

International Monetary Fund

[Ukraine](#) and the IMF

Press Release:

[IMF Completes First Review Under Stand-By Arrangement with Ukraine and Approves €1.2 Billion Disbursement](#)

December 22, 2010

Ukraine: Letter of Intent, and Technical Memorandum of Understanding

December 10, 2010

[Country's Policy Intentions Documents](#)

E-Mail Notification
[Subscribe](#) or [Modify](#)
your subscription

The following item is a Letter of Intent of the government of Ukraine, which describes the policies that Ukraine intends to implement in the context of its request for financial support from the IMF. The document, which is the property of Ukraine, is being made available on the IMF website by agreement with the member as a service to users of the [IMF](#) website.

Kyiv, December 10, 2010

Mr. Dominique Strauss-Kahn
Managing Director
International Monetary Fund
Washington DC, 20431, U.S.A.

Dear Mr. Strauss-Kahn:

1. The economic recovery continues to gain strength. Growth is likely to exceed the levels anticipated under the program, supported by a gradual shift of activity from export to domestic-oriented sectors. Headline inflation, while accelerated recently due to higher grain and administrative prices, is expected to remain within program levels, with core inflation falling to single digits this year. Importantly, macro-financial risks have receded considerably, boosting confidence and allowing the government to regain access to international capital markets for the first time since 2007.

2. Performance under the program has generally been strong. All end-September performance criteria were met (Table I.1) and steady progress was made on the structural reforms due at end-September and end-October, although some reforms were implemented with small delays (Table I.2). In view of this performance and the commitments in this letter, we request the completion of the first review under the Stand-By Arrangement and the disbursement of the second tranche under the program.

3. We are confident that the policies set forth in our July 16, 2010 letter and in this supplementary letter are adequate to achieve the objectives of our program. We stand ready to take additional measures, in consultation with Fund staff, should these be required to ensure achievement of our program.

Macroeconomic Framework for 2011

4. The economic outlook for next year remains broadly favorable. Growth is projected to pick up to about 4½ percent, as private consumption and investment (including public spending for the Euro 2012) gain momentum. Core inflation is expected to continue to fall on the back of a still large output gap and prudent monetary policy stance. Nevertheless, planned administrative price increases will keep headline inflation relatively high in the coming months. The current account deficit is expected to remain low, around 2½ percent of GDP, which together with an improving market confidence and a positive overall balance of payments will support a continued build up in international reserves.

Fiscal Policy

5. We remain committed to our 2010 fiscal objectives—a general government deficit of 5½ percent of GDP and a combined deficit (including Naftogaz) of 6½ percent of GDP. However, due to higher revenue earmarking and Naftogaz's overrun, the government will

exercise strict expenditure control, including by reducing subsidies to enterprises (UAH 3 billion), transfers to households (UAH 1 billion), and capital expenditure (UAH 2 billion).

6. Our 2011 fiscal strategy remains focused on reducing the general government deficit to 3.1 percent of GDP, which is essential to underpin our medium-term debt consolidation targets, strengthen confidence in public finances, and facilitate a further reduction in borrowing costs. To this end, we have submitted to parliament a 2011 draft budget consistent with this target (*prior action*). The bulk of the adjustment will be carried out by lower spending which is achieved through the following measures:

- i. Initiating pension reform (see para. 11), which is expected to begin generating savings in 2011;
- ii. To ensure that in 2011 the wage bill remains within budget allocations, wages for government sector employees will, on average, increase in line with inflation. In addition, the government will take measures aimed at generating savings of UAH 12.4 billion (1 percent of GDP) in budgetary spending units of all levels. This will be achieved by: eliminating vacant positions as well as positions of employees retiring in 2011; reducing staff training; limiting bonuses and benefits; shifting part of wages to budgetary institutions' own source revenue; eliminating compensation for those that perform the duties of absent employees; and limiting maximum total compensation;
- iii. Keeping subsidies to enterprises (excluding Naftogaz) stable in nominal terms (through which expenditure falls by an equivalent of 0.2 percent of GDP).

7. The draft budget also includes allocations to (i) strengthen social programs to ensure that gas price hikes do not worsen living standards for the poorest (particularly for the extreme poor); and (ii) increase capital expenditure.

8. Bank recapitalization in 2011 from the budget will be strictly limited to amounts budgeted for but delayed from 2010. In addition, to keep the overall public indebtedness under control, new state guarantees in 2011 will amount to no more than UAH 15 billion (quantitative performance criterion).

Fiscal Reforms

9. We are making important progress in improving the structure of public finances, with reforms that will simplify the tax structure and strengthen tax administration and reduce government spending.

10. To strengthen the fiscal framework, we have adopted a new tax code aiming to unify and streamline tax legislation and, over time, reduce the overall tax burden while also improving revenue yields and tackling tax evasion. The new code consolidates most existing tax legislation and introduces significant tax policy and administration changes. In particular, it (i) eliminates a number of small taxes; (ii) reforms the personal income tax, introducing a 17 percent bracket for incomes above ten minimum wages; (iii) overhauls the corporate tax rate, including a two percentage point cut in 2011; (iv) envisages a reduction of the VAT rate to 17 percent in 2014; (v) introduces a property tax for large homes; and (vi) amends the tax

deduction rules relating to writing-off non-performing bank loans against provisions (in line with NBU regulations). We believe that this reform will be revenue neutral in 2011 and the medium term.

11. We will enact a pension reform aiming to strengthen the financial foundation of the pension system to meet its obligations to the citizens of Ukraine. The reform will envisage measures to ensure a balanced budget for the Pension Fund of Ukraine and introduce personal savings accounts over the medium term. To this end, the government will submit a draft law to parliament by December 13, 2010 (*prior action*), aiming for approval by end-2010 (structural benchmark), and implementation starting in early 2011. This will include:

- Increasing the revenues of the Pension Fund through tax reform, legalization of wages, and improving the payment of contributions;
- Gradually increasing the retirement age for women over 10 years, by adding 6 months every year to the retirement age, starting in 2011. The retirement age for men and women will be equalized by 2020. Incentives will be provided to encourage women to stay in the workforce after the age of 55; and
- Implementing other measures including those described in the July MEFP.

12. We have initiated a comprehensive public administration reform aiming for a smaller and more efficient public administration. A functional review of ministries and central government agencies is under way, aiming to reduce overlaps and eliminate redundant functions. A more comprehensive plan, including objectives, measures, and a timetable of the reforms will be specified by end-March 2011 (structural benchmark).

13. We continue our efforts to improve tax administration, and eliminate delays in refunding legitimate VAT refund claims. While we have reduced the stock of VAT refunds arrears considerably, we do not expect to be able to eliminate them by end-December as planned. We request a modification of the end-year indicative target, increasing it to UAH 1.5 billion. We are committed to making further progress on this front, and we will eliminate these arrears in early 2011. In addition, we will set up a more systematic, timely, and transparent refund process by end-January 2011 (structural benchmark), in line with the recommendations of FAD's recent tax administration TA mission. In particular, procedures for registration of VAT payers will be improved, including the introduction of electronic reporting and accounting of VAT, introduction of a register of tax invoices, automatic compensation of honest taxpayers, and introduction of the state responsibility for failure to refund on time. We will also refrain from issuing any further VAT refund bonds, relying fully on existing refund procedures of cash refunds.

Naftogaz

14. Naftogaz's financial position improved in 2010, but still lags behind our targets, and its deficit is likely to reach UAH 15 billion. This reflects lower volumes of gas sales and the lack of adjustment in utility tariffs to end users, which in turn reduced gas payment compliance from utility companies to Naftogaz. To improve payment discipline, parliament

has passed the law to revoke the ban on penalties on overdue utility payments (*prior action*), which is now effective. It has also passed legislation necessary to make the use of distribution accounts mandatory for the settlement of all utility bills.

15. For 2011, the government has prepared a financial plan aiming at a deficit of 0.4 percent of GDP for Naftogaz. The plan reflects the following policies:

- a. Gradually bring the gas prices for all consumers to the level which will ensure the balanced position of Naftogaz, in particular, by approving in March 2011 a 50 percent increase in gas prices for households and utilities, effective April 15, 2011 (structural benchmark). If necessary, we will take further actions to ensure that the program deficit target is achieved.
- b. Full pass-through of higher domestic gas prices to heating tariffs. The independent regulator for utility prices will be operational in January 2011. In the meantime, the National Electricity Regulation Council (NERC) has authority to set tariffs and will issue instructions (by December 16, 2010) to communal utility companies to raise end-user heating tariffs (effective January 1, 2011) to reflect the August increases (*prior action*). Future adjustments will be based on assessment of individual cost structures of utility companies by the new regulator, if it is operational, or NERC. NERC—or the new regulator—will continue to adjust heating tariffs going forward as needed to ensure full pass-through.
- c. A tight control over operational costs.

16. We have reached agreement to settle Naftogaz's commercial dispute with RosUkrEnergo (RUE) that involves the following elements: (i) Naftogaz will purchase 12.1 bcm in gas from Gazprom and transfer it in monthly installments to RUE over the coming year; (ii) Naftogaz will receive immediately US\$1.5 billion in payment for RUE's debt to Naftogaz (equivalent to the value of the debt minus a US\$0.2 billion fine); (iii) Gazprom will facilitate Naftogaz's new gas purchases through a US\$1.5 billion advance payment of transit fees to Naftogaz—this will be repaid over the medium term (plus a charge of 4 percent interest) at a pace that depends on the amounts of gas transited and the associated transit fees; and (iv) Gazprom has agreed to increase the annual volumes of gas transit through Ukraine to 112 bcm from the 100 bcm envisaged in the gas contract.

17. We are implementing a broader reform and restructuring strategy for Naftogaz and the energy sector. In addition to the measures above, the new gas sector law adopted in July in compliance with EU rules has opened the door for Ukraine to become a member of the European Energy Community. The Accession Protocol was signed on September 24, and our parliament will ratify the treaty by end-2010. We have accelerated our engagement with IFIs on the modernization of the gas transit system project. A €610 million EU macro-financial assistance loan, which includes energy sector conditionality, is expected to be signed soon and progress is being made on pilot projects for modernization of LNG facilities and the gas transit system with EBRD and EIB involvement—in line with the Brussels Declaration. In the next few months, we will make further progress towards (i) joining EITI, (ii) aligning our laws with the EU legal framework, and (iii) putting in place a sound and transparent gas market structure, including by implementing a development strategy for Naftogaz in line with the conditions for accession to the European Energy Community.

Monetary and Exchange Rate Policy

18. We believe the recent uptick in headline inflation is temporary, linked to drought-related increases in food and administrative prices, and the projected 2011 inflation path remains broadly in line with program projections. However, higher inflation, along with uncertain external conditions and the recent uptake in imports on account of recovering consumption have reduced net flows into the foreign exchange market and put pressure on the exchange rate. To support our policy objectives, the NBU has increased its foreign exchange intervention and stepped up placements of CDs and repo operations, proceeded with outright sales of government securities, and sought early repayment of emergency liquidity support loans. We will remain vigilant to further developments in the foreign exchange market and possible second-round effects on inflation and, in the context of increased exchange rate flexibility, will promptly tighten our policy stance as needed to maintain core inflation on a downward trajectory and support our foreign reserves. This will include maintaining positive real refinancing rates and further accelerating the winding down, where prudent, of the stock of refinancing credits provided to banks during the crisis. Approval of new, or restructuring of existing, stabilization loans will meet the NBU's new liquidity framework stipulated in Resolution 327.

19. Going forward, we expect favorable balance of payments developments to support a more flexible exchange rate framework to be put in place. To this end, we continue our efforts to improve the functioning of the foreign exchange market and have developed and agreed with the Fund staff a time bound plan (end-October structural benchmark) which includes:

- a. *Realigning the regulatory framework for open foreign exchange position with best international practices.* As the effects of the crisis subside, we intend to phase out Resolution 109. Open foreign exchange positions will be calculated to fully account for loan loss provision made on foreign exchange loans and foreign exchange off balance sheet items. To avoid, however, creating an immediate large demand for foreign exchange, we will announce and start implementing a gradual schedule of implementation by end-June 2011 (structural benchmark).
- b. *Developing hedging mechanisms and a forward exchange market.* With financial stability gaining deeper roots, we also intend to allow banks to better manage exchange risk by providing a framework for: (i) forward transactions between banks to cover exposure due to client transactions and (ii) forward transactions between banks without underlying transactions by end-June 2011 (structural benchmark).
- c. *Strengthening the framework for exchange rate determination.* By end-December 2010, the exchange rate for government transactions with the NBU will not deviate from the contemporaneous exchange rate in the interbank market by more than 2 percent.
- d. *Eliminate pension tax.* By end-December 2010, the government will amend the law "On surcharges for the purposes of mandatory state pension insurance" to permanently eliminate the surcharge on non-cash purchases and sales of foreign currency (structural benchmark).

Financial Sector Policies

20. We remain committed to restoring banks' soundness. Private banks are on track to complete recapitalization by end-December (structural benchmark), in line with NBU-approved plans to inject capital and implement measures to reduce risk-weighted assets. About 60 percent of the capital needs in private banks identified during the extended audit process has been completed as of end-October. Eighteen banks are being liquidated and four banks remain under temporary administration. As banks' financial conditions improve, we will also continue to identify opportunities to phase out forbearance measures introduced during the crisis. To this end, we will cancel, by June 2011, Resolution 650. We will also establish a system of standards and accounting rules in compliance with IFRS in 2011 and make it mandatory for the banking system.

21. We have made further progress in resolving Nadra Bank. The IFRS-based audit completed in late October (structural benchmark) identified a capital shortfall of UAH 8.8 billion to reach a 10 percent Capital Adequacy Ratio. Any resolution should be based on the principles of least cost to government and adequate liquidity, and also protect the interests of the government. All loan obligations to the NBU should be settled according to an agreed schedule.

22. In addition, we will continue our efforts to resolve the state-intervened banks. The extended audit process determined there are significant additional capital shortfalls in the three previously recapitalized state-owned banks. In December, we will select internationally reputable financial and legal advisors to assess the banks' financial viability and potential. They will prepare recommendations for their resolution consistent with the principle of least cost to government. Should this assessment be delayed into 2011, we have requested an adjustor to address recapitalization or winding down costs in 2011. If at any time the NBU, in consultation with the government, determines that any of these banks is unviable, we stand ready to take appropriate action, including merging it with a viable bank or liquidating it.

23. Due diligence studies of the two state banks are underway. Two reputable international auditing firms, selected on the basis of terms of reference agreed with Fund staff, are conducting this work with a goal to conclude it by end-December (structural benchmark). These studies will assess the main financial, legal and operational risks, the adequacy of risk management and internal controls, and future viability under different scenarios.

24. With the immediacy of the financial crisis behind us, we are shifting our focus towards implementing a comprehensive strategy to effectively resolve NPLs. A working group has been established, chaired by the NBU pursuant to the President's economic reform plan. The key areas of work, and progress, are as follows:

- a. *Tax policy.* The current tax law does not provide proper incentives for full realization of NPLs. We will amend tax policy pertaining to issues related to losses from written down bad loans, and from sale of NPLs to third parties, consistent with international best practice. We will also maintain the current formulation of bank provisions in amounts up to 40 percent of loans and other relevant assets in 2010, and 30 percent in 2011 and beyond.

- b. *Insolvency legislation.* Amendments to laws and regulations governing corporate insolvency will be enacted by end-June 2011 (structural benchmark), including amendments to the Law of Ukraine “On restoring the solvency of the debtor or announcing him/her bankrupt” and related laws and regulations to speed up the insolvency process, make it more transparent, and facilitate out-of-court restructuring, including through an expedited court approval of restructuring agreements negotiated out-of-court. We will also initiate work on personal insolvency legislation, in consultation with World Bank and IMF experts, as needed. We will allow the moratorium on foreclosures to expire by end-December, as planned.
- c. We will also undertake reforms on issues such as judicial enforcement and security of collateral.

25. We will continue other work to strengthen the supervisory and regulatory frameworks. Legislation governing ultimate controllers and consolidated supervision have been prepared, in consultation with the IMF and World Bank. Legislation on ultimate controllers and consolidated supervision has been submitted to Rada. Key actions over the six months following their enactment will include approval of banking regulations governing ultimate controllers and consolidated supervision. We will also undertake further efforts to conclude and effectively implement MoUs with foreign banks’ supervisory authorities.

26. To improve the function of record keeping and securities clearance, increase market confidence, and foster capital market development, we intend to merge in 2011 the two existing depositories, to create a single central depository, which will fully comply with internationally agreed standards. The central depository will be governed in the most transparent way, based on agreed corporate governance principles for representing interests of market players and the State. Participation of the State will imply drafting of efficient corresponding legal base and minimizing of financing from the state funds.

Safeguards

27. In the context of the second review, we will formulate an agreed plan to implement the recommendations of the 2010 safeguards assessment mission aiming to improve the NBU’s autonomy and strengthen its control, reporting, and auditing frameworks.

Program Monitoring

28. The phasing of purchases under the arrangement and the quarterly review schedule are unchanged (Table I.1). The prior actions and structural benchmarks are set out in Table I.2; and the quantitative targets for end-December 2010 and for end-March and end-June 2011, and continuous performance criteria, are set out in Table I.3. The attached technical memorandum of understanding (TMU) describes the revised understandings between the Ukrainian authorities and IMF staff regarding the monitoring of the program.

Yours sincerely,

/s/

Mykola Azarov

Prime Minister

/s/

Fedir Yaroshenko

Finance Minister

/s/

Volodymyr Stelmakh

Governor of National Bank of Ukraine

Appendix Table I.1. Access and Phasing Under the Stand-By Arrangement

Date	Amount of purchase		Conditions
	Millions of SDRs	Percent of quota	
July 28, 2010	1,250	91.1	Board approval of arrangement
November 30, 2010	1,000	72.9	First review and end-September 2010 performance criteria
March 15, 2011	1,000	72.9	Second review and end-December 2010 performance criteria
June 15, 2011	1,000	72.9	Third review and end-March 2011 performance criteria
September 15, 2011	1,000	72.9	Fourth review and end-June 2011 performance criteria
December 15, 2011	1,000	72.9	Fifth review and end-September 2011 performance criteria
March 15, 2012	1,000	72.9	Sixth review and end-December 2011 performance criteria
June 15, 2012	1,000	72.9	Seventh review and end-March 2012 performance criteria
September 15, 2012	1,000	72.9	Eighth review and end-June 2012 performance criteria
December 15, 2012	750	54.7	Ninth review and end-September 2012 performance criteria
Total	10,000	728.9	

Source: IMF staff estimates.

Appendix Table I.2. Ukraine: Prior Actions and Structural Benchmarks

Measure	Target Date	Status
Prior Actions		
1. Submit to Parliament a 2011 budget consistent with a general government deficit of 3.1 percent of GDP and the commitments included in the MEFP, paragraph 6.		
2. Submit to Parliament legislation on pension reforms consistent with commitments in the MEFP, paragraph 11.		
3. Pass legislation to revoke the Law "On Temporary Ban to Levy Penalties on Ukraine's Citizens for Overdue Payments of Utility Bills" (MEFP, paragraph 14).		
4. NERC will issue (by December 16, 2010) instructions to communal utility companies to raise end-user heating tariffs (effective January 1, 2011) to reflect the August increases (MEFP, paragraph 15).		
Structural Benchmarks		
1. Pass legislation to revoke the Law "On Temporary Ban to Levy Penalties on Ukraine's Citizens for Overdue Payments of Utility Bills".	End-September 2010	Reset as prior action
2. Agree with Fund staff on a schedule for phasing out existing restrictions on the foreign exchange market.	End-October 2010	Met with delay
3. Complete the audit for Nadra Bank before any decision on its resolution.	End-October 2010	Met
4. Parliamentary approval of legislation on pension reforms consistent with commitments in the MEFP, paragraph 11.	End-December 2010	
5. All banks should meet capital requirements and capital deficient banks should increase their capital in line with the approved plans (MEFP, paragraph 20).	End-December 2010	
6. Complete due diligence of state-owned banks in line with paragraph 23 of the MEFP.	End-December 2010	
7. Initiate the implementation of the reform and restructuring strategy for Naftogaz in accordance with the principles of the Brussels declaration.	End-December 2010	Met
8. Amend the law "On surcharges for the purposes of mandatory state pension insurance" to permanently eliminate the surcharge on non-cash purchases and sales of foreign currency (MEFP, paragraph 19).	End-December 2010	
9. Set up a more systematic, timely, and transparent VAT refund process (MEFP, paragraph 13).	End-January 2011	
10. Formulate a comprehensive public administration reform plan aiming to improve the cost efficiency of public service delivery (MEFP, paragraph 12).	End-March 2011	
11. Approve an increase in gas tariffs for all households and utility companies by 50 percent, effective April 15 (MEFP, paragraph 15).	End-March 2011	
12. Adopt amendments to the Law of Ukraine "On restoring the solvency of the debtor or announcing him/her bankrupt" and related regulations to speed up the insolvency process, make it more transparent, and facilitate out-of-court restructuring (MEFP, paragraph 24).	End-June 2011	
13. Implement a schedule to phase out Resolution 109 with a gradual reduction of banks' foreign exchange positions in line with the MEFP, paragraph 19.	End-June 2011	
14. Establish a framework to develop the forward exchange market, including by allowing transactions between banks in line with the MEFP, paragraph 19.	End-June 2011	
15. Submit to Parliament a 2012 budget consistent with a general government deficit of 2.5 percent of GDP.	End-September 2011	

Appendix Table I.3. Ukraine: Quantitative Program Targets 1/

(End of period; millions of Ukrainian hryvnias, unless otherwise indicated)

	2010				2011		
	Jun.		Sep.		Dec.	Mar.	Jun.
	Outcome 2/	Target	Adj. Target	Outcome	Target	Target	Target
I. Quantitative performance criteria							
Ceiling on the cash deficit of the general government (- implies a surplus) 3/	...	47,000	69,556	59,051	60,000	10,600	21,200
Ceiling on the cash deficit of the general government and Naftogaz (- implies a surplus) 3/	...	56,000	78,556	69,786	71,000	15,000	27,000
Floor on cumulative change in net international reserves (in millions of U.S. dollars) 4/	19,171	-915	-628	2,095	-2,860	-4,420	-560
Ceiling on cumulative change in net domestic assets 4/	67,940	9,916	7,644	-19,366	25,733	43,040	17,800
Ceiling on publicly guaranteed debt 3/	...	15,000	...	0	15,000	15,000	15,000
II. Continuous performance criterion							
Non-accumulation of external debt payments arrears by the general government	0	0	0	0	0	0	0
III. Indicative Targets							
Ceiling on cumulative change in base money 4/	219,527	5,040	...	-2,800	5,454	10,460	15,740
Ceiling on stock of VAT refund arrears	...	3,000	...	2,891	1,500	0	0

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

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

2/ Data for June 2010 has been revised in line with the audit report prepared by the NBU's Internal Audit Department.

3/ Data are cumulative flows from January 1 of the corresponding year.

4/ Data are cumulative flows from July 1, 2010. Data for June 2010 is a stock.

UKRAINE: TECHNICAL MEMORANDUM OF UNDERSTANDING

December 10, 2010

1. This Technical Memorandum of Understanding (TMU) sets out the understandings between the Ukrainian authorities and IMF staff regarding the definitions of the variables subject to quantitative targets (performance criteria and indicative targets) for the economic program supported under the Stand-By Arrangement, as described in the authorities' Letter of Intent (LOI) dated December 10, 2010 and the attached Memorandum of Economic and Financial Policies (MEFP). It also describes the methods to be used in assessing the program performance and the information requirements to ensure adequate monitoring of the targets. As is standard under all Fund arrangements, we will consult with the Fund before modifying measures contained in the LOI, or adopting new measures that would deviate from the goals of the program, and provide the Fund with the necessary information for program monitoring.
2. The quantitative performance criteria are shown in Table 3 of the MEFP. The definitions of these quantitative targets and the adjustment mechanisms are described in Section I below. Prior actions and structural benchmarks are listed in Table 2 of the MEFP, with corresponding definitions 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 the official exchange rates determined by the National Bank of Ukraine (NBU) as of June 30, 2010. In particular, the Swiss Franc is valued at 0.9200 dollar, the Euro is valued at 1.2198 dollars, Pound Sterling is valued at 1.5052 dollars, and the Japanese yen is valued at 0.0113 dollars. The accounting exchange rate for the SDR will be 1.4789 per dollar. Official gold holdings were valued at 1,236.00 dollars per fine ounce. These program exchange rates are kept fixed over the program period. Therefore, the program exchange rate differs from the actual exchange rate set in the foreign exchange market. Furthermore, setting a program exchange rate for the purpose of computing monetary aggregates do not imply that there is any target exchange rate for policy purposes.

I. QUANTITATIVE PERFORMANCE CRITERIA, INDICATIVE CEILINGS, AND CONTINUOUS PERFORMANCE CRITERIA

A. Floor on Net International Reserves of Ukraine (Performance Criterion)

Definition

4. Net international reserves (NIR) of Ukraine 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. On June 30, 2010, the NIR of Ukraine amounted to US\$19,172 million (in equivalent).

5. Usable gross international reserves comprise all readily available claims on nonresidents denominated in convertible foreign currencies, consistent with the Balance of Payments Manual (Fifth Edition) and the Special Data Dissemination Standard (SDDS) (Table A, item 1). Excluded from usable reserves, *inter alia*, are:

- 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;
- any precious metals or metal deposits, other than monetary gold and gold deposits, held by the NBU;
- any assets that correspond to claims of commercial banks in foreign currency on the NBU and any reserves 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
- any reserve assets that are not readily available for intervention in the foreign exchange market, *inter alia*, because of lack of quality or lack of liquidity that limits marketability at the book price.

6. For the purpose of this program, reserve-related liabilities comprise:

- all short-term liabilities of the NBU vis-à-vis nonresidents with an original maturity of one year or less;
- the stock of IMF credit outstanding; and
- the nominal value of all derivative positions¹ of the NBU and government, implying the sale of foreign currency or other reserve assets against domestic currency.

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

Table A. Components of Net International Reserves

Type of Foreign Reserve Asset or Liability ²	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
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 ³
Securities issued by nonresidents	1302, 1305, 1307, 1308, minus 1306
2. Short-term liabilities to nonresidents (in convertible currencies)	
Correspondent accounts of nonresident banks	3201
Short-term deposits of nonresident banks	3211
Operations with nonresident customers	3230, 3232, 3233
Use of IMF credit	IMF, Finance Department

Adjustment mechanism

➤ NIR targets will be adjusted upward (downward) by the full amount of the cumulative excess (shortfall) in program disbursements relative to the baseline projection (Table B). Program disbursements are defined as external disbursements from official multilateral creditors (World Bank, European Commission, European Investment Bank, and European Bank for Reconstruction and Development), official bilateral creditors (net), and external bond placements that are usable for the financing of the central government budget.

➤ In addition, the NIR target for end-December 2010 will be adjusted downward by the amount of the cumulative NBU's sale of foreign currency (not exceeding US\$600 million) in the interbank market during the last five business days of December earmarked for Naftogaz to service its December gas bill paid in early January.

² 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 June 30, 2010. 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.

³ 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.

Table B. NIR/NDA Adjustment

Cumulative flows from end-June 2010 1/	In millions of US dollars at program exchange rate
Program disbursements (technical assumption for the adjuster purpose)	
End-September 2010	1,850
End-December 2010	750
End-March 2011	1,000
End-June 2011	3,650

1/ In Q3 2010 these include: Eurobond placement of \$1.3 billion, EU disbursement of \$0.15 billion, EBRD disbursement of \$0.3 billion, and other project financing of \$0.1 billion. In Q4 2010 these include: World Bank disbursement of \$0.5 billion, EU disbursement of \$0.3 billion, and other project financing of \$0.1 billion; as well as \$2 billion repayment of official bilateral financing (including Russian bridge loan). In Q1 2011 these include: World Bank disbursement of \$0.04 billion, EU disbursement of \$0.16 billion, and other project financing of \$0.06 billion. In Q2 2011 these include: Eurobond placement of \$2 billion, World Bank disbursement of \$0.54 billion, and EU disbursement of \$0.11 billion.

B. Ceiling on Net Domestic Assets of the NBU (Performance Criterion)

Definition

7. Net domestic assets (NDA) of the NBU are defined as the difference between the monetary base (as defined below) and the NIR of Ukraine (as defined above). For the purpose of computing the NDA target, the NIR is valued at the program exchange rate of UAH 7.9070 per dollar and expressed in hryvnia. On June 30, 2010, the NDA of the NBU amounted to UAH 67,940 million.

Adjustment mechanism

- Consistent with the NIR target adjustment mechanism (as defined above), NDA targets will be adjusted downward (upward) by the full amount of the cumulative excess (shortfall) in program disbursements relative to the baseline projection (Table B) and evaluated at the program exchange rate.
- In addition, the NDA target for end-December 2010 will be adjusted upward by the amount of the cumulative NBU's sale of foreign currency (not exceeding US\$600 million) in the interbank market during the last five business days of December earmarked for Naftogaz to service its December gas bill paid in early January.

C. Ceiling on Monetary Base of the NBU (Base Money) (Indicative Target)

Definition

8. The NBU's monetary base comprises domestic currency outside banks and banks' reserves, including cash in vault of commercial banks,⁴ and funds of customers at the NBU. Currency outside banks is defined as: Currency—banknotes and coins—(NBU accounts 3000 (net)+3001 (net)-3007A-3009A-1001A-1004A-1007A-1008A-1009A) minus cash in vault at deposit money banks (DMBs) (DMB accounts 1001A:1005A, and 1007A). Banks' reserves are defined as: cash in vault at deposit money banks (DMB accounts 1001A:1005A, and 1007A) plus DMB correspondent account deposits at the NBU in hryvnia (NBU liabilities accounts 3200, 3203, 3204, and 3206) plus funds of customers at the NBU in hryvnia (NBU liabilities accounts 3230, 3232, 3233, 3234, 3250, 4731, 4732, 4735, 4736, 4738, 4739, and 4750), plus accrued interest on time deposits of DMBs in national currency (NBU accounts 3208L), plus accrued interest on client's current accounts in national currency (NBU liability account 3238). On June 30, 2010, the NBU's monetary base amounted to UAH 219,527 million.

D. Ceiling on Cash Deficit of the General Government (Performance Criterion)

Definition

9. The general government comprises the central (state) government, all local governments, and all extra budgetary funds, including the Pension, Employment, Social Insurance for Temporary Disability, State Material Reserve, Occupational Accident and Sickness Insurance, State Property Fund, and the Road Fund (UkrAvtoDor). 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, as well as any other extra budgetary funds included in the monetary statistics compiled by the NBU. The cash deficit of the general government is measured by means of net financing flows as:

- total net treasury bill sales as measured by the information kept in the NBU registry of treasury bill sales (net treasury bill sales are defined as the cumulative total funds realized from the sales of treasury bills at the primary auction and treasury securities issued for recapitalization purpose, less the cumulative total redemption of principal on treasury bills), excluding bonds issued to recapitalize Naftogaz—these are

⁴ The definitions set out here will be modified to include any other accounts that may be identified or created in the future in connection with domestic currency issue and the deposit money banks' deposits at the NBU.

included in the calculation of Naftogaz' cash deficit when they are used (as collateral for a loan, or as an outright sale) by the latter to obtain financing; plus

- other net domestic banking system credit to government as measured by the monetary statistics provided by the NBU (this consists of all non-treasury-bill financing in either domestic or foreign currency extended to the government by banks less the change in all government deposits in the banking system) as well as any financing extended by entities not reflected by the monetary statistics provided by the NBU; plus
- total receipts from privatization received by the State Property Fund and local governments (including the change in the stock of refundable participation deposits); plus
- the difference between disbursements and amortization on any bond issued by the government or the NBU to nonresidents for purposes of financing the deficit of the general government; plus
- the difference between disbursements of official foreign credits to the general government (including project loans on-lent to public enterprises) and the amortization of official foreign credits by the general government (including on lent project loans, and excluding offset-based amortization with Russia); plus
- the net sales of SDR allocation in the SDR department; plus
- the net change in government deposits in nonresident banks, or other nonresident institutions; plus
- net proceeds from any promissory note or other financial instruments issued by the general government.

10. For the purposes of measuring the deficit of the general government, all flows to/from the budget in foreign currency will be accounted in hryvnias at the official exchange rate established as of the date of the transaction.

Adjustment mechanism

➤ The ceiling on the cash deficit of the general government is subject to an automatic adjuster based on deviations of external project financing (defined as disbursements from bilateral and multilateral creditors to the consolidated general government for specific project expenditure) from program projections (Table C). Specifically, if the cumulative proceeds from external project financing (in hryvnia evaluated at actual exchange rates):

- a) exceed program projections, the ceiling on the consolidated general government deficit will be adjusted upward by 100 percent of the excess in external project financing; and
- b) fall short of program projections, the ceiling on the consolidated general government deficit will be adjusted downward by 100 percent of the shortfall in external project financing.

Table C. External Project Financing Adjustment

Cumulative flows from beginning of the year	In millions of hryvnia
External project financing (technical assumption for the adjuster purpose)	
End-December 2010	2,400
End-March 2011	1,000
End-June 2011	1,500

- The ceiling on the cash deficit of the general government is subject to an automatic adjuster corresponding to the upfront budgetary costs associated with the recapitalization of banks (excluding subsequent interest payments on the securities or other instruments issued for recapitalization purpose). The ceiling on the cash deficit of the general government will be adjusted upward by (but not exceed) a maximum of UAH 20 billion in 2010. The ceiling on the cash deficit of the general government for 2011 will be adjusted upward by any amount of the UAH 20 billion bank recapitalization ceiling under the program that is not used in 2010.
- The ceiling on the cash deficit of the general government is subject to an automatic adjuster on the stock of budgetary arrears on social payments. Budgetary arrears on social payments comprise all arrears of the consolidated budget on wages, pensions, and social benefits owed by the Pension Fund, and the central or local governments. Budgetary arrears are defined as payments not made thirty days after they are due. Wages are defined to comprise all forms of remuneration for work performed for standard and overtime work. Pension obligations of the Pension Fund comprise all pension benefits and other obligations of the Pension Fund.
- The ceiling on the cash deficit of the general government at end-December 2010 is subject to an automatic upward adjustment for the full amount of bonds used to pay VAT refunds (VAT bonds). No such bonds will be issued in 2011, and therefore there is no such adjustment for the other test dates. At the same time, the ceiling on the cash deficit of the general government at end-December 2010 will be automatically adjusted downward by (i) the difference between the total amount of bonds used as payments for VAT refunds and the amount of overdue VAT refunds at end-2009 (UAH 16.4 billion); and (ii) the stock of VAT refund arrears (as defined in section E) in excess of the ceiling on VAT refund arrears as set

in section E. The ceiling on the cash deficit of the general government at all other test dates will be automatically adjusted downward by the stock of VAT refund arrears (as defined in Section E).

**E. Ceiling on VAT Refund Arrears
(Indicative target)**

11. The ceiling on VAT refund arrears is set to UAH 1.5 billion at end-December 2010, and zero for all other test dates under the program. The stock of VAT refund arrears is defined as those claims that have not been settled (through a cash refund, netting out against obligations of taxpayers, payment with a government bond (VAT bond) or an official decision to reject the claim) within a specified time period after the VAT refund claim has been submitted to the STA. In 2010, this time period is 60 days, allowing for verification of the validity and payment processing of claims. In 2011, this time period will be increased to 74 days once the STA has put in place an adequate monitoring framework. VAT refund claims that have been rejected by the STA but for which an appeal has been registered in courts are not considered to be in arrears. According to this definition, the stock of VAT refund arrears as of December 31, 2009 was UAH 16.4 billion.

**F. Ceiling on Cash Deficit of the General Government and Naftogaz
(Performance Criterion)**

Definition

12. The cash deficit of the General Government and Naftogaz is the cash deficit of the General Government as defined above plus the cash deficit of Naftogaz.

13. Naftogaz is defined as the national joint stock company “Naftogaz of Ukraine”. The cash deficit of Naftogaz is measured from below the line as:

- net domestic banking system credit to the company (this consists of all financing in either domestic or foreign currency extended to the company by banks less the change in company deposits in the banking system); plus
- the difference between disbursements of private foreign loans to Naftogaz (including private placements) and the amortization of private foreign loans (including private placements)—for the purpose of the program, the advance transit fee paid by Gazprom as part of the settlement of the Stockholm court case will not be accounted for as a loan, but as revenue; plus
- the difference between disbursements of official foreign credits to Naftogaz (including project loans) and the amortization of official foreign credits (including project loans); plus

- the disbursements of trade credits from Gazprom to import gas; plus
- the difference between disbursements and amortization on any bonds issued by the company; plus
- the difference between disbursements of loans from the Single Treasury Account and the amortization of loans from the Single Treasury Account; plus
- the net change in deposits of the company in nonresident banks, or other nonresident institutions; plus
- net proceeds from any promissory note or other financial instruments issued by the company; plus
- net receipts from sale of financial assets (including recapitalization or other form of treasury securities issued to the company, irrespective of their issuance date)—for the purpose of the program, the net transfer by RosUkrEnergo (including the buyback of a debt claim and collection of a penalty fee) in the settlement of the Stockholm court case will not be accounted for as a sale of financial asset, but as a revenue; plus
- any other forms of financing of the company not identified above.

14. For the purposes of measuring the deficit of Naftogaz, all flows in foreign currency will be accounted in hryvnias at the official exchange rate established as of the date of the transaction.

Adjustment mechanism

- The ceiling on the cash deficit of the general government and Naftogaz will be adjusted upward by the amount of financing by multilateral institutions and official bilateral creditors disbursed to Naftogaz for investment projects. The baseline under the program assumes no such financing for Naftogaz.
- The ceiling on the cash deficit of the general government and Naftogaz will be adjusted downward by the net transfers made by Gazprom (advance transit fee) and RosUkrEnergo (buyback of a debt claim and collection of a penalty fee) as part of the settlement of the Stockholm court case. These transfers are measured on a cumulative basis from the beginning of each calendar year.
- The ceiling on the cash deficit of the general government and Naftogaz will be adjusted upward by the amount of gas transferred to RosUkrEnergo to settle the Stockholm court case. These gas transfers, capped at 12.1 bcm, will be measured on a cumulative basis from the beginning of each calendar year, and valued at prevailing gas prices (under the gas import contract with Gazprom) and official exchange rates at the time of the transactions.

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

15. For the purposes of the program, an external debt payment arrear will be defined as a payment by the general government, which has not been made within seven days after falling due (including grace period, if any). The performance criterion will apply on a continuous basis throughout the program period.

**H. Ceiling on Publicly Guaranteed Debt
(Performance Criterion)**

Definition

16. The ceiling on publicly guaranteed debt will apply to the amount of guarantees issued in 2010 and 2011 by the central (state) government. The program exchange rate will apply to all non-UAH denominated debt. New state guarantees in 2010 will amount to no more than UAH 15 billion. New state guarantees in 2011 will amount to no more than UAH 15 billion.

I. Other Continuous Performance Criteria

17. During the period of the Stand-By Arrangement, 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 payment agreements that are inconsistent with Article VIII; and (iv) impose or intensify import restrictions for balance of payments reasons.

II. OFFICIAL EXCHANGE RATE

Determination of the official exchange rate

18. The NBU will, on a daily basis, set the official rate at the average transaction-weighted rate of the preceding day (with intraday adjustments if necessary to keep it within 2 percent of the market rate).

III. REPORTING REQUIREMENTS

A. National Bank of Ukraine

19. The NBU will continue to provide to the IMF on a monthly basis, no later than the 25th day of the following month, an aggregate balance sheet for the NBU and a consolidated balance sheet for the deposit money banks.

20. The NBU will provide to the IMF, on a weekly basis, with daily data the stock of net and gross international reserves, at both actual and program exchange rates. In addition, it will provide on a weekly and monthly basis, no later than the 25th of the following month, the full breakdown of NBU accounts included in net international reserves (defined in Table A above).
21. The NBU will provide the IMF on a daily basis with information on official foreign exchange interventions. In this context, it will also provide the detailed results of the foreign exchange auctions, in the format agreed with the IMF staff.
22. The NBU will continue to provide on its web site the daily holdings of treasury bills broken down by type of holders (including state-owned banks and private banks) at primary market prices, reports on each treasury bill auction, and provide to the IMF the monthly report on treasury bills, in the format agreed with the IMF staff.
23. The NBU will provide information on daily transactions (volumes and yields) on the secondary market treasury bills (including over the counter transactions).
24. The NBU will provide the IMF, on a weekly basis, with daily data on the total financing (including refinancing) issued by the NBU to commercial banks, broken down by original maturity of the financing, as well as transactions to absorb liquidity from the banking system.
25. The NBU will provide to the IMF, on a daily basis, the information on the banks' claims on the loans provided and the liabilities under the attracted funds in the format agreed with the IMF staff.
26. The NBU will keep providing to the IMF, on a monthly basis, general information on the NBU financing (as well as the 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 format agreed with the IMF staff.
27. The NBU will provide to the IMF, on a quarterly basis but not later than 30 days after the expiration of the reporting quarter, the report on the banking sector financial stability indicators in the format agreed with the IMF staff.
28. Every 10 days, the NBU will continue to provide the IMF with the operational monetary survey of the NBU, including any additional information that is needed for the IMF staff to monitor monetary policy and developments in the banking sector.
29. The NBU will provide to the IMF, on a monthly basis, the net domestic assets data based on the monthly balance sheets within three weeks following the end of the month.

30. The NBU will continue to provide to the IMF the daily operational balance sheets of the NBU and commercial banks on a daily basis according to standard reporting forms, including detailed information on loans of the banking sector provided to the general government, with weekly detailed breakdown of this information by indebtedness of the central (state) government and local budgets, including in national and foreign currency, by loan and by security.

31. The NBU will provide to the IMF, on a monthly basis, projections for external payments falling due in the next twelve 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.

32. The NBU will provide to the IMF, on a quarterly basis, the stock of short- and long-term external debt (including arrears) for both public and private sectors.

33. 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 currency breakdown of interbank market operations. The NBU will continue to provide daily information on exchange market transactions including the exchange rate.

34. The NBU will provide to the IMF reports N 381.25; 381.26 with information on reserve requirements and reports on CD operations when performed.

35. The NBU will continue to provide on a monthly basis, no later than 25 days after the end of the month, banking system monitoring indicators in an agreed format. This includes inter alia data on nonperforming loans (substandard, doubtful, and loss criterion).

36. The NBU will provide to the IMF consolidated banking sector data and aggregated data (without specifying the names of the banks) for the largest banks (accounting for at least 80 percent of the total banking system assets) on a quarterly basis, no later than 30 days after the end of the quarter: (i) structure of assets, liabilities, capital, revenues and expenditures; (ii) loan classification (standard, watch, substandard, doubtful, loss); (iii) provisions for all assets (required and actual); (iv) foreign currency denominated lending and deposits; (v) capital adequacy ratios for normative and regulatory capital (Tier II and I), normatives H2 and H3; weighted averages based on banks' total assets; and (vi) liquidity normatives H5 and H6; weighted averages based on banks' total assets.

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

38. The NBU will provide data on credit to nongovernment units that are guaranteed by the NBU on a monthly basis no later than 25 days after the end of the month.

39. The NBU will inform IMF staff if the Treasury does not pay interest or principal on treasury bills due to the NBU, deposit money banks, or nonbank entities and individuals. In such case, the NBU will provide information on outstanding interest and principal payments.

40. The NBU will inform IMF staff of any changes to reserve requirements for deposit money banks.

41. 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.

42. 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.

43. The NBU will continue to provide the Fund 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.

B. Ministry of Finance

44. The Treasury will continue to provide to the IMF its report on daily operational budget execution indicators, on a 10-day basis data on revenue of the state, local government, and consolidated budget revenues.

45. The Treasury will continue to provide to the IMF in electronic form monthly and quarterly treasury reports, no later than 25 and 35 days after the end of the period respectively. The Treasury 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.

46. The Ministry of Finance will continue to provide monthly reports 1.P0 on actual tax revenue and 1.P6 on tax arrears, no later than 25 days after the end of each month.

47. The Ministry of Finance will report monthly data on the public wage bill in line with the template agreed with the IMF staff. It will also provide monthly reports on the execution of the Stabilization Fund as well as the Road Fund.

48. 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 deficit 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 for 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.

49. The Ministry of Finance will also provide, on a monthly basis, information on the borrowing (disbursements, interests and amortization) for the following state-owned companies or agencies: Naftogaz, UrkAvtoDor, State Mortgage Institution and the National Agency in Charge of preparation and Conduction of Euro-2012 Soccer Championship, in line with the format agreed with IMF staff.

50. The Ministry of Finance will provide data on the stock of all budgetary arrears on a monthly basis, no more than 25 days after the end of the month, including separate line items for wages, pensions, social benefits, energy, communal services, and all other arrears on goods and services. The Treasury will report monthly data on accounts payable for state and local budgets (economic and functional classification).

51. 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 general government.

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

53. The Ministry of Finance will provide to the IMF monthly debt (domestic and external) amortization schedules updated on a weekly basis.

54. The Ministry of Finance will provide data on external and domestic credit to 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.

55. 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,

60. The STA will continue to provide on a quarterly basis, no later than 2 months after the end of the quarter, a listing of all tax exemptions granted, specifying the beneficiary the exemption provided, the duration, and the estimated subsequent revenue loss for the current fiscal year.

61. The STA 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 according to the definition in paragraph 11 (unsettled VAT refund claims submitted to the STA more than 60 days before the end-of-period).

D. Ministry of Economy and Ministry of Fuel and Energy

62. The Ministry of Economy will provide quarterly information on actual levels of communal service tariffs in all regions for major services (heating, water supply, sewage and rent) and their level of cost recovery. In addition, the Ministry of Economy, the Ministry of Housing and Municipal Economy of Ukraine, and the National Energy Regulatory Commission will provide the methodology underlying the tariff calculations for full cost recovery, including electricity and gas.

63. For each month, no later than the 25th of the following month, the government (based on information by the Ministry of Fuel and Energy, the Ministry of Economy, STA, MoF, NERC, and Naftogaz) will provide IMF staff with information in electronic form (in an agreed format) on financial indicators in the gas, electricity and coal sectors, including sales, tariffs, arrears, payments to the budget, subsidies, and debt.

64. For each month, no later than the 25th of the following month, the Ministry of Fuel and Energy (based on information by Naftogaz) will provide IMF staff with information in electronic form (in an agreed format) on the cash deficit of the company, as defined above. The end-quarter reports will have been audited.

65. For each month, no later than the 25th of the following month, the Ministry of Fuel and Energy (based on information by Naftogaz) will provide IMF staff with information on all flows related to the settlement of the Stockholm court case. This includes transfers made by Gazprom (advance transit fee) and RosUkrEnergo (buyback of a debt claim) and collection of a penalty fee; purchases of gas to be transferred to RUE; and actual amounts of gas transferred to RUE.

E. State Statistics Committee

66. The state Statistics Committee and Naftogaz will provide to the IMF, on a monthly basis, no later than 45 days after the end of the month, data on prices, volumes, and payments for imported and exported oil and natural gas by country of origin and destination.