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2026 ARTICLE IV CONSULTATION AND FIRST REVIEW OF THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY, REQUESTS FOR WAIVERS OF APPLICABILITY OF PERFORMANCE CRITERIA, A WAIVER OF NONOBSERVANCE OF A PERFORMANCE CRITERION, AND FINANCING ASSURANCES REVIEW—PRESS RELEASE; STAFF REPORT; STAFF SUPPLEMENT; AND STATEMENT BY THE ALTERNATE EXECUTIVE DIRECTOR FOR UKRAINE

In the context of the 2026 Article IV Consultation and First Review of the Extended Arrangement Under the Extended Fund Facility, Requests for Waivers of Applicability of Performance Criteria, a Waiver of Nonobservance of a Performance Criterion, and Financing Assurances Review, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board and summarizing the views of the Executive Board as expressed during its July 20, 2026 consideration of the staff report on issues related to the Article IV Consultation and the IMF arrangement.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on July 20, 2026, following discussions that ended on June 3, 2026, with the officials of Ukraine on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on July 6, 2026.
- An **Informational Annex** prepared by the IMF staff.
- A **Staff Supplement** updating information on recent developments.
- A **Statement by the Alternate Executive Director** for Ukraine.

The documents listed below have been or will be separately released.

Selected Issues

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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IMF Executive Board Completes First Review of Ukraine's Extended Fund Facility Arrangement and Concludes 2026 Article IV Consultation

FOR IMMEDIATE RELEASE

- The IMF Executive Board completed the First Review of Ukraine's 48-month Extended Fund Facility (EFF) arrangement, enabling an immediate disbursement of SDR 503 million (about US$690 million).
- Ukraine's performance under the program has been broadly satisfactory. All end-March quantitative performance criteria were met, although implementation of some structural reforms has been delayed.
- The Executive Board also concluded the 2026 Article IV Consultation, which focused on policies to preserve macroeconomic stability during the war and support Ukraine's transition toward a dynamic, market-based economy aligned with EU accession objectives.

Washington, DC—July 20, 2026: The Executive Board of the International Monetary Fund (IMF) completed today the First Review of Ukraine's 48-month Extended Fund Facility (EFF) arrangement. Completion of the Review allows for an immediate disbursement of SDR 503 million (about US$690 million), bringing total IMF disbursements under the arrangement to approximately SDR 1.6 billion (about US$2.2 billion). The Executive Board also completed the 2026 Article IV Consultation.[1] The authorities have consented to the publication of the Staff Report prepared for this consultation.

Ukraine has maintained macroeconomic and financial stability despite Russia's continuing war, a more challenging external environment, and risks remaining exceptionally high. Prudent policymaking, strong engagement under the Fund-supported program, and substantial donor support have helped preserve stability under exceptionally difficult circumstances. Nevertheless, the economic outlook has weakened, mostly due to intensified attacks on critical infrastructure and adverse spillovers from the war in the Middle East.

Program performance has been broadly satisfactory. All end-March quantitative performance criteria and indicative targets were met, but the end-June target on net international reserves was missed, partly due to the impact of the war in the Middle East. Reform implementation has slowed, with several structural benchmarks completed with a delay or missed. The authorities have agreed to corrective actions and revised timelines for key reforms, while reaffirming their commitments to the program's fiscal, governance, anti-corruption, energy-sector, and financial-sector objectives.

The 2026 Article IV Consultation highlighted the importance of preserving macroeconomic stability while advancing reforms critical for post-war recovery and long-term growth. Key

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

priorities include reducing informality, strengthening domestic revenue mobilization—particularly by tackling tax evasion and avoidance, improving the investment climate, enhancing governance and anti-corruption institutions, advancing state-owned enterprise reforms, strengthening public investment management, and furthering financial inclusion.

The program remains fully financed under both the baseline and downside scenarios, supported by continued financing assurances from Ukraine's international partners, including via European Commission's € 90 billion Ukraine Support Loan and other facilities, the G7's ERA financing, and other bilateral support. The Group of Creditors of Ukraine, which holds the majority of Ukraine's official bilateral debt has extended the current debt standstill and committed to completing a definitive debt treatment after the resolution of exceptionally high uncertainty (EHU). Timely and predictable external support remains essential for sustaining macroeconomic stability, restoring debt sustainability and external viability, and supporting Ukraine's recovery and reconstruction.

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

"Ukraine continues to demonstrate remarkable resilience in the face of Russia's devastating war. Sound policies, anchored by the Fund-supported program, together with strong international support, have helped preserve macroeconomic and financial stability under exceptionally difficult circumstances.

"Preserving macroeconomic stability remains the immediate priority. This requires prudent fiscal policy, sustained revenue mobilization efforts, vigilant monetary policy, exchange rate flexibility, and measures to safeguard financial-sector resilience.

"Looking beyond the war, Ukraine's economic success will depend on accelerating reforms that promote a more dynamic private sector, reduce informality, strengthen governance and the rule of law, improve the investment climate, deepen financial markets, and support EU accession.

The Fund remains committed to supporting Ukraine. Continued reform implementation, as well as strong donor support, will remain vital for preserving stability, maintaining external financing, and laying the foundations for a successful recovery and reconstruction. Readiness to undertake additional measures, if needed, will continue to be an important buffer against potential further shocks."

Executive Board Assessment[2]

Directors recognized the enormous human and economic costs of Russia's war and the exceptionally challenging circumstances in Ukraine. They commended the Ukrainian authorities' prudent policymaking which, together with substantial external support and the Fund-supported program, has helped preserve macroeconomic and financial stability.

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

Directors welcomed the authorities' continued commitment to the program, as well as their progress in implementing key recommendations from past Article IV consultations. At the same time, they regretted the missed June NIR performance criterion, which was in part due to the war in the Middle East, and expressed concern about slippage in implementing program-critical structural reforms. With risks remaining exceptionally high, including continued exceptionally high uncertainty surrounding the war, Directors highlighted high enterprise risks.

Directors emphasized that the Fund-supported program remains a key anchor for sustained macroeconomic stability and underscored the importance of maintaining strong ownership and implementing reforms in a timely manner. This is critical to maintaining policy credibility, catalyzing external financing, supporting Ukraine's EU accession, and achieving program objectives. Directors cautioned against backsliding on reforms and recommended strengthening coordination and building broad-based support for key reforms.

Directors agreed that near-term fiscal policy must focus on aligning budget execution with the financing envelope while advancing revenue reforms. They urged prioritizing expenditures while fully implementing key tax policy measures. Directors emphasized that restoring medium-term fiscal and debt sustainability will require strengthening domestic revenue mobilization and tax administration, enhancing expenditure efficiency, and strengthening budgeting frameworks. Completing the authorities' debt restructuring strategy will also support the return to sustainability.

Directors stressed that monetary policy should remain focused on anchoring inflation expectations and welcomed the greater exchange rate flexibility. They emphasized the importance of preserving the independence of the National Bank of Ukraine and following a data-dependent approach to monetary policy. Directors recommended a cautious approach to FX liberalization and a gradual return to full-fledged inflation targeting only when conditions allow. They encouraged continued progress in strengthening financial sector supervision, advancing crisis management frameworks, and continuing to improve governance, particularly of state-owned banks, in order to support sustainable credit growth and reconstruction. Accelerating AML/CFT reforms will also be important.

Directors emphasized that reinvigorating structural reforms is fundamental to foster a dynamic, more resilient, and market-based economy. They welcomed the analysis on reducing informality, and highlighted the need for improving the business environment, strengthening governance and the rule of law, and lowering corruption vulnerabilities. They also pointed to the importance of ensuring energy security.

Directors agreed that the extended arrangement for Ukraine continues to satisfy the policies governing the Fund's financing assurances for UCT-lending under exceptionally high uncertainty. They concurred that the program remains fully financed under both the baseline and downside scenarios and welcomed continued financing assurances from Ukraine's international partners. They emphasized that timely and predictable external support remains indispensable for successful program implementation and restoring debt sustainability and external viability.

Directors also acknowledged that 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 extended arrangement. Directors noted that these shareholders 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.

It is expected that the next Article IV consultation with Ukraine will be held in accordance with the Executive Board decision on consultation cycles for members with Fund arrangements.

Ukraine: Selected Economic Indicators, 2022–27	2022 Act.	2023 Act.	2024 Act.	2025 Act.	2026 Proj.	2027 Proj
Output						
Real GDP growth (percent)	-28.8	5.5	3.2	1.8	1.0-1.6	3.5
Labor market						
Unemployment rate (ILO definition; percent)	24.5	19.1	13.1	11.6	10.2	11.3
Nominal wage growth	4.5	17.4	23.2	22.6	20.4	13.2
Prices						
Consumer prices (period average)	20.2	12.9	6.5	12.7	8.9	8.7
Consumer prices (end of period)	26.6	5.1	12.0	8.0	10.5	8.0
Public finance (percent of GDP)						
Revenue	49.8	54.1	54.0	56.6	66.5	63.1
Expenditure	65.4	73.4	71.2	74.2	77.9	66.0
General government overall balance, excluding grants 1/	-24.8	-25.8	-23.1	-23.5	-21.1	-17.8
Public debt (end of period)	77.7	81.2	89.7	107.1	111.8	110.3
Money and credit (end of period, percent change)						
Broad money	20.8	23.0	13.4	15.3	10.6	12.7
Credit to non-government	-3.1	-0.5	13.5	8.6	16.0	18.8
Balance of payments (percent of GDP, unless otherwise indicated)						
Current account balance	3.9	-5.9	-8.9	-16.0	-11.0	-4.7
Foreign direct investment	0.0	2.4	1.9	1.2	1.3	2.6
Gross reserves (end of period, billions of U.S. dollars)	28.5	40.5	43.8	57.3	65.5	66.6
Reserves in months of next year's imports of goods and services	3.8	5.0	4.6	5.6	6.6	6.9
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.

INTERNATIONAL MONETARY FUND

UKRAINE

July 6, 2026

UKRAINE—STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION AND FIRST REVIEW OF THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY, REQUESTS FOR WAIVERS OF APPLICABILITY OF PERFORMANCE CRITERIA, A WAIVER OF NONOBSERVANCE OF A PERFORMANCE CRITERION, AND FINANCING ASSURANCES REVIEW

EXECUTIVE SUMMARY

Context. Despite the continuation of Russia's war into its fifth year, Ukraine has maintained macroeconomic stability under extremely challenging conditions supported by large-scale and sustained external financing and prudent policy making. Pressures are intensifying, however, with headwinds from a more challenging external environment following the outbreak of war in the Middle East and spikes in aerial attacks. At the same time, reform momentum has weakened over the past year with slowing structural reform implementation, partly due to gridlock in parliament, delaying progress on reforms essential for European Union (EU) accession, growth, and revenue mobilization to support critical expenditures and reconstruction.

Outlook and risks. The outlook has weakened in the near term, and risks remain tilted to the downside. Growth in 2026 has been downgraded following a weak first quarter and continued war-related shocks, compounded by spillovers from the war in the Middle East. Inflation pressures have re-emerged, while fiscal and external deficits remain large, reflecting elevated defense and import needs. Reserves remain adequate, supported by large-scale external disbursements. The medium-term outlook is subject to exceptionally high uncertainty. Downside risks remain high, including the possibility for a sustained weakening of reform implementation, further security shocks that could lead to potential expenditure over-runs and financing shortfalls, and energy sector vulnerabilities. Upside risks hinge on stronger reform momentum—also critical to unlocking essential donor support—and an earlier resolution of the war.

Article IV consultation and policy discussions. Policy discussions focused on safeguarding macroeconomic stability during the war while advancing reforms critical to support post-war recovery and lay the foundations for a modern market-based economy. These include reducing the high level of informality—a major hindrance to

growth— broadening the tax base, strengthening anti-corruption institutions, addressing governance weaknesses in state-owned enterprises (SOEs), and ensuring energy security:

- **Fiscal policy.** In the near term, fiscal policy needs to remain within the financing envelope for 2026, given limited prospects for additional donor support. To keep the program on track, the authorities will need to resolutely implement key tax policy measures, which have proven challenging to adopt. Making progress in line with the timeline agreed with partners, especially the EU, will be essential for unlocking external disbursements to cover critical financing needs. Every effort must be made to prioritize critical expenditures given security needs, limited fiscal space, and the need to restore fiscal and debt sustainability over the medium term. Sustainability constraints also necessitate additional efforts on revenue mobilization, pension reform, and tax policy and administration reforms to broaden the tax base and reduce widespread informality and the cost of compliance.

- **Monetary and exchange rate policy.** The NBU has appropriately maintained a tight monetary policy stance to keep inflation expectations anchored and should remain ready to tighten further if needed. Exchange rate flexibility has increased, and should continue to strengthen, enhancing shock absorption, guarding against a buildup of external imbalances, and safeguarding reserves. FX liberalization should proceed cautiously under a conditions-based approach, balancing economic needs and external stability.

- **Financial sector policies.** The financial system remains stable but requires further development to be in a position to support recovery. Banks are well-capitalized, liquid, and profitable, but financial intermediation remains shallow despite rebounding credit. The continuation of the bank windfall tax risks delaying the buildup of capital needed to support lending and absorb shocks. Significant sovereign exposure and the dominant role of state-owned banks (SOBs) reinforce the sovereign-bank nexus and highlight the need to gradually reduce the state footprint. Policy priorities include strengthening supervision and crisis management frameworks, improving governance of SOBs, and strengthening financial market infrastructure to support investment and credit.

- **Structural reforms.** Every effort needs to be made to reverse the slowdown in reform momentum. Key priorities remain strengthening governance and anti-corruption frameworks, advancing SOE reforms, ensuring resilience of the energy sector, reducing informality—central to fostering a more market-based economy and improving productivity—broadening the tax base while reducing compliance costs, and rebalancing the economy from consumption toward investment and private sector development.

- **Program issues.** Program performance has been mixed, with notable slippages in structural reforms. The authorities are requesting waivers of applicability for all end-June fiscal quantitative performance criteria (QPCs), and a waiver of non-observance for the end-June net international reserves QPC. They are also requesting the resetting of two structural benchmarks related to asset declarations and energy sector, and the reformulation of two fiscal structural benchmarks into new proposed structural benchmarks. Board approval of the First Review would allow a disbursement of SDR 503 million (around US$690 million) and help catalyze large and essential donor support for Ukraine.

Approved By
Kristina Kostial (EUR) and S. Jay Peiris (SPR)

Discussions were held during May 27 to June 3, 2026, 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); 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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CONTEXT

1. **Ukraine's macroeconomic policies and continued engagement under IMF-supported programs since 2023 have helped preserve stability under exceptionally difficult conditions.** Prudent policymaking and sustained external financing have supported fiscal, external, price, and financial stability, while the economy has remained resilient despite Russia's ongoing war and a weakening of the pace of reforms over the past 12 months. The Fund-supported programs have provided the authorities with a policy anchor, including for reforms to support governance, institution-building, and the path to EU membership, with formal accession negotiations having commenced in mid-June 2026.

2. **The 2026 Article IV consultation and First Review of the EFF take place amid exceptionally high uncertainty, compounded by a difficult external and domestic environment, as well as domestic obstacles to needed reforms.** Externally, peace efforts are slow-going and the war in the Middle East has constrained the availability of critical equipment and other resources needed to protect Ukraine's infrastructure. While frontline positions have remained broadly unchanged, sustained air attacks have caused significant damage, adding pressure on the energy sector and eroding fiscal buffers. Attacks on critical infrastructure over the winter have also taken a heavy social toll. Domestically, reform momentum has slowed markedly with parliament repeatedly failing to adopt critical legislation agreed with donors, and pushback from vested interests. Nevertheless, public institutions have continued to function effectively, with anti-corruption institutions pursuing high-profile cases.

3. **Renewed reform momentum, including toward a more market-based economy, is essential to address the current challenges and meet the authorities' objectives.** The authorities' medium-term strategy should remain focused on restoring fiscal and debt sustainability, including through a durable revenue-based fiscal adjustment that broadens the tax base and achieves medium-term external viability, while laying the foundations for post-war recovery and EU accession. Accelerating the structural reform agenda would bolster resilience and support stronger, private sector-led growth, including through reducing informality, strengthening governance and anti-corruption institutions, improving the business environment, deepening financial intermediation, and reforming the energy sector.

RECENT ECONOMIC DEVELOPMENTS

4. **Since the last Article IV in December 2023, Ukraine's economy has exhibited stability, despite extremely challenging conditions posed by the war.** The broad themes of economic performance over the past two years include:

- *A slowing, but resilient, consumption-led expansion*: Real GDP growth moderated from 5.5 percent in 2023 to 1.8 percent in 2025, bringing output to 79 percent of its 2021 level. Per capita real GDP likely closed in on its pre-war level given the population decline since the start of the war. Growth has been increasingly driven by private consumption, while private sector saving has declined.

- *Large twin deficits*: Fiscal deficits excluding budget support grants have remained at around 20-25 percent of GDP as rising tax revenues tracked large defense expenditure needs. Persistently wide fiscal deficits, alongside war-related losses in exports resulted in widening current account deficits, which reached 16 percent of GDP in 2025. The 2025 external sector assessment (Annex II) shows that Ukraine's external position was substantially weaker than implied by fundamentals and desirable policies in the medium term after an end to the war.

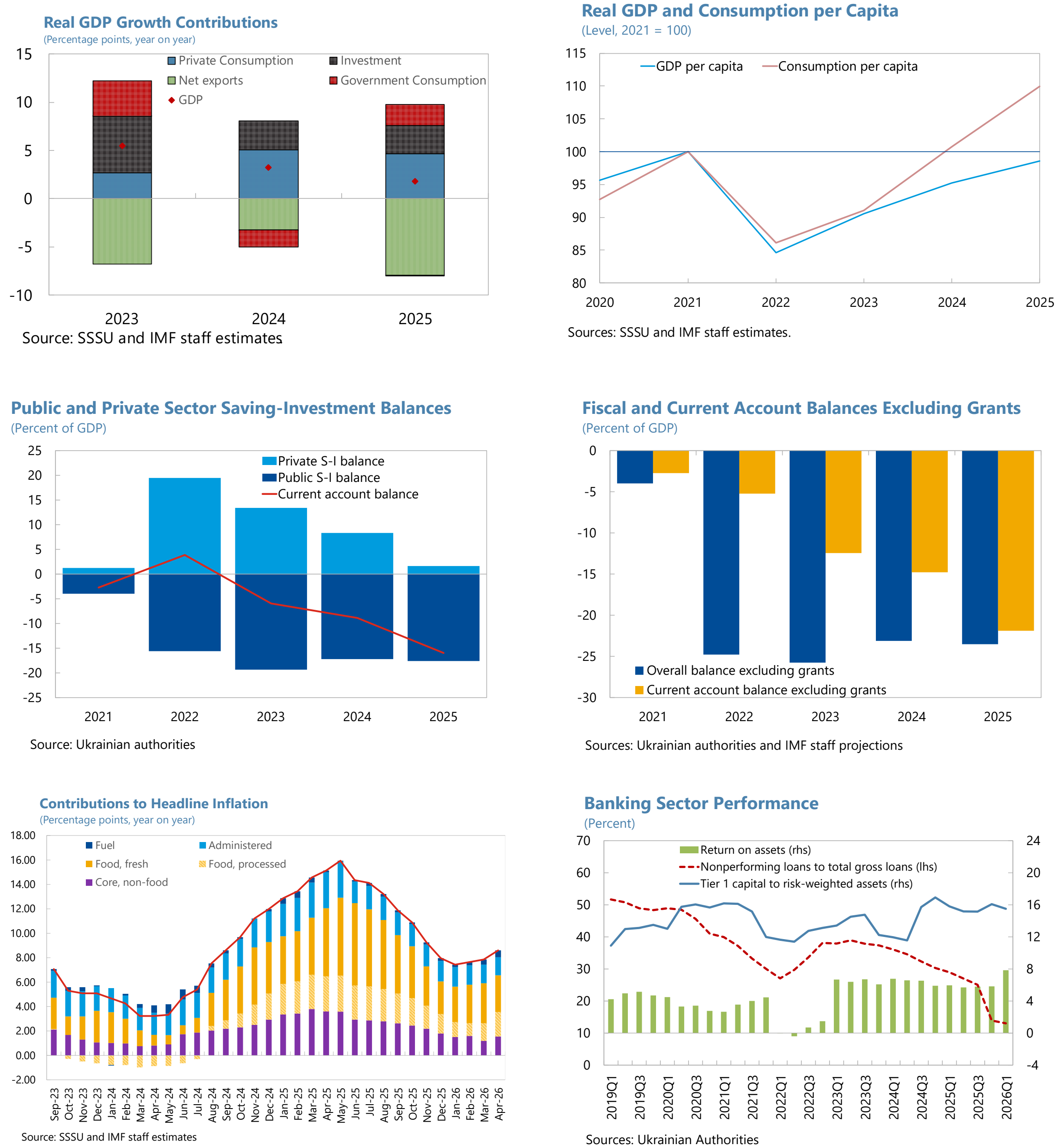
- *Large scale-external financing*: Budget support grants and loans from donors amounted to US$85.9 billion over 2024–25. This financing helped ensure financeable deficits, while enabling policies consistent with stability, and supporting an accumulation of gross international reserves, which reached US$57.3 billion at end-2025 (129.3 percent of the ARA metric).

- *Price dynamics driven by supply shocks*: Inflation (annual average) has fluctuated substantially, declining from 12.9 percent in 2023, to 6.5 percent in 2024, rising back to 12.7 percent in 2025. Inflation dynamics were primarily shaped by harvest trends, high wage growth from labor shortages, administered price increases, and exchange rate pass-through. Monetary conditions have remained tight to support disinflation and anchor inflation expectations.

- *A profitable but shallow banking sector*: Credit to the private sector has remained low at around 13.6 percent of GDP in 2025, partly reflecting NPL write-offs, although annual net lending by banks rebounded to around 30 percent in 2024–25, supported by a low base and rising demand for working capital and consumer lending. Bank holdings of government securities continued to increase, reflecting a growing role in financing the fiscal deficit. While the capital adequacy ratio declined modestly to 16.4 percent in 2025, profitability remained strong, with pre-tax profits increasing by 39.4 percent over 2025.

5. However, some indicators for early 2026 have underperformed expectations at program approval, reflecting strains from increased aerial attacks and the war in the Middle East. Real GDP contracted by 0.6 percent (y/y) in the first quarter, as aerial attacks against critical infrastructure disrupted utilities in January-February. While inflation expectations remain broadly stable, the disinflationary trend has stalled, with a fuel price-driven increase in April leading the NBU to pause its easing cycle and signal a tightening bias. External disbursements were more backloaded than expected in 2026Q1, resulting in tighter government expenditure control, a narrower-than-expected fiscal deficit, and lower-than-forecast reserve accumulation with the current account balance excluding grants wider than expected. Capital adequacy decreased further to 15.8 percent in 2026Q1 reflecting continued credit growth at around 10.3 percent y/y in 2026Q1, with pre-tax profitability solid at 6.4 percent y/y in 2026Q1.

Figure 1. Ukraine: Economic Trends



Text Table 1. Ukraine: Recent Economic Indicators 1/

	2025	2026					
		Q1					
	Annual	Proj	Actual	Jan	Feb	Mar	Apr
			Percent, y/y				
Real GDP growth 2/	1.8	3.3	-0.6	…	…	…	…
CPI inflation	8.0	5.8	7.8	7.4	7.6	7.8	8.6
			Billion US dollars				
Current account balance 3/	-34.2	-10.2	-9.5	-0.8	-4.7	-4.1	…
Current account excl. grants 3/	-46.9	-11.1	-14.8				
Gross international reserves 3/	57.3	60.0	52.0	57.7	54.8	52.0	48.2
Program disbursements 3/ 4/	52.4	14.2	6.8	2.4	1.5	3.0	0.0
			UAH billion				
Overall deficit excluding grants, ytd	-2,101	403	263	63	165	263	463

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

1/ Based on information provided as of May 31, 2026 unless otherwise indicated.

2/ Based on data released on June 11, 2026.

3/ 2025 and 2026Q1 are measured on an end-of-period basis.

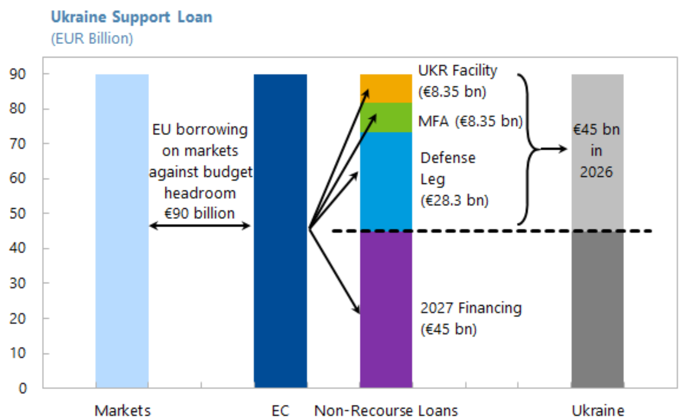
4/ Consistent with disbursement cash flows. Includes disbursements under the IMF EFF.

6. **The European Council recently finalized the Ukraine Support Loan (USL), confirming a major component of the program's financing over 2026–27** (Box 1)**.** Following the European Council's agreement last December to provide €90 billion of financing over 2026–27 for both defense procurement and budget support, the European Commission and Ukrainian authorities have agreed on a financing strategy of €45 billion of disbursements in 2026, divided between €16.7 billion of budget support and €28.3 billion for defense procurement. The first USL disbursement occurred in late June.

7. **A Supplementary Budget for 2026 to operationalize the USL has been enacted.** The budget authorizes military procurement financed under the USL's defense component and non-defense critical expenditures financed by the USL's budget support. Contingency reserves, which had been largely depleted, including from urgent needs to shore up damaged critical infrastructure, have also been replenished from a Ukraine Facility grant disbursed following the completion of the required conditionality. These reserves constitute available resources that can be deployed later this year, including supporting energy resilience plans ahead of the next heating season and to cover the high risk of expenditures overruns.

Box 1. Ukraine: The Ukraine Support Loan

Following the European Council meeting on December 18, 2025, EU leaders agreed to provide Ukraine with €90 billion under the Ukraine Support Loan (USL) for 2026–27. The EU will provide this financing based on its borrowing on capital markets backed by the EU's budget headroom. The USL has two components—budget support and defense and is structured as a non-recourse loan, intended to be repaid after Ukraine receives reparations in a future peace settlement.



Sources: European Commission and IMF staff.

Since program approval, the Ukrainian authorities and European Commission have agreed on a financing strategy for 2026. This proposal has gone to EU members, with a first disbursement occurring in late June. This year's strategy envisages €45 billion of disbursements, €28.3 billion of defense support and €16.7 billion of budget support; the latter will be channeled equally through the Ukraine Facility and a new macro-financial assistance (MFA) program (€8.35 billion under each arrangement).

The USL is well-aligned with the program. Staff has fully incorporated the 2026 financing strategy into the program's macroeconomic frameworks. Financing for 2027 will be updated by end-2026 as work progresses on next year's financing strategy. Additionally, the budget support is subject to conditionality, which has been designed to be compatible with the Fund program and EU accession objectives.

The recording of the USL fiscal flows involves several considerations:

- *Budget support component.* The authorities' treasury reporting will record the budget support disbursements as grants to the state government's general fund. Thus, for the purposes of the program, this portion of the financing meets the definition of budget support grants and the program's fiscal balance targets are invariant to this accounting. Budget support will also be recorded as grants in the Balance of Payments and contribute to the accumulation of international reserves. The recording of budget support as grants drives the upward revision in the current account balance in 2026-27 relative to the EFF Request.
- *Defense support component.* This will be recorded as special fund grants and matched by expenditures. It is thus neutral for the deficit. The BOP impacts are also assumed to be neutral, and thus do not impact international reserves.

On the government balance sheet, the USL is treated as a contingent liability. The USL is a non-recourse financing instrument with repayment only if certain conditions are met, especially Ukraine's receipt of reparations in an eventual peace settlement. On this basis, and considering the uncertainty around any future peace settlement, staff views the USL as a contingent liability that cannot be quantified in the DSA at present. However, based on the current understandings that the EU has structured the USL to protect Ukraine from incurring a direct repayment obligation, it can be carved out of the debt sustainability assessment. Staff will continue monitoring developments and integrate any updates as warranted in subsequent program reviews.

Authorities' Views

8. **The authorities also saw the winter energy attacks and war from the Middle East as imparting major shocks on economic performance.** Nevertheless, they viewed the overall macroeconomic stability since the last Article IV as having been an important achievement, anchored by strong implementation of reforms, including under their program engagement with the Fund. The NBU acknowledged staff's external sector assessment but viewed the estimated REER misalignment as overstated, noting that standard current account models are ill-suited to wartime conditions. The authorities emphasized that the current account gap primarily reflects the elevated fiscal deficit needed to meet wartime spending while stressing that risks to the external position are mitigated by the large share of concessional external financing from official partners.

PROGRAM PERFORMANCE

9. **The authorities met all quantitative targets under the program through end-March, but performance subsequently deteriorated, in part due to spillovers from the war in the Middle East.** Progress on structural reforms has been weak, with several reforms either not implemented or delayed due to gridlock in parliament:

- *Quantitative conditionality for end-June*. With the Executive Board's consideration of the First Review taking place in July, the end-June QPCs are controlling. The program's continuous performance criteria were met, and the authorities are expected to meet all fiscal QPCs (final data will become available only after July 25). The authorities are confident they will meet all end-June indicative targets (ITs) except the overall deficit excluding budget support grants, which will be missed by a notable margin as key expenditures were frontloaded to address critical needs. The floor on net international reserves will be missed by a significant margin amid the impact of the war in the Middle East, including on commodity import prices and FX cash demand driven by higher uncertainty.

- *Quantitative conditionality for end-March*. The authorities met all QPCs: (i) net international reserves exceeded the floor; (ii) tax revenues (excluding social security contributions) comfortably exceeded the floor, with fuel-related taxes surging from purchases for backup generators in January-February and by the surge in fuel prices from March; (iii) the non-defense primary balance excluding budget support grants overperformed alongside good tax performance and tight expenditure control (due to backloaded external disbursements); and (iv) with the government not issuing any guarantees in Q1, the ceiling was observed. The authorities also met all end-March ITs.

- *All three structural benchmarks (SBs) due in 2026Q1 were missed*, although two were implemented with delay, including: (i) appointment of a new permanent head of customs and (ii) implementation of recommendations to strengthen the nomination and annual assessment process for SOB supervisory boards. However, from the structural benchmark pertaining to revenue mobilization and de-shadowing the economy, i.e., the adoption of a package of tax measures for 2026–27, only one measure—the adoption of a tax on digital platforms—was implemented (see ¶24).

- *Of the four SBs due at end-June 2026, one was met.* The implementation of a critical third-party risk oversight framework for the financial sector was completed (see ¶38). The following SBs were not met: amendments to the Tax Code to align transfer pricing rules with OECD standards and implement Article 4 of the EU Anti-Tax Avoidance Directives (ATAD) (see ¶27); introduction of a risk-based system for verification of asset declarations (see ¶43). The updated SOB strategy has been adopted and is currently under assessment by staff (see ¶39).

Text Table 2. Ukraine: End-March 2026 Quantitative Performance Criteria and Indicative Targets

(in billions of Ukrainian hryvnias, unless indicated otherwise)

	Mar 2026				
	QPC	Adjustor	Adjusted QPC	Actual	Status
I. Quantitative Performance Criteria 1/ 2/					
Floor on the non-defense cash primary balance of the general government, excluding budget support grants (- implies a deficit) 3/	310.0	-497.2	-187.2	366.5	Met
Floor on tax revenues (excluding Social Security Contributions)	580.0	0.0	580.0	710.3	Met
Ceiling on publicly guaranteed debt 3/	65.0	0.0	65.0	0.0	Met
Floor on net international reserves (in billions of U.S. dollars) 3/	44.2	-7.5	36.7	37.1	Met
II. Indicative Targets 1/ 2/					
Floor on the cash balance of the general government, excluding budget support grants (- implies a deficit) 3/	-402.9	-497.2	-900.1	-269.8	Met
Ceiling on general government arrears	1.8	0.0	1.8	1.6	Met
Floor on social spending	160.7	0.0	160.7	176.0	Met
Ceiling on general government borrowing from the NBU 4/ 5/	-2.5	0.0	-2.5	-2.5	Met
III. Continuous performance criterion 1/ 2/					
Ceiling on non-accumulation of new external debt payments arrears by the general government	0	0	0	0	Met

Sources: Ukrainian authorities and IMF staff estimates and projections.
1/ Definitions and adjustors are specified in the Technical Memorandum of Understanding (TMU).
2/ Targets and projections for 2026 are cumulative flows from January 1, 2026.
3/ Calculated using program accounting exchange rates as specified in the TMU.
4/ From end of previous quarter.
5/ Calculated using redemptions of government bonds as of June 1, 2026.

OUTLOOK AND RISKS

A. Baseline Scenario and Risks

Baseline Scenario

10. Relative to program approval, the outlook for 2026 has been downgraded due to the weak first quarter, stronger-than-expected impacts of Russia's ongoing war, and spillovers from the war in the Middle East. Projected GDP growth has been lowered to 1–1.6 percent (y/y) and will continue to be driven by private consumption growth from still-high wage inflation (and to some extent the effects of a looser fiscal stance; see below). The ongoing international fuel price shock will contribute to higher year-end inflation,[1] which has been revised up by 3 pp to 10.5 percent (y/y). The Supplementary Budget and USL disbursements have been integrated into the baseline, bringing the projected overall deficit excluding budget support grants to UAH 2,148 billion or 21 percent of GDP (about 1¾ pp of GDP higher than at program approval). More supportive fiscal policies and the higher energy import bill will widen the current account deficit excluding grants to US$52.2 billion while international reserves are projected at US$65.5 billion (129 percent of the ARA metric). Real credit growth is projected to remain strong at 5 percent.

Text Table 3. Ukraine: Major Baseline Scenario Projections

	Revised Baseline						Change from EFF Request					
	2025	2026	2027	2028	2029	2030	2025	2026	2027	2028	2029	2030
Real GDP growth (percent)	1.8	1.0-1.6	3.5	4.2	3.9	3.7	0.0	...	0.0	0.0	0.0	0.0
Inflation, eop (percent)	8.0	10.5	8.0	6.0	5.0	5.0	0.0	3.0	1.0	0.6	0.0	0.0
Current account balance												
Billion U.S. dollars	-34.2	-25.2	-11.5	-27.0	-24.9	-24.6	-2.3	17.4	28.0	-2.6	-2.7	-2.7
Percent of GDP	-16.0	-11.0	-4.7	-10.4	-9.2	-8.7	-1.0	8.1	12.0	-0.7	-0.7	-0.7
Goods trade balance (US$ bn)	-51.3	-54.5	-48.7	-40.7	-38.0	-36.6	-0.3	-5.7	-4.5	0.0	0.0	0.0
Gross international reserves												
Billion U.S. dollars	57.3	65.5	66.6	68.7	74.1	75.5	0.0	0.0	-6.8	-6.2	-6.2	-5.1
Percent of the IMF composite metric (float)	129.3	129.0	128.9	123.4	124.5	120.9	-5.4	-2.1	2.4	2.5	2.1	2.9
Overall fiscal balance (pct of GDP) 1/	-17.6	-11.3	-2.9	-7.5	-2.9	-1.5	5.7	7.1	14.8	-0.1	-0.1	0.5
Overall fiscal balance ex. grants (pct of GDP) 1/	-23.5	-21.1	-17.8	-11.1	-5.5	-3.1	0.1	-1.8	0.0	0.0	0.0	0.5
Public debt (pct of GDP) 1/	107.1	111.8	110.3	109.6	107.3	102.1	-1.6	-10.7	-26.8	-25.8	-24.6	-23.6

Source: Ukrainian authorities and IMF staff projections.
1/ Revisions since the EFF Request reflect in part the reclassification of USL financing as grants.

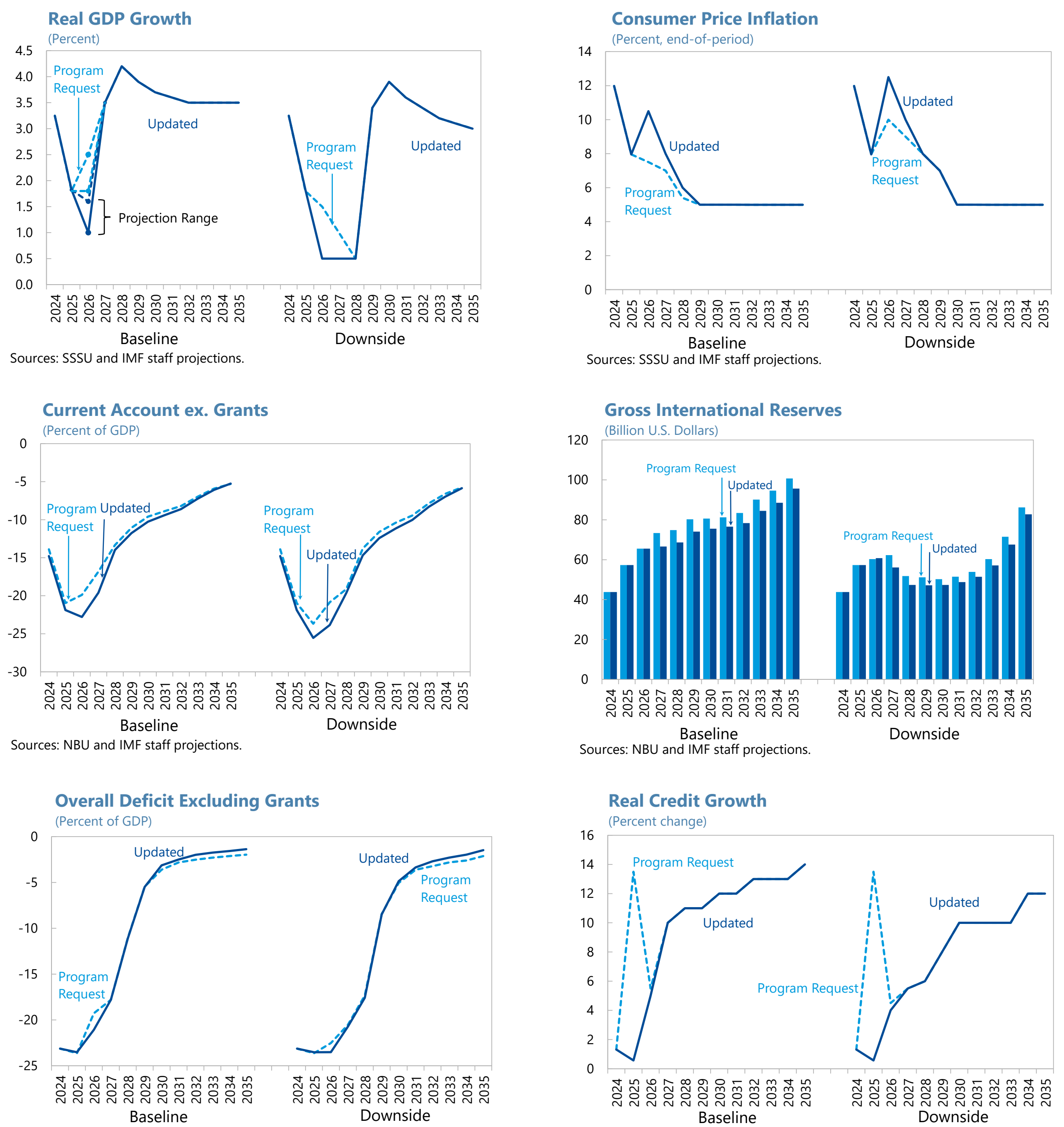
11. With the baseline continuing to assume that the war ends this year, revisions to the outlook for subsequent years are limited. After the war, the baseline is characterized by the following two phases:

- *Immediate recovery (2027–30)*: Growth would be driven by investment for reconstruction, export recovery, returning refugees, and a normalization of labor markets. The authorities are also

[1] The projected path for commodity prices is based on futures contracts as of May 11, 2026.

expected to gradually implement structural reforms to align with the EU acquis. Fiscal and current account deficits (excluding grants) would narrow gradually, as reconstruction and defense restocking continue to affect imports and government expenditures. Overall, this phase is characterized by a rebalancing of the economy from consumption toward higher investment to support reconstruction and exports, which will help restore external viability. Inflation would gradually converge to the NBU's 5 percent target by end-2029, with the banking sector supporting the recovery through continued credit expansion.

Figure 2. Ukraine: Comparison of Baseline and Downside Scenarios



Sources: SSSU and IMF staff projections.

Sources: SSSU and IMF staff projections.

Sources: NBU and IMF staff projections.

Sources: NBU and IMF staff projections.

Sources: MOF and IMF staff projections.

Sources: NBU and IMF staff projections.

- *Second phase (2031–35)*: As the secular population decline resumes, growth will need to be underpinned by productivity gains, continued high investment and export expansion. This hinges on decisive implementation of growth-enhancing structural reforms anchored in EU accession, lifting potential growth by about 1.1pp to 3½ percent annually. The domestic financial system will play a growing role in investment and export sector development. The general government's primary fiscal balance excluding grants is projected to reach surpluses of 0.2–0.4 percent of GDP, consistent with restoring fiscal and debt sustainability. The current account deficit would continue to narrow as export capacity strengthens and reserves would continue accumulating, remaining at adequate levels.

Risks to the Baseline

12. The balance of risks is firmly tilted to the downside, particularly in the near term:

- *Security risks remain the most significant*. In addition to the risk of a longer war (¶15), an intensification in the near term or a peace settlement that lacks adequate security guarantees could result in outcomes worse than the baseline. In the near term, an intensification could weigh on fiscal performance if expenditures are higher and the economy more generally, especially if the damage from aerial attacks increases further. Spillovers from the war in the Middle East could intensify, including through disruptions to defense procurement or diminished capacity from partners in assisting Ukraine.

- *The authorities have developed very ambitious Energy Resilience Plans for the next heating season,* which rely on bilateral donor funding that remains largely unidentified. If financing falls short or execution is delayed ahead of the winter, energy shortages could re-emerge, weighing on economic performance, exacerbating the humanitarian situation, and re-intensifying flows of refugees and IDPs.

- *Risks from reform fatigue have risen significantly, which absent progress on crucial measures could jeopardize timely external support and medium-term economic prospects.* Further delays in implementing conditionality agreed with external partners (especially the EU) are likely to slow donor disbursements, reduce fiscal space, and could trigger policy responses to external financing shortfalls that could jeopardize hard-won stability. Moreover, setbacks in governance and reforms supporting a transition to a modern market-based economy could affect the willingness of refugees to return, weighing on longer-term prospects.

13. Upside risks include an earlier peace settlement in the near term, and more robust reform momentum in the medium term. While the program assumes reforms to meet the EU acquis as well as in domestic finance and product markets, their impact would be amplified by further progress in improving governance and tackling informality. Staff estimates that such gains could boost medium-term annual potential GDP growth from 3.5 percent in the baseline to over 4 percent (Annex VII).

Authorities' Views

14. **The authorities agreed that the 2026 outlook has weakened in the face of large adverse shocks and acknowledged the unfortunate slowdown in key structural reforms.** They shared staff's view that economic performance would improve after the war, supported by recovery and reconstruction activities in the years right after the war ends. They also agreed on the importance of structural reform for medium-term prospects, noting that more robust reform implementation could yield even stronger outturns than in the baseline. Regarding downside risks, the authorities concurred that the potential shocks related to the security situation remain the most significant. They also recognized that uneven reform implementation could delay crucial financing and exacerbate current challenges. At the same time, they noted the potential upside from progress on governance and reducing informality, noting an alignment with their economic de-shadowing agenda and broader objectives for EU accession. In this regard, they underscored ongoing efforts to work with parliament on needed reforms, including the recent ratification of the Memorandum of Understanding with the conditionality framework that underpins the USL.

B. Downside Scenario

15. **The downside scenario continues to be based on a security situation that gradually transitions to a frozen conflict by end-2028** (Annex V)**.** Revisions are therefore modest and reflect the downgrade to the baseline and the timing of the downside shock shifting from 2026H1 (now history) to 2026H2. The adverse impact on macroeconomic performance continues to be sizable: Fiscal deficits and public debt are significantly wider than the baseline due to the higher expenditures arising from active combat persisting for longer. External current account deficits are also projected to be significantly wider than in the baseline, resulting in weaker international reserve adequacy than envisaged in the baseline.

Text Table 4. Ukraine: Comparison of Baseline and Downside Scenarios

	2025	2026	2027	2028	2029	2030
Real GDP growth (percent)						
Baseline	1.8	1.0-1.6	3.5	4.2	3.9	3.7
Downside	1.8	0.5	0.5	0.5	3.4	3.9
CPI inflation (end-of-period; percent)						
Baseline	8.0	10.5	8.0	6.0	5.0	5.0
Downside	8.0	12.5	10.0	8.0	7.0	5.0
Current account balance (percent of GDP)						
Baseline	-16.0	-11.0	-4.7	-10.4	-9.2	-8.7
Downside	-16.0	-13.6	-8.2	-15.2	-11.4	-9.1
Overall fiscal deficit excluding budget support grants (percent of GDP)						
Baseline	-23.5	-21.1	-17.8	-11.1	-5.5	-3.1
Downside	-23.5	-23.5	-20.7	-17.6	-8.5	-4.9

Source: Ukrainian authorities and IMF staff projections.

C. Enterprise Risks

16. Staff has updated its assessment of potential enterprise risks in the context of the First Review of the EFF for Ukraine under the Fund's policy for UCT lending under exceptionally high uncertainty (EHU). Staff's assessment remains that the overall level of risk remains significant, but is manageable given the additional safeguards required under the EHU policy and the Fund's multi-layered risk management framework. The Fund continues to face *strategic, financial, business, operational and reputational* risks arising from its EFF arrangement with Ukraine, with *business* and *strategic* risks having risen modestly since the program approval. This situation remains exceptionally uncertain and staff continues to monitor developments, analyze high-frequency data, and engage with security experts to better inform their understanding. Additional attention has been devoted to risks stemming from the changed external environment, notably potential spillovers from the war in the Middle East. These spillovers increase uncertainty, including on inflation and import trends.

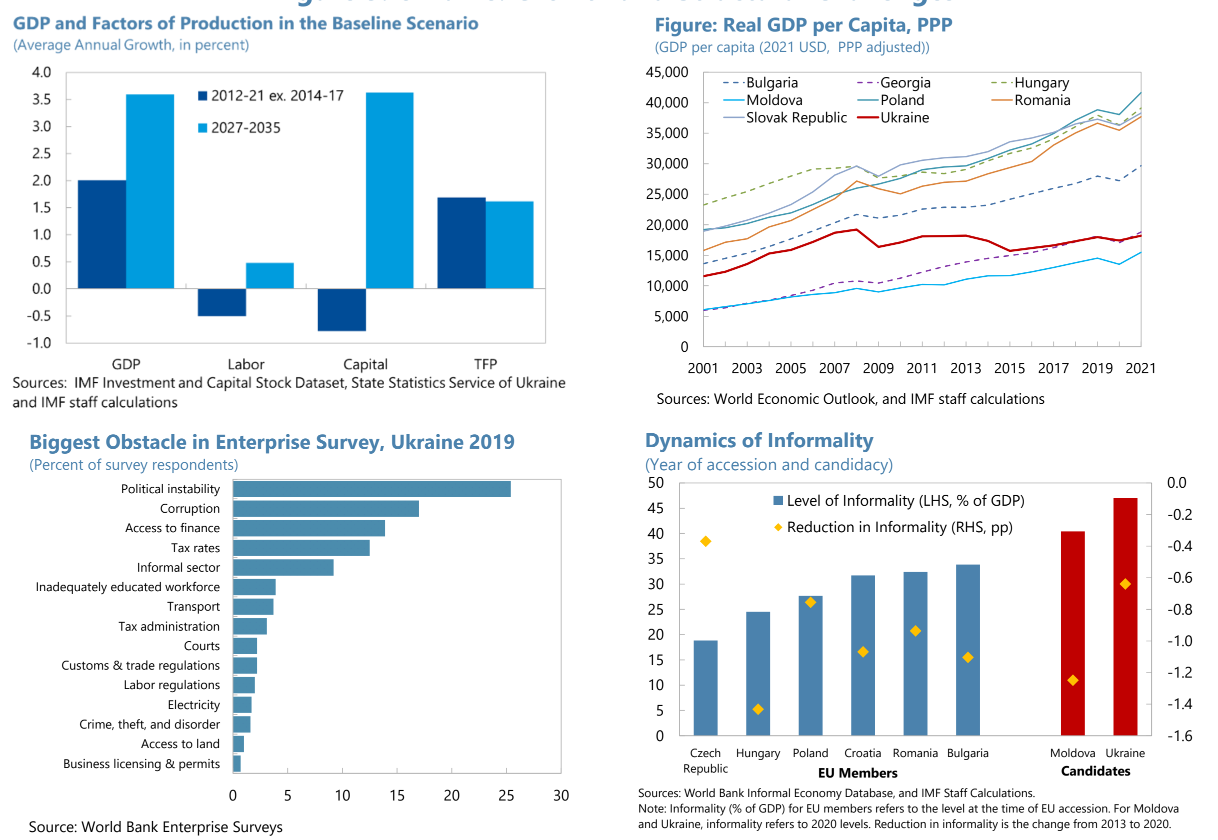
POLICY DISCUSSIONS

17. The authorities have successfully implemented key recommendations from the 2023 Article IV consultation (Annex IV)**.** They maintained fiscal prudence, advanced revenue mobilization through tax measures and the National Revenue Strategy, and concluded debt operations on most private external claims subject to restructuring. The NBU has conducted data-driven monetary policy under its transition to full-fledged inflation targeting and allowed gradual exchange rate adjustment under managed flexibility. The authorities advanced structural reforms, including public investment management, simplification of some administrative processes for businesses, including through digitalization, and strengthening the anti-corruption architecture.

18. A successful post-war recovery will require continued macroeconomic stability and further deep structural reforms addressing both long-standing and new challenges (Figure 3)**.** Even before the full-scale war, Ukraine had a weak growth performance by regional comparison, characterized by a shrinking labor force and scarce investment. As discussed in ¶13 and Annex VII, the economic outlook critically depends on reforms to boost productivity and investment. Hence, in addition to managing the shock of the war in the near term through prudent fiscal and monetary policy, policy discussions focused on medium-term structural issues: the need for growth-friendly tax policy, financial sector reforms, improvements in governance, addressing informality, resolving energy sector challenges, and improving the business climate, including through rule-of-law and revenue administration reforms. Taking into account capacity constraints, the mission discussed the sequencing of reforms, distinguishing between near-term reforms envisaged for the program period and deeper structural reforms for the medium term.

19. Widespread informality, estimated at 35–45 percent of GDP, is a major hurdle to Ukraine's post-war recovery and EU accession. Cross-country experience highlights that firms relying on informality have low productivity and low growth, as they are typically too small to benefit from scale economies and, without clean financial accounts, cannot obtain bank financing for investments. Informality also weakens economic growth as there is no creative destruction to move resources from small, inefficient firms to more productive and dynamic parts of the economy. Moreover, by operating outside the tax system, they offer limited social protection to workers, distort competition, and impede the development of a fully functioning market economy, which is a critical EU accession criterion. In Ukraine, the ST regime is a key enabler of informality and should be reformed. Additional potential policy levers to help reduce informality in line with the experience of other EU accession countries are: strengthening the capacity and integrity of enforcement bodies; reducing disincentives to formalize where consistent with fiscal space, including the still-high labor tax wedge for low-income formal sector employees; and improving incentives to formalize through better social protection, expanded access to finance, and simpler, more transparent regulations (see SIP).

Figure 3. Ukraine: Growth and Structural Challenges



A. Fiscal Policy and Financing

Fiscal policy should be guided by the need to maintain near-term stability by aligning deficits with available financing and the medium-term objective of a post-war fiscal adjustment that restores debt sustainability by moving toward a primary surplus. In the near term, there is no credible alternative to revenue measures and control of non-defense spending to maintain stability and preserve buffers. Even then, fiscal deficits are expected to remain in double digits in the near term. Fiscal policy also has an important role in supporting de-shadowing through fiscal structural reforms, including through *growth-friendly tax policies, reduced compliance cost, efforts to tackle widespread tax avoidance and evasion, and improved public investment management.*

Fiscal Policy and Financing

20. Fiscal policy for the remainder of 2026 will focus on safeguarding budget execution and staying within the financing envelope. The recently enacted supplementary budget provides additional allocations for priority expenditures using fully identified donor financing, keeping financing gaps closed (MEFP ¶11). The focus for the rest of the year will be on containing pressures that would weaken stability by creating unfinanceable spending. As part of this, the authorities remain committed to a sustainable pension reform and have proposed a new ***continuous structural benchmark*** to consult Fund staff on any new expenditure responsibilities for the Pension Fund of Ukraine (PFU) to ensure it is consistent with a sustainable long-term pension fund and the authorities' plans for a large scale overhaul of the pension system. More broadly, where unavoidable expenditure priority needs arise, the authorities have committed to identifying offsetting measures (MEFP ¶13). Key options include finding savings on expenditures (e.g., deferring less urgent capital expenditures set for implementation late in the year), obtaining further financing from the domestic market by revising the plan for a net redemption of maturing bonds this year, and mobilizing additional short-term revenues where feasible.

21. In June, the authorities submitted the Budget Declaration (BD) for 2027–29 to parliament, describing key priorities for the next three years. The BD, prepared in consultation with Fund staff, is broadly consistent with the program's baseline (MEFP ¶12). It incorporates important methodological improvements including both current and active policy scenarios to illustrate the fiscal effort that will be needed to deliver the authorities' objectives over the next few years:

- *Revenues*: To avoid an erosion of tax revenues after the war, the BD's active policy scenario incorporates yields from the authorities' reform plans, including measures agreed under both this program (¶24) and the Ukraine Support Loan (USL). Prompt and full implementation of these measures will be critical to mobilizing adequate resources for key priorities and help deliver medium-term fiscal and debt sustainability. In addition to these permanent measures, the BD incorporates the yield of a windfall bank earnings tax in 2027, reflecting legislation that is currently in parliament. This measure entailing a 50 percent tax rate on banks' profits will be implemented for the fourth time, providing resources for next year's budget. However, given the repeated imposition of the tax, this measure enshrines economic distortions, encourages counterproductive behaviors to minimize the tax burden, and constrains banks' ability to build up capital to support lending and reconstruction after the war (¶37). Thus, for the years after 2027, windfall taxation on bank profits should be eliminated in favor of higher-quality, permanent measures in line with the authorities' agenda.

Text Table 5. Ukraine: Tax Measures and Other Factors Affecting 2027 Revenues

(Percent of GDP)

Windfall tax on bank profits in 2027 1/	0.3
Taxation of income earned on digital platforms	0.1
Removal of VAT exemption on low-value imported postal packages	0.1
Continued alignment of fuel and tobacco excises with EU directives	0.3
Impact of compliance-improvement measures	0.1
Post-war effects 2/	0.3
Total 3/	**1.1**

Sources: MOF and IMF staff estimates.
1/ The measure entails setting the corporate profit tax rate at 50 percent.
2/ Includes expiration of certain tax privileges linked to Martial Law and post-war bouyancy.
3/ Components may not sum to the total due to rounding.

- *Expenditures*: With still-high uncertainties regarding the conditions that will prevail upon the end of the war, the BD seeks to maximize fiscal space, including through tight expenditure prioritization. As risks recede in the latter part of the BD's horizon (2028–2029), expenditures decrease to more normal levels as the security situation improves, though defense and reconstruction will constitute important priorities over a longer period.

- *Financing*: The BD's deficit assumptions align with that of the program's baseline for 2027-29 and put Ukraine on a path toward restoring medium-term fiscal and debt sustainability. The projected deficits are financeable based on the program's financing assumptions, though they highlight the necessity of continued donor support for Ukraine. Even with policy measures and expenditure normalization, fiscal deficits will remain large, requiring continued support on highly concessional terms.

22. Over the longer term, the authorities remain committed to achieving primary fiscal surpluses in the range of 0.2–0.4 percent of GDP to contribute to restoring debt sustainability (MEFP ¶12)**.** This fiscal path anchors the restoration of fiscal and debt sustainability and would help place debt sustainability metrics on a trajectory toward their targets under the program. Delivering this fiscal path will require the authorities to continue to implement domestic revenue mobilization measures to ensure stable tax revenues over the medium term. In particular, the authorities will likely need to proactively address the sunset clause of the 5 percent Military Tax rate (a surcharge on Personal Income Tax) which, under legislation passed in April, is set to lapse three years after the end of Martial Law. The authorities are considering options, including replacing it with a reconstruction tax to be calibrated in transitional legislation when the war ends (MEFP ¶13, 3rd bullet). On the expenditures side, spending will need to evolve in line with normalizing defense outlays and measured allocations for recovery, reconstruction, and other priorities. Doing so will help ensure that expenditure plans are aligned with restoring fiscal and debt sustainability, as well as the availability of financing on appropriate terms.

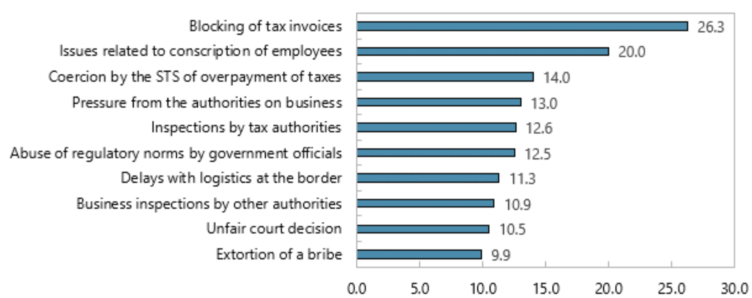
Authorities' Views

23. The authorities emphasized their commitment to prudent fiscal policies that avoid reopening financing gaps and help deliver fiscal and debt sustainability over the medium term. They also saw risks that the tax-to-GDP ratio could decrease as the economy reverts to a more normal structure after the war. To ensure adequate resources for post-war priorities, they reiterated their commitment to key domestic revenue mobilization measures, including those agreed under the program and the USL. As regards expenditures, the authorities noted that the high uncertainty around their fiscal planning warranted a cautious approach, in case shocks materialize.

Box 2. Ukraine: VAT Compliance Costs in Ukraine

A high VAT compliance burden is often cited as a key deterrent against VAT registration. Even though VAT registration, filing, and payment are fully digitalized, respondents to the World Bank's 2024 Tax Compliance Cost Survey indicate that, at around US$3,300 annually, the VAT is the tax with the highest compliance cost. And in a recent survey, 3 out of the top 5 problems encountered by SMEs in interactions with authorities relate to tax administration.

Top 10 Issues with Authorities Faced by SMEs, 2026Q1
(percent of respondents)



Source: Research on the Situation and Prospects of MSMEs in Ukraine, March 2026; Translations by IMF staff.
Notes: Multiple responses allowed per respodent; Sample size: 514.

Monthly VAT declaration forms are long by international comparison, with three pages and up to six annexes, requesting information that is already available in the STS's databases.

Even more burdensome for compliant taxpayers are the compliance checks. Ukraine has a unique system of invoice registration, a digital system that keeps track of every purchase with VAT. This system is highly effective in preventing fraud through fake tax credits. But the cost of checking more than 30 million transactions per month is substantial. While around 99.8 percent of transactions are greenlighted automatically without human interference, that currently still leaves close to 50,000 invoices for manual verification, affecting around 8,000 taxpayers each month. The vast majority of these is eventually greenlighted, but the process of submitting additional documentation and going through appeals costs time and money. The large number of pending court cases related to blocked VAT invoices (22,500 in 2025) and the large share of such cases reversed by the courts (typically around 92 percent) suggest that the cost to taxpayers, the STS, and the court system could be lowered without undermining compliance, by further increasing the share of automatically greenlighted transactions and by streamlining the manual review process. In the aforementioned survey, blocked VAT invoices are the most pressing administrative issue encountered by businesses.

Box 2. Ukraine: VAT Compliance Costs in Ukraine (concluded)

Audits are also perceived as intrusive and costly for compliant businesses, while their effectiveness is too low to deter tax evaders. In 2024, 93.4 percent of audits found a violation, but many of these findings were not sufficiently substantiated and were subsequently cancelled through administrative appeals or in court. Auditors assessed UAH123.8 billion in additional taxes, but only UAH4.1 billion were actually collected. Resolving these audit cases often requires going to court, which is costly and time consuming. Out of more than 8,000 administrative court rulings in 2025 related to tax notifications, more than a third was resolved in favor of taxpayers. The reliance on courts reflects a lack of trust in the administrative dispute resolution mechanism. Due to weaknesses in the dispute resolution mechanism, many of its results (44 percent in 2025) are appealed in the courts, and almost half of these judicial appeals are successful. To improve the effectiveness, credibility, and transparency of audits, case selection should be made more risk based, audit methodologies should be enhanced, and auditors should be empowered to close cases where no violation is identified. Routine legal review of cases against judicial practice and a more independent internal dispute resolution mechanism would reduce reliance on an already overstretched court system.

Fiscal Structural Reforms

24. Changes to the ST regime, critical for de-shadowing and growth, have been postponed to allow more time for administrative reforms. In light of the parliamentary backlash prompted in part by concerns by SMEs about the high VAT compliance burden (see Box 2), the authorities requested to rephase the timeline for enacting the removal the VAT exemption under the Simplified Tax (ST) to April 2027 with an effective date of January 1, 2028 (**proposed end-April 2027 structural benchmark**), one year later than previously agreed. The additional time will allow for administrative changes to reduce VAT compliance costs (¶25). However, the proposed timeline will also delay the revenue yield, which includes both the direct effect of a broader VAT base (estimated at 0.4 percent of GDP) and the potentially much larger effect from reduced informality, given that the current VAT exemption facilitates envelope wages and makes smuggling more lucrative. While suboptimal, another year of windfall bank tax, along with compliance improvement measures, is forecast to generate sufficient yield to cover 0.4 percent of GDP, potentially at the expense of weaker lending to the private and critical sectors. The authorities remain committed to enacting the delayed tax on income earned from digital platforms (adopted in June 2026) and the removal of the tax exemption on low-value imports via postal packages **(proposed end-July 2026 structural benchmark)** to secure their yields in 2027.

25. A successful ST reform requires administrative changes to lower the compliance burden, especially for VAT payers. Currently the ST system not only provides a preferential tax regime for SMEs, but also limits their interactions with the State Tax Service (STS), whose compliance management practices still require significant improvement (see Box 2). To address these challenges, the authorities are advancing the following reforms, supported by FAD TA:

- Work is underway to streamline VAT declaration forms and generate pre-populated tax returns.
- The STS will refine the risk criteria for the automatic VAT invoice registration system, with the goal of reducing the number of suspended invoices without undermining compliance.

- The ongoing development of an automatic compliance risk assessment system will enhance risk-based case selection for audits.

- The authorities will raise the threshold above which VAT refund requests can be subject to audit from UAH100,000 to UAH1,000,000 **(proposed end-August 2026 structural benchmark)**.

- A time-bound action plan will be developed, with input from taxpayers, with specific measures to improve the effectiveness, fairness, and credibility of tax control. The operational objectives will be to make audit findings more robust to court challenges by improving their quality, reduce the cost to compliant taxpayers, prevent coercive practices, and reduce the number of court cases (MEFP ¶31).

- New strategic and operational Key Performance Indicators (KPIs) for the STS **(proposed end-December 2026 structural benchmark)** should reflect the importance of reducing compliance costs. For the second half of 2026, the authorities have committed to specific quantitative outcomes associated with improved compliance checks and reduced compliance costs (MEFP ¶33).

Changes in administrative practices will likely lead to changes in taxpayer behavior, with better compliance in some areas and new risks emerging in others. The STS should therefore take a data-driven approach and establish a feedback loop in which regular updates to operating procedures are informed by real-time risk analysis. Giving the STS more autonomy (instead of regulating many aspects of tax administration through the Tax Code) and enhancing its analytical capacity would enhance its agility.

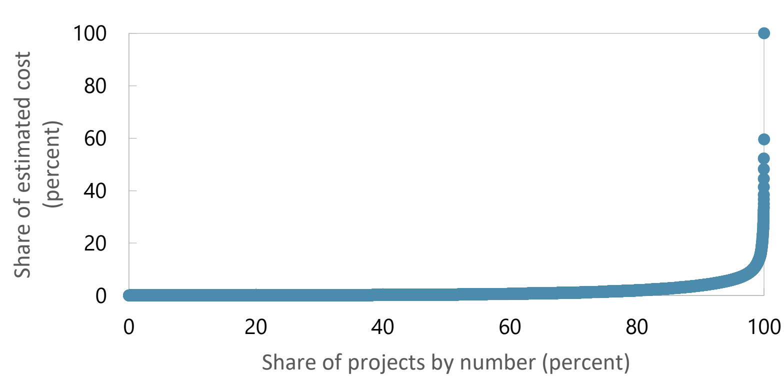
26. Reforms to limit abuse of the ST for tax evasion remain critical. They include submitting specific anti-avoidance rules for ST to parliament **(proposed end-December 2026 structural benchmark).** The legislation should address the widespread practices of (i) business splitting to remain below size limits for ST, (ii) opportunistic switching back and forth between ST and general taxation to reduce tax liabilities, and (iii) the use of ST to disguise employment to avoid payroll and social security contributions. Moreover, adoption of the new Labor Code, with a new definition of "employment" (see MEFP ¶23) remains essential for reducing abuse of ST. While the eight criteria defining employment in the draft law are in line with good international practice, the current draft specifies that at least five of these need to be met to establish an employment relationship, creating a high burden of proof for enforcement agencies. Staff advised that three criteria should be more than sufficient to establish an employment relationship and recommended revising the draft law before adoption.

27. Work on legislation to address profit shifting, supported by FAD and other partners, is progressing. However, staff and the Ministry of Finance (MOF) agreed that taking more time will benefit the quality of the draft law to reform transfer pricing and implement Article 4 (interest limitation rule) of the EU ATAD. Therefore, the end-June structural benchmark was not met. Given the criticality of this legislation, including for de-shadowing, submission to parliament will be a **proposed end-August structural benchmark**, albeit with a narrower scope relative to the end-June structural benchmark: the elimination of the tax exemption for controlled foreign companies whose place of effective management is in Ukraine, a requirement under the end-June structural benchmark, will be part of a separate anti-avoidance bill later this year, allowing the MOF to focus on transfer pricing and the interest limitation rule. When designing the interest limitation rule, the authorities should consider going beyond EU requirements and including a thin capitalization rule, which is more suitable to address profit shifting in extractive industries. The STS should take steps to strengthen the taxpayer registry to enable the identification of related parties, which is essential for the effective application of both transfer pricing and anti-splitting rules.

28. De-shadowing requires additional resources for all revenue agencies. Following the appointment of a new head of customs, the government should ensure that sufficient funds are available for re-attestation of all customs officials, scheduled to begin in mid-2026. The 2027 Budget should provide sufficient allocations to the State Customs Service (SCS), STS, and the Economic Security Bureau (ESBU), to improve their ability to hire and retain qualified personnel.

29. Continued reforms to the public investment management (PIM) framework remain essential. The PIM reform, launched in mid-2024, has established a new harmonized framework for preparing, appraising, selecting, and monitoring public investment projects, with the MOF in a gatekeeper role at all stages of the project cycle. The reform has already led to improvements in project selection, even if the new procedures and methodologies are not yet always applied as required. However, gaps remain, notably with respect to strategic planning. In that regard, the recently issued methodology for preparing sectoral strategies is an important step. The authorities should simplify requirements for smaller projects, including projects at subnational level, and focus scrutiny, including the use of comprehensive review processes, on the small number of large projects that carry the largest fiscal risks (see Figure 4). Moreover, clear definitions are needed to better distinguish between public investment projects and routine capital spending such as maintenance and repair. Further training is urgently needed and will be an area of focus in FAD's CD agenda.

Figure 4. Ukraine: Size Distribution of Public Investment Projects



Source: DREAM; and IMF staff calculations

Authorities' Views

30. The authorities stressed the challenges of enacting legislation in parliament but remain committed to removing the VAT exemption for ST given its importance for de-shadowing, revenue mobilization, EU accession, and unlocking donor support. While they see improvements in tax administration as critical, they see greater risks than staff of administrative reforms leading to revenue leakages if not carefully sequenced and implemented. The authorities agreed that reforms to the PIM framework remain essential for post-war reconstruction.

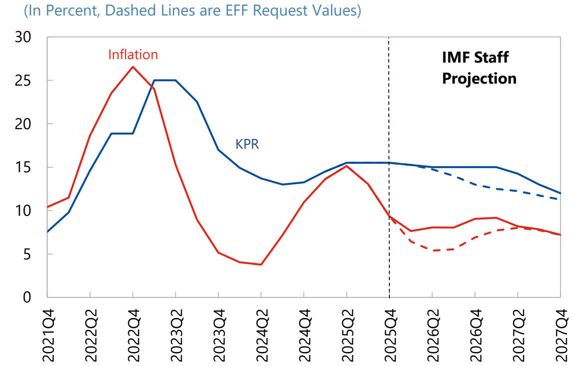
B. Monetary and Exchange Rate Policies

The NBU's medium-term objective is to transition from the current managed float regime toward full-fledged inflation targeting with a flexible exchange rate. Challenges include navigating immediate shocks to maintain macroeconomic stability and anchor inflation expectations while ensuring progress toward the medium-term objective.

31. The NBU has maintained a tight monetary stance since the last Article IV consultation to ensure that inflation expectations remain anchored. Staff analysis, informed by a Quarterly Projection Model (QPM), suggests that amid renewed pressures from heightened external uncertainty, persistent supply-side constraints, and a positive output gap (¶5, ¶10), the NBU has appropriately halted its easing cycle and adopted a tightening bias to guide expectations. The NBU should remain ready to tighten monetary policy if inflationary pressures intensify. The NBU is continuing to refine the operational framework to enhance transmission which remains constrained by excess liquidity, shallow markets, and the still-low level of credit in the economy—operating mainly through deposit rates and expectations.

Key Policy Rate and Inflation

(In Percent, Dashed Lines are EFF Request Values)



Sources: NBU and IMF staff estimates

32. Exchange rate and FX intervention policies should continue to support the gradual transition back to full-fledged inflation targeting with a flexible exchange rate, while safeguarding reserve adequacy. Exchange rate flexibility, with two-way movements, has increased since late 2025. However, significant FX interventions remain necessary given wartime disruptions to exports, the resulting structural FX deficit, elevated private sector FX demand, and the need to intermediate large public external inflows. More recently, renewed external shocks, including the outbreak of the conflict in the Middle East and heightened uncertainty necessitated a temporary increase in the NBU's FX intervention to preserve orderly market conditions. As initial pressures have eased, and as a corrective action for the expected miss of the end-June QPC, the authorities have further adapted their FX policy framework to support greater exchange rate flexibility while mitigating excessive volatility.

33. FX liberalization should continue under the conditions-based roadmap, remaining consistent with the exchange rate and monetary policy frameworks and supporting external stability. The NBU has eased restrictions through targeted measures, including allowing dividend repatriation and servicing of external debt, while maintaining caps and safeguards to contain risks. Further steps should remain guided by evolving risks and the consistency of measures against the overall policy mix, supported by continued monitoring of FX flows and compliance. Broader liberalization should be contingent on the fulfillment of key preconditions—including deeper FX markets, well-anchored inflation expectations, and sustained financial stability—while balancing against economic needs (see Annex VI). A stocktaking of FX measures by end-August 2026 (MEFP ¶49) will help ensure that, in aggregate, controls remain effective.

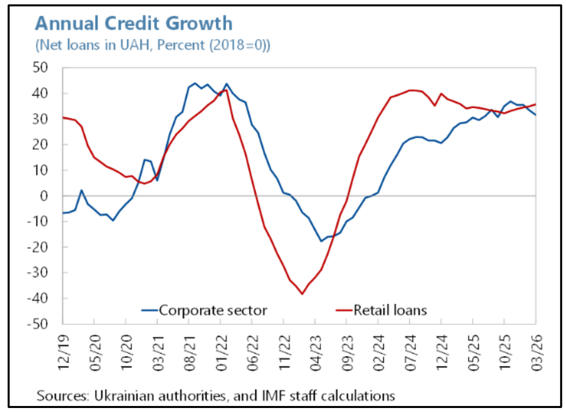
34. The 2026 safeguards assessment found broadly sound safeguards in place while highlighting the need to strengthen oversight arrangements. External audit and financial reporting arrangements remain well-established. The NBU has continued to advance reforms in line with earlier recommendations, and strengthened internal controls including its lending and monetary financing frameworks. Draft legal amendments have been prepared to enhance the NBU Council's collective fitness and Audit Committee oversight, though not yet submitted as they are being aligned with broader EU accession legislation. Continued efforts to fill Council vacancies (MEFP ¶50) should be prioritized to reinforce effective governance and oversight.

Authorities' Views

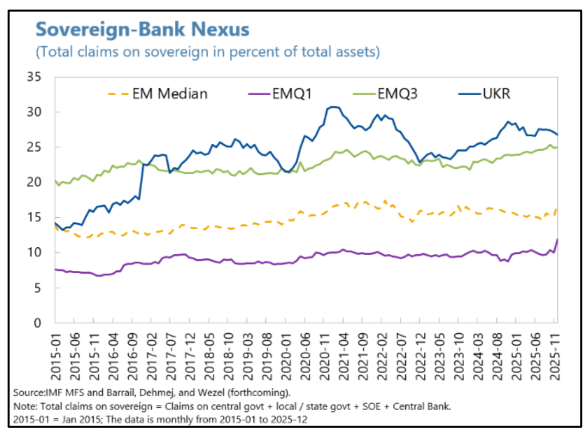
35. The NBU concurred with staff's assessment, noting that monetary policy has remained effective in anchoring inflation expectations despite multiple shocks. The NBU reaffirmed its commitment to the eventual return to full-fledged inflation targeting with a flexible exchange rate and view the current managed float exchange rate regime as an appropriate interim framework. The NBU emphasized that, given the structural FX deficit in the private sector and the large external inflows to the public sector, its role in intermediating FX flows to the market remains critical for orderly market functioning.

C. Financial Sector

Financial sector health has improved since the last Article IV consultation, reflecting operational resilience, with banks continuing to operate despite physical and cyberattacks. Profitability is high, supported by lending to the public sector at considerable margins, although repeated bank windfall taxes continue to constrain capital accumulation. The main risk stems from the war's impact on public debt sustainability, given the large sovereign exposure, and asset quality in an environment of strong lending growth. Further governance reforms of SOBs and at the securities market regulator are critical, as is the adaptation of the regulatory framework to accommodate risk-based supervision and financial innovations, including virtual assets. Over time government ownership of SOBs should be reduced.



36. Since the 2023 Article IV consultation, Ukraine's financial sector has shifted from crisis stabilization to recovery-driven intermediation that needs close monitoring. Financial stability risks have eased since 2023 as the financial sector maintained operational continuity and lending activity resumed. The banking sector is stable and highly profitable, supported by strong net interest margins and substantial holdings of government securities with high positive real yields. Although the system remains shallow, annual net lending growth has been strong in 2024 and 2025 and continued in 2026Q1, recording a 6.1 percent increase despite adverse conditions. Lending remains concentrated in a few sectors such as trade, manufacturing, and agriculture, even as financing patterns are becoming more diversified, with signs of a declining share of subsidized schemes and a growing role for nonbank intermediation.[2] These dynamics warrant close monitoring and targeted policies to support sustainable credit growth that avoid crowding out private parties in favor of SOEs, including strengthening insolvency and creditor rights frameworks, improving the quality and accessibility of public registers, and ensuring that credit support schemes remain well-targeted, appropriately costed and timebound. Diversifying lending away from priority sectors and SOEs would also reduce concentration and large exposure risk.



37. A strong, well-capitalized banking sector will be crucial to support reconstruction. While banks are well-capitalized, liquid and highly provisioned, significant sovereign exposure (24 percent of total assets), continued dominance of SOBs (52 percent of total assets), and significant SOB exposure to SOEs "(about 18 percent of total lending)" have reinforced the sovereign-bank nexus. On the back of a solid performance of most banks in the 2025 resilience assessment, the NBU started to phase in the introduction of macroprudential capital buffers and Basel Pillar 2 requirements. While appropriate, NBU should continue to carefully calibrate the introduction of these requirements to balance the support for credit with the need to build resilience and absorb shocks (MEFP ¶53). The capital buffers will also need to accommodate potential adjustments following future asset quality reviews and the gradual unwinding of sovereign exposures as banks recalibrate their balance sheets to support reconstruction. Staff advised the authorities against another bank windfall tax as it impedes organic

[2] In 2025 loans at market terms (up 40 percent) outpaced loans made under the 5-7-9 subsidized lending scheme that reduces effective interest rates for businesses (up 12 percent) (NBU Banking Sector Review, February 2026).

capital growth, makes the banking sector less attractive for investment or ready to support reconstruction, and runs counter to the authorities' de-shadowing strategy.

38. Efforts to strengthen financial sector resilience, supervision, and crisis management frameworks are advancing and will provide a solid foundation for financial sector growth. Key priorities are:

- *Continuing resilience assessments of the banking sector*. The NBU is planning to conduct an ad-hoc analysis to assess the banks' capacity to support post-war recovery and identify any potential weaknesses that could emerge as the sovereign-bank nexus unwinds. A targeted, risk-based asset quality review will be conducted once conditions have stabilized (MEFP ¶52). Meanwhile, the NBU will continue to monitor and adjust contingency plans.

- *Advancing risk-based supervision.* The NBU, supported by Fund technical assistance, finalized the methodology to determine Basel Pillar II capital and liquidity requirements for banks in line with international standards and EU rules with a view to putting regulatory requirements in place by 2027 (MEFP ¶53). The NBU should now prioritize the appropriate mix and sequencing of Pillar II add-ons and Basel III capital buffers. For nonbank financial institutions (NBFI), the NBU is implementing a risk-based approach to a varied NBFI landscape of over 650 institutions representing around 9 percent of financial sector assets. The NBU is focusing on aligning NBFI regulation with banks in terms of capitalization, governance, transparency and governance structures, tightening financial monitoring, implementing the EU acquis and developing a strategy for the insurance sector (MEFP ¶61).

- *Finalizing the third-party risk framework for banks, non-bank financial institutions, and payment service providers*. The NBU published amendments to Regulation 64 on the Organization of the Risk Management System in Ukrainian Banks and Banking Groups and Resolution 72 covering payment service providers and Resolution 73 covering insurers; providing a framework to detect, contain, and mitigate critical third-party risk under both going- and gone-concern conditions (**end-June 2026 structural benchmark**, MEFP ¶53). It will take a phased approach to implementation, beginning with the identification of critical service providers.

- *Strengthening the financial sector safety net.* Changes to the legal framework to close gaps in early intervention measures, temporary administration, and bank resolution of insolvent banks are being debated in parliament (MEFP ¶51). Following the orderly resolution of three small banks earlier this year, further changes are envisioned to allow the Deposit Guarantee Fund (DGF) early preparation for bank resolution. A draft law to align DGF governance arrangements with best practices, including equal representation of MOF, NBU and parliament in the Administrative Board, was submitted to parliament in April 2026 (MEFP ¶55).

39. Governance reforms are critical to strengthening the management and effectiveness of SOBs and the State Securities Commission (NSSMC). In the case of SOBs, appointing strong supervisory boards will ensure competent management and strategic business development with the aim of reducing the state footprint in the banking sector. For the NSSMC, expanding the governance structure will provide the current management with strategic guidance, additional expertise and oversight over decision-making. The following governance reforms are being implemented:

- *The procedure for the SOB supervisory board Nominations Committee has been amended.* The Cabinet of Ministers of Ukraine (CMU) has adopted an amended SOB supervisory board Nominations Committee procedure as well as a new process for the annual assessment of SOB supervisory boards (**end-February 2026 structural benchmark, implemented with delay**, MEFP ¶54). Strengthening the independence of the nomination process ahead of upcoming appointments in 2026 is a priority.

- *The MOF has finalized the general SOB strategy* (**end-June 2026 structural benchmark**) that outlines the strategies for individual SOBs and determines how governance mechanisms and safeguards for fully government-owned banks will be extended to majority government-owned banks (MEFP ¶54).

- *The authorities are preparing to sell two SOBs*. A thorough assessment by an independent advisor of the business case for privatization will be vital to this process. MOF expects to contract an internationally recognized financial advisor by July. The authorities have committed to abstain from using fiscal resources to recapitalize non-systemic banks under government ownership (**continuous structural benchmark**, MEFP ¶54).

- *The NSSMC will implement a two-tiered board structure.* To this end, NSSMC finalized a concept note in June that sets out the design of the new board structure to be implemented through an amendment of the NSSMC organic law (**end-December 2026 structural benchmark**), which will align the structure with the Constitution by moving responsibility for the NSSMC from the President to the CMU (MEFP ¶56). The new board structure should include clear responsibilities, strong procedures and requirements for second tier board members regarding independence, experience, skills and fit and proper assessments. While implementing internal reform, the NSSMC should ensure the continuity of supervisory activities, including through retention of institutional knowledge and staff skills.

40. Reforming the financial and capital market infrastructure (FCMI) and regulatory framework is imperative to facilitate inward private investment for reconstruction (MEFP ¶57). The authorities are implementing the Financial Stability Council roadmap that sets out reforms that help prepare the FCMI to support increased financial sector activity during reconstruction. The roadmap includes the following priorities:

- *Legislative proposals to align market instrument reforms with international standards.* These include the securitization and covered bonds framework, submitted to parliament in April 2026; enhancement of creditor protection; and the adoption of valuation standards of real estate and bank collateral in line with international (IVS) and European standards (TEGOVA) that was submitted to parliament in July 2025.

- *The creation of a vertically integrated financial market infrastructure (FMI)* to streamline the exchanges, clearing and settlement and the depositaries involving the State, international strategic partners, and SOBs. A new law establishing the FMI governance structure and embedding the vertical integration of the FMI is expected to be adopted by July 2026.

- *Achieving regulatory equivalence with the EU.* Amendments to the legal framework on bank secrecy consistent with relevant EU standards are expected to be adopted by parliament by end-September 2026. This would allow an EU assessment to establish Regulatory Equivalence to take place which, if successful, will permit a reduction of Ukraine's sovereign regulatory risk weights and increase EU banks' incentives to hold Ukrainian sovereign debt. The potential crowding out of EU banks' lending to Ukraine's private sector in favor of sovereign debt warrants careful monitoring by NBU to ensure imbalances are managed.

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

- *Adoption of a well-designed virtual assets law (MEFP ¶60).* Virtual assets activity continues to grow in Ukraine, with strong adoption among retail users (around 18 percent of the population). Virtual assets are mostly used for savings and payments, with users preferring stablecoins over other crypto currencies. The wide adoption of virtual assets in Ukraine underscores the need for regulation to avoid evasion of financial monitoring and controls. The NBU and NSSMC finalized adaptations to the virtual assets law ahead of the second reading in parliament, which is expected to enter into force in January 2027. Adjustments focus on clarifying regulatory responsibilities between the NBU and the NSSMC, licensing and market access, including safeguards against circumvention of sanctions, and alignment with international standards and the EU framework. Relatedly, the NBU continues to explore the case for the introduction of a retail Central Bank Digital Currency.

Authorities' Views

41. The authorities concurred with staff on developments in the financial sector and the needed reforms to support recovery and reconstruction. They pointed to the stability and strength of the banking sector, improving asset quality and strong lending and emphasized the important role that banks will need to play in the post-war period. The authorities pointed out that the phased introduction of regulatory requirements will help to strengthen banks, while putting them on par with European peers. The authorities consider the credit cycle to be in an expansionary phase but do not see signs of excesses as credit and borrower quality remains good and there is sufficient demand. They are monitoring the credit cycle and will take action if there are signs of overheating or excessive concentration. Regarding the sovereign-bank nexus, the authorities remarked that a significant portion of banks' exposure to the government concerns legacy bonds used to support banks during the 2014–2015 financial crisis and not necessarily exposures through market transactions. Banks actively manage market exposures. They expect the sovereign-bank nexus to unwind as diversification of investors increases, especially during reconstruction.

D. Structural Reforms

Governance, anti-corruption and AML/CFT reforms remain central to strengthening institutional credibility and sustaining external support, while energy sector reform remains critical to addressing large quasi-fiscal pressures and ensuring energy security. Progress has continued, albeit unevenly, and in some areas of anti-corruption reforms, the authorities' current approach appears less ambitious than earlier reform plans, reflecting weakened reform momentum. These challenges, compounded by difficulties in securing legislative follow-through and maintaining effective coordination across institutions, have contributed to delays in advancing key structural reforms. Against this backdrop, the formal opening of EU accession negotiations, in particular the Fundamentals cluster, can help reinvigorate the reform agenda.

Governance, Anti-Corruption, and AML/CFT

42. The authorities remain committed to governance and anti-corruption reforms, although progress has slowed significantly in several areas. Stronger governance, rule of law, and reduced corruption remain critical for maintaining external support and investor confidence, ensuring transparency of wartime and reconstruction spending, and improving the business environment. However, reform momentum has weakened, reflecting institutional capacity constraints and uneven ownership, particularly where sustained legislative follow-through and coordination across institutions are required. Continued efforts to strengthen the independence, operational effectiveness, and institutional capacity of the National Anti-Corruption Bureau of Ukraine (NABU), the Specialized Anti-Corruption Prosecutor's Office (SAPO), and the High Anti-Corruption Court (HACC) remain essential for effective anti-corruption enforcement and improved governance outcomes (MEFP ¶62). In this context, priorities going forward include: completing the selection and appointment of the Deputy Head of SAPO; ensuring adequate resources for anti-corruption institutions—particularly HACC, following the appointment of additional judges; revising the Criminal Code, Criminal Procedure Code, and related legislation to support timely and high-quality justice (MEFP ¶62); and adopting the 2026–2030 Anti-Corruption Strategy, which will provide the policy framework for Ukraine's anti-corruption efforts by identifying key corruption risks, setting strategic priorities across prevention and enforcement in support of broader governance, reconstruction and EU accession objectives.

43. A well-functioning asset declaration framework is central to ensuring accountability of public officials, strengthening corruption prevention, and reinforcing incentives for integrity. However, the large volume of annual filers—approximately 700,000 public officials—places significant administrative burden on the National Agency for Corruption Prevention (NACP), limiting its ability to focus on higher-risk cases and weakening enforcement, compounded by fragmented data systems, limited automation, and capacity constraints. To strengthen deterrence and improve the detection of corruption-related risks through a risk-based verification approach, the NACP, with IMF's technical assistance (TA), will issue regulations prioritizing and enhancing the verification of asset declarations of senior officials in high-risk sectors. As finalizing the TA report required more time, the end-June structural benchmark on issuing the regulations was missed and it is proposed to be reset to end-September 2026 (MEFP ¶63). The NACP will also publish, on a bi-annual basis, key performance indicators on risk-based verification and lifestyle monitoring activities. Finalization of the reform is contingent on the completion of IMF technical assistance, the recommendations of which will inform revisions to the verification framework. Separately, the external audit of the NACP is expected to be launched using the existing audit methodology, which has been subject to criticism by experts and civil society organizations due to its complexity and limited ability to assess institutional effectiveness comprehensively. While the audit is expected to generate useful findings, the methodology may not fully capture all dimensions of NACP's institutional effectiveness, potentially limiting its value in informing future reform efforts. The authorities have committed to developing an updated methodology by end-July 2026, for use in future audits, with a view to strengthening the quality, rigor, and usefulness of subsequent assessments.

44. NABU's access to timely and operationally independent forensic expertise is key to strengthening the effectiveness, credibility, and timeliness of complex anti-corruption investigations. In addition to the Criminal Code reform (¶42), which will address hard constraints on anti-corruption investigations due to statutes of limitations, the authorities have committed to enacting legislation by end-2026 to strengthen the institutional and operational independence of the Scientific Research Centre of Independent Forensic Expertise (SRCIF) under the Ministry of Justice. The reform is expected to include the establishment of an independent supervisory board responsible for the transparent and merit-based selection of SRCIF leadership, safeguards against undue influence, and mechanisms to ensure the timely prioritization of high-stakes anti-corruption investigations (MEFP ¶64). At this stage, however, several key elements of the proposed framework remain to be developed in consultation with key stakeholders, including the scope of operational independence, the authority and composition of the supervisory board, safeguards against undue influence over experts, and mechanisms for prioritizing complex anti-corruption cases. Accordingly, staff will reassess in future reviews whether the authorities' reform choices are sufficient to achieve the intended governance objectives, address longstanding challenges in the provision of forensic expertise and ensure effective support for complex anti-corruption investigations.

45. While the authorities committed to advancing AML/CFT reforms to strengthen financial integrity and support tax compliance, recent parliamentary actions raise concerns. Parliament recently introduced an AML amendment to limit enhanced due diligence for politically exposed persons (PEPs) to a 12-month period after leaving office—after which such measures may continue only where a documented high or unacceptably high risk exists. The expansion of the PEP definition to a broader range of mid- and lower-level officials risks diverting supervisory and compliance resources away from higher-risk individuals. Taken together, these changes weaken the effectiveness of the PEP framework and place the AML/CFT regime out of line with FATF standards. Staff will coordinate closely with the stakeholders engaged in this reform, in particular the EU, in identifying the appropriate next steps. Other AML/CFT reforms should strengthen the beneficial ownership framework and enhance the use of AML tools to detect and deter tax crimes. With IMF support, an assessment of the State Financial Monitoring Service has been completed, and an action plan has been developed to guide reforms to strengthen its effectiveness, including through the introduction of an open and merit-based selection of leadership and enhanced cooperation with law enforcement agencies. Progress is also being made in strengthening reporting systems, analytical capacity, and access to information, including through expanded access to key registries.

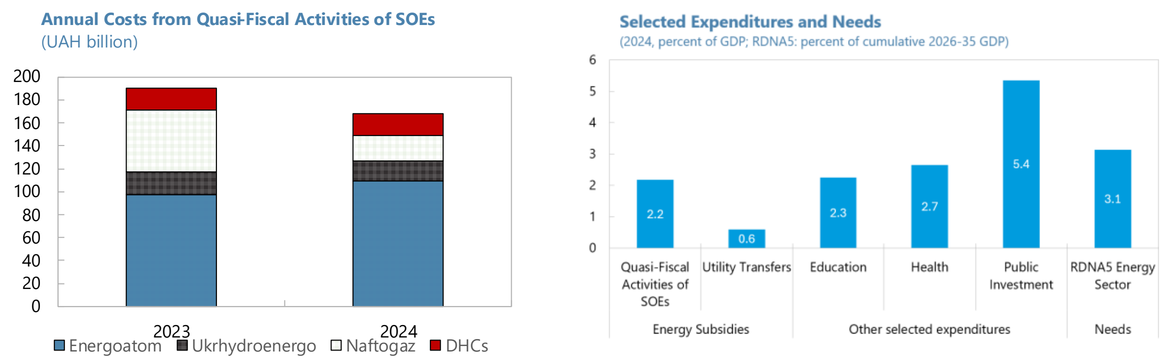
46. The authorities should advance SOE corporate reforms while tackling the shortcomings highlighted by the Energoatom corruption case. In consultation with international partners, the authorities have developed amendments to the State Ownership Policy (SOP) to empower supervisory boards, conduct audits, and ensure closer alignment with international best practice (MEFP ¶69). Progress has also been made in improving reporting transparency for several macro-critical SOEs, and in preparing an aggregate SOE report in close consultation with IMF staff (MEFP ¶70). Progress is also being made in addressing the Energoatom corruption case, including the launch by the new supervisory board of a comprehensive financial and operational analysis to uncover governance and control failures. The authorities are prioritizing the appointment of a new CEO by end-August 2026 and committed to concluding comprehensive governance assessments of macro-critical SOEs by end-December 2026 (MEFP ¶68–69).

47. Any transfer of SOEs to a professional asset manager should occur only after corporate governance, fiscal risk, and PSO reforms to align with international best practice are effectively implemented. The authorities are exploring options to set up a professional asset management entity to manage a portfolio of SOEs and attract foreign investment. While preparatory work to remove barriers to foreign investment is appropriate at this stage (e.g. to ensure minority shareholders' rights), depending on the chosen asset manager structure, transfer of state property may be premature. Regardless of the chosen structure, the legal, governance, and operational arrangements of any asset manager should preserve the integrity of the SOE framework in line with reforms envisioned under MEFP ¶68–70. To preserve the value of state assets, the authorities should ensure that adequate preconditions are in place, including: reliable company-level reporting; public disclosure of SOE financial statements; a well-developed and operational SOE fiscal risk management framework; clear dividend and retained-earnings rules; separate accounting, costing, and compensation of PSOs; effective supervisory board governance; and a clear definition of roles for the Ministry of Economy (MOE), MOF, CMU, State Property Fund of Ukraine (SPFU), and other line ministries. The MOF's financial oversight of SOEs should apply to any SOEs potentially transferred to a professional asset manager, including authority over dividend policy, borrowing, guarantees, capital injections, and financial oversight to safeguard fiscal sustainability, while fiscal risks should be contained including through appropriate company-level reporting. Any asset-manager structure should also preserve the MOF's financial oversight and should not limit the MOF's access to SOEs' financial information, weaken control over fiscal risks, or create a parallel channel for quasi-fiscal activity outside the budget framework.

Energy

48. Large quasi-fiscal activities in the energy sector and the current tariff structure present major risks to investment, reconstruction, and the development of a stable energy supply and power grid. Staff's preliminary estimates, which will be refined with upcoming TA, is that fixed (below-market) energy tariffs—including due to moratoria introduced since the start of the war—cost at least 2.2 percent of GDP annually in untargeted subsidies via quasi-fiscal activities of energy SOEs, while targeted utility transfers amount to about 0.6 percent of GDP in the budget.[3] Significant fiscal risks arise from fixed household utility tariffs, which are currently around 55 percent of comparable supply contracts.[4] As a result, the energy sector has become increasingly reliant on in-kind donations, grants, and concessional financing to meet reconstruction and import needs—e.g., Naftogaz took on additional debt to finance repairs and imports, with its debt growing 63 percent y/y in 2025. The authorities are mobilizing donor support to ensure timely completion of necessary repairs and Resilience Plans.

Figure 5. Ukraine: Energy Subsidies



Sources: Fiscal Risk Statements, Openbudget.ua, RDNA5 and IMF staff estimates.
Notes: Utility transfers, education and health expenditures represent 2024 budget allocations to the Housing and Utility Subsidy and Privilege, Ministry of Education and Ministry of Health, respectively.

49. A staged energy sector reform is needed to ensure the fiscal sustainability of energy subsidies and support reconstruction and investment. Technical analysis of subsidy costs and reform scenarios, supported by IMF TA (**structural benchmark, end-July 2026, proposed to be reset to end-October 2026**), is advancing though there have been delays in data collection. The authorities have committed to assessing utility support schemes that protect vulnerable households by end-February 2027. Once adequate protection schemes have been developed, household tariffs should be gradually increased, which could start in 2027, to support reconstruction needs and reduce debt in the energy sector, while full price liberalization will be needed over time to attract post-war investment (MEFP ¶72). The enactment of a revised law to enhance the independence and integrity of the energy regulator (NEURC) (**proposed structural benchmark, end-October 2026**)

[3] The estimate for energy subsidies is based on 2024 data and is a lower bound based on legal definitions, while actual quasi-fiscal activities are likely much higher. For example, the cost of QFAs carried out by Naftogaz is assessed only on the basis of imported gas sold to households.

[4] Gas and heating tariffs have been fixed in nominal terms since the start of the war, despite a 108 percent increase in nominal wages and 62 percent increase in the CPI through end-March 2026.

and nominations of new commissioners through improved procedures would further support reform (MEFP ¶73).

Authorities' Views

50. The authorities reaffirmed their commitment to advancing governance and anti-corruption reforms but have recognized political and institutional constraints. They also reaffirmed their commitment to transitioning to a risk-based asset declaration verification system, including the publication of key performance indicators. On forensic reform that would prioritize NABU's access to impartial, timely and high-quality forensic examinations, the authorities expressed a preference for a broader systemic solution that strengthens the overall forensic framework with the SCRIF's supervisory board with oversight functions. Regarding the NACP audit, the authorities indicated that the forthcoming audit is expected to be conducted under the existing methodology, while recognizing the need to strengthen the audit methodology for future audits. The authorities further underscored their commitment to strengthening the legal framework to support effective anti-corruption enforcement and ensuring that anti-corruption institutions are provided with the resources necessary to effectively carry out their mandates. The authorities agreed that progress on SOE governance remains essential and concurred on the need to reform energy subsidies and ensure NEURC independence. They stressed that tariff increases should take place only after existing social protection schemes are assessed and potentially reformed. They further noted that additional donor support would be needed to complete necessary repairs and protection in the energy sector.

PROGRAM MODALITIES AND FINANCING ASSURANCES

A. Conditionality

51. The authorities are requesting the following waivers and modifications of program conditionality:

- *Waivers of applicability and a waiver of non-observance of end-June QPCs.* With Executive Board consideration occurring in July, the end-June QPCs are controlling. The authorities are requesting waivers of applicability on the following three QPCs, which they expect to meet: (i) the floor on tax revenues (excluding social security contributions); (ii) the floor on the non-defense primary balance excluding grants;[5] and (iii) the ceiling on government guarantees. They expect to miss the QPC on net international reserves, after a temporary increase in FXI to preserve orderly market conditions, and are requesting a waiver of non-observance on the basis of corrective actions taken, including continued adaption of their FX policy framework to support greater exchange rate flexibility while mitigating excessive volatility. The updated path

[5] Starting from end-September 2026, an adjustor to the non-defense primary balance excluding grants, which lowered the target for shortfalls in external loans will be eliminated to better align with existing practices concerning budget implementation.

of NIR targets for the second half of 2026 reflects, among other factors, the revised disbursement profile for external financing and the impact of higher oil prices due to the war in the Middle East.

- *Resetting implementation dates of SBs:* More time is needed to implement the structural benchmarks relating to: (i) the issuance by the NACP of new regulations establishing a risk-based system for verification of asset declarations (end-June, proposed reset to end-September) and (ii) the publication of technical analysis quantifying the costs of current QFA in electricity, gas, and heating, the incidence of existing subsidies, and reform scenarios (end-July, proposed reset to end-October).

- *New structural conditionality:* The authorities are proposing five new SBs and reformulating two existing ones (Table 4). The new SBs comprise (i) refrain from assigning any new ad-hoc spending to Pension Fund of Ukraine (continuous SB); (ii) submit amendments to the Tax Code to raise the threshold for unscheduled audits upon VAT refund requests and negative VAT liabilities from UAH 100,000 to UAH 1,000,000 (end-August 2026); (iii) enact legislation to ensure NEURC independence and improve nomination procedures (end-October 2026); (iv) adopt new organizational KPIs for STS (end-December 2026); and (v) submit anti-avoidance rules to prevent abuse of the ST regime (end-December 2026). The authorities are also requesting that the missed end-March SB on adopting a package of tax measures for 2026–27 be reformulated into two new SBs: (i) enact legislation to introduce a tax on income earned from digital platforms and to remove the tax exemption on low-value imports through postal shipments (end-July 2026); and (ii) enact the removal of the VAT exemption for ST and raise the VAT registration threshold, effective Jan 1, 2028 (end-April 2027). Furthermore, submission to Parliament of amendments to the Tax Code to align transfer pricing rules with OECD standards and to implement Article 4 of the EU ATAD (end-June SB) is being reformulated as a new SB for end-August with a narrower scope that no longer includes the elimination of the tax exemption for controlled foreign companies with place of effective management in Ukraine.

B. Debt Sustainability and Arrears Policies

52. Debt continues to be assessed as sustainable on a forward-looking basis (Annex III). The treatment of USL as a grant led to a downward revision of the public debt trajectory, now peaking at 111.8 percent of GDP in 2026 under the pre-restructuring baseline. In the pre-restructuring scenario, debt (excluding ERA) and GFNs would fall below the targets under the baseline. But this trajectory is subject to large risks, and a further restructuring would be needed in case of a deterioration relative to the baseline, and creditor assurances to that effect remain in place. Under the downside, a restructuring to restore sustainability remains feasible.

53. The authorities continue to make good faith efforts to reach a collaborative agreement with Ukraine's creditors, as required under the LIA policy. Talks with a Development Finance Institution to support the restructuring of the guaranteed Ukrenergo bond have resumed, while discussions with Cargill are ongoing. Ukraine currently has no arrears to official bilateral creditors, and an MoU to implement the new official sector standstill was signed in April 2026 with the Group of Creditors of Ukraine (GCU).

C. Financing Needs and Assurances

54. The cumulative financing gap under the baseline that will address fiscal financing needs has increased by US$3.8 billion to US$140.3 billion. Staff assesses that there are firm commitments for the next twelve months and good prospects for financing for the rest of the program period. The key revisions include:

- *Allocation of USL financing*: The phasing of USL budget support has been updated to reflect staff's understanding of the disbursement timing and split between defense procurement and budget support.

- *Updates to external financing sources*: Changes to the external sources to fill the updated financing gap include among others: (i) fresh financing from Sweden and (ii) revised cross exchange rate assumptions.

- *Downside scenario financing gap*: The cumulative financing gap is projected at US$149.5 billion, higher by US$3.2 billion than at the EFF Request, largely reflecting changes carrying over from the baseline.

Table 1. Ukraine: Baseline Scenario Financing Gap and Sources, 2026–29

(Billions of US dollars unless indicated otherwise)

	2026	2027	2028	2029	Cumulative 2026-29
A. Financing gap (B+C+D+E)	**55.4**	**43.4**	**22.8**	**18.6**	**140.3**
B. Official financing 1/ 2/	**50.9**	**40.7**	**21.1**	**16.0**	**128.7**
EU 3/	30.4	37.7	21.1	16.0	105.1
World Bank	0.3	0.0	0.0	0.0	0.3
Other bilateral 4/	9.6	1.8	0.0	0.0	11.4
ERA 5/	10.6	1.3	0.0	0.0	11.9
C. IMF (prospective)	**3.9**	**1.8**	**0.9**	**1.6**	**8.2**
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**
Memorandum items:					
Underlying BoP gap 7/	47.1	42.3	20.8	13.2	123.3
Gross international reserves					
Level (US$ billion)	65.5	66.6	68.7	74.1	74.1
Accumulation (US$ billion)	8.4	1.1	2.1	5.4	16.9
Percent of ARA metric (float)	129.0	128.9	123.4	124.5	…
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 May 22, 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 2027Q3 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.
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 offical financing and IMF support.

Table 2. Ukraine: Baseline Scenario Financing Gap and Sources, 12-Month Basis
(Billions of US dollars unless indicated otherwise)

	26Q3-27Q2
A. Financing gap (B+C+D+E)	**56.0**
B. Official financing 1/ 2/	**52.3**
EU 3/	42.9
World Bank	0.2
Other bilateral 4/	7.5
ERA 5/	1.8
C. IMF (prospective)	**3.2**
D. Flow relief from debt operations 6/	**0.5**
E. Budget prefinancing (- = accumulation)	**0.0**

1/ Based on available information as of May 22, 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.

5/ Financing from the G7's Extraordinary Revenue Acceleration Loans for Ukraine (ERA) Initiative.

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

Table 3. Ukraine: Downside Scenario Financing Gap and Sources

(Billions of US dollars unless indicated otherwise)

	2026	2027	2028	2029	Cumulative 2026-29
A. Financing gap (B+C+D+E)	**56.5**	**45.0**	**24.6**	**23.3**	**149.5**
B. Official financing 1/ 2/	**50.9**	**40.7**	**21.1**	**16.0**	**128.7**
C. IMF (prospective)	**3.9**	**1.8**	**0.9**	**1.6**	**8.2**
D. Exceptional financing 3/	**1.1**	**2.6**	**2.7**	**5.7**	**12.0**
E. Budget prefinancing (- = accumulation)	**0.6**	**0.0**	**0.0**	**0.0**	**0.6**
Memorandum items:					
Underlying BoP gap 4/	52.9	49.7	33.4	23.5	159.5
Gross international reserves					
Level (US$ billion)	60.8	56.1	47.4	47.2	47.2
Accumulation (US$ billion)	3.6	-4.7	-8.8	-0.2	-10.0
Percent of ARA metric (float)	120.0	108.4	85.2	79.5	…
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 May 22, 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 2027Q3 onward assume creditor and donor flows for which there are good prospects.

3/ Assumed flow reflief reflects assurances by official creditors to provide debt relief and the authorities' commitment to seek additional efforts from commercial creditors in case downside risks materialize. Includes debt relief on official bilateral claims agreed under the standstill.

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

D. Exceptionally High Uncertainty (EHU)

55. Staff assesses that the overall security situation remains very challenging and that, given EHU conditions persist, the program should continue under the EHU policy. The five criteria that characterize EHU (Box 3) continue to be met, based on staff's evaluation of the following indicators of security, economic, social, and political conditions:

- *Security situation*: These indicators show that launches of missiles and drones remain high, intense fighting continues with little change in territorial control, while conditions in the Black Sea remain stable.

- *Economic performance*: Risks of further disruptions beyond those that materialized in 2026Q1 remain high. With defense needs elevated, a Supplementary Budget for 2026 has already been enacted, raising the possibility of further large revisions to budget projections and, by extension, the balance of payments.

- *Social conditions*: Civilian casualties continue to rise, highlighting a humanitarian situation that remains challenging. To avoid a repeat of the dire conditions in January-February, the authorities are advancing plans to prepare for the next heating season. However, renewed attacks that further exacerbate living conditions and drive refugee flows cannot be ruled out.

- *Political developments:* Martial law remains in place. While a three-day ceasefire took place in May, momentum around peace talks, including from international partners, appears to have waned.

Figure 6. Ukraine: Indicators of the Security Situation

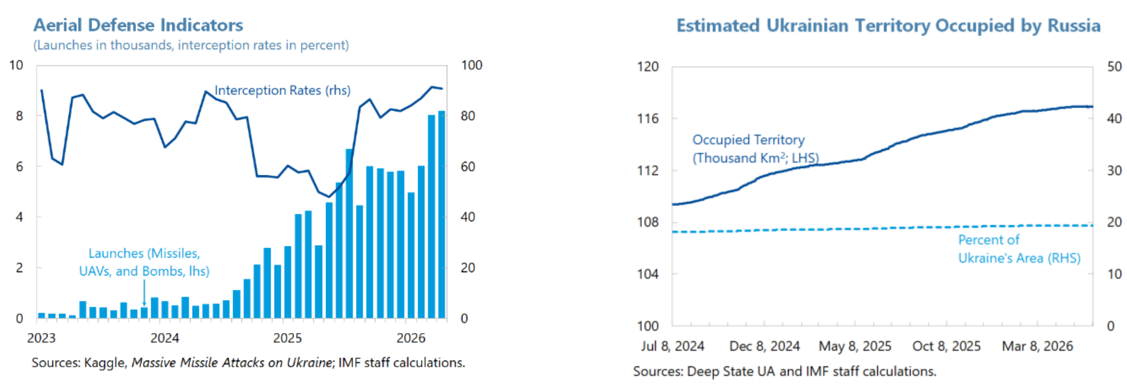
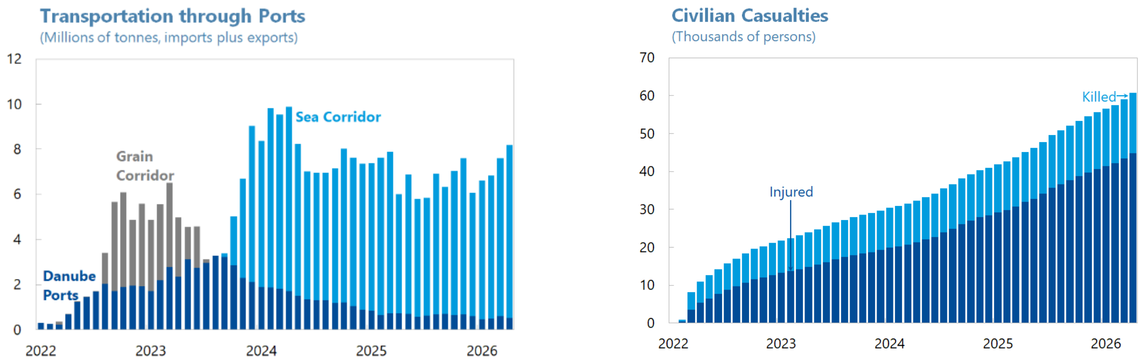


Figure 6. Ukraine: Indicators of the Security Situation (concluded)



Sources: USPA and NBU.

Sources: UNHCR, *Ukraine: Protection of Civilians in Armed Conflict, April 2026.*

Box 3. Ukraine: Evaluation of the EHU Criteria

For the First Review of the program, staff assesses that the five EHU criteria continue to be met:[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 continues being 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. The war remains intense, with rising damages that impact Ukraine's economic capacity. The humanitarian situation remains severe, with millions of refugees and internally displaced people unable to return home. Despite a three-day ceasefire in May, peace talks have made little progress and international efforts to bring about a peace agreement appear to have slowed down amidst other global crises.

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, the attacks on the energy sector have required increased imports of natural gas and electricity from Europe. The authorities are making efforts to alleviate the shocks arising from the war. However, given their magnitudes, policy adjustment cannot address Ukraine's fiscal and BOP needs until the war ends.

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. A Supplementary Budget for 2026 has already been enacted, implying notable changes to fiscal and BOP projections, highlighting the continuation of this challenge from the previous program.

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 it was at the time of this program's approval as well as the previous 2023 EFF. 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.

Box 3. Ukraine: Evaluation of the EHU Criteria (concluded)

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.

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

E. Capacity to Repay the Fund

56. 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 have been provided under EHU. Under the baseline scenario (see Text Table 6), the total stock of Fund credit is expected to peak at 6.9 percent of GDP in 2026 and 24.6 percent of gross reserves in 2027. Debt service to the Fund would peak at 1.2 percent of GDP in 2026 and 4.5 percent of gross reserves in 2032. A materialization of downside risks would increase these ratios: outstanding credit to the Fund would peak at 7 percent of GDP in 2027 and 34.8 percent of gross reserves in 2028. Debt service to the Fund would peak at 1.3 percent of GDP in 2026 and 6.9 percent of gross reserves in 2032.

Text Table 6. Ukraine: 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	6.9	6.7	6.4	6.1	5.1	3.9	2.8	1.9	1.1	0.6
2026 EFF	Percent of gross reserves	24.2	24.6	24.0	22.1	19.0	15.4	11.2	7.4	4.4	2.5
1st review	Payments to the Fund										
	Percent of GDP	1.2	0.9	0.7	1.0	1.0	1.1	1.1	0.9	0.8	0.4
	Percent of gross reserves	4.4	3.2	2.5	3.6	3.8	4.3	4.5	3.4	3.0	1.8
	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

Source: IMF staff calculations.

57. 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—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, Iceland, Ireland, Italy, Japan, Lithuania, Luxembourg, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, the United Kingdom, and the United States have provided 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 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.[6] 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.

F. CD Implementation

58. The Ukraine Capacity Development Fund (UCDF) has supported implementation of key reforms under the program and the authorities' EU accession agenda (see Annex VIII)**.** Efforts have focused on strengthening tax policy and domestic revenue mobilization, enhancing public financial management, and supporting financial sector supervision and resilience. Capacity development has also supported improvements in macroeconomic modeling and forecasting, revenue administration, governance, and statistics. Looking ahead, further expansion will be important to sustain reform momentum and support reconstruction.

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59. Ukraine's economy has remained resilient under exceptionally challenging circumstances, but headwinds have intensified as conditions of EHU persist, with risks to the outlook skewed to the downside. Macroeconomic stability has been preserved, supported by large-scale external financing. Recent developments point to a weakening in momentum, with activity affected by renewed aerial attacks, and spillovers from the war in the Middle East, while inflation pressures have re-emerged and fiscal and external imbalances remain large. Risks stem from continued uncertainty related to the war, reform fatigue, potential financing shortfalls, and vulnerabilities in the energy sector, underscoring the need for reinvigorating the reform momentum, prudent policies, and readiness to adjust as needed. Medium-term prospects hinge on the success of structural reforms—including those in the current EFF—to transition toward a more market-based economy, create conditions for a robust post-war recovery and reconstruction, and pave the way toward Ukraine's EU accession.

60. The IMF-supported program aims to provide a critical policy anchor, although structural reforms under the current EFF have considerably slowed. Quantitative performance

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

has been broadly strong, despite recent slippages due to defense spending needs and external shocks from the war in the Middle East. Delays in key structural benchmarks, particularly in revenue mobilization and governance, are large due to persistent challenges in the adoption of legislation, underscoring the need to galvanize broader political support to advance needed reforms.

61. **Near-term fiscal policy must focus on aligning budget execution with the financing envelope, while the medium-term priority is fiscal adjustment after the war.** Considering the elevated security needs and external concessional financing commitments that are already very high, expenditures must remain tightly prioritized and there is no space for new unfinanced expenditure initiatives. Using the cash surplus of the pension fund to address temporary macroeconomic shocks is inconsistent with the role of a pay-as-you-go pension system and should be avoided. Restoring medium-term fiscal and debt sustainability will require sustained revenue mobilization and sustained efforts to broaden the tax base, including through tax policy and administration reforms, alongside strengthened medium-term budgeting frameworks and improved public investment management.

62. **Resolute implementation of tax policy measures under the EFF and EU lending arrangements, is essential to prepare the economy for post-war growth and EU accession, and to unlock financing required for fiscal plans.** The EFF-supported program is anchored on the authorities' plans to aggressively reduce the large informal economy. Aside from crucial revenue mobilization, reducing informality (de-shadowing) is essential to reduce corruption, tackle widespread tax evasion and avoidance, level the playing field, and moving toward a dynamic economy that can compete and thrive within the EU single market. Timely implementation is essential, requiring the authorities to maintain a close dialogue with all relevant stakeholders; any delays in these critical measures would jeopardize timely disbursement of external support, thus reopening financing gaps, and require a reconsideration of the economy's medium-term growth prospects.

63. **Monetary and exchange rate policies should remain focused on anchoring inflation and safeguarding external stability.** The current tight stance remains appropriate, and the NBU should stand ready to tighten if inflationary pressures intensify. The exchange rate has become more flexible and should play an even greater role in absorbing shocks and reducing external imbalances, including in light of an external position assessed in 2025 as substantially weaker than implied by fundamentals and desirable policies in the medium term after an end to the war. While FX intervention remains necessary to intermediate the structural FX deficit and to preserve orderly market conditions, reliance on this policy tool should decline in line with greater exchange rate flexibility and as wartime constraints recede. Meanwhile, a cautious, conditions-based approach to FX liberalization remains warranted to preserve external stability.

64. **Continued vigilance is needed to preserve financial sector stability and strengthen intermediation.** While the banking system remains sound, financial intermediation is shallow and sovereign exposures are elevated. Strengthening supervision, advancing crisis management frameworks, and improving governance, particularly of state-owned banks, will be essential to support sustainable credit growth and reconstruction.

65. Structural reforms are essential to strengthen resilience, unlocking sustained growth, and fulfill Ukraine's EU accession ambitions. Governance and anti-corruption reforms are critical to strengthening legal and institutional frameworks and to increase transparency and accountability and attract post-war investment, particularly in the SOE sector. Energy sector reform, including well-sequenced price liberalization with robust social protection, is urgently needed to secure resources for energy companies to perform repairs and ensure a stable supply of electricity, gas, and heating as well as longer-term energy security. Tackling informality, including through simplified tax reform, improved enforcement, and reduced incentives for shadow activity, is critical to broadening the tax base, supporting private sector development, and advancing EU accession objectives.

66. Staff supports the authorities' request to complete the First Review under the Extended Arrangement, as well as their requests related to program conditionality. Staff supports waivers of availability of the end-June fiscal performance criteria and the non-observance of the net international reserves target to reflect evolving macroeconomic conditions. Staff also supports the resetting of two structural benchmarks related to asset declarations and energy sector analysis, and the reformulation of the fiscal structural benchmark on the tax package into a set of new measures, reflecting implementation constraints while preserving reform objectives. Finally, staff also recommends completing the financing assurances review.

67. It is expected that the next Article IV consultation will take place on a 24-month cycle.

Table 4. Ukraine: Prior Actions and Structural Benchmarks (new items in blue)

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

Table 4. Ukraine: Prior Actions and Structural Benchmarks (new items in blue) (concluded)

No.	Structural Benchmark or Prior Action	Sector	Timing	Status
	consumers, reflecting the findings of IMF TA to the Ministry of Energy (MEFP ¶72)			
11	Enact legislation to introduce a tax on income earned from digital platforms and to remove the tax exemption on low-value imports through postal shipments (MEFP ¶20)	Fiscal	End-Jul 2026	
12	Submission to Parliament of amendments to the Tax Code, as specified in MEFP ¶25, including to reform transfer pricing and interest limitation rules (MEFP ¶25)	Fiscal	End-Aug 2026	
13	Submit amendments to the Tax Code to raise the threshold for unscheduled audits upon VAT refund requests and negative VAT liabilities from UAH 100,000 to UAH 1,000,000 (MEFP ¶30)	Fiscal	End-Aug 2026	
14	Enact legislation to ensure NEURC independence and improve nomination procedures (MEFP ¶73)	Energy	End-Oct 2026	
15	Adoption of new organizational KPIs for STS (MEFP ¶32)	Fiscal	End-Dec 2026	
16	Create the design of a centralized data warehouse for tax and customs administration (MEFP ¶28)	Fiscal, Governance	End-Dec 2026	
17	Strengthen NSSMC decision-making structures and processes by amending the NSSMC law to align governance with the Constitution and implement a two-tier governance structure including a supervisory board with clearly defined roles and responsibilities. (MEFP ¶56)	Financial, Governance	End-Dec 2026	
18	Appoint all ACU board members from the pool of vetted candidates in accordance with the 2024 amendments (MEFP ¶39)	Fiscal, Governance	End-Dec 2026	
19	Submit anti-avoidance rules to prevent abuse of the Simplified Tax regime (MEFP ¶24)	Fiscal	End-Dec 2026	
20	Enact the removal of the VAT exemption for ST and raise the VAT registration threshold, effective Jan 1, 2028 (MEFP ¶21)	Fiscal	End-Apr 2027	

Table 5. Ukraine: Selected Economic and Social Indicators 2021–35 (Baseline Scenario)

	2021	2022	2023	2024	2025		2026		2027	2028	2029	2030	2031	2032	2033	2034	2035
	Act.	Act.	Act.	Act.	EFF Req.	Act.	EFF Req.	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	8,931	10,005	10,193	11,552	12,879	14,050	15,298	16,641	18,085	19,654	21,359	23,212
Real GDP 1/	3.4	-28.8	5.5	3.2	1.8-2.2	1.8	1.8-2.5	1.0-1.6	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	7.4	9.8	3.3	2.7	3.1	1.7	1.5	2.7	3.6	3.4	3.4	3.4	3.4
Private consumption	5.0	-19.0	2.8	5.2	3.4	4.7	1.8	1.7	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	1.6	2.1	0.0	0.6	0.0	-2.6	-2.3	-0.7	0.0	0.0	0.0	0.0	0.0
Investment	7.4	-5.5	5.8	3.0	2.4	3.0	1.5	0.4	1.2	1.7	1.4	1.2	1.0	0.8	0.8	0.8	0.8
Net exports	-9.1	-9.8	-6.7	-3.3	-5.6	-8.0	-1.3	-1.7	0.4	2.5	2.4	1.0	0.0	0.1	0.1	0.1	0.1
GDP deflator	24.8	34.9	19.9	12.0	13.8	14.5	10.5	13.0	9.5	7.0	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	11.3	11.7	11.1	10.3	9.6	9.0	8.7	8.5	8.5
Consumer prices (period average)	9.4	20.2	12.9	6.5	12.7	12.7	6.1	8.9	8.7	6.7	5.5	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	8.0	8.0	7.5	10.5	8.0	6.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Nominal wages (average)	20.9	4.5	17.4	23.2	22.6	22.6	12.0	20.4	13.2	11.4	10.0	8.7	8.7	8.7	8.7	8.7	8.7
Real wages (average)	10.5	-13.0	4.0	15.7	8.7	8.7	5.6	10.6	4.1	4.4	4.3	3.5	3.5	3.5	3.5	3.5	3.5
Savings (percent of GDP)	11.7	16.0	12.1	10.3	6.8	4.8	3.1	11.8	17.9	13.1	14.9	15.9	16.6	17.2	18.3	19.3	19.9
Private	11.9	29.1	26.8	22.2	25.1	17.3	17.6	19.4	16.9	16.4	13.3	12.6	12.4	12.5	13.5	14.4	14.9
Public	-0.2	-13.1	-14.6	-11.8	-18.2	-12.5	-14.5	-7.6	1.0	-3.3	1.6	3.3	4.2	4.7	4.8	4.9	5.1
Investment (percent of GDP)	14.5	12.1	18.1	19.2	21.8	20.8	22.2	22.8	22.6	23.5	24.1	24.6	24.5	24.4	24.2	24.1	24.0
Private	10.7	9.6	13.4	13.9	16.7	15.6	18.2	19.0	18.7	19.2	19.6	19.7	19.4	19.2	19.0	18.9	18.8
Public	3.8	2.5	4.7	5.4	5.1	5.1	3.9	3.8	3.9	4.3	4.5	4.9	5.2	5.2	5.2	5.2	5.2
General Government (percent of GDP)																	
Fiscal balance 2/	-4.0	-15.6	-19.3	-17.2	-23.3	-17.6	-18.4	-11.3	-2.9	-7.5	-2.9	-1.5	-1.0	-0.6	-0.4	-0.3	-0.2
Fiscal balance, excl. grants 2/	-4.0	-24.8	-25.8	-23.1	-23.6	-23.5	-19.3	-21.1	-17.8	-11.1	-5.5	-3.1	-2.5	-2.0	-1.7	-1.6	-1.4
External financing (net)	2.5	10.7	16.2	15.0	24.2	17.9	21.0	13.7	1.4	4.9	3.3	1.8	1.5	1.5	1.9	0.1	0.2
Domestic financing (net), of which:	1.5	5.0	3.1	0.3	-0.5	0.0	-2.6	-2.4	5.6	2.6	-0.4	-0.3	-0.5	-1.0	-1.5	0.2	0.0
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	-0.2
Commercial banks	1.4	-1.5	2.5	2.9	0.9	2.4	-1.8	-2.2	1.6	1.3	-0.3	-0.2	-0.5	-0.9	-1.3	0.4	0.2
Public and publicly-guaranteed debt	48.9	77.7	81.2	89.7	108.7	107.1	122.6	111.8	110.3	109.6	107.3	102.1	97.2	92.1	87.6	82.9	78.7
Money and credit (end of period, percent change)																	
Base money	11.2	19.6	23.3	7.7	11.6	11.6	19.1	21.3	12.6	12.1	9.8	11.1	10.8	10.1	9.6	8.7	7.6
Broad money	12.0	20.8	23.0	13.4	12.7	15.3	11.0	10.6	12.7	12.1	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	22.5	8.6	13.4	16.0	18.8	17.7	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	3.9	-5.9	-8.9	-15.0	-16.0	-19.1	-11.0	-4.7	-10.4	-9.2	-8.7	-7.9	-7.2	-5.9	-4.8	-4.1
Foreign direct investment	3.7	0.0	2.4	1.9	1.1	1.2	1.6	1.3	2.6	4.6	6.0	5.7	5.4	5.1	4.8	4.8	4.8
Gross reserves (end of period, billions of U.S. dollars)	30.9	28.5	40.5	43.8	57.3	57.3	65.5	65.5	66.6	68.7	74.1	75.5	76.6	78.4	84.5	88.5	95.7
Months of next year's imports of goods and services	4.4	3.8	5.0	4.6	5.7	5.6	7.0	6.6	6.9	6.9	7.2	6.9	6.6	6.4	6.6	6.6	6.7
Percent of the IMF composite metric (float)	104.3	106.6	126.8	122.4	134.7	129.3	131.1	129.0	128.9	123.4	124.5	120.9	117.1	114.8	118.6	118.8	124.5
Exchange rate																	
Hryvnia per U.S. dollar (end of period)	27.3	36.6	38.0	42.0	42.4	42.4	…	…	…	…	…	…	…	…	…	…	…
Hryvnia per U.S. dollar (period average)	27.3	32.3	36.6	40.2	41.7	41.7	…	…	…	…	…	…	…	…	…	…	…
Real effective rate (CPI-based, percent change)	2.6	2.9	-8.2	-6.5	2.1	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 (Baseline Scenario)[1/]

(Billions of Ukrainian Hryvnia)

	2021	2022	2023	2024	2025		2026		2027	2028	2029	2030	2031	2032	2033	2034	2035
	Act.	Act.	Act.	Act.	EFF Req	Act.	EFF Req	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue	1,990	2,609	3,583	4,140	4,547	5,055	4,383	6,782	7,292	5,764	6,136	6,529	7,075	7,671	8,319	9,013	9,777
Tax revenue	1,825	1,782	2,139	2,658	3,250	3,250	3,906	3,998	4,485	4,994	5,449	5,934	6,449	7,011	7,623	8,279	9,001
Tax on income, profits, and capital gains	514	551	656	883	1,101	1,101	1,275	1,298	1,483	1,632	1,792	1,948	2,118	2,301	2,501	2,718	2,960
Personal income tax	350	421	496	584	793	793	920	942	1,081	1,204	1,325	1,440	1,565	1,700	1,848	2,008	2,188
Corporate profit tax	164	131	159	299	308	308	355	355	403	428	467	509	553	601	653	710	772
Social security contributions 2/	358	430	489	556	713	713	793	863	977	1,089	1,197	1,301	1,414	1,537	1,670	1,815	1,972
Property tax	43	37	44	50	59	59	75	75	84	94	103	112	122	132	144	156	170
Tax on goods and services	731	592	784	989	1,185	1,185	1,469	1,469	1,597	1,789	1,945	2,125	2,319	2,534	2,759	3,005	3,277
VAT	536	467	581	734	849	849	1,077	1,077	1,149	1,281	1,394	1,520	1,650	1,802	1,957	2,125	2,314
Excise	180	115	190	238	318	318	372	372	427	486	527	580	642	704	773	849	931
Other	14	10	14	16	19	19	20	20	21	22	23	25	26	27	29	30	32
Tax on international trade	38	26	41	48	56	56	72	72	75	77	83	90	98	107	116	125	136
Other tax	140	145	126	132	136	136	222	222	268	313	329	358	378	400	434	460	487
Nontax revenue	166	827	1,444	1,483	1,297	1,805	477	2,783	2,808	770	686	595	627	660	696	735	776
Budget support grants 3/	1	481	425	454	28	530	82	992	1,721	463	358	243	250	256	263	270	278
Expenditure	2,207	3,426	4,865	5,458	6,617	6,626	6,228	7,938	7,628	6,732	6,550	6,765	7,241	7,775	8,398	9,080	9,817
Current	1,995	3,298	4,562	5,053	6,169	6,170	5,547	7,171	7,004	5,996	5,707	5,797	6,138	6,566	7,085	7,652	8,266
Compensation of employees	516	1,240	1,479	1,584	1,880	1,880	1,832	2,007	1,933	1,759	1,593	1,642	1,753	1,915	2,091	2,283	2,493
Goods and services	483	848	1,674	1,505	1,808	1,808	938	955	1,228	1,146	1,019	1,055	1,208	1,318	1,424	1,535	1,657
Interest	155	162	254	305	357	357	518	518	407	516	518	493	485	439	423	419	412
Subsidies to corporations and enterprises	116	131	158	530	807	807	760	2,123	1,632	803	646	579	458	480	504	530	556
Social benefits	724	917	996	1,129	1,317	1,317	1,497	1,567	1,802	1,769	1,928	2,025	2,231	2,410	2,639	2,882	3,143
Social programs (on budget)	154	285	241	286	359	359	248	250	312	338	367	325	381	400	455	508	564
Pensions	519	583	746	822	940	940	1,227	1,290	1,462	1,404	1,531	1,668	1,814	1,971	2,142	2,328	2,530
Unemployment, disability, and accident insurance	52	48	9	22	19	19	22	26	27	27	30	33	35	38	42	45	49
Other current expenditures	1	1	1	1	1	1	2	2	3	3	3	3	3	3	4	4	4
Capital	207	130	312	411	451	458	393	384	456	548	638	744	860	944	1,026	1,115	1,212
Net lending	5	-2	-9	-6	-4	-2	40	40	45	50	54	59	65	70	76	83	90
Contingency reserve	0	0	0	0	0	0	248	343	124	138	151	164	179	194	211	229	249
General government overall balance	-216	-817	-1,282	-1,318	-2,070	-1,571	-1,845	-1,156	-336	-969	-414	-236	-166	-103	-79	-66	-40
General government overall balance, excluding grants	-218	-1,298	-1,707	-1,772	-2,098	-2,101	-1,927	-2,148	-2,056	-1,432	-772	-479	-415	-359	-342	-336	-317
General government financing	216	817	1,281	1,318	2,070	1,571	1,845	1,156	336	969	414	236	166	103	79	66	40
External	136	562	1,077	1,150	2,144	1,597	2,106	1,402	162	630	468	276	254	279	373	20	36
Disbursements	239	615	1,150	1,279	2,252	1,705	2,277	1,559	352	767	759	596	612	629	646	663	743
Amortizations and other external payments	-103	-53	-73	-129	-108	-108	-171	-158	-189	-136	-291	-320	-358	-350	-273	-643	-707
Domestic (net)	81	263	204	22	-45	-1	-261	-245	644	338	-54	-40	-89	-176	-293	46	4
Bond financing	62	295	183	154	93	222	-192	-234	638	157	-60	-46	-95	-182	-299	40	-2
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	76	210	-180	-222	179	168	-48	-34	-83	-170	-252	82	55
Direct bank borrowing	30	-2	-7	-5	0	-5	0	0	0	0	0	0	0	0	0	0	0
Deposit finance	-19	-37	-59	-141	-227	-225	-74	-17	0	175	0	0	0	0	0	0	0
Privatization and other items	7	20	87	14	90	7	6	6	6	6	6	6	6	6	6	6	6
Financing Gap/unindentified 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	-1,713	-1,214	-1,327	-638	71	-452	104	256	319	336	343	353	373
Public and publicly-guaranteed debt	2,666	4,072	5,383	6,871	9,653	9,567	12,262	11,398	12,741	14,120	15,069	15,622	16,171	16,661	17,211	17,712	18,268
Nominal GDP (billions of Ukrainian hryvnia)	5,451	5,239	6,628	7,662	8,877	8,931	10,005	10,193	11,552	12,879	14,050	15,298	16,641	18,085	19,654	21,359	23,212

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 (Baseline Scenario)[1/]

(Percent of GDP)

	2021	2022	2023	2024	2025		2026		2027	2028	2029	2030	2031	2032	2033	2034	2035
	Act.	Act.	Act.	Act.	EFF Req	Act.	EFF Req	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue	36.5	49.8	54.1	54.0	51.2	56.6	43.8	66.5	63.1	44.8	43.7	42.7	42.5	42.4	42.3	42.2	42.1
Tax revenue	33.5	34.0	32.3	34.7	36.6	36.4	39.0	39.2	38.8	38.8	38.8	38.8	38.8	38.8	38.8	38.8	38.8
Tax on income, profits, and capital gains	9.4	10.5	9.9	11.5	12.4	12.3	12.7	12.7	12.8	12.7	12.8	12.7	12.7	12.7	12.7	12.7	12.8
Personal income tax	6.4	8.0	7.5	7.6	8.9	8.9	9.2	9.2	9.4	9.4	9.4	9.4	9.4	9.4	9.4	9.4	9.4
Corporate profit tax	3.0	2.5	2.4	3.9	3.5	3.5	3.6	3.5	3.5	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3
Social security contributions 2/	6.6	8.2	7.4	7.3	8.0	8.0	7.9	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5
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	0.7	0.7
Tax on goods and services	13.4	11.3	11.8	12.9	13.4	13.3	14.7	14.4	13.8	13.9	13.8	13.9	13.9	14.0	14.0	14.1	14.1
VAT	9.8	8.9	8.8	9.6	9.6	9.5	10.8	10.6	9.9	9.9	9.9	9.9	9.9	10.0	10.0	10.0	10.0
Excise	3.3	2.2	2.9	3.1	3.6	3.6	3.7	3.7	3.7	3.8	3.8	3.8	3.9	3.9	3.9	4.0	4.0
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	0.6	0.6	0.7	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Other tax	2.6	2.8	1.9	1.7	1.5	1.5	2.2	2.2	2.3	2.4	2.3	2.3	2.3	2.2	2.2	2.2	2.1
Nontax revenue	3.0	15.8	21.8	19.3	14.6	20.2	4.8	27.3	24.3	6.0	4.9	3.9	3.8	3.6	3.5	3.4	3.3
Budget support grants 3/	0.0	9.2	6.4	5.9	0.5	5.9	1.0	9.7	14.9	3.6	2.5	1.6	1.5	1.4	1.3	1.3	1.2
Expenditure	40.5	65.4	73.4	71.2	74.5	74.2	62.2	77.9	66.0	52.3	46.6	44.2	43.5	43.0	42.7	42.5	42.3
Current	36.6	63.0	68.8	65.9	69.5	69.1	55.4	70.4	60.6	46.6	40.6	37.9	36.9	36.3	36.0	35.8	35.6
Compensation of employees	9.5	23.7	22.3	20.7	21.2	21.1	18.3	19.7	16.7	13.7	11.3	10.7	10.5	10.6	10.6	10.7	10.7
Goods and services	8.9	16.2	25.3	19.6	20.4	20.2	9.4	9.4	10.6	8.9	7.3	6.9	7.3	7.3	7.2	7.2	7.1
Interest	2.8	3.1	3.8	4.0	4.0	4.0	5.2	5.1	3.5	4.0	3.7	3.2	2.9	2.4	2.1	2.0	1.8
Subsidies to corporations and enterprises	2.1	2.5	2.4	6.9	9.1	9.0	7.6	20.8	14.1	6.2	4.6	3.8	2.7	2.7	2.6	2.5	2.4
Social benefits	13.3	17.5	15.0	14.7	14.8	14.7	15.0	15.4	15.6	13.7	13.7	13.2	13.4	13.3	13.4	13.5	13.5
Social programs (on budget)	2.8	5.4	3.6	3.7	4.0	4.0	2.5	2.5	2.7	2.6	2.6	2.1	2.3	2.2	2.3	2.4	2.4
Pensions	9.5	11.1	11.3	10.7	10.6	10.5	12.3	12.7	12.7	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	0.3	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	5.1	5.1	3.9	3.8	3.9	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	0.0	0.4	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	0.0	2.5	3.4	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
General government overall balance	-4.0	-15.6	-19.3	-17.2	-23.3	-17.6	-18.4	-11.3	-2.9	-7.5	-2.9	-1.5	-1.0	-0.6	-0.4	-0.3	-0.2
General government overall balance, excluding grants	-4.0	-24.8	-25.8	-23.1	-23.8	-23.5	-19.4	-21.1	-17.8	-11.1	-5.5	-3.1	-2.5	-2.0	-1.7	-1.6	-1.4
General government financing	4.0	15.6	19.3	17.2	23.3	17.6	18.4	11.3	2.9	7.5	2.9	1.5	1.0	0.6	0.4	0.3	0.2
External	2.5	10.7	16.2	15.0	24.2	17.9	21.0	13.7	1.4	4.9	3.3	1.8	1.5	1.5	1.9	0.1	0.2
Disbursements	4.4	11.7	17.4	16.7	25.4	19.1	22.8	15.3	3.0	6.0	5.4	3.9	3.7	3.5	3.3	3.1	3.2
Amortizations and other external payments	-1.9	-1.0	-1.1	-1.7	-1.2	-1.2	-1.7	-1.5	-1.6	-1.1	-2.1	-2.1	-2.2	-1.9	-1.4	-3.0	-3.0
Domestic (net)	1.5	5.0	3.1	0.3	-0.5	0.0	-2.6	-2.4	5.6	2.6	-0.4	-0.3	-0.5	-1.0	-1.5	0.2	0.0
Bond financing	1.1	5.6	2.8	2.0	1.0	2.5	-1.9	-2.3	5.5	1.2	-0.4	-0.3	-0.6	-1.0	-1.5	0.2	0.0
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	-0.2
o/w Commercial banks	1.4	-1.5	2.5	2.9	0.9	2.4	-1.8	-2.2	1.6	1.3	-0.3	-0.2	-0.5	-0.9	-1.3	0.4	0.2
Direct bank borrowing	0.6	0.0	-0.1	-0.1	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
Deposit finance	-0.3	-0.7	-0.9	-1.8	-2.6	-2.5	-0.7	-0.2	0.0	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	1.0	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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	-19.3	-13.6	-13.3	-6.3	0.6	-3.5	0.7	1.7	1.9	1.9	1.7	1.7	1.6
Public and publicly-guaranteed debt	48.9	77.7	81.2	89.7	108.7	107.1	122.6	111.8	110.3	109.6	107.3	102.1	97.2	92.1	87.6	82.9	78.7
Nominal GDP (billions of Ukrainian hryvnia)	5,451	5,239	6,628	7,662	8,877	8,931	10,005	10,193	11,552	12,879	14,050	15,298	16,641	18,085	19,654	21,359	23,212

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 (Baseline Scenario)[1/ 2/]

(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 Req	Act.	EFF Req	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Current account balance	-5.5	6.2	-10.8	-16.9	-31.9	-34.2	-42.6	-25.2	-11.5	-27.0	-24.9	-24.6	-23.8	-22.8	-19.9	-17.1	-15.3
Goods (net)	-8.2	-15.3	-30.3	-33.0	-51.0	-51.3	-48.8	-54.5	-48.7	-40.7	-38.0	-36.6	-36.9	-37.4	-36.9	-36.5	-37.0
Exports	63.6	41.2	35.1	39.3	38.3	38.3	44.4	44.5	48.0	53.5	59.0	64.5	70.7	76.8	83.4	90.5	96.7
Imports	-71.8	-56.5	-65.5	-72.3	-89.3	-89.6	-93.2	-98.9	-96.6	-94.2	-97.0	-101.1	-107.6	-114.2	-120.4	-127.0	-133.8
Services (net)	4.0	-12.5	-8.7	-7.5	-5.8	-7.9	-4.2	-6.9	-3.1	-0.2	1.7	3.2	4.9	6.6	8.7	10.8	12.7
Receipts	18.4	16.4	16.6	17.3	16.0	15.8	17.1	16.8	19.3	21.4	23.8	26.2	28.8	31.4	34.5	37.6	40.7
Payments	-14.4	-28.9	-25.4	-24.8	-21.7	-23.7	-21.3	-23.7	-22.4	-21.7	-22.1	-23.0	-23.9	-24.8	-25.8	-26.9	-27.9
Primary income (net)	-5.8	8.8	5.1	0.5	-1.6	-1.8	-2.6	-3.2	-4.0	-2.7	-1.4	-1.1	-1.1	-1.0	-0.8	-0.6	-0.2
Secondary income (net)	4.6	25.1	23.2	23.1	26.5	26.9	13.0	39.5	44.2	16.7	12.9	10.0	9.3	9.0	9.2	9.2	9.3
Capital account balance	0.0	0.2	0.1	5.1	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account balance	-6.2	7.8	-21.6	-13.6	-40.9	-41.7	-51.1	-32.4	-12.6	-29.0	-30.3	-26.1	-24.8	-24.6	-26.0	-21.2	-22.4
Direct investment (net)	-7.5	0.0	-4.4	-3.7	-2.4	-2.5	-3.6	-2.9	-6.4	-11.8	-16.3	-16.3	-16.3	-16.2	-16.2	-17.1	-18.0
Portfolio investment (net)	-1.0	2.0	2.7	6.6	-2.8	-2.8	0.4	0.4	0.7	0.2	-0.3	-0.3	-0.9	-2.1	-2.4	3.2	1.6
Financial derivatives (net)	0.2	0.0	0.0	0.1	3.5	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	5.7	-20.0	-16.6	-39.2	-39.9	-48.0	-29.8	-6.9	-17.4	-13.7	-9.4	-7.7	-6.3	-7.4	-7.3	-6.1
Other investment: assets	7.4	20.4	10.7	15.5	3.1	5.2	5.5	3.6	2.6	0.4	0.6	0.4	1.1	1.7	1.7	0.9	0.9
Other investment: liabilities	5.1	14.7	30.7	32.0	42.3	45.1	53.5	33.4	9.5	17.8	14.3	9.8	8.8	8.0	9.1	8.2	7.0
Net use of IMF resources for budget support	0.2	2.3	3.6	3.9	-0.7	-0.7	2.1	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	39.0	39.2	46.2	25.4	4.3	13.0	9.4	7.3	6.8	6.4	7.0	6.0	3.7
Banks 3/	0.4	-0.4	-0.1	0.0	0.3	0.3	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other sectors	0.3	-1.8	1.2	3.5	3.7	6.3	5.2	5.7	4.7	4.8	5.0	4.5	4.6	4.6	4.6	4.6	4.7
Errors and omissions	2.7	0.8	2.0	2.1	2.8	4.4	0.0	1.4	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	12.2	8.6	8.7	1.1	2.1	5.4	1.5	1.0	1.8	6.1	4.1	7.1
Financing	-3.5	0.6	-13.0	-3.8	-12.1	-12.2	-8.6	-8.7	-1.1	-2.1	-5.4	-1.5	-1.0	-1.8	-6.1	-4.1	-7.1
Gross official reserves (increase: -)	-2.5	2.3	-11.4	-2.9	-11.4	-11.4	-8.2	-8.4	-1.1	-2.1	-5.4	-1.5	-1.0	-1.8	-6.1	-4.1	-7.1
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	94.9	111.1	110.5	123.8	105.9	98.7	97.7	97.6	95.2	92.0	89.1	86.7	82.5	78.8
Current account balance excluding grants	-5.5	-8.4	-22.6	-28.1	-44.6	-46.9	-44.4	-52.2	-48.0	-36.3	-31.7	-29.1	-28.3	-27.3	-24.4	-21.6	-19.8
Current account balance (percent of GDP) 4/	-2.7	3.9	-5.9	-8.9	-15.0	-16.0	-19.1	-11.0	-4.7	-10.4	-9.2	-8.7	-7.9	-7.2	-5.9	-4.8	-4.1
Goods and services trade balance (percent of GDP)	-2.1	-17.3	-21.6	-21.3	-26.7	-27.7	-23.7	-26.8	-21.1	-15.8	-13.5	-11.8	-10.7	-9.7	-8.4	-7.2	-6.5
Gross international reserves	30.9	28.5	40.5	43.8	57.3	57.3	65.5	65.5	66.6	68.7	74.1	75.5	76.6	78.4	84.5	88.5	95.7
Months of next year's imports of goods and services	4.4	3.8	5.0	4.6	5.7	5.6	7.0	6.6	6.9	6.9	7.2	6.9	6.6	6.4	6.6	6.6	6.7
Percent of the IMF composite metric (float)	104.3	106.6	126.8	122.4	134.7	129.3	131.1	129.0	128.9	123.4	124.5	120.9	117.1	114.8	118.6	118.8	124.5

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 (Baseline Scenario)[1/ 2/]

(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 Req	Act.	EFF Req	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Current account balance	-2.7	3.9	-5.9	-8.9	-15.0	-16.0	-19.1	-11.0	-4.7	-10.4	-9.2	-8.7	-7.9	-7.2	-5.9	-4.8	-4.1
Goods (net)	-4.1	-9.5	-16.7	-17.3	-24.0	-24.0	-21.8	-23.8	-19.9	-15.7	-14.1	-12.9	-12.3	-11.8	-11.0	-10.3	-9.8
Exports	31.7	25.7	19.4	20.7	18.0	17.9	19.9	19.4	19.6	20.6	21.9	22.7	23.6	24.2	24.8	25.4	25.7
Imports	-35.8	-35.2	-36.1	-38.0	-42.0	-41.8	-41.7	-43.2	-39.4	-36.3	-36.0	-35.7	-35.9	-35.9	-35.8	-35.7	-35.5
Services (net)	2.0	-7.8	-4.8	-3.9	-2.7	-3.7	-1.9	-3.0	-1.3	-0.1	0.6	1.1	1.6	2.1	2.6	3.0	3.4
Receipts	9.2	10.2	9.2	9.1	7.5	7.4	7.6	7.3	7.9	8.3	8.8	9.2	9.6	9.9	10.3	10.6	10.8
Payments	-7.2	-18.0	-14.0	-13.0	-10.2	-11.1	-9.5	-10.3	-9.1	-8.3	-8.2	-8.1	-8.0	-7.8	-7.7	-7.6	-7.4
Primary income (net)	-2.9	5.5	2.8	0.3	-0.8	-0.8	-1.2	-1.4	-1.6	-1.0	-0.5	-0.4	-0.4	-0.3	-0.2	-0.2	-0.1
Secondary income (net)	2.3	15.7	12.8	12.1	12.5	12.5	5.8	17.2	18.0	6.4	4.8	3.5	3.1	2.8	2.7	2.6	2.5
Capital account balance	0.0	0.1	0.1	2.7	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
Financial account balance	-3.1	4.9	-11.9	-7.1	-19.3	-19.5	-22.9	-14.2	-5.2	-11.2	-11.2	-9.2	-8.3	-7.8	-7.7	-5.9	-6.0
Direct investment (net)	-3.7	0.0	-2.4	-1.9	-1.1	-1.2	-1.6	-1.3	-2.6	-4.6	-6.0	-5.7	-5.4	-5.1	-4.8	-4.8	-4.8
Portfolio investment (net)	-0.5	1.3	1.5	3.5	-1.3	-1.3	0.2	0.2	0.3	0.1	-0.1	-0.1	-0.3	-0.7	-0.7	0.9	0.4
Financial derivatives (net)	0.1	0.0	0.0	0.0	1.7	1.6	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	3.6	-11.0	-8.7	-18.5	-18.6	-21.5	-13.0	-2.8	-6.7	-5.1	-3.3	-2.6	-2.0	-2.2	-2.1	-1.6
Other investment: assets	3.7	12.7	5.9	8.1	1.5	2.4	2.5	1.6	1.1	0.2	0.2	0.1	0.4	0.5	0.5	0.3	0.2
Other investment: liabilities	2.6	9.1	16.9	16.8	19.9	21.1	24.0	14.6	3.9	6.9	5.3	3.5	2.9	2.5	2.7	2.3	1.9
Net use of IMF resources for budget support	0.1	1.4	2.0	2.0	-0.3	-0.3	1.0	0.9	0.2	0.0	-0.1	-0.7	-0.9	-1.0	-0.7	-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	18.4	18.3	20.7	11.1	1.7	5.0	3.5	2.6	2.3	2.0	2.1	1.7	1.0
Banks 3/	0.2	-0.3	0.0	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
Other sectors	0.1	-1.1	0.7	1.9	1.7	3.0	2.3	2.5	1.9	1.8	1.9	1.6	1.5	1.4	1.4	1.3	1.3
Errors and omissions	1.4	0.5	1.1	1.1	1.3	2.1	0.0	0.6	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	5.7	3.8	3.8	0.5	0.8	2.0	0.5	0.3	0.6	1.8	1.1	1.9
Financing	-1.7	0.4	-7.2	-2.0	-5.7	-5.7	-3.8	-3.8	-0.5	-0.8	-2.0	-0.5	-0.3	-0.6	-1.8	-1.1	-1.9
Gross official reserves (increase: -)	-1.3	1.4	-6.3	-1.5	-5.4	-5.3	-3.7	-3.7	-0.4	-0.8	-2.0	-0.5	-0.3	-0.6	-1.8	-1.1	-1.9
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	94.9	111.1	110.5	123.8	105.9	98.7	97.7	97.6	95.2	92.0	89.1	86.7	82.5	78.8
Current account balance (percent of GDP) 4/	-2.7	3.9	-5.9	-8.9	-15.0	-16.0	-19.1	-11.0	-4.7	-10.4	-9.2	-8.7	-7.9	-7.2	-5.9	-4.8	-4.1
Goods and services trade balance (percent of GDP)	-2.1	-17.3	-21.6	-21.3	-26.7	-27.7	-23.7	-26.8	-21.1	-15.8	-13.5	-11.8	-10.7	-9.7	-8.4	-7.2	-6.5
Current account balance excluding grants	-2.7	-5.2	-12.5	-14.8	-21.0	-21.9	-19.9	-22.8	-19.6	-14.0	-11.8	-10.3	-9.4	-8.6	-7.3	-6.1	-5.3
Gross international reserves (USD billions)	30.9	28.5	40.5	43.8	57.3	57.3	65.5	65.5	66.6	68.7	74.1	75.5	76.6	78.4	84.5	88.5	95.7
Months of next year's imports of goods and services	4.4	3.8	5.0	4.6	5.7	5.6	7.0	6.6	6.9	6.9	7.2	6.9	6.6	6.4	6.6	6.6	6.7
Percent of the IMF composite metric (float)	104.3	106.6	126.8	122.4	134.7	129.3	131.1	129.0	128.9	123.4	124.5	120.9	117.1	114.8	118.6	118.8	124.5

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: External Financing Needs and Sources, 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 Req	Act.	EFF Req	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
A. Total financing requirements	**21.6**	**33.7**	**40.4**	**54.8**	**55.6**	**60.1**	**53.5**	**59.1**	**54.6**	**40.2**	**37.8**	**35.1**	**35.0**	**33.8**	**30.0**	**33.1**	**32.9**
Current account deficit (excl. budget grants)	5.5	8.4	22.6	28.1	44.6	46.9	44.4	52.2	48.0	36.3	31.7	29.1	28.3	27.3	24.4	21.6	19.8
Portfolio investment	4.9	2.7	4.9	7.9	2.0	2.0	0.4	0.6	0.7	0.2	1.2	2.2	1.6	0.4	0.1	5.7	5.1
Private	0.6	0.9	2.5	1.3	1.0	1.0	0.0	0.2	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	1.0	0.4	0.4	0.7	0.2	1.2	2.2	1.6	0.4	0.1	5.2	4.6
Medium and long-term debt	3.6	2.1	2.2	3.2	2.5	2.5	3.1	2.8	3.2	3.3	4.3	3.5	4.0	4.4	3.8	4.8	7.1
Private	2.7	1.1	1.3	1.6	1.4	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	0.2	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	1.3	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	1.3	1.0	1.4	1.6	2.5	1.7	2.2	2.6	2.0	3.0	5.3
Other net capital outflows 1/	7.5	20.5	10.7	15.5	6.6	8.8	5.5	3.6	2.6	0.4	0.6	0.4	1.1	1.7	1.7	0.9	0.9
B. Total financing sources	**20.3**	**0.9**	**9.7**	**16.1**	**14.1**	**17.0**	**12.3**	**12.5**	**14.4**	**21.1**	**27.4**	**27.9**	**27.9**	**27.9**	**27.8**	**28.7**	**30.8**
Capital transfers	0.0	0.2	0.1	5.1	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment, net	7.5	0.0	4.4	3.7	2.4	2.5	3.6	2.9	6.4	11.8	16.3	16.3	16.3	16.2	16.2	17.1	18.0
Portfolio investment	6.0	0.7	2.2	1.3	4.8	4.8	0.0	0.2	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	0.3	0.3	0.0	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	4.5	0.0	0.2	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	4.7	4.8	5.5	5.4	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	3.4	3.5	3.7	3.7	2.9	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
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	0.3	0.3
Corporates	2.8	1.4	1.7	2.4	3.1	3.2	3.4	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	1.2	1.4	1.7	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	-2.6	0.6	2.7	2.0	4.6	3.2	3.9	3.5	4.2	4.5	4.0	4.0	4.0	4.0	4.0	4.2
C. Financing needs (A - B)	**1.3**	**32.8**	**30.7**	**38.7**	**41.5**	**43.1**	**41.1**	**46.6**	**40.1**	**19.1**	**10.4**	**7.3**	**7.1**	**5.9**	**2.1**	**4.3**	**2.2**
D. Official financing	**1.1**	**29.8**	**40.1**	**39.6**	**50.1**	**50.1**	**49.3**	**53.6**	**41.2**	**21.1**	**15.9**	**8.7**	**8.2**	**7.7**	**8.2**	**8.4**	**9.3**
IMF	-0.7	0.6	1.9	2.9	-1.4	-1.4	1.8	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	0.9	3.8	3.9	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	2.1	1.3	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	12.7	1.9	27.0	36.6	9.3	6.9	4.5	4.5	4.5	4.5	4.5	4.5
Official budget loans	1.7	14.5	26.4	25.4	38.8	38.8	45.7	24.7	4.1	11.7	9.1	6.3	6.3	6.3	6.3	6.3	6.3
F. Increase in reserves	**2.5**	**-2.3**	**11.4**	**2.9**	**11.4**	**11.4**	**8.2**	**8.4**	**1.1**	**2.1**	**5.4**	**1.5**	**1.0**	**1.8**	**6.1**	**4.1**	**7.1**
F. Errors and omissions	**2.7**	**0.8**	**2.0**	**2.1**	**2.8**	**4.4**	**0.0**	**1.4**	**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	57.3	65.5	65.5	66.6	68.7	74.1	75.5	76.6	78.4	84.5	88.5	95.7
Months of next year's imports of goods and services	4.4	3.8	5.0	4.6	5.7	5.6	7.0	6.6	6.9	6.9	7.2	6.9	6.6	6.4	6.6	6.6	6.7
Percent of the IMF composite (float)	104.3	106.6	126.8	122.4	134.7	129.3	131.1	129.0	128.9	123.4	124.5	120.9	117.1	114.8	118.6	118.8	124.5

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)[1/]

(Billions of Ukrainian Hryvnia)

	2021	2022	2023	2024	2025		2026		2027	2028	2029	2030	2031	2032	2033	2034	2035
	Act.	Act.	Act.	Act.	EFF Req	Act.	EFF Req	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Monetary survey																	
Net foreign assets	850	1,252	1,926	2,403	2,843	3,083	3,320	3,243	3,302	3,482	3,856	4,060	4,325	4,668	5,281	5,801	6,503
Net domestic assets	1,221	1,249	1,151	1,085	1,087	938	1,045	1,203	1,708	2,133	2,309	2,671	2,997	3,289	3,366	3,596	3,608
Domestic credit	1,925	2,212	2,248	2,492	2,589	2,372	2,504	2,383	3,285	3,780	4,044	4,401	4,781	5,190	5,627	6,528	7,614
Net claims on government	898	1,218	1,259	1,369	1,214	1,154	945	970	1,606	1,805	1,743	1,696	1,599	1,416	1,150	1,217	1,258
Claims on government	973	1,339	1,489	1,733	1,826	1,752	1,634	1,519	2,157	2,314	2,255	2,211	2,117	1,936	1,673	1,743	1,788
Liabilities on government	75	121	231	364	612	598	689	549	551	510	513	515	518	520	523	526	530
Credit to the economy	1,023	991	986	1,119	1,371	1,215	1,555	1,409	1,674	1,970	2,296	2,700	3,176	3,768	4,470	5,303	6,348
Domestic currency	731	725	733	854	1,109	911	1,293	1,409	1,674	1,970	2,296	2,700	3,176	3,768	4,470	5,303	6,348
Enterprises	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Households	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Nonbank financial institutions	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Foreign currency	292	266	253	265	262	303	262	0	0	0	0	0	0	0	0	0	0
Other claims on the economy	5	4	3	4	4	3	5	4	4	5	5	5	6	6	7	8	8
Other items, net	-704	-963	-1,097	-1,407	-1,501	-1,434	-1,460	-1,180	-1,577	-1,646	-1,735	-1,731	-1,784	-1,901	-2,261	-2,932	-4,007
Broad money	2,071	2,501	3,077	3,488	3,931	4,021	4,364	4,446	5,010	5,615	6,165	6,730	7,321	7,957	8,647	9,397	10,111
Currency in circulation	581	666	716	760	875	867	971	989	1,115	1,250	1,372	1,540	1,725	1,916	2,110	2,293	2,467
Total deposits	1,489	1,834	2,360	2,728	3,055	3,154	3,392	3,456	3,895	4,365	4,792	5,189	5,595	6,040	6,536	7,103	7,643
Domestic currency deposits	1,014	1,204	1,628	1,883	2,146	2,268	2,407	2,471	2,810	3,164	3,492	3,790	4,095	4,433	4,815	5,261	5,691
Demand deposits	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Of which : Time deposits	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Foreign currency deposits	474	630	732	844	909	886	985	985	1,084	1,202	1,301	1,400	1,501	1,607	1,720	1,842	1,951
Accounts of the NBU																	
Net foreign assets	701	907	1,456	1,801	2,439	2,460	2,933	2,949	3,136	3,409	3,859	4,145	4,469	4,859	5,511	6,041	6,755
Net international reserves	566	670	1,078	1,223	1,836	1,837	2,281	2,274	2,425	2,659	3,075	3,341	3,642	4,010	4,639	5,146	5,834
(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	624	652	674	711	750	784	804	827	848	873	895	921
Net domestic assets	-38	-115	-479	-749	-1,265	-1,286	-1,535	-1,524	-1,532	-1,611	-1,886	-1,954	-2,041	-2,185	-2,582	-2,858	-3,330
Net domestic credit	175	312	6	-62	-540	-497	-895	-1,025	-670	-718	-972	-1,115	-1,218	-1,324	-1,439	-1,137	-628
Net claims on government	270	704	591	450	289	244	200	282	268	298	284	270	257	243	230	216	201
Claims on government	325	758	729	716	703	700	691	688	676	665	654	643	632	621	610	599	588
Net claims on the economy	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net claims on banks	-95	-392	-585	-512	-829	-741	-1,094	-1,307	-938	-1,016	-1,256	-1,386	-1,475	-1,567	-1,669	-1,353	-829
Other items, net	-213	-427	-485	-687	-724	-789	-640	-499	-861	-894	-913	-838	-823	-861	-1,143	-1,720	-2,702
Base money	662	793	977	1,052	1,175	1,175	1,398	1,424	1,604	1,798	1,974	2,192	2,428	2,674	2,930	3,183	3,424
Currency in circulation	581	666	716	760	875	867	971	989	1,115	1,250	1,372	1,540	1,725	1,916	2,110	2,293	2,467
Banks' reserves	81	126	261	292	300	308	427	435	490	548	602	651	702	758	820	890	957
Cash in vault	47	49	48	63	52	59	68	70	78	88	97	105	113	122	132	143	154
Correspondent accounts	35	77	213	230	248	248	359	365	411	461	505	547	590	636	688	747	803
Deposit money banks																	
Net foreign assets	149	345	470	602	404	623	386	295	166	73	-3	-85	-144	-191	-230	-240	-251
Foreign assets	254	427	550	680	529	713	522	434	313	228	185	135	111	99	98	97	95
Foreign liabilities	105	82	80	78	125	90	135	139	147	155	189	221	255	290	329	337	347
Net domestic assets	1,339	1,489	1,890	2,125	2,651	2,531	3,005	3,161	3,728	4,292	4,795	5,274	5,739	6,230	6,765	7,342	7,893
Domestic credit	1,875	2,064	2,540	2,882	3,465	3,211	3,862	3,877	4,479	5,080	5,652	6,202	6,735	7,305	7,919	8,589	9,233
Net claims on government 1/	628	513	668	919	925	910	745	688	1,338	1,507	1,459	1,425	1,342	1,172	920	1,002	1,057
Credit to the economy	1,023	991	986	1,119	1,371	1,215	1,555	1,409	1,674	1,970	2,296	2,700	3,175	3,767	4,469	5,303	6,347
Other claims on the economy	5	3	3	4	4	3	5	4	4	5	5	5	6	6	7	8	8
Net claims on NBU	220	594	885	842	1,165	1,083	1,558	1,776	1,462	1,598	1,893	2,072	2,212	2,360	2,523	2,277	1,821
Banks' reserves	81	126	261	292	300	308	427	435	490	548	602	651	702	758	820	890	957
Other items, net	-536	-574	-650	-757	-814	-680	-857	-716	-751	-788	-857	-928	-996	-1,075	-1,154	-1,247	-1,341
Banks' liabilities	1,488	1,834	2,360	2,727	3,055	3,153	3,392	3,456	3,894	4,365	4,792	5,189	5,595	6,039	6,535	7,102	7,642
Memorandum items:																	
Base money	11.2	19.6	23.3	7.7	11.6	11.6	19.1	21.3	12.6	12.1	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	15.1	14.1	11.0	14.1	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	15.3	11.0	10.6	12.7	12.1	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	22.5	8.6	13.4	16.0	18.8	17.7	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	13.5	0.6	5.5	5.0	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	15.4	13.6	15.5	13.8	14.5	15.3	16.3	17.7	19.1	20.8	22.7	24.8	27.3
Velocity of broad money, ratio	2.6	2.1	2.2	2.2	2.3	2.2	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	3.3	3.4	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, 2026–35 (Baseline Scenario)

(In millions of SDR)

	2026 Proj.	2027 Proj.	2028 Proj.	2029 Proj.	2030 Proj.	2031 Proj.	2032 Proj.	2033 Proj.	2034 Proj.	2035 Proj.
Existing Fund credit										
Stock 1/	9,813	8,901	8,289	7,009	5,580	4,060	2,400	1,241	333	92
Obligations	2,048	1,401	1,056	1,671	1,740	1,767	1,856	1,305	1,016	326
Principal (repurchases)	1,498	913	612	1,280	1,428	1,521	1,660	1,158	909	241
Total charges	551	488	444	391	312	247	196	146	107	86
of which: Surcharges	121	95	75	51	15	0	0	0	0	0
of which: Level-based	88	69	54	37	11	0	0	0	0	0
of which: Time-based	33	26	20	14	4	0	0	0	0	0
Prospective purchases										
Disbursements	2,817	1,288	664	1,167	0	0	0	0	0	0
Stock 1/	1,710	2,998	3,662	4,829	4,787	4,448	3,922	3,266	2,461	1,657
Obligations 2/	24	123	191	240	332	599	710	786	908	882
Principal (repurchases)	0	0	0	0	42	339	526	656	805	805
Total charges	24	123	191	240	290	261	184	130	104	77
of which: Surcharges	7	53	85	106	131	104	39	4	0	0
of which: Level-based	5	38	62	77	95	75	38	4	0	0
of which: Time-based	2	14	23	29	36	28	2	0	0	0
Stock of existing and prospective Fund credit 1/	11,523	11,898	11,950	11,837	10,367	8,508	6,322	4,508	2,794	1,749
In percent of quota 2/	573	591	594	588	515	423	314	224	139	87
In percent of GDP	6.9	6.7	6.4	6.1	5.1	3.9	2.8	1.9	1.1	0.6
In percent of exports of goods and nonfactor services	25.9	24.4	22.0	19.8	15.8	11.9	8.1	5.3	3.0	1.8
In percent of gross reserves	24.2	24.6	24.0	22.1	19.0	15.4	11.2	7.4	4.4	2.5
In percent of public external debt	8.6	8.7	8.3	7.9	6.7	5.4	3.9	2.7	1.7	1.1
Obligations to the Fund from existing and prospective Fund credit	2,072	1,524	1,246	1,911	2,072	2,367	2,567	2,090	1,925	1,208
In percent of quota	103.0	75.8	61.9	95.0	103.0	117.6	127.6	103.9	95.7	60.1
In percent of GDP	1.2	0.9	0.7	1.0	1.0	1.1	1.1	0.9	0.8	0.4
In percent of exports of goods and nonfactor services	4.7	3.1	2.3	3.2	3.2	3.3	3.3	2.5	2.1	1.2
In percent of gross reserves	4.4	3.2	2.5	3.6	3.8	4.3	4.5	3.4	3.0	1.8

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: 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	1,521.1	55.0	88.5	552.9	Board approval of the EFF
June 1, 2026	503.0	692.1	25.0	80.0	556.3	First review and continuous and end-March 2026 performance criteria
September 1, 2026	503.0	692.4	25.0	105.0	565.7	Second review and continuous and end-June 2026 performance criteria
December 1, 2026	704.0	969.5	35.0	140.0	579.0	Third review and continuous and end-September 2026 performance criteria
June 1, 2027	643.8	887.1	32.0	92.0	583.0	Fourth review and continuous and end-March 2027 performance criteria
December 1, 2027	643.8	887.8	32.0	64.0	594.2	Fifth review and continuous and end-September 2027 performance criteria
June 1, 2028	322.0	444.4	16.0	48.0	599.1	Sixth review and continuous and end-March 2028 performance criteria
December 1, 2028	342.0	472.0	17.0	33.0	599.5	Seventh review and continuous and end-September 2028 performance criteria
June 1, 2029	543.2	750.6	27.0	44.0	599.6	Eighth review and continuous and end-March 2029 performance criteria
December 1, 2029	624.0	862.2	31.0	58.0	598.9	Ninth review and continuous and end-September 2029 performance criteria
Total	5,935.3		295.0			
Memorandum item:						
Quota	2,011.8					

Source: IMF staff calculations.

1/ Based on April 2026 WEO forecasts for quarterly average USD/SDR exchange rates over 2026-27 and annual average USD/SDR exchange rates over 2028-29.

Table 12. Ukraine: Quantitative Performance Criteria and Indicative Targets

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

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

Sources: Ukranian authorities and IMF staff estimates and projections.

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

2/ Targets and projections for 2026 and 2027 are cumulative flows from January 1, 2026, and 2027, respectively.

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

4/ From end of previous quarter.

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

6/ Excludes prospective IMF disbursements under the EFF.

Annex I. Risk Assessment Matrix

Source of risk, direction, and transmission channels	**Likeli-hood**	**Impact**	**Policy response if realized**
Geopolitical tensions/ intensification of conflicts (↓). The war in the Middle East has disrupted peace talks; may affect Ukraine's ability to procure equipment,; and could affect partners' bandwidth for assisting Ukraine. An intensification of the war in Ukraine could have severe humanitarian and economic effects.	High	High	In the near term, ensure that fiscal policies prudently reflect only major priorities, and avoid measures that amplify already overheated household consumption. Promptly implement reforms embedded in the conditionality for large-scale external financing to avoid delays in disbursements. If the shock persists past 2026, stand ready to deploy additional fiscal measures in the downside scenario (or additional contingency measures if tail risks materialize).
Reform Fatigue and policy uncertainty (↓). If slow reform progress persists, it could affect stability and growth prospects.	High	High	Improve relations with parliament to renew momentum, especially for actions agreed with partners. Avoid distortive and populist policies.
Delayed, declining, or lapsing in budget support financing (↓). Financing gaps would reopen if financing proves difficult to ratify or if the authorities fail to complete conditionality needed to unlock pending disbursements	Medium	High	Ensure an appropriate own contribution to burden sharing by implementing reforms, especially as regards domestic revenue mobilization. Take urgent action to complete reforms required to unlock pending external disbursements.
Social discontent (↓). Further scandals could trigger unrest, exacerbate the political situation, and disrupt the economy.	Medium	Medium	Promptly implement structural reforms and avoid policies that would damage confidence in the government or jeopardize the effectiveness of key independent corruption institutions.
Durable peace settlement in the near term (↑). An earlier end to the war would stop further damages and bring the recovery forward.	Low	High	Step up work on transition arrangements for a post martial law framework. Continue to implement policies consistent with maintaining stability and unwind crisis measures only when conditions are met.
Stronger post-war returns, TFP growth, and investment (↑). If realized, potential growth would rise above baseline's projections.	Low	High	Strong reform momentum, solid governance on reconstruction and recovery investment, and adequate social services will maximize the likelihood and persistence of this outcome

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 discussion with authorities. Risks may interact and materialize jointly.

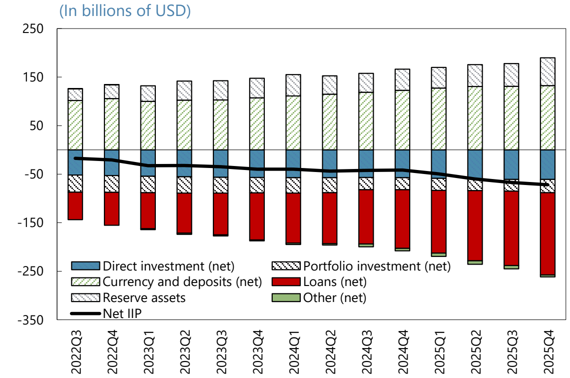
Annex II. External Sector Assessment

Overall Assessment: *Against the backdrop of the continuing war, the external position of Ukraine in 2025 was substantially weaker than the level implied by fundamentals and desirable policies in the medium term after an end to the war. Consistent with the large current account deficit in 2025, Ukraine's net international investment position deteriorated, and donor financing remained critical for supporting reserves. Public debt, of which 78 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. Projections for 2026 point to a continuing deterioration in the external sector with a larger current account deficit (excl. grants) and lower net international investment position, although reserves are expected to increase.*

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

Net International Investment Position
(In billions of USD)



Sources: National Bank of Ukraine and IMF staff calculations.

Background. Ukraine's negative net international investment position (NIIP) widened from US$41.6 billion (21.9 percent of GDP) in 2024 to US$71.8 billion (33.5 percent of GDP) in 2025 owing to a deficit in the current account (CA). This development manifested in an increase in loan liabilities, despite a build-up in reserve assets and net currency and deposits, reflecting strong donor support and higher private sector holdings of foreign currency cash amid war uncertainties. The corresponding increase in liabilities primarily reflects disbursements under the ERA initiative and EU support, as well as exchange rate valuation effects amid the weakening of the U.S. dollar. Gross assets stood at US$212 billion at end-2025, with currency and deposits accounting for the largest share (63 percent of gross assets). At US$283.9 billion, gross liabilities primarily comprised loan and FDI liabilities (82 percent of gross liabilities). Gross external debt stood at US$236.7 billion at end-2025 (111 percent of GDP), of which US$167 billion was held by the public sector. Relative to end-2024, gross external debt rose by US$56 billion driven by an increase in general government external loan liabilities, mostly to official creditors on concessional terms. In 2025, Ukraine received around US$50 billion in budget loan financing from bilateral and multilateral donors. Some 47.8 percent of Ukraine's gross external debt as of end-2025 was euro-denominated, while 38.1 percent was US$-denominated.

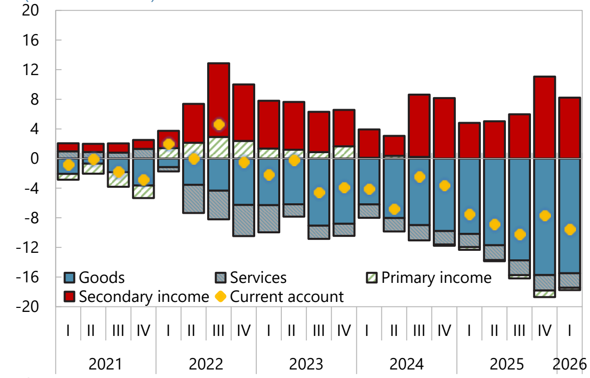
Assessment. Ukraine's negative NIIP widened in 2025, with loan liabilities accounting for the highest share of gross liabilities, although a large share is held by official creditors which has increased the concessionality of public debt, partly mitigating risks. The currency composition of gross external 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.

2025 (% GDP)	NIIP: -33.5	Gross Assets: 99.0	Loan Assets: 0.0	Gross Liabilities: 132.5	Loan Liabilities: 79.1

Current Account

Background. The CA deficit increased to 16 percent of GDP in 2025, from 8.9 percent of GDP in 2024, driven by a widening merchandise trade deficit and lower primary income. Despite broadly stable agriculture and metallurgy exports, the trade balance deteriorated, primarily driven by higher priority import needs for energy- and defense-related goods but also higher imports of small-value postal packages and electric vehicles. 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. While the negative public saving-investment balance remains the main driver of the CA deficit, a narrowing private balance has also contributed to its widening. Projections for 2026 point to a continued large CA deficit excluding grants.

Current Account by Components
(In Billions of USD)



Source: NBU.

Assessment. The ***CA approach*** finds that the cyclically-adjusted CA was -15.5 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 -5.5 percent of GDP. This yields a negative CA gap of 10 percent of GDP. The contribution of policy gaps is estimated at -2.8 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 broadly similar estimate of a CA gap of -6.1 percent, while the ***REER model*** estimates a positive CA gap of 2.5 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, 2025

	CA model 1/	**REER model** 1/ (in percent of GDP)	**ES model**
CA-Actual	**-16.0**		
Cyclical contributions (from model) (-)	-0.2		
Natural disasters and conflicts (-)	-0.3		
Adjusted CA	**-15.5**		
CA Norm (from model) 2/	**-5.5**		
Adjustments to the norm (+)	0.0		
Adjusted CA Norm	**-5.5**		
CA Gap	**-10.0**	**2.5**	**-6.1**
o/w Relative policy gap	-2.8		
Elasticity	-0.3		
REER Gap (in percent)	**34.2**	**-8.5**	**20.6**

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 2025 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 appreciated by 2.1 percent in 2025. The 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 34.2 percent. The ***ES approach*** conveys a broadly similar message: stabilizing Ukraine's NIIP at its 2025 level in the medium term would require a REER depreciation of 20.6 percent given the negative CA gap from the model. In contrast, the ***REER approach*** finds an undervaluation of 8.5 percent. In line with the preferred CA model, staff assesses that Ukraine's REER in 2025 was overvalued. However, there are large uncertainties around the model point estimates given the war context and implications on external sector developments.

Capital and Financial Accounts: Flows and Policy Measures

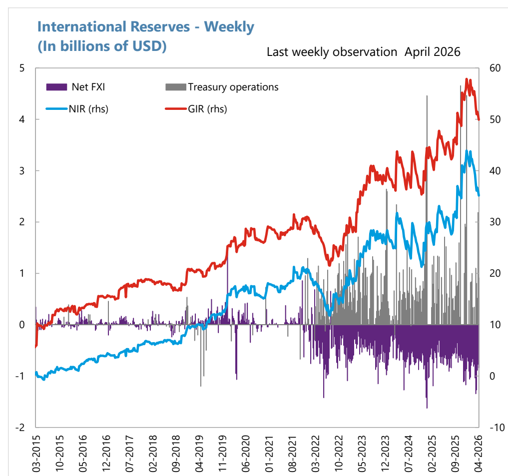
Background. Official donor financing accounted for the bulk of inflows to Ukraine in 2025, with on-budget loan financing equivalent to around 23 percent of GDP.

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$57.3 billion at end-2025 or 5.6 months of prospective goods and services imports and 129.3 percent of the ARA metric. As of end-April 2026, GIR declined to US$48.2 billion, primarily owing to backloaded disbursements and, to a lesser degree, to increased FX interventions.



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. Over January-April, net FX sales amounted to US$15.1 billion, higher than over the same period in 2025, driven by higher FX demand amid rising energy prices and uncertainties arising from the war in the Middle East. The NBU also intermediates the public sector's sizeable structural FX surplus. The FX market has remained sustainable, 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 March 2026.

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 3.0, October 2024 for further details on the model.

Annex III. Sovereign Risk and Debt Sustainability Analysis

This Annex provides an update to the Sovereign Risk and Debt Sustainability Analysis (SRDSA) published in February 2026. Debt remains unsustainable, and decisive steps are needed to restore debt sustainability, including: (i) completing the remainder of the restructuring strategy, including, if needed, deeper haircuts once the exceptionally high uncertainty is resolved; (ii) fiscal adjustment; and (iii) financing on sufficiently concessional terms during and after the program. The authorities and their creditors and donors remain committed to progress on these three fronts, so that debt is deemed sustainable on a forward-looking basis.

1. This annex updates the SRDSA produced for Ukraine's EFF request in February 2026. That SRDSA found an overall assessment of high risks, based on determinations of high risks at both the medium- and long-term horizons. These judgments were aligned with the results of the mechanical tools and reinforced by exceptionally high uncertainty. Debt was also assessed as unsustainable in the pre-restructuring scenarios. The updated SRDSA continues to find high risks, and that debt sustainability relies on finalizing all elements of the authorities' debt restructuring strategy. In addition to debt operations, the restoration of sustainability would also require substantial fiscal adjustment and exceptional financing from donors. The policy commitments under the program, including a commitment to a further restructuring as needed; assurances from official creditors; and a credible process for external debt restructuring of the remaining claims in the perimeter provide a basis for staff to assess debt as sustainable on a forward-looking basis.

2. The debt restructuring process continues. Following the signing in April 2026 of the MoU with the Group of Creditors of Ukraine (GCU) on an extension of the bilateral debt standstill, the authorities are in talks to finalize the implementing bilateral agreements with GCU members. The authorities are also in talks with holders of two commercial debts (Cargill loan, Ukrenergo Bond). Additional debt operations, including a second restructuring of commercial debts restructured in 2024–25, may be undertaken once the exceptionally high uncertainty is resolved.

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

- *Revisions to the macroeconomic outlook*: Staff has made modest adjustments since program approval; Staff expects real GDP to grow 1.0 percent in 2026, slower than at program approval, and 3.5 percent in 2027. Under the downside, growth is projected at 0.5 percent of GDP in both 2026 and 2027. Subsequent years remain little changed, and consistent with a measured reconstruction. Inflation has been revised up to reflect higher energy prices but will return to the inflation target by 2029.

- *Fiscal assumptions*: The fiscal path in 2026–27 has been revised substantially, as both the USL disbursements are being incorporated into the budget as grants instead of loans. As a result, the primary deficit under the baseline is now 6.3 percent of GDP in 2026 and -0.6 percent of GDP in 2027 (previously: 13.3 percent of GDP in 2026 and 14.1 percent of GDP in 2027). In the downside scenario, primary deficit is 8.6 percent of GDP in 2026 and 1.1 percent of GDP in 2027.

- *Financing assumptions*: Relative to the previous SRDSA, changes have been limited to revised domestic interest rates in response to higher near-term inflation. The baseline scenario reflects the current assumption on total official external financing, which now amounts to US$136.9 billion over 2026–29, including US$11.9 billion in ERA disbursements, US$116.5 billion in bilateral loans and grants (including USL budget support), and US$8.4 billion in multilateral financing. 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. Under the downside, Ukraine is assumed to be excluded from market access throughout the projection period. Ukraine also has significant deposit buffers (6 percent of GDP at end-2025) that would be partially utilized as the exceptionally high uncertainty is resolved as they constitute an alternative source of funding.

- *Debt perimeter and contingent liabilities*: This SRDSA reflects the authorities' end-2025 debt statistics, with some adjustments. The debt stock includes US$37 billion of ERA financing. Moreover, 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.[1] However, they continue to be a contingent liability risk, particularly in the event of an adverse judgement on the Eurobonds. The US budget support from the second half of 2024, which has not yet been formally cancelled under the provisions of the Ukraine Security Supplemental Appropriations Act, also continues to be treated as a contingent liability.[2]

Adjustments to Public Debt

	2025			
	UAH billion	USD billion	EUR billion	Percent of GDP
Authorities' debt statistics basis	9,043	213.3	182.2	101.2
Less: disputed debts	153	3.6	3.1	1.7
Less: EU ERA loans included in debt stock	899	21.2	18.1	10.1
Add: All G7 ERA loans included in debt stock	1,576	37.2	31.8	17.6
Cumulative disbursements over 2024-25	1,652	39.0	33.3	18.5
Less: Repayments through the ULCM	76	1.8	1.5	0.9
Equals: Public debt in the DSA	9,567	225.7	192.8	107.1
Memo: Public debt in the DSA ex. ERA	7,991	188.5	161.0	89.5

Sources: MOF and IMF staff calculations.

- *Debt and GFN trajectories*: The starting point for this SRDSA reflects the end-December 2025 level of public debt of around 107.1 percent of GDP, close to the projection at program approval. In both the baseline and downside pre-restructuring scenarios, the paths of the debt-to-GDP ratios follow a similar trajectory as in the last SRDSA—rising at first, before resuming a

[1] 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.

[2] 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 cancelation. No developments have occurred since the Seventh Review of the 2023 EFF to warrant a reclassification of the remainder.

downward trend over the medium run.[3] However, the level of debt is now lower, as the USL disbursements are treated as grants and are no longer recorded as loans, falling to 74.3 percent of GDP in 2036 under the baseline and 88.5 percent of GDP under the downside scenario.

4. Staff assesses that debt remains unsustainable in the pre-restructuring baseline and downside scenarios, and that risks are high.

- *Debt sustainability and medium-term risk signals*: Both the medium-term tools continue indicating risks at high levels, with mixed movements among the various components. The overall risk metrics from both tools are very high, and thus consistent with an asessment 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.

5. Staff continues to assess debt as sustainable in a forward-looking sense. As before, the restoration of debt sustainability depends on three ingredients: (i) fiscal adjustment; (ii) substantial concessional financing; and (iii) debt restructuring. With the implementation of the policies and commitments under the program, all three conditions would be met. First, the authorities' plans under the program incorporate a meaningful revenue-based fiscal adjustment, with measures to be implemented over the duration of the program, and they have made recent progress along these lines. Official bilateral donors have provided commitments of substantial financing on concessional terms, agreed to a debt standstill during the program, and provided assurances to restructure their claims before the final review of the program. Under the current pre-restructuring baseline scenario, debt excluding USL and ERA liabilities falls to 65.2 percent of GDP, significantly below the target of 68.0 percent of GDP, and GFNs in 2030–35 fall to 6.4 percent of GDP, below the target of 7.0 percent of GDP. However, this trajectory is subject to large risks. Under the downside, the mechanical tools indicate that there is a path to debt sustainability, although it would entail a considerable additional effort with deep haircuts on restructurable debt.

[3] Pre-restructuring scenarios reflect the 2022 standstill with a group of official bilateral creditors, including the latest extension according to the MoU signed in 2026. They also reflect the impact of commercial debt restructurings in 2024–25.

Table AIII. 1. Ukraine: Risk of Sovereign Stress

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

DSA Summary Assessment

Ukraine's debt continues to be assessed to be unsustainable pending full impelementation of the authorities' debt restructuring strategy. 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. 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. While targets are met in the pre-restructuring baseline, full implementation of the restructuring agenda, including the official sector standstill and restructuring of Cargill and Ukrenergo claims is needed to create additional buffers against shocks and close near-term financing gaps.

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 AIII. 2. Ukraine: Debt Coverage and Disclosures

						Comments
1. Debt coverage in the DSA: 1/	CG	GG	NFPS	CPS	Other	
1a. If central government, are non-central government entities insignificant?					n.a.	
2. Subsectors included in the chosen coverage in (1) above:						

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

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

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

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

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

Reporting on Intra-Government Debt Holdings

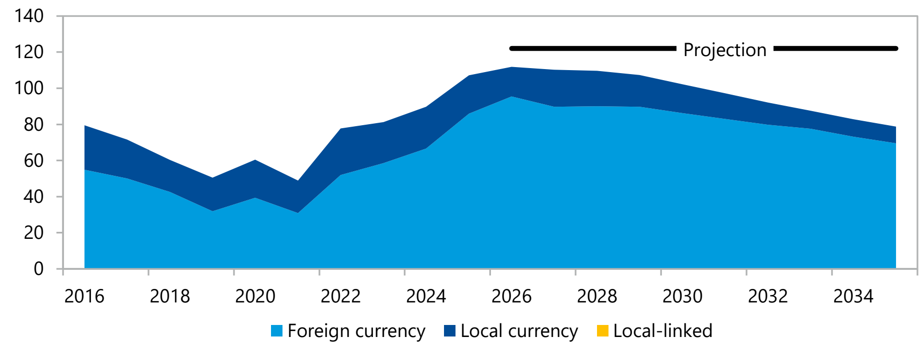
Issuer \ Holder		Budget. central govt	Extra-budget. funds	Social security funds	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
CPS / NFPS / GG: expected / CG	1 Budget. central govt									0
CPS / NFPS / GG: expected / CG	2 Extra-budget. funds									0
CPS / NFPS /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

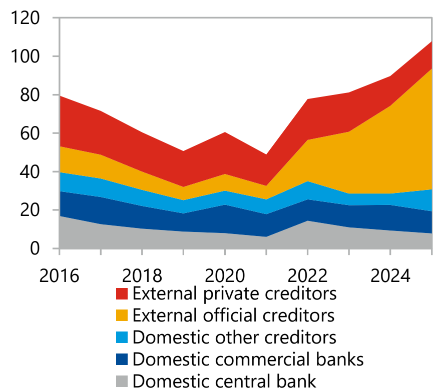
Table AIII. 3. Ukraine: Public Debt Structure Indicators—Baseline Scenario (pre-restructuring)

Debt by Currency (Percent of GDP)



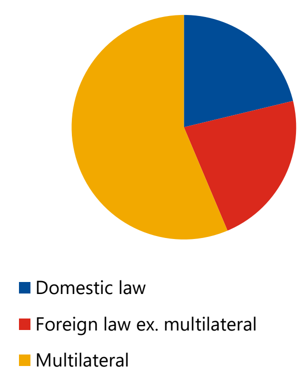
Note: The perimeter shown is general government.

Public Debt by Holder (Percent of GDP)



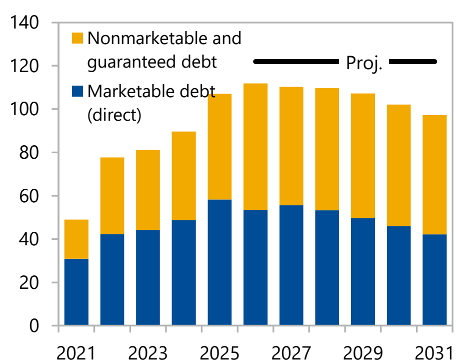
Note: The perimeter shown is general government.

Public Debt by Governing Law, 2025 (Percent)



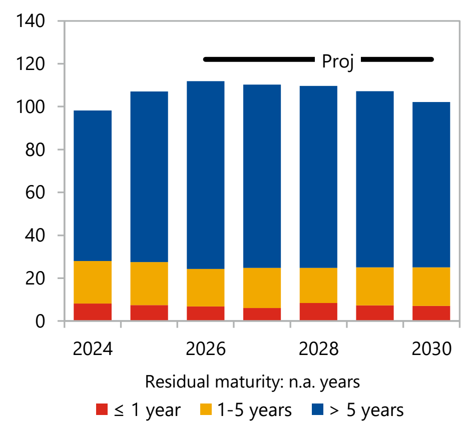
Note: The perimeter shown is general government.

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-2025, 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. Projections reflect the 2022 standstill with a group of official bilateral creditors, including the latest extension according to the MoU signed in 2026. The projections also reflect the commercial debt restructurings in 2024-25.

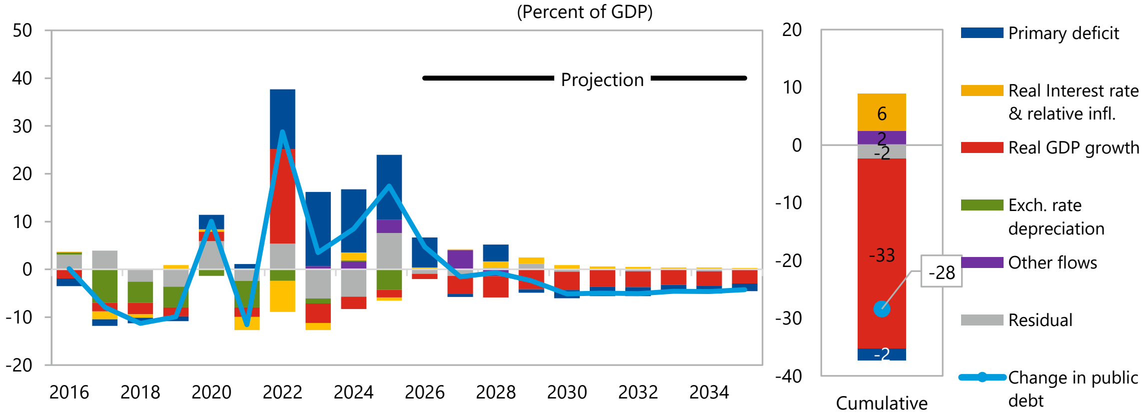
Table AIII. 4. Ukraine: Baseline Scenario (pre-restructuring)

(Percent of GDP Unless Indicated Otherwise)

	Est.	Medium-term projection						Extended projection				
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Public debt	107.1	111.8	110.3	109.6	107.3	102.1	97.2	92.1	87.6	82.9	78.7	74.3
Change in public debt	17.4	4.7	-1.5	-0.7	-2.4	-5.1	-4.9	-5.0	-4.6	-4.6	-4.2	-4.4
Contribution of identified flows	9.8	5.6	-0.2	-1.0	-3.6	-4.7	-4.9	-4.6	-4.5	-4.3	-4.1	-4.3
Primary deficit	13.6	6.3	-0.6	3.5	-0.7	-1.7	-1.9	-1.9	-1.7	-1.7	-1.6	-1.5
Noninterest revenues	56.6	66.5	63.1	44.8	43.7	42.7	42.5	42.4	42.3	42.2	42.1	42.0
Noninterest expenditures	70.2	72.8	62.5	48.3	42.9	41.0	40.6	40.6	40.6	40.5	40.5	40.5
Automatic debt dynamics	-6.5	-0.7	-3.6	-3.1	-2.8	-2.9	-2.9	-2.8	-2.7	-2.6	-2.5	-2.7
Real interest rate and relative inflation	-0.7	0.3	0.2	1.4	1.3	0.9	0.6	0.5	0.4	0.4	0.3	-0.1
Real interest rate	-7.1	-7.1	-5.8	-2.9	-1.3	-1.7	-1.8	-1.8	-1.8	-1.8	-1.7	-2.0
Relative inflation	6.5	7.4	6.0	4.2	2.6	2.6	2.4	2.3	2.2	2.2	2.1	2.0
Real growth rate	-1.6	-1.1	-3.8	-4.4	-4.1	-3.8	-3.5	-3.3	-3.1	-3.0	-2.8	-2.7
Real exchange rate	-4.3	...	...	...	...	...	...	...	...	...	...	...
Other identified flows	2.8	0.1	4.0	-1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contingent liabilities and other transactions	0.3	0.0	4.1	0.0	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	2.4	0.1	-0.1	-1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution of residual	7.6	-0.9	-1.4	0.3	1.2	-0.5	-0.1	-0.4	-0.1	-0.4	-0.1	-0.1
Gross financing needs	24.6	17.9	13.0	13.0	10.7	8.3	7.6	6.5	5.2	5.7	5.2	4.7
of which: debt service	10.7	11.6	9.6	9.5	11.5	10.0	9.5	8.3	7.0	7.4	6.8	6.2
Local currency	8.3	8.5	5.7	6.9	7.8	6.4	5.9	5.1	4.4	3.1	2.6	2.7
Foreign currency	2.4	3.1	3.9	2.6	3.6	3.6	3.6	3.2	2.6	4.2	4.1	3.5
Memo:												
Real GDP growth (percent)	1.8	1.0	3.5	4.2	3.9	3.7	3.6	3.5	3.5	3.5	3.5	3.5
Inflation (GDP deflator; percent)	14.5	13.0	9.5	7.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Nominal GDP growth (percent)	16.6	14.1	13.3	11.5	9.1	8.9	8.8	8.7	8.7	8.7	8.7	8.7
Effective interest rate (percent)	5.2	5.4	3.6	4.1	3.7	3.3	3.1	3.0	2.8	2.8	2.7	2.2

Contribution to Change in Public Debt

(Percent of GDP)

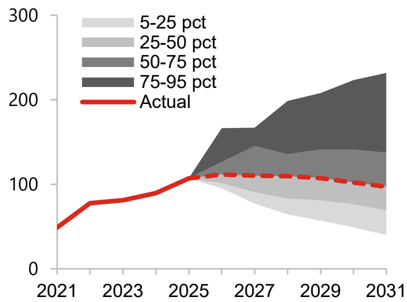


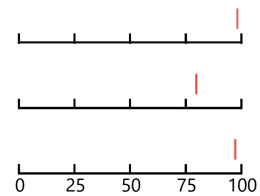
Ukraine's public debt continued to rise in 2025 and further increases are expected through 2026, given large deficits. After the war winds down, an expected recovery arising from improving macroeconomic conditions and confidence will lead to a downward trajectory over the the forecast horizon. The downtrend 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, including the latest extension according to the MoU signed in 2026. Projections also reflect the impact of commercial debt restructurings in 2024-25.

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

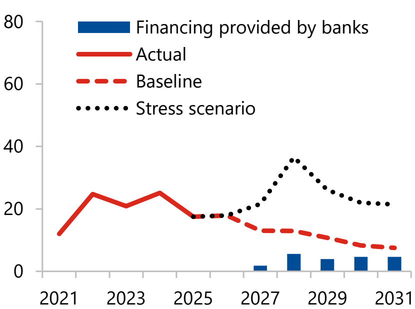
	Value	Contrib [1/]	Percentile in peer group [2/]
Debt fanchart module			
Fanchart width *(percent of GDP)*	191.4	2.8	
Probability of debt non-stabilization *(percent)*	19.2	0.2	
Terminal debt-to-GDP x institutions index	66.0	1.4	
Debt fanchart index (DFI)		4.4	
Risk signal: [3/]		**High**	
Gross financing needs (GFN) module			
Average baseline GFN *(percent of GDP)*	11.7	4.0	
Banks' claims on the gen govt *(pct bank assets)*	24.8	8.0	
Chg. In banks' claims in stress *(pct banks' assets)*	28.5	9.5	
GFN financeability index (GFI)		21.6	
Risk signal: [4/]		**High**	

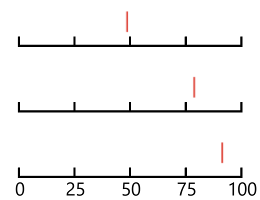
Final Fanchart (Pct of GDP)





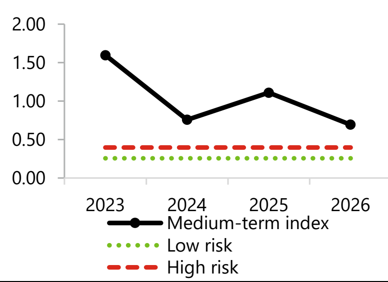
Gross Financing Needs (Pct of GDP)





Banking crisis Commodity prices Exchange rate Contingent liab. Natural disaster

Medium-Term Index (Index Number)



Medium-term risk analysis

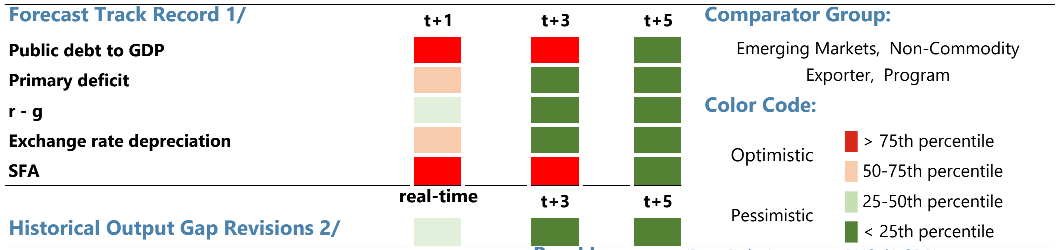
	Value	Norm. Value	Weight	Contrib-ution
Debt fanchart index	4.4	0.97	0.50	0.49
GFN financeability index	21.6	0.41	0.50	0.21
Medium-term index		0.7		
Risk signal: 5/	**High**			
Final assessment:	**High**			

Prob. of missed crisis, 2026-2031, if stress not predicted: 81.8 pct.
Prob. of false alarms, 2026-2031, if stress predicted: 2.3 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 2025 value. Overall, the medium-term index continues being consistent with high risk in line with the mechanical signals from both tools.

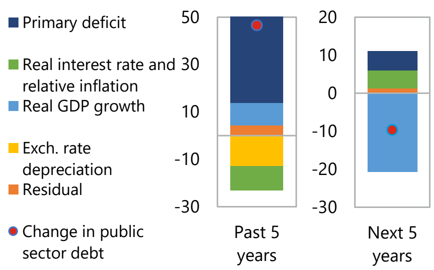
Source: IMF staff estimates and projections.
1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.
2/ The comparison group is emerging markets, non-commodity exporter, program.
3/ The signal is low risk if the DFI is 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 AIII. 6. Ukraine: Realism of Assumptions—Baseline Scenario (pre-restructuring)

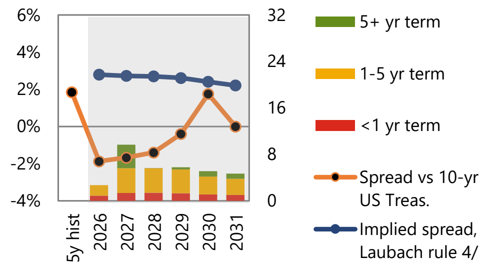


Public Debt Creating Flows

(Percent of GDP)

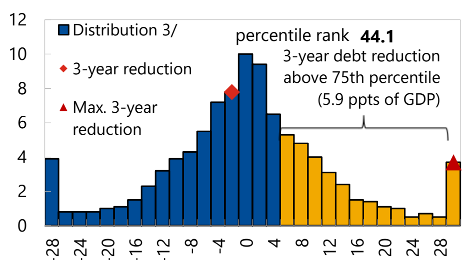


Bond Issuances (Bars, Debt Issuances (RHS, % GDP); Lines, Avg Marginal Interest Rates (LHS, Percent))

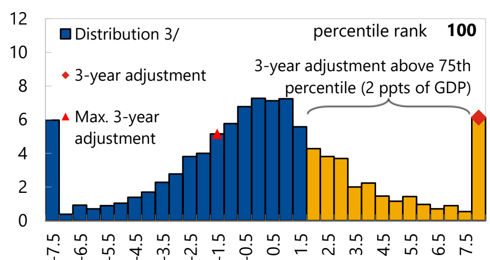


3-Year Debt Reduction

(Percent of GDP)

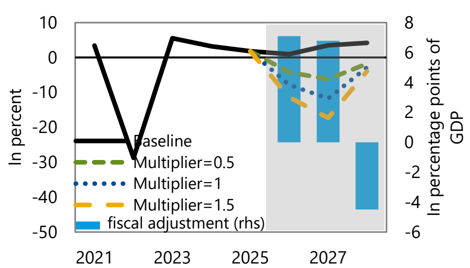


3-Year Adjustment in Cyclically-Adjusted Primary Balance (Percent of GDP)



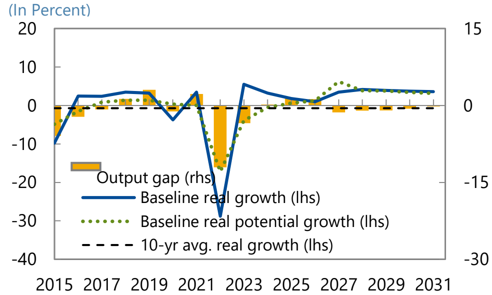
Fiscal Adjustment and Possible Growth Paths

(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.

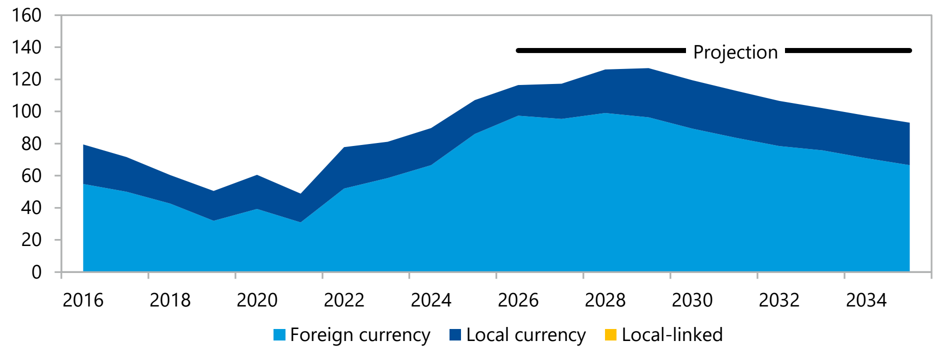
2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates and final estimates in the latest October WEO) in the total distribution of revisions across the data sample.

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.

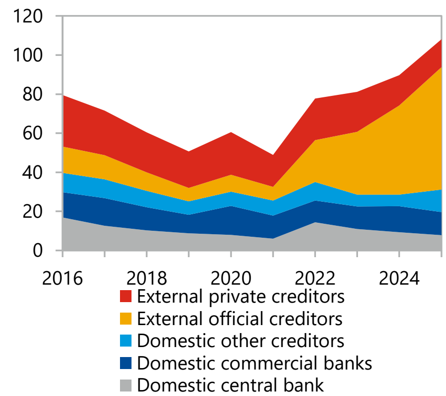
Table AIII. 7. Ukraine: Public Debt Structure Indicators—Downside Scenario (pre-restructuring)

Debt by Currency (Percent of GDP)



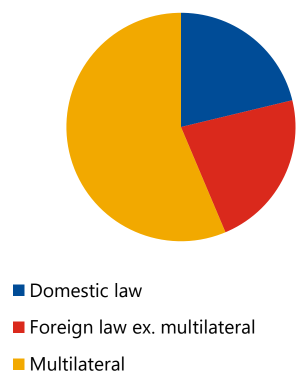
Note: The perimeter shown is general government.

Public Debt by Holder (Percent of GDP)



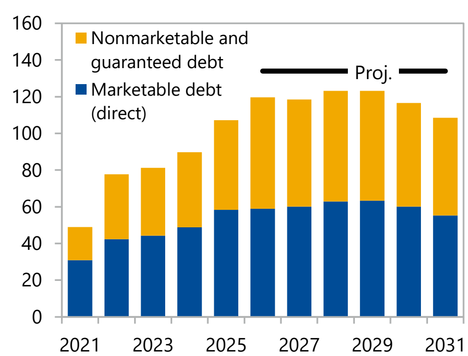
Note: The perimeter shown is general government.

Public Debt by Governing Law, 2025 (Percent)



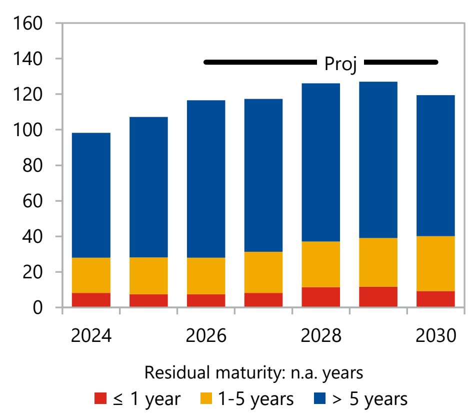
Note: The perimeter shown is general government.

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-2025, 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. Projections reflect the 2022 standstill with a group of official bilateral creditors, including the latest extension according to the MoU signed in 2026. Projections also reflect the impact of commercial debt restructurings in 2024-25.

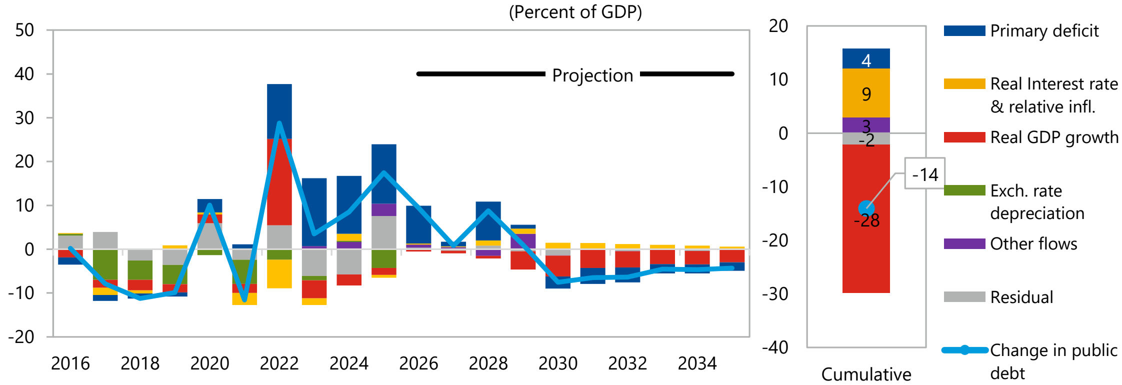
Table AIII. 8. Ukraine: Downside Scenario (pre-restructuring)

(Percent of GDP Unless Indicated Otherwise)

	Est.	Medium-term projection						Extended projection				
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Public debt	107.1	116.5	117.3	126.1	127.0	119.5	113.0	106.6	102.1	97.4	93.1	88.5
Change in public debt	17.4	9.4	0.8	8.8	0.9	-7.5	-6.5	-6.4	-4.5	-4.7	-4.3	-4.6
Contribution of identified flows	9.8	9.0	1.1	7.9	1.4	-6.1	-6.4	-6.0	-4.4	-4.3	-4.2	-4.5
Primary deficit	13.6	8.6	1.1	8.9	0.9	-2.8	-3.6	-3.4	-2.1	-2.0	-2.0	-1.8
Noninterest revenues	56.6	66.7	61.9	46.3	45.0	45.1	44.8	44.6	43.3	43.2	43.1	43.0
Noninterest expenditures	70.2	75.3	63.0	55.2	45.9	42.3	41.2	41.2	41.2	41.2	41.1	41.1
Automatic debt dynamics	-6.5	-0.3	-0.4	0.6	-3.0	-3.3	-2.7	-2.6	-2.3	-2.2	-2.2	-2.6
Real interest rate and relative inflation	-0.7	0.2	0.2	1.2	1.2	1.4	1.4	1.2	1.0	0.8	0.6	0.1
Real interest rate	-7.1	-7.6	-7.1	-5.1	-3.8	-2.1	-1.1	-1.2	-1.2	-1.3	-1.4	-1.8
Relative inflation	6.5	7.8	7.4	6.3	5.0	3.6	2.5	2.4	2.2	2.1	2.0	1.9
Real growth rate	-1.6	-0.5	-0.6	-0.6	-4.1	-4.8	-4.2	-3.7	-3.3	-3.1	-2.8	-2.7
Real exchange rate	-4.3	…	…	…	…	…	…	…	…	…	…	…
Other identified flows	2.8	0.7	0.5	-1.5	3.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contingent liabilities and other transactions	0.3	0.0	0.0	0.0	3.6	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	2.4	0.7	0.5	-1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution of residual	7.6	0.4	-0.3	0.8	-0.5	-1.4	-0.1	-0.4	-0.1	-0.4	-0.1	-0.1
Gross financing needs	24.6	20.3	12.0	21.0	19.6	13.2	10.3	9.6	9.1	10.5	9.9	9.0
of which: debt service	10.7	11.7	10.9	12.1	15.2	15.9	13.9	13.0	11.2	12.5	11.9	10.8
Local currency	8.3	8.6	6.8	9.3	11.2	12.1	10.1	9.7	8.6	8.1	7.6	7.2
Foreign currency	2.4	3.1	4.1	2.8	4.0	3.9	3.8	3.3	2.6	4.4	4.3	3.6
Memo:												
Real GDP growth (percent)	1.8	0.5	0.5	0.5	3.4	3.9	3.6	3.4	3.2	3.1	3.0	3.0
Inflation (GDP deflator; percent)	14.5	13.5	10.8	9.0	7.5	6.0	5.0	5.0	5.0	5.0	5.0	5.0
Nominal GDP growth (percent)	16.6	14.1	11.4	9.5	11.2	10.1	8.8	8.6	8.4	8.3	8.1	8.1
Effective interest rate (percent)	5.2	5.4	4.0	4.2	4.1	4.1	4.0	3.9	3.7	3.6	3.4	2.9

Contribution to Change in Public Debt

(Percent of GDP)



Ukraine's public debt continued to rise in 2025 and further increases are expected through 2029, given large deficits through 2028 and assuming materialization of contingent liabilities in 2029. 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, including the latest extension according to the MoU signed in 2026. Projections also reflect the impact of commercial debt restructurings in 2024-25.

Table AIII. 9. Ukraine: Risk of Sovereign Stress—Downside Scenario (pre-restructuring)

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. 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. Debt sustainability on a forward-looking basis under the downside is contingent on strong fiscal policy commitments, financing assurances, and specific and credible assurances of debt relief, including a potential additional restructuring before the end of the program (as noted in the MEFP ¶42).

Source: Fund staff.

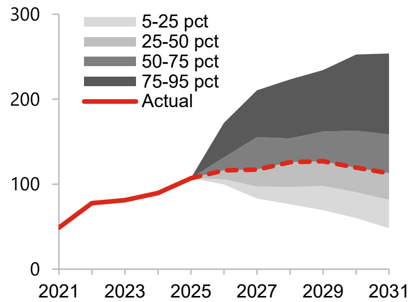
Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that 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.

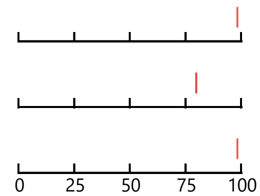
Table AIII.10. Ukraine: Medium-term Risk Assessment—Downside Scenario (pre-restructuring)

Final Fanchart (Pct of GDP)



Debt fanchart module

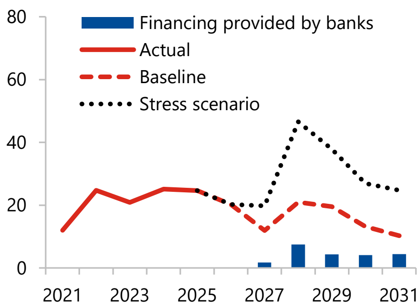
Fanchart width *(percent of GDP)*	205.4	3.0
Probability of debt non-stabilization *(percent)*	18.1	0.2
Terminal debt-to-GDP x institutions index	76.6	1.7



Debt fanchart index (DFI) 4.8

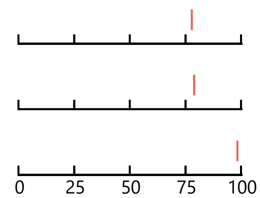
Risk signal: [3/] **High**

Gross Financing Needs (Pct of GDP)



Gross financing needs (GFN) module

Average baseline GFN *(percent of GDP)*	16.1	5.5
Banks' claims on the gen govt *(pct bank assets)*	24.8	8.0
Chg. In banks' claims in stress *(pct banks' assets)*	45.4	15.2

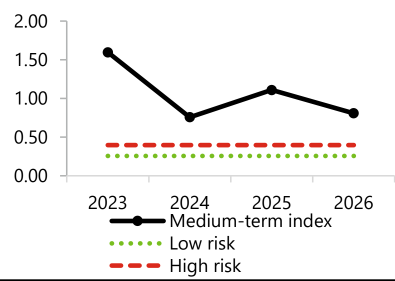


GFN financeability index (GFI) 28.7

Risk signal: [4/] **High**

Banking crisis Commodity prices Exchange rate Contingent liab. Natural disaster

Medium-Term Index (Index Number)



Medium-term risk analysis

	Value	Norm. Value	Weight	Contrib-ution
Debt fanchart index	4.8	1.07	0.50	0.53
GFN financeability index	28.7	0.55	0.50	0.28
Medium-term index		0.8		
Risk signal: 5/	**High**			
Final assessment:	**High**			

Prob. of missed crisis, 2026-2031, if stress not predicted: 90.9 pct.
Prob. of false alarms, 2026-2031, if stress predicted: 0.0 pct.

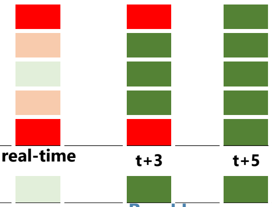
Both medium-term modules signal high sovereign stress risks in the baseline scenario. The DFI remains deeply in high-risk territory. The GFI also still indicates high liquidity-related risks, reflecting projections of still-elevated average GFN-to-GDP ratios and large changes in bank claims on the government 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 2025 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 AIII. 11. Ukraine: Realism of Assumptions—Downside Scenario (pre-restructuring)

Forecast Track Record 1/

	t+1	t+3	t+5
Public debt to GDP			
Primary deficit			
r - g			
Exchange rate depreciation			
SFA			
	real-time	**t+3**	**t+5**
Historical Output Gap Revisions 2/			



Comparator Group:

Emerging Markets, Non-Commodity Exporter, Program

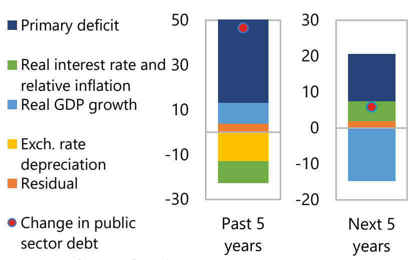
Color Code:

Optimistic
- > 75th percentile
- 50-75th percentile

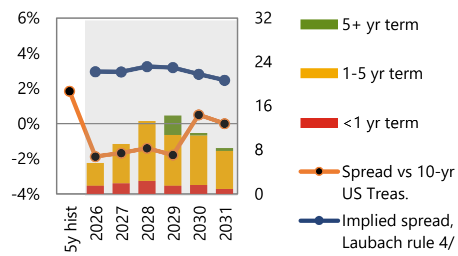
Pessimistic
- 25-50th percentile
- < 25th percentile

Public Debt Creating Flows

(Percent of GDP)

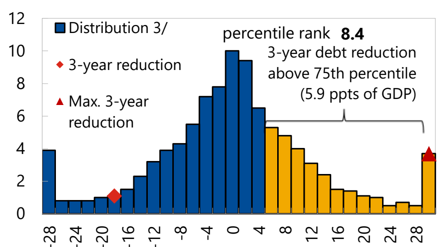


Bond Issuances (Bars, Debt Issuances (RHS, % GDP); Lines, Avg Marginal Interest Rates (LHS, Percent))

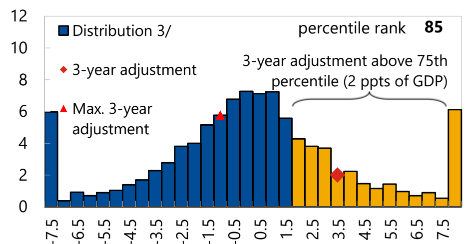


3-Year Debt Reduction

(Percent of GDP)

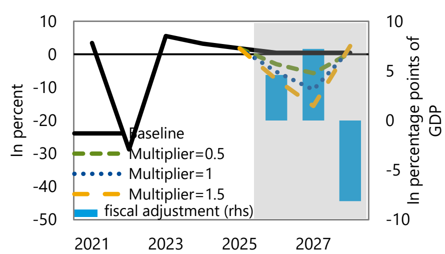


3-Year Adjustment in Cyclically-Adjusted Primary Balance (Percent of GDP)



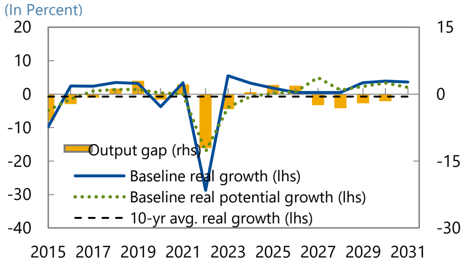
Fiscal Adjustment and Possible Growth Paths

(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.

Annex IV. Implementation of Past Article IV Recommendations

Recommendation	Implementation
Maintain fiscal discipline	Strict adherence to fiscal targets under the 2023 EFF and the successor arrangement.
Domestic revenue mobilization: Finalize and implement the National Revenue Strategy	Tax-to-GDP increased from 32.3 percent in 2023 to 36.4 percent in 2025, albeit partly driven by a one-off tax on bank profits. The National Revenue Strategy has been operationalized, though implementation has slowed recently.
Take necessary steps to restore debt sustainability	Debt operations with commercial creditors have been implemented. External borrowing has been predominantly on highly concessional terms.
Monetary and exchange rate policy: Adhere to flexible inflation targeting, with managed exchange rate flexibility, while boosting reserves.	Prudent monetary policy has helped stabilize inflation. That said, the exchange rate remains a tool for price stability, limiting its role in guiding relative prices. Supported by donor disbursements, reserves increased by US$10 billion from end-2023 to end-2025.
Financial sector: Bank diagnostics, reforms to banking oversight, strengthening SOB governance	Actions have been taken to preserve financial stability and improve governance, including through resilience assessments, alignment of regulatory standards with EU norms, and a revised SOB Nominations Committee framework. Nevertheless, gaps remain.
Public investment management (PIM): Increase the efficiency of public investment and enhance the prioritization of projects	The authorities have developed and are rolling out a comprehensive PIM reform, with uniform standards for project preparation, appraisal, selection, monitoring, and evaluation. Remaining gaps include a lack of strategic planning.
Enable the business environment	The process for obtaining licenses and permits has been streamlined, including through digitalization. The Authorized Economic Operator program for customs and the "White Business" list for tax have reduced compliance costs for businesses in good standing. Even so, the business environment remains challenging, including due to persistently high tax compliance costs and weaknesses in the rule of law.
Advance a comprehensive anti-corruption agenda.	Since 2023, steps have been taken to strengthen the institutional independence of SAPO, asset declarations have been restored, and reforms to improve the quality and independence of judiciary have continued. Reboots of the ESBU and State Customs Service are underway. Even so, the overall governance reform momentum has slowed, and in 2025 the authorities attempted to weaken the independence of NABU and SAPO.

Annex V. Downside Scenario

1. The downside scenario continues to envisage a security situation where the war gradually turns into a frozen conflict by end-2028, with longer and deeper economic scarring. Recent developments continue to support the approach taken at program approval, whereby the war broadly continues at a similarly high level of intensity as in the period leading up to the program's approval. Moreover, the start of the war in the Middle East suggests weaker prospects for a peace settlement in the near term and the risk of the war continuing into 2027. Thus, in staff's view, it remains appropriate for the downside to illustrate the implications of the security situation remaining unresolved for the maximum duration where the authorities can still implement the policies needed for the program to deliver its objectives of restoring debt sustainability and medium-term external viability.

2. Changes to the downside since program approval are modest. Updates reflect newly available information, especially on the USL's defense support, the effects of the war in the Middle East, and pushing back the downside shock's materialization to 2026H2. To ensure an adequate separation between the two program scenarios, where possible, the modest upside from the aligning the first half of 2026 has been partly offset by assuming stronger impacts of shocks arising from the war in 2028. Overall, the key changes include:

- *Activity*: The current downside has been revised down relative to the program request's downside this year and next, parallel to the revision to the baseline. Thereafter, the growth projection for 2028 has been left broadly unchanged. Over the outer years of the horizon, the updated downside continues to assume only a partial and short-lived rebound in 2029, when the security situation will have sufficiently stabilized for the authorities to implement the policies consistent with restoring debt sustainability and medium-term external viability. Nevertheless, the economic scarring in the form of lower refugee returns and slower investment adversely affects potential growth, and the economy thus persistently grows at slower rates than in the baseline.

- *Inflation*: As in the baseline, inflation has been revised up for 2026 due to the impact of the war in the Middle East. Thereafter, inflation continues to remain well above the baseline due to continuing supply shocks and rapid wage growth from persistent skills shortages. However, inflation returns to a downward path as the security situation begins to stabilize and the NBU's 5 percent target is reached in 2030.

- *Balance of payments and reserves*: The current account deficit excluding grants in 2026 has been downgraded, mirroring the baseline revision, reflecting the impact of the war in the Middle East as well as higher defense imports. Although the current account excluding grants begins to improve slowly from 2028, the persistence of the security shock continues to drive high import needs and thus wide deficits until they reach more normal levels at the end of the forecast horizon. Consequently, with these needs and only the exceptional financing available to fill the higher external financing gap, the path of reserves remains persistently lower than in the baseline, albeit only modestly different from the downside scenario in the program request.

- *Money and credit*: With the security situation driving a dearth of investable projects, private credit growth remains low before gradually recovering over the medium term. As has been the case since the start of the full-scale war, high bank liquidity would persist, and is assumed to be absorbed by CDs at the NBU and holdings of government securities (see below).

3. The downside scenario's shock continues to be mainly of a fiscal nature, entailing significantly higher security expenditures and some countervailing policy adjustment:

- *Expenditures:* Despite the removal of downside expenditures assumed in 2026H1, overall expenditures in 2026 have been revised up relative to the program request. This revision reflects the USL's defense leg, which has been incorporated in a parallel manner to the baseline. These additional expenditures also carry over into 2027, thus resulting in a substantial upward adjustment in the next year. Thereafter, expenditures wind down to levels observed in the baseline, broadly in line with the program request's downside.

- *Revenues:* As with the program request's downside, this update assumes that the authorities will maintain adequate revenues and implement measures, notwithstanding the ongoing security shock. Thus, as before, the authorities are expected to deliver a stable tax-to-GDP ratio, reaching 39.4 percent of GDP—above the levels observed in the baseline through implementation of their commitment to a contingent increase in the main VAT rate.

- *Deficits and financing:* During the period of the unresolved security situation, deficits remain very wide and exceed levels observed in the baseline. The additional defense financing that has been added absorbs most of the incremental increase in the deficit over 2026–27. However, as before, the downside assumes that the authorities finance wider fiscal deficits in the downside by (i) obtaining sizable exceptional external financing by obtaining large-scale flow relief from substantially deeper debt restructuring (see Annex III) and (ii) by mobilizing additional resources on the domestic government securities market.

4. The authorities stand ready to deploy additional contingent policy measures in case of scenarios worse than the downside. As before, the menu of policy reactions could be wide-ranging, covering the following expenditure, revenue, and financing measures:

- *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 reducing some recent social spending initiatives.

- *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 severely 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 would 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, 2021–35 (Downside Scenario)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
	Act.	Act.	Act.	Act.	Act.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Real economy (percent change, unless otherwise indicated)															
Nominal GDP (billions of Ukrainian hryvnias) 1/	5,451	5,239	6,628	7,662	8,931	10,188	11,344	12,427	13,813	15,214	16,549	17,967	19,469	21,077	22,794
Real GDP 1/	3.4	-28.8	5.5	3.2	1.8	0.5	0.5	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	9.8	2.9	1.6	0.4	-1.5	0.6	1.7	3.4	3.0	3.0	2.9
Private consumption	5.0	-19.0	2.8	5.2	4.7	1.7	1.0	1.2	2.2	2.0	2.2	2.6	2.3	2.3	2.2
Public consumption	0.2	5.6	3.7	-1.7	2.1	0.6	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	3.0	0.6	0.6	0.7	1.1	1.2	0.8	0.8	0.7	0.7	0.7
Net exports	-9.1	-9.8	-6.7	-3.3	-8.0	-2.4	-1.1	0.1	4.9	3.3	1.9	0.0	0.2	0.1	0.1
GDP deflator	24.8	34.9	19.9	12.0	14.5	13.5	10.8	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	9.2	11.3	8.9	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	12.5	10.0	8.0	7.0	5.0	5.0	5.0	5.0	5.0	5.0
Nominal wages (average)	20.9	4.5	17.4	23.2	22.6	19.4	15.3	11.2	9.8	8.7	7.9	8.4	8.3	8.1	8.1
Real wages (average)	10.5	-13.0	4.0	15.7	8.7	9.4	3.6	2.1	2.2	2.6	2.8	3.2	3.1	3.0	3.0
Savings (percent of GDP)	11.7	16.0	12.1	10.3	4.8	9.4	14.8	8.6	12.9	15.9	17.0	17.7	17.9	18.9	14.5
Private	11.9	29.1	26.8	22.2	17.3	19.2	15.9	17.5	13.6	12.6	12.1	12.3	13.3	14.1	14.4
Public	-0.2	-13.1	-14.6	-11.8	-12.5	-9.9	-1.1	-8.9	-0.8	3.3	4.9	5.5	4.6	4.8	0.1
Investment (percent of GDP)	14.5	12.1	18.1	19.2	20.8	23.0	23.0	23.8	24.3	24.9	25.0	24.8	24.5	24.2	18.8
Private	10.7	9.6	13.4	13.9	15.6	19.2	19.0	19.6	19.8	20.1	19.9	19.6	19.3	19.1	18.8
Public	3.8	2.5	4.7	5.4	5.1	3.9	4.0	4.3	4.5	4.8	5.1	5.2	5.2	5.2	0.0
General Government (percent of GDP)															
Fiscal balance 2/	-4.0	-15.6	-19.3	-17.2	-17.6	-13.7	-5.1	-13.2	-5.2	-1.5	-0.2	0.3	-0.6	-0.4	0.1
Fiscal balance, excl. grants 2/	-4.0	-24.8	-25.8	-23.1	-23.5	-23.5	-20.7	-17.6	-8.5	-4.9	-3.4	-2.7	-2.3	-2.0	-1.5
External financing (net)	2.5	10.7	16.2	15.0	17.9	13.9	1.5	4.9	2.7	-0.4	-0.6	-0.5	1.2	-0.7	-0.9
Domestic financing (net), of which:	1.5	5.0	3.1	2.1	-0.3	-0.6	2.8	7.5	0.6	0.5	-0.8	-1.3	-1.5	-1.8	-2.4
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	2.4	0.2	3.4	6.0	0.5	0.4	-0.9	-1.4	-1.5	-1.8	1.0
Public and publicly-guaranteed debt	48.9	77.7	81.2	89.7	107.1	116.5	117.3	126.1	127.0	119.5	113.0	106.6	102.1	97.4	93.1
Money and credit (end of period, percent change)															
Base money	11.2	19.6	23.3	7.7	11.6	19.9	14.7	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	15.3	12.0	12.0	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	8.6	17.0	16.0	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	3.9	-5.9	-8.9	-16.0	-13.6	-8.2	-15.2	-11.4	-9.1	-8.0	-7.0	-6.6	-5.4	-4.3
Foreign direct investment	3.7	0.0	2.4	1.9	1.2	1.1	1.9	3.5	4.4	6.0	5.8	5.5	5.2	5.2	5.2
Gross reserves (end of period, billions of U.S. dollars)	30.9	28.5	40.5	43.8	57.3	60.8	56.1	47.4	47.2	47.3	48.8	51.4	57.1	67.6	82.7
Months of next year's imports of goods and services	4.4	3.8	5.0	4.6	5.4	5.7	5.3	4.7	4.5	4.3	4.2	4.3	4.5	5.0	5.9
Percent of the IMF composite metric (float)	104.3	106.6	126.8	122.4	129.3	120.0	108.4	85.2	79.5	76.9	76.7	78.4	83.8	95.2	113.6
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/ DGDP is compiled as per SNA 2008 and excludes territories that are or were in direct combat zones and temporarily occupied by Russia (consistent with the TMU). 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 AV.2a. Ukraine: General Government Finances, 2021-35 (Downside Scenario)[1/]

(Billions of Ukrainian Hryvnia)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
	Act.	Act.	Act.	Act.	Act.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue	1,990	2,609	3,583	4,140	5,055	6,793	7,026	5,750	6,221	6,858	7,421	8,017	8,429	9,101	9,820
Tax revenue	1,825	1,782	2,139	2,658	3,250	3,906	4,451	4,898	5,445	5,994	6,519	7,074	7,664	8,297	8,975
Tax on income, profits, and capital gains	514	551	656	883	1,101	1,275	1,456	1,612	1,797	1,974	2,136	2,324	2,526	2,733	2,956
Personal income tax	350	421	496	584	793	920	1,060	1,178	1,315	1,444	1,558	1,698	1,847	1,998	2,161
Corporate profit tax	164	131	159	299	308	355	396	433	482	531	577	627	679	735	795
Social security contributions 2/	358	430	489	556	713	793	914	1,016	1,130	1,243	1,341	1,462	1,583	1,712	1,852
Property tax	43	37	44	50	59	75	83	91	101	111	121	131	142	154	167
Tax on goods and services	731	592	784	989	1,185	1,469	1,678	1,838	2,042	2,252	2,455	2,661	2,886	3,138	3,405
VAT	536	467	581	734	849	1,077	1,248	1,353	1,498	1,650	1,788	1,938	2,106	2,295	2,495
Excise	180	115	190	238	318	372	410	462	519	575	639	693	749	810	876
Other	14	10	14	16	19	20	21	23	25	26	28	29	31	32	34
Tax on international trade	38	26	41	48	56	72	79	86	88	92	100	109	117	127	138
Other tax	140	145	126	132	136	222	241	256	288	322	365	386	409	433	458
Nontax revenue	166	827	1,444	1,483	1,805	2,887	2,575	851	776	863	902	943	765	804	845
Budget support grants 3/	1	481	425	454	530	999	1,774	550	448	509	522	537	331	340	349
Expenditure	2,207	3,426	4,865	5,458	6,626	8,189	7,603	7,384	6,945	7,089	7,455	7,965	8,543	9,175	9,808
Current	1,995	3,298	4,562	5,053	6,170	7,508	6,989	6,681	6,133	6,145	6,378	6,786	7,265	7,792	8,313
Compensation of employees	516	1,240	1,479	1,584	1,880	2,152	2,291	2,185	1,870	1,737	1,772	1,910	2,086	2,278	2,487
Goods and services	483	848	1,674	1,505	1,808	938	1,043	1,137	857	848	946	1,074	1,147	1,229	1,311
Interest	155	162	254	305	357	519	457	530	604	652	628	554	520	497	433
Subsidies to corporations and enterprises	116	131	158	530	807	2,278	1,375	951	722	629	536	562	590	620	651
Social benefits	724	917	996	1,129	1,317	1,619	1,820	1,877	2,078	2,275	2,493	2,683	2,919	3,165	3,426
Social programs (on budget)	154	285	241	286	359	370	432	501	548	590	660	693	762	830	902
Pensions	519	583	746	822	940	1,227	1,366	1,355	1,506	1,658	1,804	1,958	2,122	2,297	2,485
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	4	4	4	4	4
Capital	207	130	312	411	458	393	457	531	620	733	847	930	1,008	1,091	1,180
Net lending	5	-2	-9	-6	-2	40	44	48	54	59	64	70	76	82	88
Contingency reserve	0	0	0	0	0	248	113	124	138	151	165	179	194	210	227
General government overall balance	-216	-817	-1,282	-1,318	-1,571	-1,396	-577	-1,635	-724	-231	-34	52	-114	-74	12
General government overall balance, excluding grants	-218	-1,299	-1,707	-1,772	-2,101	-2,395	-2,351	-2,185	-1,172	-740	-556	-484	-444	-414	-337
General government financing	216	817	1,281	1,318	1,571	1,396	577	1,635	724	231	34	-52	114	74	-12
External	136	562	1,077	1,150	1,597	1,411	167	604	379	-68	-101	-85	226	-157	-211
Disbursements	239	615	1,150	1,279	1,705	1,570	362	748	690	275	282	290	518	532	547
Amortizations and other external payments	-103	-53	-73	-129	-108	-159	-195	-144	-311	-343	-384	-375	-293	-689	-758
Domestic (net)	81	263	204	163	-31	-63	321	927	76	69	-127	-232	-300	-386	-557
Bond financing	62	295	183	295	192	9	373	736	70	63	-133	-238	-306	-392	-563
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	210	21	385	744	73	58	-144	-254	-288	-380	218
Direct bank borrowing	30	-2	-7	-5	-5	0	0	0	0	0	0	0	0	0	0
Deposit finance	-19	-37	-59	-141	-225	-78	-57	184	0	0	0	0	0	0	0
Privatization and other items	7	20	7	14	7	6	6	6	6	6	6	6	6	6	6
Exceptional financing	0	0	0	0	0	48	89	104	268	230	262	264	188	617	757
Financing Gap/unindentified 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	-1,214	-878	-120	-1,105	-120	421	595	606	406	422	445
Public and publicly-guaranteed debt	2,666	4,072	5,383	6,871	9,567	11,870	13,307	15,667	17,546	18,178	18,698	19,152	19,871	20,526	21,212
Nominal GDP (billions of Ukrainian hryvnia)	5,451	5,239	6,628	7,662	8,931	10,188	11,344	12,427	13,813	15,214	16,549	17,967	19,469	21,077	22,794

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 (Downside Scenario)[1/]

(Percent of GDP)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
	Act.	Act.	Act.	Act.	Act.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue	36.5	49.8	54.1	54.0	56.6	66.7	61.9	46.3	45.0	45.1	44.8	44.6	43.3	43.2	43.1
Tax revenue	33.5	34.0	32.3	34.7	36.4	38.3	39.2	39.4	39.4	39.4	39.4	39.4	39.4	39.4	39.4
Tax on income, profits, and capital gains	9.4	10.5	9.9	11.5	12.3	12.5	12.8	13.0	13.0	13.0	12.9	12.9	13.0	13.0	13.0
Personal income tax	6.4	8.0	7.5	7.6	8.9	9.0	9.3	9.5	9.5	9.5	9.4	9.4	9.5	9.5	9.5
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	3.5	3.5	3.5	3.5
Social security contributions 2/	6.6	8.2	7.4	7.3	8.0	7.8	8.1	8.2	8.2	8.2	8.1	8.1	8.1	8.1	8.1
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	13.3	14.4	14.8	14.8	14.8	14.8	14.8	14.8	14.8	14.9	14.9
VAT	9.8	8.9	8.8	9.6	9.5	10.6	11.0	10.9	10.8	10.8	10.8	10.8	10.8	10.9	10.9
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	3.8	3.8	3.8
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	0.6	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	2.1	2.1	2.1	2.1	2.2	2.2	2.1	2.1	2.0
Nontax revenue	3.0	15.8	21.8	19.3	20.2	28.3	22.7	6.9	5.6	5.7	5.5	5.2	3.9	3.8	3.7
Budget support grants 3/	0.0	9.2	6.4	5.9	5.9	9.8	15.6	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	74.2	80.4	67.0	59.4	50.3	46.6	45.0	44.3	43.9	43.5	43.0
Current	36.6	63.0	68.8	65.9	69.1	73.7	61.6	53.8	44.4	40.4	38.5	37.8	37.3	37.0	36.5
Compensation of employees	9.5	23.7	22.3	20.7	21.1	21.1	20.2	17.6	13.5	11.4	10.7	10.6	10.7	10.8	10.9
Goods and services	8.9	16.2	25.3	19.6	20.2	9.2	9.2	9.1	6.2	5.6	5.7	6.0	5.9	5.8	5.8
Interest	2.8	3.1	3.8	4.0	4.0	5.1	4.0	4.3	4.4	4.3	3.8	3.1	2.7	2.4	1.9
Subsidies to corporations and enterprises	2.1	2.5	2.4	6.9	9.0	22.4	12.1	7.7	5.2	4.1	3.2	3.1	3.0	2.9	2.9
Social benefits	13.3	17.5	15.0	14.7	14.7	15.9	16.0	15.1	15.0	15.0	15.1	14.9	15.0	15.0	15.0
Social programs (on budget)	2.8	5.4	3.6	3.7	4.0	3.6	3.8	4.0	4.0	3.9	4.0	3.9	3.9	3.9	4.0
Pensions	9.5	11.1	11.3	10.7	10.5	12.0	12.0	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	4.0	4.3	4.5	4.8	5.1	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	2.4	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	-17.6	-13.7	-5.1	-13.2	-5.2	-1.5	-0.2	0.3	-0.6	-0.4	0.1
General government overall balance, excluding grants	-4.0	-24.8	-25.8	-23.1	-23.5	-23.5	-20.7	-17.6	-8.5	-4.9	-3.4	-2.7	-2.3	-2.0	-1.5
General government financing	4.0	15.6	19.3	17.2	17.6	13.7	5.1	13.2	5.2	1.5	0.2	-0.3	0.6	0.4	-0.1
External	2.5	10.7	16.2	15.0	17.9	13.9	1.5	4.9	2.7	-0.4	-0.6	-0.5	1.2	-0.7	-0.9
Disbursements	4.4	11.7	17.4	16.7	19.1	15.4	3.2	6.0	5.0	1.8	1.7	1.6	2.7	2.5	2.4
Amortizations and other external payments	-1.9	-1.0	-1.1	-1.7	-1.2	-1.6	-1.7	-1.2	-2.3	-2.3	-2.3	-2.1	-1.5	-3.3	-3.3
Domestic (net)	1.5	5.0	3.1	2.1	-0.3	-0.6	2.8	7.5	0.6	0.5	-0.8	-1.3	-1.5	-1.8	-2.4
Bond financing	1.1	5.6	2.8	3.9	2.2	0.1	3.3	5.9	0.5	0.4	-0.8	-1.3	-1.6	-1.9	-2.5
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	2.4	0.2	3.4	6.0	0.5	0.4	-0.9	-1.4	-1.5	-1.8	1.0
Direct bank borrowing	0.6	0.0	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deposit finance	-0.3	-0.7	-0.9	-1.8	-2.5	-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	0.1	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	0.5	0.8	0.8	1.9	1.5	1.6	1.5	1.0	2.9	3.3
Financing Gap/unidentified 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	-13.6	-8.6	-1.1	-8.9	-0.9	2.8	3.6	3.4	2.1	2.0	2.0
Public and publicly-guaranteed debt	48.9	77.7	81.2	89.7	107.1	116.5	117.3	126.1	127.0	119.5	113.0	106.6	102.1	97.4	93.1
Nominal GDP (billions of Ukrainian hryvnia)	5,451	5,239	6,628	7,662	8,931	10,188	11,344	12,427	13,813	15,214	16,549	17,967	19,469	21,077	22,794

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 (Downside Scenario) 1/ 2/

(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.	Act.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Current account balance	-5.5	6.2	-10.8	-16.9	-34.2	-31.0	-19.1	-36.1	-28.3	-23.9	-22.3	-20.7	-20.5	-17.5	-14.9
Goods (net)	-8.2	-15.3	-30.3	-33.0	-51.3	-60.6	-58.2	-53.5	-42.5	-38.7	-38.1	-38.0	-37.0	-36.6	-37.0
Exports	63.6	41.2	35.1	39.3	38.3	42.5	45.2	50.6	57.6	63.1	69.7	75.7	82.3	89.4	95.6
Imports	-71.8	-56.5	-65.5	-72.3	-89.6	-103.0	-103.3	-104.1	-100.1	-101.8	-107.8	-113.7	-119.4	-126.0	-132.7
Services (net)	4.0	-12.5	-8.7	-7.5	-7.9	-7.7	-5.7	-2.5	0.7	2.1	3.8	5.3	7.8	10.1	12.7
Receipts	18.4	16.4	16.6	17.3	15.8	16.6	18.7	20.1	22.3	24.8	27.6	30.1	33.7	36.9	40.6
Payments	-14.4	-28.9	-25.4	-24.8	-23.7	-24.3	-24.4	-22.7	-21.7	-22.8	-23.8	-24.8	-25.8	-26.9	-27.9
Primary income (net)	-5.8	8.8	5.1	0.5	-1.8	-2.7	-1.1	0.5	-0.5	-1.4	-1.556	-1.4	-1.3	-1.0	-0.6
Secondary income (net)	4.6	25.1	23.2	23.1	26.9	40.0	45.8	19.5	14.1	14.3	13.6	13.3	9.9	10.0	10.0
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	7.8	-21.6	-13.6	-41.7	-32.5	-12.7	-25.4	-23.3	-20.0	-19.3	-19.1	-23.2	-18.4	-18.7
Direct investment (net)	-7.5	0.0	-4.4	-3.7	-2.5	-2.5	-4.4	-8.3	-10.8	-15.8	-16.3	-16.2	-16.2	-17.1	-18.0
Portfolio investment (net)	-1.0	2.0	2.7	6.6	-2.8	0.4	0.7	0.2	0.7	1.7	1.1	-0.1	-0.4	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	5.7	-20.0	-16.6	-39.9	-30.3	-9.0	-17.2	-13.3	-5.9	-4.1	-2.8	-6.6	-6.5	-5.3
Other investment: assets	7.4	20.4	10.7	15.5	5.2	3.6	3.1	1.4	0.6	0.4	1.1	1.7	1.7	0.9	0.9
Other investment: liabilities	5.1	14.7	30.7	32.0	45.1	33.8	12.1	18.6	13.9	6.3	5.2	4.4	8.3	7.5	6.3
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	39.2	25.4	4.3	11.8	8.3	3.0	2.5	2.1	6.3	5.2	3.0
Banks 3/	0.4	-0.4	-0.1	0.0	0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other sectors	0.3	-1.8	1.2	3.5	6.3	6.2	7.2	6.8	5.8	5.3	5.3	5.3	4.6	4.6	4.7
Errors and omissions	2.7	0.8	2.0	2.1	4.4	1.4	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	12.2	2.9	-6.4	-10.7	-5.0	-3.8	-3.0	-1.7	2.7	0.8	3.7
Financing	-3.5	0.6	-13.0	-3.8	-12.2	-2.9	6.4	10.7	5.0	3.8	3.0	1.7	-2.7	-0.8	-3.7
Gross official reserves (increase: -)	-2.5	2.3	-11.4	-2.9	-11.4	-3.6	4.7	8.8	0.2	-0.1	-1.4	-2.7	-5.7	-10.4	-15.2
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	1.1	1.8	2.0	4.8	4.0	4.4	4.3	3.0	9.6	11.4
Memorandum items:															
Current account balance (percent of GDP) 4/	-2.7	3.9	-5.9	-8.9	-16.0	-13.6	-8.2	-15.2	-11.4	-9.1	-8.0	-7.0	-6.6	-5.4	-4.3
Goods and services trade balance (percent of GDP)	-2.1	-17.3	-21.6	-21.3	-27.7	-30.0	-27.4	-23.7	-16.9	-13.9	-12.3	-11.1	-9.4	-8.1	-7.1
Gross international reserves	30.9	28.5	40.5	43.8	57.3	60.8	56.1	47.4	47.2	47.3	48.8	51.4	57.1	67.6	82.7
Months of next year's imports of goods and services	4.4	3.8	5.0	4.6	5.4	5.7	5.3	4.7	4.5	4.3	4.2	4.3	4.5	5.0	5.9
Percent of the IMF composite metric (float)	104.3	106.6	126.8	122.4	129.3	120.0	108.4	85.2	79.5	76.9	76.7	78.4	83.8	95.2	113.6

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 (Downside Scenario)[1/ 2/]

(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.	Act.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Current account balance	-2.7	3.9	-5.9	-8.9	-16.0	-13.6	-8.2	-15.2	-11.4	-9.1	-8.0	-7.0	-6.6	-5.4	-4.3
Goods (net)	-4.1	-9.5	-16.7	-17.3	-24.0	-26.7	-24.9	-22.6	-17.2	-14.7	-13.7	-12.9	-11.9	-11.2	-10.7
Exports	31.7	25.7	19.4	20.7	17.9	18.7	19.4	21.3	23.3	24.0	25.0	25.7	26.5	27.3	27.7
Imports	-35.8	-35.2	-36.1	-38.0	-41.8	-45.3	-44.3	-43.9	-40.4	-38.7	-38.7	-38.6	-38.4	-38.5	-38.5
Services (net)	2.0	-7.8	-4.8	-3.9	-3.7	-3.4	-2.4	-1.1	0.3	0.8	1.4	1.8	2.5	3.1	3.7
Receipts	9.2	10.2	9.2	9.1	7.4	7.3	8.0	8.5	9.0	9.4	9.9	10.2	10.8	11.3	11.8
Payments	-7.2	-18.0	-14.0	-13.0	-11.1	-10.7	-10.5	-9.6	-8.8	-8.7	-8.5	-8.4	-8.3	-8.2	-8.1
Primary income (net)	-2.9	5.5	2.8	0.3	-0.8	-1.2	-0.5	0.2	-0.2	-0.5	-0.6	-0.5	-0.4	-0.3	-0.2
Secondary income (net)	2.3	15.7	12.8	12.1	12.5	17.6	19.6	8.2	5.7	5.4	4.9	4.5	3.2	3.1	2.9
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	4.9	-11.9	-7.1	-19.5	-14.3	-5.4	-10.7	-9.4	-7.6	-6.9	-6.5	-7.5	-5.6	-5.4
Direct investment (net)	-3.7	0.0	-2.4	-1.9	-1.2	-1.1	-1.9	-3.5	-4.4	-6.0	-5.8	-5.5	-5.2	-5.2	-5.2
Portfolio investment (net)	-0.5	1.3	1.5	3.5	-1.3	0.2	0.3	0.1	0.3	0.6	0.4	0.0	-0.1	1.6	1.3
Financial derivatives (net)	0.1	0.0	0.0	0.0	1.6	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	3.6	-11.0	-8.7	-18.6	-13.3	-3.8	-7.3	-5.4	-2.2	-1.5	-0.9	-2.1	-2.0	-1.5
Other investment: assets	3.7	12.7	5.9	8.1	2.4	1.6	1.3	0.6	0.2	0.2	0.4	0.6	0.6	0.3	0.3
Other investment: liabilities	2.6	9.1	16.9	16.8	21.1	14.9	5.2	7.8	5.6	2.4	1.9	1.5	2.7	2.3	1.8
Net use of IMF resources for budget support	0.1	1.4	2.0	2.0	-0.3	0.9	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	18.3	11.2	1.8	5.0	3.3	1.2	0.9	0.7	2.0	1.6	0.9
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	-1.1	0.7	1.9	3.0	2.7	3.1	2.8	2.3	2.0	1.9	1.8	1.5	1.4	1.4
Errors and omissions	1.4	0.5	1.1	1.1	2.1	0.6	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	1.3	-2.8	-4.5	-2.0	-1.5	-1.1	-0.6	0.9	0.3	1.1
Financing	-1.7	0.4	-7.2	-2.0	-5.7	-1.3	2.8	4.5	2.0	1.5	1.1	0.6	-0.9	-0.3	-1.1
Gross official reserves (increase: -)	-1.3	1.4	-6.3	-1.5	-5.3	-1.6	2.0	3.7	0.1	-0.1	-0.5	-0.9	-1.8	-3.2	-4.4
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	0.5	0.8	0.8	1.9	1.5	1.6	1.5	1.0	2.9	3.3
Memorandum items:															
Gross international reserves (USD billions)	30.9	28.5	40.5	43.8	57.3	60.8	56.1	47.4	47.2	47.3	48.8	51.4	57.1	67.6	82.7
Months of next year's imports of goods and services	4.4	3.8	5.0	4.6	5.4	5.7	5.3	4.7	4.5	4.3	4.2	4.3	4.5	5.0	5.9
Percent of the IMF composite metric (float)	104.3	106.6	126.8	122.4	129.3	120.0	108.4	85.2	79.5	76.9	76.7	78.4	83.8	95.2	113.6

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: External Financing Needs and Sources, 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.	Act.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
A. Total financing requirements	**21.6**	**33.7**	**40.4**	**54.8**	**60.1**	**65.0**	**62.7**	**51.5**	**42.5**	**38.7**	**37.8**	**36.0**	**31.4**	**34.3**	**33.3**
Current account deficit (excl. budget grants)	5.5	8.4	22.6	28.1	46.9	58.1	55.7	46.6	36.3	32.7	31.1	29.5	25.8	22.8	20.2
Portfolio investment	4.9	2.7	4.9	7.9	2.0	0.6	0.7	0.2	1.2	2.2	1.6	0.4	0.1	5.7	5.1
Private	0.6	0.9	2.5	1.3	1.0	0.2	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	0.7	0.2	1.2	2.2	1.6	0.4	0.1	5.2	4.6
Medium and long-term debt	3.6	2.1	2.2	3.2	2.5	2.8	3.2	3.3	4.3	3.5	4.0	4.4	3.8	4.8	7.1
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	1.0	1.4	1.6	2.5	1.7	2.2	2.6	2.0	3.0	5.3
Other net capital outflows 1/	7.5	20.5	10.7	15.5	8.8	3.6	3.1	1.4	0.6	0.4	1.1	1.7	1.7	0.9	0.9
B. Total financing sources	**20.3**	**0.9**	**9.7**	**16.1**	**17.0**	**12.5**	**15.0**	**19.6**	**21.6**	**26.1**	**26.6**	**26.6**	**25.8**	**26.7**	**27.8**
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	0.0	4.4	3.7	2.5	2.5	4.4	8.3	10.8	15.8	16.3	16.2	16.2	17.1	18.0
Portfolio investment	6.0	0.7	2.2	1.3	4.8	0.2	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	0.2	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	4.8	6.4	6.5	7.1	5.9	5.9	5.9	5.9	5.1	5.1	5.1
Private	3.0	1.5	1.8	2.5	3.5	4.7	4.9	4.3	3.1	3.1	3.1	3.1	2.3	2.3	2.3
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	3.2	4.4	4.6	4.0	2.8	2.8	2.8	2.8	2.0	2.0	2.0
Public (incl. project financing) 2/	3.8	1.1	0.6	0.9	1.4	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	-2.6	0.6	2.7	4.6	3.3	4.1	4.2	4.5	4.0	4.0	4.0	4.0	4.0	4.2
C. Financing needs (A - B)	**1.3**	**32.8**	**30.7**	**38.7**	**43.1**	**52.4**	**47.7**	**31.9**	**20.8**	**12.5**	**11.1**	**9.4**	**5.5**	**7.5**	**5.6**
D. Official financing	**1.1**	**29.8**	**40.1**	**39.6**	**50.1**	**53.6**	**41.2**	**21.1**	**15.9**	**8.7**	**8.2**	**7.7**	**8.2**	**8.4**	**9.3**
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	3.9	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	2.1	1.3	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	27.0	36.6	10.5	8.0	8.8	8.8	8.8	5.3	5.3	5.3
Official budget loans	1.7	14.5	26.4	25.4	38.8	24.7	4.1	10.6	8.0	2.0	2.0	2.0	5.5	5.5	5.5
E. Exceptional financing	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**1.1**	**1.8**	**2.0**	**4.8**	**4.0**	**4.4**	**4.3**	**3.0**	**9.6**	**11.4**
F. Increase in reserves	**2.5**	**-2.3**	**11.4**	**2.9**	**11.4**	**3.6**	**-4.7**	**-8.8**	**-0.2**	**0.1**	**1.4**	**2.7**	**5.7**	**10.4**	**15.2**
G. Errors and omissions	**2.7**	**0.8**	**2.0**	**2.1**	**4.4**	**1.4**	**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	60.8	56.1	47.4	47.2	47.3	48.8	51.4	57.1	67.6	82.7
Months of next year's imports of goods and services	4.4	3.8	5.0	4.6	5.4	5.7	5.3	4.7	4.5	4.3	4.2	4.3	4.5	5.0	5.9
Percent of the IMF composite (float)	104.3	106.6	126.8	122.4	129.3	120.0	108.4	85.2	79.5	76.9	76.7	78.4	83.8	95.2	113.6

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 Act.	2022 Act.	2023 Act.	2024 Act.	2025 Act.	2026 Proj.	2027 Proj.	2028 Proj.	2029 Proj.	2030 Proj.	2031 Proj.	2032 Proj.	2033 Proj.	2034 Proj.	2035 Proj.
Monetary survey															
Net foreign assets	850	1,252	1,926	2,403	3,083	3,082	2,915	2,558	2,598	2,701	2,960	3,340	3,925	4,854	6,105
Net domestic assets	1,221	1,249	1,151	1,085	938	1,419	2,127	2,965	3,598	4,123	4,464	4,721	4,811	4,605	4,125
Domestic credit	1,925	2,212	2,248	2,492	2,372	2,993	3,536	4,551	5,397	5,780	6,013	6,197	6,416	6,705	7,713
Net claims on government	898	1,218	1,259	1,369	1,154	1,568	1,882	2,658	3,210	3,254	3,096	2,829	2,527	2,132	2,336
Credit to the economy	1,023	991	986	1,119	1,215	1,421	1,649	1,888	2,182	2,520	2,911	3,362	3,883	4,566	5,369
Domestic currency	731	725	733	854	911	1,110	1,336	1,579	1,870	2,211	2,608	3,066	3,594	4,285	5,096
Foreign currency	292	266	253	265	303	311	313	309	312	309	303	296	289	281	274
Other claims on the economy	5	4	3	4	3	4	4	4	5	5	6	6	7	7	8
Other items, net	-704	-963	-1,097	-1,407	-1,434	-1,573	-1,409	-1,586	-1,799	-1,656	-1,548	-1,476	-1,605	-2,101	-3,588
Broad money	2,071	2,501	3,077	3,488	4,021	4,502	5,042	5,523	6,196	6,825	7,425	8,061	8,736	9,458	10,230
Currency in circulation	581	666	716	760	867	1,002	1,122	1,229	1,379	1,519	1,652	1,794	1,944	2,105	2,276
Total deposits	1,489	1,834	2,360	2,728	3,154	3,500	3,919	4,293	4,816	5,305	5,771	6,267	6,791	7,352	7,952
Domestic currency deposits	1,014	1,204	1,628	1,883	2,268	2,496	2,789	3,025	3,413	3,779	4,134	4,513	4,916	5,351	5,818
Foreign currency deposits	474	630	732	844	886	1,003	1,130	1,268	1,404	1,526	1,638	1,754	1,875	2,001	2,134
Accounts of the NBU															
Net foreign assets	701	907	1,456	1,801	2,460	2,782	2,742	2,480	2,602	2,793	3,115	3,545	4,172	5,111	6,374
Net international reserves	566	670	1,078	1,223	1,837	2,096	2,000	1,679	1,761	1,931	2,228	2,636	3,236	4,152	5,387
(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	624	687	741	801	841	862	887	909	936	959	987
Net domestic assets	-38	-115	-479	-749	-1,286	-1,374	-1,126	-709	-616	-606	-736	-963	-1,374	-2,083	-3,100
Net domestic credit	175	312	6	-62	-497	-648	-602	-40	196	-14	-328	-715	813	514	500
Net claims on government	270	704	591	450	244	637	566	598	585	571	557	543	529	514	500
Claims on government	325	758	729	716	700	688	676	665	654	643	632	621	610	599	588
Net claims on banks	-95	-392	-585	-512	-741	-1,285	-1,167	-638	-389	-585	-885	-1,258	284	0	0
Other items, net	-213	-427	-485	-687	-789	-726	-525	-670	-812	-592	-408	-248	-2,187	-2,597	-3,599
Base money	662	793	977	1,052	1,175	1,408	1,615	1,770	1,985	2,187	2,378	2,582	2,797	3,028	3,274
Currency in circulation	581	666	716	760	867	1,002	1,122	1,229	1,379	1,519	1,652	1,794	1,944	2,105	2,276
Banks' reserves	81	126	261	292	308	406	493	541	607	668	726	788	853	923	998
Cash in vault	47	49	48	63	59	70	79	86	97	107	116	126	137	148	160
Correspondent accounts	35	77	213	230	248	336	415	455	510	561	610	662	717	775	838
Deposit money banks															
Net foreign assets	149	345	470	602	623	300	173	78	-4	-92	-155	-205	-247	-257	-269
Foreign assets	254	427	550	680	713	442	326	244	199	145	119	107	105	104	102
Foreign liabilities	105	82	80	78	90	142	153	165	202	237	274	311	352	361	372
Net domestic assets	1,339	1,489	1,890	2,125	2,531	3,199	3,746	4,215	4,820	5,396	5,925	6,471	7,037	7,609	8,221
Domestic credit	1,875	2,064	2,540	2,882	3,211	4,082	4,664	5,166	5,842	6,496	7,101	7,733	8,387	9,059	9,772
Net claims on government 1/	628	513	668	919	910	931	1,316	2,060	2,625	2,683	2,539	2,286	1,998	1,617	1,836
Credit to the economy	1,023	991	986	1,119	1,215	1,421	1,649	1,888	2,182	2,520	2,910	3,361	3,882	4,565	5,369
Other claims on the economy	5	3	3	4	3	4	4	4	5	5	6	6	7	7	8
Net claims on NBU	220	594	885	842	1,083	1,726	1,695	1,213	1,030	1,287	1,646	2,080	2,500	2,869	2,559
Other items, net	-536	-574	-650	-757	-680	-883	-919	-951	-1,022	-1,100	-1,176	-1,263	-1,349	-1,450	-1,551
Banks' liabilities	1,488	1,834	2,360	2,727	3,153	3,499	3,919	4,293	4,816	5,305	5,771	6,266	6,790	7,352	7,951
Memorandum items:	(End of period, percent change unless otherwise noted)														
Base money	11.2	19.6	23.3	7.7	11.6	19.9	14.7	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	14.1	15.6	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	15.3	12.0	12.0	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	8.6	17.0	16.0	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	0.6	4.0	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	13.6	14.0	14.5	15.2	15.8	16.6	17.6	18.7	19.9	21.7	23.6
Velocity of broad money, ratio	2.6	2.1	2.2	2.2	2.2	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	3.4	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, 2026-35 (Downside Scenario)

(In millions of SDR)

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
					Projections					
Existing Fund credit										
Stock 1/	9,813	8,901	8,289	7,009	5,580	4,060	2,400	1,241	333	92
Obligations	2,048	1,401	1,056	1,671	1,740	1,767	1,856	1,305	1,016	326
Principal (repurchases)	1,498	913	612	1,280	1,428	1,521	1,660	1,158	909	241
Total charges	551	488	444	391	312	247	196	146	107	86
of which: Surcharges	121	95	75	51	15	0	0	0	0	0
of which: Level-based	88	69	54	37	11	0	0	0	0	0
of which: Time-based	33	26	20	14	4	0	0	0	0	0
Prospective purchases										
Disbursements	2,817	1,288	664	1,167	0	0	0	0	0	0
Stock 1/	1,710	2,998	3,662	4,829	4,787	4,448	3,922	3,266	2,461	1,657
Obligations 2/	24	123	191	240	332	599	710	786	908	882
Principal (repurchases)	0	0	0	0	42	339	526	656	805	805
Total charges	24	123	191	240	290	261	184	130	104	77
of which: Surcharges	7	53	85	106	131	104	39	4	0	0
of which: Level-based	5	38	62	77	95	75	38	4	0	0
of which: Time-based	2	14	23	29	36	28	2	0	0	0
Stock of existing and prospective Fund credit 1/	11,523	11,898	11,950	11,837	10,367	8,508	6,322	4,508	2,794	1,749
In percent of quota 2/	573	591	594	588	515	423	314	224	139	87
In percent of GDP	7.0	7.0	7.0	6.6	5.5	4.2	3.0	2.0	1.2	0.7
In percent of exports of goods and nonfactor services	26.9	25.7	23.3	20.5	16.3	12.1	8.3	5.4	3.1	1.8
In percent of gross reserves	26.1	29.2	34.8	34.7	30.3	24.2	17.1	10.9	5.7	2.9
In percent of public external debt	8.6	8.7	8.3	8.0	7.1	5.9	4.4	3.1	1.9	1.2
Obligations to the Fund from existing and prospective Fund credit	2,072	1,524	1,246	1,911	2,072	2,367	2,567	2,090	1,925	1,208
In percent of quota	103.0	75.8	61.9	95.0	103.0	117.6	127.6	103.9	95.7	60.1
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	3.3	3.4	3.4	2.5	2.1	1.2
In percent of gross reserves	4.7	3.7	3.6	5.6	6.1	6.7	6.9	5.1	4.0	2.0

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. FX Liberalization: Pillars and Progress

A. Resolution 18 and Martial Law

1. At the onset of Russia's full-scale invasion in February 2022, the NBU introduced sweeping FX and capital flow restrictions under Resolution No. 18[1] to preserve financial stability, safeguard international reserves, and prevent disorderly exchange rate dynamics amid extreme uncertainty. Measures included a temporary fixed exchange rate, tight limits on cross-border payments, extensive prohibitions on capital account transactions, a narrow list of critical imports, and strict controls on FX purchases by residents. These emergency measures were instrumental in stabilizing expectations, containing capital outflows, and ensuring financial system continuity during the initial phase of the war.

B. NBU's Strategy — FX liberation Roadmap

2. As macroeconomic conditions stabilized and external financing became more predictable, the authorities shifted from crisis containment to a sequenced easing of FX restrictions. The 2023 Strategy for easing FX restrictions, developed in consultation with Fund staff as a structural benchmark under the IMF-supported EFF and approved in June 2023, aims to gradually normalize monetary and exchange rate policies and liberalize FX controls while safeguarding macroeconomic and financial stability. The strategy is being implemented through a staged and conditions-based FX liberalization roadmap:

- *Stages*: The approach prioritizes removal of the most distortive trade-related controls first (Stage I), followed by calibrated easing of selected financial flows (Stage II), while deferring broader capital account liberalization (Stage III) until macroeconomic conditions are firmly secured (see Table AVI. 1).

Table AVI. 1.Ukraine: FX Liberalization Roadmap—Stages and Implementation

Stage 1 *Almost Finished*	**Stage 2** *Ongoing*	**Stage 3** Started
• Minimizing the existence of multiple exchange rates. • Increasing opportunities for businesses to conduct trade transactions. • Facilitating new lending/investment.	• Liberalizing trade finance. • Managing banks' FX risks. • Enabling repayment of interest on legacy loans.	• Full repayments on "old" loans and investments. Retail transactions (remittances abroad). • Transactions with derivatives • Lending to foreigners • Investments abroad

[1] In accordance with the 2018 Currency Law, a liberalized currency regime was introduced in Ukraine. Resolution No. 18 was adopted in accordance with the provisions of the Law on the NBU, which allow the NBU to introduce temporary protective measures under exceptional circumstances (during a period of martial law).

- *Preconditions:* Implementation is conditional on sustained macroeconomic stability, including contained inflation and anchored inflation expectations, adequate reserves, orderly FX market conditions supported by sufficient liquidity and depth, positive real interest rates, and overall financial sector soundness.

3. The implementation of the FX liberalization roadmap has been accompanied by a broader set of supporting measures. Measures outside the roadmap are largely characterized by targeted interventions (including for priority sectors and wartime needs) and actions to limit unproductive outflows, suggesting that, while the roadmap anchors the overall approach, implementation has also reflected evolving economic needs.

C. Stocktaking: Implementation and Impact

4. The implementation of the FX liberalization roadmap has progressed cautiously, with current account functionality largely restored while financial and capital account liberalization remains limited. Stage I measures have been largely implemented, along with selected elements of Stage II, while Stage III capital account measures remain largely deferred in line with the strategy's sequencing and preconditions. The removal of the most distortive wartime restrictions, particularly the shift from a tightly controlled "critical imports" regime to broadly permitted import payments has improved trade functioning, reduced market segmentation, and supported economic activity. Financial flow liberalization, however, has remained tightly constrained, reflecting the need to preserve reserves and manage external risks. Specifically:

- *Stage I (largely completed):* For households, amendments have enabled FX purchases in non-cash forms within limits, including for card payments and transfers for permitted current account transactions, while continuing to allow holding of FX deposits, receiving inflows, and withdrawing cash within established limits. For corporates, FX purchases for imports of goods, works, and services, have been liberalized along with the ability to conduct payments under new lease, factoring, and rental arrangements. Corporates have also been permitted to service new external corporate debt (subject to maturity and FX source conditions) and to make capped repatriations of "new" dividends. These steps have reduced the most distortive restrictions on current account transactions and supported trade and market functioning.

- *Stage II (partial and evolving):* For corporates, amendments initially allowed interest payments on "old" external debt and repayments of obligations backed by export credit agencies and IFIs, while maintaining restrictions on most principal repayments. More recently, the framework has evolved to allow the servicing of legacy old external debt [2] up to the amount of new FX inflows, effectively linking liberalization to the availability of foreign currency generated by the private sector. This approach enables gradual easing, aimed at avoiding undue pressure on reserves.

[2] For FX regulation under Resolution No. 18, "old loans" refer to external loans contracted before 20 June 2023.

However, broader liberalization of trade finance and banks' FX risk management frameworks remains outstanding.

- *Stage III (not implemented, with limited exceptions):* For households, Resolution No. 18 continues to prohibit most capital account transactions, including most transfers abroad[3], outward investments by residents, lending to non-residents, and repatriation of proceeds from foreign investments; households therefore remain largely confined to current account transactions and basic FX operations within limits. For corporates, while limited elements have been introduced (including some derivative transactions), these remain tightly controlled and subject to strict caps (e.g., for investments, donations, and certain debt-related transactions). Most recently, an exception was introduced to allow payments of remuneration to supervisory board members with limited impact on FX demand, supporting the recruitment and retention of qualified staff, while remaining subject to strict limits and monitoring.

5. Safeguards have been progressively strengthened to ensure consistency with external stability and reserve adequacy and limit leakages. Throughout the implementation, permitted transactions have been refined to contain pressure on the FX market, including through gradual easing of quantitative limits and caps on eligible transactions (notably on dividend repatriation), linking certain FX outflows to FX inflows, and encouraging the use of existing FX balances before new purchases. Circumvention has been addressed through targeted controls—for example, the use of the NBU's e-Limits system for dividend payments to ensure that caps are applied on a consolidated basis and cannot be bypassed through multiple banks or transactions—supported by enhanced bank-level monitoring and reporting.

6. Targeted and case-specific easing has provided flexibility to address priority needs without undermining the overall framework. A limited number of easing measures, particularly for defense and energy, have been introduced, supported by strengthened monitoring and control mechanisms. At the same time, increasing pressures for additional cross-border transactions, often raised on a case-by-case basis, have underscored the challenges of balancing external stability with evolving FX needs during wartime. In this context, following the repeal of a temporary legislative amendment in March 2024, NBU's authority to grant FX exceptions was upheld on granting discretionary FX exceptions, thus preserving policy coherence and the integrity of the sequencing strategy. [4]

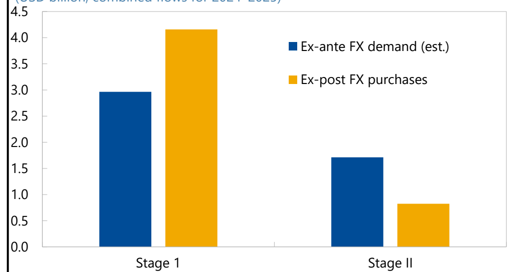
[3] Exceptions are narrowly defined and purpose-based, including transfers for education, medical expenses, and humanitarian donations.

[4] A temporary provision introduced in late 2023 (Law No. 3498) allowed the Cabinet of Ministers to identify transactions warranting FX exemptions, which the NBU could then implement. This provision was repealed in March 2024 (Law No. 3624), after which such exceptions have been granted under Resolution No. 18, with approval authority resting with the NBU.

7. FX purchases have exceeded ex-ante estimates, largely reflecting data limitations that are now being addressed through improvements in monitoring and reporting. Interpretation of outcomes is subject to data limitations, particularly for service imports where recorded flows likely overstate the liberalization effect. While interest payments on "old" loans fell well short of expectations due to tighter eligibility criteria and continued disruptions to production in occupied territories, actual dividend repatriation exceeded forecasts, reflecting conservative assumptions based on voluntary bank surveys (see Figure X). To strengthen estimations, the NBU is applying improved techniques to capture the upper bound of outflow—for instance by applying an amplification coefficient to dividend estimations to account for non-reporting.

FX Measures: Quantitative Assessment

(USD billion; combined flows for 2024–2025)

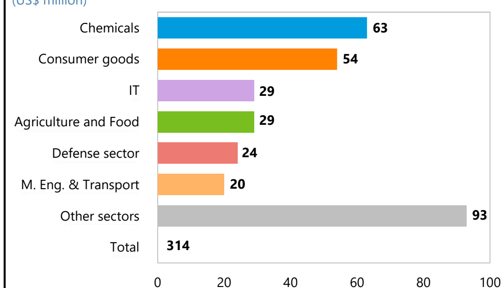


Note: Ex-ante reflect the authorities' expectations of FX purchases arising from liberalization. Ex-post values show actual FX purchases.
Source: NBU, and IMF staff estimates

8. FX inflows following the easing of restrictions have remained modest but broad-based. Recorded inflows since the onset of liberalization total about US$314 million across sectors, with activity concentrated in a few categories. This pattern suggests a gradual re-engagement following liberalization.

FX Liberalization: Inflows

(US$ million)

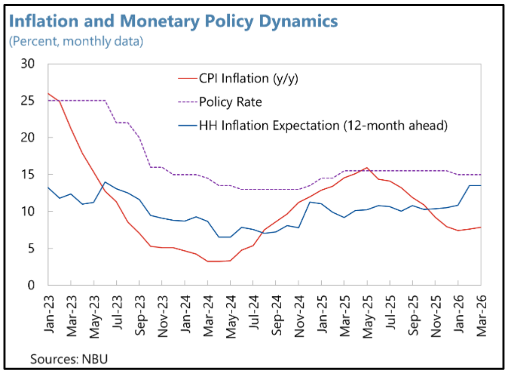


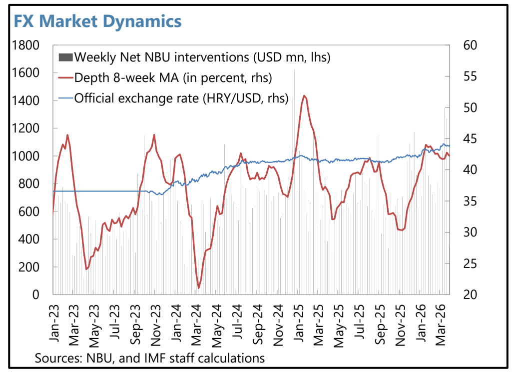
Sources: NBU, and IMF staff calculations.
Note: M.Eng. = Mechanical Engineering. Data is from May 2025 - April 2026

D. Forward-Looking Considerations and Preconditions

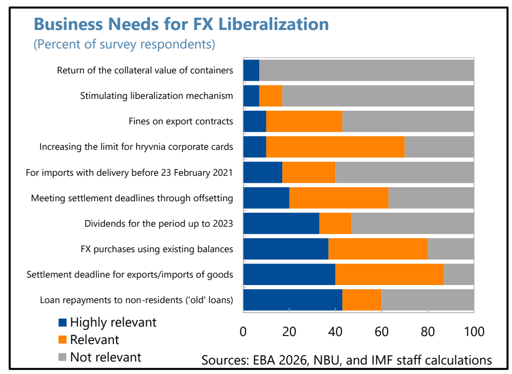
9. Further FX liberalization should continue to be guided by macroeconomic preconditions, while taking into account evolving economic needs as well as risks to reserves and external stability. In this context, decisions on further easing should balance quantitative indicators with informed judgment, ensuring consistency with the monetary policy stance and exchange rate regime, and weighing prospective FX demand and reserve pressures against the expected economic benefits of liberalization.

- *Preconditions:* Progress should remain conditional on the durability of macroeconomic stability, including contained inflation and inflation expectations, adequate reserve buffers, and well-functioning FX markets. While several preconditions have been broadly met, their durability remains uncertain amid heightened exposure to exogenous shocks, and some conditions are only partially satisfied. The NBU continues to play a significant role in the FX market, inflationary pressures have begun to re-emerge, and although policy rates remain positive in real terms, they appear more compressed when assessed against forward-looking household inflation expectations, potentially weakening the attractiveness of hryvnia-denominated assets and increasing FX substitution risks (see figure X).





- *Economic needs:* At the same time, firm-level evidence points to persistent operational constraints arising from incomplete financial liberalization. Survey results (Figure X), including evidence from business associations such as the European Business Association (EBA), highlight strong demand for easing restrictions related to servicing legacy external debt, dividend repatriation, and settlement deadlines, as well as improving access to FX for business operations. These findings suggest that the remaining Stage II gaps continue to bind for parts of the corporate sector. At the same time, firms emphasize the importance of a predictable, transparent, and rules-based framework for liberalization. Addressing frictions, where consistent with external stability, could yield tangible economic benefits without necessitating broader capital account liberalization.[5] Clear and consistent communication of the liberalization framework would help reduce uncertainty, support confidence, and enable firms and investors to navigate the evolving FX landscape.



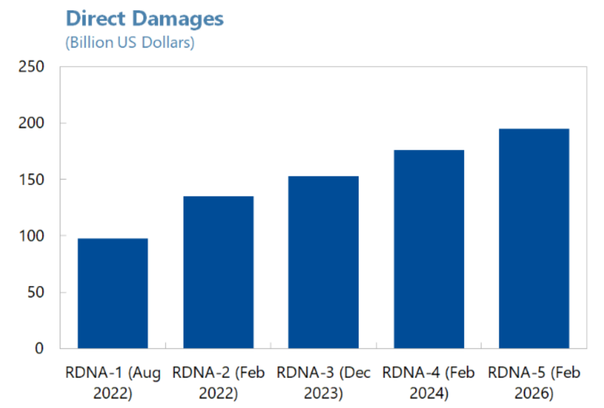
- *Post-war Regime:* Once martial law is lifted, the authorities intend to gradually phase out wartime FX restrictions. However, the current legal framework does not provide a mechanism to extend such measures beyond their expiration, and reintroducing them would require meeting stricter legal conditions for new restrictions. To preserve flexibility in responding to evolving conditions, the authorities are considering targeted legal amendments as part of their post-war planning.

[5] European Business Association (2025), *"Businesses expect further FX liberalization in 2026: focus on dividends, legacy debt, and capital market conditions."*

Annex VII. Scenarios for Post-War Recovery in Ukraine

A. Background

1. **Without a conclusion to the war, devastating social and economic consequences will continue to rise.** On the humanitarian front, the situation remains dire, with large-scale loss of life and sizable numbers of internally displaced persons and refugees. Private property and infrastructure have been severely damaged. Most notably, attacks have damaged and destroyed electrical generation, water, and heating, including amid severe weather conditions during the 2025–26 winter. Beyond the humanitarian impact, these shocks—affecting labor, capital, and productivity—have also constrained Ukraine's productive capacity and its near-term growth prospects.

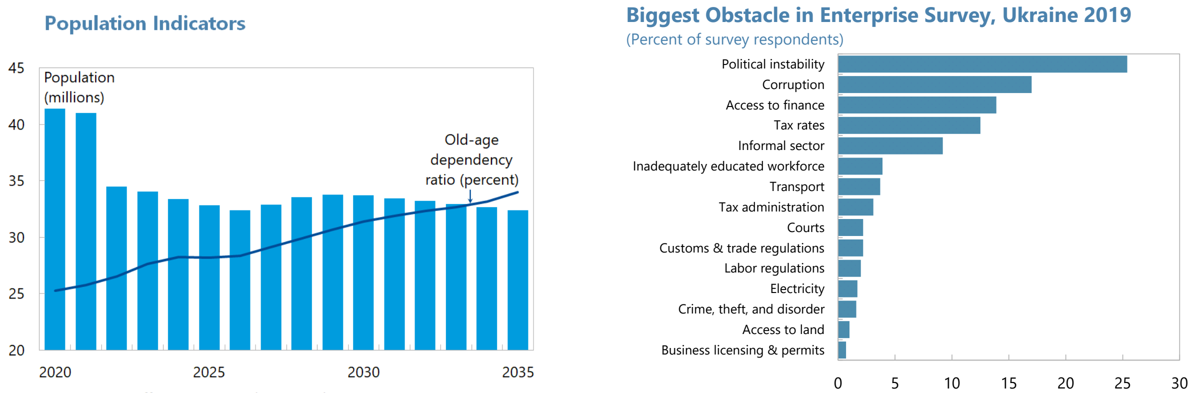


Sources: World Bank, Rapid Damage and Needs Assessments.

2. **Ukraine has positive recovery prospects after the war, but realizing this potential will require rebalancing the economy from its pre-war structure.** High consumption and low investment rates have been longstanding features of the Ukrainian economy, including before the war. However, after the war, the paradigm will need to change to favor significantly more investment. This shift will entail large needs for imported capital equipment, which could weigh on medium-term external viability. These risks can be offset by the recovery and development of Ukraine's export sector. However, success on this front will require overcoming challenges from the high concentration of traditional industries in exports (agriculture, metals) and the extensive damages these industries have sustained during the war.

3. **Demographic trends and the winding down of reconstruction imply that productivity will need to take a leading role in driving growth over the long term.** Immediately after the war, refugee resettlement, labor market normalization, and repairs to physical assets will drive the recovery. However, these trends will likely dissipate, with only partial population recovery (from refugees remaining in host countries), population aging, and winding down of recovery activities. Adequate public services and strong implementation of structural reforms to address longstanding challenges would therefore be critical to boost prospects for refugee returns and investment in repairs. These reforms would also be critical to enable productivity gains to drive growth over the long term.

Figure AVII. 1. Ukraine: Growth Challenges



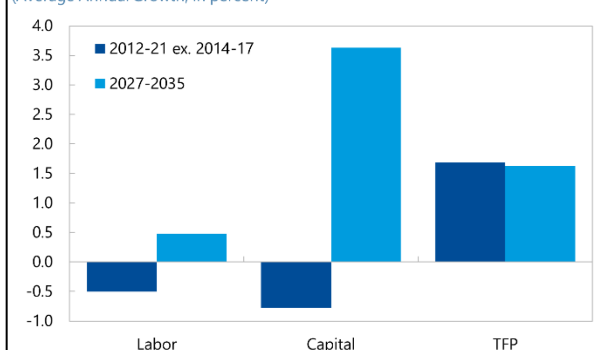
Sources: IMF staff projections and UN Population Division.

Source: World Bank Enterprise Surveys

B. Sources of Growth in the Baseline Scenario

4. Post-war growth in the baseline scenario would require a significant reorientation of the economy to overcome long-run structural weaknesses. Strong implementation of the policies under the program would help deliver macroeconomic stability, debt sustainability, adequate social spending, and capacity building, which have been correlated with stronger recoveries from wars (see IMF (2026)). Under such conditions, the projection for gross fixed capital formation is 23.5 percent of GDP on average over 2027–35 versus 13.3 percent of GDP in the decade preceding the full-scale invasion (2012–2021). Likewise, employment growth would be propelled by refugee returns and receding wartime labor market frictions, against an average 0.5 percent decline before the war.[1] Productivity growth would be in line with the pre-war 10-year average, gradually increasing as war-related dislocations recede and reforms proceed, and resulting in 3.5 percent medium-term potential growth, while pre-war trends would only imply about 2 percent real GDP growth per annum. Structural reforms in line with program objectives and anchored in EU accession would represent a necessary impulse to steer the post-war reorientation of the economy, contributing around 1.1pp to annual growth in the baseline (see ¶9).

Labor, Capital and TFP in the Baseline Scenario
(Average Annual Growth, in percent)



Sources: IMF Investment and Capital Stock Dataset, State Statistics Service of Ukraine and IMF staff calculations

5. The baseline also assumes implementation of the policies under the program to facilitate economic rebalancing, promote recovery and reconstruction, and maintain

[1] Estimates for the pre-war decade are computed excluding the 2014–15 invasion and 2016–17 recovery.

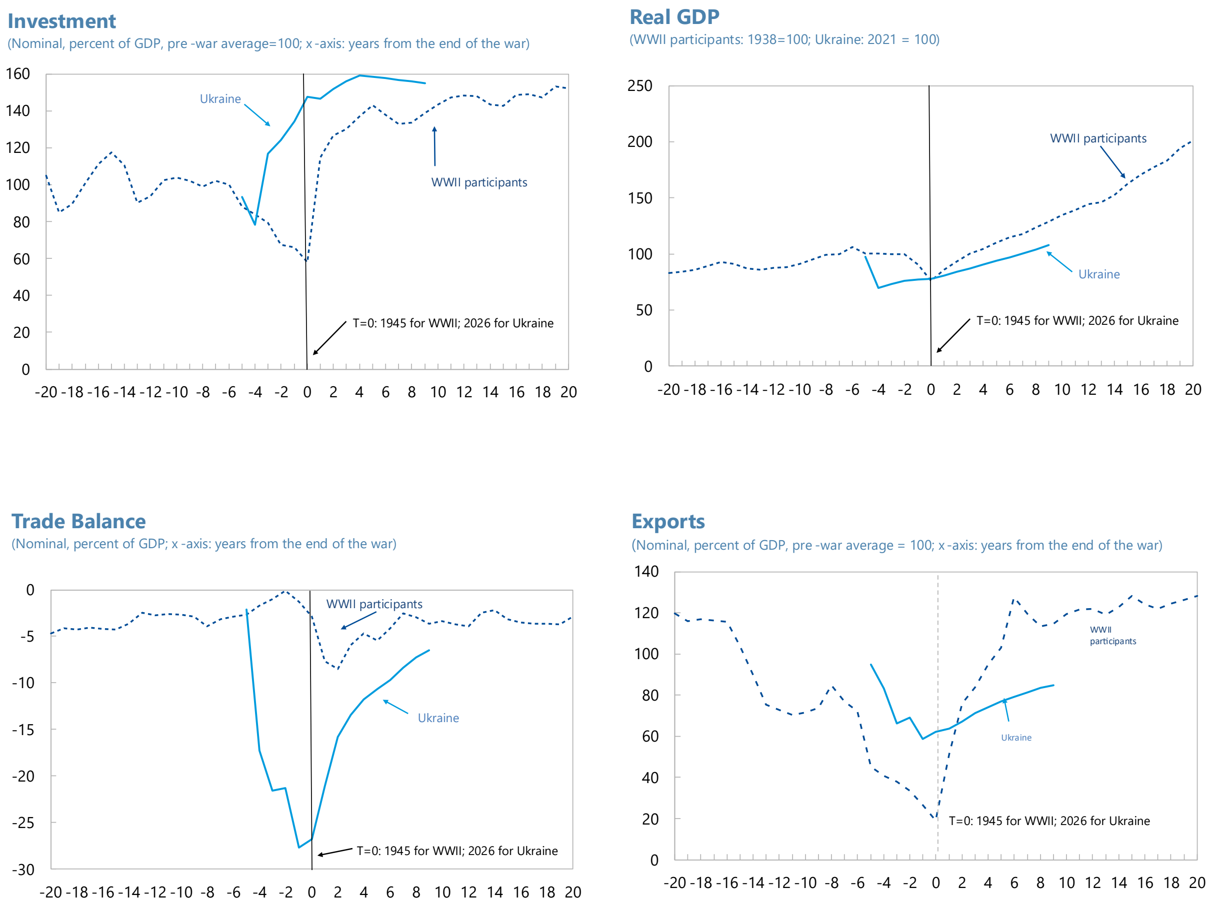
macroeconomic stability. The program includes reforms to the financial sector to establish a role for private finance in supporting recovery. Moreover, the governance and anti-corruption agenda aims to level the playing field to further boost the business sector. This objective also extends to energy sector and SOE corporate governance reforms, which will be essential to maintaining macroeconomic stability after the war while also helping to limit fiscal risks. Other efforts, including under the program, to strengthen public investment management and medium-term budgeting will help to balance the need to provide adequately provide resources, reconcile competing spending priorities, and steer deficits on a path toward medium-term fiscal and debt sustainability.

6. The baseline post-war recovery would broadly echo the post-war economic performance of other historical episodes:

- *Post World War II (WWII)*: Although the more than 50 percent increase in Ukraine's investment-to-GDP ratio relative to the pre-war level in the first 5–10 years of peace may look large, it would broadly match the experience of countries that suffered significant destruction or occupation during WWII, and had to rebuild extensively thereafter (Figure AVII.2). The reconstruction effort propelled real GDP of such countries to 128 percent of the pre-war level by 1954, which compares to Ukraine's 111 percent of pre-war real GDP expected by 2035. Given extensive destruction of productive capacity, the post-WWII recovery led to an initial widening of the trade balance, which gradually returned to its pre-war average thanks to a 20 percent increase in the export/GDP ratio. Ukraine's external sector performance is expected to follow this pattern qualitatively, while seeing a larger import contraction (given a high defense import dependence in wartime) and a more modest export recovery (as the aftermath of active fighting on agricultural and mining sites would dampen traditional exports).

- *Korea after 1953*: Over 2026–35, Ukraine's performance would also broadly track that of Korea over the comparable window of 1953–62 (Figure AVII.3). In Korea, this period largely occurred prior to rapid export-led development and was characterized by relatively moderate growth. By 1962, Korea's real GDP resided at 60 percent above its 1953 level. In Ukraine, real GDP is expected to grow a bit more slowly, with 2035 real GDP being 38 percent above the 2027 level. Investment and exports would also remain moderate and only gradually rise in Ukraine, unlike the rapid expansion that occurred in Korea beginning in the mid-1960s as its economic development took hold. Although converging toward levels observed in Korea, the dynamics of Ukraine's projected trade balance also differ, with a substantially narrower balance reflecting gradually lower defense equipment imports (unlike in the Korean war, where there was direct involvement of allies in combat).

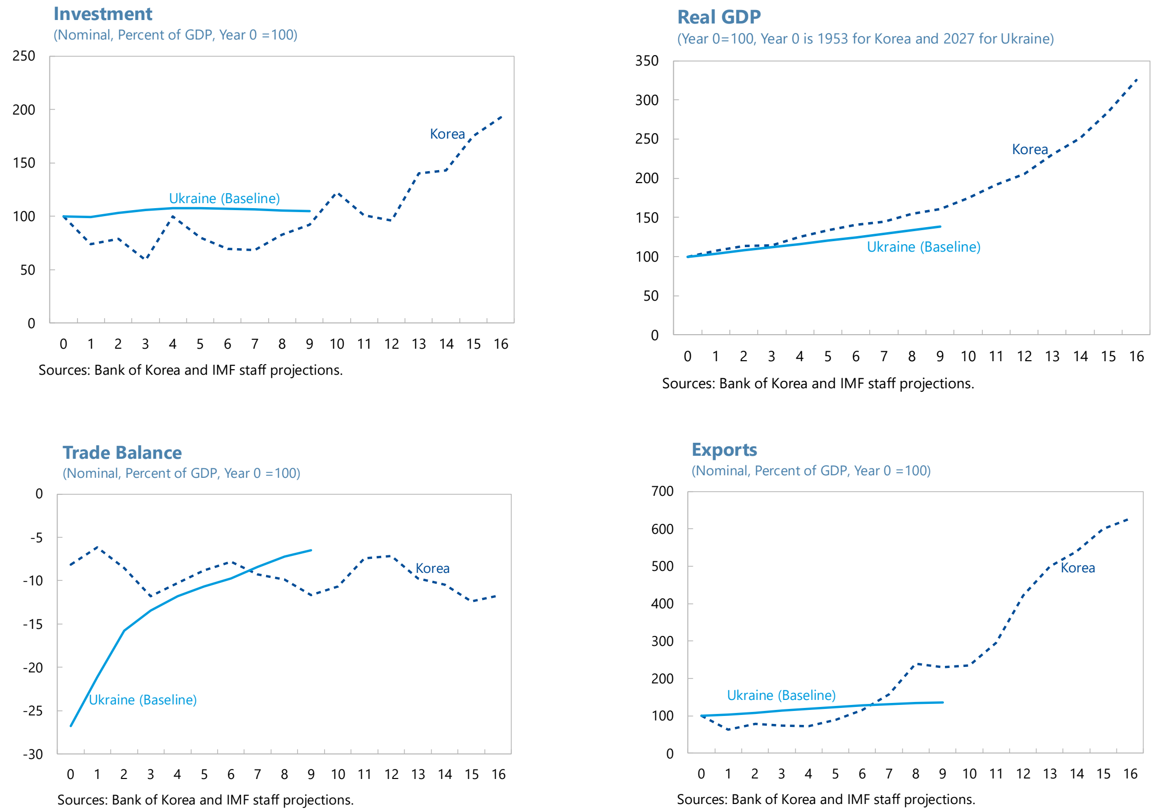
Figure AVII. 2. Ukraine: Ukraine and the Post-WWII Recovery



Sources: Jordà-Schularick-Taylor Macrohistory Dataset, Release 6, Jordà et al. (2017), SSSU and IMF staff estimates.
Note: WWII participants are countries present in the Jordà et al. (2017) dataset that were involved in the war and experienced extensive destruction or occupation, namely, Belgium, Denmark, France, Germany, Italy, Japan, the Netherlands, Norway, and the United Kingdom. The pre-WWII average is taken over 1925-1936 to avoid the rearmament following 1936, and excluding the Great Depression (1930–33), while the pre-war average for Ukraine is computed over 2012–2021, excluding the 2014–15 invasion and the subsequent 2016-17 recovery.

Figure AVII. 3. Ukraine: Ukraine and Korea's Post-War Recovery

(Year 0=1953 for Korea and 2026 for Ukraine)



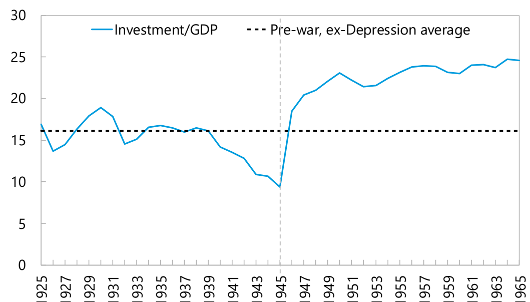
Box AVII. 1. Ukraine: Recoveries from Wars: Selected Episodes

This box briefly reviews the experiences of recoveries following two large, multi-year wars. The first episode involves selected European countries after World War II,[1] while the second case looks at the Republic of Korea following the 1953 armistice. In both cases, there was a period of rapid growth alongside higher investment. With extensive wartime destruction during both World War II and the Korean War, there were substantial needs for imported capital equipment. However, trade deficits converged toward sustainable levels due to the rapid development of export sectors. While international aid was available in both cases, it contributed only partially to the recovery.

World War II saw extensive destruction and humanitarian impacts. Immediately after the war, investment rebounded, although export sectors, which had collapsed during the war, remained depressed. Alongside high import needs largely driven by reconstruction materials, trade deficits were high.

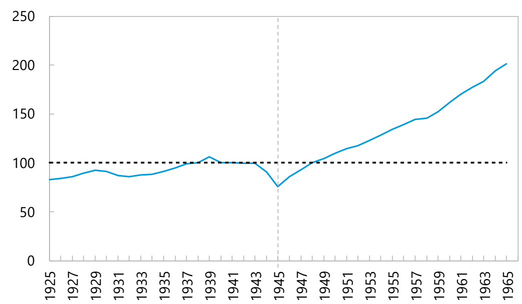
However, these countries experienced a relatively prompt and robust recovery that lasted well into the 1960s. In the two decades after WWII, real GDP roughly doubled from pre-war levels and investment remained substantially above previous norms. A rebound in exports, associated with deeper trading relations thanks to reforms, was critical to delivering higher growth and a normalization of trade deficits to sustainable levels.

Investment in WWII Participants
(Nominal, Percent of GDP)



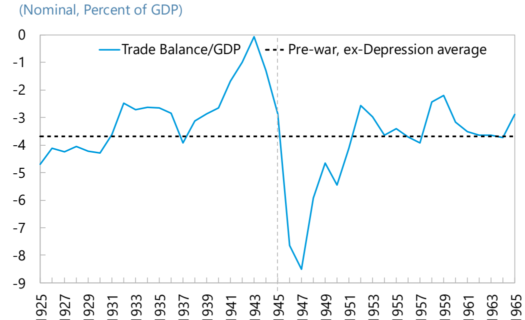
Sources: Jordà-Schularick-Taylor Macrohistory Dataset, Release 6, Jordà et al. (2017)
Note: Pre-war average is taken over 1925-1936, excluding 1930-33.

Real GDP Level in WWII Participants
(1938=100)



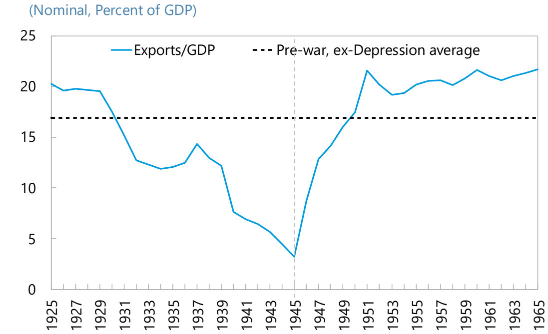
Sources: Jordà-Schularick-Taylor Macrohistory Dataset, Release 6, Jordà et al. (2017)

Trade Balance in WWII Participants
(Nominal, Percent of GDP)



Sources: Jordà-Schularick-Taylor Macrohistory Dataset, Release 6, Jordà et al. (2017)
Note: Pre-war average is taken over 1925-1936, excluding 1930-33.

Exports in WWII Participants
(Nominal, Percent of GDP)



Sources: Jordà-Schularick-Taylor Macrohistory Dataset, Release 6, Jordà et al. (2017)
Note: Pre-war average is taken over 1925-1936, excluding 1930-33.

[1] The countries included are Belgium, Denmark, France, Germany, Italy, Japan, Netherlands, Norway, and the United Kingdom. See also the note to figure AV.2.

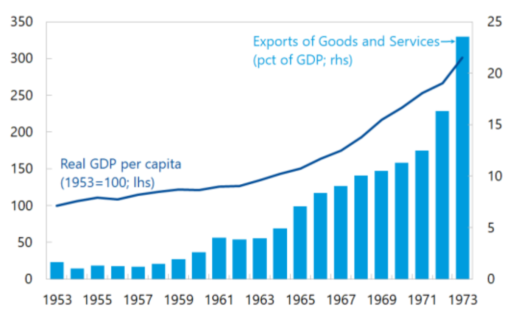
Studies of this period have emphasized the contribution of several key factors to these outcomes. Regarding labor, emerging industrial sectors absorbed agricultural workers and the overall labor force was boosted by immigration and refugee flows into Europe (e.g., Kindleberger (1967)). These dynamics and other

Box AVII. 1. Ukraine: Recoveries from Wars: Selected Episodes (concluded)

arrangements that contributed to wage moderation, the removal of economic controls, and greater certainty helped create conditions for a rebound in investment (e.g., Eichengreen (2007)). Productivity increased during the reconstruction period alongside adoption of more frontier business practices (e.g., Fordism) from the United States as well other major economic reforms (e.g., reform of large business conglomerates in Japan). Most countries received foreign aid in the post-war period through initiatives such as the Marshall Plan in Europe, the U.S.'s Government Aid and Relief in Occupied Areas (GAROA), and Economic Rehabilitation on Occupied Areas (EROA). Studies of these initiatives found that foreign aid met immediate needs, but the associated reforms were more impactful given the relatively moderate size of the financing (see De Long and Eichengreen (1991)).

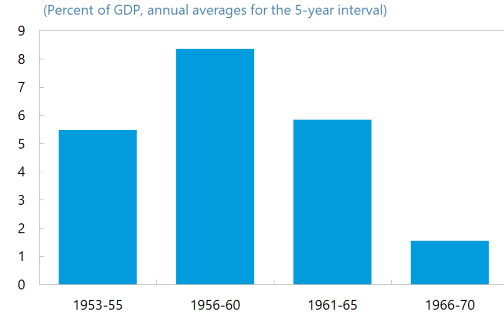
In Korea, the initial stage of recovery was characterized by slow growth, aid dependence, and macroeconomic volatility. Following the 1953 armistice, real GDP per capita grew only slowly, with the economy largely oriented toward consumption. Investment was low (averaging 12 percent of GDP over 1954–60) and the trade deficit was large. These external pressures necessitated several large devaluations, despite large-scale foreign assistance over the late 1950s. Conditions changed sharply in the early 1960s, when foreign assistance began to decrease and the government adapted policies and institutions to promote industrialization and exports (Kim (1991)). The economy rebalanced toward exports and investment and away from consumption, and real GDP per capita growth picked up notably in this period and continued into the 1990s as Korea became a high-income economy.

Korea: Real GDP per Capita and Export Sector



Sources: Bank of Korea and Census Data. Note: Population data for 1953-59 calculated from interpolated census values.

Foreign Aid to Korea
(Percent of GDP, annual averages for the 5-year interval)



Sources: Bank of Korea published in Lee, 2001; Bank of Korea and IFS via Haver Analytics, and and Fund staff calculations.

C. Upside Scenarios and the Role of Structural Reforms

7. There are important upside risks to the baseline scenario that could lift medium-term growth. As presented at the EFF Request (Annex IV), a potential upside scenario involves a virtuous cycle of stronger refugee returns and increased investment, which would further lift long-term growth by 0.5pp compared to the baseline. The likelihood of this scenario, however, depends entirely on refugee return intentions, which weaken as the war continues. An alternative upside scenario may arise from stronger structural reform momentum, and amplification of reform dividends from improvements in governance and the effect of reforms on informality reduction. Altogether, more ambitious and coordinated reforms could deliver 0.7pp of additional annual growth compared to the baseline scenario, lifting medium-term growth above 4 percent.

8. The upside estimate of medium-term growth above 4 percent is based on the structural reform performance of recent EU accession countries. Staff has estimated the

9. potential gains for Ukraine using the IMF's Structural Reform Database (SRD, see Alesina et al. (2020)) and estimates of reform growth dividends from IMF (2019). The SRD provides indicators of domestic finance, external finance, product market, trade and labor market reform. Previous analysis by Ari and Pula (2021) and Ari, Pula, and Sun (2022) highlighted the macroeconomic relevance of such reforms, including in the specific context of Ukraine.

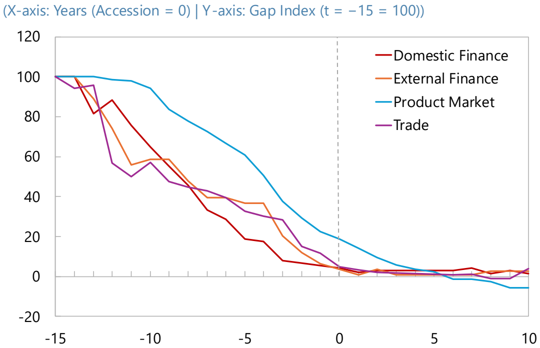
10. Countries that joined the EU in 2004 and 2007 largely caught up with incumbent EU member states in key structural reforms covered in SRD by the time of their accession. New accession countries implemented structural reforms, gradually aligning with incumbent EU member states in the spheres of domestic and external finance, product markets, and trade. The left panel in Figure AVII.4 presents the evolution of the reform gap, computed by dividing the reform indicators of new accession countries by the EU average in the corresponding year in the accession process, normalized to 100 at the time period 15 years before accession. On average, the 2004 and 2007 accession countries erased 92 percent of their reform gap over the fifteen years to EU accession.

11. Reforms in finance, trade and product markets would contribute 1.1pp to Ukraine's annual GDP growth in post-war years. This estimate, which is incorporated in the baseline, is based on the reform gap in 2014, the last year covered by the SRD, assuming that Ukraine attains the average reform performance of previous accession cases. Ukraine would see the greatest gains from external finance and trade reforms, where the gap relative to incumbent EU member states is largest, realizing annual growth gains of around 0.9pp. These gains assume cautious sequencing of external finance reforms—consistent with the NBU's conditions-based FX strategy—needed to preserve external stability and avoid macro-financial risks that could dampen their benefits. A further 0.2pp would come from domestic finance and product market reforms, where Ukraine's gap to the EU average was comparatively smaller in 2014.[1]

Figure AVII. 4. Baseline Growth Gains from Structural Reforms

Structural Reforms Around EU Accession

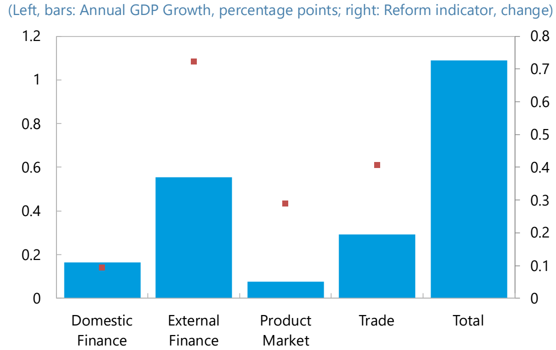
(X-axis: Years (Accession = 0) | Y-axis: Gap Index (t = −15 = 100))



Sources: IMF Structural Reform Dataset, and IMF staff calculations

Annual Post-War GDP Gains from Structural Reforms

(Left, bars: Annual GDP Growth, percentage points; right: Reform indicator, change)

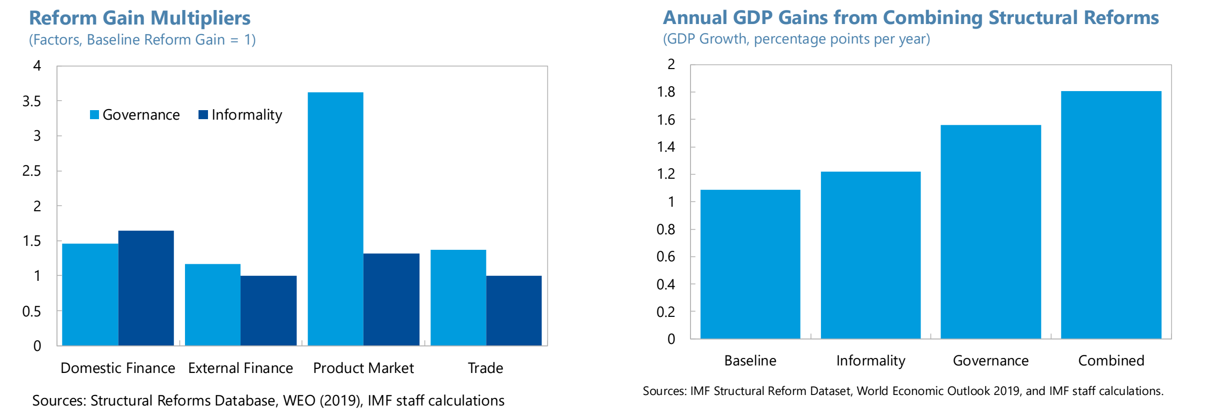


Sources: IMF Structural Reform Dataset, IMF(2019), and IMF staff calculations.

[1] The domestic finance indicator captures the restrictiveness of credit controls and reserve requirements, limitations on the expansion of bank credit, controls on deposit and lending rates, entry barriers in the banking sector, restrictions on the participation of investors in securities markets and the share of state-owned banks in total assets. An updated dataset would likely show a deterioration in the domestic finance indicator relative to 2014, including due to the increased market share of state-owned banks following the 2014–15 crisis and the full-scale invasion.

12. An upside scenario for post-war growth would be unlocked by sustained progress on de-shadowing and governance. Estimates in IMF (2019) imply that progress on reducing informality and corruption could boost the gains of selected structural reforms by 50 percent on average.[2] As the shadow economy mostly involves goods and services that are sold domestically, informality boosts domestic-facing reforms only, such as domestic finance reform (informality reduction alleviates credit constraints) and product market liberalization. Given the reforms assumed in the baseline, reducing informality would boost growth by a further 0.1pp per annum. Governance reforms, on the other hand, affect the yields of all structural reforms by reducing corruption-related frictions and improving the allocative efficiency in the economy for both internal and external investments, and combined with baseline structural reforms would boost growth by a further 0.5ppper annum. When combined, progress on governance and de-shadowing would amplify reform gains by 0.7pp, lifting medium-term growth from 3.5 percent to 4.2 percent.

Figure AVII. 5. Upside Scenario for Reforms: Multipliers and GDP Gains



D. Conclusions

13. Recovery from the war and robust long-term growth will require strong and sustained reform implementation. Given the realities facing Ukraine, recovery investment and return migration can provide only a temporary uplift. Successful economic development will require the authorities to follow through on substantive structural reforms to set the stage for growth driven by TFP over the longer term. Moreover, the structure of the economy will need to shift from consumption toward higher investment, with the export sector expanding to help restore external viability. Stronger reform ambition could help lift up economic outturns above staff's baseline forecast. Outcomes could be even more favorable if the reforms attract further refugee returns and investment.

[2] For informality, reform multipliers are computed based on the ratio of reform effects in countries with high informality to reform effects with median informality; for governance, multipliers are computed comparing median governance to weak governance.

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Annex VIII. Capacity Development Implementation

1. **The Fund's capacity development (CD) in Ukraine is centrally financed and managed through the Ukraine Capacity Development Fund (UCDF).** The UCDF, created in February 2024, was established as a donor financed trust fund to provide a vehicle for a significant, multi-year, ramping up of TA/CD for Ukraine. Current donors are Canada, EC, Finland, Ireland, Japan, Latvia, Lithuania, the Netherlands, Poland, Slovak Republic and Switzerland, who have thus far committed US$36 million with a total fundraising goal of US$65 million to cover CD activities until 2029. The UCDF is governed by its Steering Committee that comprises donors and authorities' representatives; the Steering Committee takes strategic decisions (work program and annual budgets). The UCDF is administered by the IMF, effectively through collaboration of the European Department and the Institute for Capacity Development (ICD) together with CD departments. It finances a range of technical assistance (TA) and training activities through six resident advisors as well as CD projects carried out by HQ-based staff and short-term experts. The UCDF activities take place primarily in Kyiv and Vienna. A full-time CD coordinator manages stakeholder engagement and CD delivery.

2. **The UCDF's assistance has been aligned with program objectives and the authorities' absorption capacity.** During the last financial year, UCDF-financed CD activities accelerated markedly. Further acceleration is expected in FY2027, particularly through the six resident advisors who took up their positions toward the end of FY2026 and a seventh assuming their post in FY2027. Committed CD projects (including completed, ongoing, and planned activities) account for spending of US$34.1 million, close to exhausting available resources (except a small contingency allowance that is also expected to cover the costs of the Vienna office). Additional fundraising has started to close the gap of US$29 million (between US$36 million raised so far and expected needs of US$65 million by 2029). New fundraising is expected to support projects in fiscal, monetary, governance and statistics areas, including a potential scaling up of training opportunities in Ukraine. These projects aim to shore up economic resilience during wartime and support post-war reconstruction.

3. **Below, we summarize main achievements and future priorities of Fund CD by department.**

Fiscal Affairs Department

CD on fiscal topics accounts for the largest share of UCDF-financed activities. FAD support covers tax policy, revenue administration, Public Finance Management (PFM), and expenditure policy. Projects on reforms in pensions and energy subsidies ae closely coordinated with other partners. FAD's Ukraine work program is delivered through five resident advisors, backed by HQ-based staff, as well as topical HQ project teams and occasional technical assistance missions.

Implementation Progress

4. **On tax policy, key achievements include:** (i) a comprehensive inventory of tax expenditures (based on a review of the Tax Code of Ukraine), together with a framework to repeat

the exercise annually and make it a regular element of the budget process, which was a key milestone toward improving fiscal transparency and strengthening evidence-based tax policymaking; (ii) a comprehensive corporate income tax (CIT) microsimulation model tailored to the Ukrainian CIT system which will support policy evaluation; and (iii) support for the NRS focused on the simplified tax system and VAT policy reform.

5. Support for the revenue agencies is closely tied to the fiscal reform priorities, the needs for stepped up domestic resource mobilization, and EFF commitments. With Fund CD support, the State Tax Service (STS) has made solid progress in implementing reforms under the National Revenue Strategy (NRS), particularly in developing compliance risk management (CRM) frameworks and strengthening the tax audit function. Digital transformation is a critical cross cutting enabler of domestic revenue mobilization reforms. CD support focused on strengthening foundations for automation, data use, and system interoperability across STS, State Customs Service (SCS), and the MOF. Particular attention was paid to managing reform dependencies, mitigating implementation risks, and aligning digital initiatives with institutional capacity and NRS reform priorities.

6. On Public Finance Management (PFM), key outcomes include: (i) strengthening the MTBF as the anchor of fiscal policy by expanding the institutional coverage of the 2026–28 Budget Declaration, introducing an alternative macro-fiscal scenario, reinforcing links with public investment planning, and incorporating an initial fiscal risk assessment; (ii) strengthening SOE governance, financial oversight, and fiscal risk management; (iii) strengthening the MoF risk management framework for government guarantees and establishing the initial actions to introduce risk-based guarantee fees in line with EU requirements and IMF program commitments; (iv) initiating a reform-workstream to enhance SNG fiscal risk management, consistent with EU reform commitments and the PFM Reform Strategy; and (v) developing enhanced capacity for robust infrastructure governance under the PIM Action Plan.

7. On Expenditure Policy, key outcomes, progress, and links to the program include: (i) support to the Ministry of Social Policy, Family, and Unity on pension reform, in close coordination with the World Bank, and (ii) engagement on energy policy beginning in 2026Q2. Overall, across all workstreams, CD delivery remained broadly aligned with the planned CD program and with reforms under the IMF-supported program.

Forward Looking Priorities

8. On tax policy, CD delivery is expected to build on the work of the resident advisor who assumed duties at the end of January 2026. Work on tax expenditures is expected to continue while work on broader tax policy reforms under the NRS is continuing at pace, including anti-tax avoidance rules per the EU's Anti-Tax Avoidance Directive (ATAD) and other international tax provisions. In the medium term, CD is envisaged to support tax policy reforms on property taxes, local tax revenue and revenue sharing, environmental taxation, tax incentives, all initiatives included in the NRS, as well as further alignment of existing legislation with EU standards.

9. Revenue administration support will continue to focus on the implementation of the NRS, with priority given to reforms embedded in the EFF program. Reform of Ukraine's VAT system has emerged as a key priority under the IMF program and will be supported through CD, alongside continued assistance in strengthening CRM and reforming the tax audit function. In collaboration with the EU and other development partners, CD support to the SCS will focus on strengthening good governance and corporate functions. In this context, support for digital transformation will continue, including assistance with the establishment of a Public Finance Data Warehouse (a program commitment) and joint support with other development partners for the preparation of an STS Digital Business Model. UCDF-funded CD will support the authorities in strengthening the governance of IT systems, enhancing data use for compliance and risk management, and ensuring interoperability across institutions.

10. On PFM, support will continue reforms to budgetary management and the MTBF, including strengthening expenditure baselines, costing new policies, and fiscal space analysis, and further integrate fiscal risk analysis and alternative macro-fiscal scenarios into the budget cycle. CD support will also strengthen fiscal risk management reforms, including SOE governance and financial oversight and SNG fiscal risk management. Support for PIM will continue to focus on achieving milestones under the PIM Action Plan while ensuring the capacity to adhere to reforms already implemented, particularly in terms of project appraisal and assurance linked to the development of Government's Single Project Pipeline. In the near-term, support will focus on providing guidance to ensure appropriate treatment of routine capital spending as distinct from new investment projects and introducing greater proportionality to the system.

11. Expenditure policy support will continue to focus on pension reform and energy subsidies.

Institute for Capacity Development

ICD conducts two distinct activities under the UCDF: first, the department supports the NBU's Forecasting and Policy Analysis System through technical assistance and second, ICD conducts training courses on various topics, in conjunction with other CD departments, benefitting a range of Ukrainian recipient institutions.

Implementation Progress

12. A resident advisor fully dedicated the implementation of the NBU's Forecasting and Policy Analysis System (FPAS) assumed his position in November 2025. The advisor provides hands-on technical assistance to support the NBU's FPAS, macroeconomic modeling and forecasting, and targeted analytical assistance aligned with the IMF-supported lending program priorities. The advisor also proposes ways to deepen coordination between modeling and sectoral teams, further institutionalize the forecasting process by addressing gaps in sequencing, roles, and internal coordination, and enhance communication materials by making forecast assumptions, initial conditions, and key messages more policy-relevant and accessible. CD on macroeconomic modeling focused on extending the updated NBU's quarterly projection model (QPM) with Balance of

Payment block and calibrating the new block to reflect unique features of Ukraine's war economy since the full-scale invasion, in particular significant dependence on donor grants and introduction of multiple capital flow managements measures.

13. The training program supports the development of core macroeconomic, fiscal and financial policy competences and has benefited from the close collaboration and support from EUR and MCM. During FY2026, training courses addressed macroeconomic diagnostics, managing capital flows, financial sector surveillance, and fiscal policy analysis.

Forward Looking Priorities

14. Support for the NBU's forecasting and policy analysis system will continue through TA mission engagement and through the work of the resident advisor with support by HQ-based staff. Starting in 2026, the ICD-led training program is folded into the Joint Vienna Institute (JVI) work program, ensuring full leverage of JVI capacities and facilities.

Monetary and Capital Markets Department

MCM supports the National Bank of Ukraine (NBU) financial regulation and oversight.

Implementation Progress

15. CD to the NBU has covered a wide range of financial sector topics. These have included financial sector regulation and supervision focused on risk-based supervision (RBS) for bank and payment services providers, corporate governance, crypto assets regulation, Central Bank Digital Currency (CBDC) exploration, and central bank operations. A resident advisor on bank regulation and supervision is currently being recruited and expected to assume their position in FY2027. CD activities supported overall EFF objectives to strengthen financial sector supervision and regulation, with ongoing and upcoming engagements also aligned with the new EFF arrangement.

Forward-Looking Priorities

16. The FY2027 work program will continue on existing workstreams while expanding in new areas, including the bank resolution framework and central bank operations. CD engagement with the NBU will focus on the following activities:

- The NBU will continue to receive support in its transition to RBS, mainly through the new resident advisor. Work will likely continue on helping the NBU strengthen its supervisory risk culture.
- MCM will continue supporting the NBU in its work on implementing RBS for payment service providers.
- MCM will continue providing remote support to the authorities as the virtual assets law is finalized, via a short-term engagement.

- Work will continue under the current CBDC engagement. The outcome will inform NBU's decision on whether to issue a CBDC and its adoption strategy.
- Additional support on central bank operations and the bank resolution framework will also be considered, subject to demand and the availability of funding.

Statistics Department

STA has provided assistance mainly in the area of price statistics, but emerging work streams also cover government finance statistics. Integration in the European statistical system as well as support of program and surveillance work guide STA's prioritization. STA works mainly with the State Statistics Service of Ukraine but also collaborates with the MOF and NBU and other stakeholders in Ukraine's national statistics framework.

Implementation Progress

17. With UCDF support, the State Statistics Service of Ukraine (SSSU) has launched an updated house price index (May 2026) and a new import price index (released in March 2026). Since the import price index is required by Eurostat regulations for Euro Area countries and recommended for other European Union members, adding this indicator also supports Ukraine's candidacy for accession to the European Union.

Forward-looking Priorities

18. Assistance in statistics will expand to also cover new priorities in 2027, including government finance statistics, to support further integration with the European statistical system. Efforts will also continue in improving price statistics, including on updating producer price index weights and compilation methods. This update will ensure that the PPI is broadly reflective of current production patterns in the country, which have shifted since the beginning of the conflict. Work on incorporating alternative data sets into CPI compilation will accelerate in 2027.

Legal Department

LEG provides technical assistance on AML/CFT issues and governance and anti-corruption measures. The main counterparts include ESBU, FIU, MOF, MOJ, NABU, NBU, and SAPO.

Implementation Progress

19. The AML/CFT project comprises four components: (i) enhancing beneficial ownership (BO) transparency; (ii) strengthening risk-based supervision (RBS); (iii) conducting an independent review of the Financial Intelligence Unit (FIU); and (iv) leveraging AML tools to support efforts to tackle tax crimes and smuggling. Despite a challenging operating environment, implementation has progressed steadily across all components, with key outputs delivered and remaining activities being actively advanced, reflecting continued strong engagement with counterparts and effective adaptation to evolving constraints.

20. The governance and anticorruption workstream comprises three focus areas: (i) targeted CD to strengthen NACP's asset declaration and lifestyle monitoring systems; (ii) governance and Corruption Diagnostic; and (iii) placement of a long-term expert to support ongoing reforms.

21. In FY2026, CD further supported the National Agency for Corruption Prevention (NACP), focused on improving risk-based verification procedures and lifestyle monitoring.

Forward-looking Priorities

22. In FY2027, AML/CFT CD activities will focus on advancing key reform areas aligned with the AML/CFT commitments under the Extended Fund Facility (EFF):

- Using AML tools to detect and deter tax crimes, supporting efforts to enhance financial intelligence relevant to revenue integrity and high-level corruption risks.
- Improving risk-based supervision (RBS) will support the NBU in strengthening the framework for sanctioning banks' breaches of AML/CFT requirements in line with the March 2027 MEFP commitment.
- Strengthening beneficial ownership transparency will support implementation of the December 2026 MEFP commitment to improve the related sanctions regime.
- Reinforcing institutional governance, analytical capacity, and operational effectiveness, consistent with MEFP commitments to enhance the independence and performance of the FIU.

23. For FY2028–29, support is expected to continue in the areas of risk-based supervision and further enhancement of beneficial ownership transparency, particularly with respect to trusts and other legal arrangements. Deployment of a long-term governance and anti-corruption expert remains under consideration.

Annex IX. Data Issues

Table AIX. 1. Ukraine: Data Adequacy Assessment for Surveillance							
Data Adequacy Assessment Rating[1]							
A							
Questionnaire Results[2]							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Intersectoral Consistency	Median Rating
	A	A	B	A	A	B	A
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	A	A	B	A	A		
Granularity[3]	B		B	A	A		
			B		A		
Consistency			B	A		B	
Frequency and Timeliness	A	A	A	A	A		

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.

[1]The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.

[2]The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance*, January 2024, Appendix I).

[3]The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

A	The data provided to the Fund are adequate for surveillance.
B	The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.
C	The data provided to the Fund have some shortcomings that somewhat hamper surveillance.
D	The data provided to the Fund have serious shortcomings that significantly hamper surveillance.

Rationale for staff assessment. Staff assesses data as adequate for surveillance, in line with the median questionnaire rating.

Changes since the last Article IV consultation The timeliness of data provisioning has increased since the last Article IV consultation, and data on agriculture, wholesale trade, transportation, PPI and GDP deflators have resumed publication, while labor market data has still limited availability and quality.

Corrective actions and capacity development priorities Given the high adequacy rating, no dedicated discussion is currently planned.

Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff. Staff uses official statistics for analysis.

Other data gaps. Labor market data requires improvement, no aggregate employment series is available for firms below 10 employees, despite the importance of self-employment in the economy.

Table AIX. 2. Ukraine: Data Standards Initiatives

Ukraine subscribes to the Special Data Dissemination Standard (SDDS) since January 2003 and publishes the data in its National Summary Data Page. The latest Annual Observance Report is available on the Data Standards Bulletin Board (https://dsbb.imf.org).

Table AIX. 3. Ukraine: Table of Common Indicators Required for Surveillance

As of May 29, 2026

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data[7]	Frequency of Reporting[7]	Expected Frequency[7,8]	Announced Frequency[9]	Expected Timeliness[7,8]	Announced Timeliness[9]
Exchange Rates	2026-05-29	2026-05-29	D	D	D	...	...	...
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	2026-05-27	2026-05-29	D	D	M	M	1W	21D
Reserve/Base Money	2026-04	2026-05	M	M	M	M	2W	NLT 25D
Broad Money	2026-04	2026-05	M	M	M	M	1M	25D
Central Bank Balance Sheet	2026-03	2026-05	M	M	M	M	2W	NLT 25D
Consolidated Balance Sheet of the Banking System	2026-03	2026-05	M	M	M	M	1M	25D
Total assets of other depository corporations[2]	2026-03	2026-05	M	M	M	M	1M	25D
Total credit from other depository corporations[2]	2026-03	2026-05	M	M	M	M	1M	25D
Interest Rates[3]			D	D	D	...	...	...
Consumer Price Index	2026-04	2026-05	M	M	M	M	1M	10D
Revenue, Expenditure, Balance and Composition of Financing[4]-General Government[5]	2026-04	2026-05	M	M	A	Q	2Q	2Q
Revenue, Expenditure, Balance and Composition of Financing[4]-Central Government	2026-04	2026-05	M	M	M	Q	1M	NLT 90D
Stocks of Central Government and Central Government-Guaranteed Debt[6]	2026-04	2026-05	M	M	Q	Q	1Q	NLT 45D
Total stock of General Government Debt[5]	2026-04	2026-05	M	M	Q	...	4M	...
External Current Account Balance	2026-03	2026-04	M	M	Q	Q	1Q	80D
Exports and Imports of Goods and Services	2026-03	2026-04	M	M	M	M	8W	NLT 45D
GDP/GNP	2025-12	2026-05	Q	Q	Q	Q	1Q	80D
Gross External Debt	2025-12	2026-03	Q	Q	Q	Q	1Q	1Q
International Investment Position	2025-12	2026-03	Q	Q	Q	Q	1Q	90D

[1] Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.

[2] Other depository corporations include all deposit-taking corporations (except for the central bank) and money market funds.

[3] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

[4] Foreign, domestic bank, and domestic non-bank financing.

[5] The general government consists of the central government (budgetary funds, extra-budgetary funds, and social security funds) and state and local governments. The total stock of general government debt is required for SDDS Plus countries and encouraged for SDDS and e-GDDS countries.

[6] Including currency and maturity composition.

[7] Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual; ("SA") semi-annual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.

[8] Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan. Indicators that are not in the IMF Data Standards Initiatives are shown as "...".

[9] Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (https://dsbb.imf.org/). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "...".

Appendix I. Letter of Intent

Ms. Kristalina Georgieva July 2, 2026

Managing Director

International Monetary Fund

Washington, D.C., 20431

U.S.A.

Dear Ms. Georgieva:

1. Russia's illegal and unjustified invasion of our country, now in 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 supply, electricity and railways—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. In spite of these challenging circumstances, we are continuing to implement sound economic policies under the Extended Fund Facility (EFF), building on the strong track record of the IMF-supported arrangements. Approval of the IMF-supported program, together with significant official financing assurances, has provided a crucial financing envelope of US$140.3 billion in the baseline over the program period.

2. The goal of our IMF-supported program remains to address challenges arising from the protracted war while maintaining macroeconomic 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.

3. While remaining focused on preserving macroeconomic and financial stability, we continue to implement 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.

4. For this First Review under the EFF, we have met all end-March 2026 and continuous quantitative performance criteria (QPCs); we also achieved all the indicative targets (ITs). We expect to meet the following QPCs for end-June: (i) the floor on the non-defense cash primary balance of

the general government, excluding budget support grants; (ii) the floor on tax revenues (excluding social security contributions); and (iii) the ceiling on publicly guaranteed debt. We nevertheless request waivers for applicability of these end-June QPCs since treasury reporting of final data to evaluate the fiscal and debt targets will be available around July 25. However, we expect to miss the QPC on net international reserves due to the materialization of risks associated with the war in the Middle East. To address this shortfall, we have taken and will continue to take corrective measures to strengthen reserve accumulation and increase exchange rate flexibility. We continue to maintain a sufficiently tight monetary policy stance, and stand ready to tighten further, to limit inflationary and FX pressures. On this basis and our continued commitment to the program, we request a waiver of non-observance of the QPC on net international reserves. Final data on net international reserves will be available by July 21.

5. We continue to implement key policy measures and structural reforms under the program, as highlighted in Table 2 of the MEFP. Despite some delays, we have implemented two structural benchmarks due end-February and end-March, respectively: (i) implementation of recommendations to strengthen the nomination and annual assessment process for SOB supervisory boards; and (ii) appointment of a new permanent head of customs. We expect to meet the end-June structural benchmark on the implementation of a third-party risk management framework for banks, insurers and non-bank financial payment service providers as well as the end-June structural benchmark on the approval of the updated general SOB strategy. Due to delays in ongoing technical assistance, we are proposing to reset the structural benchmark for NACP to issue new regulations establishing a risk-based system for verification of asset declarations from end-June to end-September 2026, as well as the publication of a technical analysis to support reform in the energy sector from end-July to end-October 2026. Moreover, we expect to miss the end-June structural benchmark on submission of tax legislation to reform transfer pricing and to implement the interest limitation rule. Given its importance, we propose to re-introduce it, with some modifications, as a new structural benchmark for end-August (see below).

6. As a demonstration of our commitment to implementing wide-ranging reforms, we propose eight new structural benchmarks: (i) avoid measures that would lead to additional spending obligations of the Pension Fund of Ukraine, exceeding the overall expenditure ceiling established in the its budget (continuous); (ii) enactment of legislation to introduce a tax on income from digital platforms and to remove tax exemptions on low-value imports through postal shipments by end-July 2026; (iii) submission of amendments to the Tax Code to considerably raise the threshold above which VAT refund requests can give rise to unscheduled audits by end-August 2026; (iv) submitting to parliament tax legislation to reform transfer pricing and align the interest limitation rule with international good practices by end-August 2026; (v) enacting legislation to ensure NEURC independence and improve nomination procedures by end-October 2026; (vi) adoption of new organizational KPIs for STS by end-December 2026; (vii) submission of anti-avoidance rules to prevent abuse of the ST regime by end-December 2026; (viii) removal of the VAT exemption for simplified taxpayers and increase of the VAT registration threshold effective January 1, 2028, to be enacted by end-April 2027.

7. Based on our successful implementation of the program targets for end-March 2026, our implementation of structural benchmarks and our strong policy commitments for the period ahead, we request completion of the First Review and a disbursement in the amount of SDR 503 million (25 percent of quota), which will be channeled to budget support. A special agreement between the National Bank of Ukraine (NBU) and the Ministry of Finance (MOF) has been established to govern the mechanism of servicing the government's obligations to the Fund by the NBU on behalf of the MOF. We also request completion of the financing assurances review.

8. 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.

9. 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.

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

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

Sincerely yours,

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

Attachment I. Memorandum of Economic and Financial Policies

I. Background, Recent Economic Developments, and Outlook

Context

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

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

3. **The official launch of EU accession negotiations in 2024 was a historic milestone, setting the stage for our European integration path, stability and long-term growth prospects.** Our policy initiatives, guided by close engagement with the IMF and anchored in our strategic goal of EU accession, will underpin our recovery and long-term growth. Reforms to achieve EU membership will strengthen our economy and institutions, by creating conditions for increased investment and durable growth. Our candidate status implies that the choice of the regulatory regime defined by the EU acquis will frame our recovery and reconstruction process. Progressive integration into the European internal market should enhance trade and technology transfer to the Ukrainian economy, helping sustain the recovery.

Economic Outlook

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

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

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

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

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

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

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

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

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

II. Macroeconomic and Structural Policies for 2026–29

A. Overview

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

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

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

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

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

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

B. Fiscal Policy

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

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

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

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

- We will only revise spending categories in consultation with IMF staff and after identifying either new financing sources or compensating fiscal measures. We recognize that risks to the budget are particularly high in the short term, and stand ready to respond to shocks by seeking offsetting savings on expenditures, mobilizing additional revenues, and further tapping the domestic government bond market. Further, we continue to stand ready to increase taxes if budgetary shocks materialize, and view increases in the main VAT rate as the most efficient option to mobilize resources in such a contingency.

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

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

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

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

14. Consistent with the law and recent public financial management (PFM) reforms, we will ensure that all investment projects are prioritized and selected through the established Public Investment Management (PIM) framework, fit into the medium-term budgetary framework (MTBF), and are consistent with the objective of restoring fiscal and debt sustainability. To this end, for all investment projects, we will also carefully evaluate the financing mix and will seek financing on highly concessional terms. In parallel, we will advance reforms to the financial market infrastructure with the aim of mobilizing private financing for recovery and reconstruction (¶57).

C. Financing Strategy

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

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

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

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

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

17. We are proceeding with plans to enhance public debt management and treasury cash and liquidity management. We are also committed to strengthening our debt management capacity, including by increasing staffing and training. We will continue to support the development of the domestic debt market, including through medium-term efforts to maintain the attractiveness of locally-issued instruments and diversify the set of investors (including by improvement of cross-border settlement). Moreover, our efforts should help facilitate international capital market access in the medium term, consistent with debt sustainability objectives, and thereby enable the bond market to play an active role in reconstruction.

D. Fiscal Structural Reforms

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

Revenue Mobilization

19. Our strategic goal under the NRS is to increase revenues by closing opportunities for tax evasion, promoting growth, improving compliance, and combating the shadow economy. The NRS aims to establish a fair and competitive tax framework that generates sufficient revenues to support our post-war development goals while ensuring fiscal and debt sustainability as well as alignment with EU standards. We will continue to closely monitor and report progress on NRS implementation. To reflect reform progress and ensure accountability within a comprehensive, transparent, and unified reporting framework, we will publish comprehensive annual status reports. The report for 2025 was published in May 2026.

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

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

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

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

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

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

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

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

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

- By end-September 2026, we will:

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

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

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

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

27. We will continue with our ongoing efforts to quantify and disclose tax privileges. We will phase in the new methodology to assess tax privileges and gradually apply it to all relevant topics, targeting the most significant tax expenditures first, and leading to a regular evaluation cycle covering all topics over a number of years. We will conduct a comprehensive inventory of tax expenditures related to these major taxes for publication alongside the 2027 annual budget documentation, and we will conduct regular calculations of tax expenditure costs. Moreover, the MOF will consult with IMF staff on the methodology of assessing the impact of any new tax proposal.

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

29. We will simplify the VAT reporting process:

- For small businesses, we will use (i) cash register data to pre-populate certain indicators of tax invoices and (ii) tax invoices to pre-populate VAT returns. The VAT return pre-population service will become operational by the end of 2026, and the service for pre-populating tax invoices based on cash register data will become available in the first quarter of 2027. These changes will not affect taxpayers' obligation to submit accurate information.
- During 2026, we will also revise our VAT declaration forms to simplify reporting for all VAT payers. The objective is to reduce the content as much as possible.

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

- We have launched a two-year pilot (ending July 31, 2026) of the risk management system, including the automated IT tool. By end-August 2026, the STS will prepare information on the pilot project’s results. Based on this information, we will then (by end-2026) prepare and submit to the CMU a report on the lessons learned from the pilot and, if needed, proposals for legislative amendments.
- After implementation of the automated Compliance Risk Management (CRM) system, we will submit proposals for amendments to the Tax Code to eliminate legal constraints that currently limit the effectiveness of the State Tax Service (STS) and negatively affect tax compliance.
- We will submit amendments to the Tax Code raising the threshold for unscheduled audits based on a VAT refund request or negative VAT liability from UAH100,000 to UAH1,000,000 **(proposed structural benchmark, end-August 2026)**.
- STS will conduct an analysis of risk criteria used by the VAT invoice registration system (SMKOR). Criteria that do not effectively signal a material risk of non-compliance will be refined. Our aim is

to reduce the number of suspended invoices to less than 0.08 percent of total invoices per month. By end-September, 2026, the STS will report the results of these changes in terms of cost savings and changes in compliance. Subsequently, the CMU will by end-December 2026 issue an updated resolution 1165 to reflect these changes.

- By end-October 2026, the STS will conduct at least three pilots (in line with FAD advice) to test VAT non-compliance risks. One of the pilots will assess the risk of underreported sales to avoid VAT registration. Based on the pilots, we will by end-December 2026 propose measures to improve VAT compliance, including by targeting taxpayers with turnover close to the VAT and ST thresholds.

- We will strengthen SCS/STS collaboration to enhance VAT risk assessments. For the second half of 2026, we aim to step up simultaneous audits and considerably increase their number. By March 2027, the STS and SCS will send to the MOF a report on lessons learned. Moreover, the STS annual report will include results from these parallel audits. We will also ensure that the STS makes more systematic use of information from export declarations when assessing VAT risks.

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

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

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

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

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

34. We remain committed to implementing the changes to the Customs Code enacted in 2024, including key governance reforms. Following the appointment of a new head of customs in April 2026 **(structural benchmark, end-March 2026, not met, implemented with delay)**, we are working to swiftly establish his KPIs in consultation with IMF staff. These KPIs will balance revenue collection performance with other objectives, such as trade facilitation, good governance, and reform progress. The MOF will continue to oversee the selection, KPI-based performance evaluation, and policy guidance for the SCS head, ensuring transparency and accountability while allowing SCS operational independence. Any vacancies for regional customs heads will be filled as soon as possible. We will also ensure that the process of attestation of SCS staff will be launched in 2026.

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

Public Financial Management

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

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

38. We will implement the MOF's SOE financial oversight and fiscal risk management function into the SOE governance framework and align it with secondary legislation. We will enhance the identification, analysis, and reporting of Public Sector Obligations (PSOs) and quasi-fiscal activities (see also ¶70). We will refrain from imposing new PSOs and will only introduce new ones after prior consultation with IMF staff on their appropriate design, including separate and transparent accounting of PSO obligations in line with international best practice. Regarding SOE financial indicators, we will review, if necessary, the financial indicators at the latest in early 2027 before the next SOE financial planning season in 2028, and we will make any changes to the financial indicators through a CMU resolution.

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

Public Investment Management

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

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

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

- By end-September 2027, we will enact legal amendments to improve the integration of PIM into medium-term budget planning and fiscal risk management, covering: (i) use and recording of multiannual budget commitments and contingent liabilities for public investment projects; (ii) determination of contingent liabilities that may arise from PPPs; (iii) management and disclosure of fiscal risks related to public investments; and (iv) public investment budgeting at the local level.

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

Pensions and Social Spending

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

- **Pensions.** With IMF and World Bank support, we are developing a comprehensive pension reform covering all components of the system. The reform will aim to improve adequacy and fiscal sustainability, strengthen the contributory principle, and address old-age poverty through a more transparent and equitable design. Our reform proposal to the CMU will include an analysis of the long-term fiscal implications, prepared in consultation with IMF staff. We will ensure—through compensating revenue or expenditure measures if needed—that the reform does not widen the deficit of the general government sector over the medium term. Moreover, we will refrain from: (i) introducing new special pensions or privileges; (ii) passing any new legislation that would give rise to additional pension-related contingent liabilities, which are not provided with financial resources; and (iii) modifications that would lead to a lowering of the legally defined retirement age. In the near term, we will take measures to limit the amount of additional benefits paid to certain categories of pensioners, on top of the contributive part of their pensions. We will also offer a unified approach to the annual increase of all pensions assigned in the pension system, exclusively through the indexation mechanism. Specifically, we will, by end-2026, submit draft legislation to Parliament to discontinue the practice of linking annual increases in certain special pensions to increases in salaries.

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

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

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

E. External Debt Strategy

42. Our efforts to restore debt sustainability on a forward-looking basis remain guided by the strategy announced in March 2023. Treatment of the remaining external commercial claims in the restructuring perimeter remains necessary to help close financing gaps during the program period, reduce gross financing needs to manageable levels, including after the program, and to place debt on a sustainable path. Our goal remains to restore debt sustainability and ensure that our program is fully financed, including in a downside scenario. Our strategy is also designed to help create the necessary conditions for private sector participation in the post-war reconstruction of Ukraine, and takes into account the importance of preserving financial stability.

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

- *Commercial claims*: The execution process of the transaction continues, based on the agreement in principle reached in 2025, with a group of investors holding 45 percent of Ukrenergo's state-guaranteed bonds in the restructuring perimeter. With Cargill, we continue negotiations and have shared proposals, at advisor and principal level, to restructure the loans on terms comparable to other commercial claims. We are aiming to reach an agreement as soon as possible. In the meantime, a moratorium on government payments on all these instruments was introduced in August 2024 and remains in effect. We continue to be aided by our external financial and legal advisors and remain committed to a credible process for restructuring these claims in line with the overall strategy under the program, including with transparency for information and communication.

- *Official bilateral debt.* Creditors in the Group of Creditors of Ukraine (GCU) remain committed to a two-step process involving an extension of the debt standstill, a new cutoff date, and a separate assurance to deliver a final debt treatment sufficient to restore debt sustainability before the final review of the IMF-supported program. A Memorandum of Understanding with GCU members to implement the standstill was signed in April 2026. We remain in close contact with the GCU regarding the restructuring of external commercial debt to ensure their comfort with the overall strategy as developments unfold. Going forward, we will seek treatments on comparable terms with other official creditors, including guaranteed loans, and the definitive restructuring of these claims.

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

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

F. Monetary and Exchange Rate Policies

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

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

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

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

NBU Independence and Governance

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

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

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

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

- *Wartime measures and liquidity management:* As liquidity conditions evolve, we will adjust our monetary policy framework to better align with economic conditions. When conditions permit, we will phase out war-time measures to strengthen our monetary policy toolkit, uphold NBU credibility and independence, and thereby support our transition to a full-fledged inflation targeting framework with a floating exchange rate.

G. Financial Sector

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

of the largest bank nationalized in 2016 and of the DGF. Minimum capital requirements and the procedure for calculating the large exposures limit have been aligned with EU standards. In addition, we will make sure banks and banking groups shall comply with requirements regarding the building up of a capital conservation buffer starting from 1 January 2027, and the requirements for building up systemic importance buffer starting from 1 January 2028.[3] The NBU will continue monitoring economic conditions and introduce further requirements based on: (i) banks' adherence to the new capital requirements aligned with EU standards; (ii) the results of resilience assessments, and (iii) the banking system's role of lending to the economy and its involvement in the domestic debt market. NBU has reinstated the normal regulatory deadlines for conducting fit and proper assessments. We will make legislative changes to implement European (TEGOVA) and international valuation standards (IVS) by end-July 2026 that will be followed by the development of an implementation roadmap. These legislative changes will also encompass the expansion of the Unified Database to include real estate transactions that are not subject to taxation. We have finalized the mechanism for publication of the HPI by end-May 2026 and will account for the above-mentioned legislative changes to the data collection while preparing HPI.

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

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

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

61. We will continue to strengthen the legal, regulatory, and supervisory framework for NBFIs. A legal framework for financial services and financial companies, insurance and credit unions and payment market participants is being phased-in. This includes (i) transitioning to a risk-based approach for supervising NBFIs; (ii) strengthening powers to revoke licenses and liquidate failed NBFIs; (iii) strengthening ownership structures; and (iv) improving disclosure requirements. The NBU, in cooperation with other public authorities, is developing a strategy for the insurance market aimed at identifying the key priorities for its transformation and fostering its growth and alignment with European standards. NSSMC is moving forward with the regulation of financial intermediaries to align their capital requirements with the EU acquis. As regards financial reporting, we have restored the requirements for mandatory quality control of services provided by audit companies that apply to non-bank financial companies. The NSSMC will continue to provide access to financial reporting files submitted to the Financial Reporting Collection Center and will define the main tasks for expanding the functional capabilities of the Financial Reporting Collection Center in consultation with key stakeholders.

H. Governance and Anti-Corruption

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

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

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

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

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

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

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

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

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

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

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

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

- We will continue implementing the SOP as per the SOP Action Plan including the framework for privatizations (full or partial); requiring that financial statements are prepared in accordance with IFRS, subject to an appropriate transition period; and implementing SOE information disclosure and SOE remuneration policy (not applicable to SOBs). We commit to publishing a revised SOP by end-July 2026, which would more closely align with OECD Guidelines on Corporate Governance of SOEs, following recommendations from the 2025 OECD Review. We will consult with the IMF and international partners on all related draft legislations and CMU resolutions.

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

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

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

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

I. Energy Sector Reforms

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

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

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

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

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

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

- We will tackle the arrears and debt of District Heating Companies (DHCs) comprehensively once war-related pressures on the budget subside, by developing a new tariff methodology that achieves cost recovery. We will explore mechanisms and legal amendments to ensure that local heat and hot water tariffs gradually converge to, and later at least maintain, cost-recovery levels. We will consult with IMF staff on plans to clear arrears through direct or indirect budget support.

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

J. Program Monitoring

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

Table 1. Ukraine: Quantitative Performance Criteria and Indicative Targets

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

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

Sources: Ukranian authorities and IMF staff estimates and projections.

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

2/ Targets and projections for 2026 and 2027 are cumulative flows from January 1, 2026, and 2027, respectively.

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

4/ From end of previous quarter.

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

6/ Excludes prospective IMF disbursements under the EFF.

Table 2. Ukraine: Prior Actions and Structural Benchmarks (new items in blue)

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

Table 2. Ukraine: Prior Actions and Structural Benchmarks (new items in blue) (concluded)

No.	Structural Benchmark or Prior Action	Sector	Timing	Status
	vulnerable consumers, reflecting the findings of IMF TA to the Ministry of Energy (MEFP ¶72)			
11	Enact legislation to introduce a tax on income earned from digital platforms and to remove the tax exemption on low-value imports through postal shipments (MEFP ¶20)	Fiscal	End-Jul 2026	
12	Submission to Parliament of amendments to the Tax Code, as specified in MEFP ¶25, including to reform transfer pricing and interest limitation rules (MEFP ¶25)	Fiscal	End-Aug 2026	
13	Submit amendments to the Tax Code to raise the threshold for unscheduled audits upon VAT refund requests and negative VAT liabilities from UAH 100,000 to UAH 1,000,000 (MEFP ¶30)	Fiscal	End-Aug 2026	
14	Enact legislation to ensure NEURC independence and improve nomination procedures (MEFP ¶73)	Energy	End-Oct 2026	
15	Adoption of new organizational KPIs for STS (MEFP ¶32)	Fiscal	End-Dec 2026	
16	Create the design of a centralized data warehouse for tax and customs administration (MEFP ¶28)	Fiscal, Governance	End-Dec 2026	
17	Strengthen NSSMC decision-making structures and processes by amending the NSSMC law to align governance with the Constitution and implement a two-tier governance structure including a supervisory board with clearly defined roles and responsibilities. (MEFP ¶56)	Financial, Governance	End-Dec 2026	
18	Appoint all ACU board members from the pool of vetted candidates in accordance with the 2024 amendments (MEFP ¶39)	Fiscal, Governance	End-Dec 2026	
19	Submit anti-avoidance rules to prevent abuse of the Simplified Tax regime (MEFP ¶24)	Fiscal	End-Dec 2026	
20	Enact the removal of the VAT exemption for ST and raise the VAT registration threshold, effective Jan 1, 2028 (MEFP ¶21)	Fiscal	End-Apr 2027	

Attachment II. Technical Memorandum of Understanding

July 2, 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 July 2, 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 Australian Dollar is valued at 1.495 dollars 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 asset[1] and,

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

Table A. Ukraine: Components of Net International Reserves

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

	2026			2027	
	end-Jun.	end-Sep.	end-Dec.	end-Mar.	end-Jun.
Total official support	18,658	25,630	52,597	9,981	19,936
Budget support	17,969	24,182	49,815	9,886	19,537
Loans	8,203	10,066	22,832	471	743
Grants	9,766	14,116	26,983	9,415	18,794
Project support 3/	689	1,448	2,782	95	399

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/ The cumulative shortfall in external budget support for end-June 2026 will be calculated based on Table B in the TMU dated February 13, 2026.

3/ 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/ 2/
(Cumulative in USD millions, at program exchange rates)

	end-Jun.	end-Sep.	end-Dec.	end-Mar.	end-Jun.
Net issuance of central government domestic FX securities	-149	-179	-202	-17	-747
Gross issuance	771	1,205	1,205	707	1,173
Repayment	920	1,384	1,407	724	1,921
Redemption	864	1,298	1,298	707	1,880
Interest	56	86	109	17	40

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

2/ The cumulative shortfall in net issuance for end-June 2026 will be calculated based on Table C in the TMU dated February 13, 2026.

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, 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 (June 30, 2026, September 30, 2026, and December 31, 2026 for 2026 targets; and March 31, 2027 and June 30, 2027 for 2027 targets) and is not carried over between quarters. The amount of the shortfall in external financing is assessed as the total cumulative shortfall from end-December 2025 for 2026 targets and end-December 2026 for 2027 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: 2026				2027
	Mar 31	Jun 30	Sep 30	Dec 31	Mar 31
Actual rollover rate on three month period prior to requesting monetary financing	100	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)	47.5	43.7	50.0	46.6	49.2
Memo: Projected redemptions (in UAH billions), as of June 2, 2026	110.4	102.3	144.3	167.5	107.4

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 Naftogaz[3] 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

[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.

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, (iii) exchange rate valuation adjustments arising from revaluation of the treasury's 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; and (iv) sub-account 3553 for accounts of state-owned enterprises.

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; (ii) 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, 3552, 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

[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.

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 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 UAH 65.0 billion in 2027. It is compliant with the limit of up to 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, ***<u>on a monthly basis</u>***, 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, ***<u>on a monthly basis</u>***, 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 ***<u>on a weekly basis</u>***, 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 ***<u>monthly basis</u>***, 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, ***<u>on a monthly basis</u>***, 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); 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, ***<u>on a monthly basis</u>***, 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.); refinanced loans and restructured loans (by households, legal entities, and banks); 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 LCRall currencies, LCRfc.

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 #3553 "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, 3352, 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 monthly basis*** but no later than 25 days after the end of each month information on the number of submitted tax invoices / adjustment calculations (TI/AC), the number of suspended tax invoices / adjustment calculations (TI/AC), the number of suspended TI/AC for which taxpayers submitted supporting documentation, and the number of suspended TI/AC registered within five days of receiving supporting documentation from taxpayers.

93. The STS will provide ***on a monthly basis*** but no later than 25 days after the end of each month information on the number court cases considered related to the refusal to register TI/AC and the number of such cases resolved in favor of the STS.

94. The STS will provide ***on a monthly basis*** but no later than 25 days after the end of each month information on the number court cases considered in the *first instance* related to tax notifications-decisions and on the number of such cases resolved in favor of the STS.

95. The STS will provide ***on a monthly basis*** but no later than 25 days after the end of each month information on the number court cases considered in *appellate* courts related to tax notifications-decisions and on the number of such cases resolved in favor of the STS.

96. The STS will provide ***on a monthly basis*** but no later than 25 days after the end of each month information on the number of final court decisions related to cases on claims against the STS and on the number of such decisions implemented within 3 days after becoming final.

97. The STS will provide ***on a monthly basis*** but no later than 25 days after the end of each month information on the number of administrative 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, and the number of judicial appeals of results of the administrative appeals process.

98. 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

99. 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.

100. 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.

101. 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

102. 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

103. 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.

INTERNATIONAL MONETARY FUND

UKRAINE

UKRAINE—STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION AND FIRST REVIEW OF THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY, REQUESTS FOR WAIVERS OF APPLICABILITY OF PERFORMANCE CRITERIA, A WAIVER OF NONOBSERVANCE OF A PERFORMANCE CRITERION, AND FINANCING ASSURANCES REVIEW—INFORMATIONAL ANNEX

July 6, 2026

Prepared By

European Department in consultation with other departments

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FUND RELATIONS

(As of May 31, 2026)

Membership Status:

Joined: September 3, 1992

On September 24, 1996, Ukraine accepted the obligations of Article VIII, Sections 2, 3 and 4 of the Fund's Articles of Agreement.

SDR Department:	SDR Million	%Allocation
Net cumulative allocation	3,237.66	100.00
Holdings	330.27	10.20

Outstanding Purchases and Loans:	SDR Million	%Quota
Stand-by Arrangements	125.00	6.21
Emergency Assistance[1]	1,257.38	62.50
Extended Arrangements	9,305.63	462.55

Latest Financial Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR million)	Amount Drawn (SDR million)
EFF	02/26/26	02/25/30	5,935.30	1,106.50
EFF	03/31/23	02/12/26	11,608.25	8,017.11
Stand-By	06/09/20	03/02/22	3,600.00	2,000.00

Outright Loans:

Type	Date of Commitment	Date Drawn/Expired	Amount Approved (SDR million)	Amount Drawn (SDR million)
RFI	10/07/22	10/12/22	1,005.90	1,005.90
RFI	03/09/22	03/09/22	1,005.90	1,005.90

Projected Payments to Fund:[2]
(SDR Million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2026	2027	2028	2029	2030
Principal	874.53	912.84	611.93	1,280.02	1,428.39
Charges/Interest	276.30	491.44	446.99	393.64	314.75
Total	1,150.84	1,404.28	1,058.92	1,673.66	1,743.14

[1] Emergency Assistance may include ENDA, EPCA, and RFI.

[2] When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Exchange Rate Arrangements:

Ukraine's de jure and de facto exchange rate arrangements are classified as floating.

The FX control measures undertaken under Resolution No. 18 following the imposition of Martial Law are assessed as exchange restrictions imposed consistent with Article VIII, Section 2(a). The Ukrainian authorities have notified the IMF Executive Board that Resolution No. 18 (and amendments to Resolution No. 18)[3] as being those taken solely for reasons of national or international security under the procedures provided for under Decision No. 144. Exchange restrictions under Resolution No. 18 include limitations on the making of the following payments and transfers for current international transactions, including the purchase of FX for such payments and transfers: (i) payments for certain imports of goods and services; (ii) transfers to non-residents on amortization and interest of domestic government bonds; (iii) payments by residents to nonresidents of interest and amortization on foreign loans; (iv) normal short term banking and credit facilities; (v) payments due as net income from investments; (vi) other invisibles, as well as (vii) transfers by nonresidents abroad of amounts recently acquired from current international transactions. Since their introduction in February 2022, the authorities have gradually eased FX restrictions in line with their FX liberalization strategy.

In line with the revised MCP policy that became effective on February 1, 2024, all MCPs maintained by Ukraine under the previous MCP policy (see IMF Country Report No. 23/399) are considered eliminated as of February 1, 2024.

Safeguards Assessments:

An updated safeguards assessment of the NBU was completed in May 2026. The assessment found that the NBU has maintained a broadly strong safeguards framework. External audit and financial reporting arrangements remain well established, and internal controls over operations were improved including by strengthening lending and monetary financing frameworks. However, governance practices need to be strengthened further, including through ensuring a fully staffed NBU council, and clarifying the audit committee's mandate for ethics and integrity oversight. Draft legal amendments, prepared in consultation with the IMF staff, to enhance the Council's collective fitness and strengthen the Audit Committee's mandate are expected to be submitted to parliament alongside broader EU accession legislation.

[3] The introduction of Resolution No. 18 by the NBU superseded other existing regulations contravening Resolution No. 18 and that gave rise to previous exchange restrictions (see IMF Country Report No. 21/250).

UFR/Article IV Consultation:

Ukraine is on a 24-month consultation cycle. The last Article IV consultation was concluded on December 11, 2023, and a report was published on the IMF's external website: www.imf.org.

Resident Representative

Ms. Priscilla Toffano has been the resident representative since August 2024.

IMF Technical Assistance:

Fiscal Affairs Department		
Area	Topic	Start Date
Tax Policy	Improve Tax Policy Design - TPD	Nov-23
	Improved tax and non-tax revenue policy (SDG 17.1) - TXP	Nov-23
	Strengthen Policy Monitoring, Evaluation, and Institutions - TPM	Nov-23
	Improved tax and non-tax revenue policy (SDG 17.1) - TXP	Sep-22
Revenue Administration	Improved customs administration functions (SDG 17.1) - CAD	Oct-23
	Strengthened core tax administration functions (SDG 17.1) - TAD	Oct-23
	Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM	Oct-23
	Strengthened core tax administration functions (SDG 17.1) - TAD	Apr-20
	Strengthened revenue administration management and governance arrangements	Apr-20
	Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM	Apr-20
Public Financial Management	Frameworks to Build Sustainable Fiscal Institutions and Frameworks - FIF	Dec-22
	Strengthen Macrofiscal Frameworks - SMF	Dec-22
	Strengthened Budget Management - PBM	Dec-22
	Strengthened identification, monitoring, and management of fiscal risks	Dec-20
	Formulate and implement a medium-term debt management strategy (MTDS) - MTD	Jan-24
	Improved asset and liability management - ALM	Jan-24
	Comprehensive, credible, and policy-based budget preparation - BPR	Oct-23
Macro-Fiscal Policies	Strengthened identification, monitoring, and management of fiscal risks - FRK	Apr-23
Expenditure Policy	Rationalize public expenditure in the short term - PEX	Dec-22
	Strengthen Expenditure Policy Formulation and Design - EPD	Dec-22
	HQ Fiscal Risk Management and Guarantees mission - FY24-1 - STX	May-23
	HQ Fiscal Risk Management and Guarantees mission - FY24-1 - HQ staff	May-23
Other	Energy Subsidy Reform	May-26
	NRS draft review and new proposals (joint with R1)	Oct-23
	NRS: Action plan (joint with R1)	Jul-23
	National recovery and revenue strategy review	Mar-23
	Strengthening the Social Safety Net	Jan-23

Legal Department		
Area	Topic	Start Date
Governance and Anti-Corruption	Strengthen the legal and institutional frameworks to combat corruption - GAC	Apr-25
AML/CFT	Strengthen the effective implementation of AML/CFT Measures - ACM	Feb-20
	AML/CFT Risk-Based Supervision	Jul-24
	Enhancing Beneficial Ownership Transparency	Nov-24
	AML/CFT Risk-Based Supervision	Jan-25
	Enhancing Beneficial Ownership Transparency	Jul-25
	Conducting An Independent Review of the Financial Intelligence Unit	Oct-25
	Using AML Tools to Tackle Tax Crimes and Large-scale Smuggling	May-26

Monetary and Capital Markets		
Area	Topic	Start Date
Payments and Infrastructure	Enhance safety and efficiency of Financial Market Infrastructures (FMIs) and payments - MIP	Feb-21
	Make a fully informed decision on whether to issue retail CBDC and, if so, incorporate design features that support public policy objectives and ensure an efficient, resilient, and competitive payment system - BDC	Dec-23
Monetary and Macroprudential Policies	Strengthen the central bank's communications on monetary policy (MP) - MPC	May-23
Financial Supervision and Regulation	Develop/strengthen banks' regulation and supervision frameworks - BRS	Feb-21
	Develop/strengthen fintech regulation and supervision - FTK	Feb-21
	Develop/strengthen banks' regulation and supervision frameworks - BRS	Feb-24
	Develop/strengthen fintech regulation and supervision - FTK	Mar-24
	Strengthen the legal frameworks in: Financial Institutions, Markets, Fiscal and Tax systems to address digitalization - FFT	Mar-24
	Develop/strengthen fintech regulation and supervision - FTK	Feb-25

Institute for Capacity Development		
Area	Topic	Start Date
Macroeconomic Frameworks	Develop capacity in macroeconomic forecasting and policy analysis to support policy decision making and communications - MFR	Apr-25
	Develop capacity in macroeconomic forecasting and policy analysis to support policy decision making and communications - MFR	Jan-24
	Develop capacity in macroeconomic forecasting and policy analysis to support policy decision making and communications - MFR	Jan-24

Statistics Department		
Area	Topic	Start Date
Real Sector - Prices	Strengthen compilation and dissemination of Consumer Price Statistics - CPP	Nov-23
	Strengthen compilation and dissemination of Property Price Statistics - PPS	Nov-23
	Strengthen compilation and dissemination of Producer Price and Trade Price Statistics - PPT	Jan-24
Government Finance	Strengthen compilation and dissemination of fiscal statistics - GFS	Sep-20
	Strengthen compilation and dissemination of Government Finance Statistics (GFS) - SGF	Apr-25
Financial Institutions	Strengthen compilation and dissemination of financial soundness indicators - FSI	Jan-24
Data Management and Operations	Improve data management systems and processes - DMO	Apr-24

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

EBRD: https://www.ebrd.com/ukraine.html

EC: https://neighbourhood-enlargement.ec.europa.eu/european-neighbourhood-policy/countries-region/ukraine_en

EIB: https://www.eib.org/en/projects/regions/eastern-neighbours/ukraine/index.htm

OECD: https://www.oecd.org/country/ukraine/

World Bank: https://projects.worldbank.org/en/projects-operations/projects-summary?countrycode_exact=UA

INTERNATIONAL MONETARY FUND

UKRAINE

July 17, 2026

UKRAINE—STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION AND FIRST REVIEW OF THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY, REQUESTS FOR WAIVERS OF APPLICABILITY OF PERFORMANCE CRITERIA, A WAIVER OF NONOBSERVANCE OF A PERFORMANCE CRITERION, AND FINANCING ASSURANCES—SUPPLEMENTARY INFORMATION

Approved By
Kristina Kostial (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.

1. A new prime minister, Sergiy Koretskyi, was approved by parliament on July 16, succeeding Yulia Svyrydenko. He was previously head of Naftogaz, the largest state-owned enterprise. The finance minister remains in post, while parliament has also approved the appointment of a new Minister of Economy, Oleksandr Kravchenko, and a new Minister of Justice, Denys Maslov.

2. Staff have reviewed the authorities' State-Owned Bank (SOB) Strategy and determined the end-June structural benchmark was met. On June 30, the Cabinet of Ministers of Ukraine approved the updated SOB Strategy, incorporating staff comments. The strategy aims to strengthen the financial sustainability and governance of SOBs, reinforce independent decision-making, reduce non-performing loans and fiscal risks, support the gradual reduction of the state's footprint in the banking sector, and establish updated operational and privatization objectives.

3. Recent data outturns have been broadly in line with staff expectations.

- Headline CPI inflation declined to 7.2 percent y/y in June. This reflected further moderation in food price inflation to 5.3 percent y/y. Meanwhile, core inflation edged up to 8.1 percent y/y, driven by higher utilities costs.

- Tax collections remained in line with projections through June, according to the flash report. Tax revenues excluding social security contributions were estimated at UAH 1,449 billion in the first half of 2026, with personal income tax, corporate profit tax, and VAT making notable contributions. These preliminary data reinforce expectations that the authorities will meet the end-June tax revenues QPC, with comprehensive data used to measure the target expected to be available around July 25th.

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

July 20, 2026

On behalf of the Ukrainian authorities, I would like to express their deepest appreciation to the IMF staff for the comprehensive staff report and the respective Selected Issues Paper, prepared following close and constructive engagement during the intensive mission to Kyiv and Warsaw, the Article IV consultation, and continued virtual dialogue over the months since the program's approval.

The authorities broadly concur with staff's assessment of the severe impact of Russia's illegal, unprovoked, and unjustified invasion, which is now well into its fifth year and continues to exact a heavy human, social, and economic toll on Ukraine.

Despite the challenging circumstances, all end-March 2026 and continuous quantitative performance criteria for this review were met, as were all end-March indicative targets. Implementation of some structural reforms nevertheless is taking longer than initially envisaged, largely due to challenges in passing legislation and other domestic bottlenecks The authorities have worked closely with staff to agree on corrective actions, revised timelines for the affected reforms, and additional structural commitments, while reaffirming their determination to maintain strong program performance and keep implementation firmly on track.

The Ukrainian authorities believe that the exceptionally high uncertainty stemming from Russia's ongoing war of aggression persists and that all five criteria under the IMF's Exceptionally High Uncertainty (EHU) policy continue to apply to Ukraine. The EHU framework therefore remains essential for sustaining the Fund's engagement and supporting continued progress toward the program's objectives despite significant and recurrent shocks to the macroeconomic framework and financing landscape.

Despite some changes in government, the authorities unequivocally reaffirm their strong commitment to the objectives of the IMF-supported economic program and to the timely implementation of the agreed reform agenda. Their priorities remain to preserve macroeconomic and financial stability, restore fiscal and debt sustainability and medium-term external viability, strengthen governance and public institutions, and reduce informality and improve the investment climate to support sustainable growth and post-war reconstruction. These reforms are closely aligned with Ukraine's strategic objective of EU accession and have become even more important following the commencement of formal accession negotiations in mid-June 2026.

The comments below provide additional context regarding the environment in which the authorities have operated since the approval of the new EFF arrangement in late February 2026.

Macro outlook in wartime

Ukraine's prudent macroeconomic policies, sustained engagement under IMF-supported programs, and continued large-scale external support have helped preserve macroeconomic and financial stability under exceptionally difficult conditions. Since 2023, Fund-supported programs have provided the authorities with an essential policy anchor for maintaining fiscal, external, price, and financial stability, while supporting governance reforms, institution-building, and Ukraine's path toward EU membership.

Despite prudent policies, continued Russian attacks and an abnormally cold winter interrupted the economic recovery at the beginning of the year. In Q1 2026, real GDP contracted by 0.6 percent y/y, reflecting attacks on energy and logistics infrastructure, tight fiscal policy, and weaker investment. Growth is expected to resume in Q2, supported by an improved energy situation and higher budget spending. The increasing concentration of Russian attacks on large logistics and production facilities, including retail distribution hubs, extractive and gas infrastructure, and metallurgical plants, poses growing risks to industrial and transport-sector activity in H2 2026.

The deterioration in the energy sector, driven by Russian attacks and the war in the Middle East, and increase of essential imports led to a significant widening of the current account deficit. In January–May 2026, the merchandise trade deficit reached US$25.8 billion, compared with US$17.4 billion in January–May 2025. Purchases of energy resources and equipment for infrastructure recovery increased markedly, contributing to a 26.7 percent increase in goods imports. Meanwhile, goods exports increased by only 3.4 percent, reflecting electricity shortages that constrained activity in key export-oriented industries, weak external demand for metals and ores, and attacks on port infrastructure.

At the same time, the irregular timing of official financing, together with the wider external deficit, contributed to a temporary decline in gross international reserves. However, in June, Ukraine received over USD 15 billion in official international financing. A significant portion of these funds were used to replenish international reserves, which enabled reserves to resume growth. Consequently, by the end of June, reserves reached USD 51.3 billion, sufficient to finance 5.2 months of future imports.

The authorities strongly support the recovery framework outlined in Annex VII of the staff report. Economic recovery must extend beyond physical reconstruction and drive a broader structural transformation focused on reducing informality, raising productivity, and advancing EU accession. While the authorities broadly agree with staff's medium-term projections, the ultimate pace of convergence will depend on credible security guarantees and the availability of concessional financing.

Monetary and exchange rate policies

The authorities concur with staff that a sufficiently tight monetary policy stance remains necessary to anchor inflation expectations amid renewed price pressures. The National Bank of Ukraine (NBU) continues to pursue a consistent monetary and exchange rate policy mix aimed at safeguarding price and external stability, maintaining the sustainability of the foreign exchange (FX) market, and preserving an adequate level of international reserves. It also continues to implement its FX liberalization roadmap in a gradual and conditions-based manner.

Inflationary pressures began to intensify in February 2026. This reflected the difficult situation in the energy sector following Russia's aerial attacks over the winter, the pass-through from the earlier weakening of the hryvnia, and a faster-than-expected increase in labor costs. The escalation of the war in the Middle East added to upside risks through higher global energy prices and heightened uncertainty. However, due to sufficient supply of raw foods consumer inflation remained contained and reached 7.2 percent y/y in June.

Although the electricity supply situation has improved since then, elevated import prices continue to generate significant cost pressures. Against this backdrop, the NBU halted its interest rate easing cycle in March and maintained its key policy rate at 15 percent at its subsequent monetary policy meetings in April and June. Sufficiently tight monetary conditions remain necessary to sustain the attractiveness of hryvnia-denominated instruments, safeguard FX market sustainability, keep inflation expectations in check, and return inflation to a sustained downward trajectory.

At the same time, the NBU continued to implement the transitional exchange rate regime based on the principles of managed exchange rate flexibility. While addressing the war-related structural FX deficit of the private sector by channeling foreign currency received by the public sector into the economy, the NBU allows the exchange rate to adjust in response to changes in domestic and external conditions. This approach strengthens the functioning and resilience of the FX market, enhances the role of the exchange rate as a shock absorber, helps keep inflation expectations under control, and facilitates the gradual return to full-fledged inflation targeting.

The materialization of risks associated with the war in the Middle East temporarily necessitated larger FX interventions to preserve orderly market conditions. Nevertheless, exchange rate flexibility has increased since late 2025. The NBU remains committed to carefully calibrating further FX liberalization, which will proceed gradually and remain conditions-based.

A consistent monetary policy mix has supported the attractiveness of hryvnia-denominated savings instruments, maintained FX market sustainability, and helped contain inflationary pressures. Despite elevated inflation, inflation expectations across economic agents have remained relatively stable. By June, households' holdings of hryvnia term deposits and domestic government debt securities had increased by 8.8 percent and 37.4 percent, respectively, since the beginning of the year. Interest rates on hryvnia savings instruments remain attractive thanks to the NBU decision in the spring to halt its monetary policy easing cycle. Robust demand for hryvnia-denominated assets also helped contain household demand for foreign currency. At the same time, the current monetary policy stance has not hindered the continued expansion of lending, which remains strong.

Given signs of continuing underlying price pressures, the NBU stands ready to raise the key rate if necessary to keep inflation expectations in check and return inflation to a sustained downward trajectory toward its 5 percent target. Future policy decisions will continue to be based on the evolving balance of risks and the NBU's updated macroeconomic assessment.

Financial sector

Ukraine's banking system remains stable, highly liquid, well capitalized, and profitable, while its role in financing the economy continues to grow. The authorities welcome staff's recognition of the sector's resilience and the successful completion of the end-June structural benchmark establishing a critical third-party risk oversight framework for banks, insurers, and non-bank financial payment service providers.

The NBU continues to align financial sector regulation with EU standards while safeguarding financial stability and supporting the gradual recovery of sound financial intermediation and capacity to support the economy. This work covers both banks and insurers and is being advanced alongside implementation of the Lending Development Strategy. When introducing new prudential requirements, including Pillar 2 requirements and capital buffers, the NBU seeks to ensure that banks remain resilient, adequately capitalized, and capable of meeting the financing needs of viable businesses and households without compromising prudent lending standards.

Bank lending has continued to recover, accompanied by a broader borrower base and improving loan portfolio quality. Businesses of different sizes are accessing financing, including for machinery and equipment, energy resilience and reconstruction, and other priority investment needs. At the same time, banks continue to apply prudent credit standards, debt burden of business borrowers remains moderate, and defaults on hryvnia-denominated corporate loans remain below 3 percent. As of April 2026, the banking sector's non-performing loan ratio had declined to 12.6 percent, its lowest level in fifteen years, primarily reflecting the resolution of legacy NPLs by state-owned banks at end-2025. The "5-7-9" program continues to evolve, while the authorities see scope to complement subsidized lending through greater use of well-designed credit guarantees, including those provided by international partners, to mobilize private financing and improve the efficiency of public support.

The authorities agree with staff that the repeated imposition of windfall taxes on banks creates economic distortions and constrains their capacity to accumulate the capital needed to support further lending, including for post-war recovery and reconstruction. They believe that elevated taxation is limiting banks' capacity to generate the capital required for further balance sheet expansion. As credit grows, an increasing share of banks' assets and interest income is derived from loans that require substantially more capital coverage than risk-free instruments. Even if profitability remains at its current level, banks' capacity to expand their balance sheets faster than 15–20 percent annually would therefore be constrained. This reinforces the importance of a stable and predictable tax framework that enables banks to build capital and meet the economy's growing financing needs.

The government approved an updated strategy for the state-owned banking sector on June 30, 2026. Its core priorities remain safeguarding financial stability, ensuring uninterrupted banking operations, and supporting priority sectors of the economy. At the same time, the strategy introduces objectives to reduce the state's share in the banking sector and accelerate the resolution of NPLs. State-owned banks are expected to update their individual strategies by end-2026. Regular evaluations of supervisory board effectiveness will also be introduced.

Budget and fiscal policies

The authorities met all end-March 2026 fiscal targets amid immensely challenging conditions arising from Russia's war. Against the backdrop of continued hostilities and elevated defense needs, amendments to the Law of Ukraine "On the State Budget of Ukraine for 2026" were adopted in June to reflect this year's disbursements under the Ukraine Support Loan (USL). As a result, the overall general government deficit, excluding budget support grants, is projected at about 21 percent of GDP in 2026, higher than envisaged in the original budget. The authorities plan to achieve the target through sustained domestic revenue mobilization, strict control over non-defense expenditure, and finance the deficit through continued support from international partners, and appropriate domestic government bond issuance.

The medium-term fiscal path has also been updated and the Budget Declaration for 2027–2029 sets out the Government's broad strategic priorities for the immediate post-war period and introduces important methodological improvements. These include a baseline policy scenario reflecting current legislation, transparent estimates of the costs of new policy measures, and an active policy scenario aligned with the Government's objectives. These will form critical inputs into the development of the 2027 Budget, which the authorities are working on over the summer and engaging with IMF staff.

Russia's continuing war exposes the budget to sizable and recurrent fiscal shocks, reinforcing the importance of sustained and durable domestic revenue mobilization through tax administration and

policy reforms that results in a fairer, more efficient, and more pro-growth tax system. Against this exceptionally difficult backdrop, the authorities continue to advance the fiscal structural reform agenda in support of fiscal and debt sustainability, sustainable growth, an improved business climate, post-war development, and Ukraine's path toward EU accession. The acceleration of the implementation of the National Revenue Strategy (NRS) remains the organizing framework for these efforts.

The authorities recognize that implementation of several important fiscal structural reforms has taken longer than initially envisaged, largely reflecting legislative capacity constraints and domestic implementation bottlenecks. They appreciate the constructive engagement with IMF staff and the significant flexibility shown by the Fund, which enabled agreement on revised timing and sequencing for the related structural conditionality, while fully preserving the ambition and objectives of the reform agenda. The revised commitments focus on broadening the tax base and making the tax system more conducive to economic growth, compliance, and formalization. The authorities acknowledge that these reforms are critical to EU accession, also helping to unlock much needed donor financing. To support the successful implementation of these reforms, the authorities will also take steps to reduce the VAT compliance burden, improve the fairness and effectiveness of tax administration, and strengthen taxpayers' trust in the State Tax Service.

Reducing informality and combating the shadow economy are essential not only for mobilizing revenues, but also for raising productivity, strengthening competition, and improving the business environment. The authorities welcome the Selected Issues paper as a valuable contribution to the policy discussion on informality in Ukraine, including its analysis of the factors contributing to informality and the policy options available to support de-shadowing. Their approach combines better-designed tax policy with more effective and trusted tax administration, proportionate enforcement, stronger governance, and measures to reduce opportunities for regulatory and tax arbitrage.

In this context, **following an open and competitive selection process, the Cabinet of Ministers appointed a new permanent Head of the State Customs Service**, whose key performance indicators for 2026 have subsequently been developed in consultation with IMF staff, balancing revenue collection with trade facilitation, good governance, and reform progress. The authorities will also continue to safeguard the institutional independence of the Economic Security Bureau of Ukraine (ESBU) and strengthen its capacity to address serious economic offences effectively, while ensuring professional, risk-based, and analytically driven enforcement.

The authorities continue to advance the 2024–2028 Public Investment Management (PIM) Reform. Consistent with the law and recent public financial management (PFM) reforms, the authorities ensure that all investment projects are prioritized and selected through the PIM framework, fit into the medium-term budgetary framework (MTBF), and are consistent with the objective of restoring fiscal and debt sustainability. Building on amendments to the Budget Code and the adoption of a methodological framework for project preparation, appraisal, selection, and monitoring, the authorities are further integrating PIM and fiscal risk management. By end-August 2026, the Strategic Investment Council is expected to approve the updated Single Project Pipeline (SPP) for the 2027 Budget. Only projects prepared and appraised in accordance with the approved PIM methodologies will be eligible for inclusion in the SPP and financing from the 2027 Budget.

The government financing strategy continues to focus on securing large-scale external disbursements, consistent with meeting Ukraine's financing needs, achieving debt sustainability,

and restoring medium-term external viability. While the domestic government bond market will remain an essential source of budget finance, international budget support remains a cornerstone of Ukraine's macro-financial stability. Since the start of Russia's full-scale invasion, Ukraine has received nearly US$192 billion in budget support from international partners as of July 7, 2026. The authorities are grateful to all donors and partners whose support helps keep the program fully financed under both the baseline and downside scenarios. They underscore that full, timely, and predictable disbursements, on terms consistent with debt sustainability, remain critical to safeguarding macroeconomic stability, meeting essential defense and social needs, and ensuring uninterrupted program implementation. Donors, and the authorities should continue to remain nimble to evolving war circumstances and be ready to respond. This should include maintaining robust contingency plans, including financing contingency plans.

Governance reforms

Enhancing governance and fighting corruption remain central to the authorities' reform agenda and Ukraine's path toward EU accession. Building on the institutional reforms undertaken in recent years, the authorities remain determined to address remaining governance vulnerabilities through credible safeguards, effective oversight, and stronger accountability, particularly in high-risk areas such as tax and customs administration, procurement, energy, and public investment.

Preventive anti-corruption measures will continue to focus on risk-based verification, transparency, and stronger public accountability. The authorities remain committed to introducing a risk-based system for verifying asset declarations that prioritize senior officials in areas with elevated corruption risks.

Completion of the necessary regulations has taken longer than initially envisaged, reflecting the technical complexity of the reform and the timing of related technical assistance. The authorities have therefore agreed with staff on a revised timeline and remain committed to completing the reform within that timeframe. The authorities will also further strengthen the institutions responsible for safeguarding the integrity and effective use of public resources and will continue implementing the reform of the Accounting Chamber of Ukraine (ACU).

They also remain committed to reinforcing governance and accountability across state-owned enterprises and the energy sector, including through effective and professional supervisory boards and a stronger framework for the independence and transparent operation of the National Energy and Utilities Regulatory Commission. These reforms form an integral part of the authorities' efforts to protect public resources, strengthen institutional credibility, support reconstruction, and align Ukraine's governance framework more closely with EU standards.

The authorities remain committed to advancing the corporate governance reform of state-owned enterprises (SOEs) and to implementing the State Ownership Policy (SOP) in line with the revised SOP Action Plan. Recent progress has focused on strengthening the governance framework of strategically important SOEs, including the appointment of a new supervisory board for Energoatom, the completion of appointments to the supervisory boards of Ukrhydroenergo and Ukrenergo, the appointment of six members to Naftogaz's supervisory board, the adoption of a model charter for energy companies, and the restoration of independent supervisory board evaluations.

Building on this progress, the next phase of the reform will focus on completing the appointment of the GTSOU supervisory board, filling the remaining state representative position on Naftogaz's supervisory board, and selecting new CEOs for Energoatom and GTSOU. The authorities will also continue the comprehensive reform of SOE supervisory boards by updating primary and secondary legislation, including nomination procedures, in accordance with the agreed roadmap. In parallel, comprehensive corporate governance assessments of nine macro-critical SOEs, conducted with the support of reputable independent firms, have been mandated and will be completed in 2026.

Concluding remarks

Amid exceptionally high uncertainty, the authorities' key objective under the program remains to preserve macroeconomic and financial stability while laying the foundations for post-war recovery and reconstruction. They concur with staff that sustaining reform momentum, strengthening the governance and effectiveness of public institutions, and keeping fiscal policies aligned with available financing remain essential to securing durable, private sector-led growth. The authorities remain firmly committed to implementing wide-ranging structural reforms in public finances, monetary and financial sector policies, governance, anti-corruption, and the energy sector to support sustainable growth, facilitate reconstruction, and accelerate Ukraine's integration into the European Union.

The authorities greatly appreciate the support provided through the Ukraine Capacity Development Fund (UCDF), as well as the Fund's responsiveness and flexibility in adapting capacity development assistance to Ukraine's evolving needs and implementation capacity. Continued well-targeted and closely coordinated capacity development will remain instrumental in strengthening domestic institutions, supporting effective implementation of the program's structural reform agenda, and advancing reforms aligned with EU accession requirements. As operations have scaled up considerably in the last year, and TA/CD capacity absorption remains high, we support staff's efforts to continue fundraising for the UCDF to ensure there are sufficient resources to support Ukraine now and during reconstruction.

Based on broadly satisfactory program performance, the corrective actions already taken, and the authorities' firm commitment to implementing the agreed reform agenda within the revised timelines, they request completion of the first review under the Extended Arrangement, completion of the financing assurances review, and approval of the requested waivers. The authorities consent to the publication of the staff report, and selected issues papers, and reiterate their strong commitment to maintaining a close and constructive policy dialogue with the IMF in support of the program's objectives and Ukraine's path toward EU accession.