desk review by a reputable audit firm, including by separating arrears until and after February 2022.	Energy	End-October 2024	**Met**
32	To ensure NEURC's functional independence, adopt amendments to the law #3354-IX to exempt regulatory decisions by NEURC from the state registration procedure, in line with MEFP, ¶79.	Energy	End-December 2024	**Met**
33	Produce a SOE state ownership policy, dividend policy and privatization strategy	SOE Corporate Governance	End-October 2024	**Met**

Table 2. Ukraine: Structural Benchmarks (continued)

	Structural Benchmark	Sector	Timing	Status
34	Adopt Budget Code amendments in line with Action 1 under the June 2024 PIM Action Plan, as specified in ¶39 of the MEFP.	Fiscal	End-January 2025	
35	Appoint the new Head of the ESBU based on the selection process.	Fiscal	End-February 2025	
36	CMU to approve a methodological framework underpinning the PIM process, as specified in ¶39 of the MEFP.	Fiscal	End-February 2025	
37	Submit legislative amendments to Parliament to introduce tax reporting requirements for digital platform operators.	Fiscal	End-April 2025	
38	Appoint a permanent head of SCS	Fiscal	End-June 2025	
39	Submit a 2026-28 Budget Declaration on time and in line with program parameters.	Fiscal	End-June 2025	
40	All systemic banks with majority state ownership will fall under the responsibility of the MOF, and any non-systemic banks that come under state ownership will not be recapitalized using fiscal resources and will be transferred to the DGF for resolution upon breach of prudential requirements.	Financial Sector	Continuous	
41	The DGF, MOF and NBU will prepare a bank rehabilitation framework in consultation with IMF staff.	Financial Sector	End-December 2024	
42	Implement a supervisory risk assessment methodology to inform supervisory engagement priorities	Financial Sector	End-December 2024	
43	Complete the formation of the full supervisory board of Ukrenergo (7 members), with independent members constituting the majority of the supervisory board.	Energy	End-December 2024	
44	Amend the Criminal Procedural Code to enable the Specialized Anti-Corruption Prosecutor's Office to manage extradition and mutual legal assistance request and rationalize consequences from expiration of time limits for pre-trial investigations (including for corruption cases) in line with MEFP, ¶69, 1st bullet.	Governance/ Anti-Corruption	End-December 2024	
45	Publish the completed external audit of the National Anti-Corruption Bureau of Ukraine's effectiveness with participation of three independent experts with international experience.	Governance/ Anti-Corruption	End-February 2025	
46	Enact a law to establish a new court that will hear administrative cases against national state agencies (e.g., NBU, NABU, NACP) by judges who have been properly vetted for professional competence and integrity.	Governance/ Anti-Corruption	End-December 2024	
47	Enact amendments to the law to reform the Accounting Chamber of Ukraine (the supreme audit institution), including through a decisive vote of independent experts with international experience for vetting new members, establishing a minimum of 11 members, enhancing the	Governance/ Anti-Corruption	End-December 2024	

	Table 2. Ukraine: Structural Benchmarks (concluded)			
	Structural Benchmark	**Sector**	**Timing**	**Status**
	scope of its audit functions, and steps to safeguard the ACU's financial independence consistent with international standards on supreme audit institutions, in line with MEFP, ¶67.			
48	**Prepare a comprehensive operational strategy for the NSSMC, including initiating an independent fit and proper review**	**Financial Sector**	**End-January 2025**	
49	**Prepare and submit to parliament a draft law on financial sector critical third-party risk.**	**Financial Sector**	**End-May 2025**	
50	**Complete and publish an external assessment of NEURC by the Energy Community Secretariat (upon request)**	**Energy**	**End-October 2025**	
51	**Enact the tax package (Law #11416-d)**	**Fiscal**	**Prior Action**	**Met**

Attachment II. Technical Memorandum of Understanding

December 11, 2024

1. This Technical Memorandum of Understanding (TMU) sets out the understandings between the Ukrainian authorities and staff of the International Monetary Fund (IMF) regarding the definitions of the variables subject to targets—both quantitative performance criteria and indicative targets—for the Extended Arrangement under the Extended Fund Facility (EFF), as described in the authorities' Letter of Intent (LOI) dated December11, 2024 and the attached Memorandum of Economic and Financial Policies (MEFP). It also describes the methods to be used in assessing program performance and the information requirements to ensure adequate monitoring of the targets.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

I. QUANTITATIVE PERFORMANCE CRITERIA AND INDICATIVE TARGETS

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

Definition

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

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

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

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

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

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

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

- all short-term liabilities of the NBU *vis-à-vis* nonresidents denominated in convertible foreign currencies with a remaining maturity of one year or less;

- the stock of IMF credit outstanding;

- the nominal value of all derivative positions (including swaps, options, forwards, and futures) of the NBU and general government, implying the sale of foreign currency or other reserve assets;[1] and,

- all foreign exchange liabilities of the NBU to resident entities (e.g., claims in foreign exchange of domestic banks, and NBU credits in foreign exchange from domestic market), which are not already excluded from reserve assets, but excluding foreign exchange liabilities to the general government, or related to deposit guarantees.

Table A. Ukraine: Components of Net International Reserves

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

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

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

Adjustors

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

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

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

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

Table B. Ukraine: Gross Disbursements from IFIs and Official Sources 1/ 2/
(Cumulative in USD millions, at program exchange rates)

	2024	2025			
	end-Dec.	end-Mar.	end-Jun.	end-Sep.	end-Dec.
Total official support	36,864	9,296	19,854	28,424	37,720
Budget support	35,367	9,105	19,282	27,280	35,813
Loans	25,355	8,677	18,318	25,994	34,206
Grants	10,012	429	965	1,286	1,608
Project support 2/	1,496	191	572	1,144	1,906

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

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

	2024	2025			
	end-Dec.	end-Mar.	end-Jun.	end-Sep.	end-Dec.
Net issuance of central government domestic FX securities	179	-48	-73	-103	-119
Gross issuance	3,692	1,014	1,463	2,787	3,499
Repayment	3,513	1,062	1,536	2,890	3,618
Redemption	3,342	1,014	1,463	2,787	3,499
Interest	171	48	73	103	119

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

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

Definition

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

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

Adjustors

17. Adjustors apply if two conditions are jointly satisfied: (i) there is a shortfall in external financing defined as any shortfall of the financing listed in Table B, and (ii) primary issuances on government bonds (measured at face value, excluding short-term issuances with primary maturities less than 3 months) during the 3-month period prior to the request for monetary financing exceed the percentage thresholds of actual redemptions over the same period listed in the first line of Table D (132 percent for the target date in 2024 and 123 for the target dates in 2025). Should both these conditions be verified, the ceiling on general government borrowing from the NBU, net of redemptions and repayments, will be adjusted upward by the smaller of the amount of the shortfall in external financing adjusted for additional primary issuances of government bonds; or a cap on general government borrowing from the NBU, equivalent to gross borrowing of UAH50 billion every quarter. The ceiling on general government borrowing from the NBU resets every quarter (September 30, 2024, and December 31, 2024 for the 2024 targets and March 31, 2025, June 30, 2025, September 30, 2025 and December 31, 2025 for the 2025 targets) and is not carried over between quarters. The amount of the shortfall in external financing is assessed as the total cumulative shortfall from end-December 2023 for 2024 targets, and end-December 2024 for 2025 targets, and is measured on the last day of the previous month. Projected redemptions are shown in Table D.

Table D. Ukraine: Adjustors for the Ceiling on General Government Direct Borrowing from the NBU
(in UAH billion)

	For the test date of:				
	2024	2025			
	Dec 31	Mar 31	Jun 30	Sep 30	Dec 30
Actual rollover rate on three month period prior to requesting monetary financing	132	123	123	123	123
Adjustment to ceiling on general government borrowing from the NBU, net of redemptions is the smaller of external financing as defined in Table B (if any) **or** this amount (in UAH billion)	50.0	49.0	45.9	48.5	43.5
Memo: Projected redemptions (in UAH billions), as of November 16 2024	-139.5	-130.3	-137.7	-170.9	-123.2

18. In cases where the 15-business-day interval for reaching agreement and making payments (including as stipulated in the Memorandum of Understanding between the Ministry of Finance of Ukraine and the National Bank of Ukraine on the Repayment and Servicing of Obligations of the Government of Ukraine to the International Monetary Fund) falls past the relevant test date, the

ceiling on general government direct borrowing from the NBU will be subject to an automatic upward adjustor by the amount of the payment.

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

Definition

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Adjustors for Balances in Parts C and D

- The floor on the overall cash balance excluding grants and on the non-Defense Cash Primary Balance of the general government will be adjusted upward by the full amount of any increase above the projected stock of budgetary arrears (overdue account payables) in state budget and social funds (as defined above in this TMU). This definition excludes domestic arrears in the territories that are or were in direct combat zones and temporarily occupied by Russia.

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

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

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

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

- For test dates in 2024, the floor on the overall cash balance excluding grants and on the non-Defense Cash primary Balance of the general government is subject to an automatic downward adjustor up to a cumulative maximum amount of UAH 23.7 billion corresponding to the full amount of receipts from sales of confiscated Russian assets and transfers of bank accounts; for test dates in 2025 the cumulative maximum downward adjustment is UAH 0 billion. This amount reflects the balance of the Fund for the Liquidation of the Consequences of the Armed Aggression, which stood at UAH 7 billion as of October 1, 2024. For the period of the Martial law, the data from territories that are or were in direct combat zones and temporarily occupied by Russia are excluded from the adjustor.

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

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

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

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

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

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

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

Definition

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

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

Definition

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

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

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

J. Other Continuous Performance Criteria

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

II. OFFICIAL EXCHANGE RATE

A. Determination of the Official Exchange Rate

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

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

III. REPORTING REQUIREMENTS

A. National Bank of Ukraine

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

32. The NBU will provide to the IMF, ***on a weekly basis***, daily operational data the stock of net and gross international reserves, at both actual and program exchange rates. In addition, it will provide the full breakdown of NBU accounts included in net international reserves (defined in Table A above) any additional information that is needed for the IMF staff to monitor developments in net and gross international reserves. ***On a monthly basis***, no later than the 21st of the following month, the NBU will provide balance data on the stock of net and gross international reserves and flows affecting net international reserves, and no later than the 25th of the following month, the NBU will provide data on the currency composition of reserve assets and liabilities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

B. Deposit Guarantee Fund

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

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

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

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

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

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

C. Ministry of Finance

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

95. For each month, no later than the 25th of the following month, Naftogaz Group and the GTSO will each provide IMF staff with information in electronic form (in an agreed format) on their cash flows. The report from Naftogaz Group will also provide information on volumes and prices of gas purchases and sales (purchase of domestic and imported gas, sales to households, heating utilities, budget institutions, and industries), and the main revenue, expenditure, and financing items. On a monthly basis, Naftogaz will provide to IMF staff updated information on the company's financial liabilities, with a schedule of loan-by-loan interest and principal payments.

96. The Ministry of Economy will provide <u>***on a quarterly basis***</u>, but no later than 80 days after the end of each quarter consolidated information from the financial statements of the 10 largest SOEs. Specifically, the information will include data on (a) gross profit/losses; (b) net financial results; (c) subsidies received from the budget; (d) guarantees granted from the budget; (e) stock of debt, broken down by domestic and foreign; (f) taxes and dividends paid; (g) wage arrears; and (h) other payment arrears.

97. The Agency for the Restoration and Development of the Infrastructure of Ukraine will provide monthly reports on the execution of budgetary programs associated with the road construction and maintenance, including borrowing (disbursements, interests, and amortization) in line with the format agreed with IMF staff.

E. State Statistics Service

98. In case of any revisions of gross domestic products, the State Statistics Service will provide to the IMF revised quarterly data on gross domestic product (nominal, real, deflator) and their components (economic activities, expenditure, income), no later than 10 days after any revisions have been made.

F. Ministry of Social Policy

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

INTERNATIONAL MONETARY FUND

UKRAINE

December 17, 2024

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

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

Prepared By European Department

This supplement provides an update on developments since the issuance of the Staff Report (EBS/24/151). This update does not alter the thrust of the staff appraisal.

On December 12, the National Bank of Ukraine increased its key policy rate (KPR) by 50 basis points to 13.5 percent to help combat rising inflationary pressures. Headline inflation increased to 11.2 percent y/y in November from 9.7 percent y/y in October, primarily reflecting the acceleration of food prices to 14.3 percent y/y owing to a weak harvest, as well as increased energy and labor costs for businesses. Core inflation also increased to 9.3 percent y/y in November, driven by accelerating prices of processed foods (40 percent weight in the core inflation basket). The NBU's hike in the KPR appropriately aims to tame inflation and help anchor expectations; it also communicated its tightening bias.

On December 10, the authorities finalized the restoration of the Ukrenergo supervisory board, a Structural Benchmark (SB) for end-December, which staff assesses has been met. In particular, the four new independent board members constitute the majority of the supervisory board, which is now tasked with selecting the new CEO. The overhaul of Ukrenergo's corporate governance is a necessary step for the restructuring of Ukrenergo's government guaranteed bonds, which are part of the authorities' debt restructuring perimeter. Relatedly, the authorities have also committed to conduct an independent assessment of the previous Ukrenergo supervisory board by March 2025 (MEFP ¶74).

Statement by Mr. Vladyslav Rashkovan, Alternate Executive Director for Ukraine
December 20, 2024

On behalf of the Ukrainian authorities, I would like to thank staff for the in-depth staff report and insightful Enterprise Risk Assessment, the constructive engagement during the recent mission to Kyiv, and continuous virtual engagement with the authorities.

The authorities are in broad agreement with the staff assessment of the severe impact of Russia's illegal, unprovoked, brutal, unjustified invasion and the ongoing war on human and physical capital. **The authorities reiterate their strong commitment to the goals of our economic program supported by the IMF,** focused on restoring fiscal and debt sustainability, maintaining external and financial stability, and restoring medium-term external viability.

The official launch of EU accession negotiations in June 2024 has been a historic milestone that sets the stage for our euro integration path and helps reinforce stability and long-term growth. The authorities believe that reforms to achieve EU accession will strengthen our economy and institutions, as they are essential to creating conditions for increased investment and growth going forward.

As authorities plan for the next year, and despite the continuing war, **they remain committed to sound policies that support macroeconomic and financial stability** and reiterate their strong commitment to maintaining a close policy dialogue with the Fund, towards EU accession and to propel growth in the post-war period.

The authorities are grateful for the Fund's Management and Executive Board's continuous support of Ukraine throughout these challenging times. They are also thankful to all international donors and partners who help Ukraine brave these harsh times for our nation.

Based on the successful program implementation and the commitments for the period ahead, the authorities request completion of the sixth review.

The comments below are provided to explain the context in which the authorities have operated since the end of October, date of the last program review.

Macro Outlook in Wartime

Russia's persistent and repeated military attacks on civilian objects and energy infrastructure continued. In January-October 2024, a series of Russian attacks on the Ukrainian energy system damaged or destroyed over ~10 GW of the generating capacity, or around half of last winter's peak demand. Despite such significant losses, the situation in the energy sector remained relatively stable until November. New Russian shelling and destruction of energy infrastructure in November-December inflicted new economic damage and losses, limiting the electrical generation capacity of Ukraine, increasing the energy deficit and bringing massive and lengthy electrical outages in households throughout the country.

The authorities are continuing coordinated efforts to advance plans to address the winter energy deficit. They have developed a multi-pronged strategy to deal with the energy crisis and currently execute it with the help of international donors and partners. The commissioning of 0.9 GW of reserve distributed generation, as well as the expansion of import capacity to 2.1 GW and support in the recovery of damaged energy generators help to partially mitigate the effects of the deficit. The negative impact of power shortages on a number of industries is also partially mitigated by direct imports of electricity by companies for production purposes, the development of their own energy generation, and high consumption limits.

Over a quarter of the Ukrainian population has been displaced—either as refugees or internally. According to various surveys, most migrants abroad still plan to return to Ukraine, once security, economic factors, and housing improve. However, their share has been declining, reflecting further adaptation of migrants to their host countries, which bestows the risk of a labor shortage for post-war recovery. Also, some reports show that new energy generation problems may lead to a further temporary increase of refugees to Europe.

As a result, the labor market remains tight, which drives wage growth, contributing to higher inflation. Demand for workers, as measured by the number of job openings on job search sites, continues to grow as economic activity recovers. It is likely that people who dropped out of the labor market for various reasons in previous periods are returning to the workforce. However, the number of job applicants remains almost unchanged, albeit marginally increased in the third quarter of 2024, and the shortage of labor is still significant.

Despite extremely challenging conditions arising from the war, the economy has shown remarkable resilience, growing by 4.2 percent year-on-year in the first 10 months of 2024, and is expected to stay at around 4 percent by the year's end. The economy could rebound more quickly, particularly if the security situation improves sooner than expected. At the same time, risks remain exceptionally high – the military escalation of Russia in November-December is not coherent with the public calls for peace negotiations and generates greater suffering for people, more damage and losses for business, and additional budget spending pressures, and raises financing needs.

Monetary and Exchange Rate Policies

Inflation decelerated from 26.6 percent year-on-year in end-2022 to 3.3 percent in May 2024. **Given the expected increase in inflation risks, the National Bank of Ukraine (NBU) already suspended its interest rate easing in July 2024**. This step, together with other measures, supported the demand for hryvnia instruments and contributed to maintaining the sustainability of the FX market and control over the inflation expectations.

However, in recent months inflation spiked significantly faster than forecast. In November, inflation accelerated to 11.2 percent year-on-year, fueled mostly by the transitory effect of limited food supply due to this year's weaker harvests. At the same time, the inflationary surge is gaining more fundamental features, which is evidenced by further growth in core inflation (up to 9.3 percent year-on-year in November). Increasing attention of households to inflation processes placed inflation expectations at risk of un-anchoring.

Thus, as recently as this month, to keep expectations in check, maintain FX market sustainability, and to gradually bring inflation back to its 5 percent target, **the NBU Management board raised the key policy rate by 0.5 pp, to 13.5 percent.** Moreover, the NBU strengthened its forward guidance toward potentially tightening its interest rate policy, if the signs of unrelenting inflationary pressures persist, and inflation expectations threaten to become unanchored.

After depreciating through end-July 2024 by a cumulative 12.2 percent since the transition to managed exchange rate flexibility, the hryvnia has remained broadly stable. Safeguarding the sustainability of the FX market remains an important factor in the formation of inflation expectations. For that reason, the NBU seeks to ensure two-way ER movements while avoiding excessive volatility under the managed flexibility framework. Such an approach helps the NBU to keep inflation and exchange rate expectations under control, preserving confidence in the hryvnia and relieving pressures on international reserves.

At the same time, **the NBU increased the flexibility of the exchange rate, allowing its better adjustment to market conditions to strengthen the resilience of the Ukrainian economy and FX market while safeguarding reserves**. The NBU is committed to maintaining adequate FX reserves through the course of the program to safeguard external stability. The further easing of FX controls will continue to be approved on a gradual, staged basis in line with the FX liberalization roadmap under the NBU's strategy to safeguard FX market stability, while addressing national and international security considerations.

Amid exceptionally high uncertainty, the NBU's monetary and exchange rate policies will remain focused on safeguarding price and external stability. The NBU is committed to maintaining sufficiently positive real interest rates and adjusting interest rate and exchange rate policies in response to changes in the balance of risks to inflation and the economic outlook over the forecast horizon. In line with updated medium-term Monetary Policy Guidelines, the NBU is also committed to continuing a gradual transition toward a full-fledged inflation-targeting regime with a floating exchange rate once appropriate prerequisites are in place.

Budget and Fiscal Policies

The authorities met all the end-September 2024 fiscal targets amid immensely challenging conditions arising from Russia's war. While tax collections have continued to overperform expectations, the new sizable tax measures package signed by the President on November 28 will yield around UAH 141 billion or around 1.6 percent of GDP in 2025. Reforms to boost domestic revenue mobilization under the National Revenue Strategy (NRS) remain a high priority to help meet budget financing needs. The authorities are also taking further steps to harmonize the tax legislation with EU directives.

Parliament also adopted the 2025 Budget in line with the program's assumptions and financing parameters. The Budget authorizes expenditures of UAH 5,065 billion or about 58 percent of GDP, reflecting the expectation that the war will continue into the next year. Total revenues excluding budget support grants will be UAH 3,355 billion, of which most will be tax collections.

To strengthen medium-term budget planning in support of efforts to return to sustainability, and to plan for recovery and reconstruction, a diagnostic review was completed in October comparing pre-war medium-term budget framework (MTBF) policies and practices to best practices to improve expenditure baseline estimates and costing of new policies. This will help to guide fiscal policy, allocate public resources more efficiently, and further align the budgetary framework with EU requirements.

One of the innovative components of the 2025 Budget is the Public Investment Management (PIM) system. This approach to PIM ensures a more efficient use of budget funds, directing them to the priority projects that meet Ukraine's strategic goals. With PIM, the government will be able to ensure transparency of expenditures and improve the quality of investments in critical sectors, contributing to faster infrastructure recovery.

Debt Management and Financing Strategy

The deficit in 2025 will continue to be sizable but financeable, with the 2025 overall deficit excluding grants expected to be ~19.7 percent of GDP. As has been the case since the start of the program, this deficit will be mainly financed by the support of external partners. The largest external disbursements to finance the budget next year will come from the $50 billion G7 Extraordinary Revenue Acceleration (ERA) Loans initiative. As the avoidance of monetary financing has been an important factor supporting macroeconomic stability in 2023 and the first three quarters of 2024, the authorities remain committed to avoiding further direct monetary financing, subject to timely disbursements of the committed international support.

In the framework of the ERA Loans initiative, on December 4, the **Ministry of Finance of Ukraine signed a Memorandum of Understanding and Loan Agreement with the EU on attracting macro-financial assistance (MFA)**. The final amount of the MFA will be determined after the approval of the amount of loans by all parties to the initiative, but the EU MFA could amount to 18.1 billion EUR. On December 5, the Ministry of Finance of Ukraine signed an agreement with the EU on the establishment of the Ukraine Loan Cooperation Mechanism (ULCM) mechanism, which will create a legal framework for servicing and repayment of funds received by Ukraine under the G7 ERA Loans initiative.

On December 10, **the United States Department of the Treasury announced the disbursement of $20 billion for the benefit of Ukraine**, as part of the G7 ERA Loans initiative. These funds are being transferred to the World Bank's Facilitation of Resources to Invest in Strengthening Ukraine Financial Intermediary Fund (F.O.R.T.I.S. Ukraine FIF), through which they will be made available to Ukraine. These funds will play a vital role in Ukraine's economic recovery and provide critical support to ensure necessary macro financial stability, allowing an effective response to wartime challenges.

On top of that, in the context of the current IMF-supported program, the authorities are committed to restructuring Ukraine's external public debt to restore debt sustainability. The restructuring of state Eurobonds was successfully completed, as well as the state-guaranteed Eurobond issued by Ukravtodor (State Agency for Restoration and Development of Infrastructure). The authorities are now turning to the restructuring of external claims other than Eurobonds. This includes GDP-linked warrants and some private commercial loans at the central government level. Regarding state-guaranteed debt, the authorities are committed to treating Ukrenergo's outstanding Eurobond and China Eximbank's loan to DPZKU. The authorities have initiated a credible process with the holders of these claims and will continue to engage proactively and in good faith in the months to come, in line with the debt sustainability targets of our IMF-supported program.

Regarding official bilateral debt, the Ministry of Finance remains in close contact with the Group of Creditors of Ukraine to deliver a final debt treatment sufficient to restore debt sustainability before the final review of the IMF-supported program and complying with the Comparability of Treatment (CoT) principle.

Structural Reform Policies and Governance Reforms

Authorities reiterate their strong commitments for continuing structural reforms despite the harsh conditions caused by the Russia's aggression. As of November 1, 2024, Ukraine's Ministry of Finance has updated the Reforms Matrix, an analytical tool developed with the help of the World Bank. The updated Matrix includes 325 conditions and recommendations linked to 531 indicators to be implemented under different programs of support to Ukraine, such as the EU Commission's recommendations for Ukraine's EU candidate status, the IMF Extended Fund Facility Arrangement, the Ukraine Plan for the EU's Ukraine Facility, the World Bank's Development Policy Loan terms etc.

The Matrix serves as a transparent tool, allowing both Ukrainian citizens and foreign partners to track reform priorities' progress, deadlines, and responsible entities. Promoting openness and accountability remains a key priority for the authorities. The current reform agenda focuses on priority areas such as justice, security, energy, and the financial sector, while also ensuring financial support for Ukraine's budgetary needs. Since its implementation in early 2024, Ukraine has made significant progress, meeting 199 indicators overall, including 91 in the third quarter alone.

Despite ongoing wartime challenges, the **Matrix shows the strong dynamics of the authorities' implementation of structural reforms** in Ukraine, aimed at long-term growth and EU integration. Monitoring results for the first three quarters of 2024 show that all financial support programs have been implemented on schedule, enabling timely direct budget support from international partners.

As an update to the commitments stipulated in the Letter of Intent signed by the authorities on December 11, the authorities are pleased to announce they have already met the structural benchmark for end-December 2024, **completing the formation of the full supervisory board of Ukrenergo (7 members), with independent members in the majority**.

The authorities also show strong progress on meeting other end-December governance structural benchmarks focused on enacting amendments to the Criminal Procedural Code and a law to establish the High Public Disputes Court (HPDC). The changes to the Accounting Chamber of Ukraine (ACU) law have been approved by the Parliament, and enactment is expected in the following days.

Technical Assistance

Thanks to the generous contributions of donors, **the Ukraine Capacity Development Fund (UCDF) has been providing needed, demand-driven capacity development (CD)** to Ukrainian authorities since the endorsement of the workplan in February 2024. In most areas the UCDF's CD delivery supports goals under our EFF program. Complimenting this is the UCDF's sizeable training agenda, which is assisting to improve the technical and analytical skills of the authorities across different government institutions.

In the fiscal area CD has been delivered to support domestic revenue mobilization, public financial management, and expenditure policy. Similarly, CD in the monetary and financial area has focused on financial regulation and supervision, central bank operations, and TA on virtual assets, while there is also work beginning to improve AML/CFT frameworks.

The authorities have greatly appreciated the support provided under the UCDF, but also its responsiveness, and the Fund’s flexibility in addressing the authorities’ requests regarding evolving CD needs and absorptive capacity. The authorities welcome the opportunity to continue refining the workplan for the UCDF and look forward to the next Steering Committee meeting in the first quarter of 2025.