



UKRAINE

February 2026

REQUEST FOR AN EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY AND CANCELLATION OF THE CURRENT ARRANGEMENT—PRESS RELEASE, STAFF REPORT, STAFF SUPPLEMENT, AND STATEMENT BY THE ALTERNATE EXECUTIVE DIRECTOR FOR UKRAINE

In the context of the Request for an Extended Arrangement Under the Extended Fund Facility and Cancellation of the Current Arrangement, 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 February 26, 2026, following discussions that ended on November 21, 2025, with the officials of Ukraine on economic developments and policies underpinning the IMF arrangement under the Extended Fund Facility. Based on information available at the time of these discussions, the staff report was completed on February 13, 2026.
- A **Staff Supplement** updating information on recent developments.
- A **Statement by the Alternate Executive Director** for Ukraine.

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

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Washington, D.C.



IMF Executive Board Approves US\$8.1 Billion under an Extended Fund Facility (EFF) Arrangement for Ukraine

FOR IMMEDIATE RELEASE

- The IMF Executive Board today approved a new 48-month extended arrangement under the Extended Fund Facility (EFF) of SDR 5.9 billion (about US\$8.1 billion or 295 percent of quota); with an immediate disbursement of about US\$1.5 billion. This financing forms part of a US\$136.5 billion international support package for Ukraine.
- Ukraine's EFF-supported program aims to build on the achievements of the [2023 EFF](#) while anchoring continued macroeconomic and financial stability and advancing structural reforms, including governance, to secure a robust post-war recovery and support Ukraine's EU accession goal.
- The approval of the EFF is expected to mobilize large-scale concessional financing from Ukraine's international donors and partners, to help resolve Ukraine's balance of payments problem, attain medium-term external viability, and restore debt sustainability on a forward-looking basis.

Washington, DC—February 26, 2026: The Executive Board of the International Monetary Fund (IMF) approved today a 48-month extended arrangement under the Extended Fund Facility (EFF) with an amount of SDR 5.9353 billion (about US\$8.1 billion or 295 percent of quota). This arrangement is part of a US\$136.5 billion total international support package for Ukraine. The Executive Board's decision allows the immediate disbursement of SDR 1.1 billion (about US\$ 1.5 billion).

With Russia's war on Ukraine still ongoing and insufficient time remaining under the 2023 EFF arrangement to restore external viability, the Ukrainian authorities have requested a new IMF-supported extended arrangement under the Extended Fund Facility (EFF) to resolve Ukraine's balance of payments problem and restore medium-term external viability under the Fund's policy on UCT lending under exceptionally high uncertainty (EHU). The 2023 EFF has, accordingly, been cancelled.

The overarching goals of the authorities' new program are to continue anchoring economic and financial stability, restore debt sustainability on a forward-looking basis under both the baseline and downside scenarios, and advance reforms that will lay the foundation for a robust post-war recovery and support Ukraine's EU accession goal.

The new program will build on achievements under the 2023 EFF while addressing the challenges arising from a longer war. Macroeconomic priorities under the program include (i) implementing prudent fiscal policy, including a sound 2026 budget, with measures to boost revenue mobilization by leveling the playing field and reducing tax evasion and avoidance; (ii) anchoring price stability and guarding against external imbalances, including through increased exchange rate flexibility; and (iii) safeguarding financial sector stability.

The authorities are also committed to implementing ambitious structural reforms to secure robust post-war recovery and reconstruction and their EU accession goal. These include strengthening fiscal institutions and tax administration, enhancing governance and anti-

corruption frameworks, developing the financial and capital market infrastructure for post-war reconstruction supported by private credit growth, and promoting a market-based economy.

The US\$136.5 billion financing gap over the 4-year program period is expected to be closed through committed donor support and flow relief from debt operations. In 2026, the US\$52 billion gap is expected to be filled through disbursements under EU facilities, the G7's ERA financing, bilateral support, as well as the newly approved IMF-supported program. The Group of Creditors of Ukraine, which holds the majority of Ukraine's official bilateral debt has committed to extend the current debt standstill and complete a definitive debt treatment after the resolution of exceptionally high uncertainty (EHU).

At the conclusion of the Executive Board's discussion, Ms. Kristalina Georgieva, Managing Director of the IMF, issued the following statement:

"Ukraine and its people have weathered a long and devastating war for over four years with remarkable resilience. Through skillful policymaking, supported by the 2023 EFF and exceptional financial assistance from international partners, the authorities have maintained overall macroeconomic and financial stability, achieved progress on domestic revenue mobilization, and advanced some critical reforms. In addition to the large-scale external financing, the authorities also secured external debt relief, including a debt restructuring by the private sector. The economy recovered, inflation was contained, and reserve buffers rebuilt. Nevertheless, the war has taken a toll on economic and social conditions, with slowing growth and the outlook remaining subject to exceptionally high uncertainty.

"The new EFF arrangement aims to preserve the hard-won macroeconomic and financial stability as well as to extend and deepen structural reforms as the war continues. This will resolve Ukraine's balance of payments problem and restore medium-term external viability, ensure strong prospects for reconstruction and growth in the post-war period, and facilitate Ukraine's path to EU accession. Under the program, the authorities are committed to tackling longstanding bottlenecks to growth, including through combatting corruption, promoting the formalization of economic activities, addressing tax avoidance and evasion, reforming energy markets, and strengthening financial market infrastructure. The program will be promptly recalibrated in the case of successful peace negotiations.

"A significant group of Fund shareholders reaffirm their recognition of the Fund's preferred creditor status in respect of the amounts currently outstanding to the Fund by Ukraine, plus any purchases under the new extended arrangement. These shareholders comprise the following countries: Austria, Belgium, Canada, Denmark, Estonia, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Lithuania, Luxembourg, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, the United Kingdom, and the United States. They 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.

"Risks to the EFF arrangement are exceptionally high. The success of the program will depend not only on continued support by the international community to help close fiscal and external financing gaps and restore debt sustainability, but also the authorities' steadfast determination in implementing ambitious structural reforms and readiness to undertake additional measures if needed."

Ukraine: Selected Economic Indicators, 2022–26					
	2022	2023	2024	2025	2026
	Act.	Act.	Act.	Act.	Proj.
Output					
Real GDP growth (percent)	-28.8	5.5	3.2	1.8-2.2	1.8-2.5
Labor market					
Unemployment rate (ILO definition; percent)	24.5	19.1	13.1	11.6	10.2
Nominal wage growth	6.0	17.4	23.2	22.6	12.0
Prices					
Consumer prices (period average)	20.2	12.9	6.5	12.7	6.1
Consumer prices (end of period)	26.6	5.1	12.0	8.0	7.5
Public finance (percent of GDP)					
Revenue	49.8	54.1	54.0	51.2	43.8
Expenditure	65.4	73.4	71.2	74.5	62.2
General government overall balance, excluding grants 1/	-24.8	-25.8	-23.1	-23.6	-19.3
Public debt (end of period)	77.7	81.2	89.7	108.7	122.6
Money and credit (end of period, percent change)					
Broad money	20.8	23.0	13.4	12.7	11.0
Credit to non-government	-3.1	-0.5	13.5	22.5	13.4
Balance of payments (percent of GDP, unless otherwise indicated)					
Current account balance	4.6	-5.2	-8.0	-15.0	-19.1
Foreign direct investment	0.1	2.5	2.0	1.1	1.6
Gross reserves (end of period, billions of U.S. dollars)	28.5	40.5	43.8	57.3	65.5
Reserves in months of next year's imports of goods and services	3.8	5.1	4.7	5.7	7.0
Exchange rate					
Real effective exchange rate (CPI-based, percent change)	2.9	-8.2	-6.5	2.1	...
Hryvnia per U.S. dollar, end of period	36.6	38.0	42.0	42.4	...
Hryvnia per U.S. dollar, period average	32.3	36.6	40.2	41.7	...
Sources: State Statistics Committee of Ukraine; Ministry of Finance; National Bank of Ukraine; World Bank; World Development Indicators; and IMF staff estimates and projections.					
1/ The general government includes the central and local governments and social funds.					



UKRAINE

February 13, 2026

REQUEST FOR AN EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY AND CANCELLATION OF THE CURRENT ARRANGEMENT

EXECUTIVE SUMMARY

Russia's war in Ukraine continues unabated, despite international efforts to broker a peace settlement. Nearly four years of full-scale war have taken a staggering social, humanitarian, and economic toll, with real GDP in 2025 estimated at about 20 percent below pre-war levels. The authorities have managed to maintain overall macroeconomic and financial stability, thanks to skillful policymaking and substantial external support.

To help address Ukraine's balance of payments (BOP) needs, the authorities have requested a new 48-month extended arrangement under the Extended Fund Facility (EFF). A new government, led by Prime Minister Svyrydenko, took office in July 2025 and reconfirmed its commitment to the goals of the EFF-supported program approved in 2023. However, with the war continuing and insufficient time to restore external viability under the 2023 EFF arrangement, the authorities have requested a new IMF-supported program to resolve Ukraine's BoP problem and restore medium-term external viability under the Fund's policy on UCT lending under exceptionally high uncertainty (EHU). Normal access is proposed at SDR 5,935.3 million (295.0 percent of quota, about US\$8.1 billion), contributing to an external support package for 2026–29 of US\$136.5 billion in the baseline involving official financing through grants and concessional loans, as well as debt relief. That said, the proposed program can also pivot and be recalibrated quickly in the case of successful peace negotiations.

Macroeconomic policies remained on track in 2025, but recent progress with structural reforms has been mixed, especially amidst setbacks on the corruption front. The budget deficit excluding grants was lower than expected thanks to revenue overperformance and under-execution of spending. Monetary conditions remain appropriately tight amid elevated, albeit decelerating, inflation while the nominal exchange rate was broadly stable against the US dollar during 2025, with sizeable FX interventions by the National Bank of Ukraine (NBU). Net international reserves ended the year higher than projected. While the authorities made some progress with structural reforms, the majority of structural benchmarks for 2025H2 under the 2023 EFF were not met, reflecting weakening political buy-in for governance reforms. Moreover, the enactment in July of legislation stripping key anti-corruption enforcement

institutions of their independence damaged trust in the government's anti-corruption efforts, even though the law was quickly reversed. In addition, a major corruption scandal at Energoatom, Ukraine's largest state-owned enterprise (SOE), has drawn attention to weaknesses in corruption prevention, SOE governance, and the AML/CFT system.

To address these challenges, key policy priorities under the program include:

- **Fiscal policy.** The 2026 Budget assumes another year of war, implying continued large deficits. The medium-term fiscal path will be anchored on returning to a primary surplus and mobilizing sufficient revenues to meet expenditure needs, including for reconstruction. Tax measures under the program aim to broaden the tax base, level the playing field, improve the investment climate, support formalization of the economy, and tackle widespread tax avoidance and evasion. Comprehensive reform of the energy sector, including the eventual liberalization of gas and electricity markets, will reduce SOE losses from quasi-fiscal activities. Ongoing reform of the public investment management framework will ensure efficient use of scarce resources for reconstruction.
- **Financing strategy and debt sustainability.** Large-scale external financing on highly concessional terms will be essential for restoring fiscal and debt sustainability. Assurances of debt relief from Ukraine's creditors make debt sustainable on a forward-looking basis: For official debt, the Group of Creditors of Ukraine has committed to a two-step process involving an extension of the existing standstill with a new cutoff date, followed by a definitive debt treatment once exceptionally high uncertainty has abated. Having restructured the majority of commercial debts in 2024–25 with significant haircuts, the authorities remain committed to further actions in case downside risks materialize during the program.
- **Monetary and exchange rate policies.** Monetary policy should retain a tightening bias to anchor expectations, guided by the NBU's flexible inflation targeting framework, with inflation returning to the 5 percent target over the three-year policy horizon. Greater exchange rate flexibility will guard against a build-up of external imbalances, as well as boost competitiveness and ensure external sustainability over the medium term. This will facilitate the authorities' return to full-fledged inflation targeting (IT) when conditions permit.
- **Financial sector.** As the financial sector remains resilient, the authorities should already position banks for post-war reconstruction while closely monitoring financial sector stability risks. Reform areas include reducing the government footprint in banking, improving governance of state-owned banks and the securities market regulator, enhancing banking norms, including aiming for equivalence with the EU acquis, and closing gaps in financial market infrastructure.

- **Governance.** To help address the shocks to confidence from recent scandals, the authorities have committed to preserve and strengthen existing anti-corruption institutions. Additional reform areas include strengthening the independence of Ukraine's supreme audit institution, the AML/CFT framework, and SOE corporate governance.

Program modalities. Access is frontloaded in view of large BoP needs in 2026. Ukraine is assessed to meet the eligibility criteria for UCT-quality financing under the [Fund's policy on UCT lending under exceptionally high uncertainty](#) (EHU). The proposed program can accommodate a longer war, resolve Ukraine's BoP problem, and restore medium-term external viability under both a baseline and downside scenario. In line with relevant IMF policies, adequate safeguards for Fund resources are in place, including firm financing assurances for the first 12 months of the program, specific and credible assurances about financing thereafter to restore debt sustainability in the baseline, and credible assurances for the downside. In view of the exceptionally high uncertainty producing tail risks, a group of countries has provided adequate assurance of Ukraine's capacity to repay the Fund. The program will be monitored with a set of quantitative and structural conditionality, which encompass key program objectives. Quarterly reviews are envisaged, at least for the duration of the EHU.

Program risks. The exceptionally high uncertainty relating to the war implies large risks to the program macroeconomic forecasts, reform timelines, and adequacy of external support. The program is highly dependent on large-scale external support, and shortfalls and/or delays would raise the risk of suboptimal policy measures or unresolvable financing gaps. Headwinds to the program could also arise from reform fatigue and opposition by vested interest to economic reforms. As in the 2023 EFF, mitigants include the authorities' decisive policymaking and contingency planning, and the international community's commitment to continue supporting Ukraine.

Enterprise risks. A new UCT program for Ukraine entails significant enterprise risks, which are only partially mitigated by standard Fund policies and the additional safeguards required under EHU. Staff considers the enterprise risks to be manageable under the Fund's multi-layered risk management framework.

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

Discussions were held in Kyiv over November 17–21, 2025 with Prime Minister Svyrydenko, 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 Suchanan Tambunlertchai (deputy mission chiefs), Klaus Hellwig, Geoffrey Keim, Andrea Manera, and Sidra Rehman (all EUR); Martina Hengge (SPR); Minke Gort (MCM); Tina Burjaliani and Jonathan Pampolina (LEG); and Priscilla Toffano (Resident Representative), Ihor Shpak, Vladyslav Filatov, and Taras Ivanyshyn (local office). Vladyslav Rashkovan (OED) attended policy discussions. The team was supported from headquarters by Ritzy Dumo and Shrihari Ramachandra (EUR).

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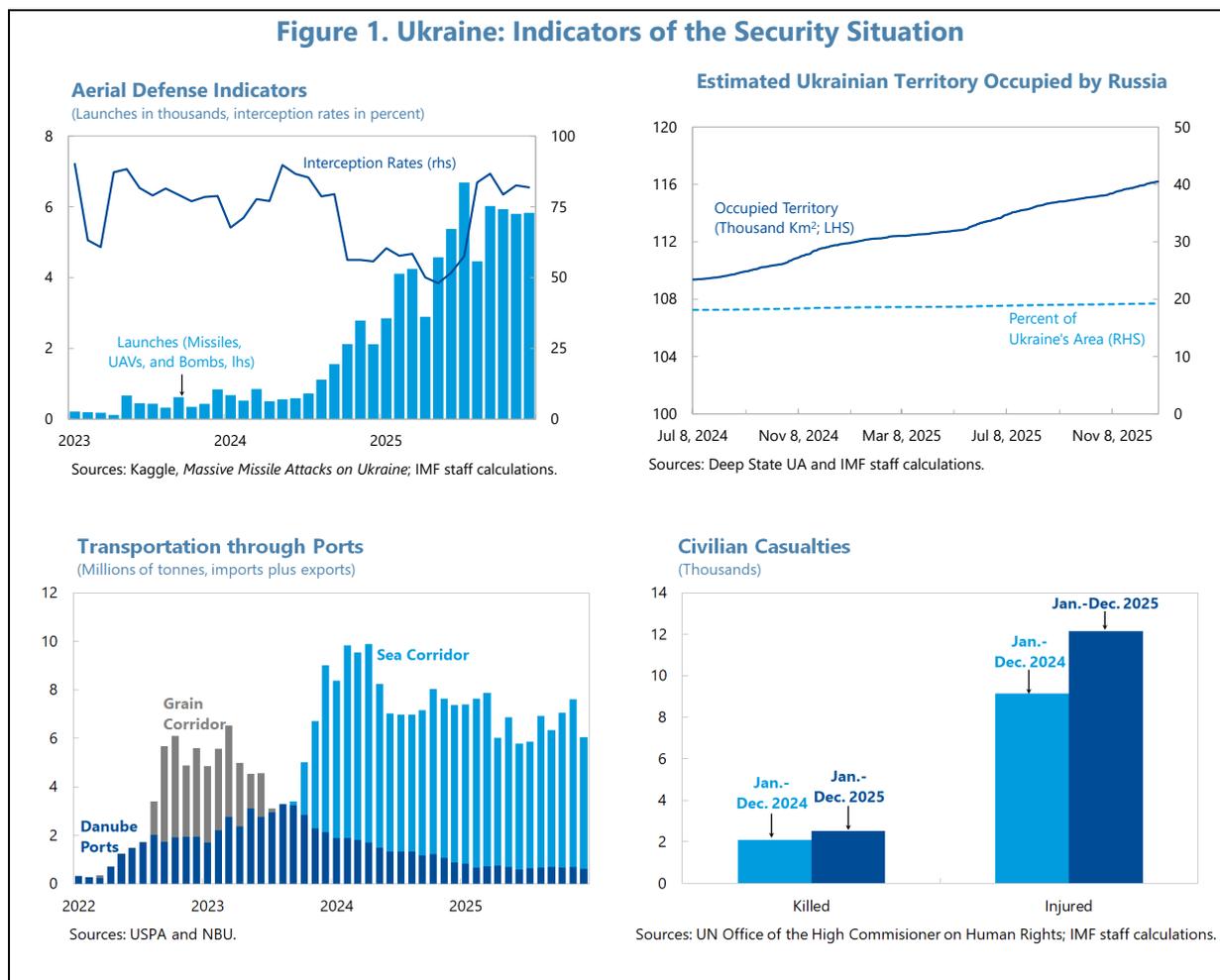
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CONTEXT

1. Russia’s full-scale war in Ukraine continues, soon entering its fifth year, despite international efforts to broker a peace settlement. Aerial attacks, especially on Ukraine’s critical infrastructure, have escalated: drone launches in 2025 were five times as high as in 2024, with severe attacks starting in early October on gas and energy facilities. Ground combat continues in eastern Ukraine, albeit with limited additional occupation of land. The war continues to cause severe economic and humanitarian hardship, with air attacks against Kyiv leading to widespread blackouts and water supply disruptions amid severe winter weather in January. The economy also remains heavily affected, with real GDP in 2025 estimated to be about 20 percent below pre-war levels.



2. As the war continues into its fifth year, the authorities are requesting a new 48-month extended arrangement under the Extended Fund Facility (EFF) to address additional adjustment and financing needs. While a new government took office on July 17, 2025, key members of the authorities’ economic team remained in place, and the authorities reconfirmed their commitment to the goals of the EFF-supported program approved in 2023. In their request for a new arrangement, the authorities also emphasized the government’s focus on reducing Ukraine’s

large informal and shadow economy (“deshadowing”) and improving the investment climate for businesses. They also underscored the need to recalibrate the macroframeworks to reflect the prolonged war, including the integration into the 2026 Budget the assumption of a full year of war. The new program, which would run until early 2030, would provide the scope to absorb potential shocks and to restore external viability and debt sustainability before the end of the program. That said, while the current uncertainty remains exceptionally high, the program can be quickly adapted as the situation evolves, including in case of successful peace negotiations.

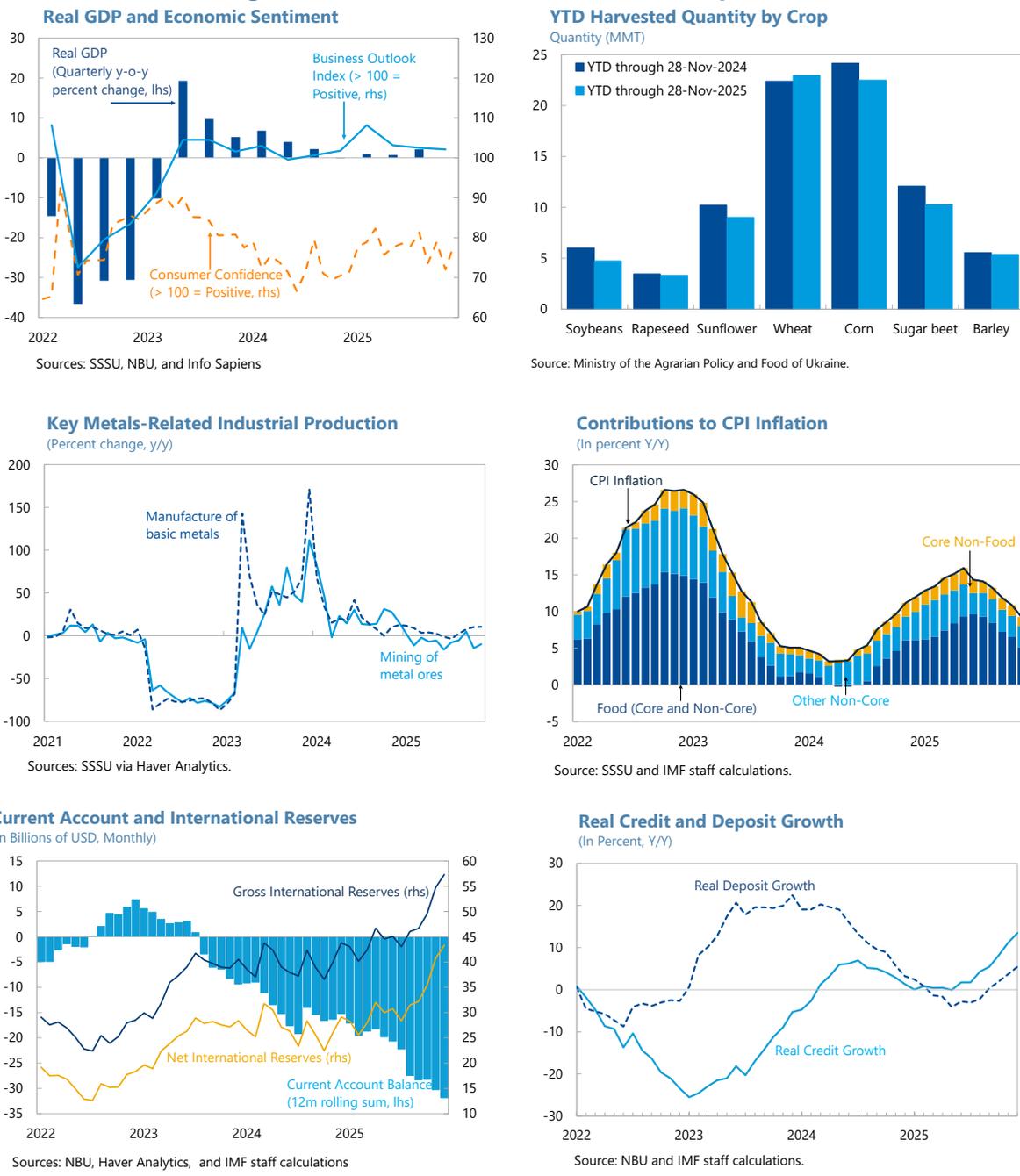
RECENT DEVELOPMENTS

3. The economy has remained broadly resilient, although it has settled into a slower growth path amidst strains from intensified attacks on energy and other critical infrastructure:

- *Activity indicators point to uneven performances across sectors:* The Q3 growth estimate of 2.1 percent (y/y) was broadly in line with expectations. A modest real GDP growth range of 1.8–2.2 percent is estimated for 2025, given attacks on energy infrastructure which affected up to 60 percent of daily gas production in October and caused widespread blackouts and record levels of electricity imports. High-frequency indicators for Q4 were mixed, with key metals production (e.g., steel) expanding but deteriorating business and consumer sentiment and delayed harvesting activity due to weather conditions.
- *Inflation, while still elevated, has continued decelerating:* In December, headline CPI inflation decreased to 8 percent (y/y), from a peak of 15.9 percent (y/y) in May. The downward trend reflects base effects from administrative and food price increases in 2024, as well as a deceleration in some non-food core components. However, inflation continues to be affected by upward pressures from tight labor markets, modest depreciation passthrough, and continued supply shocks.
- *The current account deficit widened:* In 2025, the current account deficit excluding grants increased to US\$44.6 billion compared with US\$26.4 billion in 2024. While exports were somewhat lower primarily owing to a later harvest, the deterioration largely reflected a strong uptrend in imports of critical energy and defense-related goods but also strong demand for small-value postal packages and electric vehicles amidst an appreciating average real exchange rate. Reserves ended the year at US\$57.3 billion (134.7 percent of the estimated ARA metric), boosted by strong donor support and moderating demand for FX cash. The external sector assessment based on 2024 outturns (Annex II) shows that Ukraine's overall external position was significantly weaker than implied by fundamentals and desirable policies in the medium term after an end to the war.
- *Credit growth has picked up, albeit from a very low level:* Real credit growth increased in the latter part of 2025 reaching 13.5 percent (y/y) in November, especially to corporates. Real

deposit growth increased over this period, as tight monetary conditions restored positive real returns.

Figure 2. Ukraine: Recent Economic Developments



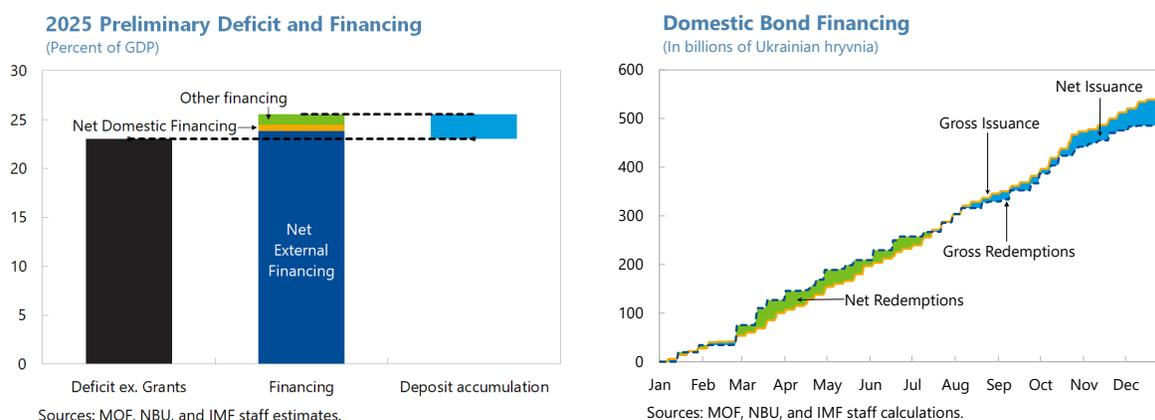
- *The financial sector appears sound.* Bank regulatory ratios were met by a considerable margin at the end of September 2025. One small bank (0.04 percent of total sector assets) was placed in resolution. The pickup in credit growth has contributed to a decrease of regulatory ratios since end-2024. Banks' concentrated exposure to the government, exceeding 20 percent of total bank assets, continues to drive profitability, increasing the sovereign-bank nexus and potentially masking asset quality and business model weaknesses.

Text Table 1. Ukraine: Selected Financial Soundness Indicators

	2024	2025Q3
Capital Adequacy		
Tier 1 capital to risk weighted assets	16.9	15.2
Nonperforming loans net of provisions to capital	22.1	19.0
Asset Quality		
Nonperforming loans to total gross loans	30.3	25.0
Loan concentration by economic activity	70.4	73.1
Earnings		
Interest margin to gross income	60.4	62.4
Liquidity		
Liquidity coverage ratio	259.5	259.4
Net stable funding ratio	168.4	154.0
Customer deposits to total (noninterbank loans)	228.6	208.9

Source: IMF Financial Soundness Indicators

Figure 3. Ukraine: 2025 Fiscal Execution and Financing^{1/}



^{1/} Net domestic financing excludes UAH 30 billion in recapitalization bonds for the state mortgage corporation, which are excluded from the deficit calculation.

4. Macroeconomic policy implementation under the 2023 EFF remained on track in the second half of 2025.

- Preliminary estimates put the overall deficit excluding budget support grants (measured below-the-line) at UAH 2,059 billion in 2025, narrower than expected.¹ Meanwhile, preliminary data show that tax revenues were overall solid, despite the large-scale aerial attacks toward the end of the year. Large-scale external disbursements in Q4 and positive net domestic financing enabled the authorities to accumulate a buffer going into 2026.

¹ The statistical discrepancy between the preliminary below-the-line deficit and the preliminary above-the-line deficit shown in Table 6A will be reconciled when data are finalized.

- Following cumulative hikes of 200 bps in 2025Q1, the NBU maintained its key policy rate (KPR) at 15.5 percent through end-2025. At the January MPC meeting, the NBU adopted a modest rate cut of 50 bps, noting improving inflation dynamics while acknowledging persistent risks and still-elevated inflation expectations. Monetary conditions remain moderately tight.
- The nominal exchange rate in 2025 was broadly stable against the US dollar (albeit depreciating by 2.6 percent in 2025Q4) and depreciated by about 13.5 percent against the euro. Net FX interventions (FXI) in 2025 remained sizeable at US\$36.2 billion, compared to US\$34.8 billion in 2024, to meet structural demand and also to mitigate excessive volatility.

5. In November 2025, law enforcement authorities initiated high-profile investigations involving nuclear power operator Energoatom, Ukraine’s largest state-owned enterprise (SOE). The investigations concern alleged large-scale procurement-related corruption and money laundering schemes involving company officials and related parties. These developments highlighted vulnerabilities in corruption prevention, SOE governance, and the AML/CFT system. At the same time, the Energoatom investigation illustrates the operational capacity of Ukraine’s specialized anti-corruption enforcement institutions to detect and pursue complex high-level corruption cases, despite measures introduced in July 2025 that temporarily weakened key safeguards for their independence (see ¶6).

6. The Energoatom scandal took place against a background of weakening political support for anti-corruption and governance reforms:

- *July events:* Legislation was approved and enacted within 24 hours that stripped the independence of the National Anti-Corruption Bureau of Ukraine (NABU) and the Specialized Anti-Corruption Prosecutor’s Office (SAPO), triggering large-scale domestic protests and international criticism. While the legislation was quickly reversed to reinstate their independence, public trust in the government’s anti-corruption efforts has been compromised.
- *Corporate governance reform setbacks, particularly in the energy sector:* Starting in mid-2025, the charters of key SOEs (Ukrenergo, Ukrhydroenergo, GTSOU, Energoatom) were amended to give de facto veto power to state representatives on strategic decisions including the nomination of CEOs, increasing the risk of political interference. Charter changes were partially reversed in the case of Ukrenergo, which nevertheless saw continued disagreements between independent supervisory board members and the Ministry of Energy on personnel issues.
- *Governance related structural benchmarks under the 2023 EFF:* The authorities have not advanced the reforms to the Criminal Procedure Code, although they remain part of the reform agenda. The structural benchmark on the selection and appointment processes for SOE supervisory board members was achieved with a delay. The new head of the Economic Security Bureau (ESBU) was also appointed with a short delay, while the selection of a new permanent head of customs and the external assessment of National Energy and Utilities Regulatory Commission (NEURC) are both behind the schedule envisaged in the 2023 EFF.

7. Progress with other structural reforms under the 2023 EFF has been mixed. Reforms to lay the groundwork for scaling up private and public investment after the war are progressing. Key steps in this regard include the roadmap for financial market infrastructure reforms, and the approval of the Single Project Pipeline (SPP) in August 2025—an important milestone for the authorities’ public investment management (PIM) reform. Completing the independent fit and proper review of the NSSMC was an important step towards improving the NSSMC’s governance. The development and approval of an operational plan to implement the updated IT strategy for revenue administration will provide operational guidance for the authorities’ ambitious multi-year IT reform. However, two end-December structural benchmarks under the 2023 EFF were missed, as the preparation of sectoral strategies for PIM and the implementation of European and international valuation standards are behind schedule.

A NEW PROGRAM: OBJECTIVES AND CHALLENGES

8. Much has been achieved and learned during the 2023 EFF amid a full-scale war (see the Peer Reviewed Assessment in Annex I):

- *Achievements:* During the eight on-time reviews between March 2023 and June 2025, the EFF succeeded in achieving macroeconomic stabilization while delivering financeable budget deficits and progress on domestic revenue mobilization and other critical reforms. Large-scale external financing was catalyzed and progress was made in securing external debt relief, including a debt restructuring by the private sector. Quarterly program reviews and close engagement with partners allowed for careful monitoring, prompt responses to developments on the ground, and effective coordination with other stakeholders. Moreover, the framework for lending under EHU policy ensured the program’s resilience to shocks.
- *Scope for improvement:* Experience has shown the need to be parsimonious in program conditionality, prioritizing critical structural reforms. Given the uncertainty in the length of the war, greater exchange rate flexibility is also critical to ensure sufficient buffers against shocks and to restore external viability. Similarly, to lock in recent gains and contribute toward restoring fiscal and debt sustainability, domestic revenue mobilization should focus on durable reforms rather than temporary wartime measures. Additionally, the design of the two scenarios defining the span of the program can also be strengthened: greater buffers in the baseline would promote resilience to frequent defense shocks, while the downside can better reflect the higher likelihood of a substantially longer war, rather than an intensification. Last, a robust approach is needed to guide decisions regarding an exit from EHU. Additional lessons may also be drawn to apply this lending framework for members who may require it in the future, as elaborated in Annex I.

9. The new program aims to build on the achievements under the 2023 EFF while addressing the challenges arising from a longer war. The authorities’ program will help anchor macroeconomic stability, which requires restoring fiscal and debt sustainability amid large war-related expenditure shocks, ensuring price stability through credible forward-looking monetary

policy, guarding against external imbalances, including through increased exchange rate flexibility, and safeguarding financial stability. The program will also lay the foundation for strong medium-term growth in the post-war period and EU accession. This will require bold structural reforms that address longstanding bottlenecks, including to strengthen the governance framework, encourage formalization of economic activity, and strengthen fiscal and financial sector institutions to enable a strong post-war recovery.

10. Anchoring stability while closing the multi-year fiscal and BOP financing gaps will require domestic policy adjustments, external financing on highly concessional terms, and debt relief:

- Fiscal policy needs to be recalibrated to address larger defense spending needs. In the near term, the longer war implies continued large deficits. The medium-term fiscal path will be anchored on returning to a primary surplus and mobilizing sufficient revenues to meet expenditure needs, including for reconstruction and social spending, to support debt sustainability.
- Monetary policy should retain a tightening bias with the aim of achieving the NBU's inflation target under the current flexible inflation targeting regime. As uncertainties recede, the NBU should transition to its full-fledged Inflation Targeting (IT) framework with a fully flexible exchange rate.
- The medium-term policy mix, including fiscal consolidation, the gradual easing of FX controls, and increasing exchange rate flexibility would contribute to reducing external imbalances, boosting competitiveness, and restoring external sustainability.

11. The structural agenda will focus on critical reforms to address longstanding bottlenecks to higher medium-term growth while supporting Ukraine's EU accession goals.

Reform objectives include a less distortive tax system, improved public financial management, a financial sector better positioned to mobilize resources for reconstruction, improved SOE governance, and energy sector reform. Given the importance of independent anti-corruption institutions, the program will preserve their integrity while further strengthening their investigative and preventive tools and capacities. Finally, the program incorporates other policy priorities of the government, in particular on addressing informal activity and the shadow economy.

12. The Ukraine Capacity Development Fund (UCDF) will continue to play a critical role in supporting the program by funding technical assistance (TA) and training.

Structural reforms will be supported through IMF TA, including with dedicated long-term experts.² A full-time CD coordinator is in place to ensure alignment of capacity development (CD) activities with program objectives and lead coordination with donors to the UCDF, including briefing UCDF donors on a regular basis.

² Long-term experts for tax policy, tax administration, customs administration, public financial management, public investment management, and macroeconomic modelling have recently been selected and will begin activities in 2026. Recruitment of additional long-term experts in other policy areas, including on bank supervision, is underway.

Box 1. Ukraine: Evaluation of the EHU Criteria

Staff assesses that the five EHU criteria are met for this program request:¹

1. The exceptionally high uncertainty originates in an exogenous shock; that is, an ongoing shock to a member’s economic capacity that originates in factors beyond the authorities’ control. The exogenous shock is the overall security situation. Russia’s full-scale war in Ukraine is imparting large negative effects on public finances, growth, and the balance of payments. Notwithstanding international efforts to broker a peace settlement, the war remains intense, with rising damages impacting Ukraine’s economic capacity. The humanitarian situation remains dire, with millions of refugees and internally displaced people unable to return home. Recent attacks have led to widespread power and water outages amid severe winter weather.

2. The impact of the exogenous shock on the economy depends on events fundamentally outside of the control of the authorities’ economic policies, at least in the near term. Mounting damages to infrastructure are severely affecting Ukraine’s economic capacity, including by driving high import needs and restraining exports. Moreover, attacks on the energy sector will require increased imports of natural gas and electricity from Europe. While the authorities are making efforts to alleviate the impact of the shocks, fiscal and BOP needs remain consistently large due to the war, leaving them beyond Ukraine’s ability to address them only through policy adjustment until the war winds down.

3. Thus, it involves severe and continuing balance of payment impacts, making the scale of the BoP challenge difficult to assess with the usual degree of confidence associated with upper credit tranche (UCT) lending. As the war continues with high intensity, the scale and magnitude of BoP needs are difficult to assess with the degree of confidence that would normally underpin a standard UCT-quality Fund arrangement. The recent deterioration in the current account balance as well as large fiscal and BOP revisions under the 2023 EFF (which were multiples higher than observed in standard UCT-quality Fund arrangements) highlight the extent of this challenge.

4. No one scenario that characterizes the evolution of the ongoing shock can be seen as sufficiently “central”, and indeed the situation involves significant adverse tail risks where the shock and/or its impacts could continue beyond the usual Fund program timeframe. The difficulty of developing a stable baseline scenario remains as challenging as under the 2023 EFF, where substantial material changes to the baseline occurred as that program evolved. Moreover, while the current downside scenario pushes assumptions to the limit of the program’s capacity to deliver its objectives, tail risks beyond the current downside scenario continue to exist. These risks include both a substantially worse security situation and a steep loss of economic capacity, with associated humanitarian, financial, and economic consequences.

5. The ability of official bilateral creditors to ensure debt sustainability through upfront debt write-downs is impaired due to the lack of a sufficiently “central” scenario and given the presence of large downside risks, and broader sources of financing must be catalyzed to help resolve the BoP problem. Despite progress on the authorities’ debt restructuring strategy, the prevailing EHU makes it challenging to have confidence that upfront restructuring can deliver ex post debt sustainability. Large-scale, highly concessional external financial and in-kind support are also required, especially if a downside scenario emerges that requires additional exceptional financing. The EHU policy recognizes that it is difficult for the authorities to demand upfront additional deep debt relief amid these conditions and thus accepts a two-stage restructuring approach. The Group of Creditors of Ukraine has extended a debt standstill through the new EFF arrangement alongside a commitment to a definitive treatment of their claims when EHU ends. In addition, a credible process exists for a potential second restructuring of private external debt obligations, as needed.

¹ See [Changes to the Fund’s Financing Assurances Policy in the Context of Fund Upper Credit Tranche \(UCT\) Financing under Exceptionally High Uncertainty](#).

13. Continued application of the framework for lending under Exceptionally High Uncertainty (EHU) will provide safeguards to mitigate program and enterprise risks.

While Ukraine has built a track record of strong policy implementation in extremely adverse circumstances, risks to the program as well as enterprise risks for the Fund remain large. The application of the EHU framework would help the authorities meet program objectives while ensuring adequate safeguards for Fund lending in such circumstances. Staff assesses that Ukraine continues to meet the five criteria required to establish eligibility for lending under EHU (Box 1).

OUTLOOK AND RISKS

The outlook remains extremely challenging and exceptionally uncertain. In line with the framework on lending under EHU, staff and the authorities have agreed on a baseline and a downside scenario to cover a wide range of potential outcomes under which the program remains viable. The baseline guides annual and medium-term budget planning and near-term financing needs, while the downside demonstrates the impact if the war and associated balance of payments shock persist for longer and the long-term scarring of the economy is more severe. It thus serves to motivate discussions on contingency plans, including needed policy actions and to quantify a higher level of the required medium-term financing and debt relief to restore debt sustainability and external viability. In addition, Annex IV explores the implications of an upside scenario.

A. Baseline Scenario

14. Relative to the 2023 EFF's Eighth Review, the baseline under the new program has been downgraded. The downgrade reflects the deterioration in the outlook, but also lessons learned under the 2023 EFF that underscored the importance of designing a program through a suitably prudent baseline macroframework, which reflects the following:

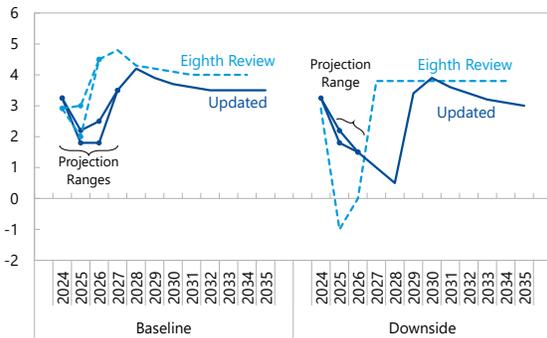
- *For 2026, the outlook has deteriorated, with the war expected to continue during the year: Real GDP growth would be 1.8–2½ percent (-2pp to -2.7pp vs. the Eighth Review). The baseline envisages a prompt resolution of disruptions to public utilities from recent air attacks, given the effectiveness of their responses to previous attacks on energy infrastructure. Thus, growth would be driven by dissipating negative base effects (in agriculture, including as slow harvesting shifts exports to 2026; metallurgy; and gas imports), although labor shortages would continue to be a drag on the non-defense private sector. Continued supply shocks would keep inflation elevated at 7.5 percent y/y (+0.5pp vs. the Eighth Review). With defense spending remaining high, the overall fiscal deficit excluding grants is projected above 19 percent of GDP. High priority import needs amid the continuing war would weigh on the current account deficit excluding grants, which would remain large at 19.9 percent of GDP. However, international reserves are projected to increase to US\$65.5 billion (131.1 percent of the ARA metric; +US\$12.8 billion vs. the Eighth Review) thanks to fresh official financing. Real credit growth is now expected at 5.5 percent.*
- *For 2027, the first year after the war is assumed to have wound down, the economy would rebound while also being in transition to a post-war security framework: Real GDP growth would rise to*

3.5 percent as refugees return and reintegrate into the labor market (albeit at a slower pace than previously expected), reconstruction begins, and bottlenecks on productivity ease as the security situation normalizes. On the demand side, the returning population would boost private consumption, while public demand would be supported by high levels of expenditure on post-war defense and reconstruction. Consequently, the fiscal deficit excluding grants would narrow only slightly from 2026 (17.8 percent of GDP). Easing supply constraints, including labor, would give rise to a negative output gap, reducing inflation to 7 percent y/y. The current account deficit excluding grants would continue to narrow due to a steady recovery in exports, while FX reserves are expected to increase to US\$73.4 billion (126.5 percent of ARA). Real credit growth would pick up after the war, but by less than previously assumed.

- *For 2028 and 2029, the recovery years, a smaller rebound reflects the continued scarring effects of the longer war:* The recovery has been revised down compared with the Eighth Review on fewer returning refugees, which contributes to relatively scarcer labor and population, which in turn weighs on business and infrastructure investment (e.g., for housing, social infrastructure). Reconstruction-related investment would also proceed more slowly, including due to crowding out of public investment in favor of current defense spending. Staff conservatively projects real GDP growth averaging 4 percent over 2028–29, balancing the scarring effects with other positive factors such as improved supply-side factors, reintegration of refugees into labor markets, and stronger private investment, which counterbalance a sizable fiscal consolidation. The resulting negative output gap would help steer inflation towards the NBU's 5 percent target by end-2029.
- *For the long run (post 2030), the economy converges to its long-run potential:* Real GDP growth gradually stabilizes at staff's revised estimate of potential of around 3.5 percent (-0.5 pp vs. the Eighth Review), as refugee returns taper off and post-war reconstruction investment winds down; inflation remains at the 5 percent target. Defense expenditures taper off (but remain at higher levels relative to the pre-war period) contributing to smaller fiscal deficits that are broadly in line with the path in the Eighth Review. The current account deficit also narrows but still does not converge to levels in the Eighth Review's baseline, particularly due to more conservative estimates on import compression as experience suggests that defense and energy-related import needs are likely to last longer. Real credit growth is marginally weaker in the outer years of the horizon.

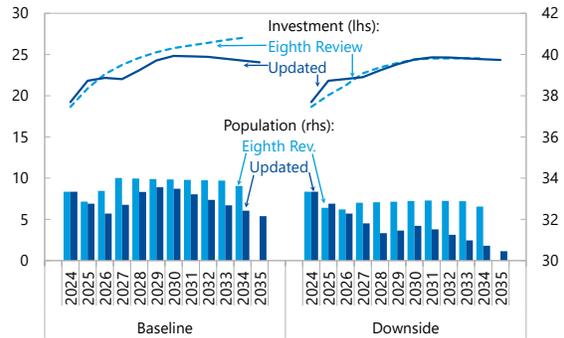
Figure 4. Ukraine: Comparison of Baseline and Downside Scenarios

Real GDP Growth
(Percent)



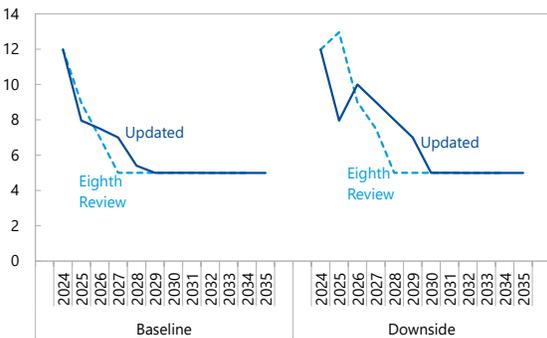
Sources: SSSU and IMF staff projections.

Investment and Population
(Investment, percent of GDP; Population, millions)



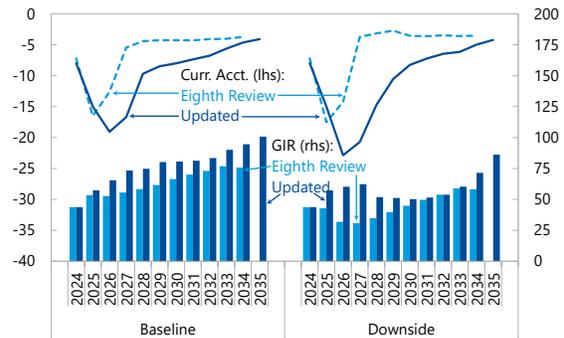
Sources: SSSU and IMF staff projections.

Consumer Price Inflation
(Percent, end-of-period)



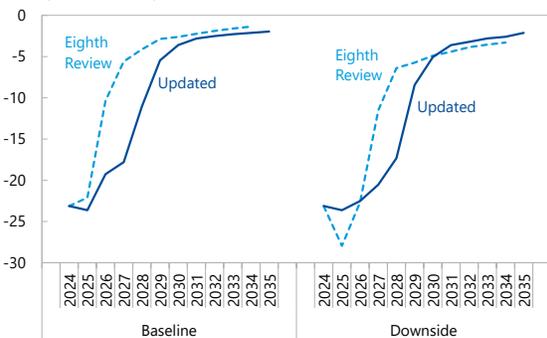
Sources: SSSU and IMF staff projections.

Current Account and Gross Intl. Reserves (GIR)
(Current Account, Pct of GDP, lhs; Reserves, Billion U.S. Dollars, rhs)



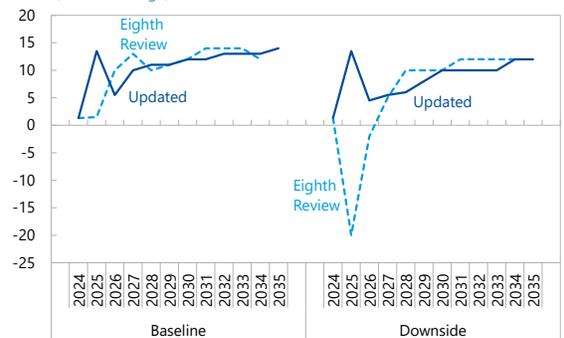
Sources: NBU and IMF staff projections.

Overall Deficit Excluding Grants
(Percent of GDP)



Sources: MOF and IMF staff projections.

Real Credit Growth
(Percent change)



Sources: NBU and IMF staff projections.

Text Table 2. Ukraine: Selected Baseline Scenario Projections

	Revised Baseline						Change from Eighth Review					
	2025	2026	2027	2028	2029	2030	2025	2026	2027	2028	2029	2030
Real GDP growth (percent)	1.8-2.2	1.8-2.5	3.5	4.2	3.9	3.7	...	...	-1.3	-0.1	-0.3	-0.4
Inflation, eop (percent)	8.0	7.5	7.0	5.4	5.0	5.0	-1.0	0.5	2.0	0.4	0.0	0.0
Current account balance												
Billion U.S. dollars	-31.9	-42.6	-39.5	-24.3	-22.1	-21.9	2.8	-14.3	-26.5	-13.1	-10.6	-9.6
Percent of GDP	-15.0	-19.1	-16.7	-9.7	-8.5	-8.0	1.5	-6.5	-11.3	-5.3	-4.2	-3.7
Goods trade balance (US\$ bn)	-51.0	-48.8	-44.2	-40.7	-38.0	-36.6	-9.5	-10.2	-7.9	-4.8	-2.7	-0.4
Gross international reserves												
Billion U.S. dollars	57.3	65.5	73.4	74.8	80.2	80.6	3.9	12.8	17.8	16.5	18.6	14.1
Percent of the IMF composite metric (float)	134.7	131.1	126.5	120.9	122.4	118.0	9.2	17.0	10.8	2.6	2.1	-8.0
Overall fiscal balance (pct of GDP)	-23.3	-18.4	-17.7	-7.4	-2.9	-2.0	-2.0	-8.3	-13.1	-4.1	-0.6	0.0
Overall fiscal balance ex. grants (pct of GDP)	-23.8	-19.4	-17.8	-11.1	-5.5	-3.6	-1.5	-9.0	-12.2	-6.9	-2.6	-1.0
Public debt (pct of GDP)	108.7	122.6	137.1	135.5	131.9	125.7	0.1	12.2	30.7	32.6	33.6	31.6

Source: Ukrainian authorities and IMF staff projections.

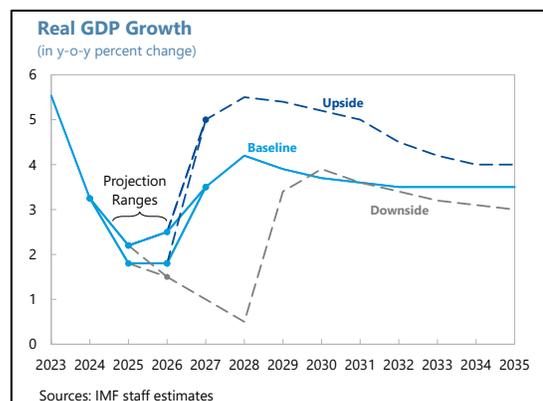
B. Risks to the Baseline Scenario

15. Although the duration of the war is the major risk (see the downside scenario below), shocks along multiple additional dimensions could affect the baseline.

- *Ability to continue mobilizing sufficient budget support:* Revised assumptions on the length of the war and the outlook for the immediate aftermath have resulted in swelling financing needs, particularly in 2026–27. Donors have stepped in with large-scale financing, which will need to be disbursed promptly to maintain stability by closing these financing gaps on terms consistent with restoring debt sustainability. However, Ukraine will also need adequately concessional donor financing even after the program, including for recovery and reconstruction needs, which may be challenging for donors, particularly given their own economic and political constraints.
- *The durability of international security assistance:* Financing for Ukraine's security needs to remain adequate and durable, and delays or shortfalls could prompt resort to second-best policy responses.
- *Reform fatigue or backsliding:* The attempt to neutralize anti-corruption institutions last summer illustrates the broader challenges of maintaining the structural reform agenda and safeguarding institutions against attacks from vested interests. Should limited progress on reforms or renewed backsliding persist, potential growth would be impacted at a time where higher productivity growth is desperately needed to overcome demographic and competitiveness challenges.
- *Renewed attacks on infrastructure:* In addition to the humanitarian implications, even further large-scale damage to electricity generation or heating infrastructure would cause substantial economic disruption. The impacts would include lower growth, higher inflation, budget pressures, energy import needs, and lower export-oriented economic activity (e.g., metallurgy).

Continued attacks on railway and port infrastructure would also depress exports, and widen the current account deficit. Over the longer run, comprehensive repairs could be lengthy and delay the eventual recovery.

- Upside risks:* Ongoing efforts to bring about a durable peace settlement could result in an earlier end of the war than anticipated in the macro framework. This would imply less damage and a faster normalization of the economy than assumed in the baseline.³ Alternatively, if the war ends later this year, as assumed, outcomes could still be better from a stronger rebound in investment and productivity, and larger population returns and faster labor market reintegration (see Annex III). Under this scenario, thanks to productivity boost from reforms to promote entry and competition, post-war growth could reach 4.8 percent on average, lifting per capita income to more than 150 percent of pre-war levels by 2035.



C. Downside Scenario

16. The program’s downside scenario envisages the war having stronger impacts in 2026, continuing into 2027, and gradually transitioning into a frozen conflict by end-2028. On the basis of Ukraine’s experience since the full-scale war and consultations with international security experts, the scenario modeled in the revised downside is one where security shock persists for much longer than was expected under the 2023 EFF (Annex V). However, it does not incorporate a rapid intensification with the attendant impact on macroeconomic performance. Instead, fiscal deficits remain wide, the unresolved security situation (where isolated skirmishes remain a possibility) weighs on economic performance, and the balance of payments takes longer to normalize. More specifically, the downside scenario can be divided into three periods:

- Near term (2026):* With a full year of war expected in both scenarios, the downside envisages higher fallout from damages (including against energy infrastructure), while also incorporating the resilience that the Ukraine economy has shown during recent years. Thus, near-term projections are weaker than the baseline, albeit slightly better than in the Eighth Review downside in the short run, with growth at 1.5 percent, year-end inflation at 10 percent, and the overall deficit excluding grants at close to 22½ percent of GDP. On the other hand, the current account deficit widens vis-a-vis the Eighth Review downside, reflecting the projected impact of higher war-related imports.

³ To help promote positive outcomes in such upside scenarios, the authorities and donors are developing an ambitious Ukraine Prosperity Plan to mobilize large-scale official and private capital over the coming decade with the aim of rebuilding infrastructure, boosting growth, and securing stability for Ukraine.

- Unsettled security situation, steadily transitioning to a frozen conflict (2027–28):* In contrast to the definitive end to the war in the baseline (end-2026) and the Eighth Review's downside (mid-2026), the downside assumes continued combat during these years, with lessening intensity through time. Thus, by end-2028, a frozen conflict is assumed, characterized by isolated skirmishes. Given this environment, post-war refugee returns and reconstruction activities are delayed and overall lower, entailing weaker dynamics relative to both the new/proposed baseline and the Eighth Review's downside. Correspondingly, the economic slowdown would be more entrenched, with real GDP growth reaching 1 percent in 2027 and ½ percent in 2028. Inflation (year-end) would be elevated but slowly decrease, driven by continued supply shocks. Defense spending also proceeds along a higher path as the grinding path to a frozen conflict sees more gradual demobilization than under the baseline. In response, the authorities would be expected to adhere to their MEFP commitment of a contingent increase in the main VAT rate (MEFP ¶14). Overall fiscal deficits excluding grants would average 19 percent of GDP over this period, and would be financed through external disbursements included in the baseline and further external debt relief. Additional domestic government debt issuance would also be an important financing source, but could require financial repression. In addition, it would further increase banks' already elevated exposures to the government, thereby strengthening the sovereign-bank nexus, which could be difficult to unwind and expose the banks to potential losses. Overall, this stretches assumptions to the limit of the program's ability to restore debt sustainability. Increased imports due to higher defense spending and attacks on energy infrastructure (with only a partial offset from the VAT rate hike) would drive a deterioration in the current account and reserves. Credit to the economy would remain weak.
- Medium term (2029–35):* By end-2028, the expectation is that the security situation would have sufficiently normalized to enable an exit from EHU. The authorities are expected to implement the policies needed to definitively restore debt sustainability and medium-term external viability in 2029—the final year of the program—under an expectation at least one year would be needed to deploy these measures. Accordingly, there would be a short-lived bounce after the war (albeit shallower than in the Eighth Review downside). In later years, slower growth is expected, in part reflecting the impact of a worse demographic trend. Inflation would slow during this time, reaching the 5 percent target in 2030. The gradual tapering down of defense spending would enable both fiscal and current account deficits to narrow, and reserves would accumulate, reaching 110.7 percent of the ARA metric by 2035. With a more stabilized situation, credit to the economy would begin expanding but remain well below baseline levels.

Text Table 3. Ukraine: Comparison of Baseline and Downside Scenarios

	2025	2026	2027	2028	2029	2030
Real GDP growth (percent)						
Baseline	1.8-2.2	1.8-2.5	3.5	4.2	3.9	3.7
Downside	1.8-2.2	1.5	1.0	0.5	3.4	3.9
CPI inflation (end-of-period; percent)						
Baseline	8.0	7.5	7.0	5.4	5.0	5.0
Downside	8.0	10.0	9.0	8.0	7.0	5.0
Current account balance (percent of GDP)						
Baseline	-15.0	-19.1	-16.7	-9.7	-8.5	-8.0
Downside	-15.0	-22.8	-20.7	-14.7	-10.5	-8.3
Overall fiscal deficit excluding budget support grants (percent of GDP)						
Baseline	-23.6	-19.3	-17.8	-11.1	-5.5	-3.6
Downside	-23.6	-22.5	-20.5	-17.3	-8.4	-5.1

Source: Ukrainian authorities and IMF staff projections.

D. Enterprise Risks

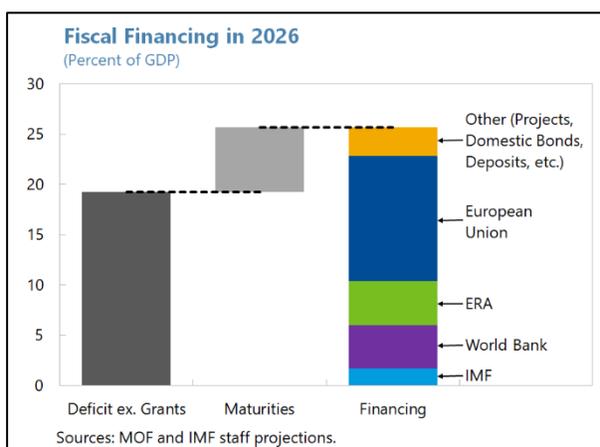
17. Overall, a new UCT program under EHU would entail significant enterprise risks, partially mitigated by the additional safeguards required under EHU, and staff considers the level of risk to be manageable under the Fund’s multi-layered risk management framework. Similar to the 2023 EFF, a new EFF under EHU would pose financial, strategic, business, operational, and reputational risks for the Fund, which are only partially mitigated by the additional safeguards requirements of the EHU policy. Strategic risks arising from the range of possible outcomes to the war would continue to be the central risk to the Fund. Financial risk in terms of credit risk to the Fund would continue to be mitigated by the NBU’s international reserve position and the capacity-to-repay assurances provided by a significant group of Fund shareholders. Meanwhile, financial risk associated with the delivery of external financing is mitigated by the renewed commitments by donors to support Ukraine, in particular the European Council’s decision to provide €90 billion in support via the Ukraine Support Loan (USL) over 2026–2027. Reputational risks remain, particularly around the issue of evenhandedness and the coherence of having consecutive programs under EHU. Overall, staff continues to see significant enterprise risks from a new EFF, which are mitigated by the conservative program design features, authorities’ demonstrated track record, and strong donor support—all in line with Fund policies.

POLICY DISCUSSIONS

A. Fiscal Policy and Financing

18. The authorities have taken critical steps to ensure that near-term fiscal policies will be implemented consistent with maintaining stability under the program. As a **prior action** for the program, the authorities enacted the 2026 Budget on January 1, which entails (MEFP ¶13):

- Expenditures:* General government expenditures will remain high in 2026, projected at UAH 6,228 billion (62.2 percent of GDP). Given the assumption of a continuing war, defense will continue to receive the largest allocation. Non-defense priorities are reflected in 1 percent of GDP allocated to policy initiatives in: (i) demographics, including prenatal support and programs benefiting small children; (ii) healthcare, to expand the Medical Guarantee Program and health screening; and (iii) education, with increases to teachers' wages, school feeding, and scholarships.
- Revenues:* Tax revenues in the budget are projected at UAH 3,906 billion, causing the tax-to-GDP ratio to rise to about 39 percent of GDP, up from just over 36½ percent of GDP in 2025. This increase reflects (i) measures already in effect, including the annual increase of excise tax rates on tobacco and fuel products (enacted in 2024), the lapse of the tax exemption on imports of electric vehicles at end-2025, and one-off gains from improved methods to collect tax debt, which were fully operationalized in late 2025; (ii) a package of new tax measures (see ¶20 for details); and (iii) a new contingency buffer of up to 0.6 percent of GDP in additional resources to be spent only in case of customs revenue overperformance.⁴ Continued strong wage growth is also expected to support tax collections this year. The ambitious revenue effort reflects the authorities' strategy to maintain adequate revenues to substantively contribute to burden sharing and contain the deficit to a manageable level.
- Financing:* As has been the case since the start of the full-scale war, the budget envisages a still-wide overall deficit excluding budget support grants of UAH 1,927 billion (19 percent of GDP). The deficit is financeable thanks to concessional external donor disbursements, including from the EU through the Ukraine Facility and the Ukraine Support Loan agreed by the European Council on December 18, remaining resources under the G7's



⁴ On the expenditure side, this buffer is recorded as part of the contingency reserve (see Tables 6a and 6b).

Extraordinary Revenue Acceleration (ERA) initiative, and financing channeled through the World Bank.

- *Risks:* Amid prevailing EHU conditions, shocks could affect budget implementation, including the projected increase in tax revenues if the economy slows further, and the authorities stand ready to take action in such an event (MEFP ¶14). In particular, the authorities remain prepared to increase taxes if needed, and view increasing the main VAT rate as the most efficient option in such a contingency.

19. A return to sustainability over the medium term will be the main fiscal policy objective under the new program. Fiscal adjustment delivering medium-term fiscal surpluses will be critical for achieving the program’s debt sustainability objectives (¶146). The current plan is anchored on a primary surplus in the range of 0.2–0.4 percent of GDP for the primary balance excluding grants (MEFP ¶111):

- *Expenditures:* Although post-war conditions will allow lower expenditures, the security situation will only normalize gradually and require maintaining a permanently higher defense spending. Consequently, defense expenditures will likely decrease only gradually after the war and stabilize above pre-war levels. Although this assumption has resulted in an aggregate expenditure path higher than that of the 2023 EFF, it has been partly offset by an expectation that non-defense expenditures would remain tightly prioritized for longer. As a result, key priorities including post-war capital expenditures on reconstruction and expansions of social expenditures will likely proceed at a more measured pace, at the cost of somewhat lower growth (see ¶14).
- *Revenues:* Based on current plans, permanently maintaining tax revenues close to their current share of GDP would be broadly consistent with gradually achieving primary balances in the targeted range above. Consistent with this consideration, the authorities have committed to maintain tax revenues above 37.5 percent of GDP range as a demonstration of their intentions to pursue sustainable fiscal policies.
- *Financing:* In addition to the fiscal consolidation described above, large-scale highly concessional financing will be essential for the restoration of fiscal and debt sustainability. Altogether, this financing would be adequate for the projected deficits over the medium term, and consistent with restoring debt sustainability under the program. Domestic financing is expected at smaller magnitudes than in recent years to ensure space for downside risks. If such shocks were to materialize, the authorities stand ready to step up issuance to enable budget implementation consistent with maintaining stability (MEFP ¶17).

The authorities are now turning to the preparation of the Budget Declaration for 2027–29. This document will update the authorities’ medium-term fiscal plans, including for the period covering the remainder of the program. Given its importance, the budget declaration will be prepared in consultation with Fund staff and consistent with the program’s parameters. (MEFP ¶111, first bullet). It will also incorporate important methodological improvements (MEFP ¶132) to strengthen the document’s impact.

Figure 5. Ukraine: Key Fiscal Aggregates, 2024–29



20. Tax measures under the program aim to mobilize revenues by broadening the tax base. Implementing these measures, with IMF TA, will remove distortions that hamper growth, alleviate tax avoidance/evasion, and support the formalization of the economy:

- Parliament should adopt a package of permanent tax policy measures for 2026 and 2027 (**proposed end-March, 2026 structural benchmark**), which will include (i) taxing incomes from digital platforms and giving the State Tax Service (STS) access to related information; (ii) eliminating the de-minimis tax exemption for imports via postal shipments;⁵ and (iii) repairing the VAT (see Box 2) by removing the VAT exemption for those taxpayers under the Simplified Tax (ST) regime whose turnover exceeds the general VAT registration threshold, effective January 1, 2027. The authorities are considering an increase in the VAT threshold but have committed to keeping it below UAH 4 million. This measure will be accompanied by efforts to

⁵ Postal packages accounted for US\$3.1 billion (1.6 percent of GDP) in imports in 2024 and US\$5.1 billion (3.3 percent of GDP) over 2025Q1–Q3. The measure could also help reduce imports and the associated FX demand.

streamline VAT compliance requirements, with support from IMF TA. ST provisions related to income tax will remain in place. The removal of the tax-related competitive disadvantage for VAT payers in public procurement in 2026 (**prior action**) will further reduce existing disincentives to VAT registration.

- The authorities will remove the sunset clause from the Military Tax, a PIT surcharge, extending it beyond the end of Martial Law.
- The authorities will eliminate tax avoidance opportunities under the ST system, including by (i) submitting to Parliament amendments to the Labor Code to clarify the definition of employment (**prior action**) to reduce disguised employment; (ii) excluding activities with high compliance risks from the ST; (iii) limiting the possibility to opportunistically switch between ST and general tax system for tax optimization; and (iv) limiting the practice of companies artificially fragmenting to remain within the eligibility thresholds for ST.
- To limit opportunities for CIT avoidance, the authorities will submit legislation to Parliament (**proposed end-June 2026 structural benchmark**) to (i) strengthen transfer pricing rules; (ii) fully implement the interest limitation rule in line with Article 4 of the EU Anti-Tax Avoidance Directives (ATAD); and (iii) abolish the tax exemption for income of foreign companies whose place of effective management is located in Ukraine. Additional legislation to fully align the Tax Code with the EU ATAD will be submitted by end-September 2026 (MEFP ¶25). The authorities have also instituted, once again, a one-time levy on banks, raising the CIT rate to 50 percent for 2026. In staff's view, continued reliance on such measures should be avoided going forward, as it could negatively impact lending, investment into the sector, banks' ability to implement capital management plans, and privatization of SOBs.
- In 2026, the authorities will develop legislation to reduce tax avoidance losses related to Joint Investment Institutions (JIIs). Unlike similar investment vehicles in other jurisdictions, JIIs are currently untaxed and face no mandatory distribution requirements and few restrictions on asset classes. As a result, investment returns can accumulate untaxed for many years, and rather than encouraging individuals to pool their investments, JIIs are mainly used by legal entities, including due to their attractiveness as tax shelters. Reforms should require JIIs to make regular distributions and to act as tax agents.

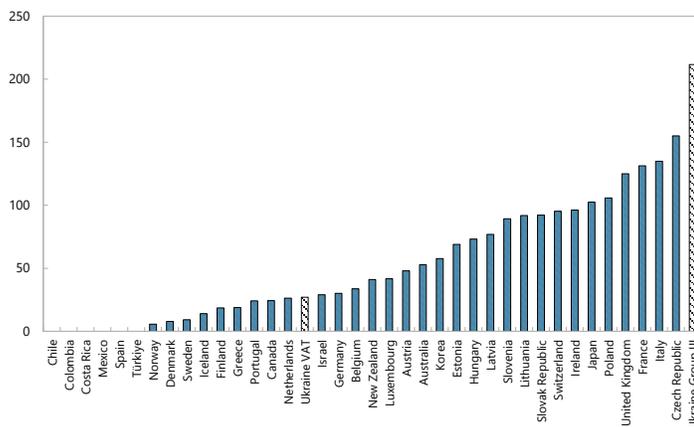
Box 2. Ukraine: Repairing Ukraine’s VAT to Foster Growth and Curb Shadow Activity

In Ukraine, the VAT base is extremely narrow, due to the Simplified Tax (ST) regime for SMEs, with its generous VAT exemption. In US\$ terms, the current VAT threshold for ST (~US\$230,000) is far above VAT thresholds in OECD countries. Ukraine has only about 246,000 active registered VAT payers, whereas Poland (with a population only 20 percent larger) has about 2.4 million. On a per-capita basis, Ukraine has only 0.5 VAT payers per 100 people (EU median: 7.7).

The ST was introduced in the late 1990s, as a measure to encourage formalization by shielding SMEs from a highly complex general tax system and from a corrupt revenue service and tax police. Since then, the general tax system has been streamlined, the tax police has been replaced by the more independent Economic Security Bureau, and the public perception of governance at the Tax Service has improved. Despite these improvements, the ST has over time grown in scope and has itself become a vehicle enabling informal activity to flourish, often in plain sight.

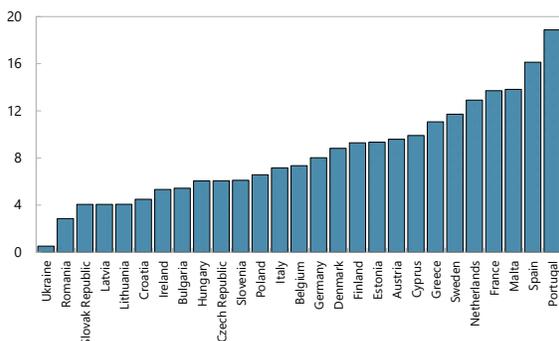
Ukraine’s narrow VAT base not only reduces VAT collection but also undermines growth and the

General VAT Thresholds in 2023
(In thousands of USD)



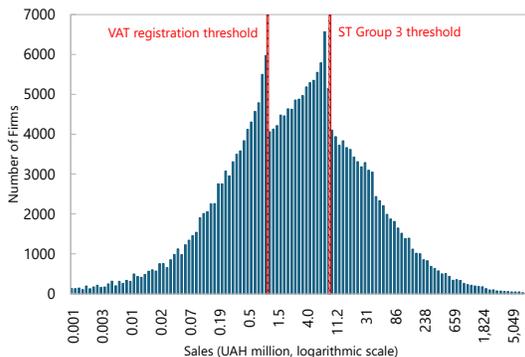
Source: OECD.

Active VAT Payers per Capita in 2023
(In Percent)



Sources: ISORA, and IMF staff calculations

Firm Size Distribution in 2024



Note: Dataset excludes individual entrepreneurs.
Sources: State Statistics Service of Ukraine; and IMF Staff calculations.

formalization of shadow activity: the size-based ST eligibility thresholds encourage firms to stay small, which leads to additional distortions. To remain below these thresholds, many Ukrainian firms either forego growth opportunities, or they fragment into multiple entities, generating inefficiencies. For example, fragmented firms lack a comprehensive balance sheet to access bank financing. The thresholds also encourage underreporting of turnover.¹ Moreover, VAT exemptions create an uneven playing field, since VAT-exempt firms can charge lower prices, which allows less efficient firms to remain in the market. Additionally, non-VAT payers benefit if their suppliers are also VAT exempt, so that supply chains may be less determined by

Box 2. Ukraine: Repairing Ukraine's VAT to Foster Growth and Curb Shadow Activity (concluded)

efficiency considerations and more by VAT status.² Finally, the existence of VAT exempt retailers creates a market for smuggled imports and hence perpetuates incentives to bribe customs officials.

Measures for 2026 under the program aim to level the playing field for VAT payers and hence to make voluntary VAT registration more attractive, by (i) eliminating unfair competition from VAT-exempt imports through postal shipments and (ii) conducting public procurement tenders based on prices excluding VAT.

For 2027, the authorities are eliminating the VAT exemption for ST, so that all businesses with turnover above the general VAT threshold become VAT payers. The VAT threshold will be raised but will remain below the EU maximum VAT threshold for small businesses³ of €85,000. Many countries around the world (e.g., Chile, Colombia) have no VAT threshold at all. The success of the VAT reform, which could affect more than 250,000 businesses, with a combined turnover of more than UAH 1.4 trillion (US\$32 billion), will depend on the authorities' efforts, supported by IMF TA, to prepare the Tax Service's work processes ahead of time and reduce the VAT compliance burden for taxpayers.⁴ Streamlined reporting requirements, particularly for small businesses, and a less heavy-handed approach to compliance will be needed. Stronger cooperation between customs and tax administration would further support VAT compliance.

¹ In the [2024 Tax Compliance Cost Survey](#), respondents estimated that businesses similar to their own declared only 61.1 percent of actual revenue.

² Research on other emerging markets has provided evidence of such supply chain distortions created by VAT exemptions: see [De Paula and Scheinkman \(2010\)](#) for Brazil and [Gadenne, Nandi, and Rathelot \(2020\)](#) for India.

³ A higher VAT threshold is broadly consistent with the theoretical approach on optimal level described in Chapter 11 in "[The Modern VAT](#)" by Ebrill, Keen, Bodin, and Summers.

⁴ In the [2024 Tax Compliance Cost Survey](#), SMEs report annual VAT compliance costs averaging more than UAH 100,000.

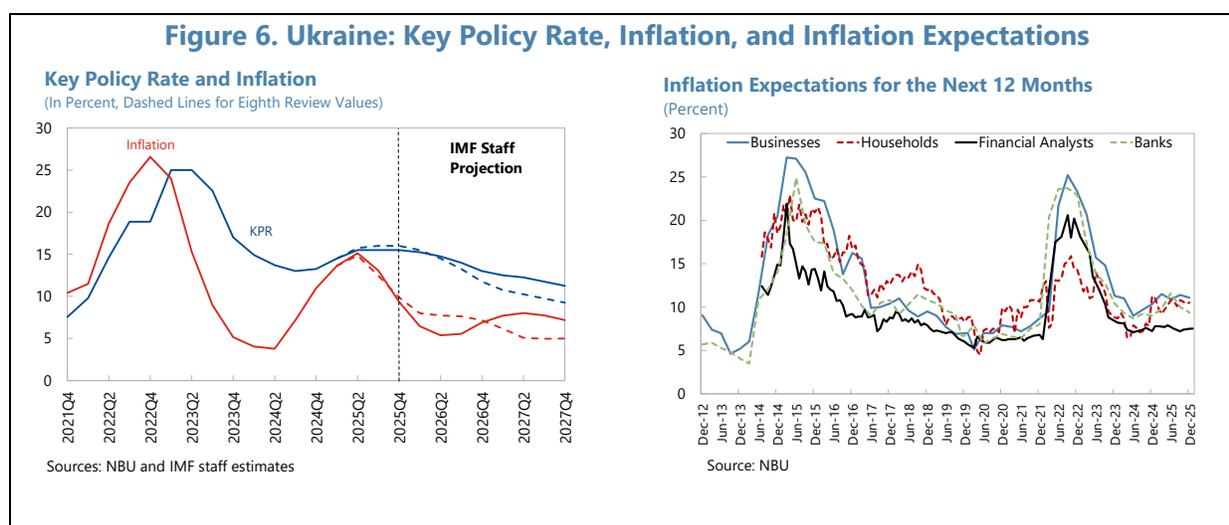
21. Sustained efforts are needed to strengthen revenue administration. Following the appointment of the new head of the Economic Security Bureau (ESBU), the authorities have launched the selection process for a new permanent head of the State Customs Service (SCS)— the appointment is a **proposed end-March 2026 structural benchmark**. Strengthening the effectiveness of the SCS, STS, and ESBU in monitoring and enforcing tax compliance will require adequate budgets, access to necessary data, and greater operational independence. The authorities should also implement the operational plan to consolidate the IT systems of STS and SCS and provide the required financial resources. The design of a data warehouse (**proposed end-December 2026 structural benchmark**), supported by IMF TA will be an important milestone for this ambitious multi-year reform. Several constraints on STS operations enshrined in the Tax Code, especially on audits, should be abolished, as they reduce the effectiveness of the STS and facilitate non-compliance.⁶ Instead, the STS should be empowered to make operational changes towards a more risk-based approach to compliance management. An automated and data-driven system to support taxpayer risk assessment would help reduce discretionary interventions by STS staff.

⁶ These include (i) the requirement for the STS to publish its risk assessment algorithms; (ii) the requirement to prove non-compliance before conducting tax audits; (iii) the statutory time limit of 30 days to complete an audit; (iv) the requirement to pre-announce tax audits through an annual list; (v) the inability to collect tax debts until confirmed by a court, even if the debt has been self-declared by a taxpayer.

22. Full implementation of the home-grown reform of the PIM framework, supported by IMF TA, remains critical for post-war reconstruction. Completing the first stage of the reform, notably the establishment of the SPP using new methodologies and procedures for project preparation, appraisal, and selection, is among the key successes of the 2023 EFF. Going forward, continued adherence to the new methodologies and procedures with a strong gatekeeper role for the MOF will be critical. The approval of a framework and action plan for the development of sectoral strategies by end-March 2026 will be a key intermediate step towards the completion of sectoral strategies by end-2026. Near-term priorities also include updating the Budget Code to improve the integration of PIM into medium-term budget planning and fiscal risk management.

B. Monetary and Exchange Rate Policy

23. The NBU should maintain tight monetary conditions until inflation expectations begin to trend down. Notwithstanding the recent decline in inflation, a relatively tight stance, consistent with the modest rate cut in January, remains appropriate given persistent underlying price pressures and risks, including from fiscal developments and infrastructure disruptions. The NBU should continue to monitor the still-elevated inflation expectations and risks, with clear communication of its readiness to raise the KPR should the inflation outlook deteriorate. This will also help preserve the attractiveness of hryvnia instruments, thereby limiting FX cash demand and exchange rate pressures. Monetary policy should communicate a focus on returning inflation to the 5 percent target over the three-year policy horizon. Monetary policy transmission remains constrained due to excess liquidity, shallow markets, and limited lending opportunities in wartime conditions, operating mainly through deposit rates and inflation expectations. The NBU should continue monitoring monetary conditions and recalibrate its operational framework as needed to strengthen transmission and ensure alignment with its policy stance.⁷



⁷ The current operational framework includes the use of benchmark government bonds to meet reserve requirements, and limits on banks' access to the NBU's 3-month CDs, with access tied to retail deposit growth to incentivize competition for deposits and higher rates on local-currency term deposits.

24. Exchange rate policy should continue to strengthen external buffers and enhance flexibility. Consistent with the NBU's [Strategy for Easing FX Restrictions, Transitioning to Greater Flexibility of the Exchange Rate, and Returning to Inflation Targeting](#), the exchange rate's role as a shock absorber should be strengthened by allowing greater correspondence to market conditions. Such flexibility will support the program objective of restoring medium-term external viability by building reserves and reducing external imbalances. While FXI can help smooth excessive volatility, particularly in the context of continued war-related structural trade imbalances, they should not be relied upon as a policy tool to achieve near-term price stability, as significant FXI can generate external imbalances and undermine communication around the transition back to a full-fledged IT regime and the restoration of the inflation target as the nominal anchor when conditions allow.

25. FX liberalization should proceed cautiously, balancing growth and external stability considerations. Under the conditions-based FX liberalization roadmap, the NBU has periodically eased currency restrictions introduced by Resolution No. 18,⁸ including recent expansions of permissible transactions, up to defined limits, to certain loan repayments, dividend repatriation, and FX forward transactions for hedging. Close monitoring of FX flows and compliance with existing controls should continue via bank-level data analysis, and complemented with potential controls on virtual asset transactions and enforcement of capital flow management measures by the NSSMC. As FX liberalization measures continue, the NBU should undertake a stocktaking exercise (MEFP ¶45) to ensure that on aggregate the controls remain effective for supporting external stability.

26. The NBU continues to implement the recommendations of the 2023 safeguards assessment. The NBU has taken steps toward enhancing its secured creditor status under bank resolution (legal amendments have been submitted to Parliament), improving Audit Committee oversight, and establishing a mechanism to strengthen the NBU Council's overall collective fitness (legal amendments have been developed but not yet submitted to Parliament). Progress continues toward filling vacancies on the Council (MEFP ¶46), with completion expected by end-March 2026 to support operational effectiveness. Fulfilling these goals will further strengthen the NBU's credibility, operational capacity, and governance. An updated safeguards assessment, in connection with the new program, will be undertaken by the first review.

C. Financial Sector Policy

27. As the financial sector remains resilient, the authorities' objective is to pre-position banks for post-war reconstruction while remaining vigilant on potential challenges. The NBU has finalized the 2025 Resilience Assessment of the 21 largest banks (MEFP ¶49), which combined loan file reviews involving external auditors with solvency stress testing. Following the Assessment, capital management plans were developed by the banks where necessary, as well as a schedule for

⁸ Resolution 18 of the NBU's Board dated February 24, 2022, "On the Operation of the Banking System During Martial Law. The FX control measures undertaken under Resolution No. 18 following the imposition of the martial law are assessed as exchange restrictions imposed consistent with Article VIII, Section 2(a) because they are taken solely for reasons or national or international security under the procedures provided for under Decision No. 144. See informational Annex, IMF Country Report No. 23/399.

closing outstanding gaps in regulatory capital requirements and harmonization of regulations with the EU acquis. Given the strong sovereign-bank nexus and its considerable impact on bank profitability, the NBU is planning to conduct an ad hoc analysis to identify the bandwidth of banks to contribute to the post-war recovery and any potential weaknesses that could emerge. Once conditions have stabilized, a targeted, risk-based asset quality review, based on updated Terms of Reference agreed with IFIs will be conducted. Meanwhile, the NBU will continue to monitor and adjust contingency plans that have been put in place to address potential further shocks (MEFP ¶148).

28. The authorities are continuing reforms to strengthen bank supervision and financial safety nets. The NBU has aligned banks' regulatory capital structure, minimum capital requirements, and leverage ratio calculations with international standards and EU rules (MEFP ¶155). It is also moving forward with the implementation of risk-based supervision while finalizing the methodology to determine Basel Pillar II capital and liquidity requirements with a view to putting regulatory requirements in place by 2027 (MEFP ¶150). Steps will be taken to address growing critical third-party risk in banks, non-bank financial institutions, and payment service providers through the entry into force of new regulatory requirements (**proposed end-June 2026 structural benchmark**, MEFP ¶150). The aim is to detect, contain, and mitigate critical third-party risk under both going- and gone-concern conditions. As regards the financial sector safety net, changes to the legal framework have been submitted to close key gaps in early intervention measures, temporary administration, and resolution of insolvent banks (MEFP ¶148). The adequacy of the Deposit Guarantee Fund (DGF) financial resources has been reviewed, and current financial backstops will remain in place at least until the target reserve ratio is reached. A Financial Stability Council working group provided a first draft of reforms to align DGF governance arrangements with best practices (MEFP ¶152). The draft should be amended, including to ensure that DGF governance remains simple, with equal representation of all financial safety net participants to safeguard DGF independence.

29. Further reforms to improve SOB governance are needed, along with a reduced state footprint in the banking sector (MEFP ¶151). Strong SOB supervisory boards are essential to support bank management in running the SOBs in line with best international practices. Strengthening the independence and professionalism of the nomination process ahead of several upcoming appointments in 2026 is a priority. The CMU will therefore adopt an amended SOB Nominations Committee framework incorporating recommendations set out in MEFP ¶151 (**proposed end-February 2026 structural benchmark**). To reduce state ownership in the banking sector, the authorities are preparing to sell two systemic SOBs. A thorough assessment, conducted by independent advisors, of the business case for privatization will be vital in this process. Moreover, the CMU will update the general SOB strategy (**proposed end-June 2026 structural benchmark**) which will outline the strategies for individual SOBs and determine how legal protections for fully government-owned banks will be extended to majority government-owned banks. The authorities have furthermore committed to not using fiscal resources to recapitalize non-systemic banks under government ownership, instead referring these banks to the DGF for resolution upon breach of prudential requirements (**proposed continuous structural benchmark**).

30. Reforms at the National Securities and Stock Market Commission (NSSMC) to strengthen its governance and capacity to implement capital market reforms need to continue.

To improve governance, an independent fit and proper review of the NSSMC Chair and Commissioners was conducted. Nevertheless, the replacement of the Chair and resignations of several Commissioners and many of its most experienced staff over the past year has significantly reduced its capacity and challenged its effectiveness as a regulator. The NSSMC will face challenges (including salary related) in appointing new Commissioners, attracting and training new staff, implementing an internal restructuring of roles and responsibilities, and managing the workload related to enhancing the regulatory framework, including alignment with the EU acquis and financial market infrastructure reforms needed to support reconstruction and recovery (Annex VI).⁹ To help address these challenges, the authorities will establish a majority independent supervisory board to oversee the executive, provide strategic guidance and expertise, and monitor decision making. The new governance structure will be implemented through an amendment of the NSSMC organic law (**proposed end-December 2026 structural benchmark**), which will also move responsibility for the NSSMC from the President to the CMU (MEFP ¶153).

31. Closing existing gaps in the financial and capital market infrastructure (FCMI) is imperative to support inward private investment for reconstruction and recovery (MEFP ¶154).

In October 2025, the Financial Stability Council finalized a roadmap that sets out FCMI reforms covering a broad range of policy areas that (i) further coordinate and develop public, private, and public-private deal pipelines; (ii) reform market instruments; (iii) reform existing investment funds frameworks through the investment funds law (also covering JIIs) with the following priorities:

- *Legislative proposals to align market instrument reforms with international standards.* These include the securitization and covered bonds frameworks which will be submitted to Parliament in 2026Q1, enhancement of creditor protection, and the adoption of valuation standards of real estate and bank collateral in line with the international (IVS) and European standards (TEGOVA).
- *The creation of a vertically integrated financial market infrastructure (FMI).* This structure will streamline the exchanges, clearing and settlement and the depositaries involving the State, strategic partners, and SOBs based on an MOU concluded between the EBRD, MOF, MOE, NBU and NSSMC. As a first step, management of the State's stake in the National Depository of Ukraine (NDU) was transferred from the NSSMC to the NBU in September 2025. Further steps entail governance changes at the NDU, reflecting the MOU and IMF TA, and embedding the vertical integration of the FMI in a new law, expected to be adopted by March 2026.
- *Achieving regulatory equivalence with the EU.* The NBU has already made significant progress in enhancing its frameworks based on international standards and aligned with the EU acquis, and aims to amend the legal framework on bank secrecy consistent with relevant EU standards in 2026Q1. Achieving EU Regulatory Equivalence will permit a reduction of Ukraine's sovereign regulatory risk weights, and increase EU banks' incentives to hold Ukrainian sovereign debt,

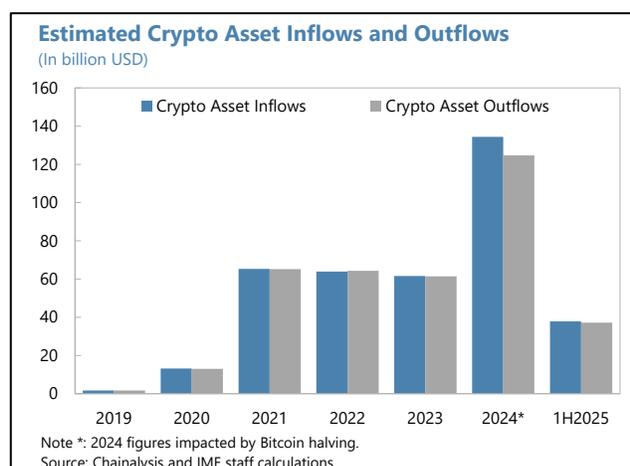
⁹ As of January 1, 2026, a mandatory new competitive process has been enacted for the appointment of the NSSMC Chair and Commissioners.

although it could also crowd out EU banks' lending to Ukraine's private sector, implying that the transition should be appropriately managed.

- *Closing gaps in supportive FCMI frameworks.* This includes implementation of the Lending and Mortgage development strategies, strengthening land and cadastral registers, property price registers and indices, credit data registers, insolvency and collateral enforcement regimes, non-performing loans market, etc.

32. Implementation of a well-designed virtual assets law will help contain risks from growing crypto assets activity.

Ukraine ranked among the top 10 countries worldwide in crypto adoption in 2025.¹⁰ Given the growing importance of crypto transactions, the authorities should ensure that the Virtual Assets law currently in parliament provides regulators with sufficient powers and tools to monitor and regulate the market. This version of the law requires further improvement on major policy issues, such as the identification of regulators (including the role of the NSSMC) and distribution of responsibilities, licensing and market access of virtual asset service providers, potential controls to limit crypto transactions to preserve the efficacy of CFMs, and alignment with international recommendations and best practices as well as Ukraine's goal of EU accession (MEFP ¶157).¹¹



D. Governance, Anti-Corruption, and AML/CFT

33. Anti-corruption reforms underpin key program objectives, including mobilizing revenues, curbing the shadow economy, and leveling the playing field. The new program will include a targeted anti-corruption agenda aimed at addressing vulnerabilities in high-risk sectors such as tax, customs, procurement, and energy. These reforms fit within the authorities' extensive rule of law agenda in the context of their bid for EU membership. The success of these reforms, however, critically hinges on political ownership and strong coordination and support from international partners, business associations, and civil society.

34. Operational independence and effectiveness of key accountability institutions will help ensure that critical economic reforms are not undermined by vested interests. The authorities have committed to refraining from any measures that would diminish the independence, powers, or resources of NABU, SAPO, or the High Anti-Corruption Court (HACC), including through

¹⁰ See <https://www.chainalysis.com/blog/2025-global-crypto-adoption-index/>.

¹¹ See [FSB Global Regulatory Framework for Crypto-asset Activities - Financial Stability Board](#) and [FR11/23 Policy Recommendations for Crypto and Digital Asset Markets](#).

amendments to their legal or regulatory frameworks (MEFP ¶161). Further, these institutions should be equipped with the legal tools and resources necessary to fulfil their mandates effectively. Among the priorities is enacting a legal framework for independent, reliable, timely, and high-quality forensic services for criminal investigations under NABU's jurisdiction (MEFP ¶163). The legal framework should be developed in consultation with the relevant anti-corruption institutions (NABU, SAPO, HACC) and key stakeholders including the IMF and should ensure that the forensic service is independent and capable of delivering reliable and high-quality forensic evidence in line with European forensic science¹² and the fair-trial guarantees provided in Article 6 of the European Convention on Human Rights and Fundamental Freedoms. Legislative and institutional reforms should be accelerated, in close coordination with all stakeholders, to address longstanding systemic weaknesses. This includes extending statute of limitation in corruption cases, and reforming procedural rules, which currently hinder effective investigations, cause delays at trial, and undermine accountability for corruption (MEFP ¶163).

35. Efforts to deter corruption should continue, particularly in high-risk sectors. In this regard, the National Agency on Corruption Prevention (NACP) will issue new regulations establishing a risk-based system for verification of asset declarations, prioritizing senior officials in identified high-risk areas (e.g., customs, energy sector) (**proposed end-June 2026 structural benchmark**). Semi-annual statistics on NACP's verification outcomes will also be published, consistent with IMF TA on strengthening the asset declaration and lifestyle monitoring frameworks. The government remains committed to undertaking an independent external audit of NACP, which will assess, in particular, the agency's effectiveness in verifying the accuracy of high-level officials' asset declarations and in managing its whistleblower function in 2024–2025, and will propose options to remedy any identified shortcomings (MEFP ¶162).

36. A strong supreme audit institution can contribute to public sector accountability. Legislative amendments were enacted in December 2024 to reinforce the independence and financial autonomy of the Accounting Chamber of Ukraine (ACU) and to expand its oversight mandate. Next steps include filling all vacancies for ACU board members in accordance with the 2024 amendments (**proposed end-December 2026 structural benchmark**). An advisory group of experts responsible for vetting candidates will be established by end-April 2026 (MEFP ¶135).

37. The implementation of AML/CFT measures should have a risk-based approach, with the aim of enhancing procurement oversight and tax compliance. The NBU will ensure that the application of due diligence by banks related to politically exposed persons is proportionate to risk and consistent with the narrowly defined scope of FATF standards and does not automatically disqualify groups of people from access to banking services. Reforms under the program to strengthen the beneficial ownership framework will enhance procurement transparency and help detect conflicts of interest (MEFP ¶165). The authorities also envisage leveraging AML tools to address tax crimes and improve compliance. A recent review of the State Financial Monitoring

¹² For example, guidance of European Network of Forensic Science Institutes, Council of Europe Standard Operating Procedures for forensic services, ISO/IEC 1702.

Service (Ukraine’s Financial Intelligence Unit), conducted with IMF TA, assessed its framework and effectiveness against FATF standards. Based on its findings, the authorities will, by end-March 2026, prepare an action plan to address identified gaps.

SOE Governance

38. The recent investigation involving Energoatom exposed corporate governance weaknesses, which need to be tackled without eroding gains from past reforms. In response to the scandal, the authorities introduced CMU Resolution 1441 suspending independent board evaluations and allowing the immediate dismissal of the Energoatom supervisory board. While acknowledging that the supervisory board had not prevented the corruption scheme, staff urged the authorities to rescind Resolution 1441, which negates the reform progress in this area under the 2023 EFF. The authorities revamped the Nominating Committee (NomCom) procedures to improve efficiency and the quality of state representatives, and these procedures should be applied to all pending and future supervisory boards nominations (MEFP ¶167). In January 2026, a new supervisory board has been appointed in closed consultation with international partners; the new supervisory board will select a new CEO and launch an independent forensic audit of Energoatom’s accounts.

39. SOE corporate governance reforms to restore international best practices, increase transparency, and contain quasi-fiscal activities (QFA) are critical and should be prioritized. The authorities committed to strengthening the role of supervisory boards and improving selection procedures, implementing the State Ownership Policy (SOP) action plan, taking steps to enhance SOE transparency, and curbing QFAs. Key measures include:

- Reversing recent actions to undermine the role of supervisory board members (see ¶16, 2nd bullet). The government will amend the SOP and the Law “On Joint Stock Companies” to mandate that all SOE charters require simple majority voting for supervisory board decisions, except for the approval of the strategic development plan (MEFP ¶168 and ¶173).
- Continuing comprehensive reform of the SOE NomCom, including through the approval of a time-bound roadmap to improve nominations across all SOE segments (MEFP ¶168, 2nd bullet).
- Resuming the publication of financial statements and mandating annual financial audits for the largest SOEs (MEFP ¶169).
- Regularly publishing annual reports for SOEs, presenting main performance indicators, information on financial flows between the state and SOEs, PSOs, and alignment with corporate governance standards.

E. Energy

40. Attacks on energy infrastructure and the burden of public service obligations (PSOs) continue to weigh on SOE profitability (MEFP ¶172). Naftogaz successfully secured domestic and IFI financing to supply sufficient gas through end-2025 and is identifying financing for 4.4bcm of

imports through the end of the heating season. For the first time since the start of the war, the State Budget provided Naftogaz with UAH 8.4 billion for imports, creating a risk of future budgetary outlays given import needs are likely to remain large in 2026. Meanwhile, energy SOEs remain saddled with uncompensated PSOs, which compress profits and perpetuate inefficiencies and underinvestment.¹³

41. The authorities committed to undertaking a comprehensive reform of the energy sector to restore the sustainability of SOEs in the sector and facilitate reconstruction investment (MEFP ¶172).

- The authorities, supported by IMF TA, will conduct and publish technical analysis quantifying the costs of QFA resulting from price caps and PSOs in electricity, gas, and heating sectors, assessing the incidence of existing subsidies, and describing reform scenarios for gradual cost recovery with adequate protection of vulnerable consumers (**proposed end-July 2026 structural benchmark**).
- A roadmap to liberalize gas and electricity markets will be adopted by end-June 2026 in line with Ukraine Facility Plan commitments. Gradual increases in electricity, gas, heating, and hot water tariffs should begin early to raise resources for reconstruction and investment. These should be accompanied with adequate protection for the most vulnerable households through adjustments in utility-related social transfers to cushion the impact of the tariff increases. The authorities also committed to strengthen NEURC's independence (MEFP ¶173), reform the commissioners' nomination procedure to reduce political interference by including members proposed by the international community, and introduce regular independent assessments.

PROGRAM MODALITIES AND MONITORING

A. Program Design and Financing

42. Ukraine continues to face very large and protracted BoP needs that are subject to risks. As in the 2023 EFF, the estimated financing gap reflects war-driven fiscal needs and the loss of international capital market access. Firm financing commitments are in place for the next twelve months. For the remaining financing gaps through 2029 and additional financing needed post-program to restore debt sustainability, discussions with donors on their instruments, including the European Commission's proposals for the establishment of the Ukraine Support Loan (USL) and for support to Ukraine under the EU's 2028–34 Multiannual Financial Framework (MFF), have enabled staff to assess how current commitments and proposals are expected to translate to support going forward, including terms and conditions and volumes. On this basis, staff assesses that the needed financing will be available on adequate terms and conditions to restore debt sustainability (¶146) in both the baseline and downside scenarios.

¹³ See also Box 1 in [Country Report No. 2025/126](#).

- *In the baseline scenario:* The cumulative financing gap amounts to US\$136.5 billion over the program period (2026–29). In 2026, a large part (US\$18.4 billion) of the US\$52 billion gap is filled with support under the EU’s recently approved €90 billion USL. Continued disbursements under the ERA initiative (US\$10.6 billion), the EU’s existing instruments for Ukraine (US\$8.4 billion), other bilateral support (US\$9.8 billion), and disbursements from the World Bank (US\$0.3 billion) will close the remaining gap.
- *In the downside scenario:* The cumulative financing gap is projected at US\$146.3 billion over the program period. The additional financing gap relative to the baseline would be filled by exceptional financing measures, including further debt relief from a deeper debt restructuring.

43. The authorities are requesting a 48-month extended arrangement under the EFF. The proposed access is SDR5,935.3 million (295 percent of quota), equivalent to about US\$8.1 billion. Access is frontloaded, with disbursements amounting to 140 percent of quota in 2026 and 64 percent of quota in 2027 in view of very large balance of payments needs amid the ongoing war and prior to expected financing from the EU’s 2028–34 MFF. Given large fiscal financing needs, Fund financing will be used to provide budget support throughout the program; for each purchase intended for budget support, a memorandum of understanding will be signed between the NBU and the Ministry of Finance to clarify the responsibilities for timely servicing their financial obligation to the Fund.

Table 1. Ukraine: Proposed EFF Schedule of Reviews and Available Purchases

Availability date	Millions of SDR	Millions of USD 1/	Percent of quota	12-month access	Cumulative access	Conditions
February 26, 2026	1,106.5	1,506.7	55.0	88.5	552.9	Board approval of the EFF
June 1, 2026	503.0	685.5	25.0	80.0	556.3	First review and continuous and end-March 2026 performance criteria
September 1, 2026	503.0	685.9	25.0	105.0	565.7	Second review and continuous and end-June 2026 performance criteria
December 1, 2026	704.0	960.4	35.0	140.0	579.0	Third review and continuous and end-September 2026 performance criteria
June 1, 2027	643.8	878.9	32.0	92.0	583.0	Fourth review and continuous and end-March 2027 performance criteria
December 1, 2027	643.8	880.1	32.0	64.0	594.2	Fifth review and continuous and end-September 2027 performance criteria
June 1, 2028	322.0	440.8	16.0	48.0	599.1	Sixth review and continuous and end-March 2028 performance criteria
December 1, 2028	342.0	468.2	17.0	33.0	599.5	Seventh review and continuous and end-September 2028 performance criteria
June 1, 2029	543.2	744.7	27.0	44.0	599.6	Eighth review and continuous and end-March 2029 performance criteria
December 1, 2029	624.0	855.5	31.0	58.0	598.9	Ninth review and continuous and end-September 2029 performance criteria
Total	5,935.3		295.0			
<i>Memorandum item:</i>						
Quota	2,011.8					

Source: IMF staff calculations.
1/ Based on October 2025 WEO forecasts for quarterly average USD/SDR exchange rates over 2026–27 and annual average USD/SDR exchange rates over 2028–29.

Table 2. Ukraine: Baseline Scenario Financing Gap and Sources, 12-Month Basis
(In billions of U.S. dollars)

	26Q1 thru 26Q4
A. Financing gap (B+C+D+E)	52.0
B. Official financing 1/ 2/	47.6
EU 3/	26.8
World Bank	0.3
Other bilateral 4/	9.8
ERA 5/	10.6
C. IMF (prospective)	3.8
D. Flow relief from debt operations 6/	0.0
E. Budget prefinancing (- = accumulation)	0.6

1/ Based on available information as of January 10, 2026.

2/ Prospective disbursements incorporate those for which there are firm commitments.

3/ Includes disbursements under the EU Ukraine Facility and the EU Ukraine Support Loan (USL).

4/ Subject to the completion of domestic procedures. Includes US\$250 million in URTF grant financing.

5/ Financing from the G7's Extraordinary Revenue Acceleration Loans for Ukraine (ERA) Initiative. Includes interest accrued in the World Bank F.O.R.T.I.S. Ukraine FIF.

6/ Flow relief reflects assurances of a standstill provided by official creditors.

Table 3. Ukraine: Baseline Scenario Financing Gap and Sources
(In billions of U.S. dollars)

	2026	2027	2028	2029	Cumulative 2026-29
A. Financing gap (B+C+D+E)	52.0	43.7	22.5	18.3	136.5
B. Official financing 1/ 2/	47.6	41.0	20.7	15.7	125.0
EU 3/	26.8	37.9	20.7	15.7	101.2
World Bank	0.3	0.0	0.0	0.0	0.3
Other bilateral 4/	9.8	1.8	0.0	0.0	11.5
ERA 5/	10.6	1.3	0.0	0.0	11.9
C. IMF (prospective)	3.8	1.8	0.9	1.6	8.1
D. Flow relief from debt operations 6/	0.0	0.9	0.9	1.0	2.8
E. Budget prefinancing (- = accumulation)	0.6	0.0	0.0	0.0	0.6
<i>Memorandum items:</i>					
Underlying BoP gap 7/	43.8	35.8	21.0	12.9	113.5
Gross international reserves					
Level (US\$ billion)	65.5	73.4	74.8	80.2	80.2
Accumulation (US\$ billion)	8.2	7.9	1.4	5.4	22.9
Percent of ARA metric (float)	131.1	126.5	120.9	122.4	...
Capital market access	0.0	0.0	0.0	1.0	1.0
IMF net disbursements (US\$ billion)	1.8	0.5	0.1	-0.2	2.2

1/ Based on available information as of January 10, 2026. Staff assessments are consistent with technical discussions with creditors and donors and their track record and terms of financing.

2/ Official financing estimates from 2027Q1 onward assume creditor and donor flows for which there are good prospects.

3/ Includes disbursements under the EU Ukraine Facility, the EU Ukraine Support Loan (USL), and the EU 2028-34 MFF for Ukraine.

4/ Subject to the completion of domestic procedures. Includes US\$250 million in URTF grant financing.

5/ Financing from the G7's Extraordinary Revenue Acceleration Loans for Ukraine (ERA) Initiative. Includes interest accrued in the World Bank F.O.R.T.I.S. Ukraine FIF.

6/ Flow relief reflects assurances of a standstill provided by official creditors.

7/ Indicates the decrease in international reserves absent official financing and IMF support.

Table 4. Ukraine: Downside Scenario Financing Gap and Sources
(In billions of U.S. dollars)

	2026	2027	2028	2029	Cumulative 2026-29
A. Financing gap (B+C+D+E)	53.7	45.3	24.3	23.0	146.3
B. Official financing 1/ 2/	47.6	41.0	20.7	15.7	125.0
C. IMF (prospective)	3.8	1.8	0.9	1.6	8.1
D. Exceptional financing 3/	1.7	2.6	2.7	5.7	12.6
E. Budget prefinancing (- = accumulation)	0.6	0.0	0.0	0.0	0.6
<i>Memorandum items:</i>					
Underlying BoP gap 4/	50.7	43.3	34.8	23.7	152.5
Gross international reserves					
Level (US\$ billion)	60.3	62.3	51.8	51.2	51.2
Accumulation (US\$ billion)	3.0	2.0	-10.5	-0.6	-6.1
Percent of ARA metric (float)	120.1	106.8	83.5	78.1	...
Capital market access	0.0	0.0	0.0	0.0	0.0
IMF net disbursements (US\$ billion)	1.8	0.5	0.1	-0.2	2.2

1/ Based on available information as of January 10, 2026. Staff assessments are consistent with technical discussions with creditors and donors and their track record and terms of financing.

2/ Official financing estimates from 2027Q1 onward assume creditor and donor flows for which there are good prospects.

3/ Assumed flow relief reflects assurances by official creditor to provide debt relief and the authorities' commitment to seek additional efforts from commercial creditors in case downside risks materialize.

4/ Indicates the decrease in international reserves absent official financing and IMF support.

B. Debt Sustainability and Arrears Policies

44. Ukraine’s debt on pre-restructuring terms is assessed to be unsustainable (Annex VII).¹⁴ Absent any further debt treatments, debt would increase under the baseline scenario to 137.1 percent of GDP in 2027 and remain elevated thereafter, declining only to 97.1 percent of GDP by 2035, with average gross financing needs (GFN) in 2030–35 at 7.2 percent of GDP. Relative to the June 2025 SRDSA, total debt in 2034 is now projected to be around 26 percentage points of GDP higher, reflecting mainly the cumulative impact of the longer war.

45. The authorities have continued to implement their debt restructuring strategy. In September 2025, an agreement was reached with China EXIM on a US\$850 million government guaranteed loan, postponing repayment to 2034–40, with a grace period on interest until 2029. And in December 2025, the authorities successfully exchanged all outstanding GDP-linked warrants, totalling US\$2.6 billion, into a new series of vanilla Eurobonds.¹⁵ The exchange also settled Ukraine’s external arrears arising from the missed 2025 GDP-warrant payment. The GDP warrant was an instrument with potentially unbounded pay-outs which, if left untreated, could have constituted a major debt service and sustainability risk. The new Eurobonds also include standard collective action clauses, thereby facilitating any future external debt restructuring, if needed.

46. Ukraine’s public debt is assessed to be sustainable on a forward-looking basis, given assurances from creditors to provide debt relief. In light of the new program request, staff has reassessed the debt sustainability targets. To achieve debt sustainability on a forward-looking basis, debt (excluding grant-like arrangements like ERA and USL) should fall below 68 percent of GDP by 2035 and average GFN below 7.0 percent of GDP in 2030–35. In addition, debt service to external creditors (excluding multilaterals) in 2026–28 should not exceed US\$1 billion per year. The authorities’ restructuring strategy, together with fiscal adjustment and specific and credible assurances from Ukraine’s partners to provide highly concessional financing (see ¶42), aims to reduce gross financing needs and the public debt stock to levels consistent with debt sustainability. Key elements of this strategy are the following:

- Official bilateral debt: the Group of Creditors of Ukraine (GCU) which holds the majority of Ukraine’s official bilateral debt has committed to a 2-step process involving an extension of the current debt standstill, followed by a final debt treatment after the resolution of EHU.¹⁶ They have committed to the level of relief necessary in the baseline and to provide additional relief to

¹⁴ “Pre-restructuring” terms reflect any signed agreements between Ukraine and its creditors. Hence, the 2022 standstill, the 2024 Eurobond exchange, and the 2025 exchange of GDP-linked warrants are reflected in the pre-restructuring scenario.

¹⁵ The new bonds (“C-bonds”) amortize over 2030–32, with a coupon rate gradually increasing from 4 percent in 2026, reaching 7.25 percent in 2029. Only a small share (less than 1 percent) of warrant holders did not vote in favor of the exchange and, instead of C-bonds, received bonds from the “B-series” issued in the 2024 exchange.

¹⁶ In addition to extending the standstill, GCU members have agreed at a meeting on January 15 to increase the perimeter of debt restructuring by moving the cutoff date.

restore sustainability as necessary. Non-GCU official bilateral creditors would be expected to provide comparable additional debt relief.

- Commercial debt: The restructuring of Ukraine’s Eurobond in 2024 and the recent exchange of GDP-linked warrants both include an agreement to a second restructuring as necessary. The authorities continue to retain legal and financial advisors to implement their restructuring strategy and have committed to a second restructuring as needed, and staff assesses that a credible process is in place to support this, in the event it would be needed. The remaining elements of the authorities’ upfront restructuring efforts include the restructuring of a commercial loan owed to Cargill and an exchange of government guaranteed Eurobonds issued by Ukrenergo.

47. Staff assesses that the policy requirements pertaining to lending into sovereign arrears to private creditors are met. Ukraine currently does not have arrears to official bilateral creditors. Regarding arrears on commercial debts to Cargill and to Ukrenergo bondholders, Ukraine continues to make good faith efforts to reach a collaborative agreement with its private creditors, as required under the Lending Into Arrears policy. Specifically, these efforts include early and continuous dialogue, information sharing, opportunities for creditors to provide input, and terms offered that are consistent with the parameters of the program.

C. Program Monitoring

48. Staff will monitor the new program using quantitative performance criteria (QPCs) and indicative targets (ITs):

- *The program’s QPCs comprise:* (i) a floor on the general government’s cash non-defense primary deficit excluding grants; (ii) a floor on tax revenues excluding social security contributions; (iii) a ceiling on government guaranteed debt (issuance); and (iv) a floor on net international reserves.
- *A continuous QPC will ensure the non-accumulation of external payments arrears, with the definitions of target retained from the previous program (e.g., excluding debt that is subject to restructuring).*
- *ITs will include:* (i) a floor on the general government’s cash overall deficit excluding grants; (ii) a floor on social spending; (iii) a ceiling on general government budgetary (domestic) arrears; and (iv) a ceiling on the NBU’s claims on the general government.
- *The program also includes the standard continuous performance criteria to prohibit:* (i) introduction or intensification of exchange restrictions; and (ii) introduction or modification of multiple currency practices; and (iii) bilateral payment agreements that are inconsistent with Article VIII; and (iv) introduction of import restrictions for balance of payments reasons.

D. Exceptionally High Uncertainty

49. As described above, staff assesses that EHU persists and that the proposed program should be governed by this policy. Relative to the 2023 EFF, staff proposes to redefine the shock triggering EHU as the overall security situation (as opposed to continuation of the full-scale war). To assess the five criteria characterizing EHU (see Box 1), staff is being guided by indicators of security, economic, social, and political conditions, with the highest weight on the security indicators. Moreover, staff is maintaining continual engagement with security experts and other stakeholders to ensure the robustness of its assessment. Overall, most of the relevant indicators to assess the existence of EHU have deteriorated or remained unchanged since the Eighth Review, supporting staff's assessment:

- *Security:* Combat is in general escalating on the ground and in the air, while the situation in the Black Sea remains stable.
- *Economic performance:* Defense needs continue to impart large fiscal and external shocks and outward export and investment linkages have not been able to be reestablished due to the unsettled security situation and continued necessity of comprehensive FX controls.
- *Social conditions:* Population outflows continue and disruptions to heat and electricity amplify the humanitarian toll.
- *Political development:* Domestically, there are no plans to relax or end martial law conditions. Internationally, efforts to broker a settlement are yet to yield results.

Going forward, if a critical mass of signals from these indicators permits a substantial convergence between the baseline and downside scenarios and a reduction of enterprise risks to the Fund, then staff could recommend that the Board conclude that EHU has ended. Such a recommendation would occur only if risks of renewed deterioration and a reversal of this judgment were assessed to be low.

E. Capacity to Repay

50. Given the exceptionally high uncertainty, credible assurances about Ukraine's capacity to repay (CtR) are needed to protect the Fund against tail risks beyond the downside. The economic outlook, which is subject to tail risks beyond the downside, and the program itself cannot fully establish a safeguard on CtR, as in normal UCT-program contexts. As such, in line with the Fund's EHU policy, a significant group of countries, comprising Austria, Belgium, Canada, Denmark, Estonia, Finland, France, Germany, Greece, Italy, Japan, Lithuania, Luxembourg, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, the United Kingdom, and the United States, provide the assurance that management and staff understood to (i) reaffirm their recognition of the Fund's preferred creditor status in respect of the amounts currently outstanding to Ukraine, plus any purchases under the proposed extended arrangement; and (ii) further undertake to provide adequate financial support to secure Ukraine's ability to service all of its obligations to the Fund, in

accordance with the Fund's preferred creditor status and complementing the Fund's multilayered risk management framework.¹⁷ The group is considered sufficiently large to (i) mitigate the risk of any change in an individual country's external position and (ii) represent a sufficient shareholding in the IMF.

51. Indicators of Ukraine's capacity to repay are in adequate ranges and risks to the Fund's balance sheet are further mitigated by the capacity-to-repay assurances that need to be provided under EHU.

Under the baseline scenario (see Text Table 4), the total stock of Fund credit is expected to peak at 7 percent of GDP and 24 percent of gross reserves in 2026. Debt service to the Fund would peak at 1.3 percent of GDP and 4.3 percent of gross reserves in 2026. A materialization of downside risks would increase these ratios (see Annex VI, Table AVI6): outstanding credit to the Fund would peak at 7.1 percent of GDP in 2027 and 31.7 percent of gross reserves in 2029. Debt service to the Fund would peak at 1.3 percent of GDP in 2026 and 6.6 percent of gross reserves in 2032.

Text Table 4. Ukraine: Baseline Scenario Indicators of Capacity to Repay the Fund

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	
Total Stock of Fund Credit											
	Percent of GDP	7.0	6.9	6.5	6.2	5.2	4.0	2.8	1.9	1.1	0.7
2026 EFF	Percent of gross reserves	24.0	22.2	21.9	20.2	17.7	14.4	10.5	6.9	4.1	2.4
request	Payments to the Fund										
	Percent of GDP	1.3	0.9	0.7	1.0	1.0	1.1	1.1	0.9	0.8	0.5
	Percent of gross reserves	4.3	2.8	2.3	3.3	3.5	4.0	4.2	3.2	2.8	1.7
Total Stock of Fund Credit											
8th review	Percent of GDP	6.9	6.4	5.7	4.7	3.7	2.6	1.6	0.9	0.4	...
of the	Percent of gross reserves	29.2	27.5	24.8	20.7	15.9	11.6	7.3	4.2	1.9	...
2023 EFF	Payments to the Fund										
	Percent of GDP	1.3	0.9	0.7	0.9	1.0	1.0	1.0	0.7	0.5	...
	Percent of gross reserves	5.5	3.8	2.9	4.1	4.2	4.3	4.3	3.1	2.6	...

Source: IMF staff projections.

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52. The authorities' new program provides a strong framework to anchor macroeconomic stability and reforms to support post-war reconstruction and EU accession.

The program will help address the impact of a longer war by recalibrating the macroframeworks and catalyzing additional financing. Lasting through early 2030, the proposed 4-year EFF will also provide additional time to restore external viability and fiscal sustainability. An ambitious structural reform

¹⁷ The EHU policy requires the assessment at program outset and 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.

agenda, with emphasis on tackling the shadow economy, will support the authorities' medium-term goals, including a strong post-war recovery and EU accession.

53. Risks to the outlook remain exceptionally high and enterprise risks to the Fund are significant despite mitigation measures. The main risks to the baseline continue to pertain to the duration and intensity of the war, as well as the durability of international financial and military support and their program implications. Continuing attacks on the civilian and energy infrastructure and reform fatigue pose substantial additional risks. Policy agility and contingency planning are essential to quickly pivot to potential deteriorating outcomes, or recalibrate the program quickly in the case of successful peace negotiations. Lending under the EHU framework continues to provide the appropriate safeguards against enterprise risks to the Fund.

54. Fiscal policy must restore medium-term fiscal and debt sustainability, with supporting fiscal governance reforms to address tax abuse. It is essential to advance domestic revenue mobilization to provide adequate resources for expenditure priorities and contribute to narrowing the post-war fiscal deficits to restore and maintain sustainability. The authorities' commitment to broadening the tax base, including by removing VAT exemptions and closing loopholes, is commendable, and these measures must be implemented promptly. Administrative reforms are needed to make tax compliance easier and tax evasion harder. Given the need to preserve fiscal space to respond to shocks, any new tax exemptions should be avoided, and tight controls on public spending, both from the budget and through quasi-fiscal activities of SOEs, are warranted. If downside shocks materialize, the authorities must stand ready to increase tax rates, in particular the main VAT rate. The scope for further external financing under grant-equivalent terms is very limited. Continuing the ongoing efforts with Ukraine's creditors to treat all claims in the restructuring perimeter in line with the program is essential for restoring debt sustainability, as is the commitment to seek additional debt relief if needed after the resolution of EHU.

55. Monetary and exchange rate policies should remain consistent with curbing inflation and safeguarding external stability. The NBU should maintain tight monetary conditions to anchor expectations and preserve confidence, with readiness to tighten further if inflationary pressures intensify. Increased exchange rate flexibility will safeguard FX reserves and contribute to moderating external imbalances. A cautious, conditions-based approach to FX liberalization remains warranted, supported by close monitoring. Continued implementation of safeguards recommendations will reinforce the NBU's governance and credibility.

56. Against the backdrop of the war, the external position of Ukraine in 2024 was substantially weaker than implied by fundamentals and desirable policies in the medium term after an end to the war. To bring Ukraine's current account to a level consistent with the norm over the medium term, policies should entail fiscal consolidation, supported by advancing the structural reform agenda, the gradual easing of FX restrictions, and increasing exchange rate flexibility.

57. Growth enhancing structural reforms remain essential. While the war itself continues to be the main obstacle to doing business in Ukraine, it also exacerbates several long-standing challenges, including low productivity growth, adverse demographics, and a difficult business environment. Structural reforms under the program aim to lay the foundations for a strong post-war

recovery, including by improving the frameworks for financing public and private investment including with capital market development, further strengthening the banking system to support credit creation for reconstruction, removing distortions in the tax system to level the playing field, and enhancing governance.

58. The program brings the authorities' objective to de-shadow the economy into focus.

Digitalization initiatives and incentives to formalize businesses can be effective mechanisms to reduce the shadow economy. Beyond broadening the tax base, it can also provide previously informal workers and businesses with the income verification required to get access to credit and for some access to social services that are tied to employment. But in Ukraine, shadow activity is widespread and often occurs in plain sight, enabled by loopholes in the Tax Code, Labor Code, and procurement rules. Meaningful progress in de-shadowing is therefore unlikely without legislative changes, especially regarding VAT exemptions, employment regulation, and procurement rules. Their swift enactment is therefore critical for the success of the program.

59. The Energoatom case calls for a renewed effort to enhance Ukraine's anti-corruption architecture and SOE corporate governance.

The investigations led by NABU and SAPO demonstrate the central roles of these institutions in detecting and pursuing complex high-level corruption cases. Preserving and strengthening existing anti-corruption institutions must therefore be a priority for the authorities, including to achieve their goal of EU accession. Reforming the nomination process for SOE supervisory boards is a critical next step in the broader SOE corporate governance reform.

60. Staff recommends approval of the 48-month extended arrangement under the EFF (with access of SDR 5,935.3 million).

In circumstances of exceptionally high uncertainty, staff assesses the proposed program is appropriately designed to resolve Ukraine's BoP problem and restore Ukraine to medium-term external viability in both a baseline and downside scenario. Ukraine's capacity to repay the Fund is subject to exceptional risks and will depend critically on the authorities' ability to fully implement the program and is supported by capacity to repay assurances from a significant group of creditors/donors giving management and staff the basis to assess that there are adequate safeguards in place for tail risks beyond the Fund supported program.

Table 5. Ukraine: Selected Economic and Social Indicators (Baseline Scenario)

	2021	2022	2023	2024	2025		2026		2027	2028	2029	2030	2031	2032	2033	2034	2035	
	Act.	Act.	Act.	Act.	EFF 8th Rev	Est.	EFF 8th Rev	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	
Real economy (percent change, unless otherwise indicated)																		
Nominal GDP (billions of Ukrainian hryvnias) 1/	5,451	5,239	6,628	7,662	8,866	8,877	10,192	10,005	11,235	12,468	13,602	14,811	16,111	17,509	19,028	20,678	22,472	
Real GDP 1/	3.4	-28.8	5.5	3.2	2-3	1.8-2.2	4.5	1.8-2.5	3.5	4.2	3.9	3.7	3.6	3.5	3.5	3.5	3.5	
Contributions:																		
Domestic demand	12.5	-19.0	12.3	6.5	5.2	7.4	3.4	3.3	3.1	1.8	1.6	2.7	3.5	3.5	3.3	3.3	3.3	
Private consumption	5.0	-19.0	2.8	5.2	2.8	3.4	3.4	1.8	1.9	2.6	2.4	2.2	2.6	2.6	2.6	2.6	2.6	
Public consumption	0.2	5.6	3.7	-1.7	0.3	1.6	-2.5	0.0	0.0	-2.5	-2.2	-0.7	0.0	0.0	0.0	0.0	0.0	
Investment	7.4	-5.5	5.8	3.0	2.1	2.4	2.5	1.5	1.2	1.7	1.4	1.2	1.0	0.9	0.7	0.7	0.7	
Net exports	-9.1	-9.8	-6.7	-3.3	-3.2	-5.6	1.1	-1.3	0.4	2.4	2.3	1.0	0.1	0.0	0.2	0.2	0.2	
GDP deflator	24.8	34.9	19.9	12.0	13.5	13.8	10.0	10.5	8.5	6.5	5.0	5.0	5.0	5.0	5.0	5.0	5.0	
Unemployment rate (ILO definition; period average, percent)	9.9	24.5	19.1	13.1	11.6	11.6	10.2	10.2	12.0	11.5	10.9	10.0	9.3	8.8	8.6	8.5	8.5	
Consumer prices (period average)	9.4	20.2	12.9	6.5	12.6	12.7	7.6	6.1	7.7	5.7	5.2	5.0	5.0	5.0	5.0	5.0	5.0	
Consumer prices (end of period)	10.0	26.6	5.1	12.0	9.0	8.0	7.0	7.5	7.0	5.4	5.0	5.0	5.0	5.0	5.0	5.0	5.0	
Nominal wages (average)	20.9	6.0	17.4	23.2	17.4	22.6	13.7	12.0	12.2	10.3	9.7	8.7	8.7	8.7	8.7	8.7	8.7	
Real wages (average)	10.5	-11.8	4.0	15.7	4.2	8.7	5.7	5.6	4.2	4.4	4.3	3.5	3.5	3.5	3.5	3.5	3.5	
Savings (percent of GDP)	11.7	16.7	12.9	11.2	4.4	6.8	10.0	3.1	5.3	13.4	15.8	16.8	17.4	17.9	18.9	19.6	20.0	
Private	11.9	29.8	27.6	23.1	21.4	25.1	15.9	17.6	18.9	16.5	14.1	13.9	13.5	13.8	14.5	15.2	15.5	
Public	-0.2	-13.1	-14.6	-11.8	-17.1	-18.2	-5.9	-14.5	-13.6	-3.1	1.7	2.9	3.9	4.2	4.3	4.4	4.5	
Investment (percent of GDP)	14.5	12.1	18.1	19.2	20.9	21.8	22.6	22.2	22.0	23.1	24.3	24.8	24.8	24.7	24.5	24.3	24.1	
Private	10.7	9.6	13.4	13.9	16.6	16.7	18.3	18.2	17.9	18.7	19.7	19.9	19.9	19.4	19.2	19.0	18.8	
Public	3.8	2.5	4.7	5.4	4.3	5.1	4.3	3.9	4.1	4.3	4.6	4.9	5.2	5.3	5.3	5.3	5.3	
General Government (percent of GDP)																		
Fiscal balance 2/	-4.0	-15.6	-19.3	-17.2	-21.3	-23.3	-10.1	-18.4	-17.7	-7.4	-2.9	-2.0	-1.3	-1.1	-0.9	-0.8	-0.8	
Fiscal balance, excl. grants 2/	-4.0	-24.8	-25.8	-23.1	-22.1	-23.6	-10.4	-19.3	-17.8	-11.1	-5.5	-3.6	-2.8	-2.5	-2.3	-2.1	-2.0	
External financing (net)	2.5	10.7	16.2	15.0	24.5	24.2	8.9	21.0	16.8	4.7	3.0	1.4	1.2	1.3	1.8	0.0	-0.1	
Domestic financing (net), of which:	1.5	5.0	3.1	0.3	-3.1	-0.5	1.3	-2.6	5.0	2.8	-0.1	0.6	0.1	-0.2	-0.8	0.9	0.9	
NBU	-0.3	7.3	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.2	-0.3	
Commercial banks	1.4	-1.5	2.5	2.9	2.7	0.9	0.8	-1.8	1.4	1.4	-0.1	0.6	0.2	-0.2	-0.6	1.0	1.1	
Public and publicly-guaranteed debt	48.9	77.7	81.2	89.7	108.6	108.7	110.4	122.6	137.1	135.5	131.9	125.7	119.6	113.5	107.9	102.3	97.1	
Money and credit (end of period, percent change)																		
Base money	11.2	19.6	23.3	7.7	21.7	11.6	13.1	19.1	11.6	11.6	9.8	11.1	10.8	10.1	9.6	8.7	7.6	
Broad money	12.0	20.8	23.0	13.4	14.4	12.7	13.2	11.0	11.7	11.6	9.8	9.2	8.8	8.7	8.7	8.7	7.6	
Credit to nongovernment	8.4	-3.1	-0.5	13.5	10.6	22.5	17.7	13.4	17.7	17.0	16.5	17.6	17.6	18.6	18.6	18.6	19.7	
Balance of payments (percent of GDP)																		
Current account balance	-2.7	4.6	-5.2	-8.0	-16.5	-15.0	-12.6	-19.1	-16.7	-9.7	-8.5	-8.0	-7.4	-6.8	-5.6	-4.6	-4.1	
Foreign direct investment	3.7	0.1	2.5	2.0	2.2	1.1	4.0	1.6	2.7	4.7	6.2	5.5	5.3	5.2	5.0	4.9	4.9	
Gross reserves (end of period, billions of U.S. dollars)	30.9	28.5	40.5	43.8	53.4	57.3	52.8	65.5	73.4	74.8	80.2	80.6	81.3	83.4	90.1	94.6	100.7	
Months of next year's imports of goods and services	4.4	3.8	5.1	4.7	6.3	5.7	6.3	7.0	7.8	7.7	7.9	7.5	7.1	6.9	7.1	7.1	7.1	
Percent of the IMF composite metric (float)	104.3	106.5	126.8	122.4	125.5	134.7	114.0	131.1	126.5	120.9	122.4	118.0	114.3	113.1	117.7	118.6	122.8	
Goods exports (annual volume change in percent)	38.7	-43.5	-8.4	16.8	3.0	-2.4	14.9	16.0	7.9	11.5	10.4	9.3	9.7	8.6	8.6	8.4	6.9	
Goods imports (annual volume change in percent)	15.2	-29.8	18.2	6.5	19.3	25.7	4.7	5.0	-1.0	2.3	3.0	4.2	6.6	6.1	5.4	5.5	5.4	
Goods terms of trade (percent change)	-8.2	-11.3	3.5	1.6	1.3	1.4	1.0	0.7	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Exchange rate																		
Hryvnia per U.S. dollar (end of period)	27.3	36.6	38.0	42.0	...	42.4	...	...	...	...	...	...	...	...	...	...	...
Hryvnia per U.S. dollar (period average)	27.3	32.3	36.6	40.2	...	41.7	...	...	...	...	...	...	...	...	...	...	...
Real effective rate (CPI-based, percent change)	2.6	2.9	-8.2	-6.5	...	2.1	...	...	...	...	...	...	...	...	...	...	...
Memorandum items:																		
Per capita GDP / Population (2017): US\$2,640 / 44.8 million																		
Literacy / Poverty rate (2022 est 3/): 100 percent / 25 percent																		

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

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

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

3/ Based on World Bank estimates.

Table 6a. Ukraine: General Government Finances, 2021–35^{1/} (Baseline Scenario)

(Billions of Ukrainian Hryvnia)

	2021	2022	2023	2024	2025		2026		2027	2028	2029	2030	2031	2032	2033	2034	2035
	Act.	Act.	Act.	Act.	EFF 8th Rev	Est.	EFF 8th Rev	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue	1,990	2,609	3,583	4,140	3,685	4,547	4,202	4,383	4,682	5,603	5,964	6,344	6,883	7,463	8,088	8,763	9,501
Tax revenue	1,825	1,782	2,139	2,658	3,307	3,250	3,807	3,906	4,369	4,845	5,289	5,758	6,266	6,814	7,404	8,041	8,739
Tax on income, profits, and capital gains	514	551	656	883	1,091	1,101	1,265	1,275	1,431	1,581	1,732	1,883	2,047	2,224	2,417	2,627	2,855
Personal income tax	350	421	496	584	792	793	921	920	1,032	1,138	1,249	1,357	1,475	1,603	1,742	1,893	2,057
Corporate profit tax	164	131	159	299	299	308	344	355	399	443	483	526	572	622	676	734	798
Social security contributions 2/	358	430	489	556	688	713	792	793	900	993	1,089	1,183	1,286	1,398	1,519	1,650	1,793
Property tax	43	37	44	50	57	59	66	75	84	93	101	110	120	130	142	154	167
Tax on goods and services	731	592	784	989	1,268	1,185	1,465	1,469	1,612	1,807	1,962	2,141	2,344	2,562	2,785	3,034	3,310
VAT	536	467	581	734	912	849	1,055	1,077	1,175	1,297	1,407	1,532	1,671	1,825	1,981	2,152	2,345
Excise	180	115	190	238	337	318	388	372	416	487	532	585	648	710	775	851	934
Other	14	10	14	16	20	19	21	20	21	22	23	24	26	27	28	30	31
Tax on international trade	38	26	41	48	60	56	67	72	76	82	88	95	104	114	123	133	144
Other tax	140	145	126	132	142	136	152	222	267	290	317	345	365	386	418	443	469
Nontax revenue	166	827	1,444	1,483	378	1,297	395	477	313	757	675	586	616	649	684	722	762
Budget support grants 3/	1	481	425	454	69	28	24	82	15	455	352	239	245	251	258	265	272
Expenditure	2,207	3,426	4,865	5,458	5,576	6,617	5,235	6,228	6,668	6,528	6,355	6,639	7,092	7,652	8,266	8,938	9,672
Current	1,995	3,298	4,562	5,053	5,110	6,169	4,747	5,547	6,049	5,811	5,542	5,705	6,025	6,482	6,996	7,557	8,171
Compensation of employees	516	1,240	1,479	1,584	1,743	1,880	1,512	1,832	1,781	1,653	1,506	1,550	1,643	1,794	1,959	2,139	2,336
Goods and services	483	848	1,674	1,505	764	1,808	724	938	1,210	1,054	909	990	1,079	1,178	1,267	1,360	1,478
Interest	155	162	254	305	439	357	486	518	401	488	512	500	503	505	508	525	534
Subsidies to corporations and enterprises	116	131	158	530	823	807	611	760	968	923	771	659	592	622	653	685	720
Social benefits	724	917	996	1,129	1,339	1,317	1,411	1,497	1,687	1,690	1,842	2,002	2,205	2,380	2,606	2,843	3,100
Social programs (on budget)	154	285	241	286	365	359	368	248	287	309	335	361	420	440	497	552	610
Pensions	519	583	746	822	943	940	1,010	1,227	1,378	1,359	1,483	1,614	1,756	1,908	2,074	2,254	2,449
Unemployment, disability, and accident insurance	52	48	9	22	30	19	33	22	22	22	24	27	29	32	34	37	40
Other current expenditures	1	1	1	1	2	1	2	2	3	3	3	3	3	3	4	4	4
Capital	207	130	312	411	378	451	435	393	461	542	621	726	840	923	1,003	1,090	1,184
Net lending	5	-2	-9	-6	39	-4	17	40	44	49	54	59	64	69	75	82	89
Contingency reserve	0	0	0	0	50	0	35	248	114	126	138	150	163	177	193	210	228
General government overall balance	-216	-817	-1,282	-1,318	-1,892	-2,070	-1,033	-1,845	-1,986	-926	-390	-296	-209	-189	-178	-175	-171
General government overall balance, excluding grants	-218	-1,298	-1,707	-1,772	-1,960	-2,098	-1,058	-1,927	-2,001	-1,381	-742	-534	-454	-440	-436	-439	-443
General government financing	216	817	1,281	1,318	1,892	2,070	1,033	1,845	1,986	926	390	296	209	189	178	175	171
External	136	562	1,077	1,150	2,168	2,144	904	2,106	1,892	581	408	212	189	226	333	-2	-29
Disbursements	239	615	1,150	1,279	2,312	2,252	1,073	2,277	2,072	755	748	590	605	621	638	655	733
Amortizations and other external payments	-103	-53	-73	-129	-144	-108	-169	-171	-180	-174	-340	-378	-416	-395	-305	-656	-762
Domestic (net)	81	263	204	22	-276	-45	129	-261	565	345	-18	84	20	-38	-155	176	200
Bond financing	62	295	183	154	230	93	73	-192	613	167	-24	78	14	-44	-161	170	194
o/w NBU	-14	383	-15	-12	-13	-13	-12	-12	-12	-11	-12	-12	-12	-12	-47	-42	-57
o/w Commercial banks	76	-80	167	222	244	76	85	-180	155	178	-12	90	26	-31	-114	212	251
Direct bank borrowing	30	-2	-7	-5	0	0	0	0	0	0	0	0	0	0	0	0	0
Deposit finance	-19	-37	-59	-141	-516	-227	50	-74	-54	172	0	0	0	0	0	0	0
Privatization and other items	7	20	87	14	9	90	6	6	6	6	6	6	6	6	6	6	6
Financing Gap/unidentified measures (-gap/+surplus)	0	0	-1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Memorandum items:																	
Primary balance	-62	-655	-1,028	-1,013	-1,453	-1,713	-547	-1,327	-1,585	-438	121	205	294	316	330	350	363
Public and publicly-guaranteed debt	2,666	4,072	5,383	6,871	9,633	9,653	11,251	12,262	15,404	16,891	17,940	18,618	19,270	19,871	20,529	21,151	21,830
Nominal GDP (billions of Ukrainian hryvnia)	5,451	5,239	6,628	7,662	8,866	8,877	10,192	10,005	11,235	12,468	13,602	14,811	16,111	17,509	19,028	20,678	22,472

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

1/ National methodology, cash basis.

2/ Includes single social contributions and other revenues of the social funds.

3/ Comprises grants to the general fund.

Table 6b. Ukraine: General Government Finances, 2021–35^{1/} (Baseline Scenario)

(Percent of GDP)

	2021	2022	2023	2024	2025		2026		2027	2028	2029	2030	2031	2032	2033	2034	2035
	Act.	Act.	Act.	Act.	EFF 8th Rev	Est.	EFF 8th Rev	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue	36.5	49.8	54.1	54.0	41.6	51.2	41.2	43.8	41.7	44.9	43.8	42.8	42.7	42.6	42.5	42.4	42.3
Tax revenue	33.5	34.0	32.3	34.7	37.3	36.6	37.4	39.0	38.9	38.9	38.9	38.9	38.9	38.9	38.9	38.9	38.9
Tax on income, profits, and capital gains	9.4	10.5	9.9	11.5	12.3	12.4	12.4	12.7	12.7	12.7	12.7	12.7	12.7	12.7	12.7	12.7	12.7
Personal income tax	6.4	8.0	7.5	7.6	8.9	8.9	9.0	9.2	9.2	9.1	9.2	9.2	9.2	9.2	9.2	9.2	9.2
Corporate profit tax	3.0	2.5	2.4	3.9	3.4	3.5	3.4	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6
Social security contributions 2/	6.6	8.2	7.4	7.3	7.8	8.0	7.8	7.9	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Property tax	0.8	0.7	0.7	0.7	0.6	0.7	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Tax on goods and services	13.4	11.3	11.8	12.9	14.3	13.4	14.4	14.7	14.3	14.5	14.4	14.5	14.6	14.6	14.6	14.7	14.7
VAT	9.8	8.9	8.8	9.6	10.3	9.6	10.4	10.8	10.5	10.4	10.3	10.3	10.4	10.4	10.4	10.4	10.4
Excise	3.3	2.2	2.9	3.1	3.8	3.6	3.8	3.7	3.7	3.9	3.9	4.0	4.0	4.1	4.1	4.1	4.2
Other	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1
Tax on international trade	0.7	0.5	0.6	0.6	0.7	0.6	0.7	0.7	0.7	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Other tax	2.6	2.8	1.9	1.7	1.6	1.5	1.5	2.2	2.4	2.3	2.3	2.3	2.3	2.2	2.2	2.1	2.1
Nontax revenue	3.0	15.8	21.8	19.3	4.3	14.6	3.9	4.8	2.8	6.1	5.0	4.0	3.8	3.7	3.6	3.5	3.4
Budget support grants 3/	0.0	9.2	6.4	6.2	0.9	0.5	0.3	1.0	0.1	3.7	2.6	1.6	1.5	1.4	1.4	1.3	1.2
Expenditure	40.5	65.4	73.4	71.2	62.9	74.5	51.4	62.2	59.4	52.4	46.7	44.8	44.0	43.7	43.4	43.2	43.0
Current	36.6	63.0	68.8	65.9	57.6	69.5	46.6	55.4	53.8	46.6	40.7	38.5	37.4	37.0	36.8	36.5	36.4
Compensation of employees	9.5	23.7	22.3	20.7	19.7	21.2	14.8	18.3	15.8	13.3	11.1	10.5	10.2	10.2	10.3	10.3	10.4
Goods and services	8.9	16.2	25.3	19.6	8.6	20.4	7.1	9.4	10.8	8.5	6.7	6.7	6.7	6.7	6.7	6.6	6.6
Interest	2.8	3.1	3.8	4.0	5.0	4.0	4.8	5.2	3.6	3.9	3.8	3.4	3.1	2.9	2.7	2.5	2.4
Subsidies to corporations and enterprises	2.1	2.5	2.4	6.9	9.3	9.1	6.0	7.6	8.6	7.4	5.7	4.5	3.7	3.6	3.4	3.3	3.2
Social benefits	13.3	17.5	15.0	14.7	15.1	14.8	13.8	15.0	15.0	13.6	13.5	13.5	13.7	13.6	13.7	13.8	13.8
Social programs (on budget)	2.8	5.4	3.6	3.7	4.1	4.0	3.6	2.5	2.6	2.5	2.5	2.4	2.6	2.5	2.6	2.7	2.7
Pensions	9.5	11.1	11.3	10.7	10.6	10.6	9.9	12.3	12.3	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9
Unemployment, disability, and accident insurance	1.0	0.9	0.1	0.3	0.3	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Other current expenditures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital	3.8	2.5	4.7	5.4	4.3	5.1	4.3	3.9	4.1	4.3	4.6	4.9	5.2	5.3	5.3	5.3	5.3
Net lending	0.1	0.0	-0.1	-0.1	0.4	0.0	0.2	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Contingency reserve	0.0	0.0	0.0	0.0	0.6	0.0	0.3	2.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
General government overall balance	-4.0	-15.6	-19.3	-17.2	-21.3	-23.3	-10.1	-18.4	-17.7	-7.4	-2.9	-2.0	-1.3	-1.1	-0.9	-0.8	-0.8
General government overall balance, excluding grants	-4.0	-24.8	-25.8	-23.1	-22.1	-23.6	-10.4	-19.3	-17.8	-11.1	-5.5	-3.6	-2.8	-2.5	-2.3	-2.1	-2.0
General government financing	4.0	15.6	19.3	17.2	21.3	23.3	10.1	18.4	17.7	7.4	2.9	2.0	1.3	1.1	0.9	0.8	0.8
External	2.5	10.7	16.2	15.0	24.5	24.2	8.9	21.0	16.8	4.7	3.0	1.4	1.2	1.3	1.8	0.0	-0.1
Disbursements	4.4	11.7	17.4	16.7	26.1	25.4	10.5	22.8	18.4	6.1	5.5	4.0	3.8	3.5	3.4	3.2	3.3
Amortizations and other external payments	-1.9	-1.0	-1.1	-1.7	-1.6	-1.2	-1.7	-1.7	-1.6	-1.4	-2.5	-2.6	-2.6	-2.3	-1.6	-3.2	-3.4
Domestic (net)	1.5	5.0	3.1	0.3	-3.1	-0.5	1.3	-2.6	5.0	2.8	-0.1	0.6	0.1	-0.2	-0.8	0.9	0.9
Bond financing	1.1	5.6	2.8	2.0	2.6	1.0	0.7	-1.9	5.5	1.3	-0.2	0.5	0.1	-0.2	-0.8	0.8	0.9
o/w NBU	-0.3	7.3	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.2	-0.3
o/w Commercial banks	1.4	-1.5	2.5	2.9	2.7	0.9	0.8	-1.8	1.4	1.4	-0.1	0.6	0.2	-0.2	-0.6	1.0	1.1
Direct bank borrowing	0.6	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deposit finance	-0.3	-0.7	-0.9	-1.8	-5.8	-2.6	0.5	-0.7	-0.5	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization and other items	0.1	0.4	1.3	0.2	0.1	1.0	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing Gap/undidentified measures (-gap/+surplus)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:																	
Primary balance	-1.1	-12.5	-15.5	-13.2	-16.4	-19.3	-5.4	-13.3	-14.1	-3.5	0.9	1.4	1.8	1.8	1.7	1.7	1.6
Public and publicly-guaranteed debt	48.9	77.7	81.2	89.7	108.6	108.7	110.4	122.6	137.1	135.5	131.9	125.7	119.6	113.5	107.9	102.3	97.1
Nominal GDP (billions of Ukrainian hryvnia)	5,451	5,239	6,628	7,662	8,866	8,877	10,192	10,005	11,235	12,468	13,602	14,811	16,111	17,509	19,028	20,678	22,472

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

1/ National methodology, cash basis.

2/ Includes single social contributions and other revenues of the social funds.

3/ Comprises grants to the general fund.

Table 7a. Ukraine: Balance of Payments, 2021–35^{1/2/} (Baseline Scenario)

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

	2021	2022	2023	2024	2025		2026		2027	2028	2029	2030	2031	2032	2033	2034	2035
	Act.	Act.	Act.	Act.	EFF 8th Rev	Est.	EFF 8th Rev	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Current account balance	-5.5	7.3	-9.3	-15.2	-34.6	-31.9	-28.3	-42.6	-39.5	-24.3	-22.1	-21.9	-21.4	-20.9	-18.4	-16.0	-15.0
Goods (net)	-8.2	-15.3	-30.4	-33.0	-41.6	-51.0	-38.6	-48.8	-44.2	-40.7	-38.0	-36.6	-37.0	-37.5	-37.0	-36.6	-37.2
Exports	63.6	41.2	35.0	39.3	40.1	38.3	46.0	44.4	48.0	53.5	59.0	64.5	70.8	76.9	83.5	90.5	96.8
Imports	-71.8	-56.5	-65.4	-72.3	-81.6	-89.3	-84.6	-93.2	-92.2	-94.2	-97.0	-101.1	-107.8	-114.4	-120.5	-127.1	-134.0
Services (net)	4.0	-11.1	-7.3	-5.8	-4.3	-5.8	3.9	-4.2	-0.1	2.7	4.1	5.5	7.1	8.6	10.6	12.6	14.3
Receipts	18.4	16.6	16.6	17.3	17.4	16.0	20.9	17.1	19.5	21.6	24.0	26.4	29.0	31.6	34.8	37.9	41.0
Payments	-14.4	-27.7	-23.9	-23.1	-21.7	-21.7	-17.0	-21.3	-19.6	-18.9	-19.9	-20.9	-21.9	-23.0	-24.2	-25.4	-26.6
Primary income (net)	-5.8	8.5	5.1	0.5	-2.2	-1.6	-2.0	-2.6	-2.2	-1.9	-0.8	-0.5	-0.6	-0.5	-0.6	-0.7	-0.8
Secondary income (net)	4.6	25.2	23.2	23.1	13.5	26.5	8.4	13.0	7.0	15.6	12.6	9.7	9.1	8.5	8.6	8.7	8.7
Capital account balance	0.0	0.2	0.1	5.1	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account balance	-6.2	8.4	-21.7	-13.8	-44.5	-40.9	-28.0	-51.1	-47.5	-25.8	-27.6	-22.3	-22.1	-23.0	-25.0	-20.5	-21.1
Direct investment (net)	-7.5	-0.2	-4.4	-3.7	-4.5	-2.4	-8.9	-3.6	-6.4	-11.8	-16.3	-15.2	-15.5	-15.9	-16.2	-17.0	-17.9
Portfolio investment (net)	-1.0	2.0	2.7	6.6	1.5	-2.8	-0.2	0.4	0.2	0.2	-0.3	-0.3	-0.9	-2.1	-2.5	3.2	1.6
Financial derivatives (net)	0.2	0.0	0.0	0.1	0.0	3.5	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)	2.2	6.6	-19.9	-16.7	-41.5	-39.2	-18.8	-48.0	-41.2	-14.2	-11.0	-6.7	-5.7	-5.0	-6.4	-6.6	-4.8
Other investment: assets	7.4	20.9	10.7	15.5	12.8	3.1	4.6	5.5	4.5	2.6	2.1	1.9	1.9	1.9	1.9	1.1	1.1
Other investment: liabilities	5.1	14.3	30.7	32.2	54.3	42.3	23.4	53.5	45.7	16.8	13.2	8.7	7.6	7.0	8.3	7.8	5.9
Net use of IMF resources for budget support	0.2	2.3	3.6	3.9	0.8	-0.7	0.6	2.1	0.6	0.1	-0.2	-2.0	-2.6	-3.0	-2.5	-2.4	-1.4
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	0.0	0.0
General government	1.5	14.7	26.0	24.7	49.9	39.0	20.1	46.2	39.9	12.0	8.3	6.1	5.6	5.4	6.3	5.5	2.6
Banks 3/	0.4	-0.4	-0.1	0.0	0.0	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	0.3	-2.2	1.1	3.7	3.6	3.7	2.7	5.2	5.2	4.8	5.0	4.5	4.6	4.6	4.6	4.6	4.7
Errors and omissions	2.7	0.3	0.5	0.2	0.0	2.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	3.5	-0.6	13.0	3.8	9.9	12.1	-0.3	8.6	7.9	1.4	5.4	0.4	0.6	2.2	6.7	4.5	6.1
Financing	-3.5	0.6	-13.0	-3.8	-9.9	-12.1	0.3	-8.6	-7.9	-1.4	-5.4	-0.4	-0.6	-2.2	-6.7	-4.5	-6.1
Gross official reserves (increase: -)	-2.5	2.3	-11.4	-2.9	-9.1	-11.4	0.6	-8.2	-7.9	-1.4	-5.4	-0.4	-0.6	-2.2	-6.7	-4.5	-6.1
Net use of IMF resources for BOP support	-0.9	-1.6	-1.6	-0.9	-0.8	-0.8	-0.3	-0.3	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:																	
Total external debt (percent of GDP)	64.7	81.6	89.1	95.0	106.5	111.1	110.0	123.8	132.3	129.0	127.8	123.7	118.6	114.1	110.3	104.9	99.8
Current account balance excluding grants	-5.5	-7.3	-21.1	-26.4	-38.6	-44.6	-28.8	-44.4	-39.8	-33.5	-28.9	-26.4	-25.9	-25.3	-22.8	-20.4	-19.4
Current account balance (percent of GDP) 4/	-2.7	4.6	-5.2	-8.0	-16.5	-15.0	-12.6	-19.1	-16.7	-9.7	-8.5	-8.0	-7.4	-6.8	-5.6	-4.6	-4.1
Goods and services trade balance (percent of GDP)	-2.1	-16.4	-20.8	-20.4	-21.9	-26.7	-15.5	-23.7	-18.7	-15.1	-13.0	-11.3	-10.3	-9.4	-8.1	-7.0	-6.3
Gross international reserves	30.9	28.5	40.5	43.8	53.4	57.3	52.8	65.5	73.4	74.8	80.2	80.6	81.3	83.4	90.1	94.6	100.7
Months of next year's imports of goods and services	4.4	3.8	5.1	4.7	6.3	5.7	6.3	7.0	7.8	7.7	7.9	7.5	7.1	6.9	7.1	7.1	7.1
Percent of the IMF composite metric (float)	104.3	106.5	126.8	122.4	125.5	134.7	114.0	131.1	126.5	120.9	122.4	118.0	114.3	113.1	117.7	118.6	122.8

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

1/ Based on BPM6.

2/ In-kind donations of military equipment are not reflected in the BOP.

3/ Includes banks' debt for equity operations.

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

Table 7b. Ukraine: Balance of Payments, 2021–35^{1/ 2/} (Baseline Scenario)

(Percent of GDP, unless otherwise indicated)

	2021	2022	2023	2024	2025		2026		2027	2028	2029	2030	2031	2032	2033	2034	2035
	Act.	Act.	Act.	Act.	EFF 8th Rev	Est.	EFF 8th Rev	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Current account balance	-2.7	4.6	-5.2	-8.0	-16.5	-15.0	-12.6	-19.1	-16.7	-9.7	-8.5	-8.0	-7.4	-6.8	-5.6	-4.6	-4.1
Goods (net)	-4.1	-9.5	-16.8	-17.3	-19.8	-24.0	-17.2	-21.8	-18.7	-16.2	-14.6	-13.3	-12.7	-12.2	-11.4	-10.6	-10.2
Exports	31.7	25.7	19.3	20.7	19.1	18.0	20.5	19.9	20.3	21.3	22.6	23.5	24.3	25.0	25.6	26.2	26.5
Imports	-35.8	-35.2	-36.1	-38.0	-38.9	-42.0	-37.7	-41.7	-38.9	-37.5	-37.2	-36.8	-37.1	-37.1	-37.0	-36.8	-36.7
Services (net)	2.0	-6.9	-4.0	-3.0	-2.1	-2.7	1.7	-1.9	0.0	1.1	1.6	2.0	2.4	2.8	3.3	3.6	3.9
Receipts	9.2	10.4	9.2	9.1	8.3	7.5	9.3	7.6	8.2	8.6	9.2	9.6	10.0	10.3	10.7	11.0	11.2
Payments	-7.2	-17.3	-13.2	-12.1	-10.4	-10.2	-7.6	-9.5	-8.3	-7.5	-7.6	-7.6	-7.5	-7.5	-7.4	-7.3	-7.3
Primary income (net)	-2.9	5.3	2.8	0.3	-1.0	-0.8	-0.9	-1.2	-0.9	-0.7	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Secondary income (net)	2.3	15.7	12.8	12.1	6.4	12.5	3.8	5.8	2.9	6.2	4.8	3.5	3.1	2.8	2.7	2.5	2.4
Capital account balance	0.0	0.1	0.1	2.7	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
Financial account balance	-3.1	5.3	-12.0	-7.2	-21.2	-19.3	-12.5	-22.9	-20.1	-10.3	-10.6	-8.1	-7.6	-7.5	-7.7	-5.9	-5.8
Direct investment (net)	-3.7	-0.1	-2.5	-2.0	-2.2	-1.1	-4.0	-1.6	-2.7	-4.7	-6.2	-5.5	-5.3	-5.2	-5.0	-4.9	-4.9
Portfolio investment (net)	-0.5	1.3	1.5	3.5	0.7	-1.3	-0.1	0.2	0.1	0.1	-0.1	-0.1	-0.3	-0.7	-0.8	0.9	0.4
Financial derivatives (net)	0.1	0.0	0.0	0.0	0.0	1.7	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)	1.1	4.1	-11.0	-8.8	-19.8	-18.5	-8.4	-21.5	-17.4	-5.6	-4.2	-2.5	-2.0	-1.6	-2.0	-1.9	-1.3
Other investment: assets	3.7	13.0	5.9	8.1	6.1	1.5	2.0	2.5	1.9	1.0	0.8	0.7	0.7	0.6	0.6	0.3	0.3
Other investment: liabilities	2.6	8.9	16.9	16.9	25.9	19.9	10.4	24.0	19.3	6.7	5.0	3.2	2.6	2.3	2.6	2.2	1.6
Net use of IMF resources for budget support	0.1	1.4	2.0	2.0	0.4	-0.3	0.3	1.0	0.3	0.0	-0.1	-0.7	-0.9	-1.0	-0.8	-0.7	-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	0.0	0.0	0.0	0.0
General government	0.8	9.2	14.4	13.0	23.8	18.4	9.0	20.7	16.9	4.8	3.2	2.2	1.9	1.8	1.9	1.6	0.7
Banks 3/	0.2	-0.3	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other sectors	0.1	-1.4	0.6	1.9	1.7	1.7	1.2	2.3	2.2	1.9	1.9	1.7	1.6	1.5	1.4	1.3	1.3
Errors and omissions	1.4	0.2	0.3	0.1	0.0	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	1.7	-0.4	7.2	2.0	4.7	5.7	-0.1	3.8	3.4	0.6	2.1	0.1	0.2	0.7	2.0	1.3	1.7
Financing	-1.7	0.4	-7.2	-2.0	-4.7	-5.7	0.1	-3.8	-3.4	-0.6	-2.1	-0.1	-0.2	-0.7	-2.0	-1.3	-1.7
Gross official reserves (increase: -)	-1.3	1.4	-6.3	-1.5	-4.4	-5.4	0.3	-3.7	-3.3	-0.6	-2.1	-0.1	-0.2	-0.7	-2.0	-1.3	-1.7
Net use of IMF resources for BOP support	-0.5	-1.0	-0.9	-0.5	-0.4	-0.4	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:																	
Total external debt (percent of GDP)	64.7	81.6	89.1	95.0	106.5	111.1	110.0	123.8	132.3	129.0	127.8	123.7	118.6	114.1	110.3	104.9	99.8
Current account balance (percent of GDP) 4/	-2.7	4.6	-5.2	-8.0	-16.5	-15.0	-12.6	-19.1	-16.7	-9.7	-8.5	-8.0	-7.4	-6.8	-5.6	-4.6	-4.1
Goods and services trade balance (percent of GDP)	-1.1	-10.2	-11.5	-10.7	-10.4	-12.6	-6.9	-10.6	-7.9	-6.0	-5.0	-4.1	-3.5	-3.0	-2.5	-2.0	-1.7
Current account balance excluding grants	-2.7	-4.5	-11.7	-13.9	-18.4	-21.0	-12.9	-19.9	-16.8	-13.3	-11.1	-9.6	-8.9	-8.2	-7.0	-5.9	-5.3
Gross international reserves (USD billions)	30.9	28.5	40.5	43.8	53.4	57.3	52.8	65.5	73.4	74.8	80.2	80.6	81.3	83.4	90.1	94.6	100.7
Months of next year's imports of goods and services	4.4	3.8	5.1	4.7	6.3	5.7	6.3	7.0	7.8	7.7	7.9	7.5	7.1	6.9	7.1	7.1	7.1
Percent of the IMF composite metric (float)	104.3	106.5	126.8	122.4	125.5	134.7	114.0	131.1	126.5	120.9	122.4	118.0	114.3	113.1	117.7	118.6	122.8

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

1/ Based on BPM6.

2/ In-kind donations of military equipment are not reflected in the BOP.

3/ Includes banks' debt for equity operations.

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

Table 8. Ukraine: Gross External Financing Requirements, 2021–35 (Baseline Scenario)

	(Billions of U.S. dollars)																
	2021	2022	2023	2024	2025		2026		2027	2028	2029	2030	2031	2032	2033	2034	2035
	Act.	Act.	Act.	Act.	EFF 8th Rev	Est.	EFF 8th Rev	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
A. Total financing requirements	21.6	33.0	38.9	53.1	54.7	55.6	38.7	53.5	48.6	40.4	37.5	35.0	34.5	32.9	29.2	32.4	33.7
Current account deficit (excl. budget grants)	5.5	7.3	21.1	26.4	36.2	44.6	28.8	44.4	39.8	33.5	28.9	26.4	25.9	25.3	22.8	20.4	19.4
Portfolio investment	4.9	2.7	4.9	7.9	1.9	2.0	2.2	0.4	0.2	0.2	1.2	2.2	1.6	0.4	0.0	5.7	5.1
Private	0.6	0.9	2.5	1.3	1.4	1.0	1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.5
Public	4.3	1.8	2.4	6.7	0.4	1.0	0.4	0.4	0.2	0.2	1.2	2.2	1.6	0.4	0.0	5.2	4.6
Medium and long-term debt	3.6	2.1	2.2	3.2	3.8	2.5	3.0	3.1	4.1	4.1	5.2	4.6	5.1	5.3	4.4	5.2	8.1
Private	2.7	1.1	1.3	1.6	2.7	1.4	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Banks	0.2	0.2	0.2	0.2	1.3	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Corporates	2.5	0.9	1.1	1.5	1.5	1.3	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Public	0.9	1.0	0.9	1.6	1.0	1.0	1.2	1.3	2.3	2.3	3.5	2.8	3.3	3.5	2.7	3.4	6.3
Other net capital outflows 1/	7.5	20.9	10.7	15.5	12.8	6.6	4.6	5.5	4.5	2.6	2.1	1.9	1.9	1.9	1.9	1.1	1.1
B. Total financing sources	20.3	0.7	9.7	16.3	14.2	14.1	18.1	12.3	15.0	21.1	27.3	26.8	27.1	27.5	27.8	28.7	30.7
Capital transfers	0.0	0.2	0.1	5.1	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment, net	7.5	0.2	4.4	3.7	4.5	2.4	8.9	3.6	6.4	11.8	16.3	15.2	15.5	15.9	16.2	17.0	17.9
Portfolio investment	6.0	0.7	2.2	1.3	0.3	4.8	2.5	0.0	0.0	0.0	1.5	2.5	2.5	2.5	2.5	2.5	3.5
Private	1.8	0.2	0.0	0.2	0.0	0.3	2.5	0.0	0.0	0.0	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Public	4.2	0.5	2.2	1.1	0.3	4.5	0.0	0.0	0.0	0.0	1.0	2.0	2.0	2.0	2.0	2.0	3.0
Medium and long-term debt	6.8	2.6	2.4	3.4	6.6	4.7	4.2	5.5	4.5	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1
Private	3.0	1.5	1.8	2.5	3.6	3.4	2.0	3.7	2.9	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Banks	0.2	0.0	0.1	0.1	0.4	0.3	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Corporates	2.8	1.4	1.7	2.4	3.2	3.1	1.6	3.4	2.6	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Public (incl. project financing) 2/	3.8	1.1	0.6	0.9	3.0	1.2	2.2	1.7	1.6	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8
Short-term debt (incl. deposits)	0.0	-3.0	0.5	2.8	2.7	2.0	2.5	3.2	4.1	4.2	4.4	4.0	4.0	4.0	4.0	4.0	4.2
C. Financing needs (A - B)	1.3	32.3	29.3	36.8	40.5	41.5	20.6	41.1	33.6	19.3	10.2	8.2	7.4	5.4	1.4	3.7	3.0
D. Official financing	1.1	29.8	40.1	39.6	52.0	50.1	20.0	49.3	41.5	20.8	15.6	8.6	8.0	7.6	8.1	8.2	9.2
IMF	-0.7	0.6	1.9	2.9	0.1	-1.4	0.2	1.8	0.5	0.1	-0.2	-2.0	-2.6	-3.0	-2.5	-2.4	-1.4
Purchases	0.7	2.7	4.5	5.3	2.4	0.9	2.2	3.8	1.8	0.9	1.6	0.0	0.0	0.0	0.0	0.0	0.0
Repurchases	1.4	2.1	2.5	2.4	2.3	2.3	2.0	2.0	1.2	0.8	1.8	2.0	2.6	3.0	2.5	2.4	1.4
Official budget grants	0.0	14.6	11.8	11.2	4.0	12.7	0.5	1.9	0.3	9.2	6.7	4.4	4.4	4.4	4.4	4.4	4.4
Official budget loans	1.7	14.5	26.4	25.4	47.9	38.8	19.2	45.7	40.7	11.5	9.0	6.2	6.2	6.2	6.2	6.2	6.2
F. Increase in reserves	2.5	-2.3	11.4	2.9	9.1	11.4	-0.6	8.2	7.9	1.4	5.4	0.4	0.6	2.2	6.7	4.5	6.1
F. Errors and omissions	2.7	0.3	0.5	0.2	0.0	2.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:																	
Gross international reserves	30.9	28.5	40.5	43.8	53.4	57.3	52.8	65.5	73.4	74.8	80.2	80.6	81.3	83.4	90.1	94.6	100.7
Months of next year's imports of goods and services	4.4	3.8	5.1	4.7	6.3	5.7	6.3	7.0	7.8	7.7	7.9	7.5	7.1	6.9	7.1	7.1	7.1
Percent of the IMF composite (float)	104.3	106.5	126.8	122.4	125.5	134.7	114.0	131.1	126.5	120.9	122.4	118.0	114.3	113.1	117.7	118.6	122.8

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

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

2/ Includes statistical discrepancies caused by accounting treatments of ERA financing.

Table 9. Ukraine: Monetary Accounts, 2021–35 (Baseline Scenario)

(Billions of Ukrainian Hryvnia)

	2021	2022	2023	2024	2025		2026		2027	2028	2029	2030	2031	2032	2033	2034	2035
	Act.	Act.	Act.	Act.	EFF 8th Rev	Est.	EFF 8th Rev	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Monetary survey																	
Net foreign assets	850	1,252	1,926	2,403	2,699	2,843	2,800	3,320	3,831	4,090	4,540	4,752	5,031	5,423	6,084	6,649	7,300
Net domestic assets	1,221	1,249	1,151	1,085	1,293	1,087	1,721	1,045	1,041	1,346	1,428	1,764	2,057	2,280	2,287	2,449	2,489
Domestic credit	1,925	2,212	2,248	2,492	2,334	2,589	2,788	2,504	3,337	3,856	4,186	4,702	5,231	5,830	6,467	7,571	8,944
Net claims on government	898	1,218	1,259	1,369	1,092	1,214	1,327	945	1,502	1,709	1,684	1,760	1,773	1,728	1,600	1,798	2,035
Credit to the economy	1,023	991	986	1,119	1,237	1,371	1,456	1,555	1,830	2,141	2,496	2,935	3,451	4,095	4,858	5,764	6,899
Domestic currency	731	725	733	854	971	1,109	1,185	1,293	1,567	1,877	2,234	2,678	3,200	3,849	4,618	5,529	6,671
Foreign currency	292	266	253	265	266	262	271	262	263	264	261	257	251	246	240	235	228
Other claims on the economy	5	4	3	4	4	4	5	5	5	6	6	7	7	8	9	9	10
Other items, net	-704	-963	-1,097	-1,407	-1,041	-1,501	-1,067	-1,460	-2,296	-2,510	-2,758	-2,937	-3,174	-3,550	-4,179	-5,123	-6,455
Broad money	2,071	2,501	3,077	3,488	3,992	3,931	4,520	4,364	4,873	5,436	5,968	6,516	7,088	7,703	8,371	9,097	9,789
Currency in circulation	581	666	716	760	888	875	1,006	971	1,084	1,210	1,328	1,491	1,670	1,855	2,043	2,220	2,389
Total deposits	1,489	1,834	2,360	2,728	3,103	3,055	3,514	3,392	3,788	4,226	4,639	5,024	5,417	5,847	6,327	6,876	7,399
Domestic currency deposits	1,014	1,204	1,628	1,883	2,159	2,146	2,505	2,407	2,703	3,024	3,338	3,623	3,914	4,237	4,603	5,029	5,441
Foreign currency deposits	474	630	732	844	944	909	1,008	985	1,084	1,202	1,301	1,401	1,503	1,610	1,725	1,847	1,958
Accounts of the NBU																	
Net foreign assets	701	907	1,456	1,801	2,289	2,439	2,397	2,933	3,448	3,706	4,169	4,402	4,703	5,120	5,805	6,367	7,015
Net international reserves	566	670	1,078	1,223	1,684	1,836	1,753	2,281	2,760	2,980	3,410	3,624	3,904	4,300	4,963	5,504	6,128
(In billions of U.S. dollars)	20.8	18.3	28.4	29.1	...	...	...	...	...	...	...	...	...	...	...	...	...
Reserve assets	844	1,042	1,539	1,841	...	...	...	...	...	...	...	...	...	...	...	...	...
Other net foreign assets	134	237	378	577	604	603	644	652	688	726	759	778	799	819	842	863	887
Net domestic assets	-38	-115	-479	-749	-1,008	-1,265	-948	-1,535	-1,887	-1,964	-2,258	-2,279	-2,352	-2,530	-2,968	-3,284	-3,698
Net domestic credit	175	312	6	-62	-737	-540	-699	-895	-464	-395	-526	-451	-373	-268	-173	347	1,155
Net claims on government	270	704	591	450	0	289	35	200	132	161	147	134	120	107	93	79	65
Claims on government	325	758	729	716	703	703	691	679	668	657	646	635	624	613	602	591	
Net claims on banks	-95	-392	-585	-512	-736	-829	-734	-1,094	-596	-555	-673	-585	-493	-374	-266	269	1,091
Other items, net	-213	-427	-485	-687	-272	-724	-249	-640	-1,423	-1,570	-1,731	-1,828	-1,979	-2,262	-2,795	-3,632	-4,853
Base money	662	793	977	1,052	1,281	1,175	1,449	1,398	1,561	1,741	1,911	2,123	2,351	2,590	2,837	3,083	3,317
Currency in circulation	581	666	716	760	888	875	1,006	971	1,084	1,210	1,328	1,491	1,670	1,855	2,043	2,220	2,389
Banks' reserves	81	126	261	292	392	300	443	427	477	532	583	632	681	735	795	863	928
Cash in vault	47	49	48	63	63	52	71	68	76	85	93	101	109	118	127	139	149
Correspondent accounts	35	77	213	230	329	248	372	359	400	447	490	530	572	617	667	725	779
Deposit money banks	149	345	470	602	410	404	402	386	384	384	371	350	328	303	278	281	285
Net foreign assets	149	345	470	602	410	404	402	386	384	384	371	350	328	303	278	281	285
Foreign assets	254	427	550	680	527	529	559	522	526	535	555	566	578	588	601	612	625
Foreign liabilities	105	82	80	78	117	125	156	135	143	150	184	216	250	285	322	331	340
Net domestic assets	1,339	1,489	1,890	2,125	2,692	2,651	3,111	3,005	3,404	3,841	4,267	4,673	5,088	5,543	6,048	6,594	7,113
Domestic credit	1,875	2,064	2,540	2,882	3,499	3,465	3,966	3,862	4,314	4,818	5,331	5,820	6,320	6,868	7,470	8,123	8,752
Net claims on government 1/	628	513	668	919	1,093	925	1,292	745	1,370	1,548	1,537	1,626	1,652	1,621	1,507	1,719	1,970
Credit to the economy	1,023	991	986	1,119	1,237	1,371	1,456	1,555	1,830	2,141	2,495	2,934	3,451	4,094	4,857	5,763	6,898
Other claims on the economy	5	3	3	4	4	4	5	5	5	6	6	7	7	8	9	9	10
Net claims on NBU	220	594	885	842	1,165	1,165	1,214	1,558	1,109	1,124	1,293	1,253	1,210	1,145	1,097	631	-126
Other items, net	-536	-574	-650	-757	-807	-814	-855	-857	-910	-978	-1,064	-1,147	-1,232	-1,326	-1,422	-1,529	-1,640
Banks' liabilities	1,488	1,834	2,360	2,727	3,102	3,055	3,513	3,392	3,787	4,225	4,639	5,023	5,416	5,846	6,326	6,875	7,397
Memorandum items:																	
Base money	11.2	19.6	23.3	7.7	21.7	11.6	13.1	19.1	11.6	11.6	9.8	11.1	10.8	10.1	9.6	8.7	7.6
Currency in circulation	12.6	14.6	7.5	6.1	16.9	15.1	13.2	11.0	4.8	5.8	6.8	7.8	8.8	9.8	9.8	9.8	9.8
Broad money	12.0	20.8	23.0	13.4	14.4	12.7	13.2	11.0	11.7	11.6	9.8	9.2	8.8	8.7	8.7	8.7	7.6
Credit to the economy	8.4	-3.1	-0.5	13.5	10.6	22.5	17.7	13.4	17.7	17.0	16.5	17.6	17.6	18.6	18.6	18.6	19.7
Real credit to the economy 2/	-1.5	-23.5	-5.3	1.3	1.5	13.5	10.0	5.5	10.0	11.0	11.0	12.0	12.0	13.0	13.0	13.0	14.0
Credit-to-GDP ratio, in percent	18.8	18.9	14.9	14.6	14.0	15.4	14.3	15.5	16.3	17.2	18.3	19.8	21.4	23.4	25.5	27.9	30.7
Velocity of broad money, ratio	2.6	2.1	2.2	2.2	2.2	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Money multiplier, ratio	3.1	3.2	3.1	3.3	3.1	3.3	3.1	3.1	3.1	3.1	3.1	3.1	3.0	3.0	3.0	3.0	3.0

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 Capacity to Repay the Fund (Baseline Scenario)

(In millions of SDR)

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Existing Fund credit										
Stock 1/	8,707	7,794	7,182	5,902	4,566	3,230	1,754	780	56	0
Obligations	1,999	1,334	989	1,605	1,599	1,555	1,650	1,105	823	140
Principal (repurchases)	1,498	913	612	1,280	1,336	1,336	1,475	974	724	56
Total charges	502	421	377	325	262	218	175	131	99	84
of which: Surcharges	100	64	44	20	0	0	0	0	0	0
of which: Level-based	73	47	32	15	0	0	0	0	0	0
of which: Time-based	27	18	12	6	0	0	0	0	0	0
Prospective purchases										
Disbursements	2,817	1,288	664	1,167	0	0	0	0	0	0
Stock 1/	2,817	4,104	4,768	5,935	5,801	5,278	4,567	3,727	2,738	1,749
Obligations 2/	80	189	256	305	472	811	916	986	1,103	1,071
Principal (repurchases)	0	0	0	0	134	523	711	840	989	989
Total charges	80	189	256	305	338	288	206	146	114	82
of which: Surcharges	30	83	115	137	146	103	39	3	0	0
of which: Level-based	22	61	84	99	106	75	37	3	0	0
of which: Time-based	8	23	31	37	40	28	2	0	0	0
Stock of existing and prospective Fund credit 1/										
In percent of quota 2/	573	591	594	588	515	423	314	224	139	87
In percent of GDP	7.0	6.9	6.5	6.2	5.2	4.0	2.8	1.9	1.1	0.7
In percent of exports of goods and nonfactor services	25.6	24.1	21.8	19.6	15.7	11.8	8.0	5.3	3.0	1.8
In percent of gross reserves	24.0	22.2	21.9	20.2	17.7	14.4	10.5	6.9	4.1	2.4
In percent of public external debt	7.2	6.3	6.1	5.9	5.1	4.2	3.0	2.1	1.3	0.8
Obligations to the Fund from existing and prospective Fund credit										
In percent of quota	103.3	75.7	61.9	94.9	102.9	117.6	127.6	103.9	95.8	60.2
In percent of GDP	1.3	0.9	0.7	1.0	1.0	1.1	1.1	0.9	0.8	0.5
In percent of exports of goods and nonfactor services	4.6	3.1	2.3	3.2	3.1	3.3	3.3	2.4	2.1	1.2
In percent of gross reserves	4.3	2.8	2.3	3.3	3.5	4.0	4.2	3.2	2.8	1.7
In percent of public external debt service	57.3	31.0	24.7	32.8	39.0	41.7	43.4	38.7	30.9	14.7

Source: Fund staff estimates and projections.

1/ End of period.

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

Table 11. Ukraine: Quantitative Performance Criteria and Indicative Targets^{1/}

(End of Period; billions of Ukrainian hryvnia, unless otherwise indicated)

	Mar 2026		Jun 2026		Sep 2026	Dec 2026	Mar 2027
	EBS/25/64	QPC	EBS/25/64	QPC	IT	IT	IT
I. Quantitative Performance Criteria 1/ 2/							
Floor on the non-defense cash primary balance of the general government, excluding budget support grants (- implies a deficit) 2/ 3/	153.6	310.0	460.5	687.4	943.2	1,076.3	348.1
Floor on tax revenues (excluding Social Security Contributions)	599.0	580.0	1,292.8	1,280.0	2,057.0	3,000.0	651.3
Ceiling on publicly guaranteed debt 3/	68.0	65.0	68.0	65.0	65.0	65.0	73.0
Floor on net international reserves (in billions of U.S. dollars) 3/	34.3	44.2	34.3	51.3	51.9	49.2	51.6
II. Indicative Targets 1/ 2/							
Floor on the cash balance of the general government, excluding budget support grants (- implies a deficit) 3/	-340.0	-402.9	-590.0	-801.2	-1,287.1	-1,927.4	-452.5
Ceiling on general government arrears	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Floor on social spending	160.0	160.7	327.0	330.3	504.2	684.0	180.5
Ceiling on general government borrowing from the NBU 4/ 5/	-2.5	-2.5	-6.3	-6.3	0.0	0.0	0.0
III. Continuous performance criterion 1/ 2/							
Ceiling on non-accumulation of new external debt payments arrears by the general government	0	0	0	0	0	0	0
IV. Memorandum items							
External project financing (in billions of U.S. dollars)	0.3	0.4	0.3	0.9	1.5	2.8	0.4
External budget financing (in billions of U.S. dollars) 6/	5.2	12.7	9.8	28.0	37.0	46.9	9.9
Budget support grants (in billions of U.S. dollars)	0.2	0.9	0.3	1.1	1.5	1.9	0.1
Budget support loans (in billions of U.S. dollars) 6/	5.0	11.8	9.5	26.9	35.4	45.1	9.8
Interest payments	93.6	96.5	250.5	243.2	358.7	518.2	95.0
NBU profit transfers to the government	0	146.0	151.3	146.0	146.0	146.0	63.0
Government bonds for the purposes of bank recapitalization and DGF financing	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)	-340.0	-402.9	-590.0	-801.2	-1,287.1	-1,927.4	-452.5

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

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

4/ From end of previous quarter.

5/ For March 2026 onwards, calculated using actual and projected redemptions of government bonds as of November 21, 2025.

6/ Excludes prospective IMF disbursements under the EFF.

Table 12. Ukraine: Prior Actions and Structural Benchmarks (concluded)

No.	Structural Benchmark or Prior Action	Sector	Timing	Status
A	Adopt 2026 Budget consistent with the program	Fiscal	Prior Action	Met
B	Issue a decree to level the playing field for VAT payers in public procurement tenders (MEFP ¶22)	Fiscal	Prior Action	Met
C	Submit to Parliament legislation to amend the definition of “employment” in the Labor Code, consistent with good international practice (MEFP ¶23)	Fiscal	Prior Action	Met
1	Any non-systemic banks that come under state ownership will not be recapitalized using fiscal resources and will be transferred to the DGF for resolution upon breach of prudential requirements (MEFP ¶51)	Financial	Continuous	
2	Implement recommendations in MEFP ¶51 to strengthen the nomination process for SOB supervisory boards (MEFP ¶51)	Financial, Governance	End-Feb 2026	
3	Adopt a package of tax measures for 2026–27, as specified in MEFP ¶21	Fiscal	End-March 2026	
4	Appoint a new permanent head of customs (MEFP ¶30)	Fiscal, Governance	End-March 2026	
5	Submission to Parliament of amendments to the Tax Code, as specified in MEFP ¶25, including to align transfer pricing rules with OECD standards and to implement Article 4 of the EU ATAD. (MEFP ¶25)	Fiscal, Governance	End-Jun 2026	
6	Approve an updated SOB strategy that considers privatization objectives and how the safeguards in Article 7 of the Law on Banks and Banking can be extended to all majority systemic state-owned banks (MEFP ¶51)	Financial, Governance	End-Jun 2026	
7	Implement, by means of entry into force, of a critical third-party risk oversight framework (MEFP ¶50)	Financial	End-Jun 2026	
8	NACP to issue new regulations establishing a risk-based system for verification of asset declarations, prioritizing senior officials in identified high-risk areas (MEFP ¶62)	Governance	End-Jun 2026	
9	Publish a technical analysis quantifying the costs of current QFA in electricity, gas, and heating, the incidence of existing subsidies, and fiscally sustainable reform scenarios to achieve gradual	Energy	End-Jul 2026	

Table 12. Ukraine: Prior Actions and Structural Benchmarks (concluded)

No.	Structural Benchmark or Prior Action	Sector	Timing	Status
	cost recovery while ensuring adequate protection of vulnerable consumers, reflecting the findings of IMF TA to the Ministry of Energy (MEFP ¶172)			
10	Create the design of a centralized data warehouse for tax and customs administration (MEFP ¶28)	Fiscal, Governance	end-Dec 2026	
11	Strengthen NSSMC decision-making structures and processes by amending the NSSMC law to align governance with the Constitution and implement a two-tier governance structure including a supervisory board with clearly defined roles and responsibilities. (MEFP ¶153)	Financial, Governance	End-Dec 2026	
12	Appoint all ACU board members from the pool of vetted candidates in accordance with the 2024 amendments (MEFP ¶35)	Fiscal, Governance	End-Dec 2026	

Annex I. Peer-Reviewed Assessment (PRA)

A. Background

1. Ukraine joined the Fund in 1992 shortly after regaining independence in 1991. Since then, Ukraine has entered into 13 Fund arrangements, including one under the Systemic Transformation Facility (STF), nine Stand-by-Arrangements (SBA), and three arrangements under the External Fund Facility (EFF). Cumulatively, these programs envisaged access of SDR 68.7 billion or about US\$90 billion, of which SDR 33.9 billion or about US\$44 billion was disbursed. In addition, Ukraine benefitted from emergency liquidity support totaling about SDR 2 billion or about US\$2.7 billion in 2022. Finally, Ukraine was engaged in a Program Monitoring with Board Involvement (PMB) for a few months in 2022–23.

2. Ex-post and peer-reviewed assessments (EPA and PRA) of the Ukraine’s IMF arrangements were previously conducted in 2005, 2013 and 2020. The 2020 PRA emphasized that Ukraine had reduced external and internal imbalances and strengthened policy frameworks—particularly through reforms that secured central bank independence, eliminated quasi-fiscal deficits in the energy sector, and advanced governance measures. At the same time, the assessment highlighted persistent vulnerabilities: delays in reforming the judiciary and addressing vested interests, incomplete progress in strengthening fiscal transparency and the pension system and, more generally, challenges in ensuring program durability once immediate stabilization gains had been achieved. The need to focus conditionality on a streamlined set of critical reforms, supported by strong political commitment, was highlighted.

3. This annex assesses the objectives, outcomes and lessons learnt from Ukraine’s engagement with the IMF since 2020. This engagement unfolded in three distinct but interlinked phases. The first was the 2020 SBA, which provided critical balance-of-payments and budget support during the COVID-19 pandemic. The second phase comprised the Fund’s emergency support in 2022 through two Rapid Financing Instruments (RFIs), which delivered swift liquidity in the immediate aftermath of Russia’s full-scale invasion. The second phase also included the PMB, which was a short non-financial program approved in December 2022 to help Ukraine maintain macroeconomic stability and catalyze donor support during the early phase of the war. The PMB also tested the authorities’ capacity to implement reforms consistent with a UCT program. Building on the achievements of the PMB, the EFF approved in 2023 marked the third and longest phase, operationalizing the new IMF policy for lending in exceptionally high uncertainty, which included a new approach in program design, debt restructuring, and financing assurances, with the primary objectives of safeguarding macroeconomic stability, catalyzing donor financing, and anchoring a medium-term reform agenda aligned with Ukraine’s EU accession path.

B. Fund-Supported Programs and Instruments in 2020–2022

Stand-By Arrangement (2020)

4. The 2020 SBA (SDR 3.6 billion, or 179 percent of quota) provided a short-term anchor during the COVID-19 pandemic. With the onset of the pandemic, the authorities requested a 18-month SBA to address emerging balance of payments needs. The program was designed primarily to preserve macroeconomic stability and safeguard the gains achieved under earlier arrangements, rather than to launch a new wave of structural reforms. The focus was on maintaining prudent fiscal and monetary policies, protecting the independence of the National Bank of Ukraine (NBU) and upholding governance safeguards.

5. However, implementation of the SBA ran into difficulties from the very start.

- **Despite the program’s objective of safeguarding NBU independence, the Governor was forced to resign in July 2020, only one month after program approval,** due to political pressure, following a resolution adopted by a Rada committee declaring the NBU’s performance unsatisfactory. It took the authorities 16 months to put in place a credible plan to strengthen the independence of the central bank. The first (and only) review was completed in November 2021, when the program was extended and rephased, bringing total disbursements to SDR 2.0 billion (US\$2.8 billion). At that stage, several quantitative performance criteria and indicative targets were met; only two of nine structural benchmarks were implemented on time, although most were completed by the first review, including as prior actions.
- **While the program made some progress in institutional areas, monetary policy effectiveness was constrained, and ownership of governance reforms remained weak.** Progress was made in strengthening fiscal reporting, reinforcing the NBU’s legal framework for board appointments and dismissals, restoring asset declarations for public officials, and enhancing NABU’s operational autonomy. The NBU continued to operate an inflation-targeting regime with exchange rate flexibility, although FX interventions remained significant to mitigate excessive volatility and the effectiveness of monetary transmission was hampered by the several shocks during this period, as well as the limited financial intermediation and structural rigidities in the credit market. Judicial and broader anti-corruption reforms lagged, while contingent liabilities from state-owned enterprises and energy arrears remained unaddressed.

6. The SBA effectively ended with the onset of Russia’s full-scale invasion. When the war began on February 24, 2022, the IMF team was on the first day of a virtual review mission. As it became clear that completing the review in such circumstances would not be feasible, the authorities requested the cancellation of the SBA in March 2022 alongside a shift to emergency financing under the Rapid Financing Instrument.

C. Rapid Financing Instruments and Program Monitoring with Board Involvement (2022)

7. **Russia's full-scale invasion in 2022 had a devastating impact on Ukraine's economy.**

Real GDP fell by almost 30 percent in 2022 with widespread destruction of productive capacity and infrastructure. Inflation spiked to 26.6 percent by December 2022, driven by supply disruptions and war-related shortages, coupled with the impact of a 25 percent devaluation in July 2022 and large-scale monetary financing. The fiscal deficit excluding grants was close to 25 percent of GDP, and was financed by external grants, concessional loans and monetary financing as domestic revenues collapsed; public debt rose rapidly to 78 percent of GDP by end-2022. The current account recorded a surplus of 5.7 percent of GDP in 2022—reflecting exceptional transfers and grants that offset a deep trade deficit. The latter reflected the sharp contraction in merchandise exports due to maritime blockades and destruction of production capacity, as well as a surge in energy and defense imports. International reserves stood at US\$28.5 billion at end-December 2022, temporarily bolstered by external inflows but still vulnerable to financing delays and high energy and defense import needs.

8. **Following the cancellation of the 2020 SBA, two RFI disbursements provided emergency liquidity to address the immediate fallout from the war.**

In March 2022, the IMF disbursed US\$1.4 billion under the RFI, followed by an additional US\$1.3 billion in October under the Food Shock Window. These resources, which complemented US direct budget support via the World Bank's PEACE and EU macro-financial assistance (together amounting to US\$18.8 billion), were disbursed rapidly to maintain external stability, finance critical imports, and cover urgent budgetary needs, including social and defense expenditures. Fund conditionality was minimal, reflecting the need for speed and the extraordinary uncertainty created by the war. While these disbursements offered crucial short-term relief, they were not designed to anchor structural reforms or provide a medium-term policy framework, highlighting the necessity of transitioning to a more comprehensive arrangement.

9. **Despite the lack of formal conditionality, the authorities implemented numerous measures in 2022 to preserve macroeconomic stability while maintaining core functions of the state in the midst of the war.**

Spending was reprioritized toward defense and security, with total government spending increasing to 50 percent of GDP. The NBU first fixed the exchange rate but, as pressures mounted, devalued it by 20 percent in July 2022 before re-pegging, all while tightening reserve requirements and introducing strict capital controls to safeguard reserves. The NBU also provided budget support given that the domestic bond market had frozen and external concessional support was not yet available, launched "Power Banking"—a network of over 2,000 bank branches capable of providing banking services during prolonged blackouts—and granted loan moratoria, and deployed other prudential forbearance measures to ensure "continuity of services" in the banking sector. Finally, the authorities agreed moratorium on external debt service to official bilateral and private creditors, later anchored by a strategy to pursue a comprehensive debt treatment.

D. UCT Lending to Ukraine During the War

10. In the war context, it was assessed as impossible for the Fund to provide support to Ukraine through a standard Upper Credit Tranche (UCT) arrangement, which requires a restoration of medium-term external viability and adequate safeguards. The exceptionally high uncertainty (EHU) driven by exogenous shocks beyond the authorities' control meant it was not possible to anchor a potential Fund program around a sufficiently "central" scenario given significant tail risks: BoP needs were large and persistent, and their size and trajectory could not be estimated with the confidence required for UCT-quality program design, while debt sustainability and capacity-to-repay safeguards could not be ascertained upfront. Accordingly, the authorities relied on the PMB as a bridge to maintain engagement with the Fund. It was only with the development of the Fund's new EHU policy that a transition to a UCT-quality program became possible.

E. Program Monitoring with Board Involvement (2022)

11. The PMB provided a platform for structured policy dialogue with the authorities during the first phase of the war. The PMB was a newly created non-financial program approved in December 2022 to complement the RFI disbursement. It established a coherent macroeconomic framework to anchor policies and a set of monitorable objectives, and also gauged the authorities' capacity for undertaking reforms and providing data, in the middle of a war, that could pave the way for a UCT-quality lending program. This engagement helped maintain close alignment between the authorities and the Fund on fiscal, monetary, and governance priorities, while also supporting coordination with international partners and catalyzing donor financing during a period of acute uncertainty.

12. The PMB served as a bridge to a financing arrangement, outlining many of the key policy pillars that were later formalized under the subsequent EFF program. These included efforts to enhance domestic revenue mobilization (with initial measures of 0.6 percent of GDP and a broader roadmap for tax policy and administration reform), strengthen public financial management (PFM) and expenditure control, and eliminate monetary financing through the revival of domestic debt markets. It also set the stage for the preparation of a comprehensive financial sector strategy, including bank diagnostics and contingency planning, and reinforced the authorities' commitment to the independence of the NBU, as well as to improved governance in SOEs and SOBs. In doing so, the PMB provided foundations for the EFF's focus on medium-term fiscal sustainability, financial stability, and governance reforms.

13. The authorities' performance under the PMB demonstrated their capacity to design and implement UCT-level policies amidst a full-scale war and exceptionally high uncertainty and financing needs. Efforts to maintain overall macroeconomic and financial stability underscored strong institutional capacity and commitment to prudent policies. At the same time, the program highlighted that the war continued to generate exceptionally high uncertainty and very large

external financing needs, underscoring the importance of predictable donor support and contingency planning to sustain stability and safeguard policy credibility.

F. Extended Fund Facility (2023)

14. The EFF approved in March 2023 was a landmark arrangement for Ukraine under conditions of exceptionally high uncertainty. The arrangement provided access of SDR 11.6 billion (US\$15.6 billion, 577 percent of quota) over four years, and was the first and so far only program approved under the new policy of lending under “exceptionally high uncertainty” (EHU).¹ Beyond financing, the program underscored the Fund’s catalytic role, serving both as a financial backstop for Ukraine and as a central platform for coordinating an international support package that expanded over time to exceed US\$150 billion.

15. The EHU framework was designed to enable the Fund to engage in a UCT-quality program while an exogenous shock was still unfolding, rather than after it had subsided, as is typically the case for UCT arrangements. It recognized that program implementation would take place amid a full-scale war, where the evolution and resolution of shocks were fundamentally outside the authorities’ control and standard assumptions about a central baseline were not tenable. Program design was therefore based on two scenarios—a central scenario assuming a gradual tapering of the war and a downside scenario reflecting a longer, more intense conflict. Under EHU, the Fund’s financing assurances policies were also modified to allow (i) official bilateral creditors to provide an upfront credible assurance about delivering debt relief and/or financing, with the delivery of a contingent second-stage debt relief and/or financing once the exceptionally high uncertainty has been resolved, and (ii) extending the use of a capacity-to-repay assurances from official bilateral creditors/donors from emergency financing to a UCT arrangement context. Under this new policy, staff assessed that the program, together with the capacity to repay assurances and the financing assurances to restore debt sustainability, was strong enough in both the baseline and downside scenarios to resolve Ukraine’s balance of payment problems and restore medium-term external viability.

16. The March 2023 EFF program aimed at helping Ukraine overcome severe and ongoing economic shocks. Government spending was projected at about 11 percent of GDP higher than planned in the 2023 budget, with total expenditures near 68 percent of GDP, driven by defense, security, and social needs. The resulting deficit excluding grants for 2023 was projected at 28.2 percent of GDP, to be financed primarily by concessional external support. The current account deficit was projected to reach 4 percent of GDP, reflecting depressed exports amid damaged production and logistics (i.e., the Black Sea Corridor was closed in mid-2023), and increased imports of essential equipment. Nevertheless, backed by inflows, reserves stood at almost US\$30 billion (4 months of imports). Financial pressures remained elevated: the NBU held the policy rate at 25

¹ [Changes to the Fund’s Financing Assurances Policy in the Context of Fund Upper Credit Tranche \(UCT\) Financing Under Exceptionally High Uncertainty](#), March 2023.

percent amid still-high—though easing—inflation and ongoing FX-peg pressures, while domestic bond issuance was only gradually recovering.

17. The EFF was designed to resolve Ukraine’s BoP financing gaps and restore externally viability under both the baseline and downside scenarios by:

- **Improving the medium-term fiscal primary balance:** The estimated primary deficit under the baseline was projected to decline from 28 percent of GDP at program approval to a primary surplus of 0.5–1.5 percent of GDP for the post-war medium term, consistent with restoring fiscal and debt sustainability. Aside from the assumption that defense spending would decline after the war, this adjustment path would be supported by fiscal structural reforms:
 - **Mobilizing domestic revenue:** Given unavoidable spending pressures, the program was focused on revenue mobilization under the umbrella of the National Revenue Strategy (NRS), as well as restoring pre-war tax policies and building on measures to enhance the efficiency of the tax system and reduce tax evasion.
 - **Enhancing the efficiency of public spending:** The PFM component of the program rested on making medium-term budget planning a central part of the budget process, primarily through restoring the budget declaration and operationalizing the concept of an expenditure baseline. With post-war reconstruction considerations in mind, the program also overhauled the Public Investment Management (PIM) framework, establishing the Ministry of Finance’s (MOF) as the gatekeeper, and introducing a single project pipeline as the mechanism for identifying capital spending priorities.
- **Mobilizing an appropriate mix of external and domestic financing:** While external financing, largely on concessional terms, was expected to provide the bulk of fiscal financing, the program envisaged achieving positive net financing from the domestic bond market and eliminating monetary financing.
- **Ensuring a monetary policy stance that maintained price and external stability and adequate FX reserves:** The program supported the gradual transition back to a more flexible exchange rate and inflation targeting. Priorities included managing liquidity conditions and strengthening the transmission of the key policy rate (KPR) to reduce the reliance on the exchange rate as the main monetary policy instrument. In light of BoP pressures and the need to ensure adequate FX reserves, the program supported the continuation of restrictions on FX outflows.
- **Restoring debt sustainability.** Recognizing that Ukraine’s debt was unsustainable without restructuring and concessional external support, the program set clear debt targets (GFNs at 8 percent of GDP on average over 2028–33, and debt falling to 65 percent of GDP by 2033) to guide a two-step creditor strategy, where bilateral official creditors extended a debt service standstill and committed to delivering a final debt treatment to restore sustainability before the

end of the program or when EHU was resolved, and private-sector restructuring would be concluded by mid-2024, consistent with the DSA.

18. The EFF also included reforms essential for medium-term resilience and to support the country's EU accession goals. In particular, the program aimed at:

- **Safeguarding financial stability in wartime and aligning financial oversight with international good practice:** Priorities included preparing contingency plans for operational/liquidity shocks, keeping systemic banks well-capitalized and resolving weaker non-systemic banks, strengthening risk-based supervision and tackling legacy NPLs, improving state-owned bank (SOBs) governance to curb fiscal risks, and upgrading market infrastructure to deepen capital markets for recovery and reconstruction.
- **Strengthening institutions and external oversight.** The restoration and enforcement of asset declarations for public officials was an early priority. The program also required an independent external audit of NABU, reforms to overhaul and professionalize the Economic Security Bureau (ESBU), and measures to enhance the functioning of the High Anti-Corruption Court (HACC) and the Accounting Chamber of Ukraine (ACU). Finally, the program supported the establishment of the new specialized administrative court (HAC).
- **Enhancing governance of major state-owned enterprises (SOEs) and curbing fiscal risks,** including through: the adoption of an SOE corporate governance law (OECD-aligned), the introduction of an SOE state ownership policy, dividend policy and privatization strategy, strengthening their supervisory boards through a comprehensive revision of selection and appointment processes, and ensuring the full composition of the supervisory boards of Ukrenergo, GTSO, Naftogaz, and Energoatom. In parallel, the program called for an external audit of district heating arrears to Naftogaz to inform a strategy for addressing accumulated losses.
- **Program conditionality included measures that help align laws and procedures with EU standards, complementing the European Commission's Ukraine Facility.** The fiscal agenda under the National Revenue Strategy (NRS) included steps toward harmonizing excise duties with EU directives and rationalizing tax exemptions in line with the EU acquis. The program also supported the NBU and NSSMC in strengthening their independence and improving their supervisory practices to achieve EU "equivalence," alongside reforms of settlement, collateral, and insolvency frameworks to modernize financial market infrastructure. Corporate governance benchmarks (such as restoring independent supervisory boards at major SOEs and adopting OECD-consistent governance practices) were similarly designed as building blocks toward EU accession.

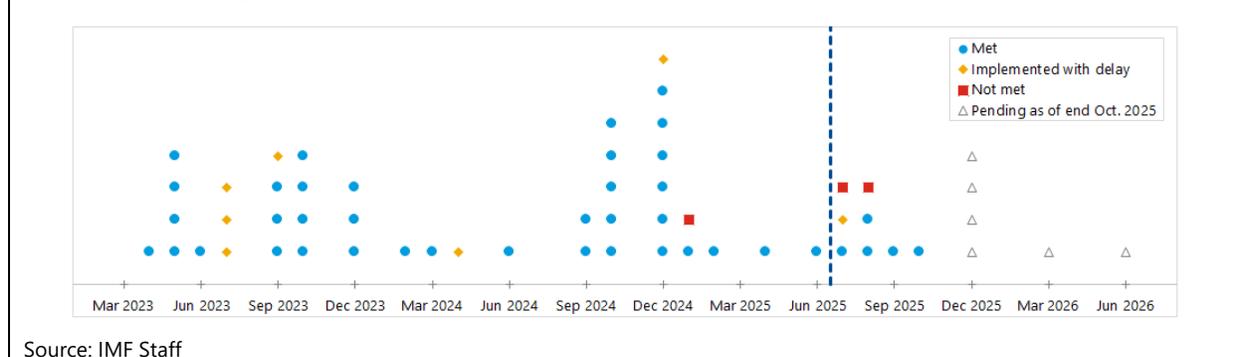
19. Implementation of the EFF was strong through June 2025 despite the wartime environment, with a record eight reviews completed on time and most conditionality met. The EHU framework was essential to keeping a meaningful program despite the large and frequent shocks to the macroeconomic framework by allowing policy flexibility while preserving the

program’s integrity. Quantitative performance criteria were observed throughout the program, with one waiver granted for a minor revenue shortfall due to customs revenue losses caused by border blockages in late 2023. Structural conditionality was also largely implemented, with some delays in the fiscal and financial sectors (Figure AI.2).

Figure AI.1. Ukraine: Selected Quantitative Performance Criteria under the 2023 EFF



Figure AI.2. Ukraine: Implementation of Structural Benchmarks



20. With the active war continuing, the assumption on the continuation of the war was extended at the Fifth Review and newly available ERA financing was incorporated in the program. The program scenarios were reset to assume that the war would wind down in late-2025 in the baseline and mid-2026 in the downside scenario. This extension widened Ukraine's fiscal and external needs, with a cumulative financing gap around US\$30 billion higher over the program period compared to the Fourth Review. This gap was largely covered by the G7's Extraordinary Revenue Acceleration (ERA) initiative, a financing package of about US\$50 billion for Ukraine backed and repaid by the profits generated from immobilized Russian sovereign assets (see Annex II, Box 2 in the Staff Report for the Fifth Review).

21. The authorities approved important measures that ensured burden sharing under the program. In December 2024, parliament approved a package raising the "military tax rate" from 1.5 to 5 percent, and broadened the tax base to include simplified-system taxpayers, introducing presumptive taxation for fuel stations and currency dealers, aligning corporate profit tax rates for banks and non-banks (25 percent), and imposing the 50 percent extraordinary corporate income tax on bank profits for two consecutive years, as well a set of other tax measures that included excises. Together, this package increased revenues by 1.6 percent of GDP in 2025, supporting the restoration of fiscal and debt sustainability.

22. These reforms, along with debt treatments, allowed the assessment that debt remained sustainable on a forward-looking basis and sufficient safeguards were in place for the Fund. After a two-year debt service standstill agreed in August 2022 on around US\$20 billion of international bonds, Ukraine reached an agreement-in-principle in July 2024 with holders to exchange its Eurobonds, and completed the transaction in September 2024. The deal featured an upfront 37 percent nominal haircut and a new A/B bonds structure, delivering relief estimated at US\$11.4 billion over three years and helping align the debt path with the program. The restoration of debt sustainability remained embedded in the program and depended on fiscal adjustment, concessional financing committed by donors, and a commitment from the authorities to a further debt restructuring as necessary, with steps taken to establish a credible process. Finally, capacity-to-repay assurances provided by a large group of creditors as required by the EHU policy provided an additional layer of safeguards for the Fund's resources.

23. The NBU gradually eased FX controls. In line with its FX-liberalization strategy, the NBU eased selected restrictions so as to support recovery while prioritizing reserve adequacy and market stability. Measures were phased and conditional, allowing specific external payments and tightening enforcement against circumvention.

24. The transition to inflation targeting remains a forward-looking task. Since the October 2023 move to managed exchange rate flexibility, the hryvnia has traded with greater two-way movement and narrower spreads, with FX intervention calibrated to smooth excess volatility and protect reserves. In September 2024, the NBU switched to a flexible inflation targeting framework, within which it communicates its inflation targets, publishes forecasts and adjusts the KPR. However, it continued to rely heavily on the exchange rate as its main monetary policy instrument, which entailed the use of foreign exchange reserves to steer the exchange rate, limiting the latter's role as

a shock absorber. Starting in 2025Q3, the NBU increased the flexibility of the exchange rate, based on relevant preconditions, and with the view of transitioning back to full-fledged inflation targeting over the medium term.

25. Progress in judicial reform and corporate governance was more mixed, with greater success in areas of anti-corruption reforms where the authorities had greater ownership.

These included the restoration of asset declarations, the achievement of SAPO's operational independence, the alignment of the AML/CFT regime to FATF standards, and the completion of an independent external audit of NABU, as well as steps to reconstitute supervisory boards in major SOEs. However, other areas of reforms, particularly structural benchmarks involving personnel selection or detailed guidance on legal processes encountered obstacles:

- **Conflicts around the formation and functioning of institutions increasingly weighed on reform delivery.** Tensions emerged between well-designed but time-consuming selection procedures, aimed at safeguarding independence and integrity and supported by civil society, and the authorities' preference to move quickly and retain control over key appointments, with state representatives rarely feeling empowered to exercise independent judgement. The appointment of the ESBU head also stalled for a few reviews—initially because the selection commission could not advance candidates and then due to the government's apparent concerns about the integrity of the leading candidate. Similarly, the appointment of a new head of customs was postponed twice amid the inability to constitute a nominations committee.
- **Governance weaknesses in the energy SOE portfolio impeded timely CEO and board appointments.** Leadership disruptions at Ukrenergo triggered international concern over political interference, while the GTSOU CEO selection has stalled. Delays in appointing state representatives have further slowed CEO competitions and left boards understaffed, and the structural benchmark to reform the Nomination Committee framework was missed.

26. The EFF under EHU mobilized large-scale financing that widened policy choices despite ongoing exogenous shocks.

The war created an environment defined by an unprecedented surge in defense spending, labor shortages from mobilization, migration and internal displacement, subdued investment, and heightened uncertainty. However, these negative shocks were met with unprecedented amounts of financial—including significant debt relief—and in-kind support from external partners, which allowed for a degree of macroeconomic stabilization that otherwise would never have been possible. Classic wartime policy tools such as monetary financing, financial repression, rationing, and price controls, were largely unnecessary as substantial external support and sound policymaking allowed Ukraine to avoid several suboptimal policies despite repeated fiscal shocks. At the same time, the war during this period was constantly evolving, bringing forth new challenges and risks. This complex reality raised fundamental questions on how to design fiscal and monetary frameworks that are both flexible and credible while embedding fully articulated and agreed downside scenarios, and on how to share the costs of the war among stakeholders.

27. Overall, the program achieved macroeconomic stabilization and advanced several key structural reforms, while adapting to the evolving war environment.

- **Fiscal sustainability was preserved through strong domestic revenue mobilization (about 2½ pp of GDP in additional revenues by end-2025) and unprecedented external support (with donor commitments exceeding US\$150 billion, official sector debt standstill, and private sector debt restructuring),** which helped accommodate large defense and macroeconomic shocks. Nonetheless, medium-term fiscal consolidation needs remain substantial.
- **While social protection remained constrained by limited fiscal space, high wages for frontline soldiers played an important social role by channeling income to their families,** and several targeted measures helped mitigate social pressures, including transfers to internally displaced persons (IDPs) and the redirection of 4 percentage points of personal income tax to municipalities to sustain district heating companies and protect winter energy supplies. Inflation declined markedly, from above 25 percent at end-2022 to 11.9 percent by September 2025, reflecting the end of monetary financing, tight monetary policy, exchange rate management, and sustained external financing.
- **The current account deficit excluding grants widened throughout 2025 (to about 21 percent of GDP),** reflecting a strong uptrend in imports of critical energy and defense-related goods, as well as strong demand for small-value postal packages and electric vehicles, amid an appreciating average real exchange rate. Nevertheless, international reserves remained at record levels (US\$57.3 billion at end-2025) reflecting continued large-scale donor support.
- **Energy supply has been kept broadly intact despite repeated Russian attacks, underscoring the resilience of critical infrastructure.** However, escalations in October 2025 signal a more aggressive Russian strategy, targeting gas production facilities and frontier communities, with new strikes inflicting severe damage.
- **Governance reforms largely advanced,** especially in anti-corruption where the authorities had greater ownership, helping to sustain donor confidence.

G. Lessons and Risks

28. The application of the EHU framework for the first time carries important lessons for the Fund’s engagement in member countries that may face similar settings. The 2022 RFI and PMB were critical for providing immediate relief to Ukraine and establishing the authorities’ capacity to implement program conditionalities under severe wartime constraints. Ukraine’s experience underscored the need to design a UCT program that would remain robust under severe downside risks, with credible safeguards for debt sustainability and capacity to repay. The Ukraine EFF shows that while the EHU framework allows the Fund to act decisively in crisis conditions, its success hinges on exceptional donor commitment, program adaptability, and determined policy implementation in the face of scenarios that extend beyond the baseline. The evolution of the Ukraine EFF may also help inform the assessment of when and whether the conditions to exit EHU are met.

29. Scenario calibration, particularly of the downside, is critical for the effective implementation of the EHU policy. In the 2023 EFF, the downside scenario assumed a more intense escalation of the war, which ultimately did not materialize, while the main tail risk proved to be a longer-than-expected conflict. This experience underscores the need for future programs to ensure that downside scenarios better capture the risk of a longer duration. In line with the EHU policy, it is also important to update scenarios and corresponding financing needs at each review, and to define contingent buffers, including financing assurances and potential debt relief, to ensure that adequate resources are available should tail risks materialize.

30. A parsimonious and flexible approach to structural conditionality seems an important element of program success. While the initial design of the EFF included a relatively large set of commitments and SBs, experience over successive reviews underscored the importance of streamlining structural benchmarks to a more manageable number, concentrating on realistic measures most critical for stabilization and governance. That said, the Fund’s flexibility in adapting conditionality to evolving risks (e.g., following the dismissal of Ukrenergo’s CEO in September 2024, a new SB was introduced to strengthen Ukrenergo’s corporate governance) helped catalyze engagement by other donors. This measured and adaptive approach sustained reform traction while preserving ownership and taking into account the authorities’ limited implementation capacity in wartime and their simultaneous commitment to conditionality from other partners

31. The quarterly review frequency ensured flexibility, engagement, and discipline, even if it imposed a demanding schedule that left limited room for broader reflection. The quarterly cycle enabled timely policy recalibration as shocks emerged, and ensured continuous alignment between staff and the authorities, which helped keep the program on track amid continuous uncertainty. This schedule is therefore suitable for a program under the EHU framework. At the same time, the intensity of such a cycle puts additional strain on the already stretched capacity of the authorities.

32. Close coordination with internal and external partners has supported program success. The unified sense of purpose across the authorities, donors, and IFIs has been foundational to this program. Inside the Fund, strong collaboration between departments ensured that program design and technical assistance were fully aligned. This extended beyond normal practice to include joint work on the IMF’s Ukraine Capacity Development Fund (UCDF), a \$65 million facility providing tailored and demand-driven technical assistance and training. Proactive engagement internally with all departments and management has been a hallmark of this program, which facilitated constructive solutions to complex problems in program design and conditionality, DSA, and debt restructurings. Coordination with external partners was also complex, given the breadth of counterparts involved—the EU, the World Bank and other IFIs, G7 members, the Ukraine Donor Platform, and bilateral embassies—and their dispersion across three continents. Yet this cooperation was essential to establish a coherent funding structure for Ukraine, and to align and complement IMF conditionality with partner priorities – consistent with demand from the country authorities. Such intensive engagement fostered broad international buy-in, which was critical for mobilizing

external financing and broad-based support for Ukraine at the IMF Board—frequently cited as a factor behind the EFF's success.

33. Mobilizing durable measures for revenue mobilization will remain essential to maintain fiscal sustainability and provide the resources needed for recovery and reconstruction. Even as the war subsides, Ukraine will face high and competing spending pressures—from continued defense and deterrence needs to support for veterans and vulnerable groups, reconstruction and infrastructure recovery, and the restoration of quality public services. The World Bank's Rapid Damage and Needs Assessment puts the latest reconstruction needs estimate at US\$524 billion over the next decade. Meeting these demands will require a realistic and equitable fiscal strategy aligned with available resources and financing. Beyond tax rate adjustments, durable revenue gains could come from broadening the tax base and improving compliance, including through reforming features of the simplified taxation regime that distort growth incentives, eliminating tax exemptions, and repairing breaks in the VAT chain.

34. The transition toward a more flexible exchange rate should be a key priority for any future program. At the beginning of the 2023 EFF, policy attention focused on core elements of external stability such as the robustness of capital controls, risks of capital flight, and adequacy of external buffers. More recently, the question of allowing the exchange rate to play a greater expenditure-switching role has begun to emerge, even if the immediate short-term gains from greater flexibility may be limited. The NBU though has relied heavily on exchange rate management to contain inflation, including because the war has complicated the operation and transmission mechanism of Ukraine's monetary policy. Given the need to safeguard foreign exchange reserves in case of further external shocks and the NBU's medium-term goal of returning to full-fledged inflation targeting, any future program should place greater emphasis on enhancing exchange rate flexibility to protect foreign exchange reserves and avoid a build-up of external imbalances, while gradually moving back towards an inflation-targeting framework in which the key policy rate serves as the main instrument. At the same time, as the war continues, the flexible inflation targeting framework, with the 3-year policy horizon, appropriately allows the NBU to remain nimble and respond to shocks while continuing to anchor inflation expectations.

35. Progress in strengthening governance hinges on identifying critical reforms that are owned by the authorities. While substantial progress on governance was achieved in 2023, driven by the momentum of the new program, strong Parliament engagement and active US support, governance reforms have since become more difficult to advance amid reduced government ownership. With the European Commission now devoting significant resources to this area, the Fund should avoid cross-conditionality and pivot toward advancing reforms in areas with maximal macroeconomic impact with a view to level the playing field for private investors. The focus is on areas of intersection between anti-corruption and macro policies (such as reducing the shadow economy). These also include consolidating the gains in anti-corruption institutions, advancing ongoing reforms in customs and ESBU, strengthening the monitoring of beneficial ownership in public procurement, and supporting the empowerment of supervisory boards while avoiding involvement in individual selection processes.

36. Further steps are needed to ensure the financial sector is ready to support a durable credit recovery. Despite robust lending growth over the recent years, with a net credit to GDP ratio of 18 percent, bank lending can grow sustainably to stimulate economic growth. The post-war reconstruction will require substantial investment, including from the banking system. The banks and the financial and capital market infrastructure should be prepositioned to facilitate investment. Reforms that are necessary include: i) accelerating state-owned bank (SOB) reform—such as governance safeguards, updated board nomination rules, and preparation for orderly privatizations—to reduce distortions and crowding out of private lenders; ii) fixing bottlenecks in the financial and capital markets infrastructure to broaden the financial products available for domestic and international investment; iii) mobilizing longer-term funding that complements bank credit; and iv) aligning banking sector norms with the EU acquis. The banks should be adequately positioned to expand their lending through strengthening the capital base and developing lending markets. Together, these steps to restore and improve lending capacity, lower risk premia, foster investment and channel financing to reconstruction projects as macro-financial stability is preserved.

Authorities Views

37. The authorities broadly agree with the thrust of the PRA. Both the MOF and the NBU acknowledge the role of the extraordinary support by the international community in helping Ukraine navigate exceptional wartime challenges. They highlight the role of nimble and decisive policymaking to weather multiple shocks during this period, starting from the COVID-19 pandemic in 2020. The NBU notes that monetary policy was consistent, transparent, and the proactive monetary stance has been broadly effective in balancing inflation risks and supporting economic recovery. On the 2023 EFF, the authorities acknowledge the IMF's adaptability as the EHU framework provided a path forward with a UCT-quality program despite extreme uncertainty, once policy implementation capacity had been established through strong performance under the PMB. They also view strong ownership and close coordination with international partners on key reforms as essential ingredients in their success at maintaining economic and social stability. In this regard, they appreciate the close dialogue between the IMF and other partners on reform areas as well as the integration into the IMF program of reforms to support Ukraine's EU accession ambition. The authorities also emphasize their efforts in implementing financial sector and lending development strategies, which have contributed to the lending recovery despite the ongoing war. In hindsight, the authorities feel that more parsimony in structural conditionality could have been considered given many competing priorities and evolving challenges. The authorities appreciate the continued support and the long-term engagement with the IMF, including through extensive capacity development assistance. Looking forward, they reiterated their continued commitment to maintaining sound macroeconomic policies and advancing the structural reform agenda.

Annex II. External Sector Assessment

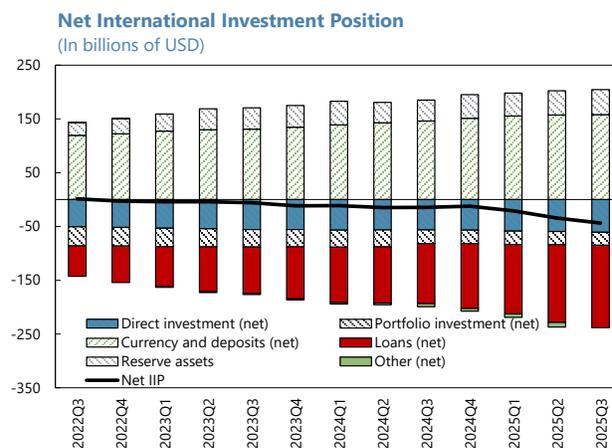
Overall Assessment: Against the backdrop of the continuing war, the external position of Ukraine in 2024 was substantially weaker than the level implied by fundamentals and desirable policies in the medium term after an end to the war. Ukraine's net international investment position was marginally negative in 2024, and donor financing remains critical for supporting the path of reserves. Public debt, of which 72 percent is external, continues to be assessed as unsustainable in the absence of a debt treatment, fiscal adjustment, and financing on sufficiently concessional terms. Exceptionally high uncertainty around the duration and impact of Russia's war in Ukraine continues to present a significant risk to the external position. In the same vein, challenges in implementing the external sector assessment using standard models during wartime warrant caution in interpreting the model results. Estimates for 2025 point to a continuing deterioration in the external sector, with a larger current account deficit and lower net international investment position, albeit an improved international reserves position.

Potential Policy Responses: To bring Ukraine's current account to a level consistent with the norm over the medium term, policies should entail fiscal consolidation, including targeted tax measures to moderate strong imports of specific goods such as small-value postal packages, supported by advancing the structural reform agenda, including on the path to EU accession. These policies, together with the gradual easing of FX controls and increasing exchange rate flexibility, would contribute to reducing external imbalances, boosting productivity and competitiveness, and safeguarding external sustainability.

Foreign Assets and Liabilities: Position and Trajectory

Background. Ukraine's negative net international investment position (NIIP) slightly widened from US\$11.5 billion (6.3 percent of GDP) in 2023 to US\$12.4 billion (6.5 percent of GDP) in 2024 owing to an increase in loan liabilities, despite a build-up in reserve assets and net currency and deposits, reflecting strong donor support, higher private sector holdings of foreign currency cash amid war uncertainties, and a current account (CA) deficit in 2024. Gross assets stood at US\$214 billion at end-2024, with currency and deposits accounting for the largest share (71 percent of gross assets). At US\$227 billion, gross liabilities primarily comprised loan and FDI liabilities (80 percent of gross liabilities). Gross external debt stood at US\$180.6 billion at end-2024 (95 percent of GDP), of which US\$116.8 billion was held by the public sector. Relative to end-2023, gross external debt rose by US\$19.1 billion driven by an increase in general government external loan liabilities, mostly to official creditors on concessional terms. In 2024, Ukraine has received over US\$30 billion in budget loan financing from bilateral and multilateral donors. Some 46.4 percent of Ukraine's gross external debt as of end-2024 was US\$-denominated, while 38.6 percent was euro-denominated. As of September 2025, Ukraine's negative NIIP widened to US\$43.6 billion (20.5 percent of estimated 2025 GDP), reflecting the continued widening of the CA deficit. The corresponding increase in liabilities primarily reflects disbursements under the ERA initiative and exchange rate valuation effects amid the weakening of the U.S. dollar.

Assessment. Ukraine's negative NIIP slightly widened in 2024, with loan liabilities accounting for the highest share of gross liabilities, although a large share is held by official creditors which has increased the concessional nature of public debt, partly mitigating risks. The currency composition of gross external debt creates vulnerabilities to exchange rate risk. Projected CA deficits over the medium term would imply further declines in Ukraine's NIIP. Public debt continues to be assessed as unsustainable in the absence of a debt treatment, fiscal adjustment, and financing on sufficiently concessional terms.

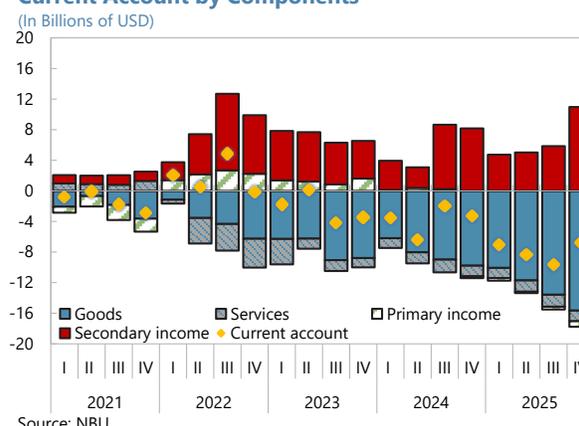


2024 (% GDP)	NIIP: -6.5	Gross Assets: 112.7	Loan Assets: 0.0	Gross Liabilities: 119.2	Loan Liabilities: 63.5
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Current Account

Background. The CA deficit deteriorated to 8 percent of GDP in 2024, from 5.2 percent of GDP in 2023, driven by a widening merchandise trade deficit and lower primary income. Despite relatively resilient agriculture and metallurgy exports, the trade balance deteriorated, primarily driven by higher priority import needs for energy- and defense-related goods. The decline in primary income reflects lower compensation of employees abroad and higher dividend payments. These negative effects on the CA were partially compensated for by reduced import of travel services from migrants abroad. In 2025, the estimated CA deficit excluding grants deteriorated by 7.1 percentage points of GDP. The increase reflected higher war-driven priority imports, but also higher imports of small-value postal packages and electric vehicles. Owing to a later start of the 2025 harvest season, exports were somewhat lower than during the same period in 2024. While the negative public saving-investment balance remains the main driver of the CA deficit and has deteriorated in 2025 amid a wider fiscal deficit including from lower grants, a narrowing private balance has also contributed to its widening.

Current Account by Components



Assessment.

The **CA approach** finds that the cyclically-adjusted CA was -8 percent of GDP. The cyclically-adjusted CA norm, which reflects the CA level that is in line with fundamentals and desirable policy levels, stood at -2.8 percent of GDP. This yields a negative CA gap of 5.2 percent of GDP. The contribution of policy gaps is estimated at -2.7 percent of GDP, primarily driven by the fiscal balance gap reflecting the need for expansionary fiscal policy during the war. The **external sustainability (ES) approach** provides a similar estimate of a CA gap of -6.2 percent, while the **REER model** estimates a positive CA gap of 2.2 percent. These estimates should be treated with a high degree of caution due to significant uncertainty from the war. Moreover, the CA model does not take into consideration the nature of large grant-like loan financing from official donors.

Ukraine: EBA-lite Model Results, 2024			
	CA model 1/	REER model 1/	ES model
	(in percent of GDP)		
CA-Actual	-8.0		
Cyclical contributions (from model) (-)	0.0		
Adjusted CA	-8.0		
CA Norm (from model) 2/	-2.8		
Adjustments to the norm (+)	0.0		
Adjusted CA Norm	-2.8		
CA Gap	-5.2	2.2	-6.2
o/w Relative policy gap	-2.7		
Elasticity	-0.3		
REER Gap (in percent)	17.6	-7.4	20.8

1/ Based on the EBA-lite 3.0 methodology
2/ Cyclically adjusted, including multilateral consistency adjustments.

When the CA and REER models point to different conclusions, the CA model is generally considered more informative and reliable than the REER model as it takes full advantage of cross-country information and is more suitable for countries undergoing large structural change.¹ As such, based on the preferred CA approach, Ukraine's external position in 2024 is assessed to be substantially weaker than the level implied by fundamentals and desirable policies in the medium term after an end to the war.

Real Exchange Rate

Background. The REER depreciated by 6.5 percent in 2024. In 2025, the average REER appreciated by 2.1 percent. The recent appreciation was primarily driven by a broadly stable USD-UAH exchange rate amid a positive inflation differential to trading partners. Trend private sector dis-saving and rising imports of specific goods such as small-value parcels point to eroding competitiveness.

Assessment. The EBA-lite **CA model** suggests a REER overvaluation of 17.6 percent. The **ES approach** conveys a similar message: stabilizing Ukraine's NIIP at its 2024 level in the medium term would require a REER depreciation of 20.8 percent given the negative CA gap from the model. In contrast, the **REER approach** finds an undervaluation of 7.4 percent. In line with the preferred CA model, staff assesses that Ukraine's REER in 2024 was overvalued. However, there are large uncertainties around the model estimates given the war context and implications on external sector developments.

Capital and Financial Accounts: Flows and Policy Measures

Background. Official donor financing accounted for the bulk of inflows to Ukraine in 2024, with on-budget loan financing equivalent to around 16 percent of GDP. In 2025, net inflows remained robust, driven by continued high levels of donor disbursements and lower outflows into FX cash.

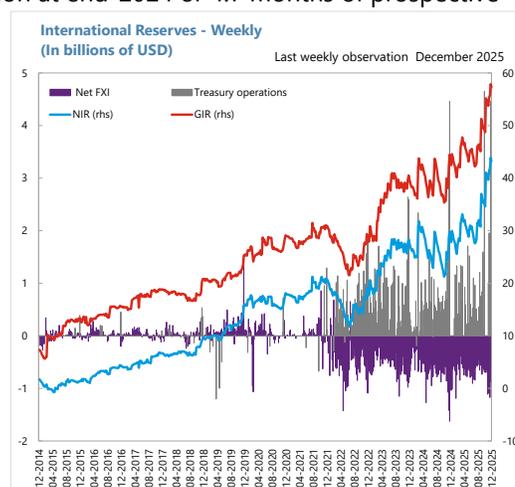
Following the outbreak of the full-scale war in February 2022, the National Bank of Ukraine (NBU) deployed FX controls including restrictions on bank account withdrawals to help preserve financial stability and on the repatriation of proceeds from nonresident government debt redemptions to contain FX reserve outflows. While the repatriation of interest payments on government bonds held by nonresidents (which are current transactions) was allowed from April 2023 onwards, it was restricted in May 2023 through requiring foreign investors to have a minimum continuous holding period of 90 days before the coupon payment is made. In June 2023, the NBU adopted a three-stage FX liberalization roadmap, which has been guiding a gradual easing of FX controls, in line with macroeconomic conditions. In May 2024, the NBU introduced the largest FX controls easing package since the start of the war to relax FX controls for businesses with the aim of improving conditions for doing business in Ukraine and promoting local companies to expand their business abroad, as well as to support new investment inflows.

Assessment. The financial account is projected to continue recording a surplus on the back of strong donor support and FDI inflows, to support post-war recovery and reconstruction. The gradual easing of FX controls is expected to continue, consistent with the authorities' FX strategy.

FX Intervention and Reserves Level

Background. Gross international reserves (GIR) reached US\$43.8 billion at end-2024 or 4.7 months of prospective goods and services imports and 122.4 percent of the ARA metric. As of end- 2025, GIR stood at US\$57.3 billion or 5.7 months of prospective imports, supported by strong external disbursements.

The war has necessitated intervention in the FX market by the NBU given constraints to the economy's capacity to generate FX through exports, while the demand for FX for energy and other priority imports as well as precautionary savings increased. The NBU's net FX sales amounted to US\$28.6 billion in 2023, US\$34.8 billion in 2024, and US\$36.2 billion in 2025. The NBU also intermediates the public sector's sizeable structural FX surplus. The FX market has remained broadly stable, supported by sizeable external financing inflows, largely stable exports, and measures to ease FX demand pressure, such as increasing limits for debt servicing and Eurobond coupon payments, as well as import-related transactions. This has contributed to reducing and stabilizing the spread between the official and cash UAH/USD rates within 0-1 percent by December 2025.



Ukraine's inflation targeting regime was replaced by a hard peg to the US dollar at the start of the war. On October 3, 2023, Ukraine transitioned to a managed flexible exchange rate regime.

Assessment. While donor financing is projected to continue supporting Ukraine's GIR, uncertainty around the duration and impact of the war constitutes a significant risk to the path of GIR. FX interventions should support NBU's strategy of gradually increasing flexibility in the exchange rate, and moderate over time as FX market imbalances are addressed and the NBU eventually returns to the pre-war inflation targeting framework.

¹ The REER index model includes country fixed effects which averages the model residuals of each country to zero over the sample period. This implies that the REER model assesses the current value of the REER against its own history. It therefore cannot provide a meaningful comparison across countries, and has limitations when applied to countries with large structural changes or with short data spans. See [IMF Methodological Note on EBA-lite, February 2016](#) for further details on the model.

Annex III. Risk Assessment Matrix

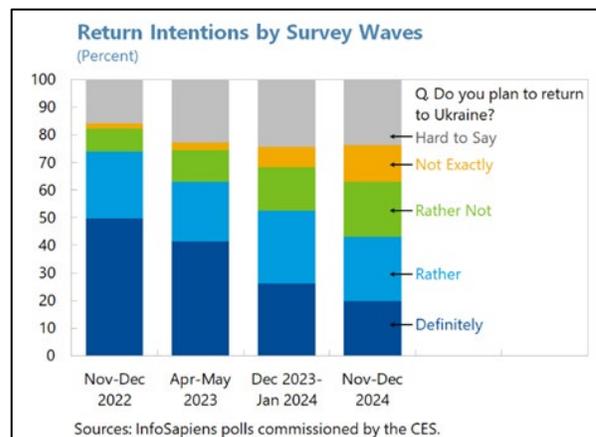
Source of risk, direction, and transmission channels	Likelihood	Impact	Policy response if realized
Durable peace settlement in the near term (↑). If realized, damages would stop accruing and the recovery could begin earlier	Medium	High	Step up work on arrangements for a transition to a post martial law environment. Continue to implement policies consistent with maintaining stability and unwind crisis measures only when conditions are met.
Geopolitical tensions/intensification of the war (↓). An escalation would exacerbate humanitarian suffering, trigger further outward migration, weigh on growth, and reignite inflation	High	High	On impact, utilize the buffers provided in the budget to cover additional defense expenditures. If prolonged, apply the contingent policies envisaged in the downside scenario while being prepared to deploy additional fiscal measures for situations worse than the downside.
Decline in international aid/ ability to continue mobilizing budget support of the needed magnitude (↓). Reduced international financial assistance would re-open financing gaps, strain economic outturns, and risk macroeconomic stability	Medium	High	The immediate response to a shortfall would be to mobilize domestic financing. Then, identify and deploy adjustment measures (further revenue mobilization, reprioritizing expenditures) and work with donors to attempt to secure new financing. In tail risk situations and when pre-conditions have been met, limited monetary financing is possible.
Rising social discontent (↓). Further governance scandals could trigger unrest and economic disruptions	Medium	Medium	Continue following through with structural reforms and avoid policies that would damage confidence in the government
Reform fatigue (↓). Limited progress on implementing committed reforms under the program or backsliding could impact TFP gains and thus potential growth, damaging long-run growth prospects	Medium	High	Most importantly, avoid actions that undermine governance institutions. If any events impacting these institutions occur, immediately act to reverse them. Reaffirm commitment to the reform agenda and make a demonstration of ownership by accelerating reforms where possible. Maintain effective public outreach.
Intensified attacks on energy infrastructure (↓). Further attacks would weaken production capacity and the humanitarian situation	High	High	Work with partners to ensure a smooth heating season, emphasizing financing modalities that do not exacerbate fiscal risks where possible. In a last resort, seek savings in the budget to provide support while respecting program parameters.
Stronger post war return TFP, investment, and TFP (↑). If realized, these developments could boost potential growth above the baseline's (downgraded) assumptions	Low	High	Implement reforms, maintain strong governance on reconstruction and recovery investment, and provide adequate social services to try to maximize the likelihood and persistence of these outcomes.
The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline. Likelihood reflects staff's subjective assessment: "low" (below 10 percent), "medium" (10-30 percent), and "high" (30-50 percent). The RAM captures staff views on the source of risks and overall concern as of the time of discussions with the authorities. Risks may interact and materialize jointly.			

Annex IV. Upside Scenario

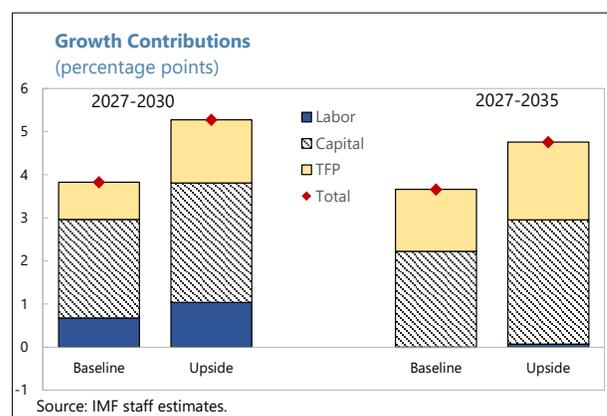
1. There is a scenario for post-war recovery that includes higher sustained high investment levels, greater inward migration, and completion of ambitious structural reforms to bolster growth.

As of December 2024, direct damages from the war stood at US\$176 billion (according to [RDNA4](#)), about 90 percent of 2024 GDP, while as of December 2025, more than 5.8 million refugees from Ukraine were recorded worldwide ([UNHCR](#)), more than 14 percent of the pre-war population. Such enormous physical and human capital losses will only be recovered through robust investment inflows and refugee returns in post-war years, with confidence in the security

situation, job opportunities, and strong institutions as enabling factors. The pace of structural reform implementation in the EFF-supported program, the Ukraine Facility, and EU accession would help catalyze the much-needed private investments to boost long-term productivity and growth. Inherently unpredictable confidence effects will be key determinants of investment and refugee returns, which may amplify each other in a positive dynamic.

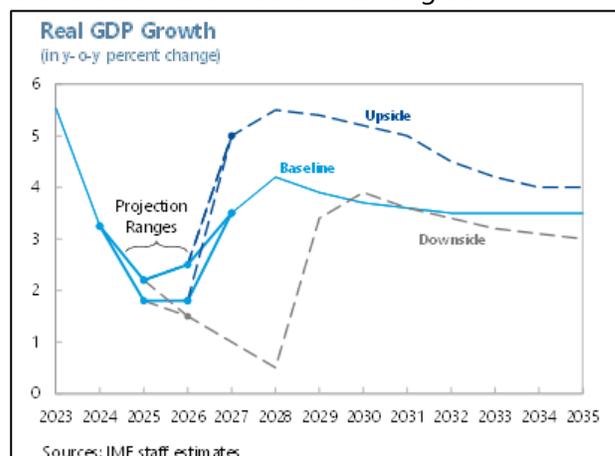


2. Staff has updated the upside scenario since the Second Review of the 2023 EFF to reflect the scarring effects of a longer war. Refugee surveys have displayed a steady decrease in return intentions, currently below 50 percent, which lowers the likelihood of the robust returns envisioned in the upside scenario prepared at the end of 2023 (under the assumption of the war winding down by end-2024). A projected additional 0.9 million refugee outflows expected through the end of 2026 also depress the labor contribution to potential output. Similarly, the pool of potential concessional resources for post-war reconstruction has been depleted by the need to finance the continuing defense effort, affecting both baseline and upside investment projections. Larger dislocations and frictions from prolonged wartime conditions are also expected to be a larger drag on TFP growth than previously envisioned.



3. The revised upside scenario continues to factor in higher investment levels, larger refugee returns, and deeper reforms resulting in higher productivity than in the baseline. Deeper and faster reform effort would deliver a confidence-driven positive equilibrium in the immediate post-war period, as well as unlock long-term productivity gains (see the table on assumptions below).

- In the post-war period 2027–2035, the baseline scenario assumes a medium- to long-term growth rate of around 3.5 percent, which would lift the real GDP level to around 111 percent of the pre-war level by 2035, while the upside scenario would reach 122 percent of pre-war GDP, given a higher trend growth of 4 percent. In the immediate post-war years (2027–2030), faster growth is achieved in the upside scenario mainly thanks to larger refugee returns and higher productivity achieved through rapid reintegration and reallocation of labor across sectors. In the longer run, a larger labor force and ambitious reforms attract more capital accumulation and catalyze larger productivity gains.



- Across both the baseline and upside scenarios, capital accumulation from reconstruction would account for around 60 percent of total growth, and TFP for the remaining 40 percent over the period 2027–35. In the upside scenario, investments would need to total around US\$74 billion per year (stabilizing around 27 percent of GDP) against an average of US\$63 billion per year in the baseline (around 24 percent of GDP), both significantly up from the 2024 levels of US\$35 billion (around 19 percent of GDP). In both scenarios, investment would be primarily financed by private sources, given limited availability of public funds, underscoring the importance of reforms to encourage investment and improving the business environment (in the upside, private investment is 4.7 times public investment).
- TFP is assumed to increase from the estimated 1 percent pre-war average to 1.5 percent per annum in the baseline scenario and 2 percent in the upside, in line with growth effects experienced in past EU accession cases (IMF, 2024). The larger productivity boost in the upside would stem from a more ambitious reform agenda, and more successful measures to level the playing field and promote entry and competition, for example through de-shadowing, privatization in state-dominated sectors, and financial sector reform.
- In the 2035 upside, despite a 50 percent increase in real per capita income, Ukraine would still lag EU peers, and the 2035 per capita income growth rate would need to be sustained for six more years to reach the level attained by Bulgaria in 2025. This would require that successful reforms are not reverted, supporting high investment and productivity gains.

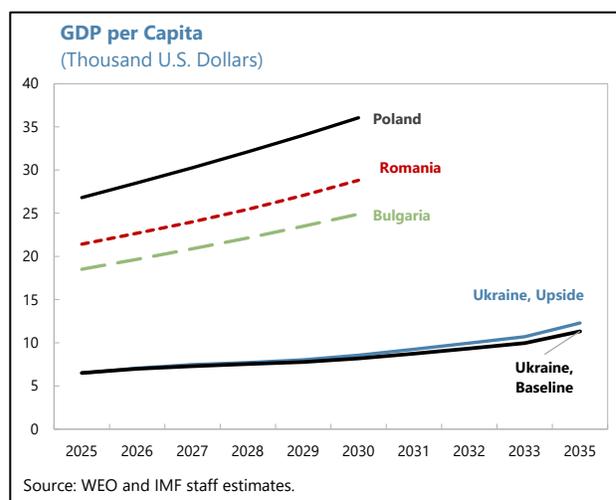


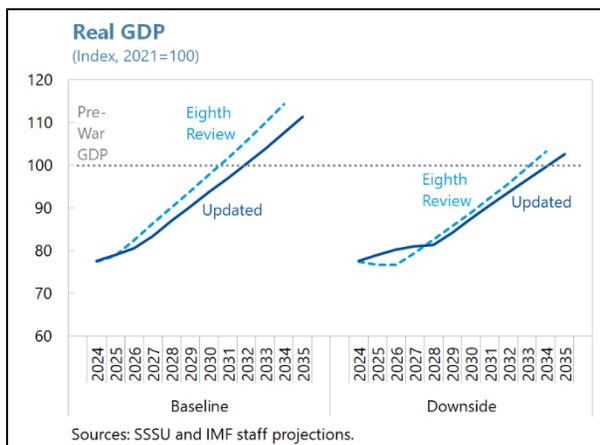
Table AIV. 1. Ukraine: Selected Assumptions and Results

	Baseline	Upside	2nd Review Upside range
<i>Average annual GDP growth, post-war period (end of projection horizon)</i>	3.7 percent (3.5 percent)	4.8 percent (4 percent)	5.8–7.3 percent (4.5–6.5 percent)
<i>Investment to GDP, end of projection period</i>	24 percent	27 percent	28–33 percent
<i>Average investment per year, 2024 through end of projection period</i>	US\$63 billion	US\$74 billion	US\$65–89 billion
<i>Net refugee flows relative to end-2021</i>	-5 million persons	-4.2 million persons	-1.5 to 0 million persons

Annex V. Downside Scenario

- Staff has applied a new approach to designing the downside scenario required by the Fund’s policy on lending under Exceptionally High Uncertainty.** Under the 2023 EFF, the shock under the downside was modelled as a war that is both longer (by an indicative time period) and more intense. However, for the new proposed program, staff has revised the calibration of the downside scenario whereby the war lasts longer, and thus remains unresolved for substantially longer but does not intensify. The war would have larger impacts in 2026, continue in 2027 and gradually transition into a frozen conflict by end-2028. The new downside also incorporates larger and more-longer term economic scarring, affecting both the program and post-program macro outlook. Thus, in the updated downside, the authorities would be fully able to implement policies consistent with restoring debt sustainability and medium-term external viability only from late-2028.
- Given this revised assumption, the paths for economic growth and inflation have changed substantially from the downside of the 2023 EFF’s Eighth Review.**

- Real GDP Growth:** The updated downside differs from downside scenarios in the 2023 EFF that envisaged upfront economic contractions followed by robust recoveries and stable long-term growth paths after the war. In the near term, activity does not contract, reflecting the assumption that the war does not intensify, although damages to energy infrastructure are expected to be more significant. In the years leading to 2028, when the security situation remains unresolved, growth continues to be depressed by continued population outflows and delayed reconstruction investment (both relative to the baseline and the Eighth Review’s downside). A rebound begins in 2029, when the security situation is assumed to have improved enough to allow the authorities to implement policies to restore debt sustainability and medium-term economic viability. However, the recovery is both generally less robust than previously envisaged and not durable, with a slower pace of reconstruction and adverse demographics leading to weaker long-term growth causing real GDP to reach its pre-war level only in 2035.
- Inflation:** With the security situation remaining unresolved for longer, the factors behind the recent high inflation—supply shocks and high wage growth induced by labor shortages—contribute to higher pressures. Given these trends, inflation rises slightly in 2027 before resuming a downward trend and reaching the 5 percent target only in 2030.
- Balance of payments:** The current account deficit reaches a trough of 22.8 percent of GDP in 2026 before gradually narrowing over the remainder of the forecast horizon. This path marks a

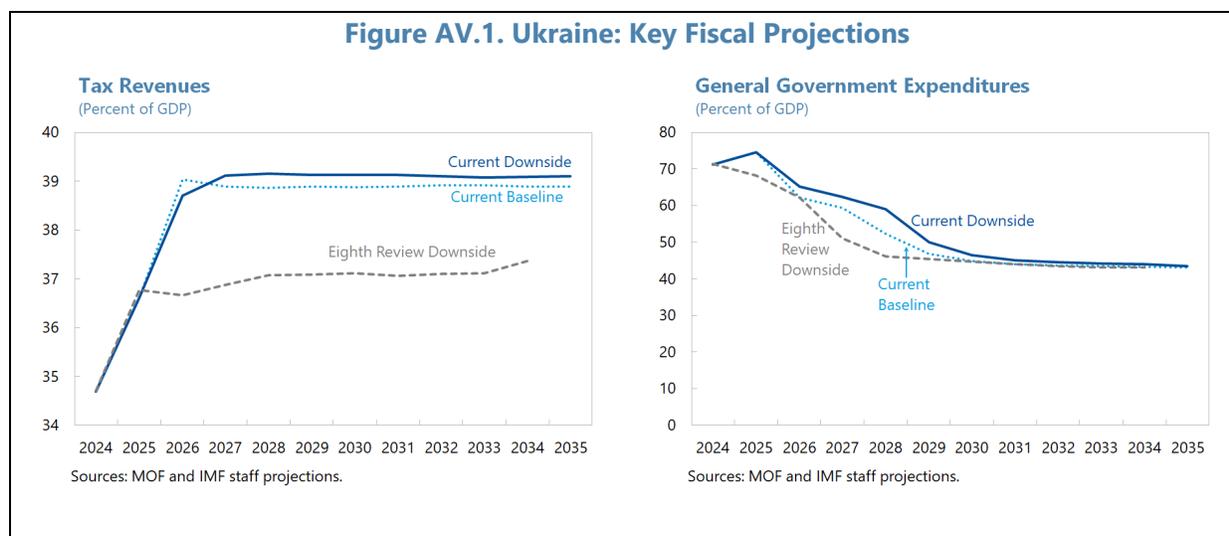


substantial deterioration relative to the previous downside, which widened less substantially and narrowed more swiftly. These trends principally reflect the duration of the shock, which boosts imports given a significant import component of defense spending (with only a partial offset from policy action described below) as well as delaying a recovery in exports. International reserves reach their trough 2030, different from the steady accumulation in the baseline, consistent with the impact of a longer war. Nevertheless, with the revised assumptions on external donor disbursements, which now match the baseline, reserves are significantly higher than in the Eighth Review's downside. Overall, in 2035, reserves reach 110.7 percent of the ARA metric.

3. However, the shock is substantially of a fiscal nature, and manifests itself through higher defense expenditures:

- *Revenues:* Despite the war persisting longer than expected, the authorities implemented substantive tax policy and administrative measures under the 2023 EFF, which have helped deliver adequate revenues.¹ Moreover, the authorities have long committed to a contingent increase in the main VAT rate if downside shocks materialize. Given this demonstrated ability to implement tax policy measures in response to fiscal pressures from the war, the revised downside's assumption that the war persists around its current intensity, and the commitment to additional policy action, the revised downside envisages the tax-to-GDP ratio stabilizing just over 39 percent of GDP, boosted (relative to the baseline) by the VAT rate increase.
- *Expenditures:* With tax revenues little changed, the differentiation in fiscal outturns under the downside largely materializes through substantially larger defense expenditures. Interest is also higher due to increased reliance on domestic financing (next bullet). Overall, total expenditures remain above the baseline and over 60 percent of GDP during 2026–27. Expenditures decline to just under 59 percent of GDP in 2028, consistent with the security situation gradually improving slowly but still elevated and above the baseline. Over the medium to longer run, expenditures wind down, broadly converging to levels observed in the baseline.
- *Deficits and financing:* Overall fiscal deficits excluding grants remain very high for the duration of the shock, averaging 20 percent of GDP over 2026–28 as the war transitions to a frozen conflict (versus actual deficits averaging around 24 percent of GDP for 2022–25, a period of full-scale war). The domestic government securities market plays a substantial role in this regard, with the authorities expected to mobilize financing during the peak years of the shock. The required issuance would be of a magnitude that would leave domestic public debt-to-GDP around the recent elevated levels observed since the start of the war. Additionally, the authorities would also obtain additional exceptional financing, including from deeper external debt restructuring.

¹ These measures include, for example, the increase in the military tax rate and gradually aligning excise tax rates on tobacco and fuel products with EU directives.

Figure AV.1. Ukraine: Key Fiscal Projections

4. The revisions to the downside aim to better reflect the experience gained during the last three years of full-scale war and the Fund’s program engagement with Ukraine. Key advantages to this approach include:

- The revised downside better reflects the policymaking experience of the past three years of full-scale war. While the war has extended much longer than expected in March 2023, when the 2023 EFF was approved, the economic fallout has been less than feared. This has reflected not only the authorities’ demonstrated ability to adjust policies as needed to respond to fast-moving shocks but also their MEFP commitments on appropriate responses to downside shocks.
- Reflecting staff’s consultations with security experts, these revisions to the downside’s assumptions result in a more realistic scenario.
- Setting the downside shock to the maximum duration that still leaves sufficient runway to deliver medium-term external viability aligns with the EHU Policy’s prescription to take assumptions to their limit. It also provides adequate differentiation between the scenarios, explicitly demonstrating the full range of outcomes under which the program can operate.
- This approach curtails risks to the program if the baseline’s war duration assumption needs to be extended again in the future. In that eventuality, these assumptions would limit the need to recalibrate the downside, containing the changes to the program.
- The revised downside does not require the reservation of financing for downside shocks. Avoiding this practice reflects both the political constraints of donors and the authorities, which were made clear by the experience of ERA financing in 2025. However, the downside does assume a more favorable grant-loan split on the 7-year MFF financing from the EU.

5. As in the previous program, discussions highlighted additional policy responses that the authorities could take in the event of scenarios even worse than the downside:

- *Revenues:* The main VAT or military tax rates could be hiked further, or solidarity or luxury taxes could be introduced.
- *Expenditures:* Options could include resequencing capital expenditures or reversing the plans to implement social measures in the 2026 budget.
- *Domestic market financing:* Measures in this space would likely include revised regulations requiring banks to hold a stipulated amount or introducing a minimum holding period for government securities (possibly differentiating among banks based on liquidity conditions). Additionally, the range of instruments offered could be expanded to include FX or inflation-linked securities, if that would better align with the market's appetite. In a severe adverse situation, secondary purchases by the NBU could serve as a backstop for primary markets.
- *Monetary and exchange rate policies:* If there were renewed pressures on the exchange rate but a still adequate level of reserves, staff will review options with the authorities including a calibrated expansion of FX controls combined with tightening monetary policy to preserve positive real rates and allowing exchange rate adjustment in order to safeguard reserves.

Table AV.1. Ukraine: Selected Economic and Social Indicators (Downside Scenario)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
	Act.	Act.	Act.	Act.	Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Real economy (percent change, unless otherwise indicated)															
Nominal GDP (billions of Ukrainian hryvnias) 1/	5,451	5,239	6,628	7,662	8,877	10,091	11,160	12,225	13,589	14,966	16,280	17,676	19,153	20,734	22,424
Real GDP 1/	3.4	-28.8	5.5	3.2	1.8-2.2	1.5	1.0	0.5	3.4	3.9	3.6	3.4	3.2	3.1	3.0
Contributions:															
Domestic demand	12.5	-19.0	12.3	6.5	7.4	4.4	1.8	0.2	-1.5	0.7	1.7	3.4	3.0	3.0	2.8
Private consumption	5.0	-19.0	2.8	5.2	3.4	1.7	1.1	1.1	2.2	2.1	2.1	2.5	2.3	2.3	2.2
Public consumption	0.2	5.6	3.7	-1.7	1.6	1.2	0.0	-1.6	-4.8	-2.6	-1.3	0.0	0.0	0.0	0.0
Investment	7.4	-5.5	5.8	3.0	2.4	1.5	0.7	0.7	1.1	1.2	1.0	0.8	0.7	0.7	0.7
Net exports	-9.1	-9.8	-6.7	-3.3	-5.6	-2.9	-0.8	0.3	4.9	3.2	1.9	0.0	0.2	0.1	0.2
GDP deflator	24.8	34.9	19.9	12.0	13.8	12.0	9.5	9.0	7.5	6.0	5.0	5.0	5.0	5.0	5.0
Unemployment rate (ILO definition; period average, percent)	9.9	24.5	19.1	13.1	11.6	10.0	10.0	10.0	11.0	11.3	10.7	10.1	9.5	8.8	8.5
Consumer prices (period average)	9.4	20.2	12.9	6.5	12.7	7.1	9.8	8.5	7.5	5.9	5.0	5.0	5.0	5.0	5.0
Consumer prices (end of period)	10.0	26.6	5.1	12.0	8.0	10.0	9.0	8.0	7.0	5.0	5.0	5.0	5.0	5.0	5.0
Nominal wages (average)	20.9	6.0	17.4	23.2	22.6	12.3	14.1	11.1	9.8	8.7	7.9	8.4	8.3	8.1	8.1
Real wages (average)	10.5	-11.8	4.0	15.7	8.7	4.9	3.9	2.5	2.2	2.6	2.8	3.2	3.1	3.0	3.0
Savings (percent of GDP)	11.7	16.7	12.9	11.2	6.8	-0.8	1.5	8.4	13.3	16.1	17.4	18.2	18.4	19.4	14.9
Private	11.9	29.8	27.6	23.1	25.1	17.0	17.8	16.9	13.9	13.0	12.7	13.2	14.3	15.2	15.5
Public	-0.2	-13.1	-14.6	-11.8	-18.2	-17.8	-16.3	-8.6	-0.7	3.2	4.7	5.0	4.1	4.2	-0.6
Investment (percent of GDP)	14.5	12.1	18.1	19.2	21.8	22.0	22.2	23.1	23.8	24.4	24.7	24.6	24.5	24.4	19.1
Private	10.7	9.6	13.4	13.9	16.7	18.1	18.2	18.8	19.3	19.5	19.5	19.4	19.3	19.2	19.1
Public	3.8	2.5	4.7	5.4	5.1	3.9	4.1	4.3	4.5	4.9	5.2	5.2	5.2	5.2	0.0
General Government (percent of GDP)															
Fiscal balance 2/	-4.0	-15.6	-19.3	-17.2	-23.3	-21.7	-20.4	-12.9	-5.2	-1.7	-0.5	-0.2	-1.1	-1.0	-0.6
Fiscal balance, excl. grants 2/	-4.0	-24.8	-25.8	-23.1	-23.6	-22.5	-20.5	-17.3	-8.4	-5.1	-3.6	-3.2	-2.8	-2.6	-2.1
External financing (net)	2.5	10.7	16.2	15.0	24.2	21.1	17.5	4.5	2.3	-1.6	-1.7	-1.5	0.3	-0.9	-1.1
Domestic financing (net), of which:	1.5	5.0	3.1	2.1	-0.8	-0.1	1.8	7.2	0.6	1.5	0.3	0.2	-0.2	-1.0	-1.6
NBU	-0.3	7.3	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.2	-0.3
Commercial banks	1.4	-1.5	2.5	2.9	0.9	0.7	2.4	5.8	0.6	1.4	0.2	0.2	0.0	-0.9	2.0
Public and publicly-guaranteed debt	48.9	77.7	81.2	89.7	108.7	126.7	144.0	152.1	151.5	142.1	134.1	126.3	120.3	114.5	108.9
Money and credit (end of period, percent change)															
Base money	11.2	19.6	23.3	7.7	11.6	18.8	14.0	9.6	12.2	10.1	8.8	8.6	8.3	8.2	8.1
Broad money	12.0	20.8	23.0	13.4	12.7	13.5	11.2	9.5	12.2	10.1	8.8	8.6	8.4	8.3	8.2
Credit to nongovernment	8.4	-3.1	-0.5	13.5	22.5	14.9	15.0	14.5	15.6	15.5	15.5	15.5	15.5	17.6	17.6
Balance of payments (percent of GDP)															
Current account balance	-2.7	4.6	-5.2	-8.0	-15.0	-22.8	-20.7	-14.7	-10.5	-8.3	-7.2	-6.5	-6.2	-5.0	-4.2
Foreign direct investment	3.7	0.1	2.5	2.0	1.1	1.4	1.9	3.1	4.2	5.7	5.7	5.5	5.3	5.3	5.3
Gross reserves (end of period, billions of U.S. dollars)	30.9	28.5	40.5	43.8	57.3	60.3	62.3	51.8	51.2	50.2	51.5	53.9	60.3	71.5	86.2
Months of next year's imports of goods and services	4.4	3.8	5.1	4.7	5.4	6.0	6.0	5.2	5.0	4.6	4.5	4.5	4.8	5.4	6.1
Percent of the IMF composite metric (float)	104.3	106.5	126.8	122.4	134.7	120.1	106.8	83.5	78.1	74.5	74.3	75.9	82.2	94.0	110.7
Goods exports (annual volume change in percent)	38.7	-43.5	-8.4	16.8	-2.4	10.9	6.4	12.0	14.0	9.5	10.6	8.6	8.7	8.6	7.0
Goods imports (annual volume change in percent)	15.2	-29.8	18.2	6.5	25.7	12.5	-1.1	5.6	-3.5	1.7	5.8	5.5	4.9	5.4	5.5
Goods terms of trade (percent change)	-8.2	-11.3	3.5	1.6	1.4	0.7	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exchange rate															
Hryvnia per U.S. dollar (end of period)	27.3	36.6	38.0	42.0	42.4	...	...	...	...	...	...	...	...	...	...
Hryvnia per U.S. dollar (period average)	27.3	32.3	36.6	40.2	41.7	...	...	...	...	...	...	...	...	...	...
Real effective rate (CPI-based, percent change)	2.6	2.9	-8.2	-6.5	2.1	...	...	...	...	...	...	...	...	...	...
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/ DGGP is compiled as per SNA 2008 and excludes territories that are or were in direct combat zones and temporarily occupied by Russia (consistent with the TMU). GDP is rebased to 2021.

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

Table AV. 2a. Ukraine: General Government Finances, 2021–35^{1/} (Downside Scenario)

(Billions of Ukrainian Hryvnia)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
	Act.	Act.	Act.	Act.	Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue	1,990	2,609	3,583	4,140	4,547	4,384	4,676	5,625	6,082	6,708	7,259	7,839	8,239	8,897	9,603
Tax revenue	1,825	1,782	2,139	2,658	3,250	3,906	4,364	4,786	5,316	5,856	6,370	6,910	7,484	8,104	8,769
Tax on income, profits, and capital gains	514	551	656	883	1,101	1,275	1,431	1,566	1,738	1,911	2,067	2,250	2,436	2,636	2,850
Personal income tax	350	421	496	584	793	920	1,038	1,135	1,260	1,384	1,494	1,619	1,752	1,895	2,049
Corporate profit tax	164	131	159	299	308	355	393	430	478	527	573	631	684	740	801
Social security contributions 2/	358	430	489	556	713	793	894	975	1,084	1,193	1,287	1,404	1,519	1,643	1,777
Property tax	43	37	44	50	59	75	82	90	100	111	120	131	141	153	166
Tax on goods and services	731	592	784	989	1,185	1,469	1,639	1,808	2,010	2,219	2,421	2,622	2,852	3,103	3,371
VAT	536	467	581	734	849	1,077	1,212	1,328	1,465	1,618	1,754	1,900	2,073	2,262	2,462
Excise	180	115	190	238	318	372	406	457	521	575	640	693	748	810	876
Other	14	10	14	16	19	20	21	23	24	26	27	29	30	32	34
Tax on international trade	38	26	41	48	56	72	77	88	91	95	104	112	121	131	142
Other tax	140	145	126	132	136	222	242	260	294	328	370	392	414	438	463
Nontax revenue	166	827	1,444	1,483	1,297	478	312	839	766	851	889	929	755	793	833
Budget support grants 3/	1	481	425	454	28	83	15	541	440	500	513	526	324	333	342
Expenditure	2,207	3,426	4,865	5,458	6,617	6,573	6,952	7,203	6,788	6,965	7,335	7,882	8,453	9,105	9,738
Current	1,995	3,298	4,562	5,053	6,169	5,892	6,342	6,504	5,982	6,027	6,264	6,710	7,182	7,730	8,251
Compensation of employees	516	1,240	1,479	1,584	1,880	2,152	2,269	2,162	1,796	1,658	1,700	1,832	2,000	2,184	2,385
Goods and services	483	848	1,674	1,505	1,808	938	1,029	1,152	938	964	1,053	1,180	1,249	1,352	1,429
Interest	155	162	254	305	357	468	454	493	589	650	641	619	600	596	555
Subsidies to corporations and enterprises	116	131	158	530	807	835	916	993	767	678	587	616	647	679	713
Social benefits	724	917	996	1,129	1,317	1,497	1,671	1,702	1,889	2,074	2,280	2,459	2,682	2,916	3,164
Social programs (on budget)	154	285	241	286	359	248	293	347	383	416	477	500	560	618	679
Pensions	519	583	746	822	940	1,227	1,357	1,333	1,481	1,631	1,775	1,927	2,088	2,260	2,444
Unemployment, disability, and accident insurance	52	48	9	22	19	22	22	22	24	27	29	32	34	37	40
Other current expenditures	1	1	1	1	1	2	3	3	3	3	3	4	4	4	4
Capital	207	130	312	411	451	393	454	528	617	729	843	925	1,003	1,085	1,174
Net lending	5	-2	-9	-6	-4	40	44	48	53	59	64	69	75	81	88
Contingency reserve	0	0	0	0	0	248	112	123	137	150	164	178	192	208	225
General government overall balance	-216	-817	-1,282	-1,318	-2,070	-2,189	-2,276	-1,577	-706	-257	-76	-43	-214	-208	-135
General government overall balance, excluding grants	-218	-1,299	-1,707	-1,772	-2,098	-2,272	-2,291	-2,118	-1,147	-757	-589	-569	-538	-541	-477
General government financing	216	817	1,281	1,318	2,070	2,189	2,276	1,577	706	257	76	43	214	208	135
External	136	562	1,077	1,150	2,144	2,124	1,950	552	306	-246	-283	-257	60	-193	-256
Disbursements	239	615	1,150	1,279	2,252	2,296	2,136	736	680	171	176	181	402	525	538
Amortizations and other external payments	-103	-53	-73	-129	-108	-172	-186	-184	-374	-417	-459	-437	-342	-718	-794
Domestic (net)	81	263	204	163	-75	-10	201	885	82	222	46	35	-33	-214	-363
Bond financing	62	295	183	295	63	60	251	698	76	216	40	29	-39	-220	-369
o/w NBU	-14	383	-15	-12	-13	-12	-12	-11	-12	-12	-12	-12	-47	-42	-57
o/w Commercial banks	76	-80	167	222	76	72	263	709	77	216	39	27	-7	-192	442
Direct bank borrowing	30	-2	-7	-5	0	0	0	0	0	0	0	0	0	0	0
Deposit finance	-19	-37	-59	-141	-227	-76	-56	181	0	0	0	0	0	0	0
Privatization and other items	7	20	7	14	90	6	6	6	6	6	6	6	6	6	6
Exceptional financing	0	0	0	0	0	75	125	140	318	281	313	264	187	615	754
Financing Gap/unidentified measures (-gap/+surplus)	0	0	-1	0	0	0	0	0	0	0	0	0	0	0	0
Memorandum items:															
Primary balance	-62	-655	-1,028	-1,013	-1,713	-1,721	-1,822	-1,084	-117	393	565	577	386	387	420
Public and publicly-guaranteed debt	2,666	4,072	5,383	6,871	9,653	12,789	16,066	18,597	20,592	21,270	21,828	22,316	23,042	23,733	24,430
Nominal GDP (billions of Ukrainian hryvnia)	5,451	5,239	6,628	7,662	8,877	10,091	11,160	12,225	13,589	14,966	16,280	17,676	19,153	20,734	22,424

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

1/ National methodology, cash basis.

2/ Includes single social contributions and other revenues of the social funds.

3/ Comprises grants to the general fund.

Table AV. 2b. Ukraine: General Government Finances, 2021–35^{1/} (Downside Scenario)

	(Percent of GDP)														
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
	Act.	Act.	Act.	Act.	Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue	36.5	49.8	54.1	54.0	51.2	43.4	41.9	46.0	44.8	44.8	44.6	44.4	43.0	42.9	42.8
Tax revenue	33.5	34.0	32.3	34.7	36.6	38.7	39.1	39.1	39.1	39.1	39.1	39.1	39.1	39.1	39.1
Tax on income, profits, and capital gains	9.4	10.5	9.9	11.5	12.4	12.6	12.8	12.8	12.8	12.8	12.7	12.7	12.7	12.7	12.7
Personal income tax	6.4	8.0	7.5	7.6	8.9	9.1	9.3	9.3	9.3	9.2	9.2	9.2	9.1	9.1	9.1
Corporate profit tax	3.0	2.5	2.4	3.9	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.6	3.6	3.6	3.6
Social security contributions 2/	6.6	8.2	7.4	7.3	8.0	7.9	8.0	8.0	8.0	8.0	7.9	7.9	7.9	7.9	7.9
Property tax	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Tax on goods and services	13.4	11.3	11.8	12.9	13.4	14.6	14.7	14.8	14.8	14.8	14.9	14.8	14.9	15.0	15.0
VAT	9.8	8.9	8.8	9.6	9.6	10.7	10.9	10.9	10.8	10.8	10.8	10.7	10.8	10.9	11.0
Excise	3.3	2.2	2.9	3.1	3.6	3.7	3.6	3.7	3.8	3.8	3.9	3.9	3.9	3.9	3.9
Other	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1
Tax on international trade	0.7	0.5	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.6	0.6	0.6	0.6	0.6	0.6
Other tax	2.6	2.8	1.9	1.7	1.5	2.2	2.2	2.1	2.2	2.2	2.3	2.2	2.2	2.1	2.1
Nontax revenue	3.0	15.8	21.8	19.3	14.6	4.7	2.8	6.9	5.6	5.7	5.5	5.3	3.9	3.8	3.7
Budget support grants 3/	0.0	9.2	6.4	6.2	0.5	1.0	0.1	4.4	3.2	3.3	3.2	3.0	1.7	1.6	1.5
Expenditure	40.5	65.4	73.4	71.2	74.5	65.1	62.3	58.9	50.0	46.5	45.1	44.6	44.1	43.9	43.4
Current	36.6	63.0	68.8	65.9	69.5	58.4	56.8	53.2	44.0	40.3	38.5	38.0	37.5	37.3	36.8
Compensation of employees	9.5	23.7	22.3	20.7	21.2	21.3	20.3	17.7	13.2	11.1	10.4	10.4	10.4	10.5	10.6
Goods and services	8.9	16.2	25.3	19.6	20.4	9.3	9.2	9.4	6.9	6.4	6.5	6.7	6.5	6.5	6.4
Interest	2.8	3.1	3.8	4.0	4.0	4.6	4.1	4.0	4.3	4.3	3.9	3.5	3.1	2.9	2.5
Subsidies to corporations and enterprises	2.1	2.5	2.4	6.9	9.1	8.3	8.2	8.1	5.6	4.5	3.6	3.5	3.4	3.3	3.2
Social benefits	13.3	17.5	15.0	14.7	14.8	14.8	15.0	13.9	13.9	13.9	14.0	13.9	14.0	14.1	14.1
Social programs (on budget)	2.8	5.4	3.6	3.7	4.0	2.5	2.6	2.8	2.8	2.8	2.9	2.8	2.9	3.0	3.0
Pensions	9.5	11.1	11.3	10.7	10.6	12.2	12.2	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9
Unemployment, disability, and accident insurance	1.0	0.9	0.1	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Other current expenditures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital	3.8	2.5	4.7	5.4	5.1	3.9	4.1	4.3	4.5	4.9	5.2	5.2	5.2	5.2	5.2
Net lending	0.1	0.0	-0.1	-0.1	0.0	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Contingency reserve	0.0	0.0	0.0	0.0	0.0	2.5	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
General government overall balance	-4.0	-15.6	-19.3	-17.2	-23.3	-21.7	-20.4	-12.9	-5.2	-1.7	-0.5	-0.2	-1.1	-1.0	-0.6
General government overall balance, excluding grants	-4.0	-24.8	-25.8	-23.1	-23.6	-22.5	-20.5	-17.3	-8.4	-5.1	-3.6	-3.2	-2.8	-2.6	-2.1
General government financing	4.0	15.6	19.3	17.2	23.3	21.7	20.4	12.9	5.2	1.7	0.5	0.2	1.1	1.0	0.6
External	2.5	10.7	16.2	15.0	24.2	21.1	17.5	4.5	2.3	-1.6	-1.7	-1.5	0.3	-0.9	-1.1
Disbursements	4.4	11.7	17.4	16.7	25.4	22.8	19.1	6.0	5.0	1.1	1.1	1.0	2.1	2.5	2.4
Amortizations and other external payments	-1.9	-1.0	-1.1	-1.7	-1.2	-1.7	-1.7	-1.5	-2.8	-2.8	-2.8	-2.5	-1.8	-3.5	-3.5
Domestic (net)	1.5	5.0	3.1	2.1	-0.8	-0.1	1.8	7.2	0.6	1.5	0.3	0.2	-0.2	-1.0	-1.6
Bond financing	1.1	5.6	2.8	3.9	0.7	0.6	2.2	5.7	0.6	1.4	0.2	0.2	-0.2	-1.1	-1.6
o/w NBU	-0.3	7.3	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.2	-0.3
o/w Commercial banks	1.4	-1.5	2.5	2.9	0.9	0.7	2.4	5.8	0.6	1.4	0.2	0.2	0.0	-0.9	2.0
Direct bank borrowing	0.6	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deposit finance	-0.3	-0.7	-0.9	-1.8	-2.6	-0.8	-0.5	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization and other items	0.1	0.4	0.1	0.2	1.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptional financing	0.0	0.0	0.0	0.0	0.0	0.7	1.1	1.1	2.3	1.9	1.9	1.5	1.0	3.0	3.4
Financing Gap/undidentified measures (-gap/+surplus)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:															
Primary balance	-1.1	-12.5	-15.5	-13.2	-19.3	-17.1	-16.3	-8.9	-0.9	2.6	3.5	3.3	2.0	1.9	1.9
Public and publicly-guaranteed debt	48.9	77.7	81.2	89.7	108.7	126.7	144.0	152.1	151.5	142.1	134.1	126.3	120.3	114.5	108.9
Nominal GDP (billions of Ukrainian hryvnia)	5,451	5,239	6,628	7,662	8,877	10,091	11,160	12,225	13,589	14,966	16,280	17,676	19,153	20,734	22,424

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

1/ National methodology, cash basis.

2/ Includes single social contributions and other revenues of the social funds.

3/ Comprises grants to the general fund.

Table AV. 3a. Ukraine: Balance of Payments, 2021–35^{1/2/} (Downside Scenario)

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

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
	Act.	Act.	Act.	Act.	Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Current account balance	-5.5	7.3	-9.3	-15.2	-31.9	-51.0	-47.2	-34.3	-25.7	-21.4	-19.9	-18.8	-18.8	-16.1	-14.4
Goods (net)	-8.2	-15.3	-30.4	-33.0	-51.0	-57.4	-53.4	-53.5	-42.8	-39.0	-38.2	-38.2	-37.2	-36.6	-37.3
Exports	63.6	41.2	35.0	39.3	38.3	42.4	45.2	50.6	57.6	63.1	69.8	75.8	82.4	89.4	95.7
Imports	-71.8	-56.5	-65.4	-72.3	-89.3	-99.8	-98.6	-104.1	-100.4	-102.1	-108.0	-113.9	-119.6	-126.1	-133.1
Services (net)	4.0	-11.1	-7.3	-5.8	-5.8	-5.0	-3.2	-0.7	3.1	4.4	6.0	7.4	9.8	11.9	14.3
Receipts	18.4	16.6	16.6	17.3	16.0	16.9	18.9	20.3	22.5	25.0	27.8	30.4	33.9	37.3	40.9
Payments	-14.4	-27.7	-23.9	-23.1	-21.7	-21.9	-22.0	-21.0	-19.5	-20.7	-21.8	-23.0	-24.1	-25.3	-26.6
Primary income (net)	-5.8	8.5	5.1	0.5	-1.6	-2.1	0.8	1.5	0.3	-0.7	-0.931	-0.7	-0.9	-0.8	-0.8
Secondary income (net)	4.6	25.2	23.2	23.1	26.5	13.5	8.6	18.3	13.7	13.9	13.3	12.7	9.4	9.4	9.5
Capital account balance	0.0	0.2	0.1	5.1	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	-6.2	8.4	-21.7	-13.8	-40.9	-52.6	-46.8	-21.2	-19.4	-15.6	-15.9	-16.8	-22.3	-17.7	-17.6
Direct investment (net)	-7.5	-0.2	-4.4	-3.7	-2.4	-3.1	-4.4	-7.3	-10.3	-14.7	-15.5	-15.9	-16.2	-17.0	-17.9
Portfolio investment (net)	-1.0	2.0	2.7	6.6	-2.8	0.4	0.2	0.2	0.7	1.7	1.1	-0.1	-0.5	5.2	4.6
Financial derivatives (net)	0.2	0.0	0.0	0.1	3.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investment (net)	2.2	6.6	-19.9	-16.7	-39.2	-50.0	-42.5	-14.0	-9.8	-2.5	-1.5	-0.8	-5.7	-5.9	-4.4
Other investment: assets	7.4	20.9	10.7	15.5	3.1	5.5	5.2	3.6	2.1	1.9	1.9	1.9	1.9	1.1	1.1
Other investment: liabilities	5.1	14.3	30.7	32.2	42.3	55.5	47.7	17.6	12.0	4.4	3.4	2.7	7.6	7.0	5.5
Net use of IMF resources for budget support	0.2	2.3	3.6	3.9	-0.7	2.1	0.6	0.1	-0.2	-2.0	-2.6	-3.0	-2.5	-2.4	-1.4
Central Bank	2.7	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General government	1.5	14.7	26.0	24.7	39.0	46.2	39.9	10.8	7.1	1.9	1.4	1.2	5.5	4.8	2.2
Banks 3/	0.4	-0.4	-0.1	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other sectors	0.3	-2.2	1.1	3.7	3.7	7.2	7.2	6.8	5.0	4.5	4.6	4.6	4.6	4.6	4.7
Errors and omissions	2.7	0.3	0.5	0.2	2.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	3.5	-0.6	13.0	3.8	12.1	1.6	-0.5	-13.2	-6.3	-5.8	-4.0	-1.9	3.4	1.6	3.3
Financing	-3.5	0.6	-13.0	-3.8	-12.1	-1.6	0.5	13.2	6.3	5.8	4.0	1.9	-3.4	-1.6	-3.3
Gross official reserves (increase: -)	-2.5	2.3	-11.4	-2.9	-11.4	-3.0	-2.0	10.5	0.6	0.9	-1.3	-2.4	-6.4	-11.2	-14.7
Net use of IMF resources for BOP support	-0.9	-1.6	-1.6	-0.9	-0.8	-0.3	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptional financing	0.0	0.0	0.0	0.0	0.0	1.7	2.6	2.7	5.7	4.9	5.3	4.3	3.0	9.6	11.4
Memorandum items:															
Current account balance (percent of GDP) 4/	-2.7	4.6	-5.2	-8.0	-15.0	-22.8	-20.7	-14.7	-10.5	-8.3	-7.2	-6.5	-6.2	-5.0	-4.2
Goods and services trade balance (percent of GDP)	-2.1	-16.4	-20.8	-20.4	-26.7	-27.9	-24.8	-23.2	-16.3	-13.4	-11.8	-10.6	-8.9	-7.7	-6.8
Gross international reserves	30.9	28.5	40.5	43.8	57.3	60.3	62.3	51.8	51.2	50.2	51.5	53.9	60.3	71.5	86.2
Months of next year's imports of goods and services	4.4	3.8	5.1	4.7	5.4	6.0	6.0	5.2	5.0	4.6	4.5	4.5	4.8	5.4	6.1
Percent of the IMF composite metric (float)	104.3	106.5	126.8	122.4	134.7	120.1	106.8	83.5	78.1	74.5	74.3	75.9	82.2	94.0	110.7

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

1/ Based on BPM6.

2/ In-kind donations of military equipment are not reflected in the balance of payments.

3/ Includes banks' debt for equity operations.

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

Table AV. 3b. Ukraine: Balance of Payments, 2021–35^{1/ 2/} (Downside Scenario)

	(Percent of GDP, unless otherwise indicated)														
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
	Act.	Act.	Act.	Act.	Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Current account balance	-2.7	4.6	-5.2	-8.0	-15.0	-22.8	-20.7	-14.7	-10.5	-8.3	-7.2	-6.5	-6.2	-5.0	-4.2
Goods (net)	-4.1	-9.5	-16.8	-17.3	-24.0	-25.7	-23.4	-22.9	-17.6	-15.1	-13.9	-13.2	-12.1	-11.3	-11.0
Exports	31.7	25.7	19.3	20.7	18.0	19.0	19.8	21.7	23.7	24.4	25.5	26.1	26.9	27.7	28.1
Imports	-35.8	-35.2	-36.1	-38.0	-42.0	-44.7	-43.3	-44.6	-41.2	-39.5	-39.4	-39.3	-39.1	-39.1	-39.1
Services (net)	2.0	-6.9	-4.0	-3.0	-2.7	-2.2	-1.4	-0.3	1.3	1.7	2.2	2.5	3.2	3.7	4.2
Receipts	9.2	10.4	9.2	9.1	7.5	7.6	8.3	8.7	9.2	9.7	10.1	10.5	11.1	11.5	12.0
Payments	-7.2	-17.3	-13.2	-12.1	-10.2	-9.8	-9.7	-9.0	-8.0	-8.0	-8.0	-7.9	-7.9	-7.9	-7.8
Primary income (net)	-2.9	5.3	2.8	0.3	-0.8	-1.0	0.4	0.7	0.1	-0.3	-0.3	-0.2	-0.3	-0.3	-0.2
Secondary income (net)	2.3	15.7	12.8	12.1	12.5	6.0	3.8	7.9	5.6	5.4	4.8	4.4	3.1	2.9	2.8
Capital account balance	0.0	0.1	0.1	2.7	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	-3.1	5.3	-12.0	-7.2	-19.3	-23.6	-20.5	-9.1	-7.9	-6.0	-5.8	-5.8	-7.3	-5.5	-5.2
Direct investment (net)	-3.7	-0.1	-2.5	-2.0	-1.1	-1.4	-1.9	-3.1	-4.2	-5.7	-5.7	-5.5	-5.3	-5.3	-5.3
Portfolio investment (net)	-0.5	1.3	1.5	3.5	-1.3	0.2	0.1	0.1	0.3	0.6	0.4	0.0	-0.2	1.6	1.4
Financial derivatives (net)	0.1	0.0	0.0	0.0	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investment (net)	1.1	4.1	-11.0	-8.8	-18.5	-22.4	-18.7	-6.0	-4.0	-1.0	-0.5	-0.3	-1.8	-1.8	-1.3
Other investment: assets	3.7	13.0	5.9	8.1	1.5	2.5	2.3	1.5	0.9	0.7	0.7	0.7	0.6	0.4	0.3
Other investment: liabilities	2.6	8.9	16.9	16.9	19.9	24.9	20.9	7.6	4.9	1.7	1.2	0.9	2.5	2.2	1.6
Net use of IMF resources for budget support	0.1	1.4	2.0	2.0	-0.3	1.0	0.3	0.0	-0.1	-0.8	-0.9	-1.0	-0.8	-0.7	-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	0.0	0.0
General government	0.8	9.2	14.4	13.0	18.4	20.7	17.5	4.6	2.9	0.7	0.5	0.4	1.8	1.5	0.6
Banks 3/	0.2	-0.3	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other sectors	0.1	-1.4	0.6	1.9	1.7	3.2	3.2	2.9	2.0	1.8	1.7	1.6	1.5	1.4	1.4
Errors and omissions	1.4	0.2	0.3	0.1	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	1.7	-0.4	7.2	2.0	5.7	0.7	-0.2	-5.6	-2.6	-2.2	-1.5	-0.7	1.1	0.5	1.0
Financing	-1.7	0.4	-7.2	-2.0	-5.7	-0.7	0.2	5.6	2.6	2.2	1.5	0.7	-1.1	-0.5	-1.0
Gross official reserves (increase: -)	-1.3	1.4	-6.3	-1.5	-5.4	-1.3	-0.9	4.5	0.3	0.4	-0.5	-0.8	-2.1	-3.5	-4.3
Net use of IMF resources for BOP support	-0.5	-1.0	-0.9	-0.5	-0.4	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptional financing	0.0	0.0	0.0	0.0	0.0	0.8	1.1	1.1	2.3	1.9	1.9	1.5	1.0	3.0	3.4
Memorandum items:															
Gross international reserves (USD billions)	30.9	28.5	40.5	43.8	57.3	60.3	62.3	51.8	51.2	50.2	51.5	53.9	60.3	71.5	86.2
Months of next year's imports of goods and services	4.4	3.8	5.1	4.7	5.4	6.0	6.0	5.2	5.0	4.6	4.5	4.5	4.8	5.4	6.1
Percent of the IMF composite metric (float)	104.3	106.5	126.8	122.4	134.7	120.1	106.8	83.5	78.1	74.5	74.3	75.9	82.2	94.0	110.7

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

1/ Based on BPM6.

2/ In-kind donations of military equipment are not reflected in the balance of payments.

3/ Includes banks' debt for equity operations.

Table AV. 4. Ukraine: Gross External Financing Requirements, 2021–35 (Downside Scenario)

	(Billions of U.S. dollars)														
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
	Act.	Act.	Act.	Act.	Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
A. Total financing requirements	21.6	33.0	38.9	53.1	55.6	61.9	57.0	52.5	42.2	38.7	37.1	35.0	30.4	33.3	33.6
Current account deficit (excl. budget grants)	5.5	7.3	21.1	26.4	44.6	52.8	47.5	44.6	33.6	30.0	28.5	27.4	24.0	21.3	19.6
Portfolio investment	4.9	2.7	4.9	7.9	2.0	0.4	0.2	0.2	1.2	2.2	1.6	0.4	0.0	5.7	5.1
Private	0.6	0.9	2.5	1.3	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.5
Public	4.3	1.8	2.4	6.7	1.0	0.4	0.2	0.2	1.2	2.2	1.6	0.4	0.0	5.2	4.6
Medium and long-term debt	3.6	2.1	2.2	3.2	2.5	3.1	4.1	4.1	5.2	4.6	5.1	5.3	4.4	5.2	7.8
Private	2.7	1.1	1.3	1.6	1.4	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Banks	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Corporates	2.5	0.9	1.1	1.5	1.3	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Public	0.9	1.0	0.9	1.6	1.0	1.3	2.3	2.3	3.5	2.8	3.3	3.5	2.7	3.4	6.0
Other net capital outflows 1/	7.5	20.9	10.7	15.5	6.6	5.5	5.2	3.6	2.1	1.9	1.9	1.9	1.9	1.1	1.1
B. Total financing sources	20.3	0.7	9.7	16.3	14.1	13.8	15.0	18.6	20.3	24.3	25.1	25.5	25.8	26.6	27.7
Capital transfers	0.0	0.2	0.1	5.1	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	3.7	2.4	3.1	4.4	7.3	10.3	14.7	15.5	15.9	16.2	17.0	17.9
Portfolio investment	6.0	0.7	2.2	1.3	4.8	0.0	0.0	0.0	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Private	1.8	0.2	0.0	0.2	0.3	0.0	0.0	0.0	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Public	4.2	0.5	2.2	1.1	4.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Medium and long-term debt	6.8	2.6	2.4	3.4	4.7	7.5	6.5	7.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1
Private	3.0	1.5	1.8	2.5	3.4	5.7	4.9	4.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Banks	0.2	0.0	0.1	0.1	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Corporates	2.8	1.4	1.7	2.4	3.1	5.4	4.6	4.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Public (incl. project financing) 2/	3.8	1.1	0.6	0.9	1.2	1.7	1.6	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8
Short-term debt (incl. deposits)	0.0	-3.0	0.5	2.8	2.0	3.2	4.1	4.2	4.4	4.0	4.0	4.0	4.0	4.0	4.2
C. Financing needs (A - B)	1.3	32.3	29.3	36.8	41.5	48.0	42.0	33.9	21.9	14.4	12.0	9.5	4.7	6.6	5.9
D. Official financing	1.1	29.8	40.1	39.6	50.1	49.3	41.5	20.8	15.6	8.6	8.0	7.6	8.1	8.2	9.2
IMF	-0.7	0.6	1.9	2.9	-1.4	1.8	0.5	0.1	-0.2	-2.0	-2.6	-3.0	-2.5	-2.4	-1.4
Purchases	0.7	2.7	4.5	5.3	0.9	3.8	1.8	0.9	1.6	0.0	0.0	0.0	0.0	0.0	0.0
Repurchases	1.4	2.1	2.5	2.4	2.3	2.0	1.2	0.8	1.8	2.0	2.6	3.0	2.5	2.4	1.4
Official budget grants	0.0	14.6	11.8	11.2	12.7	1.9	0.3	10.3	7.9	8.6	8.6	8.6	5.2	5.2	5.2
Official budget loans	1.7	14.5	26.4	25.4	38.8	45.7	40.7	10.4	7.8	2.0	2.0	2.0	5.4	5.4	5.4
E. Exceptional financing	0.0	0.0	0.0	0.0	0.0	1.7	2.6	2.7	5.7	4.9	5.3	4.3	3.0	9.6	11.4
F. Increase in reserves	2.5	-2.3	11.4	2.9	11.4	3.0	2.0	-10.5	-0.6	-0.9	1.3	2.4	6.4	11.2	14.7
G. Errors and omissions	2.7	0.3	0.5	0.2	2.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:															
Gross international reserves	30.9	28.5	40.5	43.8	57.3	60.3	62.3	51.8	51.2	50.2	51.5	53.9	60.3	71.5	86.2
Months of next year's imports of goods and services	4.4	3.8	5.1	4.7	5.4	6.0	6.0	5.2	5.0	4.6	4.5	4.5	4.8	5.4	6.1
Percent of the IMF composite (float)	104.3	106.5	126.8	122.4	134.7	120.1	106.8	83.5	78.1	74.5	74.3	75.9	82.2	94.0	110.7

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/ Includes statistical discrepancies caused by accounting treatments of ERA financing.

Table AV. 5. Ukraine: Monetary Accounts, 2021-35 (Downside Scenario)

	(Billions of Ukrainian Hryvnia)														
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
	Act.	Act.	Act.	Act.	Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Monetary survey															
Net foreign assets	850	1,252	1,926	2,403	2,843	3,137	3,437	3,113	3,208	3,315	3,602	3,991	4,632	5,626	6,857
Net domestic assets	1,221	1,249	1,151	1,085	1,087	1,323	1,523	2,320	2,888	3,399	3,702	3,940	3,962	3,679	3,206
Domestic credit	1,925	2,212	2,248	2,492	2,589	2,776	3,205	4,208	5,088	5,662	6,117	6,627	7,179	7,724	9,035
Net claims on government	898	1,218	1,259	1,369	1,214	1,196	1,388	2,128	2,685	2,887	2,912	2,925	2,904	2,698	3,126
Credit to the economy	1,023	991	986	1,119	1,371	1,576	1,812	2,075	2,398	2,769	3,198	3,694	4,266	5,017	5,900
Domestic currency	731	725	733	854	1,109	1,308	1,544	1,811	2,131	2,505	2,939	3,441	4,020	4,776	5,666
Foreign currency	292	266	253	265	262	268	268	264	267	264	259	253	247	240	234
Other claims on the economy	5	4	3	4	4	5	5	6	6	7	7	8	9	9	10
Other items, net	-704	-963	-1,097	-1,407	-1,501	-1,453	-1,682	-1,888	-2,201	-2,264	-2,415	-2,687	-3,216	-4,045	-5,829
Broad money	2,071	2,501	3,077	3,488	3,931	4,459	4,960	5,433	6,095	6,714	7,304	7,931	8,594	9,305	10,064
Currency in circulation	581	666	716	760	875	992	1,104	1,209	1,356	1,494	1,625	1,765	1,912	2,070	2,239
Total deposits	1,489	1,834	2,360	2,728	3,055	3,466	3,856	4,224	4,738	5,219	5,678	6,165	6,681	7,233	7,823
Domestic currency deposits	1,014	1,204	1,628	1,883	2,146	2,463	2,725	2,955	3,334	3,692	4,039	4,409	4,804	5,229	5,686
Foreign currency deposits	474	630	732	844	909	1,003	1,130	1,268	1,404	1,527	1,639	1,756	1,877	2,004	2,137
Accounts of the NBU															
Net foreign assets	701	907	1,456	1,801	2,439	2,743	3,037	2,703	2,809	2,940	3,250	3,665	4,334	5,324	6,552
Net international reserves	566	670	1,078	1,223	1,836	2,079	2,320	1,928	1,996	2,106	2,393	2,787	3,431	4,399	5,601
(In billions of U.S. dollars)	20.8	18.3	28.4	29.1	...	...	...	...	...	...	...	...	...	...	...
Reserve assets	844	1,042	1,539	1,841	...	...	...	...	...	...	...	...	...	...	...
Other net foreign assets	134	237	378	577	603	664	717	775	813	834	857	879	903	926	951
Net domestic assets	-38	-115	-479	-749	-1,265	-1,348	-1,447	-961	-856	-789	-910	-1,125	-1,581	-2,345	-3,330
Net domestic credit	175	312	6	-62	-540	-709	-624	11	342	387	329	289	376	76	61
Net claims on government	270	704	591	450	289	198	128	160	147	132	118	104	90	76	62
Claims on government	325	758	729	716	703	691	679	668	657	646	635	624	613	602	591
Net claims on banks	-95	-392	-585	-512	-829	-908	-752	-149	196	255	211	185	286	0	0
Other items, net	-213	-427	-485	-687	-724	-639	-823	-972	-1,197	-1,176	-1,239	-1,414	-1,957	-2,420	-3,391
Base money	662	793	977	1,052	1,175	1,395	1,589	1,742	1,954	2,151	2,340	2,540	2,753	2,979	3,222
Currency in circulation	581	666	716	760	875	992	1,104	1,209	1,356	1,494	1,625	1,765	1,912	2,070	2,239
Banks' reserves	81	126	261	292	300	403	486	533	597	658	715	776	840	909	983
Cash in vault	47	49	48	63	52	70	78	85	95	105	114	124	135	146	158
Correspondent accounts	35	77	213	230	248	333	408	448	502	552	601	652	706	763	825
Deposit money banks															
Net foreign assets	149	345	470	602	404	394	400	410	398	375	351	325	298	302	305
Foreign assets	254	427	550	680	529	531	549	571	595	606	619	631	644	656	670
Foreign liabilities	105	82	80	78	125	138	149	161	197	231	268	306	346	354	364
Net domestic assets	1,339	1,489	1,890	2,125	2,651	3,072	3,455	3,813	4,339	4,843	5,325	5,838	6,381	6,930	7,516
Domestic credit	1,875	2,064	2,540	2,882	3,465	3,924	4,351	4,767	5,380	5,969	6,539	7,149	7,792	8,452	9,154
Net claims on government 1/	628	513	668	919	925	997	1,260	1,968	2,538	2,754	2,793	2,821	2,813	2,622	3,064
Credit to the economy	1,023	991	986	1,119	1,371	1,576	1,812	2,074	2,397	2,769	3,198	3,693	4,266	5,016	5,899
Other claims on the economy	5	3	3	4	4	5	5	6	6	7	7	8	9	9	10
Net claims on NBU	220	594	885	842	1,165	1,347	1,274	718	438	439	541	627	705	805	181
Other items, net	-536	-574	-650	-757	-814	-852	-896	-954	-1,041	-1,126	-1,214	-1,311	-1,411	-1,522	-1,638
Banks' liabilities	1,488	1,834	2,360	2,727	3,055	3,466	3,855	4,223	4,737	5,218	5,677	6,164	6,680	7,232	7,822
Memorandum items:															
Base money	11.2	19.6	23.3	7.7	11.6	18.8	14.0	9.6	12.2	10.1	8.8	8.6	8.3	8.2	8.1
Currency in circulation	12.6	14.6	7.5	6.1	15.1	13.5	4.8	5.8	6.8	7.8	8.8	9.8	9.8	9.8	9.8
Broad money	12.0	20.8	23.0	13.4	12.7	13.5	11.2	9.5	12.2	10.1	8.8	8.6	8.4	8.3	8.2
Credit to the economy	8.4	-3.1	-0.5	13.5	22.5	14.9	15.0	14.5	15.6	15.5	15.5	15.5	15.5	17.6	17.6
Real credit to the economy 2/	-1.5	-23.5	-5.3	1.3	13.5	4.5	5.5	6.0	8.0	10.0	10.0	10.0	10.0	12.0	12.0
Credit-to-GDP ratio, in percent	18.8	18.9	14.9	14.6	15.4	15.6	16.2	17.0	17.6	18.5	19.6	20.9	22.3	24.2	26.3
Velocity of broad money, ratio	2.6	2.1	2.2	2.2	2.3	2.3	2.3	2.3	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Money multiplier, ratio	3.1	3.2	3.1	3.3	3.3	3.2	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1

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 AV. 6. Ukraine: Indicators of Capacity to Repay the Fund (Downside Scenario)

(In millions of SDR)

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
	Projections									
Existing Fund credit										
Stock 1/	8,707	7,794	7,182	5,902	4,566	3,230	1,754	780	56	0
Obligations	1,999	1,334	989	1,605	1,599	1,555	1,650	1,105	823	140
Principal (repurchases)	1,498	913	612	1,280	1,336	1,336	1,475	974	724	56
Total charges	502	421	377	325	262	218	175	131	99	84
of which: Surcharges	100	64	44	20	0	0	0	0	0	0
of which: Level-based	73	47	32	15	0	0	0	0	0	0
of which: Time-based	27	18	12	6	0	0	0	0	0	0
Prospective purchases										
Disbursements	2,817	1,288	664	1,167	0	0	0	0	0	0
Stock 1/	2,817	4,104	4,768	5,935	5,801	5,278	4,567	3,727	2,738	1,749
Obligations 2/	80	189	256	305	472	811	916	986	1,103	1,071
Principal (repurchases)	0	0	0	0	134	523	711	840	989	989
Total charges	80	189	256	305	338	288	206	146	114	82
of which: Surcharges	30	83	115	137	146	103	39	3	0	0
of which: Level-based	22	61	84	99	106	75	37	3	0	0
of which: Time-based	8	23	31	37	40	28	2	0	0	0
Stock of existing and prospective Fund credit 1/										
In percent of quota 2/	573	591	594	588	515	423	314	224	139	87
In percent of GDP	7.0	7.1	7.0	6.7	5.5	4.3	3.0	2.0	1.2	0.7
In percent of exports of goods and nonfactor services	26.5	25.4	23.1	20.3	16.2	12.0	8.2	5.3	3.0	1.8
In percent of gross reserves	26.1	26.1	31.6	31.7	28.4	22.8	16.2	10.3	5.4	2.8
In percent of public external debt	7.2	6.3	6.1	6.0	5.3	4.5	3.4	2.4	1.5	1.0
Obligations to the Fund from existing and prospective Fund credit										
In percent of quota	103.3	75.7	61.9	94.9	102.9	117.6	127.6	103.9	95.8	60.2
In percent of GDP	1.3	0.9	0.7	1.1	1.1	1.2	1.2	0.9	0.8	0.5
In percent of exports of goods and nonfactor services	4.8	3.3	2.4	3.3	3.2	3.3	3.3	2.5	2.1	1.2
In percent of gross reserves	4.7	3.3	3.3	5.1	5.7	6.3	6.6	4.8	3.7	1.9
In percent of public external debt service	57.3	31.0	24.7	32.8	39.4	43.3	46.2	42.7	34.5	16.7

Source: Fund staff estimates and projections.

1/ End of period.

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

Annex VI. Policies to Strengthen NSSMC Governance

1. The National Securities and Stock Market Commission (NSSMC) performs regulation and oversight of activities in capital markets and organized commodity markets. The NSSMC is a collegial body subordinated to the President of Ukraine, is accountable to parliament, and consists of (i) the NSSMC Commission as a collegial body; and (ii) an executive office. The NSSMC commission consists of the Chairman and seven Commissioners, all of whom are appointed by the President of Ukraine for six years and until January 2026 dismissed in accordance with his decrees. As of January 2026, the Chair has been replaced, two Commissioners' positions are vacant, the resignation of one Commissioner is pending while another Commissioner's term in office has expired, potentially making the Commission unable to function as quorum limits are now reached.

2. Aligning Ukraine with the EU acquis and preparing financial markets for reconstruction presents organizational challenges for NSSMC. As the country moves towards EU accession and post-war recovery, NSSMC needs to draft and update a considerable volume of financial markets regulation. Implementation will require significant changes to the NSSMC organization. In addition, NSSMC will need to play a vital role in supporting and developing domestic and international investment under the Financial Market Infrastructure roadmap post-war, one of the key components of the new program. To achieve these goals and meet 2026 objectives and key results, NSSMC needs to enhance its processes and staff capacity.

3. NSSMC requires a stronger governance structure to drive reforms and ensure the long-term success and sustainability of the organization. The multitude of reforms and organizational changes require clear direction and leadership. There have been some weaknesses in NSSMC's governance stemming from the organizational set up, with the executive office exclusively reporting to the Chair (restricting Commissioners' influence on key operational decisions impacting their respective portfolios), and the implementation of collegial decision-making. The Commission is also not supported by a supervisory board that could help it set priorities and ensure good governance. In this context, it is observed that other financial sector regulators, including NBU and DGF, have a two-tier board structure.

4. Under the program, a two-tier NSSMC governance structure will be introduced with a part-time majority-independent supervisory board as the governing body. This is a structure commonly observed in the EEA for securities markets regulators.¹ The supervisory board would supervise the activities of the Commission, act as a sounding board on the (medium-term) strategy, be responsible for safeguarding governance arrangements, and oversee key decisions that involve the NSSMC's structure, transparency and integrity. The design of the SOB independent supervisory boards broadly offers a good implementation template, although the roles and responsibilities of

¹ Two-tiered boards (in different modalities) for securities markets regulators are in place for ESMA and in Austria, Belgium, Denmark, Estonia, Germany, Hungary, Iceland, Latvia, Liechtenstein, Luxembourg, Malta, the Netherlands, Norway, Portugal and Spain.

the supervisory board would need to be tailored to fit NSSMC in consultation with IFIs. The main benefits of a two-tier system include:

- **Enhanced Independence and Accountability:** The separation of roles between a supervisory body and an executive board ensures that the regulatory authority operates independently from political and commercial influences. This structure allows for a clear division of responsibilities, with the supervisory body overseeing the executive board's actions and decision-making, and holding it accountable for its decisions.
- **Improved Decision-Making:** By having a supervisory body composed of non-executive members and an executive board with full-time members, the regulatory authority can benefit from a wider range of perspectives and expertise. Non-executive members can provide valuable insights and challenge the executive board's proposals, leading to more balanced and well-informed decisions.
- **Clearer Roles and Responsibilities:** The two-tier structure allows for a clear delineation of roles and responsibilities, reducing the risk of conflicts of interest and ensuring that each body can focus on its specific functions. The supervisory body can concentrate on strategic oversight and guidance, while the executive board handles day-to-day operations and implementation.
- **Enhanced Transparency and Integrity:** The separation of powers within the regulatory authority promotes transparency and integrity in its operations. The supervisory body can ensure that the executive board adheres to established policies and procedures, and that decisions are made in a fair and consistent manner.
- **Flexibility and Adaptability:** The two-tier structure allows for greater flexibility in adapting to changing regulatory environments and addressing emerging challenges. The supervisory body can provide strategic guidance and oversight, while the executive board can respond quickly to operational issues and implement necessary changes.

5. Establishing a new governance structure will involve several steps, including:

- Designing the new governance structure in consultation with IFIs and approving it;
- Preparing the requisite changes to the NSSMC law and adopting the amendments (130);
- Implementing the 2-tier Board structure, adjusting internal policies;
- Selecting and appointing the supervisory body.

6. Legal reforms implementing a two-tier Board should also ensure that government responsibilities regarding NSSMC align with the constitution. Currently, Article 6 of the Law on Regulation of Capital Markets and Organized Commodity Markets places NSSMC directly under the President as a state collegial body, unlike other regulatory agencies (executive authorities) which report to the Cabinet of Ministers (CMU) through the relevant Minister. This structure may conflict with the constitution, which appoints responsibility for executive authorities to the CMU. The CMU has established procedures for agency oversight and is better positioned to oversee NSSMC.

Annex VII. Sovereign Risk and Debt Sustainability Analysis

This annex updates the Sovereign Risk and Debt Sustainability Analysis (SRDSA) for Ukraine to reflect developments since June 2025 when the last SRDSA was published. It continues to be based on a baseline scenario, complemented by a downside scenario. Following the convention under the 2023–26 program, only agreed debt restructurings are incorporated, whereas other claims in the authorities' restructuring perimeter maintain their pre-restructuring terms. The analysis continues to show that further steps are needed to restore debt sustainability, including: (i) completing the remainder of the authorities' restructuring strategy with sufficiently deep debt treatments; (ii) fiscal adjustment; and (iii) financing on sufficiently concessional terms during and after the new program. On all three fronts, the required commitments are in place, so that debt is deemed sustainable on a forward-looking basis.

1. This annex updates the SRDSAs performed for the Eighth Review of Ukraine's 2023–26 Extended Fund Facility completed in June 2025. 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 assessed as unsustainable in a pre-restructuring scenario.

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 significant adjustments relative to the June 2025 SRDSA. The new baseline (i) reflects the 2026 Budget which assumes a longer war and hence considerable additional defense spending needs and (ii) incorporates the authorities' assumption of higher defense spending throughout the medium term.
- *Financing assumptions:* Relative to the 8th Review SRDSA, changes to the baseline scenario reflect the current assumption on total official external financing, which now amounts to US\$133.7 billion over 2026–29, including US\$11.9 billion in ERA disbursements, US\$113 billion in bilateral loans (including USL) and grants, and US\$8.4 billion in multilateral financing.¹ In the post-program period, financing is assumed to come largely in the form of EU MFA financing from the 2028–34 EU Budget. 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, albeit with lower disbursements than previously assumed. Under the downside, Ukraine is assumed to be excluded from market access throughout the projection period.

¹ Flow relief from an extended standstill is not incorporated in this pre-restructuring baseline DSA. It will be incorporated once the bilateral agreements are executed.

- *Debt perimeter and contingent liabilities:* As in the June 2025 Review, this SRDSA reflects the authorities' end-2024 debt statistics, with some

Derivation of the DSA's Debt Stock from Authorities' Debt Statistics			
	UAH billion	USD billion	Pct of GDP
Public debt at end-2024, authorities' debt statistics	6,981	166	91.2
Less: disputed claims	152	4	2.0
Add: ERA disbursed at end-2024	42	1	0.5
Public debt in the DSA	6,871	163	89.7
Memo: Public debt in the DSA, ex. ERA	6,829	162	89.2

adjustments. First, consistent with the Fund's procedures, three debts with Russia, on which the Ukrainian authorities continue representing a dispute, are

excluded from this DSA's debt stock.² However, they continue to be a contingent liability risk, particularly in the event of an adverse judgement on the Eurobonds. The 2024 US budget support which has not yet been cancelled under the provisions of the Ukraine Security Supplemental Appropriations Act also continues to be treated as a contingent liability.³

Additionally, this DSA's debt stock includes US\$1 billion of ERA financing through the FORTIS FIF in December 2024. This treatment is consistent with the conservative forecasting assumption maintained from the 2023–26 EFF that ERA financing is considered as loans on terms similar to the EU's MFA. Staff will continue monitoring the evolution of proposals as well as the UCLM and will update the DSA's modeling assumptions accordingly, guided by the appropriate statistical guidelines in subsequent program reviews. Finally, the fiscal projections underlying the SRDSA include the materialization of fiscal risks reflecting bank recapitalization costs, payments of pension-related court judgements, and compensation to state-owned enterprises for energy-related quasi-fiscal activities during the war.

- *Debt and GFN trajectories:* This SRDSA reflects the end-December 2024 level of public debt in both scenarios as well as the 2024 GDP outturn, which amounts to around 89.7 percent of GDP. The scenarios reflect debt service on "pre-restructuring" terms— the contractual terms that are currently in force, including the agreed 2022 standstill with official creditors, the completed 2024 Eurobond exchange, and the 2025 restructuring of GDP-linked warrants into Eurobonds. In both the baseline and downside scenarios, the paths of the debt-to-GDP ratios follow a higher trajectory than in the last SRDSA. Absent any further debt treatments, debt would increase under the baseline, peaking at 137.1 percent of GDP in 2027 and remaining elevated thereafter, declining only to 97.1 percent of GDP by 2035, with average gross financing needs (GFN) in 2030–35 at 7.2 percent of GDP. Under the downside, debt would peak at 152.1 percent of GDP in 2028 and decline to 108.9 percent of GDP by 2035, with average GFN of 9.7 in 2030–35.

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

³ US budget support for 2024 was disbursed along with an arrangement specifying conditions where the amounts disbursed could be repaid in 40 years. One half was formally canceled in late 2024 upon becoming eligible for such cancellation. No developments have occurred since the June 2025 Review to warrant a reclassification of the remainder.

3. Staff assesses 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 an assessment 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, 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. Joint efforts by the authorities, donors, and creditors are required to restore debt sustainability. As before, the restoration of debt sustainability will depend on three conditions: fiscal adjustment, substantial concessional financing, and debt restructuring. Hence, an assessment by staff that debt is sustainable in a forward-looking sense will require (i) an agreement on macroeconomic policies in line with the proposed new program; (ii) specific and credible assurances from donors to provide concessional financing; and (iii) credible and specific assurances from bilateral creditors, as well as a credible process to restructure private debt as needed.

5. The request for a new program calls for a reassessment of the sustainability targets:

- 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. Similarly, based on discussions with the European Commission, the USL is neutral for the assessment of DSA targets.
- On this basis, the new debt restructuring targets are:
 - Public debt (excluding ERA and USL) should reach 68 percent of GDP by 2035.
 - Gross financing needs should average no more than 7.0 percent of GDP in the post-program period (2030–35).
 - Debt service payments to external creditors (excluding multilateral institutions) should not exceed US\$1 billion per year in 2026–28.

6. In light of financing assurances, assurances from official creditors, and the authorities' ongoing efforts to restructure commercial claims, debt is assessed as sustainable on a forward looking basis. In line with the EHU policy, official bilateral creditors are providing a debt standstill for the EHU period, including for debt disbursed after end-August 2022 (the cutoff date for the

previous debt treatment). In addition, the authorities aim to complete the restructuring of the remaining unstructured commercial claims in 2026, on terms comparable with the 2024 Eurobond treatment. Under the baseline macroeconomic and financing assumptions, these steps together would be sufficient to reduce debt and GFN below the respective targets. In the downside, additional measures would continue to be needed to restore debt sustainability. Official creditors have provided assurances of additional debt relief under the downside. In addition, the authorities remain committed to a potential second restructuring of commercial claims in case downside risks materialize during the program.

Table AVII. 1. Ukraine: Risk of Sovereign Stress

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

DSA Summary Assessment

Ukraine's debt continues to be assessed to be unsustainable pending full implementation of the authorities' debt restructuring strategy. Debt sustainability on a forward-looking basis is contingent on treatment of the remaining external commercial claims following the 2024-25 commercial debt restructurings, strong policy commitments, and financing assurances and specific and credible assurances of debt relief that achieves GFNs that average of 7 percent of GDP over 2030-35 and public debt of 68 percent of GDP by 2035 (in a post-restructuring scenario and excluding ERA and comparable 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. 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.

Table AVII. 2. Ukraine: Debt Coverage and Disclosures

1. Debt coverage in the DSA: 1/						Comments					
			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					
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	Guaranteed debt				
				7	Central bank	Yes	Inc. projected IMF BOP support				
				8	Other public financial corporations	Yes	Guaranteed debt				
3. Instrument coverage:						Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGs 3/	
4. Accounting principles:						Basis of recording		Valuation of debt stock			
					Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/		
5. Debt consolidation across sectors:						Consolidated	Non-consolidated	Data unavailable			
Color code:						■ chosen coverage	■ Missing from recommended coverage	■ Not applicable			

Reporting on Intra-Government Debt Holdings

Issuer	Holder	Budget.	Extra-	Social	State govt.	Local	Nonfin.	Central	Oth. pub.	Total			
		central govt	budget. funds	security funds	govt.	govt.	pub. corp.	bank	fin corp				
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).

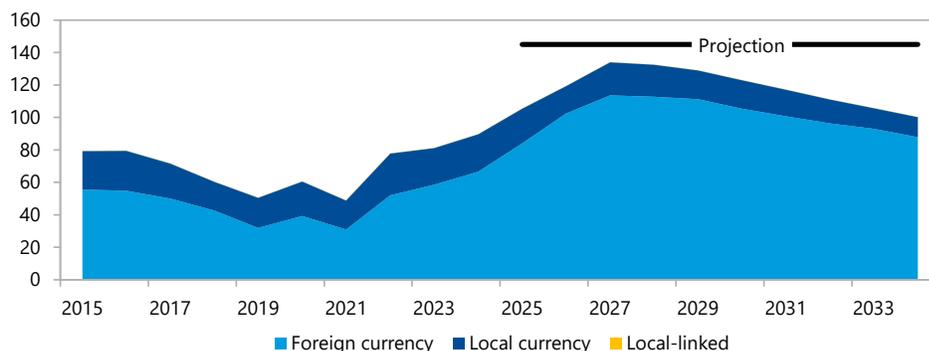
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.

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.

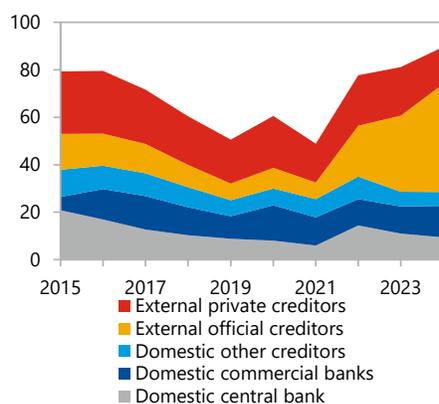
Table AVII. 3. Ukraine: Public Debt Structure Indicators—Baseline Scenario (pre-restructuring)

Debt by Currency (Percent of GDP)



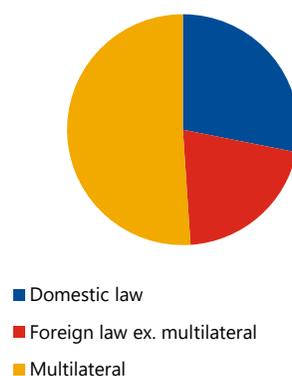
Note: The perimeter shown is general government.

Public Debt by Holder (Percent of GDP)



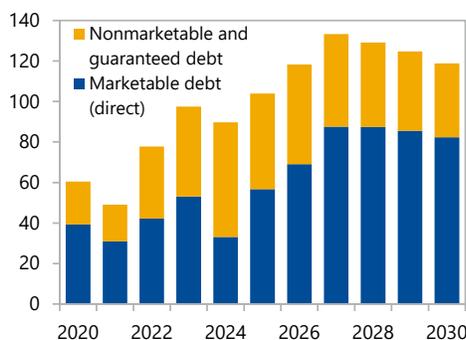
Note: The perimeter shown is general government.

Public Debt by Governing Law, 2024 (Percent)



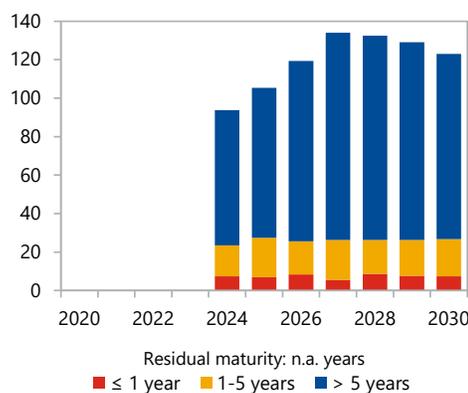
Note: The perimeter shown is general government.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is general government.

Public Debt by Maturity (Percent of GDP)



Note: The perimeter shown is general government.

At end-2024, debt held by external official creditors rose further still, reflecting the substantial amounts of bilateral and multilateral financing disbursed last year. Domestic debt is mostly held by residents and denominated in hryvnia. The share of FX debt in total debt is expected to continue to rise based on the expected official financing during the program. However, the high share of FX debt entails currency risk. The projections reflect the commercial debt restructurings in 2024-25.

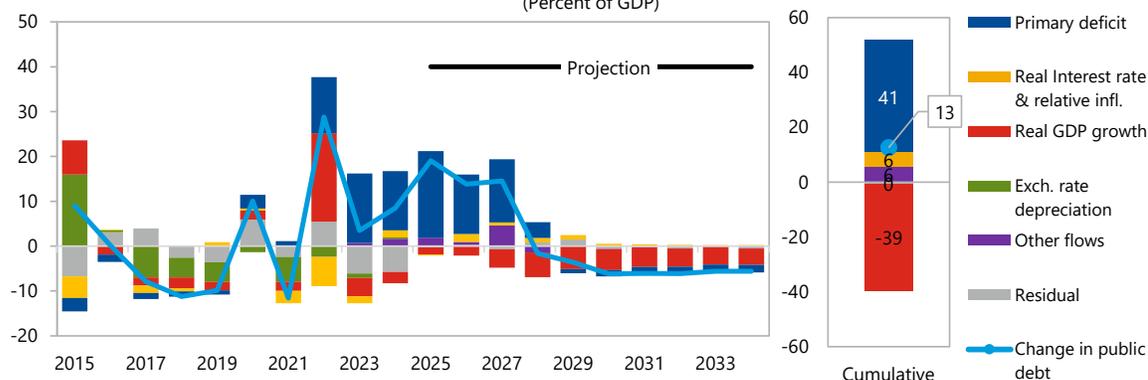
Table AVII. 4. Ukraine: Baseline Scenario (pre-restructuring)

(Percent of GDP Unless Indicated Otherwise)

	Est.	Medium-term projection						Extended projection				
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Public debt	89.7	108.7	122.6	137.1	135.5	131.9	125.7	119.6	113.5	107.9	102.3	97.1
Change in public debt	8.5	19.1	13.8	14.5	-1.6	-3.6	-6.2	-6.1	-6.1	-5.6	-5.6	-5.1
Contribution of identified flows	14.2	19.4	13.5	15.2	-2.5	-5.1	-5.6	-5.8	-5.6	-5.4	-5.1	-4.9
Primary deficit	13.2	19.3	13.3	14.1	3.5	-0.9	-1.4	-1.8	-1.8	-1.7	-1.7	-1.6
Noninterest revenues	54.0	51.2	43.8	41.7	44.9	43.8	42.8	42.7	42.6	42.5	42.4	42.3
Noninterest expenditures	67.3	70.5	57.1	55.8	48.4	43.0	41.5	40.9	40.8	40.8	40.7	40.7
Automatic debt dynamics	-0.7	-1.8	-0.4	-3.5	-4.6	-4.1	-4.2	-4.0	-3.8	-3.6	-3.4	-3.3
Real interest rate and relative inflation	1.6	-0.2	1.7	0.7	1.0	1.0	0.5	0.4	0.3	0.2	0.2	0.2
Real interest rate	-3.1	-6.6	-4.9	-5.7	-4.1	-2.4	-2.7	-2.7	-2.6	-2.6	-2.4	-2.3
Relative inflation	4.7	6.4	6.6	6.3	5.0	3.4	3.2	3.0	2.9	2.8	2.7	2.5
Real growth rate	-2.6	-1.6	-2.1	-4.1	-5.5	-5.1	-4.7	-4.4	-4.0	-3.8	-3.6	-3.5
Real exchange rate	0.3	...	...	...	...	...	...	...	...	...	...	...
Other identified flows	1.7	1.9	0.7	4.6	-1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contingent liabilities and other transactions	0.0	0.3	0.0	4.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(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	0.0
Other transactions	1.7	1.5	0.7	0.4	-1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution of residual	-5.7	-0.3	0.3	-0.7	0.8	1.5	-0.6	-0.3	-0.5	-0.2	-0.5	-0.2
Gross financing needs	25.1	30.2	24.7	29.3	12.5	10.8	9.1	8.1	7.6	5.7	6.5	6.2
of which: debt service	11.9	10.6	11.5	11.0	8.9	11.7	10.5	9.9	9.4	7.5	8.2	7.8
Local currency	5.9	6.5	7.2	7.1	5.0	6.8	5.6	5.6	5.7	4.5	3.7	3.1
Foreign currency	5.9	4.1	4.3	3.9	4.0	4.9	4.9	4.4	3.7	3.0	4.6	4.6
Memo:												
Real GDP growth (percent)	3.2	1.8	2.0	3.5	4.2	3.9	3.7	3.6	3.5	3.5	3.5	3.5
Inflation (GDP deflator; percent)	12.0	13.8	10.5	8.5	6.5	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Nominal GDP growth (percent)	15.6	15.8	12.7	12.3	11.0	9.1	8.9	8.8	8.7	8.7	8.7	8.7
Effective interest rate (percent)	7.6	5.2	5.4	3.3	3.2	3.0	2.8	2.7	2.6	2.6	2.6	2.5

Contribution to Change in Public Debt

(Percent of GDP)



Ukraine's public debt continued to rise in 2025 and further increases are expected through 2027, given large deficits in 2026 and assuming materialization of contingent liabilities in 2027. After the war winds down, an expected recovery arising from improving macroeconomic conditions and confidence will lead to a downward trajectory over the the forecast horizon. The downtrend reflects contributions from both the real interest rate-growth differential and a better primary balance, including through fiscal adjustment. Debt service projections reflect the 2022 standstill with a group of official bilateral creditors. Projections also reflect the impact of commercial debt restructurings in 2024-25.

Table AVII. 5. Ukraine: Medium-term Risk Assessment—Baseline Scenario (pre-restructuring)

	Value	Contrib ^{1/}	Percentile in peer group ^{2/}	
Final Fanchart (Pct of GDP)				
Debt fanchart module				
Fanchart width (percent of GDP)	173.2	2.5		
Probability of debt non-stabilization (percent)	17.6	0.1		
Terminal debt-to-GDP x institutions index	83.4	1.8		
Debt fanchart index (DFI)				
		4.5		
Risk signal: ^{3/}		High		
Gross Financing Needs (Pct of GDP)				
Gross financing needs (GFN) module				
Average baseline GFN (percent of GDP)	19.4	6.6		
Banks' claims on the gen govt (pct bank assets)	26.6	8.6		
Chg. In banks' claims in stress (pct banks' assets)	42.9	14.3		
GFN financeability index (GFI)				
		29.6		
Risk signal: ^{4/}		High		
Medium-Term Index (Index Number)				
Medium-term risk analysis				
	Value	Norm. Value	Weight	Contribution
Debt fanchart index	4.5	0.99	0.50	0.50
GFN financeability index	29.6	0.57	0.50	0.28
Medium-term index		0.8		
Risk signal: 5/		High		
Final assessment:		High		
Prob. of missed crisis, 2025-2030, if stress not predicted: 90.9 pct.				
Prob. of false alarms, 2025-2030, if stress predicted: 0.0 pct.				

Both medium-term modules signal high sovereign stress risks in the baseline scenario. The DFI remains deeply in high-risk territory. The GFI also still indicates high liquidity-related risks, reflecting projections of still-elevated average GFN-to-GDP ratios and large changes in bank claims on the government in a stress scenario, which are very high and would be difficult to manage if these shocks materialized. The current level of bank exposures continues to reflect the published end-December 2024 value. Overall, the medium-term index continues being consistent with high risk in line with the mechanical signals from both tools.

Source: IMF staff estimates and projections.

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

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

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

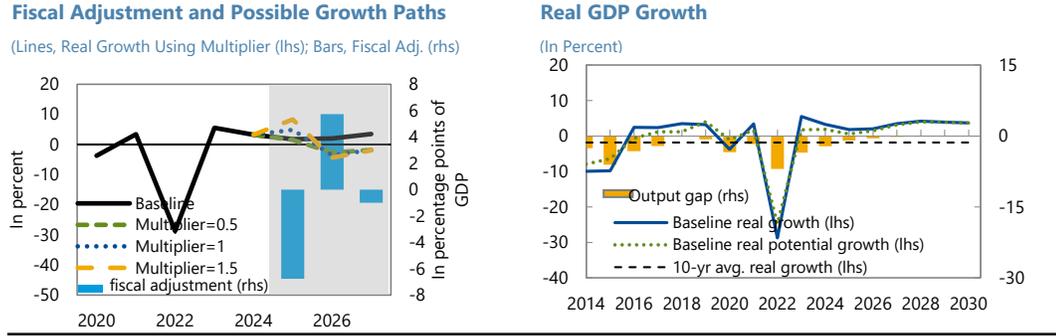
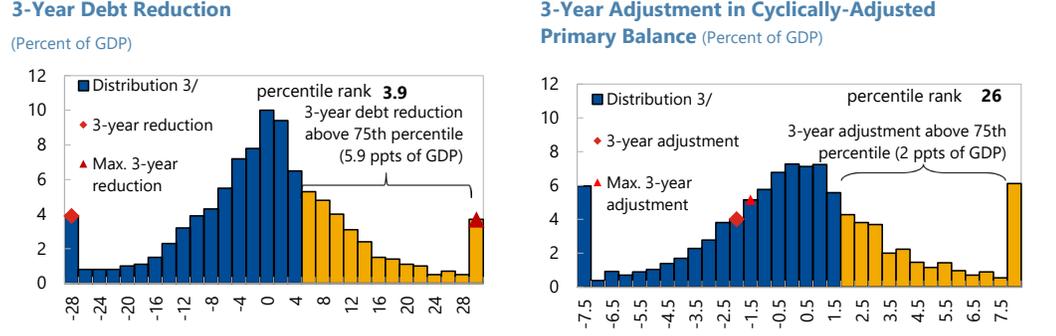
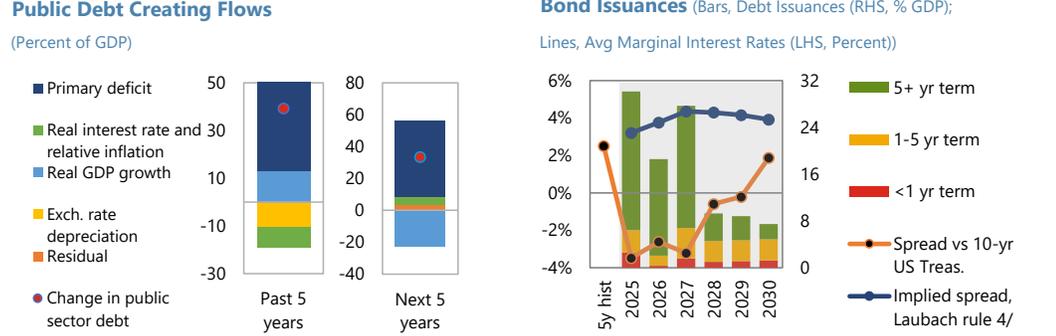
4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.

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

Table AVII. 6. Ukraine: Realism of Assumptions—Baseline Scenario (pre-restructuring)

Forecast Track Record 1/	t+1	t+3	t+5	Comparator Group:
Public debt to GDP	Red	Red	Green	Emerging Markets, Non-Commodity Exporter, Program
Primary deficit	Orange	Green	Green	
r - g	Light Green	Green	Green	
Exchange rate depreciation	Orange	Green	Green	
SFA	Red	Red	Green	
	real-time	t+3	t+5	

Historical Output Gap Revisions 2/	t+3	t+5	Bond Issuances (Bars, Debt Issuances (RHS, % GDP);
Public Debt Creating Flows	Light Green	Green	

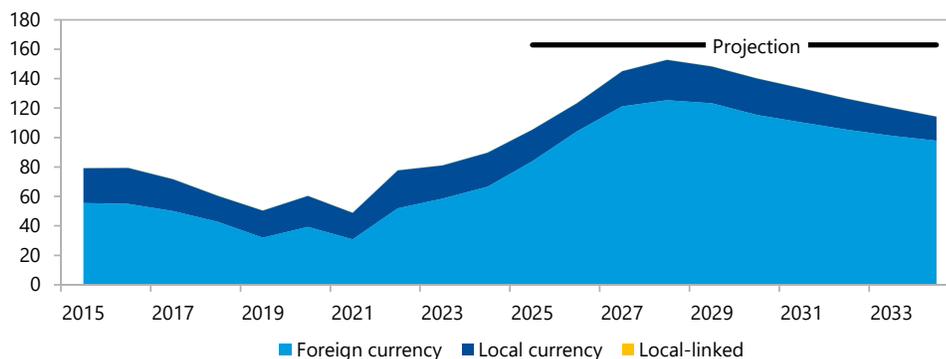


The forecast track record continues to point to persistent optimism for the debt-to-GDP, and stock-flow adjustment indicators flag upward surprises in the medium-term horizon. However, the scale of the war shock and uncertainties about its duration still suggest caution in assessing the realism of baseline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

1/ Projections made in the October and April WEO vintage.
 2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates and final estimates in the latest October WEO) in the total distribution of revisions across the data sample.
 3/ Data cover annual observations over 1990-2019 for MAC advanced and emerging economies. Pct. of sample on vertical axis.
 4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

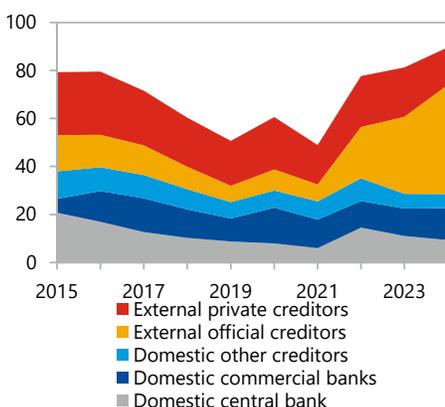
Table AVII. 7. Ukraine: Public Debt Structure Indicators—Downside Scenario (pre-restructuring)

Debt by Currency (Percent of GDP)



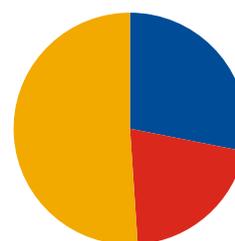
Note: The perimeter shown is general government.

Public Debt by Holder (Percent of GDP)



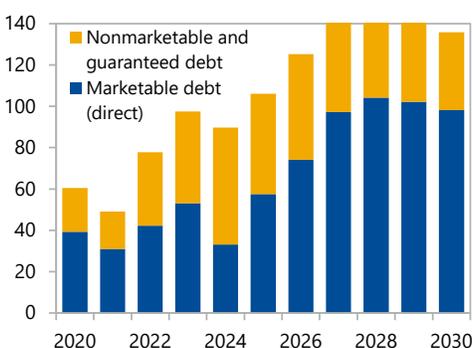
Note: The perimeter shown is general government.

Public Debt by Governing Law, 2024 (Percent)



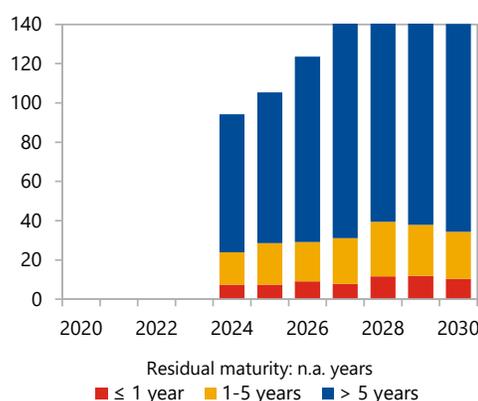
Note: The perimeter shown is general government.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is general government.

Public Debt by Maturity (Percent of GDP)



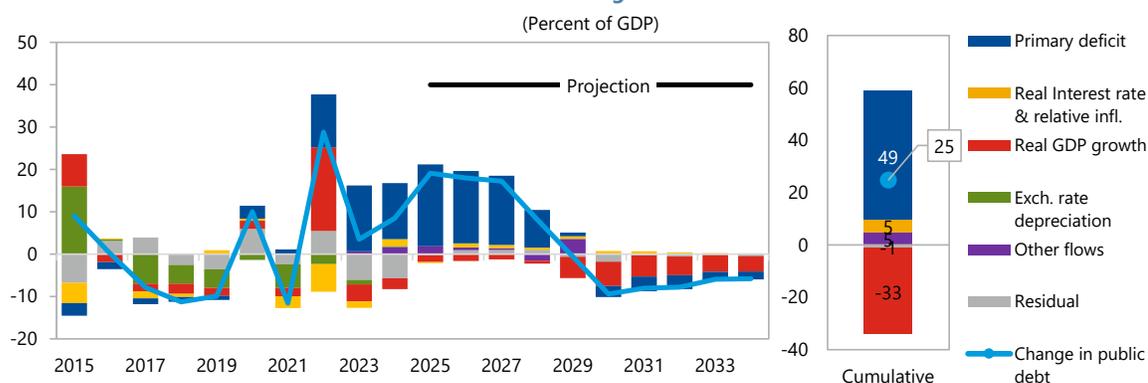
Note: The perimeter shown is general government.

At end-2024, debt held by external official creditors rose further still, reflecting the substantial amounts of bilateral and multilateral financing disbursed last year. Domestic debt is mostly held by residents and denominated in hryvnia. The share of FX debt in total debt is expected to continue to rise based on the expected official financing during the program. However, the high share of FX debt entails currency risk. The projections reflect the commercial debt restructurings in 2024-25.

Table AVII. 8. Ukraine: Downside Scenario (pre-restructuring)

(Percent of GDP Unless Indicated Otherwise)

	Est.	Medium-term projection						Extended projection				
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Public debt	89.7	108.7	126.7	144.0	152.1	151.5	142.1	134.1	126.3	120.3	114.5	108.9
Change in public debt	8.5	19.1	18.0	17.2	8.2	-0.6	-9.4	-8.0	-7.8	-5.9	-5.8	-5.5
Contribution of identified flows	14.2	19.4	17.1	16.2	7.1	0.1	-7.6	-7.7	-7.3	-5.7	-5.4	-5.3
Primary deficit	13.2	19.3	17.1	16.3	8.9	0.9	-2.6	-3.5	-3.3	-2.0	-1.9	-1.9
Noninterest revenues	54.0	51.2	43.4	41.9	46.0	44.8	44.8	44.6	44.4	43.0	42.9	42.8
Noninterest expenditures	67.3	70.5	60.5	58.2	54.9	45.6	42.2	41.1	41.1	41.0	41.0	40.9
Automatic debt dynamics	-0.7	-1.8	-0.7	-0.5	-0.2	-4.4	-5.0	-4.2	-4.0	-3.7	-3.5	-3.4
Real interest rate and relative inflation	1.6	-0.2	0.9	0.7	0.5	0.6	0.7	0.7	0.4	0.3	0.2	-0.1
Real interest rate	-3.1	-6.6	-6.8	-6.8	-7.8	-5.9	-3.9	-2.6	-2.7	-2.7	-2.7	-2.8
Relative inflation	4.7	6.4	7.7	7.5	8.2	6.5	4.6	3.3	3.1	2.9	2.8	2.8
Real growth rate	-2.6	-1.6	-1.6	-1.3	-0.7	-5.0	-5.7	-4.9	-4.4	-3.9	-3.6	-3.3
Real exchange rate	0.3	...	...	...	...	...	...	...	...	...	...	...
Other identified flows	1.7	1.9	0.7	0.4	-1.5	3.6	0.0	0.0	0.0	0.0	0.0	0.0
Contingent liabilities and other transactions	0.0	0.3	0.0	0.0	0.0	3.6	0.0	0.0	0.0	0.0	0.0	0.0
(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	0.0
Other transactions	1.7	1.5	0.7	0.4	-1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution of residual	-5.7	-0.3	0.9	1.0	1.0	-0.6	-1.8	-0.3	-0.6	-0.2	-0.5	-0.2
Gross financing needs	25.1	30.2	28.3	28.6	20.0	19.2	12.5	10.1	9.4	8.7	9.3	8.4
of which: debt service	11.9	10.6	11.2	12.2	11.2	14.8	15.2	13.5	12.7	10.7	11.2	10.3
Local currency	5.9	6.5	6.9	8.2	6.9	9.5	10.0	9.0	9.0	7.8	6.6	5.7
Foreign currency	5.9	4.1	4.3	4.0	4.3	5.2	5.2	4.6	3.7	2.9	4.6	4.6
Real GDP growth (percent)	3.2	1.8	1.5	1.0	0.5	3.4	3.9	3.6	3.4	3.2	3.1	3.0
Inflation (GDP deflator; percent)	12.0	13.8	12.0	9.5	9.0	7.5	6.0	5.0	5.0	5.0	5.0	5.0
Nominal GDP growth (percent)	15.6	15.8	13.7	10.6	9.5	11.2	10.1	8.8	8.6	8.4	8.3	8.2
Effective interest rate (percent)	7.6	5.2	4.9	3.6	3.1	3.2	3.2	3.0	2.8	2.7	2.6	2.3

Contribution to Change in Public Debt

Ukraine's public debt continued to rise in 2025 and further increases are expected through 2028, given large deficits in 2026-27 and assuming materialization of contingent liabilities in 2028. After the war winds down, an expected recovery arising from improving macroeconomic conditions and confidence will lead to a downward trajectory over the the forecast horizon. The downtrend reflects contributions from both the real interest rate-growth differential and a better primary balance, including through fiscal adjustment. Debt service projections reflect the 2022 standstill with a group of official bilateral creditors. Projections also reflect the impact of commercial debt restructurings in 2024-25.

Table AVII. 9. Ukraine: Medium-term Risk Assessment—Downside Scenario (pre-restructuring)

	Value	Contrib ^{1/}	Percentile in peer group ^{2/}	
Final Fanchart (Pct of GDP)				
Debt fanchart module				
Fanchart width (percent of GDP)	188.4	2.7		
Probability of debt non-stabilization (percent)	13.1	0.1		
Terminal debt-to-GDP x institutions index	94.4	2.1		
Debt fanchart index (DFI)				
Debt fanchart index (DFI)		4.9		
Risk signal: ^{3/}		High		
Gross Financing Needs (Pct of GDP)				
Gross financing needs (GFN) module				
Average baseline GFN (percent of GDP)	23.1	7.9		
Banks' claims on the gen gov't (pct bank assets)	26.6	8.6		
Chg. In banks' claims in stress (pct banks' assets)	65.5	21.9		
GFN financeability index (GFI)				
GFN financeability index (GFI)		38.4		
Risk signal: ^{4/}		High		
Medium-Term Index (Index Number)				
Medium-term risk analysis				
	Value	Norm. Value	Weight	Contribution
Debt fanchart index	4.9	1.09	0.50	0.54
GFN financeability index	38.4	0.74	0.50	0.37
Medium-term index		0.9		
Risk signal: ^{5/}		High		
Final assessment:		High		
Prob. of missed crisis, 2025-2030, if stress not predicted: 100.0 pct.				
Prob. of false alarms, 2025-2030, if stress predicted: 0.0 pct.				

Both medium-term modules signal high sovereign stress risks in the baseline scenario, as in the previous DSA for the Seventh Review. The DFI remains deeply in high-risk territory. The GFI also still indicates high liquidity-related risks, reflecting projections of still-elevated average GFN-to-GDP ratios and large changes in bank claims on the government in a stress scenario, which are very high and would be difficult to manage if these shocks materialized. The current level of bank exposures continues to reflect the published end-December 2024 value. Overall, the medium-term index continues being consistent with high risk in line with the mechanical signals from both tools.

Source: IMF staff estimates and projections.

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

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

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

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

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

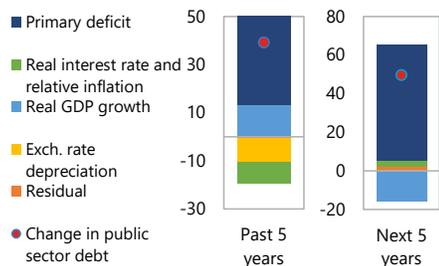
Table AVII. 10. Ukraine: Realism of Assumptions—Downside Scenario (pre-restructuring)

Forecast Track Record 1/	t+1	t+3	t+5	Comparator Group:
Public debt to GDP	Red	Red	Green	Emerging Markets, Non-Commodity Exporter, Program
Primary deficit	Orange	Green	Green	
r - g	Light Green	Green	Green	Color Code:
Exchange rate depreciation	Orange	Green	Green	Optimistic > 75th percentile
SFA	Red	Red	Green	50-75th percentile
	real-time	t+3	t+5	25-50th percentile
				Pessimistic < 25th percentile

Historical Output Gap Revisions 2/

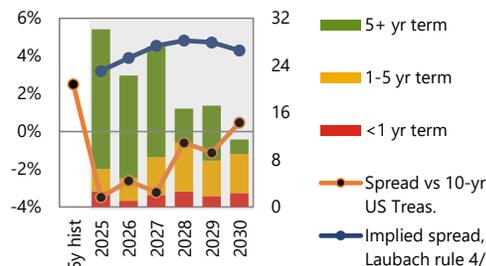
Public Debt Creating Flows

(Percent of GDP)



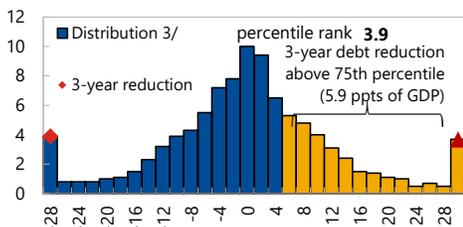
Bond Issuances (Bars, Debt Issuances (RHS, % GDP);

Lines, Avg Marginal Interest Rates (LHS, Percent)



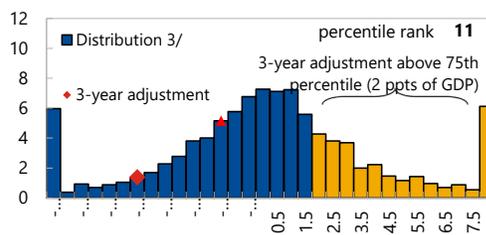
3-Year Debt Reduction

(Percent of GDP)



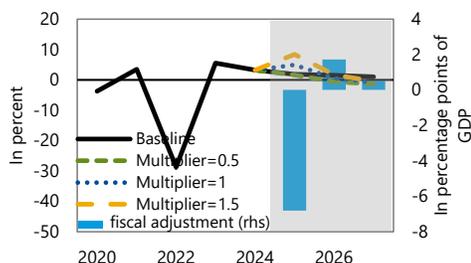
3-Year Adjustment in Cyclically-Adjusted

Primary Balance (Percent of GDP)



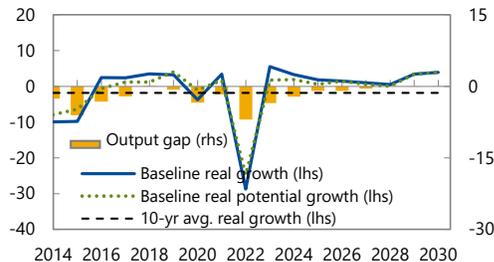
Fiscal Adjustment and Possible Growth Paths

(Lines, Real Growth Using Multiplier (lhs); Bars, Fiscal Adj. (rhs))



Real GDP Growth

(In Percent)



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

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

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

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

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

Appendix I. Letter of Intent

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

February 13, 2026

Dear Ms. Georgieva:

1. Russia's illegal and unjustified invasion of our country, now approaching its fifth year, continues to inflict enormous human, social, and economic costs. As attacks persist, civilian casualties remain high, over a third of the population has been displaced, and infrastructure damage—including to gas and electricity—continues to mount, affecting daily life and economic activity. Through this hardship, our people continue to show courage, determination, and resilience while macroeconomic, financial, and external stability has been preserved. Our strong performance under the 2023 Extended Fund Facility (EFF) has clearly demonstrated our capacity to implement sound economic policies despite these challenging circumstances. That program, together with significant official financing assurances, provided a crucial financing envelope of US\$85.5 billion over eight reviews through June 2025.

2. Against this background of exceptionally high uncertainty and in light of Ukraine's continuing balance of payments needs, we are requesting a new 48-month EFF from the IMF to support our economic policy priorities, in an amount equivalent to SDR5,935.3 million (295 percent of quota), equivalent to about US\$8.1 billion, with an initial purchase of SDR1,106.5 million (55 percent of quota; about US\$1.5 billion). Approval of the IMF arrangement, together with significant official financing assurances, would provide a crucial financing envelope of US\$136.5 billion in the baseline over the program period. For each purchase intended for budget support, a special agreement between the National Bank of Ukraine and the Ministry of Finance will be signed to clarify the responsibilities for timely servicing their financial obligations to the Fund. We hereby also notify the IMF's Executive Board of our decision to cancel the existing EFF arrangement, effective as of the date of this letter.

3. The goal of our new IMF-supported program is to address challenges arising from the protracted war while maintaining external and financial stability; ultimately the program aims to restore fiscal and debt sustainability, and to promote long-term growth in the context of post-war reconstruction and our ongoing process of accession to the European Union. The 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 steadfast policy implementation. The attached Memorandum of Economic and Financial Policies (MEFP) lays out in detail the economic program that the authorities of Ukraine will undertake, supported by the IMF and other international partners.

4. The new program will build on the successes of the 2023 EFF and remain anchored on our EU accession path. While remaining focused on preserving macroeconomic and financial stability, the new program will include a range of durable structural reform measures aimed at mobilizing domestic revenue, de-shadowing the economy and leveling the playing field, combatting corruption, improving SOE corporate governance and transparency, progressing towards energy sector liberalization, and positioning the financial sector to mobilize resources for post-war reconstruction. We also commit to safeguarding the independence of our anti-corruption institutions.
5. Our international partners have assured us of their continued support to help ensure that debt sustainability is restored and the proposed program is fully financed. We are continuing our comprehensive debt restructuring strategy with the objective of restoring debt sustainability on a forward-looking basis, consistent with program targets and the requirements under the IMF's Exceptionally High Uncertainty (EHU) framework.
6. Our progress in implementing the program will be monitored through reviews, at quarterly frequency at least until the exceptional uncertainty ends, based on prior actions, quantitative performance criteria, indicative targets, and structural benchmarks as described in the accompanying MEFP and the technical memorandum of understanding (TMU). Furthermore, we are committed to (i) not introducing or intensifying any exchange restrictions; (ii) not introducing or intensifying import restrictions for BoP reasons; (iii) not introducing or modifying multiple currency practices; and (iv) not concluding bilateral payment agreements in violation of Article VIII of the Articles of Agreements. All of these will continue to be continuous performance criteria under the arrangement. There will be nine such reviews to examine the progress made in carrying out the program and to agree on any corrective measures necessary to achieve program objectives. A first review of the program would be completed on or after June 1, 2026, and a second review on or after September 1, 2026.
7. Since the outset of the war, we have maintained a number of measures that constitute exchange restrictions for reasons of national or international security. We have notified these measures to the Fund for approval under Decision 144. As conditions have permitted, and consistent with the NBU's Strategy, we already initiated the gradual removal of some exchange restrictions in consultation with IMF staff, and will continue this process as circumstances normalize.
8. 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 in a downside scenario. Acknowledging that these scenarios are subject to exceptionally high uncertainty, we are committed to adapting our policies as needed should 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.

9. We will 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).

10. 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/

Volodymyr Zelenskyy
President of Ukraine

/s/

Sergii Marchenko
Minister of Finance of Ukraine

/s/

Yulia Svyrydenko
Prime Minister of Ukraine

/s/

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, now approaching its fifth year, continues to inflict severe human and economic costs.** Civilian casualties and displacement are rising, and infrastructure damage remains widespread, with recent aerial attacks targeting energy and other critical facilities. Drone launches were five times higher in 2025 relative to the previous year, and strikes on gas and electricity infrastructure intensified in October 2025. Ground combat persists in eastern Ukraine, with Russia making limited gains at high cost. The humanitarian toll remains enormous.
- 2. Despite these challenges, we have succeeded in maintaining macroeconomic and financial stability.** Inflation is easing, reserves remain adequate, and the banking system is stable. However, the fiscal and current account deficits remain elevated, driven mainly by substantial defense and security spending to safeguard our country, alongside critical social and humanitarian expenditures to support displaced populations and restore essential services. These needs, combined with revenue pressures from the war's economic impact, require significant external and domestic financing. Robust reform implementation and strong international partner support—including from the EU and G7—remain critical. In this regard, we are especially grateful to our donors for their continued support and commitments during the program period and beyond.
- 3. The official launch of EU accession negotiations in 2024 was a historic milestone, setting the stage for our European integration path, stability and long-term growth prospects.** Our policy initiatives, guided by close engagement with the IMF and anchored in our strategic goal of EU accession, will underpin our recovery and long-term growth. Reforms to achieve EU accession will strengthen our economy and institutions, by creating conditions for increased investment and durable growth. Our candidate status implies that the choice of the regulatory regime defined by the EU *acquis* will frame our recovery and reconstruction process. Progressive integration into the European internal market should enhance trade and technology transfer to the Ukrainian economy, helping sustain the recovery.
- 4. Against this background, we recognize that, despite eight successful reviews and strong program performance, we need more time to restore sustainability and external viability; consequently, we are requesting a 48-month Extended Arrangement under the Extended Fund Facility (EFF) from the IMF to support our economic policy priorities in the coming years,** in an amount equivalent to SDR5,935.3 million (295 percent of quota, about US\$8.1 billion). This new arrangement will build on the achievements of the 2023 EFF—which helped stabilize the economy and catalyze external financing—while strengthening resilience to shocks, reinforcing fiscal and debt sustainability, and deepening structural reforms critical for recovery and EU accession, with an extended horizon that is crucial given the war's prolonged effects and the

need for sustained support to secure reconstruction and advance reforms beyond the previous program's scope.

Economic Outlook

5. Damages from Russia's continuing war are major headwinds, although we expect the economic resilience from 2025 to carry forward to 2026.

- Real GDP growth is now estimated at 1.8–2.2 percent in 2025, down from the previous year's outturn of 3.2 percent. This slowdown is mainly attributable to the negative impact of Russia's repeated attacks on energy infrastructure as well as weaker harvest conditions even as the economy has been resilient overall. Looking ahead, growth is projected to remain broadly stable at 1.8–2.5 percent in 2026, as harvest conditions normalize, the adverse impacts from attacks on energy and mining sectors dissipate, and domestic defense production continues expanding.
- Although inflation remains elevated due to supply shocks, including persistent labor shortages, it has been trending down since June 2025, reaching 8 percent (y/y) at end-December. Going forward, we expect this downward trajectory to continue.
- The current account deficit excluding grants deteriorated in 2025, reaching an estimated US\$44.6 billion, up from US\$26.4 billion in 2024. These developments reflect the impact of the war, as repeated attacks on production capacity constrain exports, while elevated national defense and energy needs drive import demand. With the war expected to continue in 2026, the current account deficit excluding grants is projected to remain elevated, broadly similar to the level in 2025. Nevertheless, thanks to sizable donor disbursements, our international reserves reached US\$57.3 billion by end-2025, and are projected to rise to US\$65.5 billion in 2026.
- The hryvnia-dollar exchange rate was broadly stable over 2025, reflecting FX market dynamics and our FX interventions. Conversely, over this period, the hryvnia has depreciated more than 13½ percent against the euro, broadly in line with movements of the dollar against the euro. Our FX interventions have remained below the peak in December 2024, but continue to be sizable, including to intermediate the public sector's structural FX surplus and to cover the structural FX deficit of the private sector. The spread between official and cash rates remains low.
- As the war continues to weigh on confidence, credit to the economy is likely to remain low. Nevertheless, we continue to support financial inclusion and deepening, including through key subsidized lending programs including the 5-7-9 program, aimed at small- and medium-sized enterprises, and the eOselya to support mortgage lending to households. Financial institutions continue to report solid earnings, liquidity remains adequate, gross nonperforming loans are still falling, and loan default rates have approached pre-war levels.

6. The economy could rebound more quickly, especially if reforms accelerate and a just and durable peace agreement delivers a swift and sustained improvement in security. In the

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

7. Conversely, downside risks to the outlook amid exceptionally high uncertainty could weaken economic performance. The most significant risks pertain to the security situation. In the near term, attacks could be even more damaging or frequent than expected, especially as regards energy infrastructure, or export transit routes could be significantly interrupted. Should these risks materialize, near-term growth could be impacted, inflation could re-ignite, the already large fiscal and current account deficits could widen further, and balance-of-payments pressures could increase, weighing on international reserves accumulation. Over a longer horizon, if the war concludes without a peace settlement that contains credible security guarantees and/or adequate resources for reconstruction and post-war defense, then the recovery, return migration, and IDP resettlement would be weaker. This would result in lower investment, persistent mismatches in the labor market, and higher macroeconomic volatility, and, consequently, weaker medium-term potential growth.

II. Macroeconomic and Structural Policies for 2026–29

A. Overview

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

- Our current focus is to maintain macroeconomic, external, and financial stability, in order to strengthen Ukraine’s capacity on its way to victory. We are implementing robust budget policies for 2026, anchored in a strong medium-term budget framework and the upcoming Budget Declaration for 2027–30, which will guide fiscal policy and the assessment of financing gaps. Monetary and exchange rate policies are focused on maintaining price and external stability, with managed exchange rate flexibility to absorb shocks, reduce external imbalances and sustain adequate reserves. The key policy rate remains tight to anchor inflation expectations, and we will be cautious in further FX liberalization, guided by our conditions-based roadmap. Structural reforms are advancing across public finances, financial sector, SOE corporate governance, anti-corruption, and the energy sector. We are implementing reforms to VAT and CIT, strengthening public investment management, and enhancing fiscal transparency.

- Despite the war, we are confident that the EFF-supported program provides the appropriate framework to restore external viability by 2029. Our strong implementation track record, commitment to reform, and continued support from stakeholders and international partners will enable us to address new challenges as they arise.
- We will continue to build on significant progress and begin to also shift our focus to more expansive structural reforms to entrench macroeconomic stability and accelerate reconstruction, promoting economic growth and restoring medium-term external viability. Swift progress toward EU accession remains a major anchor, with a wide range of measures undertaken under the Ukraine Facility and EU enlargement process.

9. We have taken note of the IMF staff analysis on a downside scenario that illustrates the impact of worse security conditions persisting over a longer period and will act decisively if shocks materialize. We also recognize that the materialization of these risks would likely necessitate an even stronger domestic effort, building on the financial resources already provided by our partners. In such an eventuality, we would build on our track record of responding to shocks with policy measures amid a full-scale war. Specifically, we would identify additional revenue enhancing measures (e.g., raising the main VAT rate, ¶14, first bullet) that could be implemented swiftly and/or expenditure savings through efficiency gains or even tighter expenditure reprioritization, where possible. We also stand ready to increase issuance on the domestic government bond market to finance the part of the deficit that cannot be met by concessional external financing sources. This will 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 macroeconomic stability as needed.

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

B. Fiscal Policy

11. We will ensure that fiscal policy under the program contributes to and achieves the restoration of fiscal and debt sustainability. We are committed to gradually narrowing the fiscal deficit after the war ends, consistent with delivering debt sustainability and meeting the debt targets under the program (see ¶40). Despite the current exceptionally high uncertainty, we see medium-

term levels of the primary balance excluding grants in the range of 0.2–0.4 percent of GDP as being consistent with restoring sustainability. A transition path to this medium-term deficit target requires the following expenditure and revenue efforts:

- *Expenditures:* Our overarching priority remains national defense, and therefore we must continue to tightly manage non-defense spending. The Budget Declaration for 2027–29 will provide a clear vision of our expenditure priorities over the program period. To ensure this, by April, we will share a first draft of the budget circular, assumptions, and a table showing state budget general fund expenditure ceilings for each key spending unit with IMF staff. The circular, which will form the basis of an early consultation with IMF staff on the Budget Declaration, will request the major expenditure priorities over the medium term from key spending units. Moreover, to ensure that the Budget Declaration is consistent with the program, we will consult IMF staff during its preparation ahead of its Parliamentary submission in June. We will also reassess our procedures for forecasting core macroeconomic assumptions underpinning the Budget Declaration and upcoming 2027 Budget to ensure that they are aligned with the IMF program assumptions on key macroeconomic variables. We also will update the macroeconomic frameworks underpinning budgets and budget declarations as circumstances warrant and to facilitate policy discussions. To operationalize this commitment, we will review whether changes in procedures or regulations are needed.
- *Revenues:* Restoring fiscal and debt sustainability will require us to lock in the revenue mobilization gains that we have been able to achieve during the war and deliver tax revenues consistent with attaining the program’s medium-term fiscal path. Based on our current spending plans, we expect that a tax-to-GDP ratio above 37.5 percent of GDP each year over the medium term is consistent with an adequate tax effort and will help deliver primary balances excluding grants in the range described above. To ensure adequate resources for our post-war defense and reconstruction needs alongside sustainable fiscal balances, we will enact legislation to remove the sunset date of the 5 percent military levy (adopted in 2024).

12. Consistent with this goal, we implemented fiscal policies in 2025 consistent with the second supplementary budget, enacted in October. Fiscal policy execution remained challenging due to repeated defense expenditure shocks, despite our efforts to strictly control non-defense spending and ensure adequate tax revenues, which overperformed their targets. As revised, the general government overall deficit excluding grants (measured below-the-line) reached UAH 2,059 billion (23.2 percent of GDP). This very high deficit was financeable, thanks to large-scale external support from donors (including frontloaded support under the G7’s ERA initiative) and domestic debt issuance.

13. We prepared the 2026 Budget to be consistent with the program’s parameters, and in consultation with the IMF. Given its criticality to the program’s success, this Budget was approved as a **Prior Action** for this program. It reflects the assumption that the war will continue through 2026 as well as the following key priorities and our intention to implement fiscal policies consistent with stability:

- The general government's expenditures in the 2026 Budget will reach UAH 6,228 billion (62.2 percent of GDP), with defense expenditures receiving the largest budgetary allocation. We have incorporated a larger contingency reserve buffer to ensure resilience to potential expenditure shocks. We have also limited additional non-defense expenditures to a few select initiatives, amounting to around 1 percent of GDP, to address priorities in demographics, healthcare, and education. These initiatives are aligned with our commitment to ensuring adequate social protection, which will be monitored under the program through an **indicative target**.
- We are determined to continue progress on domestic revenue mobilization. Overall, the 2026 Budget's revenue projection is about 39 percent of GDP, underpinned by new tax revenue measures (see ¶21). Our progress in ensuring adequate revenues will continue to be monitored by a floor on tax collections excluding social security contributions (**quantitative performance criterion**).
- Taken together, the budget for 2026 envisages the general government's overall deficit excluding budget support grants reaching UAH 1,927 billion (19.3 percent of GDP; **indicative target**). Our progress in implementing fiscal policies under the program will be measured by the cash non-defense primary balance excluding grants (**quantitative performance criterion**).

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

- We will only revise spending categories in consultation with IMF staff and after identifying either new financing sources or compensating fiscal measures. We continue to stand ready to increase taxes if budgetary shocks materialize, and view increases in the main VAT rate as the most efficient option to mobilize resources in such a contingency.
- We are also seeking improved efficiency of government spending, including through expenditure audits to help contain risks to the budget.
- We will continue to avoid any tax policy subsidies, incentives, or other administrative measures that erode the tax base and will refrain from introducing new categories of taxpayers in the existing preferential regimes.

15. Consistent with the law and recent public financial management (PFM) reforms, we will ensure that all investment projects are prioritized and selected through the established Public Investment Management (PIM) framework, fit into the medium-term budgetary framework (MTBF), and are consistent with the objective of restoring fiscal and debt sustainability. To this end, we will also carefully evaluate the financing mix, and will seek financing on highly concessional terms. In parallel, we will also advance reforms to the financial market infrastructure with the aim of mobilizing private financing for recovery and reconstruction (see ¶54).

C. Financing Strategy

16. We are working with donors to secure timely external disbursements, consistent with meeting our financing needs and achieving debt sustainability as well as medium-term external viability. The war and its associated cost entail a large financing gap, which now stands at US\$136.5 billion over 2026–29. The following financing sources have been identified:

- *We have secured firm financing commitments for the next 12 months of the IMF-supported program:* We are very grateful for the commitments from our donors through February 2027. At present, pledges over 2026Q1–2026Q4 amount to US\$47.6 billion in bilateral and multilateral budget support, including US\$10.6 billion of remaining resources under the G7’s ERA initiative and support committed by the EU and other partners of US\$36.9 billion. The prompt disbursement of the envisaged amounts will be vital to maintaining economic and financial stability.
- *We have good prospects on financing for the rest of the program:* From 2027Q1 onwards, our partners have assured us of their continued support, which will help ensure that the program is fully financed over its duration.

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

17. The domestic government bond market will remain an essential source of budget finance. We stepped up issuances of domestic government bonds in the second half of 2025 to ensure adequate deficit financing and improve cash buffers. The domestic rollover rate for 2025 was approximately 113 percent. For 2026, we have developed an issuance calendar consistent with the program, and we stand ready to step up issuances if expenditure shocks—particularly related to defense—materialize. This strategy will help ensure the resilience of budget implementation, the avoidance of arrears and monetary financing, and maintain stability under both program macro scenarios. To ensure that any necessary scaling up of domestic issuance is feasible, we will remain engaged with the domestic market. Benchmark bonds, which banks can use to meet reserve requirements, will also support our efforts; issuances in 2025 amounted to UAH138 billion.

18. We are proceeding with plans to enhance public debt management and treasury cash and liquidity management.

- We adopted a Medium-Term Debt Strategy for 2026–28. This document contains analysis of our debt structure, risk factors, goals of debt management, and issuance strategy.
- We are also committed to strengthening our debt management capacity, including by increasing staffing and training. We will continue to support the development of the domestic

debt market, including through medium-term efforts to maintain the attractiveness of locally-issued instruments and diversify the set of investors (including by improvement of cross-border settlement). Moreover, our efforts should help facilitate international capital market access in the medium term, consistent with debt sustainability objectives, and thereby enable the bond market to play an active role in reconstruction.

D. Fiscal Structural Reforms

19. We are moving forward with the fiscal structural reform agenda to support our development goals and path to EU accession. In our efforts to support sustainable growth, improve the business climate, and address the shadow economy, we are focusing on: (i) raising revenues to help meet reconstruction and social spending needs, guided by the objective of enhancing the efficiency, fairness, and simplicity of the tax system, through the home-grown National Revenue Strategy (NRS); (ii) ensuring fiscal sustainability and the predictability of budget policy by strengthening the medium-term budget framework; (iii) improving our public investment and PFM frameworks; (iv) reforming and strengthening the pension system and social safety net, and (v) enhancing fiscal transparency and management of fiscal risks.

Revenue Mobilization

20. Our strategic goal under the NRS is to increase revenues by closing opportunities for tax evasion, promoting growth, improving compliance, and combating the shadow economy. The NRS aims to establish a fair and competitive tax framework that generates sufficient revenues to support our post-war development goals while ensuring fiscal and debt sustainability as well as alignment with EU standards. We will continue to closely monitor and report progress on NRS implementation. To reflect reform progress and ensure accountability within a comprehensive, transparent, and unified reporting framework, we will publish a comprehensive status report each year in March.

21. Near-term tax reforms under the program aim to broaden the tax base and make the tax system more conducive to economic growth, tax compliance, and formalization. To this end, Parliament will adopt a package of tax measures (**structural benchmark, end-March, 2026**), consisting of the following:

- Taxing income earned through digital platforms;
- Eliminating the tax exemption for imports through small-value postal packages;
- Removing VAT exemptions from simplified regimes by making VAT registration mandatory, effective January 1, 2027, for simplified taxpayers with turnover exceeding the general VAT registration threshold. The threshold will be raised moderately but will not exceed UAH 4 million.

22. We will take additional steps to strengthen the VAT:

- We have issued a decree prepared by the Ministry of Economy to level the playing field for VAT payers in competitive public procurement tenders (**Prior Action**). The access of non-VAT payers to the procurement system will not be restricted by this measure.
- During 2026, with IMF-supported TA, we will (i) define an approach to apply the IMF’s RA-gap methodology to Ukraine, and (ii) conduct a VAT policy analysis. In 2027, we will conduct a quantitative analysis of the VAT gap using the aforementioned Ukraine-specific approach. This analysis will take into account any restrictions imposed during the period of Martial Law, if applicable.

23. We will abolish opportunities to abuse the Simplified Tax (ST) system for income tax avoidance. Specifically, we will (i) submit to Parliament legislation to amend the definition of “employment” in the Labor Code (**Prior Action**), in line with good international practice, to reduce opportunities for disguised employment; (ii) step up enforcement of this definition by the labor inspectorate; (iii) apply the new employment rules to prevent tax evasion on personal income related to hidden employment; and (iv) in 2026, submit to the Parliament amendments to the Tax Code to exclude from the second group of Simplified Tax payers certain types of activities that carry a high risk of concealing employment relationships (in particular services, including IT services, consulting services in the fields of accounting and audit, marketing, engineering, and law), and to introduce increased differentiated rates for such activities for the third group of tax payers. Moreover, digitalization and better data integration—including through our new “obryi” system—will help address informal employment.

24. We will develop legislation to further make the ST system more targeted and limit its abuse. With IMF TA support, we will submit draft laws to Parliament by end-2026 to (i) limit the practice of companies artificially splitting to remain below the thresholds for preferential regimes and (ii) to limit the possibility for businesses to return to the use of ST after their transition to the general taxation system.

25. Under the program, we will close several major corporate income tax (CIT) loopholes. Specifically, supported by the TA from the IMF, we will:

- Submit to Parliament draft laws to amend the Tax Code (**structural benchmark, end-June 2026**), aiming to:
 - (i) align transfer pricing rules with OECD standards, extend their coverage to domestic transactions, and make compliance with the arm’s length principle mandatory for all businesses
 - (ii) implement the requirements of the EU Anti-Tax Avoidance Directives (ATAD), which are currently partially implemented in Ukraine’s legislation, namely Article 4 (interest limitation rule). The draft law will also provide for the abolition of the tax exemption for income of foreign companies whose place of effective management is located in Ukraine.
- By end-September 2026, we will:

(i) develop and submit to Parliament draft law to implement Article 5 (exit taxation), Article 6 (General Anti-Abuse Rule, GAAR), and Articles 9, 9a, 9b (hybrid mismatches) of ATAD. This draft law will also establish restrictions on deducting from the corporate income tax base expenses that lack a reasonable economic rationale (business purpose) and eliminate other gaps and deficiencies in the legislation that may affect the effective application of ATAD rules; and

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

- In the context of a comprehensive reform (see ¶54) of Joint Investment Institutions (JIIs), we will, by end-2026, submit to the Parliament a draft law aimed at minimizing direct and indirect losses of tax revenues to the budget from the preferential taxation regime for JIIs, as well as to ensure a neutral approach to investments/investors.

26. We will further advance several additional tax reforms under the NRS. We will (i) develop a comprehensive package of measures for the post-war period to reform the taxation of carbon emissions; (ii) analyze and assess the taxation of extractive industries; and (iii) define the principles of taxation of virtual assets, aligned with EU rules, 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 IMF TA and other development partners.

27. We will continue with our ongoing efforts to quantify and disclose tax privileges. We will phase in the new methodology to assess tax privileges and gradually apply it to all relevant topics, targeting the most significant tax expenditures first, and leading to a regular evaluation cycle covering all topics over a number of years. We will conduct a comprehensive inventory of tax expenditures related to these major taxes for publication alongside the 2027 annual budget documentation, and we will conduct regular calculations of tax expenditure costs. After taking appropriate confidentiality measures, the State Tax Service (STS) will support this effort by giving the MOF access to comprehensive data, after taking appropriate confidentiality measures. Moreover, the MOF will consult with IMF staff on the methodology of assessing the impact of any new tax proposal.

28. Robust IT processes are necessary for successful NRS implementation. The MOF, in accordance with the NRS, has developed an updated IT strategy for the Public Finance Management System. The core approach outlined in the IT strategy is to consolidate at the MOF level the IT systems of the STS and State Customs Service (SCS), and ensuring the IT systems are managed by an independent administrator (OPF) using cloud technologies. The strategy includes the gradual transition to a new level of service-oriented systems, particularly within STS and SCS, to make services available online. An operational plan for the reform implementation was approved in September 2025:

- We will ensure that, in 2026, the OPF will have the necessary resources to enhance its capacity, including to hire the required additional IT specialists with competitive salaries.
- A first near-term measure, in line with Step 1 under the operational plan, will be the designation of OPF as the manager of those IT systems whose components will be used for the development of new customs IT systems compatible with EU IT systems (by end-February 2026). This work includes the documentation of IT systems at customs and relevant intellectual property rights.
- An important milestone for 2026 will be the design of a centralized data warehouse (**structural benchmark, end-December 2026**), including a robust data access policy.

29. Near-term reform efforts at the STS focus on further building public trust in the STS, improving taxpayer services, enhancing efficiency through digitalization, developing modern and automated compliance risk management (CRM) practices, and strengthening the effectiveness of tax audits:

- The 2024 Tax Compliance Cost Survey shows a need to reduce the cost of tax compliance for businesses, including by improving taxpayer services and addressing performance issues of the electronic taxpayer office.
- Survey respondents also show a still relatively low level of trust in the fairness of the STS. In addition to establishing a fully automated risk-based approach to tax administration (see below), we aim to more effectively curb the ability of taxpayers to negotiate informally with STS staff.
- To improve our risk-based approach to tax administration, we have developed methodological documents to operationalize the automated tax risk management system. We have adopted an Overall Compliance Improvement Plan as a comprehensive document on the identification, assessment, and mitigation of risks by major types of tax risks. We have launched a two-year pilot (ending July 31, 2026) of the automated risk management system. By end-August 2026, the STS will prepare information on the results from using the automated CRM system. Based on this information, we will then (by end-2026) prepare and submit to the CMU a report on the lessons learned from the pilot and, if needed, proposals for legislative amendments.
- By June 2027, after effective implementation of automated CRM, we will enact changes to the Tax Code to address constraints that are limiting the effectiveness of the STS and negatively affecting tax compliance, including (i) the requirement for the STS to publish its risk assessment algorithms; (ii) the requirement to prove non-compliance before conducting tax audits; (iii) the statutory time limit of 30 days to complete an audit; (iv) the requirement to pre-announce tax audits through an annual list; (v) the inability to collect tax debts until confirmed by a court, even in cases where the debt has been self-declared by a taxpayer.
- Digitalization initiatives include (i) the introduction of a track and trace system for excise tax administration, by November 1, 2026; (ii) the e-audit program to automatically verify the consistency of tax declarations with SAF-T data and other data, which has been operational in

late December 2025; (iii) an IT solution to more effectively collect outstanding tax debts which are recoverable and undisputed (or have exhausted the appeals process), which was fully operationalized across the regions in 2025.

- Supported by IMF TA, we are reviewing other countries' practices with respect to giving the tax authorities access to data on taxpayers' bank accounts. Providing such access in Ukraine will require a review by the Ministry of Finance in cooperation with the NBU, and with the technical assistance of the IMF and other international partners, taking into account best international practices and the requirements of EU Directives, in particular the specific issue of a possible expansion of the grounds for out-of-court access by tax authorities to information on the amounts of funds transferred to taxpayers' bank accounts as part of taxable transactions.

30. We remain committed to implementing the changes to the Customs Code enacted in 2024, including key governance reforms. The commission to select the new head of customs was formed in September 2025 and has begun its work. We expect to appoint a new permanent head of customs by end-March 2026 (**structural benchmark, end-March 2026**). We will also establish Key Performance Indicators (KPIs) for the head of customs (by end-February 2026) in consultation with IMF staff. These KPIs will balance revenue collection performance with other objectives, such as trade facilitation, good governance, and reform progress. The MOF will continue to oversee the selection, KPI-based performance evaluation, and policy guidance for the SCS head, ensuring transparency and accountability while allowing SCS operational independence. Any vacancies for regional customs heads will be filled as soon as possible.

31. The Economic Security Bureau of Ukraine (ESBU) will play a key role in combatting tax and customs fraud. A new head of the ESBU was appointed in 2025. The new ESBU head has subsequently approved procedures of staff attestation and formed the attestation commission, a critical step in the vetting of all ESBU staff. The attestation of heads of division and territorial offices and their deputies will be prioritized. We increased the ESBU's budget which, alongside facilitating access to the necessary economic data, including from the tax and customs authorities, will help strengthen ESBU's effectiveness. The ESBU will also 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.

Public Financial Management

32. We will continue with ongoing reforms to establish the Budget Declaration as the key operational tool for medium-term fiscal policy planning. Supported by IMF TA, the 2026–28 Budget Declaration published in mid-2025 showed methodological improvements relative to the previous year, notably thanks to the inclusion of plan indicators for the medium-term period across all subsectors of the general government. In 2025, the MoF calculated the baseline expenditures at the level of the state budget in accordance with the approved methodology and issued directives to the key spending units regarding the preparation of information and the execution of calculations.

with the incorporation of a “current policy” expenditure baseline. In developing our Budget Declaration for 2027–2029, we aim to further enhance medium-term planning, including through:

- the introduction of baseline expenditure estimates as an element of the planning system for key spending units, to align baseline expenditures of MoF and key spending units and ensure more credible planning.
- a “current policy” scenario, with revenue and expenditure projections under unchanged policies (i.e., as currently legislated). This scenario will also quantify the gap – or fiscal space – between the deficit under current policies and the deficit in line with the government’s fiscal objectives, as agreed with IMF staff.
- an active policy scenario to spell out the impact of any new policies, including measures to achieve the government’s fiscal objectives.
- estimates of payments needed to compensate state-owned enterprises for their accrued costs of quasi-fiscal activities since the beginning of the war. It will further incorporate realistic estimates of funds needed to execute court-ordered retroactive pension payments.
- expanded fiscal risk reporting (see ¶34).

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

34. We continue to strengthen fiscal risk management. Specifically:

- To strengthen the link between the fiscal risks assessment and the predictability of government spending, with IMF TA we will update the methodological guidance (with input from MOE and other line ministries in their respective areas of responsibility) for assessing fiscal risks in key spending areas and contingent liabilities, including public investments (including PPPs), guarantees, local governments and SOEs, by end-2026. By integrating these assessments more robustly into the early stages of the budget cycle, fiscal risk analyses can better inform budgetary and fiscal decisions.
- We have significantly improved fiscal risk analysis and reporting and remain committed to further strengthening. With IMF TA, we will improve fiscal risk reporting by, for example, including projections of fiscal variables (deficit, debt) under certain shock scenarios starting with the Budget Declaration for 2027–2029 and the FRS, and improve the reporting of PPP fiscal risks in the FRS.
- We will implement the MOF’s SOE financial oversight and fiscal risk management function into the SOE governance framework and align it with secondary legislation. We will enhance the identification, analysis, and reporting of Public Sector Obligations (PSOs) and quasi-fiscal

activities, to improve their management, transparency, accountability and limit fiscal risks (see also ¶69).

- We will refrain from imposing new PSOs and will only introduce new ones after prior consultation with IMF staff on their appropriate design, including separate and transparent accounting of PSO obligations in line with international best practice.
- The CMU approved the regulation for the financial indicators in August 2024 (No. 984) consistent with the gatekeeper role of the MOF to limit quasi-fiscal risks and help safeguard debt sustainability. If necessary, we will review the financial indicators at the latest in early 2027 before the next SOE financial planning season in 2028, and we will make any changes to the financial indicators through a CMU resolution.

35. We will enhance the institutional independence and effectiveness of audit institutions to ensure that public funds are used for their intended purposes and any misuse is prevented or detected. Legislative amendments were enacted in December 2024 to reinforce the independence and financial autonomy of the Accounting Chamber of Ukraine (ACU) and expand its oversight mandate in line with international standards. We will establish the Advisory Group of Experts (AGE), whose task is to vet candidates for the ACU Board, and appoint its six members by end-April 2026. All ACU board members will be appointed from the pool of vetted candidates in accordance with the 2024 amendments by end-December 2026 (**structural benchmark, end-December 2026**).

Public Investment Management

36. The Action Plan for the Implementation of the public investment management (PIM) Roadmap for 2024–2028 designates the MOF as the gatekeeper for all stages of PIM. We are enhancing the PIM framework through improved (i) strategic planning in accordance with the Concept of the National Strategic Planning System, which was adopted in August 2025; (ii) integration of public investment into the MTBF; (iii) procedures for preparing, appraising, selecting, and implementing projects; (iv) institutional capacity; and (v) monitoring and evaluation of implementation. Our PIM reforms, with a key role for the annual SPP process, will follow the principles of budget unity, coherence, and predictability and strengthen coordination between the MOF, MOE, Ministry of Development, and other line ministries who remain responsible for project execution. Building on our achievements in 2024–25, we will continue implementing the Action Plan:

- To improve the alignment of resource allocation with strategic priorities, we will adopt by end-March 2026 (i) a policy framework (regulation and methodological guidance) for preparing sectoral strategies in line with the new approaches to public investment management and (ii) a time-bound action plan for the update of sectoral strategies. The policy framework will include approaches to synchronize sectoral strategies with the State Strategy for Regional Development, design key priorities and indicators—consistent with expenditure limits that are aligned with the total available resource envelope for new projects—which will guide the prioritization of public investment areas. The action plan, structured until December 2026, will include key coordination

mechanisms, timelines, responsible authorities, and required resources (including coordination of international technical assistance and other capacity and financial assistance to support all key sectoral ministries). We will implement the action plan and adopt sectoral strategies in line with the policy framework (as well as sector-specific guidelines for public investment projects preparation and prioritization) by end-December 2026.

- By end-March 2026, we will enact legal amendments to improve the integration of PIM into medium-term budget planning and fiscal risk management, covering: (i) use and recording of multiannual budget commitments and contingent liabilities for public investment projects; (ii) determination of contingent liabilities that may arise from PPPs; (iii) management and disclosure of fiscal risks related to public investments; and (iv) public investment budgeting at the local level.
- By end-August 2026, the Strategic Investment Council will approve the SPP update for the 2027 Budget. Only projects prepared and appraised using the PIM methodologies will be eligible for the SPP and for funding in the 2027 Budget.

Pensions and Social Spending

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

- **Pensions.** With IMF and World Bank support, we are developing a comprehensive pension reform covering all components of the system. The reform will aim to improve adequacy and fiscal sustainability, strengthen the contributory principle, and address old-age poverty through a more transparent and equitable design. Our reform proposal to the CMU will include an analysis of the long-term fiscal implications, prepared in consultation with IMF staff. We will ensure—through compensating revenue or expenditure measures if needed—that the reform does not widen the deficit of the general government sector over the medium term. Moreover, we will refrain from: (i) introducing new special pensions or privileges; (ii) passing any new legislation that would give rise to additional pension-related contingent liabilities, which are not provided with financial resources; and (iii) modifications that would lead to a lowering of the legally defined retirement age. In the near term, we will take measures to limit the amount of additional benefits paid to certain categories of pensioners, on top of the contributive part of their pensions. We will also offer a unified approach to the annual increase of all pensions assigned in the pension system, exclusively through the indexation mechanism. Specifically, we will submit draft legislation to Parliament to discontinue the practice of linking annual increases in certain special pensions to increases in salaries.
- **Disability benefits.** We will introduce new approaches to supporting people with health impairments, including people with disabilities. To ensure comprehensive and better targeted support, we are preparing legislation to establish a new mechanism for assessing individual functional capacity, aligned with the International Classification of Functioning, Disability and Health (ICF). This will allow social benefits and rehabilitation measures to be based on the

assessment of daily functioning, whereas the current approach relies solely on medical diagnosis. The new model will improve fairness, transparency, and efficiency in allocating disability-related support and promote the rehabilitation and inclusion of people with disabilities into the labor market.

- **Mechanisms to support vulnerable groups.** We are working to further enhance the targeting and means testing of benefits to vulnerable groups of the population. With the support of the World Bank, including through a programmatic loan, we are working on draft legislation to consolidate different types of social entitlements. More specifically, we are exploring the options for integrating various social assistance programs under a single unified package based on individual needs regardless of a recipient's status (e.g., IDP or non-IDP). In this context, we have also increased the income threshold for eligibility under the Guaranteed Minimum Income program.
- **Social standards.** We are taking steps to restore the role of the subsistence minimum as a genuine social standard. We will adopt legislation to decouple the subsistence minimum from technical calculations of public sector wages, fines, and other administrative indicators. In parallel, we are developing a new structural methodology for calculating the subsistence minimum and its components in line with EU approaches. We will also review the current linkages of social assistance programs to the subsistence minimum to ensure consistency with fiscal sustainability.

E. External Debt Strategy

38. Our efforts to restore debt sustainability on a forward-looking basis remain guided by the strategy announced in March 2023. The August 2024 Eurobond exchange was a major step forward in the process. In addition, we recently concluded the exchange of outstanding GDP-linked warrants into a new series of Eurobonds. However, a treatment of the remaining external commercial claims in the restructuring perimeter remains necessary to help close financing gaps during the program period, reduce gross financing needs to manageable levels, including after the program, and to place debt on a sustainable path. Our goal remains to restore debt sustainability and ensure that our program is fully financed, including in a downside scenario. Our strategy is also designed to help create the necessary conditions for private sector participation in the post-war reconstruction of Ukraine, and takes into account the importance of preserving financial stability.

39. Building on the successful Eurobond and GDP warrants exchange, we are making progress on the additional components of the strategy:

- *Commercial claims other than Eurobonds:* Discussions continue with a group of investors holding 45 percent of Ukrenergo's state-guaranteed bonds in the restructuring perimeter, with proposed terms being those of the 2025 Agreement in Principle. With Cargill, we have entered negotiations to restructure the loans on terms comparable to other commercial claims. We are aiming to reach an agreement as soon as possible. In the meantime, a moratorium on government payments on all these instruments was introduced in August 2024 and remains in

effect. We continue to be aided by our external financial and legal advisors and remain committed to a credible process for restructuring these claims in line with the overall strategy under the program, including with transparency for information and communication.

- *Official bilateral debt.* Creditors in the Group of Creditors of Ukraine (GCU) remain committed to a two-step process involving an extension of the debt standstill, a new cutoff date, and a separate assurance to deliver a final debt treatment sufficient to restore debt sustainability before the final review of the IMF-supported program. 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.

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

41. 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

42. Our monetary and exchange rate policies aim to safeguard price and external stability while building an adequate level of international reserves. Guided by our [Strategy for Easing FX Restrictions, Transitioning to Greater Flexibility of the Exchange Rate, and Returning to Inflation Targeting](#) and our [Monetary Policy Guidelines for the medium term](#) (MPG), and in close collaboration with the IMF, we continue adapting our policies to evolving macroeconomic conditions, including cautiously advancing FX liberalization while ensuring external viability—a key program objective.

43. We will maintain a sufficiently tight monetary policy stance and key policy rate (KPR) to bring down inflation, anchor expectations, and support macroeconomic stability. Following

cumulative rate hikes of 200 bps in Q1 2025, the key policy rate (KPR) remained at 15.5 percent through end-2025. At our January MPC we adopted a modest rate cut of 50 bps, taking into account the steady decline in inflationary pressures while remaining cautious given the still-elevated risks to the outlook. Further easing remains conditional on the evolution of inflation expectations, consistent evidence that inflation remains on a downward trajectory towards the inflation target and a weakening of inflationary risks. Our stance aims to preserve the attractiveness of hryvnia instruments, limit inflationary and FX pressures, and maintain confidence in the domestic currency. Looking ahead, monetary policy will focus on returning inflation to the 5 percent target over the policy horizon of three years, with readiness of monetary policy to adjust if risks materialize.

44. To strengthen external buffers and prospects for medium-term external viability, we will continue to accumulate reserves and facilitate greater exchange rate flexibility. To these ends, we have tightened the Net International Reserves (NIR) targets (**quantitative performance criterion**) and recalibrated our FX intervention approach to enhance the role of the exchange rate as a shock absorber while avoiding excessive volatility. While the NBU continues to address the war-related structural FX deficit of the private sector, we also recognize that allowing the exchange rate to adjust in response to changes in domestic and external factors will strengthen the functioning of the FX market and the resilience of the Ukrainian economy.

45. We will ensure strict adherence to the FX liberalization Strategy balancing the trade-offs between supporting growth and safeguarding external stability. FX liberalization will continue to follow a conditions-based roadmap ensuring that the pace of easing supports growth and safeguards external stability while maintaining consistency with the overall policy mix. To ensure compliance with current controls and limit unproductive capital outflows, we will continue to closely monitor FX market conditions and related flows, including through: (i) bank-level data analysis to identify and address potential circumvention of controls; and (ii) potential controls to limit virtual asset transactions to preserve the efficacy of CFMs (see ¶157); (iii) careful assessment by the Government and NBU, on a needs-basis, of existing and potential new cases for exceptions and extensions to import and export settlement deadlines; (iv) close monitoring of securities transactions and enforcement of capital controls by NSSMC, including of cross-border transactions for international Ukrainian government bonds. We commit to a comprehensive stocktaking of FX measures implemented to date. Furthermore, we are committed to the standard **continuous performance criterion** of (i) not introducing or intensifying any exchange restrictions; (ii) not introducing or intensifying import restrictions for BoP reasons; (iii) not introducing or modifying multiple currency practices; and (iv) not concluding bilateral payment agreements in violation of Article VIII of the Articles of Agreements.

NBU Independence and Governance

46. A strong and independent NBU remains critical to achieving macroeconomic stability. We will adhere to the following principles, including in line with the 2023 Safeguards Assessment:

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

under the NBU Law. We commit to refraining from using NBU profit for earmarked spending and will direct this revenue category to the General Fund of the State Budget. Finally, we recognize that costs incurred from monetary policy implementation via liquidity absorption (interest expenses on NBU CDs) are both necessary and justified to support macroeconomic stability in line with our mandate.

- *Implement Safeguards Assessment recommendations.* In order to take steps to enhance the NBU's secured creditor status under bank resolution, we have developed and submitted to the parliament the corresponding legislative amendments. We will continue working with IMF staff to improve the execution of functions of the Audit Committee and strengthen collective fitness of the NBU Council. We will ensure that vacant positions in the NBU Council are filled by end-March 2026 to support its operational effectiveness.

47. As conditions allow, we will gradually unwind wartime measures, undertaken to support price and external stability, to support the eventual transition back to a full-fledged inflation targeting framework with a floating exchange rate.

- *Monetary financing:* We remain committed to avoiding monetary financing, including indirect forms; if external disbursements are delayed, any use will be strictly limited under the agreed MOF–NBU framework articulated in the Technical Memorandum of Understanding.
- *Wartime measures and liquidity management:* As liquidity conditions evolve, we will adjust our monetary policy framework to better align with economic conditions. When conditions permit, we will phase out war-time measures to strengthen our monetary policy toolkit, uphold NBU credibility and independence, and thereby support our transition to a full-fledged inflation targeting framework with a floating exchange rate.
- *FX Liberalization:* Consistent with our FX liberalization roadmap under the NBU's Strategy, and as conditions permit in the post-martial law period, we will gradually phase out FX controls implemented under Resolution No. 18. This approach will continue to support growth while safeguarding external stability. Accordingly, any necessary legal amendments will be developed for submission to Parliament, including as related to the Currency Law and the NBU Law.

G. Financial Sector

48. We have preserved financial stability through a variety of emergency measures and will continue to reinforce financial crisis preparedness. We have restored pre-full scale invasion regulatory requirements, which we will adhere to, and will reinforce financial stability through a prudent approach to micro- and macroprudential regulation. Despite the war, bank branches remain operational, including through the introduction of "Power Banking" to counter power outages. Online banking services have remained fully available, the non-cash payment system is functioning normally, and banking system capital and liquidity is robust. Our priorities are on preservation of financial stability whilst ensuring financial and operational readiness to respond adeptly to shocks. The NBU and the Deposit Guarantee Fund (DGF) continue to address weak banks alongside court-

based nationalizations related to the wartime setting and have prepared contingency plans to respond to further potential high-impact events in their respective areas. More specifically:

- The NBU assessed key financial and operational risks to financial stability under various downside conditions and updated NBU's monitoring and emergency response frameworks accordingly. The NBU will continue to monitor and adjust contingency plans as needed.
- Following an NBU "bank resilience assessment," restructuring and capitalization plans were developed for weak banks and business plans were adjusted accordingly. As a shareholder, the MOF directed State Owned Banks (SOBs) to uphold best practice risk appetite frameworks, which were reviewed by the NBU during the 2025 Supervisory Review and Evaluation Process.
- Key gaps in the legal framework regarding early intervention measures, temporary administration, and resolution of insolvent banks have been addressed and a corresponding draft law covering these key gaps and improving existing liquidation procedures is expected to be adopted in February 2026 and we are implementing the action plan approved by the NBU-DGF coordination committee.
- The adequacy of DGF financial resources has been reviewed and emergency financial backstops will continue at least until the target reserve ratio has been reached.
- The NBU has aligned its frameworks for counterparty eligibility in monetary policy operations with international best practice and their coordination with lender-of-last-resort operations.

49. The NBU will continue to undertake resilience assessments of the banking system while considering wartime developments and needs. The NBU has completed a resilience assessment, which included loan file reviews involving external auditors and solvency stress tests under baseline and adverse scenarios. The results of the assessment informed restructuring and capitalization plans and efforts to close outstanding gaps in regulatory capital requirements and harmonization of regulations with the EU acquis. An analysis of business model viability will be undertaken in consultation with IFIs. Once conditions have stabilized, (i) the NBU will complete a targeted asset quality review (AQR) in consultation with IFIs to assess the adequacy of banks' capital buffers and (ii) carry out a subsequent bank viability assessment. This risk-based asset quality review will consider loan collateral valuations and based on a Terms of Reference prepared in consultation with IMF staff by end-April 2026. In parallel, the NBU will prepare a concept note by end-April 2026 to inform the relaxation of the current blanket prohibition on bank capital distributions and consider the need for continued restrictions until after the independent AQR findings have been fully reflected in banks' regulatory ratios and financial statements.

50. We are fully committed to further strengthening banking supervision. The NBU refined the supervisory risk-assessment methodology and expanded the supervisory plan in December 2025 to include all material bank risks and develop methodologies for supervisory risk assessments. The NBU is also developing supervisory methodology to determine Basel Pillar II increased capital adequacy and liquidity requirements based on supervisory assessment, which will be implemented

by end-September 2026. The NBU is taking steps to mitigate growing critical third-party risk in banks, non-bank financial institutions, and payments service providers through the implementation of new regulatory requirements (**structural benchmark, end-June 2026**). The steps include: (i) preparing regulatory requirements to address third-party risk for banks and non-banks and their publishing for discussions with the market (by end-March 2026 for banks and end-May 2026 for non-bank financial institutions); and (ii) implementing the requirements through entry into force of the framework by end-June 2026. If needed, the NBU will develop a draft law in consultation with IFIs including measures for detection, containment, and mitigation of market-systemic critical third-party risk for third parties that are either in going- or gone-concern and submitting it to Parliament. Entities identified as critical third parties will be subject to NBU's fit and proper rules.

51. We will update our SOB strategy with a view to reducing state ownership in the banking sector. Any decision that has the potential to increase state ownership in the banking sector will be taken in consultation with IMF staff and strictly informed by financial stability and national security considerations during the martial law period. Any non-systemic banks that come under state ownership will not be recapitalized using fiscal resources and will be transferred to the DGF for resolution upon breach of prudential requirements (**continuous structural benchmark**). Further envisaged reforms regarding SOBs are:

- We are preparing the sale of two systemic SOBs, Sense Bank and Ukgazbank, starting with the appointment of an internationally recognized financial advisor in consultation with IFIs by end-March 2026.
- Given uncertainties regarding the timing of the sale processes, we will ensure SOB supervisory boards remain fully operational for all SOBs. To strengthen the independence and professionalism of the nominations process of the supervisory boards, we will approve an amended SOB Nomination Committee (NomCom) framework by CMU resolution based on IFI recommendations and which will: (i) require all NomCom participants to adhere to strict confidentiality rules, (ii) permit nationality to be considered only as a secondary factor between otherwise equally qualified candidates, (iii) strengthen assessment procedures by pre-agreeing on interview questions and sharing draft scores ahead of the interviews, (iv) develop an annual performance assessment for the SOB supervisory boards by the Ministry of Finance and link reappointment to its results, and (v) require the Ministry of Finance to maintain a pool of high-scoring candidates from previous selection processes for future vacancies (**structural benchmark, end-February 2026**).
- We will approve an updated general SOB strategy in consultation with IFIs (**structural benchmark, end-June 2026**) and use it to inform the strategies for individual banks with majority public ownership. The strategy will detail how the protections for fully government owned SOBs in Article 7 of the Law on Banks and Banking will be extended to majority government owned systemically important SOBs.

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

52. Governance of the Deposit Guarantee Fund (DGF) will be enhanced/strengthened while preserving its current critical role in the financial safety net. A working group established by the Financial Stability Council has prepared a draft law to adjust DGF governance arrangements including equal representation from institutions comprising the DGF Administrative Board, and close gaps relative to good practice, DGF accountability, internal controls, and procedures for the appointment of the Managing Director. More time will be needed to reach consensus on the composition of the Administrative Board. We expect to submit the DGF governance amendments to parliament in March 2026. The new appointment procedures will include the engagement of an independent HR firm to assist with the selection process and the introduction of a nomination committee comprising voting representatives and IFIs as observers. Given the essential role of the DGF in safeguarding deposits and addressing insolvent banks, we will refrain from making any changes to the allocation of roles and responsibilities of financial safety net stakeholders during Martial Law.

53. Improvements to the National Securities and Stock Markets Commission (NSSMC) governance will better position it to contribute to the recovery. Once conditions stabilize, vast private investment will be needed to aid reconstruction and recovery. This requires further development of our financial markets' infrastructure and its alignment with good practices to enable Ukraine to attract a broad range of investors. The NSSMC, which will be a key regulator and driving force of these developments, has taken some governance initiatives, including a fit and proper review of the Chair and Commissioners and amendments to the Ethics Committee Regulation. A functional audit of the NSSMC, supported by IFIs, is expected to be completed by end-June 2026. Nevertheless, a more robust and effective NSSMC governance structure is needed in the form of a supervisory board to provide strategic direction, ensure collegial responsibility and implementation of reforms, and enhance its effectiveness and credibility by promoting independence, accountability, transparency, and integrity in its operations. We will make changes to the NSSMC's governance structure and decision-making bodies in consultation with IFIs by introducing a two-tier governance structure comprising of a majority-independent supervisory board to oversee the existing executive and Commission functions. As a first step, NSSMC, in consultation with CMU and IFIs, will finalize a concept note by end-March 2026 outlining the structure, composition and mandate of the supervisory board. The new governance structure will be aligned with the Constitution in terms of government responsibilities for regulatory agencies and implemented through amendment of the NSSMC law (**proposed structural benchmark, end-December 2026**).

54. We will reform financial and capital market infrastructure (FCMI) with the aim of maximizing opportunities to attract private investment for reconstruction and recovery. We will close gaps in institutions, regulation, market standards and infrastructure as set out in the Financial Stability Council's (FSC) FCMI development roadmap to enhance the prospects for attracting private capital, which needs to play a critical and large-scale role in Ukraine's

reconstruction strategy. The roadmap includes detailed activities to (i) further coordinate and develop public, private, and public-private deal pipelines; (ii) reform market instruments, including introducing new instruments such as securitizations and covered bonds, and facilitate loan syndications, and loan sub-participations; (iii) reform of existing investment funds frameworks (also covering JIIs) through adoption of the investment funds law (#13246) by end-October 2026 and lending instruments (such as factoring and leasing); and (iv) align financial regulation to achieve EU Regulatory Equivalence. In addition, we have signed an MOU with IFIs to create a vertically integrated capital markets infrastructure for trading, reporting, clearing and settlement, recordkeeping and custody. Specifically:

- *Market instrument reforms.* Legislative proposals to align the asset backed securities frameworks with international standards and good practice are being prepared in consultation with IFIs and industry and will be submitted to Parliament by end-March 2026. Also, a legislative proposal to enhance creditor protection will be developed by NBU in 2026.
- *Capital markets infrastructure.* A vertically integrated markets infrastructure will be created involving the State, a strategic partner and SOBs. It will incorporate existing infrastructure elements such as the Settlement Center and the minority stake in the National Depository of Ukraine (NDU). As a first step, the management of the State's stake in the NDU was transferred from the NSSMC to the NBU in September 2025. We will ensure that NBU obtains and holds a majority stake in NDU for further CSD consolidation and representation in the supervisory board reflecting its majority stake in line with IMF technical assistance. Legislative proposals to provide the legal basis for the implementation of a vertically integrated markets infrastructure will be submitted to Parliament by the end-February 2026 and is expected to be adopted by end-March 2026.
- *Lending development strategy.* A strategy approved by the FSC in July 2024 is being implemented to support banks' lending to priority sectors during the war and further developing credit infrastructure to support banks' risk management and lending decisions. In addition, the FSC approved an NBU-prepared Mortgage Lending Strategy to develop the mortgage lending market in June 2025. Parliament will adopt a law by end-May 2026 to improve the regulation and functioning of credit bureaus, which will be complemented with enhanced supervision of credit bureaus through requirements for ownership and internal controls within six months of the law being signed by the President.
- *Further aligning banking norms with the EU to achieve Regulatory Equivalence.* NBU, with support of IFIs, has achieved substantial alignment of banking legislation with the EU acquis and will refrain from relaxing existing prudential requirements. Achieving Regulatory Equivalence will be an important step towards EU market access and will facilitate a reduction of Ukraine sovereign risk weights, which will positively impact EU banks' incentives to hold Ukraine risk. NBU will first seek to obtain EBA's official assessment of the equivalence of confidentiality and professional secrecy regimes before launching the process for an official regulatory equivalence assessment. To this end, we will submit to parliament amendments to our laws to align the legal framework

on bank secrecy, specifically regarding information disclosure by NBU with Directive 2013/36/EC (CRD IV) by end-March 2026.

- *War risk insurance system.* To preserve interests of businesses in frontline regions, we launched a mechanism for compensating war risks in December 2025. Simultaneously, we are continuing our work on determining the optimal long-term model for war risk insurance.

55. We are reforming financial and credit market regulations to align with international good practice and improve asset price discovery. NBU, with support from IFIs, has aligned banks' regulatory capital structure, calculation of risk-weighted exposures, and leverage ratio calculations with EU rules. The definition of minimum capital requirements and non-performing exposures have been aligned with EU standards. NBU will take further steps to strengthen banks' NPL workout capacity and promote the secondary market for NPLs, in line with the NPL strategy approved by the FSC. The NBU will continue monitoring economic conditions and reinstate pre-war regulations when it is safe to do so and based on: (i) banks' adherence to the new capital requirements aligned with EU standards; (ii) the results of resilience assessments, and (iii) the banking system's role of lending to the economy and its involvement in the domestic debt market. NBU has reinstated the normal regulatory deadlines for conducting fit and proper assessments. The State Property Fund, NBU and the Ministry of Justice have improved mechanisms for real estate transactions information collection and exchange. We will make legislative changes to implement European (TEGOVA) and international valuation standards (IVS) by end-June 2026 that will be followed by the development of an implementation roadmap. These legislative changes will also encompass the expansion of the Unified Database to include real estate transactions that are not subject to taxation. We have also implemented a house price index (HPI) methodology in 2025 with IMF assistance, and we will finalize the mechanism for publication of the HPI by end-May 2026. We will further account for the above-mentioned legislative changes to the data collection while preparing HPI.

56. Further regulation of the payments market is being advanced to strengthen the system and support de-shadowing. The payments market is developing fast due to the entry of new technology operators and digitalization. We are advancing legislation to join the Single European Payments Area. The NBU has already taken measures to counteract illegal use of the payment system, including through increased bank monitoring and legislative changes are being advanced in parliament to extend its powers to restrict payment service providers (PSPs) that fail to comply with regulatory requirements. The NBU has also improved its supervision of PSPs by (i) developing an early warning and reporting system; (ii) transitioning to risk-based supervision; and (iii) strengthening supervisory and analytical capacity. To complement these efforts, we will facilitate PSPs' information exchange on clients that bear high risks of illegal use of payment systems by implementing a "money-mule" register. The relevant legislative proposal, prepared by NBU, will be adopted by parliament by end-April 2026. The NBU will finalize a draft legislative proposal in February 2026 to (i) align payment acquiring services with EU norms; (ii) extend the NBU's supervisory and regulatory powers to technology operators; and (ii) clarify financial and payment licenses with clear ownership structure requirements for PSPs.

57. We are taking steps to mitigate the risks that virtual assets may pose to price stability, the effectiveness of capital flows measures, the monetary transmission mechanism and tax revenues. We have prepared a law to regulate virtual assets in consultation with IFIs to align with international best practice while considering economic development goals and mitigating price and financial stability risks. We will ensure the law clearly sets out (i) regulators' roles and responsibilities; (ii) promotes a level playing field for virtual asset service providers in terms of licensing and market access; (iii) potential controls to limit crypto transactions to preserve the efficacy of CFMs; and (iv) alignment with the EU acquis.

58. We will continue to strengthen the legal, regulatory, and supervisory framework for NBFIs. A legal framework for financial services and financial companies, insurance and credit unions and payment market participants is being phased-in. This includes (i) transitioning to a risk-based approach for supervising NBFIs; (ii) strengthening powers to revoke licenses and liquidate failed NBFIs; (iii) strengthening ownership structures; and (iv) improving disclosure requirements. Legislation on investment funds has been submitted to parliament and NSSMC is moving forward with the regulation of financial intermediaries to align their capital requirements with the EU acquis. As regards financial reporting, we have restored the requirements for mandatory quality control of services provided by audit companies that apply to non-bank financial companies. The NSSMC will continue to provide access to financial reporting files submitted to the Financial Reporting Collection Center and will define the main tasks for expanding the functional capabilities of the Financial Reporting Collection Center in consultation with key stakeholders.

59. Finally, we will continue our efforts to recover value from former shareholders of failed banks. We reaffirm our commitment to continuing 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. We are aware that public authorities and banks may have overlapping interests in assets belonging to persons subject to sanctions and/or criminal investigations. While public interests take precedence over banking and private sector claims, we will make plans to analyze—with the involvement of the banking industry where necessary—whether the hierarchy of claims has any material impact on banking-sector soundness.

H. Governance and Anti-Corruption

60. We will accelerate reforms to enhance governance and fight corruption which remains central to our reform agenda. Sustained progress in these areas is critical to domestic revenue mobilization, reducing the shadow economy, and ensuring a level playing field. Persistent vulnerabilities to high-level corruption highlight the need for more credible safeguards, stronger oversight, and greater accountability - as these risks can hinder our policy objectives and erode public trust. Our governance reform agenda, focused on upholding the confidence of the public, investors, and international partners, is closely aligned with our broader goal of advancing toward membership of the EU.

61. To combat high-level corruption, we will ensure that the independence and autonomy of key anti-corruption enforcement institutions are safeguarded.

Building on hard-won progress, we remain firmly committed to preserving the operational independence of the National Anti-Corruption Bureau of Ukraine (NABU), Specialized Anti-Corruption Prosecutor's Office (SAPO) and the High Anti-Corruption Court (HACC). We will refrain from taking any measures that would undermine their independence, powers or resources, including through amendments to their legal or regulatory frameworks.

62. We will support focusing on the prevention of anti-corruption measures on high-risk critical sectors.

This includes tax, customs, public procurement, and energy. To enhance prevention, and consistent with IMF technical assistance on strengthening the asset declaration and lifestyle monitoring frameworks, the National Agency for Corruption Prevention (NACP) will issue regulations prioritizing and enhancing the verification of asset declarations of senior officials in these high-risk sectors (**structural benchmark, end-June 2026**). Aligned with the IMF technical assistance, which will provide guidance on the principles and modalities of publication, the NACP will publish, on a bi-annual basis, key performance indicators on risk-based verification and lifestyle monitoring activities, starting end-March 2026 for the second half of 2025. We will launch an independent external audit of the NACP. The audit will assess, in particular, the agency's effectiveness in verifying the accuracy of high-level officials' asset declarations and in managing its whistleblower function in 2024–2025, and will propose options to remedy any identified shortcomings.

63. We will enact a legal framework for independent, reliable, timely, and high-quality forensic services to support criminal investigations that fall under NABU's jurisdiction.

The legal framework will be developed in consultation with key stakeholders. The forensic service will enjoy structural independence in line with European forensic science standards (including guidance of European Network of Forensic Science Institute, Council of Europe Standard Operating Procedures for forensic services, and ISO/IEC 17025) to ensure the reliability of forensic evidence and compliance with fair-trial guarantees provided in article 6 of the European Convention on Human Rights and Fundamental Freedoms. We remain fully committed to advancing additional legislative and institutional reforms essential for strengthening anti-corruption enforcement. In the coming months, in close coordination with all stakeholders, we will prepare amendments to the Criminal Code and Criminal Procedure Code to address longstanding systemic weaknesses that hinder investigations, create delays at the trial stage, and undermine accountability for corruption.

64. We will effectively implement AML/CFT measures to strengthen financial integrity.

The NBU will strengthen its AML/CFT supervisory activities with the goal of ensuring that its rules and guidance on enhanced due diligence for politically exposed persons are applied by banks proportionate to risks, and do not automatically disqualify groups of people in line with the FATF standards. We will amend Article 32 of the AML/CFT law and the corresponding 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 applicable to such entities will be clearly prescribed in the laws of Ukraine and the regulatory legal acts of the NBU by March 2027.

65. We will enhance procurement transparency and strengthen the beneficial ownership framework including verification, enforcement mechanisms, and sanctions. In January 2026, to enhance procurement transparency and help deter conflicts of interest, we have adopted a CMU resolution to require publication of ultimate beneficial ownership (UBO) information for companies that have received direct contracts or contracts concluded under a negotiated procedure for public procurement, and publication of UBO information of successful non-resident bidders. We will strengthen the sanctions regime for beneficial ownership obligations by end-2026 through legislative amendments that extend sanctionable UBO obligations under the FATF standards. We will also raise maximum fines and expand available measures—including the dissolution of a legal entity for material breaches of AML legislation—to ensure that sanctions are effective, proportionate, and dissuasive, supported by clear guidance on aggravating and mitigating factors.

66. We are committed to strengthening the integrity of the tax system by using AML/CFT tools more effectively to detect and deter tax crimes. We will enhance the use of AML/CFT tools to combat tax crimes and strengthen overall tax and customs compliance. With IMF capacity development support, we will complete an independent review of the operations and effectiveness of the State Financial Monitoring Service and will prepare an action plan to address the identified deficiencies by end-March 2026. By end-March 2027, we will also deepen operational cooperation between the FIU, tax authorities and law enforcement bodies to ensure the timely use of financial intelligence for detecting tax crimes, improving case selection, and supporting effective enforcement actions.

67. We will swiftly address SOE corporate governance shortcomings highlighted by the Energoatom case through a comprehensive action plan. In December 2025, we adopted amendments to CMU resolutions 142, 143, and 777 developed in consultation with international partners to mandate a leading role for supervisory boards in the preparation of board profiles, standardize documentation, and ensure timely and competitive selection of qualified and professional board members, and to ensure that, for state representatives, at least two candidates are submitted for each vacancy, matching the required board profile and subject to integrity checks equal to those for independent members, and that candidates are evaluated by the Nomination Committee, including through interviews. In close consultation with international partners, we have appointed a new supervisory board for Energoatom in line with improved criteria set out in CMU resolution 1804. We will adopt amendments to the Energoatom charter to ensure that decisions on CEO nomination and dismissal are taken by a simple majority of the supervisory board, after which the new supervisory board will promptly select a new CEO through a competitive merit-based procedure with integrity checks, and launch a forensic audit by a reputable independent auditor, for which adequate funding would be secured. By end-March 2026, we will also rescind CMU resolution 1441, thus restoring independent board evaluations. We will promptly fill supervisory boards for Naftogaz, Ukrhydroenergo, Ukrenergo, and GTSOU, as announced in resolution 1258, and amend charters as above if needed before selecting new CEOs.

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

- We will enact changes to the State Ownership Policy (SOP) and the Law “On Joint Stock Companies” (2465-IX) to mandate that all SOE charters require simple majority voting for supervisory board decisions, except for the approval of the strategic development plan, and avoid provisions that enable veto or supermajority requirements by end-June 2026. This would ensure the alignment of company-level governance with OECD Guidelines on Corporate Governance of SOEs, which emphasize the importance of independent, accountable boards operating free from political interference and with strong fiduciary duties.
- In close consultation with IMF and international partners, we will continue a comprehensive reform of SOE supervisory board nomination procedures according to a roadmap with time-bound measures to improve nominations across both strategic and non-strategic SOEs, increasing efficiency and ensuring the individual and collective fitness of supervisory board members, which will be approved by end-March 2026.
- We will ensure that all SOE CEO nominations and dismissals are decided by a simple majority of supervisory boards, with appropriate charter amendments if needed.
- We will ensure that comprehensive financial, compliance and performance audit for all non-defense SOEs listed in Resolution 777 as of November 2025 (“top SOEs”) by reputable independent auditors are initiated by end-June 2026
- We will continue implementing the SOP as per the SOP Action Plan including the framework for privatizations (full or partial); requiring that financial statements are prepared in accordance with IFRS, subject to an appropriate transition period; and implementing SOE information disclosure, and SOE remuneration policy (not applicable to SOBs). We commit to publishing a revised SOP by end-May 2026, which would more closely align with OECD Guidelines on Corporate Governance of SOEs, following recommendations from the 2025 OECD Review. We will consult with the IMF and international partners on all related draft legislations and CMU resolutions.

69. We will increase the transparency and accountability of SOEs to promote effective management and accurately quantify quasi-fiscal activities The publication of financial statements for top SOEs in accordance with IFRS standards will resume by end-June 2026, with appropriate redactions to protect critical infrastructure and an extended publication lag of up to one year. We will introduce mandatory annual financial audits for top SOEs, for which adequate funding would be secured, by making appropriate legislative amendments if needed. We will ensure that audits are published starting with the 2025 financial audits by end-August 2026. By end-June 2026, we will start the development of an annual SOE report in accordance with the requirements of the SOP, which would be appropriately expanded to include information on top SOEs financials through a common set of indicators, payments to the state budget and fiscal support, specific PSO obligations and quasi-fiscal activities carried out by each SOE, and alignment of company-level governance with international best practice. The report would be published annually starting by end-September 2026 for the year 2025 and gradually expanded to cover more SOEs. We will continue timely implementation of the PSO Action Plan and ensure that financial statements

reflecting a separation of PSO and non-PSO activities are published for all SOEs that are subject to PSOs by end-June 2027.

70. We are exploring options, in close consultation with international partners, to enhance SOE management, including the potential introduction of a centralized SOE management model, consistent with the SOE corporate governance reform agenda in the SOP and international best practices. This will include defining the roles and mandates of key government institutions engaged in SOE management, such as the MOF, MOE, CMU, other relevant line ministries, and the State Property Fund (SPFU). We will ensure a strong gatekeeper role of the MOF for SOE financial oversight, limit quasi-fiscal risks, and help safeguard debt sustainability. Importantly, any new SOE management framework must not dilute the government's authority over dividend policy, ensuring that SOE dividends are directed to the state budget and are transparently reported to ensure accountability and oversight. Any primary legislation to formalize a centralized SOE management model for non-strategic SOEs will be consistent with the principles of the medium-term reforms as envisaged in the NomCom Roadmap (see ¶68) and other key reforms of the SOP, which will have helped to enshrine modern SOE corporate governance practices. Overall, the ultimate goal of centralizing SOE ownership should be to professionalize the state's ownership function, and any centralized management framework should only proceed with caution. It should rest on a clear legal mandate, ensure adequate MOF oversight and fiscal transparency, incorporate robust safeguards against political interference to ensure professional, merit-based leadership, and require rigorous, internationally aligned reporting and accountability.

I. Energy Sector Reforms

71. Our immediate priority remains to mitigate the adverse impact of the war on the energy sector. We continue to work swiftly to repair damage to generating capacity, and to ensure sufficient electricity provision to households and firms in the heating season and beyond

- We aim to make our energy system more resilient to future attacks, such as through decentralized energy generation, including gas turbines, and the Green Transformation in a conducive market and regulatory environment with an independent energy regulator (see ¶73). The affected companies are mostly relying on their working capital to repair and restore energy facilities. We are very grateful for continuing donor support, including for equipment, and will seek additional donor support for repairs, as well as decentralized electricity generation support programs, including gas generation projects. We have expanded the scope of the 5-7-9 lending program and the BDF to support the energy sector and are implementing SOB energy support lending programs, including for households. In 2025, we imported more than 6 bcm of gas following large-scale attacks on our infrastructure, and significant imports are planned for 2026 to ensure adequate supply during the heating season. Naftogaz has secured financing for gas imports from the EBRD, EIB, and bilateral donors, and we are working towards securing additional donor financing. Any transfers from the State Budget to energy companies for emergency needs related to the war will be allocated through amendments to the budget, subject to the availability of financing and only after consultation with IMF staff.

72. We are strongly committed to implementing an ambitious reform agenda to address long-standing structural problems in the energy sector that have been exacerbated by

Russia's war. Restoring the sustainability of the sector and reducing quasi-fiscal liabilities will necessitate a gradual increase in gas, electricity, and heating tariffs for households to cost recovery levels, while ensuring adequate and well-targeted support to protect vulnerable households. Returning to prices fully reflecting market conditions will require the restoration and enhancement of competition in wholesale and retail markets and may only be possible after the war winds down.

- By end-June 2026, based on a Ministry of Energy proposal and input from stakeholders, the CMU will adopt a roadmap for the gradual liberalization of gas and electricity markets, with a time-bound implementation plan for the post-martial law period. The roadmap will be based on technical analysis of the financial condition of the sector, in coordination with the European Commission, and will describe the steps needed to reform the PSOs in order to gradually liberalize market prices once martial law is lifted and ensure that vulnerable consumers are adequately protected, as well as preparatory steps to be implemented before the end of martial law. To ensure that the proposed reform is fiscally sustainable, we will conduct and publish technical analysis quantifying the costs of QFA resulting from price caps and PSOs in the electricity, gas and heating sectors, the incidence of existing subsidies, and reform scenarios to achieve gradual cost recovery while ensuring adequate social protection, building on the findings of IMF TA to the Ministry of Energy (**structural benchmark, end-July 2026**).
- Following the adoption of the roadmap, and to support reconstruction and repairs, we will plan to carry out a gradual adjustment in electricity tariffs while ensuring an adequate level of utility subsidies to protect vulnerable households. These increases could begin as early as needed, taking into consideration the evolution of the war.
- To allow the future adjustment of household gas, heat and hot water tariffs, we intend to prepare amendments to law 2479-IX to remove the moratorium on price increases, consistent with our commitments under the Ukraine Facility Plan. After the removal of the moratorium, we will gradually increase gas prices, accompanied by adequate adjustments in utility subsidies to protect vulnerable households. This would provide needed resources to maintain an adequate supply of gas and heating.
- We will tackle the arrears and debt of District Heating Companies (DHCs) comprehensively once war-related pressures on the budget subside, by developing a new tariff methodology that achieves cost recovery. We will explore mechanisms and legal amendments to ensure that local heat and hot water tariffs gradually converge to, and later at least maintain, cost-recovery levels. We will consult with IMF staff on plans to clear arrears through direct or indirect budget support.

73. We will strengthen governance in the energy sector by empowering SOE supervisory boards and by reinforcing NEURC independence.

- To restore the rights of majority-independent supervisory boards, we will reverse recent charter changes mandating qualified majority voting for strategic decisions in energy SOEs. In line with

expected amendments to the SOP (see ¶68), we revised the charter of GTSOU in January 2026 to ensure that decisions on the nomination and dismissal of members of the management board, including the CEO, are taken by a simple majority of the entire supervisory board, and by end-April 2026 we will accordingly revise the charters of Energoatom and Ukrhydroenergo.

- The NEURC law will be amended by end-April 2026 and enacted in a timely manner, taking into consideration the recommendations of the Energy Community Secretariat to strengthen NEURC's independence and regularly assess its governance and independence, and to make nomination procedures more transparent. In particular, the law will require that the Competition Commission be composed of six members with full voting power, three of whom are proposed by international partners, and will increase the transparency of decisions. We will finalize and publish the first external assessment of NEURC's governance and independence by end-November 2026.

J. Program Monitoring

74. Program implementation is being monitored through quarterly reviews via quantitative performance criteria, indicative targets, and structural benchmarks. We commit to provide to IMF staff all data needed for adequate monitoring of the program, including as detailed in the attached TMU. The complete schedule of reviews is presented in the companion staff report, and quantitative conditionality is detailed in Table 1. The program will also be monitored through the continuous performance criterion (PC) on the non-accumulation of external payments arrears, and standard continuous PCs. Prior actions and Structural Benchmarks (SBs) described in this MEFP are summarized in Table 2. The First and Second Reviews are expected to take place on or after June 1, 2026 and September 1, 2026 respectively, based on quantitative performance criteria for end-March 2026 and end-June 2026, respectively, and corresponding SBs.

Table 1. Ukraine: Quantitative Performance Criteria and Indicative Targets

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

	Mar 2026		Jun 2026		Sep 2026	Dec 2026	Mar 2027
	EBS/25/64	QPC	EBS/25/64	QPC	IT	IT	IT
I. Quantitative Performance Criteria 1/ 2/							
Floor on the non-defense cash primary balance of the general government, excluding budget support grants (- implies a deficit) 2/ 3/	153.6	310.0	460.5	687.4	943.2	1,076.3	348.1
Floor on tax revenues (excluding Social Security Contributions)	599.0	580.0	1,292.8	1,280.0	2,057.0	3,000.0	651.3
Ceiling on publicly guaranteed debt 3/	68.0	65.0	68.0	65.0	65.0	65.0	73.0
Floor on net international reserves (in billions of U.S. dollars) 3/	34.3	44.2	34.3	51.3	51.9	49.2	51.6
II. Indicative Targets 1/ 2/							
Floor on the cash balance of the general government, excluding budget support grants (- implies a deficit) 3/	-340.0	-402.9	-590.0	-801.2	-1,287.1	-1,927.4	-452.5
Ceiling on general government arrears	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Floor on social spending	160.0	160.7	327.0	330.3	504.2	684.0	180.5
Ceiling on general government borrowing from the NBU 4/ 5/	-2.5	-2.5	-6.3	-6.3	0.0	0.0	0.0
III. Continuous performance criterion 1/ 2/							
Ceiling on non-accumulation of new external debt payments arrears by the general government	0	0	0	0	0	0	0
IV. Memorandum items							
External project financing (in billions of U.S. dollars)	0.3	0.4	0.3	0.9	1.5	2.8	0.4
External budget financing (in billions of U.S. dollars) 6/	5.2	12.7	9.8	28.0	37.0	46.9	9.9
Budget support grants (in billions of U.S. dollars)	0.2	0.9	0.3	1.1	1.5	1.9	0.1
Budget support loans (in billions of U.S. dollars) 6/	5.0	11.8	9.5	26.9	35.4	45.1	9.8
Interest payments	93.6	96.5	250.5	243.2	358.7	518.2	95.0
NBU profit transfers to the government	0	146.0	151.3	146.0	146.0	146.0	63.0
Government bonds for the purposes of bank recapitalization and DGF financing	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)	-340.0	-402.9	-590.0	-801.2	-1,287.1	-1,927.4	-452.5

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

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

4/ From end of previous quarter.

5/ For March 2026 onwards, calculated using actual and projected redemptions of government bonds as of November 21, 2025.

6/ Excludes prospective IMF disbursements under the EFF.

Table 2. Ukraine: Prior Actions and Structural Benchmarks

No.	Structural Benchmark or Prior Action	Sector	Timing	Status
A	Adopt 2026 Budget consistent with the program	Fiscal	Prior Action	Met
B	Issue a decree to level the playing field for VAT payers in public procurement tenders (MEFP ¶22)	Fiscal	Prior Action	Met
C	Submit to Parliament legislation to amend the definition of “employment” in the Labor Code, consistent with good international practice (MEFP ¶23)	Fiscal	Prior Action	Met
1	Any non-systemic banks that come under state ownership will not be recapitalized using fiscal resources and will be transferred to the DGF for resolution upon breach of prudential requirements (MEFP ¶51)	Financial	Continuous	
2	Implement recommendations in MEFP ¶51 to strengthen the nomination process for SOB supervisory boards (MEFP ¶51)	Financial, Governance	End-Feb 2026	
3	Adopt a package of tax measures for 2026-27, as specified in MEFP ¶21	Fiscal	End-March 2026	
4	Appoint a new permanent head of customs (MEFP ¶30)	Fiscal, Governance	End-March 2026	
5	Submission to Parliament of amendments to the Tax Code, as specified in MEFP ¶25, including to align transfer pricing rules with OECD standards and to implement Article 4 of the EU ATAD. (MEFP ¶25)	Fiscal, Governance	End-Jun 2026	
6	Approve an updated SOB strategy that considers privatization objectives and how the safeguards in Article 7 of the Law on Banks and Banking can be extended to all majority systemic state-owned banks (MEFP ¶51)	Financial, Governance	End-Jun 2026	
7	Implement, by means of entry into force, of a critical third-party risk oversight framework (MEFP ¶50)	Financial	End-Jun 2026	
8	NACP to issue new regulations establishing a risk-based system for verification of asset declarations, prioritizing senior officials in identified high-risk areas (MEFP ¶62)	Governance	End-Jun 2026	
9	Publish a technical analysis quantifying the costs of current QFA in electricity, gas, and heating, the incidence of existing subsidies, and fiscally sustainable reform scenarios to achieve gradual	Energy	End-Jul 2026	

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

No.	Structural Benchmark or Prior Action	Sector	Timing	Status
	cost recovery while ensuring adequate protection of vulnerable consumers, reflecting the findings of IMF TA to the Ministry of Energy (MEFP ¶172)			
10	Create the design of a centralized data warehouse for tax and customs administration (MEFP ¶128)	Fiscal, Governance	End-Dec 2026	
11	Strengthen NSSMC decision-making structures and processes by amending the NSSMC law to align governance with the Constitution and implement a two-tier governance structure including a supervisory board with clearly defined roles and responsibilities. (MEFP ¶153)	Financial, Governance	End-Dec 2026	
12	Appoint all ACU board members from the pool of vetted candidates in accordance with the 2024 amendments (MEFP ¶135)	Fiscal, Governance	End-Dec 2026	

Attachment II. Technical Memorandum of Understanding

February 13, 2026

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 February 13, 2026 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 42.2179 as of December 30, 2025; and (ii) reference exchange rates of foreign currencies as of December 30, 2025 as set out below. In particular, the Swiss Franc is valued at 0.7889 Swiss Franc per U.S. dollar, the Euro is valued at 0.8506 euro per U.S. Dollar, the Pound Sterling is valued at 0.7406 pound per U.S. dollar, the Canadian Dollar is valued at 1.3693 dollars per U.S. dollar, the Chinese Renminbi is valued at 6.9905 yuan per U.S. dollar, the Japanese Yen is valued at 156.3 yen per U.S. dollar, and the Norwegian Krone is valued at 10.0587 per dollar. The accounting exchange rate for the SDR will be 0.729548 SDR per U.S. dollar. Official gold holdings were valued at 4389.45 dollars per fine ounce. These accounting exchange rates are kept fixed over the program period. Therefore, the program's exchange rate may differ from the actual exchange rate, which is set in the foreign exchange market of Ukraine. Furthermore, setting a program exchange rate for the purpose of computing monetary aggregates does not imply that there is any target exchange rate for policy purposes.
4. The general government is defined as comprising the central (state) government, including the road fund, all local governments, all extra budgetary funds, including the Pension and Unemployment Funds of Ukraine, and special accounts which provide resources to key spending units. The budget of the general government comprises (i) the state budget; (ii) all local government budgets; and (iii) if not already included in (i), the budgets of the extra budgetary funds listed above, any other extra budgetary funds included in the monetary statistics compiled by the NBU, and special accounts. The government will inform IMF staff immediately of the creation or any pending reclassification of any new funds, programs, or entities.

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

- a. The term “debt” will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows:
 1. loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers’ credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);
 2. suppliers’ credits, i.e., contracts where the supplier permits the obligor to defer payments until some time after the date on which the goods are delivered or services are provided; and,
 3. 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. In the government's fiscal accounts, budget support loans are recorded in the general fund under budget treasury code 401200 and budget support grants are recorded in the general fund under budget treasury code 42000000. These include financing from official multilateral creditors (e.g., World Bank, European Commission) and official bilateral creditors.
 - b. Project support loans and grants are earmarked financial support provided to the government of Ukraine for financing specific projects recorded in special fund expenditures and appear as part of government financing. These include financing from official multilateral creditors (e.g., European Investment Bank, World Bank Group and European Bank for Reconstruction and Development) and official bilateral creditors.
8. For program purposes, defense expenditures include expenditures of the defense and security sector pursuant to the articles of the Law of Ukraine "On National Security of Ukraine". Such expenditures shall include total amounts of all current (including goods and services, wage bill, social payments, etc.) and capital expenditures. It includes the expenditures through the state budget general fund.
9. The own revenues of budgetary institutions are defined in Item 15, Part 1, Article 2 of the Budget Code. Own revenues of budgetary institutions are revenues received in accordance with the established procedure by budgetary institutions as payment for the provision of services, performance of works, and targeted activities, grants, gifts, and charitable contributions, as well as proceeds from the sale of products or property and other activities in the prescribed manner.
10. For program purposes the proceeds of sales of confiscated Russian assets or bank accounts balances including those directed toward the Fund for the Liquidation of the Consequences of the Armed Aggression are recorded below the line as deficit financing sources with counter-entry into deposits of the Treasury Single Account.
11. Overdue accounts payables (domestic arrears) are specified in the Order of the Ministry of Finance No. 372 dated April 2, 2014, On the Approval of the Accounting Procedures for Specific Assets and Budget Institutions' Liabilities and On Amending Certain By-Laws on the Accounting for Budgetary Institutions. Accordingly, arrears are defined as the amount of payments due on the 30th day after the deadline for mandatory payment, in line with the legal contract in effect. In instances where the payment deadline is not specified, it counts as the 30th day after the confirmation of goods received, works done, and/or services rendered had been provided.
- a. Budgetary arrears on social payments and wages comprise all arrears of the consolidated budget on wages, pensions, and social benefits of the central or local governments. The timeframe for wage arrears is based on the same timeframe as the general definition above. Considering the specifics of Martial Law, information on arrears in the security and defense sector can be presented in an aggregated form.

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

II. QUANTITATIVE PERFORMANCE CRITERIA AND INDICATIVE TARGETS

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

Definition

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

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

- a. any assets denominated in foreign currencies held at, or which are claims on, domestic institutions (i.e., institutions headquartered domestically, but located either domestically or abroad, or institutions headquartered abroad, but located domestically). Also excluded are all foreign currency claims of the NBU on domestic banks, and NBU deposits held at the Interbank Foreign Currency Exchange Market and domestic banks for trading purposes;
- b. any precious metals or metal deposits, other than monetary gold and gold deposits, held by the NBU;
- c. any assets that correspond to claims of commercial banks in foreign currency on the NBU and any reserve assets that are (i) encumbered; or (ii) pledged as collateral (in so far

as not already included in foreign liabilities, or excluded from reserve assets); or
(iii) frozen; and,

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

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

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

the nominal value of all derivative positions (including swaps, options, forwards, and futures) of the NBU and general government, implying the sale of foreign currency or other reserve asset¹ 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 (<i>in convertible currencies</i>)	
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 customers	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 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 adjustor 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/
(Cumulative in USD millions, at program exchange rates)

	2026				2027
	end-Mar.	end-Jun.	end-Sep.	end-Dec.	end-Mar.
Total official support	13,088	28,917	38,450	49,713	10,291
Budget support	12,696	28,022	36,952	46,931	9,886
Loans	11,792	26,946	35,423	45,065	9,768
Grants	903	1,076	1,528	1,867	118
Project support 2/	392	895	1,498	2,782	405

1/ Flows in USD million, cumulative from January 1, 2026 for 2026 and from January 1, 2027 for 2027, calculated at program exchange rates. Prospective IMF disbursements under the EFF are excluded. Totals differ from Ukrainian authorities' projections under the budget due to different exchange rate assumptions.

2/ Project support is in the form of loans. Includes the UK's ERA contribution.

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

	2026				2027
	end-Mar.	end-Jun.	end-Sep.	end-Dec.	end-Mar.
Net issuance of central government domestic FX securities	-23	-34	-54	-54	-23
Gross issuance	450	864	1,298	1,298	450
Repayment	473	898	1,351	1,351	473
Redemption	450	864	1,298	1,298	450
Interest	23	34	54	54	23

1/ Flows in USD million, cumulative from January 1, 2026 for 2026 and from January 1, 2027 for 2027, calculated at program exchange rates.

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

Definition

15. General government direct borrowing from the NBU, net of redemptions and repayments, is defined as the cumulative change in the stock of outstanding claims on the general government (as defined in paragraph 4) held by the NBU, including general government securities, direct loans and credits, other accounts receivable, and overdraft transfers from the NBU in accounts of the general government. The stock of general government securities held by the NBU will be measured at the face value as reported on the NBU's balance sheet. The change in the stock of general government securities held by the NBU will exclude the securities acquired as collateral under loans provided by the NBU during the measurement period, and loans will exclude those to the Deposit Guarantee Fund. The change in the stock of such claims will be measured relative to the stock as of the end of the preceding quarter over the latest as of assessment and is adjusted for exchange rate valuation effects using program exchange rates. 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 47 of the MEFP), underpinned by a framework that has been mutually agreed between the MOF and NBU in consultation with the IMF, and for which an NBU resolution was adopted in October 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 (100 for the target dates in 2026). Should both these conditions be verified, the ceiling on general government borrowing from the NBU, net of redemptions and repayments, will be adjusted upward by the smaller of the amount of the shortfall in external financing adjusted for additional primary issuances of government bonds; or a cap on general government borrowing from the NBU, equivalent to gross borrowing of UAH50 billion every quarter. The ceiling on general government borrowing from the NBU resets every quarter (March 31, June 30, September 30 and December 31 for 2026 targets) and is not carried over between quarters. The amount of the shortfall in external financing is assessed as the total cumulative shortfall end-December 2025 for 2026 targets and is measured on the last day of the previous month. Projected redemptions are shown in Table D.

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

	For the test date of:				
	2025	2026			
		Dec 31	Mar 31	Jun 30	Sep 30	Dec 31
Actual rollover rate on three month period prior to requesting monetary financing	139	100	100	100	100
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)	43.5	47.5	43.7	50.0	46.6
Memo: Projected redemptions (in UAH billions), as of January 14, 2026	123.9	103.6	109.1	144.4	167.4

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, less the amount of budget support grants (defined in paragraph 7, bullet a) 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 and is calculated as follows:

- a. Net external financing: This item is defined as disbursements less amortizations of external debt instruments, which include: (i) any bonds issued on external markets for the purposes of financing the general government; (ii) foreign loans attracted by the state for budget support as defined in paragraph 7, bullet a; and (iii) project support as defined in paragraph 7, bullet b (including on lent project loans, e.g., budgeted payments on behalf of the Agency for the Restoration and Development of the Infrastructure of Ukraine per paragraph 96 of this TMU).² It also includes: (i) the net sales of SDR holdings in the IMF's SDR department; (ii) the net change in general government deposits in nonresident banks or other nonresident institutions; and (iii) net proceeds from any promissory note or other financial instruments issued by the general government.
- b. Plus, net domestic bond sales: This item is calculated as the issuance less redemptions of domestic bonds. Domestic bonds are defined as all treasury securities, including short-term treasury instruments and long-term treasury instruments or treasury bonds. They may be denominated in hryvnias or in foreign currencies. For the purposes of measuring the overall cash balance of the general government, issuance of domestic bonds refers to funds realized from sales of domestic bonds at primary auctions and government securities issued to recapitalize banks and state-owned enterprises (SOEs), with the exception of bonds issued to recapitalize Naftogaz³ and other SOEs (including the State Housing Financial Corporation). These claims are measured by the information kept in the NBU registry of treasury bill sales.
- c. Minus, the change in government deposits at the NBU and commercial banks: The government's deposits at the NBU are measured as: (i) funds of the state treasury, less (ii) amounts due to the deposit guarantee fund, plus (iii) non-treasury FX accounts. The general governments' deposits in commercial banks include the deposits of both state government and local governments in these institutions.⁴ The general government's deposits at both the NBU and commercial banks include deposits in hryvnias and foreign currencies. For the purposes of calculating the overall cash balance of the general government, the general government's deposits exclude: (i) VAT accounts used for electronic administration, (ii) escrow accounts of taxpayers used for customs clearance, and (iii) exchange rate valuation adjustments arising from revaluation of the treasury's

² Project support disbursements will not be adjusted for the return of funds from under-executed projects.

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

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

FX deposits in the NBU and commercial banks using exchange rates published by the NBU. The change in government deposits is measured using monetary statistics provided by the NBU.

- d. Plus, the change in direct credit from the NBU and commercial banks: This item includes (i) the NBU's claims on the state (central) government in the form of loans and (ii) commercial banks' claims on the state (central) government and local governments in the form of loans. Information on direct credit is measured using monetary statistics provided by the NBU.
- e. Plus other items, including: (i) privatization (including the change in the stock of refundable participation deposits and the sale of nonfinancial assets); (ii) proceeds from uncompensated seizures; (iii) total proceeds from sales of confiscated Russian assets and bank account balances; (iv) net domestic borrowing by the Agency for the Restoration and Development of the Infrastructure of Ukraine (as defined in paragraph 96)
- f. And plus, the change in sub-accounts 3551 and 3559 for pre-payments ahead of the delivery of goods and services.

21. For the purposes of measuring the overall balance of the general government less grants, the exchange rates in paragraph 3 will be used to account for all flows to/from the budget in foreign currency for the following items in paragraph 20 above: (a.) net external financing, except for external disbursements and amortizations of municipal governments; (b.) net domestic bond sales; and (c.) the change in government deposits at the NBU and commercial banks. These items in paragraph 20 are accounted for at current exchange rates: (d.) the change in direct credit from the NBU and commercial banks; (e.) other items; and (f.) changes in sub-accounts 3551 and 3559.

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

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

Adjustors for Balances in Parts C and D

- The floor on the overall cash balance excluding grants and on the non-Defense Cash Primary Balance of the general government will be adjusted upward by the full amount of any increase above the projected stock of budgetary arrears (overdue account payables) in state budget and 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 146.0 billion for all test dates in 2026.

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 is the sum of revenues under budget treasury codes 10000000 (tax revenues) and 24140000 (mandatory state pension insurance contributions from certain types of business transactions); Single Social Contribution (Social Security Contributions) is excluded. 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.

28. The ceiling will be UAH 65.0 billion for all test dates in 2026, and is compliant with the limit of 3 percent of current year revenues of the state budget general fund as defined in the Budget Code. This QPC applies to the cumulative year-to-date amount of guarantees issued by the central (state) government from January 1, 2026 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.

29. The ceiling on publicly guaranteed debt will be subject to an automatic upward adjustor for guarantees signed for selected projects financed by multilateral and bilateral donors (e.g., WB, EIB, EBRD, KfW). In 2026, the adjustor will be consistent with total public investment projects approved for funding in the 2026 annual budget law. Projects subject to the adjustor in 2026 will be discussed in subsequent program reviews, including as regards the annual budget law and debt sustainability objectives.

J. Other Continuous Performance Criteria

30. During the period of the EFF, Ukraine will not (i) impose or intensify restrictions on the making of payments and transfers for current international transactions; (ii) introduce or modify

multiple currency practices; (iii) conclude bilateral payments agreements that are inconsistent with Article VIII; and (iv) impose or intensify import restrictions for balance of payments reasons.

III. OFFICIAL EXCHANGE RATE

A. Determination of the Official Exchange Rate

31. The official exchange rate of the hryvnia against U.S. dollar was UAH/USD 36.5686 as set by the NBU, effective 9am on July 21, 2022, until October 3, 2023. Since October 3, 2023, the NBU has transitioned to a regime of managed flexibility. Starting from October 3, 2023, the NBU sets the official hryvnia/US dollar exchange rate on a daily basis at the weighted average rate determined based on interbank market transactions using a two-stage cut-off system for transactions with extreme parameters. To calculate the official exchange rate, the NBU uses information on all tod, tom, and spot (T+2) USD purchase/sale transactions with a volume of USD 100,000 to USD 5 million inclusive between banks and between banks and the NBU, which are reported to the NBU via trade information systems before 3 p.m. on the same day. The official exchange rates for other currencies are determined by the NBU on the basis of the official exchange rate against USD and cross rates of the relevant foreign currencies. The official exchange rates are published daily on the NBU's website no later than 3:30 pm of the day of the calculation and take effect the next business day.

IV. REPORTING REQUIREMENTS

A. National Bank of Ukraine

32. 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).

33. The NBU will provide to the IMF, ***on a weekly basis***, daily operational data on 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 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.

34. 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.

35. 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.”

36. 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).

37. 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).

38. 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.

39. 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.

40. 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.

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

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

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

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

45. The NBU will provide to the IMF, on a ***monthly*** basis, data on foreign assets and liabilities of the overall banking system (excl. the NBU); data on banks' open foreign exchange positions by main groups of banks; data on deposits on the aggregated basis for the overall banking system (excl. the NBU) broken down by households and legal entities, maturity, as well as by national and foreign currency; data on loans on the aggregated basis for the overall banking system (excl. the NBU) broken down by households and legal entities as well as by national and foreign currency. In addition, the NBU will provide to the IMF, ***on a monthly basis***, data on deposits and credits on the aggregated basis for the overall banking system (excl. the NBU) without deposits and credits of banks in liquidation starting from the beginning of 2014 and broken down by households and legal entities, as well as by national and foreign currency. ***On a weekly basis***, the NBU will provide the IMF with data on foreign assets and foreign liabilities (broken down by domestic and foreign currency) for the individual banks in State Participation Group, Foreign Banking Group and Private Capital Group. ***On a monthly basis***, foreign assets for the individual banks in State Participation Group, Foreign Banking Group and Private Capital Group will be broken down by type (i.e., cash and deposits, government securities, nongovernment securities, loans, other) and foreign liabilities by type, holder (i.e., banks, other financial institutions, nonfinancial corporate, and individuals) and remaining maturity (less than one month, one to three months, three to 12 months and over 12 months). For foreign credit lines from banks and for securities, the rollover rates will also be provided.

46. The NBU will provide, ***on a monthly 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.

47. 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.

48. 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.

49. 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***, the average interest rate on interbank borrowings (by domestic and foreign currency, and by maturity—overnight, 1–7 days, and over one week).

50. 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.

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

52. 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).

53. 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).

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

55. 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.

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

57. 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.)

58. 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 LCR_{all} currencies, LCR_{fc}.

59. 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.

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

61. 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.

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

63. 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.

64. 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.

65. 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.

66. **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.

67. 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

68. 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.

69. 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.

70. 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.

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

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

C. Ministry of Finance

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

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

75. The Ministry of Finance will continue to provide to the IMF in electronic form monthly and quarterly treasury reports, including on accounts payable by budget institutions no later than 25 and 35 days after the end of the period, respectively. The Ministry of Finance will continue to provide to the IMF in electronic form the final fiscal accounts at the end of each fiscal year, no later than March of the following year. Inter alia, these reports will provide expenditure data by programs and key spending units, as well as based on standard functional and economic classifications. In addition, quarterly reports will contain standard information on budget expenses to cover called government guarantees.

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

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

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

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

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

81. The Ministry of Finance will provide data on the stock of all budgetary arrears on a monthly basis, no later than 25 days after the end of the month, including separate line items for wages, pensions, social benefits accrued by social funds, energy, communal services, and all other arrears on goods and services and capital expenditures. The Treasury will report monthly data on accounts payable for state and local budgets (economic classification of expenditures). The Pension Fund will provide monthly reports on net unpaid pensions to the individuals who resided or continue to

reside in the territories that are or were in direct combat zones and temporarily occupied by Russia. The provided information will include defense and law-enforcement.

82. The Ministry of Finance will provide a decomposition of own revenues of budgetary institutions (budget treasury code 25000000) into proceeds from fees for services provided by budget institutions in accordance with the law (budget treasury code 25010000) and other sources of own revenues of budgetary institutions (budget treasury code 25020000) no later than 25 days after the end of the quarter.

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

- The Ministry of Finance will provide monthly information, no later than 25 days after the end of each month, on the balances of sub-accounts 3551 and 3559.
- The Ministry of Finance will provide monthly information, no later than 25 days after the end of each month, on the utilization of ERA financing.
- The Ministry of Finance will provide semi-annual information, no later than 25 days after receiving information from the European Commission, the distribution of ULCM resources corresponding to ERA loans on the total amounts distributed, the amounts corresponding to interest and principal by donor, and the outstanding balances of ERA loans by donor.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

E. State Statistics Service

97. In case of any revisions of gross domestic products, the State Statistics Service will provide to the IMF revised quarterly data on gross domestic product (nominal, real, deflator) and their components (economic activities, expenditure, income), no later than 10 days after any revisions have been made. In addition, following best practices under the SDDS, the authorities are encouraged to make such revisions publicly available.

F. Ministry of Social Policy

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



UKRAINE

REQUEST FOR AN EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY AND CANCELLATION OF THE CURRENT ARRANGEMENT—SUPPLEMENTARY INFORMATION

February 25, 2026

Approved By
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(EUR) and **S. Jay Peiris**
(SPR)

Prepared by the European Department.

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

Capacity to Repay (CtR) Assurances

1. Staff has received confirmation that Ireland and Iceland have also provided capacity to repay (CtR) assurances. The Irish and Icelandic authorities informed staff of their decisions to join the significant group of creditors/donors providing assurances about Ukraine's CtR on February 17 and 18, respectively. The full list of countries now comprises: Austria, Belgium, Canada, Denmark, Estonia, Finland, France, Germany, Greece, Italy, Japan, Iceland, Ireland, Lithuania, Luxembourg, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, the United Kingdom, and the United States.

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

February 26, 2026

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

The Ukrainian authorities thank the IMF's Management and Executive Board for the Fund's sustained support in navigating near-term uncertainty, preserving macroeconomic and financial stability, shaping medium-term policy priorities, and advancing critical reforms during this exceptionally challenging period. They also express sincere gratitude to all partners who have provided capacity-to-repay assurances, which remain essential for sustaining the Fund's engagement and Ukraine's macroeconomic stability.

The authorities strongly believe that the 2023 EFF program has played a pivotal role in supporting Ukraine's economic stability and has yielded important, tangible, positive outcomes for Ukraine, despite the tragedies that Russia's illegal, unprovoked, and unjustified invasion has brought to Ukraine during the last four years. Policy implementation under the 2023 Fund-supported program was strong, with eight reviews completed on time and most conditionality met between March 2023 and June 2025. As a result of the IMF's catalytic role, Ukraine was able to mobilize the necessary financing support from more than thirty donor countries while advancing the necessary economic reforms to preserve macroeconomic and financial stability.

Nevertheless, despite international efforts to broker a peace settlement, Russia's invasion continues, with further intensified attacks on critical energy infrastructure and civilian objects, causing massive local blackouts and heating and water supply disruptions this winter. The protracted war has necessitated revisions to the macroeconomic and fiscal outlooks, larger financing needs, and a longer timeline for implementing the necessary reforms to restore Ukraine's external viability. The authorities assess that, given the scale and persistence of exogenous shocks beyond their control, there is insufficient time under the current EFF to restore debt sustainability and external viability. Against this backdrop, and to provide additional time to achieve these objectives and address Ukraine's balance of payments (BoP) needs, they have requested a new four-year EFF. The new program would build on the achievements under the 2023 EFF while addressing the challenges arising from a longer war.

The Ukrainian authorities believe that the exceptionally high uncertainty stemming from Russia's ongoing war of aggression continues, and that all five criteria under the IMF's policy for Lending Under Exceptionally High Uncertainty (EHU) continue to apply for Ukraine. Therefore, the EHU framework, which has played an essential role in maintaining strong policy performance and progress toward program objectives despite large and frequent shocks to the macroeconomic framework and financing needs, should be maintained.

The Ukrainian authorities unequivocally reaffirm their strong commitment to the objectives of the IMF-supported economic program, aimed at anchoring macroeconomic stability, restoring fiscal and debt sustainability, ensuring price stability, safeguarding financial stability, guarding against external imbalances, strengthening fiscal and financial sector institutions, building an even more robust governance framework, and pursuing Ukraine's path toward EU accession, which would also support strong post-war recovery and reconstruction.

They met all the prior actions for the program and broadly concur with staff's assessment of the severe impact of Russia's war, which has continued for four years and continues to take a staggering social, humanitarian, and economic toll on Ukraine. The comments below provide additional context regarding the environment in which the authorities currently operate.

Macro Outlook in Wartime

The macro outlook continues to be exceptionally uncertain, given unclear prospects and timelines for a peace settlement, yet fiscal, monetary and exchange rate policies have supported sustainability. Despite intensified peace negotiations led by the United States and facilitated by international partners, Russia has continued strikes on civilian infrastructure in Ukraine. The authorities hope that peace discussions will deliver tangible results. Until then, the war assumptions embedded in the program scenarios remain appropriate, and the new EFF program can be recalibrated quickly if peace negotiations succeed.

Labor shortages remain a key constraint on Ukraine's recovery. Labor force participation is slowly increasing, but overall employment remains well below pre-invasion levels, with more than a quarter of Ukraine's population still displaced, either internally or abroad. Many displaced Ukrainians express a desire to return; however, as the war becomes more protracted, a growing share is integrating into host-country labor markets, increasing the risk that part of this human capital loss becomes permanent – a factor modelled in the downside scenario of the program. At the same time, Ukraine's domestic labor market is tightening as economic activity gradually recovers and reconstruction needs grow, driving strong demand for workers and sustained real wage growth. Projections point to continued increases in real wages in 2025–2027, reflecting both labor scarcity and the need to attract and retain skilled workers. To help ease labor market tightness and support de-shadowing/formalization, the authorities plan to advance Labor Code amendments, consistent with good international practice, to reduce opportunities for disguised employment, thereby strengthening compliance and broadening formal labor participation.

Russia's ongoing attacks have significantly increased damage to Ukraine's energy system since mid-2025, with this winter proving the most destructive so far. Strikes on power plants, substations, district heating facilities, and gas infrastructure have hit most regions, repeatedly leaving millions with only a few hours of electricity per day and disrupting heating and water supply during an unusually harsh winter. Targeted assaults on the gas sector have also intensified, with Naftogaz reporting a record of 229 attacks on its facilities in 2025 alone – more than in the previous three years combined. These attacks caused a substantial increase in gas imports to compensate for the loss of domestic production. In response, the authorities, backed by international partners, have accelerated repairs, emergency replacements, and investments to decentralize the energy system. Priority measures include installing more distributed generation (gas turbines, renewables, and mobile generators), reinforcing critical substations, expanding cross-border electricity links, and securing financing for emergency gas purchases.

As a result of the intensified attacks on logistics and energy infrastructure, which disrupted transportation and led to significant electricity shortages, as well as continued negative net migration, **real GDP expanded by 1.8 percent y/y in 2025**, according to preliminary data published by the State Statistics Service of Ukraine, marking a slowdown from 3.2 percent y/y growth in 2024. At the same time, economic activity was supported by resilient domestic demand and an accommodative fiscal policy stance. Gradual improvements in the energy sector, an increase in private investment, European integration reforms, and a reversal of migration trends will facilitate faster economic growth, which should reach 2.8 percent in 2027 and 3.7 percent in 2028.

The fifth Rapid Damage and Needs Assessment (RDNA5), published this week and undertaken jointly by the World Bank Group, the Government of Ukraine, the European Commission, and the United Nations, highlights the expanding footprint of war-related destruction in 2025 and the growing complexity of restoring systems essential for economic recovery and social wellbeing. As of December 31, 2025, total war-related damage is estimated at US\$195.1 billion, about 10.8 percent higher than last year, with the housing, transport, and energy sectors most affected. Socioeconomic losses have risen to US\$666.7 billion, a 13.2 percent increase since RDNA4, driven largely by disruptions to commerce, industry, public services, and livelihoods. Recovery and reconstruction needs have continued to grow and are now estimated at US\$587.7 billion over a 10-year horizon, equivalent to nearly three times Ukraine's 2025 GDP.

Monetary and Exchange Rate Policies

Inflation continued to slow in 2025 after reaching its peak in May. The deceleration in inflation, which began in June 2025, continued through December 2025. Both consumer and core inflation slowed to 8 percent y/y, driven primarily by the effects of higher harvests and moderation in labor market pressures. The National Bank of Ukraine (NBU) kept inflation and exchange rate expectations in check throughout 2025. However, inflation expectations of most respondent groups remained elevated.

Headline and core inflation continued to trend down in January 2026. It slowed further to 7.4 percent y/y and 7.0 percent y/y, respectively. **Inflation is expected to moderate in 2026**, declining in the coming months, primarily reflecting the remaining effects of higher harvests in 2025. At the same time, massive damages in the energy sector will put pressure on prices through both market and administrative mechanisms. Against a low base, this will cause moderate acceleration of inflation in the second half of the year to 7.5 percent by year-end.

In the next years, inflation is expected to return to a steady downward trend. The NBU forecasts inflation to slow to 6 percent in 2027 and to reach the central bank's target of 5 percent in 2028, supported by the normalization of labor market conditions, lower imported inflation, gradual increases in harvests, and the NBU's monetary policy measures. The recovery of the energy sector will also contribute to disinflation, although businesses' large expenses on energy independence will continue to put pressure on prices for some time.

Thus, in January 2026, the NBU Board decided to start the cycle of interest rate policy easing by cutting the key policy rate by 0.5 pp, to 15 percent. Lower price pressures, driven by NBU monetary policy measures, coupled with weaker risks of insufficient external financing, created room for a justified reduction in the key policy rate (KPR). Monetary conditions will remain sufficiently tight to maintain FX market sustainability and bring inflation back toward its 5 percent target over the policy horizon. This decision will also facilitate the economy's ongoing adaptation to wartime challenges, specifically by supporting lending, which has grown at a rate of over 30 percent y/y in recent years.

The NBU will continue to respond flexibly to changes in the distribution of risks. The baseline scenario of the NBU's January macroeconomic forecast foresees a gradual reduction in the KPR over the forecast horizon. If risks to price dynamics increase, the NBU will refrain from easing its interest rate policy further and will take additional measures if required. At the same time, a weakening of inflationary risks will signal faster cuts in the KPR than foreseen by the revised macroeconomic forecast.

The managed exchange rate flexibility regime allows adjustments to shocks while keeping expectations anchored. The NBU does not target a specific exchange rate level or defend it at the

expense of international reserves; instead, international reserves have increased substantially since the onset of the war, exceeding US\$ 57 billion by late December 2025.

To ensure flexibility in both directions, the NBU addresses the war-related structural FX deficit of the private sector by channeling foreign currency from the public sector (received mostly as international aid) into the economy. Such “structural” FX interventions are operationally distinct from those aimed at smoothing excessive market volatility and are smaller in volume than official financing inflows and government FX sales to the NBU. At the same time, smoothing FX interventions have remained moderate in both frequency and scale. The share of FX market transactions conducted without the NBU has increased significantly. In 2025, their average share in total volume of transactions accounted for 53 percent - almost twice the share observed at the time of the introduction of managed exchange rate flexibility (29 percent in October 2023). This reflects a gradual strengthening of market mechanisms and an improved market’s ability to self-balance. At the same time, public demand for foreign currency remains subdued, and the spread between official and cash exchange rates is minimal.

Greater exchange rate flexibility allows for better adjustment to market conditions, thereby strengthening the resilience of the Ukrainian economy and FX market, helping to prevent the buildup of external imbalances, and safeguarding reserves – measures warranted given the prevailing uncertainty. The NBU remains committed to maintaining adequate FX reserves throughout the program and to a gradual, conditions-based easing of FX controls in line with the FX liberalization roadmap, balancing external stability while supporting economic recovery.

Financial Sector

Despite the extreme challenges caused by Russia’s full-scale war, Ukraine’s financial sector remains stable and contributes to economic recovery. The steady growth in banks’ loan portfolios and their active investment in internal infrastructure indicate an increasing role for the sector as a financial intermediary, allowing the economy to rely more on domestic funding, both during the war and in the post-war reconstruction phase. Meanwhile, the financial sector is successfully adapting to updated EU-aligned regulatory requirements.

Building on the reforms implemented in 2014–2016, the financial sector has remained resilient during the war and has not generated systemic pressures or contingent liabilities; instead, it has supported the economy and public financing. For example, in a little more than two years, the net loan portfolio in hryvnia has reached pre-invasion levels and has continued to increase since then. Also, last year, thanks to active lending, the penetration of corporate loans relative to GDP increased for the first time since the start of the full-scale invasion. The lending recovery is facilitated by the implementation of the Lending Development Strategy, launched by Ukrainian regulators in 2024. It emphasizes enhancing the banking system’s resilience, boosting lending for reconstruction, and transitioning toward European standards in regulation and supervision.

A key objective of the authorities is to align regulatory and supervisory frameworks with EU standards. For banking regulation, the equivalence rate has already reached an estimated 78 percent as of January this year, up from around 50 percent back in 2022. Progress is also underway in the non-bank financial market following the “split” reform. The most significant advances have been achieved in the insurance market, where undercapitalized firms and entities with opaque ownership structures have been removed, and updated legislation has been adopted for the development of key products. Overall, the

authorities have an ambitious objective of completing most of the approximation to the acquis in the financial sector by end-2027, with the new EFF arrangement expected to support them in these efforts.

Another necessary course of action is strengthening capital markets. Unlocking their potential can support financing for the post-war recovery. The authorities support the new EFF program's focus on the development of capital markets in Ukraine, as well as Annex VI of the staff report, which details policies aimed at strengthening governance of the National Securities and Stock Market Commission (NSSMC).

A resilient financial and capital market infrastructure is of paramount importance for adjusting the economy to financial challenges. To fulfill its obligations under the 2023 EFF program, the Financial Stability Council (FSC) approved an updated Strategy of Ukrainian Financial Sector Development (the Strategy). The authorities also prepared a draft concept note in May 2025 to close the significant gaps in market instruments and infrastructure to support reconstruction and recovery through inward private investment. This concept note outlines high-level financial market infrastructure reforms to attract private investment into Ukraine. The Strategy's roadmap translates these into specific steps and activities. Reforms in this area are also a precondition for attracting foreign capital needed for Ukraine's reconstruction and recovery. The NBU, the European Bank for Reconstruction and Development (EBRD), the Ministry of Finance of Ukraine, the Ministry of Economy, Environment, and Agriculture of Ukraine, and the NSSMC also signed a Memorandum of Cooperation in Support of an Integrated Capital Markets Infrastructure. The Memorandum stipulates the establishment of a vertically integrated capital markets infrastructure which will include trading, clearing, settlement, and depository record-keeping. The parties developed the necessary legislative amendments for implementation, and the draft law was forwarded to the Cabinet of Ministers of Ukraine for further submission to Parliament.

In addition, the NBU, in close cooperation with IFIs and Ukrainian stakeholders, has developed the target model of capital market infrastructure for Ukraine. The model envisages the creation of a vertically integrated holding entity, which includes a stock exchange, a majority stake in the CCP (Settlement Center), and 25 percent of the CSD (National Depository of Ukraine). The Holding Company is expected to operate across the full value chain of capital market infrastructure in Ukraine. The detailed action plan for implementing the target capital markets model and a roadmap to optimize NDU ownership were approved by the FSC. In line with the roadmap, management of the State's stake in the National Depository of Ukraine's authorized capital was transferred, by a Cabinet of Ministers of Ukraine decree, from the NSSMC to the NBU.

Budget and Fiscal Policies

The 2026 Budget, aligned with program parameters, was adopted in December 2025, as a prior action for the new IMF arrangement amid immensely challenging conditions arising from Russia's war and devastating attacks on energy infrastructure. The authorities also met two prior actions aimed at de-shadowing the economy and boosting competition, namely: a decree was issued to level the playing field for VAT payers in competitive public procurement tenders; and a draft of a new Labor Code was submitted to Parliament to amend, among other things, the definition of "employment" to reduce opportunities for disguised employment.

The authorities are committed to introducing a package of tax measures to mobilize additional revenues in 2026 and beyond. These include taxing income earned through digital platforms; eliminating the tax exemption for imports through small-value postal packages; and removing VAT exemptions from

simplified regimes by making VAT registration mandatory, effective January 1, 2027, for simplified taxpayers with turnover exceeding the general VAT registration threshold, which will be raised moderately but will not exceed UAH 4 million.

In the meantime, tax collections have continued to exceed expectations. Reforms to boost domestic revenue mobilization under the National Revenue Strategy (NRS) remain a high priority to help meet budget financing needs. Monitoring NRS implementation plans reflects reform progress and ensures accountability within a comprehensive, transparent, and unified reporting framework. Additionally, the results of a compliance review of existing Ukrainian tax legislation with EU directives, which starts in June 2025, will determine the next steps for revenue mobilization measures in 2027–2028.

The authorities remain focused on accelerating NRS implementation, including through modernization of tax and customs administration, reducing tax evasion, and harmonizing fiscal legislation with EU standards. The authorities are proceeding with customs reforms. The selection process for a new Head of the State Customs Service (SCS) is on track, and a set of KPIs has been prepared.

International budget support remains a cornerstone of Ukraine’s macro-financial stability. Since the start of Russia’s full-scale invasion, Ukraine has received US\$166 billion in budget support from international partners (as of December 31, 2025). In the context of the 2023 EFF program, disbursements from all donors have reached US\$125 billion. Under the G7’s US\$50 billion Extraordinary Revenue Acceleration (ERA) Loans initiative, Ukraine has already received US\$39 billion, including EUR 18.115 billion from the European Union. The authorities are grateful to all donors and partners who help to keep the current program fully financed under both baseline and downside scenarios. The authorities underscore that full, timely, and predictable disbursements, on terms consistent with debt sustainability, are critical to safeguarding macroeconomic stability and enabling uninterrupted program implementation.

The authorities’ goal remains to restore debt sustainability and ensure that the program is fully financed, including in a downside scenario. The August 2024 Eurobond exchange was a major step forward in the process of restoring debt sustainability. In addition, the exchange of outstanding GDP-linked warrants into a new series of Eurobonds was recently concluded. Treatment of the remaining external commercial claims is in progress to help close financing gaps during the program period, reduce gross financing needs to manageable levels (including after the program), and place debt on a sustainable path.

The authorities plan to enact legal amendments to improve the integration of PIM into medium-term budget planning and fiscal risk management. The 2024–2028 Public Investment Management (PIM) Reform Roadmap and Action Plan cover the full lifecycle of investment projects: from strategic planning to implementation, monitoring, and evaluation. By August 2026, the Strategic Investment Council will approve the SPP update for the 2027 Budget.

Structural Reforms

Governance and anti-corruption reforms remain central to the program’s objectives, including mobilizing revenues, curbing the shadow economy, and leveling the playing field for investment and competition. The authorities therefore welcome the program’s targeted governance agenda focused on high-risk sectors: tax, customs, procurement, and energy, embedded within the broader rule-of-law reform efforts under Ukraine’s EU accession path.

The authorities are firmly committed to preserving and strengthening the independence and effectiveness of Ukraine's core anti-corruption institutions. In particular, they have committed to refraining from any measures that would diminish the independence, powers, or resources of NABU, SAPO, or the High Anti-Corruption Court (HACC), including through amendments to their legal or regulatory frameworks. They also recognize the importance of equipping these institutions with the tools and resources necessary to fulfill their mandates effectively, including by advancing a legal framework for independent, reliable, timely, and high-quality forensic services for investigations under NABU's authority, developed in consultation with relevant anti-corruption institutions and key stakeholders.

Preventive anti-corruption efforts will be strengthened further, with a clear focus on risk-based approaches and transparency. The authorities will advance measures to enhance the effectiveness of asset declaration verification and lifestyle monitoring, including through new NACP regulations establishing a risk-based system for verification that prioritizes senior officials in identified high-risk areas (such as customs and energy). They also remain committed to an independent external audit of the NACP to assess effectiveness and propose options to address any shortcomings, and to strengthening public sector accountability through continued reforms of the Accounting Chamber of Ukraine (ACU), including steps to fill vacancies for ACU board members in line with the strengthened legal framework.

The authorities will continue strengthening the AML/CFT framework in a risk-based manner to support procurement oversight, tax compliance, and integrity safeguards. They reaffirm that due diligence related to politically exposed persons should remain proportionate and consistent with FATF standards, and they will advance reforms to strengthen the beneficial ownership framework to enhance procurement transparency and help detect conflicts of interest. The authorities also intend to leverage AML tools to address tax crimes and improve compliance, and, building on the recent IMF TA-supported review of the Financial Intelligence Unit framework, prepare an action plan to address identified gaps.

The authorities share the view that strengthening SOE governance, enhancing transparency, and containing quasi-fiscal activities are macro-critical and should remain priorities. They are committed to strengthening the role of supervisory boards and improving selection procedures, including through reforms to the nominations framework; implementing the State Ownership Policy action plan; resuming the transparent publication of financial statements and annual audits for the largest SOEs; and strengthening regular public reporting on SOE performance and fiscal risks, including financial flows between the state and SOEs and the operation of public service obligations (PSOs).

Energy sector reform will focus on restoring SOE sustainability, reducing quasi-fiscal pressures, and enabling reconstruction investment, while protecting vulnerable households. The authorities will undertake and publish technical analysis quantifying the costs of quasi-fiscal activities arising from price caps and PSOs across electricity, gas, and heating; assess the incidence of existing subsidies; and outline reform scenarios for gradual cost recovery with appropriate social protection. They will also advance a roadmap to liberalize energy markets and strengthen the independence of the energy regulator (NEURC), including improvements in nomination procedures and regular independent assessments, to reduce political interference and support a durable reform path.

Concluding Remarks

Ukraine is assessed to meet the eligibility criteria for UCT-quality financing under the Fund's policy on UCT lending under exceptionally high uncertainty. Adequate safeguards for Fund resources have been provided

in line with relevant IMF policies, including firm financing assurances for the first 12 months of the program, specific and credible assurances for financing thereafter to restore debt sustainability in the baseline, and credible assurances for the downside have been provided. Official creditors committed to a two-step creditor strategy, extending a debt service standstill on comparative terms. In view of the exceptionally high uncertainty producing tail risks, a group of countries has also provided adequate assurance of Ukraine's capacity to repay the Fund.

In order to allay the risks to the Fund from lending to Ukraine under these exceptional circumstances, Belgium, Luxembourg, and the Netherlands, among others, affirm their recognition of the Fund's preferred creditor status in respect of the amounts currently outstanding to Ukraine, as well as any purchases under the proposed extended arrangement. They have also further undertaken to provide adequate financial support to secure Ukraine's ability to service all its obligations to the Fund, in accordance with the Fund's preferred creditor status and complementing the IMF's multilayered risk management framework.

The authorities believe that a new EFF arrangement can accommodate a longer war, resolve Ukraine's BoP problem, and restore medium-term external viability under both baseline and downside scenarios. Given these facts and following the commitments for the period ahead, the authorities request the Board's approval of the new IMF-supported program and agree with the publication of the report. The authorities reiterate their strong commitment to maintaining a close, sustained, and constructive policy dialogue with the IMF, including in support of EU accession objectives.