

Table 1. Ukraine: Quantitative Performance Criteria, Indicative Targets, and Quantitative Structural Benchmarks for September 2000-December 2001  
(End-of-period; in millions of hryvnia, unless otherwise indicated; cumulative changes from September 29, 2000, unless otherwise indicated)

	2000				2001								
	September	December			March			June				September	December
	Actual	Program	Program Adjusted	Actual	Program	Program Adjusted	Actual	Program	Revised Program 12/	Rev. Prog. Adjusted	Estimate	Revised Program	Program
<b>Performance criteria 1/</b>													
Ceiling on the deficit of the consolidated government budget 2/ 3/	-231	2,532	2,488	2,175	320	265	-810	1,250	362	498	462	732	3,500
Floor on non earmarked state cash revenue 3/	17,808	25,341	25,341	26,019	4,400	4,400	5,950	11,004	12,097	12,097	12,129	18,891	26,413
Ceiling on stock of budgetary arrears on wages, pensions and benefits 4/	1,681	1,600	1,600	1,344	1,500	1,500	727	1,400	763	763	762	763	663
Ceiling on noncash netting operations on consolidated government obligations arising after December 31, 1999 3/	265	290	290	269	0	0	0	0	0	0	0	0	0
Ceiling on the net domestic assets of the NBU 5/ 6/	20,812	563	535	-790	761	600	-1,781	-30	-1,790	-1,803	-2,293	-3,527	-2,548
Floor on net international reserves of the NBU (in millions of U.S. dollars) 6/ 7/	-1,089	28	33	493	-27	3	668	96	1,029	1,031	1,176	1,235	1,388
Accumulation of external arrears by the government and the NBU 8/	0	0	0	0	0	0	0	0	0	0	0	0	0
Ceiling on nonconcessional external debt contracted or guaranteed by the government or the NBU (in millions of U.S. dollars) 9/													
Maturity over one year	0	1,500	1,500	100	2,500	2,500	100	2,500	2,500	2,500	100	2,500	2,500
Of which: credit lines	0	100	100	0	150	150	0	200	200	200	0	250	300
Maturity of one to three years	0	150	150	100	200	200	100	200	200	200	100	250	275
Of which: credit lines	0	25	25	0	80	80	0	75	75	75	0	100	125
Maturity up to one year	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Indicative targets</b>													
Base money 6/	14,888	718	718	1,889	616	616	1,854	492	3,808	3,808	4,107	3,189	5,004
<b>Quantitative structural benchmarks</b>													
Total cash collection ratio for electricity 10/	49	50	50	51	50	50	53	55	55	55	59	60	65
Total cash collection ratio by Naftogaz 11/	31	40	40	49	50	50	66	55	55	55	85	60	65

Sources: Ukrainian authorities; and Fund staff estimates and projections.

1/ Unless otherwise noted, targets for end-December 2000, end-March 2001, end-September 2001, and end-December 2001 are performance criteria, while targets for June 2001 are indicative targets.

2/ For the purpose of calculating the adjustor to the deficit defined in the Technical Memorandum of Understanding (TMU) for arrears in the payment of scheduled interest on domestic debt instruments issued by the government, the levels of scheduled interest payments are the following (in millions of hryvnia): 1,191 (December 2000); 524 (March 2001); 834 (June 2001); 1,351 (September 2001); and 1,794 (December 2001).

3/ For the purpose of calculating the adjustor to the deficit for deviations in the level of project loans, the levels of programmed project loans are the following (in millions of hryvnia): 0 (December 2000); 171 (March 2001);

197 (June 2001); 272 (September 2001); and 461 (December 2001). For both adjustors, 2000 figures are cumulative from January 1, 2000; 2001 figures are cumulative from January 1, 2001.

4/ Ceilings established on the stock. Includes arrears with maturity of less than one month.

5/ For the purpose of calculating the adjustor to NDA for deviation in foreign financing (excluding project financing) to the budget defined in the Technical Memorandum of Understanding (TMU), the programmed levels of foreign financing to the budget are the following (cumulative since September 29, 2000; in millions of hryvnia): 388 (December 2000); 602 (March 2001); 707 (June 2001); 1,523 (September 2001); and 2,279 (December 2001).

6/ Amounts for September 2000 are outstanding stocks.

7/ For the purpose of calculating the adjustor to NIR defined in the TMU, the programmed levels of medium- and long-term cash foreign financing are the following (cumulative since September 29, 2000; in millions of US dollars):

70 (December 2000); 107 (March 2001); 130 (June 2001); 280 (September 2001); and 419 (December 2001).

8/ The nonaccumulation of the external arrears criterion applies on a continuous basis.

9/ The ceilings on medium- and long-term loans (maturity of over one year) are on debt contracted; the ceiling on short-term loans (maturity of up to one year) applies on a continuous basis. The criterion for maturity up to one year does not apply to contracting of loans by the NBU.

10/ The targets refer to total cash collection ratios for payments to the wholesale electricity market cumulatively since end-June 2000 for 2000, and since January 1, 2001 for 2001.

11/ The targets are for total cash collection ratios by Naftogaz on all its gas sales, cumulative from the beginning of each year. Outcomes for December 2000, March 2001, and June 2001 include mutual settlements through the banking system.

12/ Revised projection discussed with the authorities during the June 2001 mission.

Table 2. Ukraine: Prior Actions for Completion of the Fifth and Sixth Reviews Under the Extended Arrangement and Structural Performance Criteria and Benchmarks for the Period December 2000–December 2001

	Date	Status
<b>A. Prior Actions</b>		
1. Achievement of cumulative monthly state unearmarked cash revenue targets for July and August of Hrv 14,247 million and Hrv 16,447 million, respectively.		
2. Submission to the Rada of a budget for 2002 with a deficit of no more than 1.7 percent of GDP.		
3. Withdrawal of the banking license for Bank Ukraina.		
4. Implementation of trade liberalization measures (para. 17), including the simplification of documentation requirements for the internal and external trade in grains.		
5. Full provision of data in accordance with the TMU.		
<b>B. Structural Performance Criteria and Benchmarks</b>		
1. Reduction of the export tax on sunflower seeds to 10 percent.	December 31, 2000	Reduced to 17 percent in June 2001.
2. Provision of legally required information to parliament on privatizations in 2000, and placement of this information on the State Property Fund website.	March 31, 2001	Implemented
3. Finalization of the terms of reference for the second stage of the Naftogaz audit.	March 31, 2001	Implemented
4. Finalization of a medium-term strategy for Bank Ukraina which would not require recourse to government financing.	March 31, 2001	Bank Ukraina's license withdrawn on July 16, 2001.
5. Completion of a review of the Free Economic Zones (FEZs) and Special Investment Regimes (SIRs).	April 30, 2001	Implemented
6. Initiation of bankruptcy proceedings against 5 of the 50 largest tax debtors.	June 30, 2001	Implemented as of July 31, 2001.
7. Posting on the NBU website of the NBU's externally audited financial statements, with the audit letter and notes, prepared in accordance with International Accounting Standards.	July 31, 2001	Implemented 1/
8. Completion of the second stage audit of Naftogaz.	September 30, 2001	
9. Implement the single account of the State Treasury of Ukraine.	December 31, 2001	
10. Adoption of the formula-based transfers to local governments in the context of the 2002 budget. 2/	December 31, 2001	

1/ Financial statements are consistent with IAS with the exception of provisions for government debt.

2/ This measure constitutes a structural performance criterion.

**TABLE 3. UKRAINE: AUTHORITIES' AGENDA FOR STRUCTURAL REFORMS**

<b>POLICY MEASURES</b>	<b>Timing</b>	<b>Status</b>
<b>Fiscal measures</b>		
1. No netting operations for obligations incurred in 2000 or 2001.	Continuous	Article 6 of the 2001 budget law prohibits netting operations. Netting in 2000 limited to cash offsets.
2. Service treasury bill debt held by the NBU in line with the September 2000 agreement.	Continuous	Implemented
3. Publish the list of the 50 enterprises with the largest tax arrears to the budget and the amount of their arrears on the last reporting date.	Quarterly	No publication thus far.
4. Complete inventory of tax exemptions and privileges by sector and/or enterprise, including the legal basis of exemptions and amounts of foregone revenue by type of tax.	April 2001	Implemented
5. Initiate bankruptcy proceedings against 5 of the 50 largest tax debtors.	July 2001	Implemented
6. Adhere to moratorium on establishment of new Free Economic Zones, including spot zones.	Continuous	
7. Replace Kartoteka II with a mechanism that allows STA to access debtors' account after due process, in consultation with Fund staff.	June 2001	Law abolishing Kartoteka II was enacted in February 2001.
8. Implement the single account of the State Treasury of Ukraine.	December 2001	
9. Implement the reform of intergovernmental financial relations, which provides for formula-based transfers to local governments in the context of	December 2001	

<b>POLICY MEASURES</b>	<b>Timing</b>	<b>Status</b>
the 2002 budget.		
10. Establish large taxpayers office in Kyiv.	December 2001	
11. Reduce staffing positions of budgetary employees by 25,000 in 2001.	December 2001	
12. Unify fully the excise treatment of imports and domestically-produced goods.	January 2002	
13. Streamline the levies for sanitary and environmental purposes.	January 2002	
14. Enact the Customs Code.	January 2002	
<b>Financial sector reform</b>		
15. Implement the agreed plan for Bank Ukraina.	Continuous	In progress; liquidation procedures have been initiated.
16. Improve compliance with the regulatory framework for banking supervision in line with the Core Principles of the Basel Committee on Banking Supervision.	Continuous	In progress
17. Ensure that banks created prior to the enactment date of the Law on Banks and Banking Activities bring their activities in compliance with this law.	Continuous	In progress
18. Implement the restructuring program for the Savings Bank agreed with	Continuous	This program was updated in early

<b>POLICY MEASURES</b>	<b>Timing</b>	<b>Status</b>
the NBU in 1999 and reduce over time its exposure to the energy sector.		2001 in consultation with the World Bank.
19. Conduct quarterly audits of the net international reserves of the NBU by reputable international auditors.	Continuous	Quarterly audits are being conducted.
20. Integrate Internal Audit Department into the risk management process of the NBU by ensuring that (i) a representative of the Internal Audit Department is present at the meeting of any committee or during consideration of issues related to risk management or internal control; (ii) a representative of the Internal Audit Department is invited to the meetings of the NBU senior management committees; and (iii) internal auditors are provided with automatic and unrestricted access to any information they may need to perform their duties.	Continuous	Internal audit is represented in all units involved in risk management; representatives of Internal Audit sit on the NBU Board and other senior management committees.
21. Separate back-office functions of the NBU Foreign Exchange Department from the front office.	July 2001	In progress; most back-office functions have been separated.
22. Risk Management Unit to prepare its first report for the Chairman of the NBU Board on aggregate risk positions and observance of risk parameters related to foreign exchange transactions.	July 2001	Implemented
23. Implement a system of provisioning for doubtful and bad debt, in line with International Accounting Standards.	July 2001	In progress
24. Posting on the NBU website of the NBU's externally audited financial statements for 2000, with the auditor letter and notes, prepared in accordance with International Accounting Standards. The NBU will also	July 2001	The externally-audited financial statements and notes, and the auditor letter, were posted on August 9, 2001.

<b>POLICY MEASURES</b>	<b>Timing</b>	<b>Status</b>
publish its comments on these documents.		
25. Prepare re-issuance of licenses to banks in line with the classification of operations provided for by the Law on Banks and Banking Activities.	December 2001	
26. Pass law establishing the Deposit Insurance Fund.	December 2001	
27. Create consolidated supervisory agency for the non-banking sector.	2002	
<b>Privatization</b>		
28. Implement privatization program for 2001, in line with the Cabinet of Ministers resolution and the Privatization Program for 2000–02, using open tenders and, as a rule, financial advisors for larger sales.		Ongoing
29. Follow existing regulations regarding sales of assets of indebted enterprises.	Continuous	Ongoing
30. Pass the necessary revisions to the Negative List and Article V of the Law on Privatization of State Property.	June 2001	Revisions to the negative list have been approved; discussions ongoing in Parliament regarding Article V.
31. Approval by Parliament in the second reading of the Law on the State Property Fund (SPF), which would establish the SPF as the sole agency responsible for managing privatization operations.	July 2001	Law on the SPF approved by parliament in July, but vetoed by the President due to inconsistencies between the law and the constitution.
32. Develop plan, including time frame, to implement recommendations of the Privatization Advisory Group's review of privatization in 2000.	September 2001	In progress

<b>POLICY MEASURES</b>	<b>Timing</b>	<b>Status</b>
33. Pass law banning asset stripping.	September 2001	Implemented
34. Submit to Parliament a list of enterprises for sale in 2002 that is consistent with the draft 2002 budget.	November 2001	
<b>Energy sector</b>		
35. Ensure that communal tariffs are adjusted to full cost recovery levels.	Continuous	Largely implemented
36. Maintain payments discipline in the energy sector, with cash collections to the wholesale electricity market rising from at least 50 percent at end-2000 to 65 percent at end-2001. Cash collections for all gas sold by Naftogaz, as measured on a cumulative basis from the beginning of the year, are to reach at least 40 percent by end-2000, and rise to 65 percent by end-2001.	Continuous	Targets reached through June 2001.
37. Cut off 50 of the largest 100 non-payers of gas.	Continuous	In progress
38. Maintain current structure of electricity market.	Continuous	
39. Carry out audits of the Distribution Account of the Wholesale Electricity Market and regional distribution accounts by an international accounting firm.	Monthly	Monthly audits have begun, starting with the month of December 2000.
40. Finalize the terms of reference for the second stage audit of Naftogaz.	March 2001	Implemented

<b>POLICY MEASURES</b>	<b>Timing</b>	<b>Status</b>
41. Submit to government a plan for regularization of Naftogaz's external arrears to suppliers.	March 2001	A draft plan has been submitted.
42. Complete the second stage audit of Naftogaz.	September 2001	In progress
43. Provide comprehensive data on electricity market debt, including for generating companies, and prepare plan for debt restructuring.	September 2001	
44. Conclude review of sale of the first six oblenergos.	September 2001	
<b>Statistics</b>		
45. The Ministry of Finance to compile government finance statistics in accordance with agreements with the IMF. Establish an inter-agency working group to harmonize responsibilities of the different agencies in this area.	March 2001	In progress
46. Prepare statement on NBU's international reserves compiled according to the Special Data Dissemination Standard (SDDS).	June 2001	Implemented
<b>Other measures</b>		
47. Reduce the export tax on oil seeds from 23 percent to 10 percent.	December 2000	Not implemented; export duty lowered to 17 percent, and give-and-take schemes banned.