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IMF Lending to Ukraine: State of Play and the Road Ahead

This paper provides an overview of the International Monetary Fund (IMF)'s lending to Ukraine, particularly focusing on the IMF response to the Russia's invasion of Ukraine since February 2022, given the challenging macroeconomic circumstances. If further analyses the key elements of the IMF' Extended Fund Facility (EFF) programme for Ukraine, including the evolution of core assumptions, risks, fiscal sustainability and conditionality.

Introduction

Despite the third year into the war, Ukrainian economy remains resilient reflecting adaptability of households and firms. However, the recovery is expected to slow down due to intensifying attacks on energy infrastructure and exceptionally high risks to the outlook. Ukraine's real GDP is expected at 3% for 2024 and between 2.5%-3.5% for 2025. Inflation is projected to rise to 9% by the end of 2024, reducing the scope for further monetary policy easing through the end of the year (**Figure 1**).

However, the monetary stance stays appropriate to reach the inflation target (5%) over the medium term, with the key policy rate of the National Bank of Ukraine (NBU) remaining at 13% as of September 2024. This is the third decision to keep the key policy rate unchanged following several cuts from 25% in July 2023-June 2024.

The managed flexibility exchange rate regime introduced by the NBU in October 2023 continues to act as a shock absorber and adjust to fundamental market factors, in line with the approved Strategy to ease foreign exchange restrictions. This transition follows the previous NBU decision at the start of the war introducing capital controls and implementing a fixed exchange rate regime at 29.25 Ukrainian hryvnia/US dollar (UAH/USD). While it was an important reaction to stabilise inflation and exchange rate expectations at the war outbreak, the subsequent pressure to devalue hryvnia by 25% (to 36.57 UAH/USD) and further depletion of gross international reserves to maintain fixed exchange rate made it difficult to simultaneously achieve the goals of price and financial stability and the sustainability of economic growth. Since the introduction of the new managed flexibility regime, UAH has depreciated by close to 13%.

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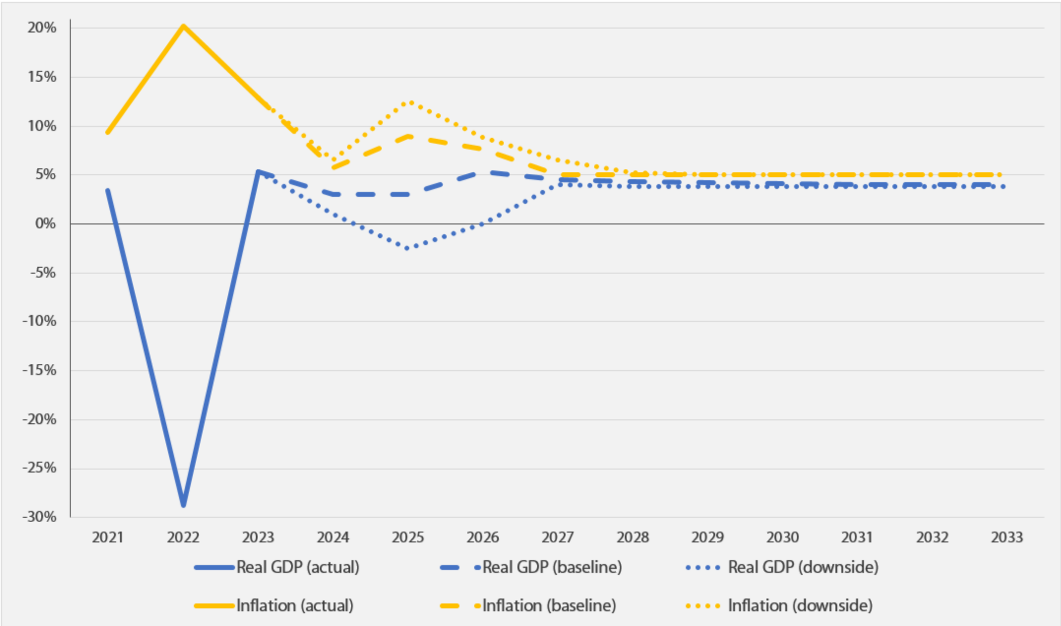
Figure 1: Real and projected GDP and inflation in Ukraine, 2021-2033

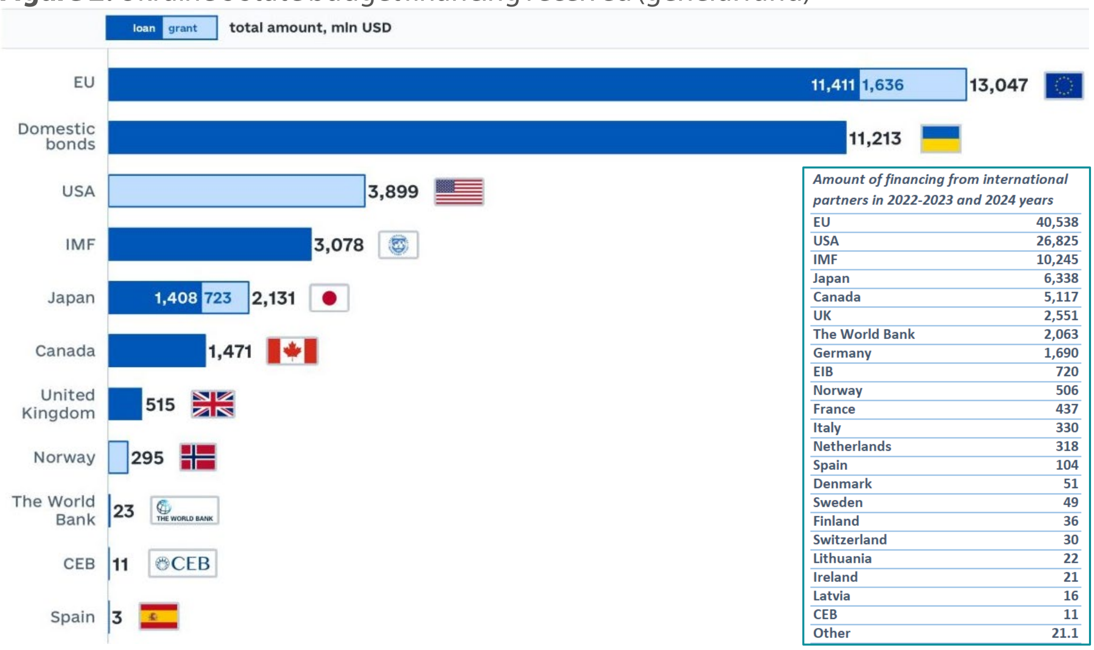


Source: Own elaboration based on IMF, 5th EFF review.

Notes: Inflation = headline consumer price index, annual average rate.

In 2024, Ukraine remains to be highly dependent on the external financing, with the IMF being the third largest external creditor both for 2024 budget financing (USD 3 billion) and over the period since 2022 (USD 10 billion), after the European Union (EU) and the United States (US) (**Figure 2**). It is particularly relevant for Ukraine to cooperate with the institutional lenders due to constrained access to the international credit markets. In this case, the IMF programmes act as a catalyser of financing support from other donors. Following Ukraine's credit rating slightly recovery in 2010 after the financial crisis (from CCC+ to B- and B+, S&P), it fell again in 2014 due to the first Russia's invasion with the occupation of Crimea and Eastern regions of Ukraine (to CCC, S&P). Since the start of Russia's full-scale war in 2022, Ukraine's rating remained in the range B- to CCC (S&P), and as of August 2024 it was downgraded to SD (selective default).

Figure 2: Ukraine's state budget financing received (general fund)



Amount of financing from international partners in 2022-2023 and 2024 years	
EU	40,538
USA	26,825
IMF	10,245
Japan	6,338
Canada	5,117
UK	2,551
The World Bank	2,063
Germany	1,690
EIB	720
Norway	506
France	437
Italy	330
Netherlands	318
Spain	104
Denmark	51
Sweden	49
Finland	36
Switzerland	30
Lithuania	22
Ireland	21
Latvia	16
CEB	11
Other	21.1

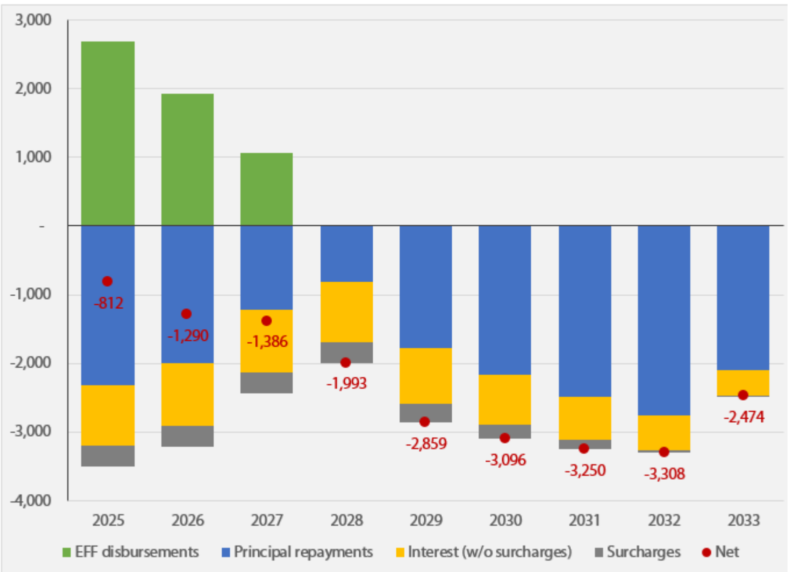
Note: The figures are as of 15 October 2024. Source: Ministry of Finance of Ukraine.

IMF engagement with Ukraine

Ukraine joined the IMF on 3 September 1992, according to the Law of Ukraine "*On Ukraine's accession to the International Monetary Fund, International Bank for Reconstruction and Development, International Finance Corporation, International Development Association and the Multilateral Investment Guarantee Agency*" of 3 June 1992. Until Russia's invasion on 24 February 2022, Ukraine entered into nine Stand-By Arrangements (SBAs) and two Extended Fund Facility (EFF) programmes with the IMF.

After Russia's full-scale invasion, the IMF provided substantial financial and technical support to Ukraine. On 1 March 2022, the IMF Managing Director and World Bank Group President issued a joint statement pledging financial and policy support to Ukraine following Russia's invasion. The IMF responded to Ukraine's request for emergency financing through the Rapid Financing Instrument (RFI) approved in March 2022 and October 2022. In addition, in April 2022, the IMF opened a special multi-donor "Administered Account" for Ukraine, allowing individual donor countries to channel financial support through the IMF. In December 2022, as a preparation for a fully-fledged IMF programme, Ukraine entered into a 4-month Program Monitoring with Board Involvement (PMB), helping Ukraine to implement prudent macroeconomic policies and catalyse donor financing. Following this, on 31 March 2023, the IMF's Executive Board approved a new 4-year SDR 11.6 billion EFF programme. Closely tied to the priorities of the EFF programme and serving as an additional step to support the Ukraine's ambitious economic reform agenda, the IMF launched The Ukraine Capacity Development Fund (UCDF) in February 2024, channelling resources provided by the individual countries over 2024-2028.

Figure 3: Ukraine-IMF projected transactions, 2025-2033, USD million



Notes: SDR/USD exchange rate of 21 October. The new surcharges system will apply as of 1 November 2024.

Source: Own elaboration based on IMF.

From a financial perspective, Ukraine's payments to the IMF will constitute the most significant portion of its debt servicing costs in the coming years, with expected negative net transactions vis-a-vis the Fund amounting to a total of USD 20.5 billion for the period 2025-2033. The debt service burden comes not only from the new EFF programme, but also from the previous outstanding financial obligations towards the IMF due to an earlier EFF approved in 2015 and two SBAs approved before Russia's invasion (2018 and 2020). As of October 2024, with SDR 10.6 billion, Ukraine has the second largest amount of debt outstanding among IMF member countries, after Argentina. **Figure 3** shows the composition of expected disbursements from and payments to the IMF, along with the net value of transactions by year. Expressed as a share of external debt servicing costs, payments to the IMF will amount to 95%, 83% and 74% in 2025, 2026 and 2027, respectively, and then then stay in the 35%-50% range in the years 2028-2033.[1]

However, despite limited financial resources, high needs to finance defence spending and comparatively expensive IMF lending, it is crucial for Ukraine to successfully complete the EFF. The EFF programme is economically and politically important in order to successfully implement stabilisation policies, maintain sufficient financial support from international partners, including through debt restructuring, and enjoy access the IMF's unparalleled policy expertise. Successful performance of the programmes also serves as a prerequisite for future access to the credit markets.

As of October 2024, Ukraine is approaching the midpoint of the EFF implementation and successfully completed 5 out of 13 reviews planned for the programme. Despite the challenging war reality, constant Russian attacks on Ukrainian energy infrastructure and the overall situation of high uncertainty, the progress under the EFF programme has remained strong. The IMF reiterated the importance of skilful policymaking of Ukrainian authorities, the adaptability of households and firms, and robust external financing to support macroeconomic and financial stability.

Review of the IMF's surcharge policy: implications for Ukraine

As an **important elements of its risk management framework**, the IMF applies surcharges on outstanding debt under its main non-concessional lending mechanism, the General Resources Account (GRA). They are designed to dis-incentivise over-borrowing and incentivise early repayment. Notably, surcharges affect countries such as Ukraine, as they face a heavy debt burden arising from large outstanding credit.

The **surcharge policy review** completed in October 2024 will alleviate some of that burden for many member countries. The overall **level of surcharges was reduced** by cutting the time-based surcharge by 25 bps. The threshold for the level-based surcharge was increased, so that **less countries will be affected** by the additional 200 bps charge.

Beyond surcharges, the basic margin was reduced by 40 bps (applicable to all GRA lending) and the quota thresholds for commitments fees on undisbursed parts of the loan were also increased. The IMF estimates that these approved measures will reduce borrowing costs by 36% for all member countries (about USD 1.2 billion annually) and that the expected number of countries subject to surcharges will fall from 19 to 11. However, **Ukraine will still be affected** as its outstanding credit currently exceeds 500%. With the quota increase agreed as part of the 16th review, Ukraine's outstanding credit as a share of quota will mechanically decline but is projected to remain above the 300% threshold until 2030, thus continuing to be subject to the 200 bps level-based surcharge over the medium term.

	Current SDR rate	Margin	Basic rate of charge	Level-based surcharge	Time-based surcharge	Interest rate with surcharges	Service charge (one-time)	Commitment fees (on undisbursed part of loan)
Pre-review system	3.5%	+100 bps	4.5%	>187.5% of quota: +200 bps	+100 bps	7.5%	+50 bps	<115% of quota: +15 bps >115% and >575%: +30 bps >575%: +60 bps
New system (from 1 Nov 2024)	3.5%	+60 bps	4.1%	>300% of quota: +200 bps	+75 bps	6.85%	+50 bps	<200% of quota: +15 bps >200% and <600%: +30 bps >600%: +60 bps

[1] Source: 5th review of the EFF programme, Table 10.

2023 EFF in detail

The EFF programme was approved on 31 March 2023 with an amount of SDR 11.6 billion (577% of quota or about USD 15.5 billion). Over the period 2023-2027, it will help Ukraine to ensure economic and financial stability at the time of exceptionally high uncertainty, restore debt sustainability and promote reforms supporting Ukraine's recovery and its EU accession path.

The programme represents the first time in the IMF's history that the Fund provided "upper credit tranche" (UCT)-level[2] lending to a country in an active war. The IMF's previous framework implied that access to a UCT programme could only be provided if i) the country's balance of payments issues would be resolved, while achieving medium-term external viability, and ii) that the country would be able to repay the IMF. As these assumptions could not be fulfilled by Ukraine due to the war, the IMF modified its financing assurances policy by allowing upfront creditor commitments to debt relief with a contingent element for sustainability, and using a "capacity-to-repay" assurance from key creditors to protect Fund's financial resources.[3] Therefore, successful fulfilment of the conditions under the PMB during the preparatory stage and the necessary assurances provided by 13 countries, the EFF programme was approved.

Given exceptional uncertainty, the IMF's EFF programme distinguishes two phases in the implementation of the programme. In the first (war) phase, focus was to be on macroeconomic and financial stability and critical structural reforms. This is to be followed by the second (post-war) phase, in which more ambitious structural reforms are to be pursued, to support growth and reconstruction, and to facilitate Ukraine's EU accession process. Approaching the midpoint of the programme's period, the war is still in its active phase, hindering the ability to fully transition into the second phase. Nevertheless, the implementation of the programme remains fully on track, as Ukraine continues to successfully implement the required conditions and reviews are completed according to schedule (see **Table on EFF conditions** in Annex), even if the IMF's assumptions on the end of the war had to be modified with each review (**Table 1**).

Evolution of assumptions and risk evaluations

As reviews proceed amidst ongoing war, the initial core assumption in the baseline scenario that the war will wind down in first half of 2024 is no longer viable. The IMF outlook depends on several key assumptions, primarily concerning the course of the war, which is the main external factor influencing the outlook. Additionally, it relies on assumptions about the structure and speed of reconstruction, the reopening of ports, the pace of return of migrants, and the availability of adequate external funding on favourable concessional terms. Consistent with the policy for lending under exceptionally high uncertainty, the IMF develops baseline and downside scenarios. With the 1st and 2nd review the assumption on the end of war was notably modified in the baseline scenario, leaving the downside scenario broadly unchanged. Since the latest (5th) review, both the baseline and downside scenarios reflect a longer war. Under the baseline scenario, the core assumption on when the war will wind down was extended by one year - to the last quarter of 2025 (**Table 1**).

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2 Lending above 25% of the member country's quota, paid out in tranches that are subject to a series of macroeconomic and structural conditions are attached.

3 *"G7 plus Belgium, Lithuania, the Netherlands, Poland, Slovakia, and Spain extended an assurance that management and staff understood to (i) reaffirm their recognition of the Fund's preferred creditor status in respect of the amounts currently outstanding to Ukraine, plus any purchases under the proposed extended arrangement; and (ii) further undertake to provide adequate financial support to secure Ukraine's ability to service all of its obligations to the Fund, in accordance with the Fund's preferred creditor status and complementing the Fund's multilayered risk management framework".*

Table 1: Change in IMF's core assumptions used for the outlook

Review stage	Baseline scenario	Downside scenario
EFF Approval (Mar 2023)	**The war winds down in the first half of 2024**, followed by a measured investment and reconstruction effort. The grain corridor continues and there is no further escalation of the war.	**Longer and more intense war**, weighing on sentiment, dampening the pace of return by migrants, and causing further infrastructure damage.
1st review (Jun 2023)	**The war is expected to wind down by mid-2024**; the grain corridor remains open, the security situation does not significantly deteriorate and any attacks to energy infrastructure will continue to be handled effectively, with no material electricity and gas shortage next winter.	**Longer and more intense war**, strongly weighing on firm and household sentiment, and causing further infrastructure damage from attacks.
2nd review (Oct 2023)	**War will wind down by the end of 2024.** Renewed attacks on Ukraine's energy infrastructure are widely expected in the winter. No significant worsening in the intensity or scope of the war and no protracted energy shortages. The uncertainty around near-term developments remains elevated.	**Longer and more intense war winding down by end-2025**, strongly weighing on firm and household sentiment, and causing further infrastructure damage from attacks.
3rd review (Feb 2023)	**War to end by end-2024**, and an expansive structural reform agenda, including under the Ukraine Plan and the path to EU accession, propelling growth in the post-war period.	**Longer and more intense war winding down by end-2025**, strongly weighing on firm and household sentiment, pace of migrant return, and causing further infrastructure damage from attacks.
4th review (Jun 2024)	**The war will wind down by end-2024**, although the evolution of the war remains subject to exceptionally high uncertainty. A strong structural reform agenda, including under the Ukraine Plan and the EU accession path.	**Longer and more intense war winding down by end-2025**, strongly weighing on firm and household sentiment, pace of migrant return, and causing further large-scale energy infrastructure damage from attacks.
5th review (Sep 2024)	**The war will wind down in the last quarter of 2025**. Growth will remain positive, driven by recovery toward potential output, but longer war implies headwinds from more persistent uncertainty, labour shortages, defence and repair-related import pressures, and population dynamics.	**Longer and more intense war running through mid-2026**, weighing strongly on firm and household sentiment, the pace of migrant return, and would entail further large-scale energy infrastructure damage from attacks and power outages.

Source: Own elaboration based on the IMF's EFF reviews.

The relevant risks identified by the IMF were rated with "medium" or "high" likelihood and slightly varied throughout the reviews. Events that could materially alter the baseline path were related to the external, domestic and structural risks. While the lowest amount of risks was considered at the approval of the EFF, their overall amount did not change significantly with further reviews attributed to the different composition of risks (**Table 2**). As of the latest (5th) review, the key risks with high likelihood are related to the escalation of Russia's war, commodity price volatility putting pressure on agriculture and energy prices, deepening geo-economic fragmentation, loss of export and delays in external or domestic financing. For the completion of the EFF programme by Ukraine, it is important to note that likelihood of losing the reform momentum is "medium" and unchanged since the EFF approval, meaning that despite ongoing war, Ukraine is committed to implement reforms.

Table 2: Risks identified by the IMF and evolution of their likelihood throughout the reviews

Risks	EFF Approval	1st review	2nd review	3rd review	4th review	5th review
Intensification of regional conflict(s). Escalation of Russia's war in Ukraine or other regional conflicts.	High	High	High	High	High	High
Abrupt global slowdown or recession.	Medium	Medium	Medium	Medium	Medium	Medium
Commodity price volatility.	High	Medium	High	High	High	High
Monetary policy miscalibration.	Medium	Medium	/	/	/	/
Social unrest due to rising inflation, declining real incomes.	Medium	Medium	Medium	Medium	Medium	Medium
Loss of reform momentum.	Medium	Medium	Medium	Medium	Medium	Medium
Deepening geo-economic fragmentation.	High	High	High	High	High	High
Cyberthreats.	Medium	High	/	/	/	/
Loss of export and transit corridors and EU restrictions for agricultural produce.	/	High	High	High	High	High
Nationalisation of banks based on grounds other than financial stability considerations.	/	Medium	/	/	/	/
Shortfalls in availability of external financing as well as domestic financing.	/	/	High	High	High	High

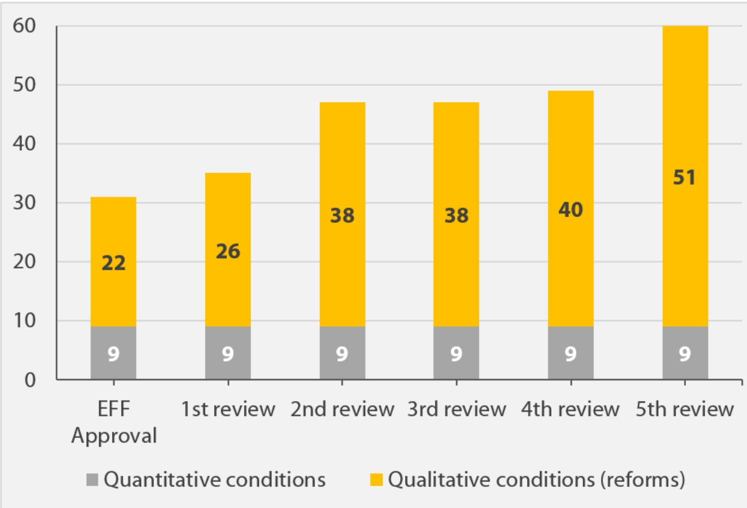
Note: "low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent.

Source: Own elaboration based on the IMF's EFF reviews.

Fulfilment of conditions

Breadth of conditionality and performance

Figure 4: Evolution in the total number of conditions

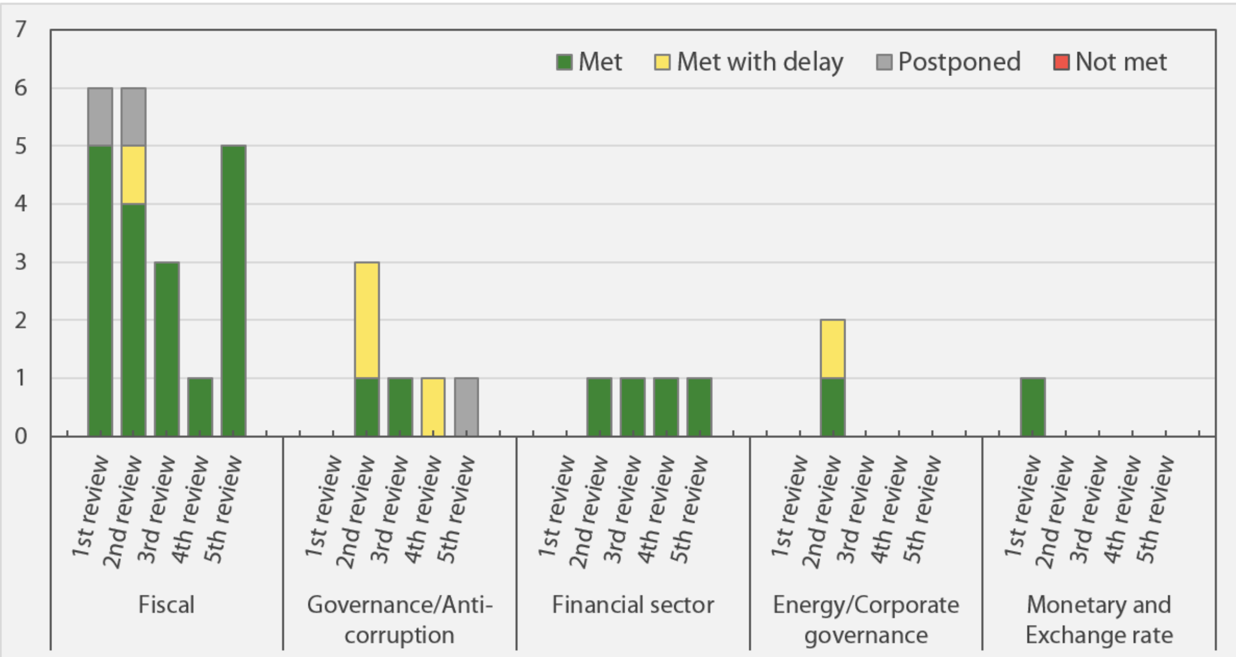


Note: Quantitative conditions include: continuous performance criteria (CPC), quantitative performance criteria (QPC) and indicative target (IT). Qualitative conditions imply structural benchmarks (SB) and prior actions (PA).

Source: Own elaboration based on the IMF's EFF reviews.

With the phased approach to programming, the design and planning of conditionality are adjusted accordingly. When the EFF was approved in March 2023, the initial list of conditions included only 22 qualitative conditions, three of which were related to the prior actions and the rest to be implemented until June 2024. The following five reviews have added 29 new structural conditions to be implemented by mid-2025, while quantitative conditionality remained unchanged (**Figure 4**). Further conditions will be thus added in the following reviews as Ukraine will move to the phase two of the programme once the war ends.

Figure 5: Structural benchmarks assessed in each review, evaluation of status, by sector



Note: Number of qualitative conditions do not include prior actions.

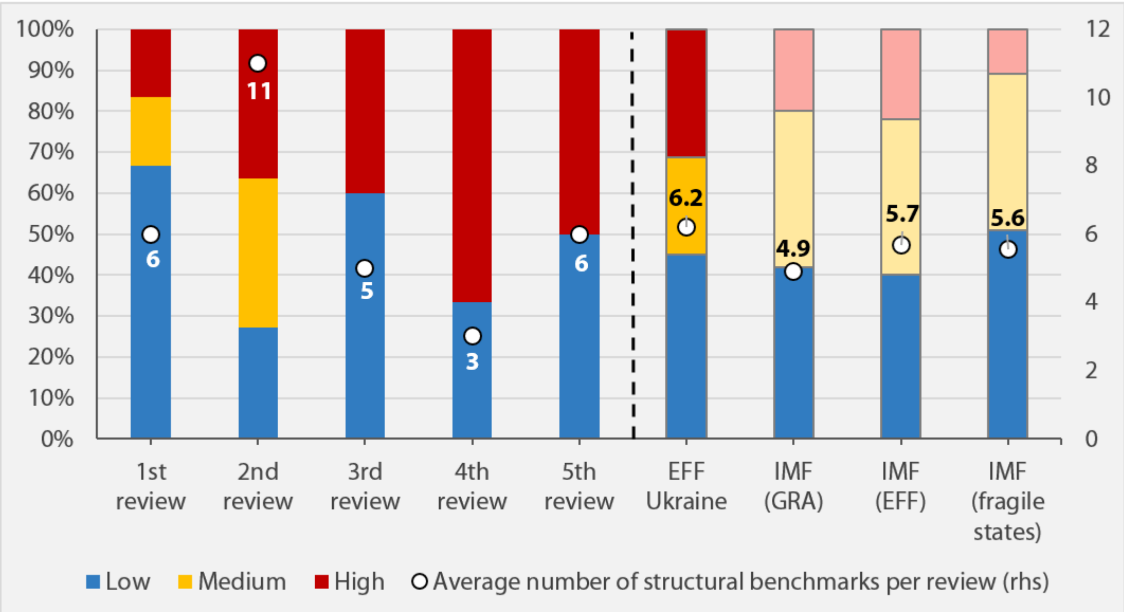
Source: Own elaboration based on the IMF's EFF reviews.

Most structural conditions are related to the fiscal area, together with the governance/anti-corruption, and are fulfilled by Ukraine as reviews progress. The high volume of fiscal conditionality is explained by the broad purpose of the IMF programmes - to solve balance of payments problems, while substantial number of governance-related conditions are designed to facilitate Ukraine's EU accession. Higher number of structural benchmarks assessed in the first two reviews also influenced the pace of implementation as four structural benchmarks of medium and high depth were met with delay according to the 2nd review (**Figure 5**). However, this is rather an exception as most of the conditions are successfully met in all reviews, and until now only three conditions were postponed due to the missed deadline.

Depth of structural reform conditions

The depth of structural conditions in the EFF programme is higher compared to IMF programme averages and slightly increases as programme reviews progress. In addition, the EFF programme for Ukraine has slightly larger average volume of structural benchmarks on a "*per-completed-review*" basis compared to other IMF programmes. Lessons from the previous IMF programmes suggest that "*well-implemented high depth, growth-oriented structural conditions advance reforms and bring growth benefits both during and after programs*". The analysis of the conditions in the Ukraine's EFF following the IMF methodology used in the 2018 review of conditionality (see **Overview of IMF methodology**, Annex) shows that high-depth conditions comprise a third of all structural benchmarks, while in the IMF programmes, on average between 2011 and 2017, this share did not exceed 22% in all programmes. The difference even greater compared to the IMF programmes for fragile and conflict-affected states (FCS)-listed countries, which Ukraine is part of along with 38 other countries (**Figure 6**). Over the course of EFF reviews, the depth composition varied showing more high-depth conditions assessed with each subsequent review, partially reflecting the design of the EFF with the focus on immediate stabilisation objectives in the short-term and deeper structural reforms in the longer-term.

Figure 6: Depth and average number of qualitative conditions per review in IMF's EFF programme for Ukraine compared to similar programmes



Note: Average number of structural benchmarks for Ukraine is based on five completed reviews implying that the value can change with the following reviews. Depth and number of structural benchmarks for the IMF cover programmes from 2011-2017 and do not include prior actions. GRA = General Resources Account which includes the main non-concessional borrowing instruments.

Source: Own elaboration based on the IMF's EFF reviews, IMF 2018 Review of Conditionality, IMF 2021 WP "How to Gain Most from Structural Conditionality", IMF IEO 2018 Evaluation of Conditionality, IMF MONA database (Data Evaluation Report).

As Russia's war against Ukraine continues, it becomes more difficult to implement complex structural reforms in line with the initial schedule and to channel financing in other areas besides defence. While it was initially agreed with the IMF to assess fulfilment of nine structural benchmarks in the 5th review in September 2024, prolonged war and uncertainty introduced some changes leading to only half of planned conditions to be assessed in that review. In particular, 3rd, 4th and 5th reviews postponed in total five structural benchmarks from the 5th review to later reviews, therefore changing the evaluation timing for two conditions to December 2024 and for three conditions to March 2025[4]. However, to compensate for postponed conditions, Ukraine has fulfilled two extra conditions scheduled for later reviews and one prior action referring to one of the postponed structural benchmarks (see **Table on EFF conditions** in Annex).

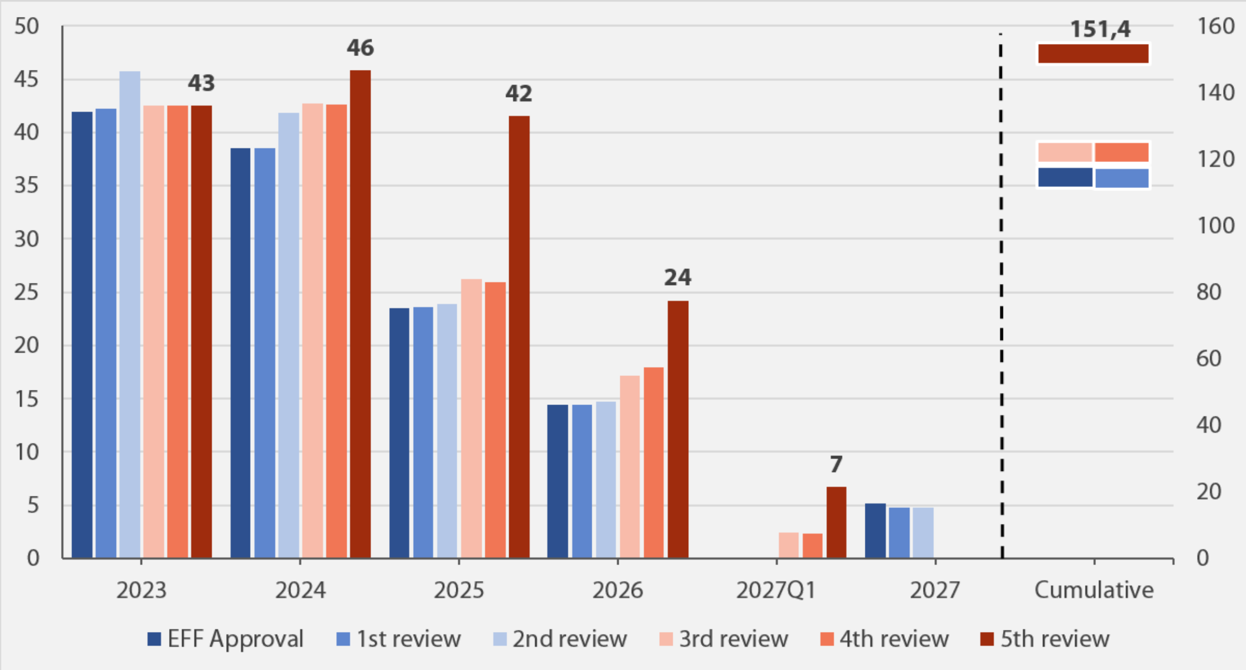
As per quantitative conditions, the changes observed in the latest reviews indicate possible scaling back of commitments to social programmes as well as governmental dependence on borrowing, including from the NBU. In particular, there are evolving decreases in the floor on non-defence cash balance (QPC-1) and floor on social spending (IT-4), combined with sequential increases in the ceiling on publicly guaranteed debt (QPC-4) and in the ceiling on general governmental borrowing from the NBU (IT-2), which, moreover, was not met in 4th review. Despite only quantitative and indicative nature of such conditions, they highlight the scarcity of financial resources Ukraine is facing amid the need to stabilise public debt and to finance its defence industry. Looking at the requests from Ukrainian authorities, almost each review was accompanied by the requested modifications to quantitative conditions on net international reserves, tax revenues excluding social security contributions and on non-defence cash balance. There requests were reasoned to account for positive developments bringing *"better-than-expected outturn"*, as well as for negative developments such as *"change in the perimeter of defence spending"*, *"underperformance of certain tax categories"*, *"blockages along western border"*, *"revised assumptions on the timing of US external financing"*.

Fiscal sustainability

During the assessment of Ukraine's eligibility for the IMF lending under exceptionally high uncertainty, one of the five principal criteria highlighted large and persistent balance of payment (BoP) needs which are difficult to assess. At the approval of the EFF, the IMF estimated the total financing gap between USD 115-140 billion over the programme period (2023-2027), starting with the preliminary estimation of USD 114.4 billion. However, over the course of programme reviews the estimate increased, arriving to USD 151.4 billion in the 5th review (an increase of USD 29.5 billion since 4th review), reflecting a higher underlying BoP gap (**Figure 7**). Additionally, latest IMF reviews do not provide projections for 2027 and rather focus only on the first quarter of 2027, possibly indicating more uncertainty in the expectations on external financing.

[4] Please see Annex for the following postponed conditions: SB-31, SB-35 postponed to 6th review, and SB-26, SB-33, SB-34 postponed to 7th review.

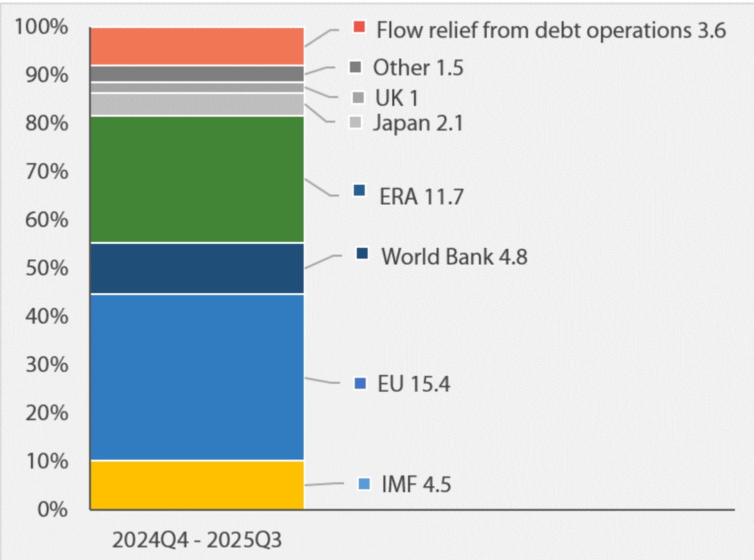
Figure 7: Financing gap, baseline scenario, annual projections (lhs) and cumulative estimate (rhs), USD billion



Note: Cumulative programme period IMF calculations begin from 2023Q2.

Source: Own elaboration based on the IMF's EFF reviews.

Figure 8: Baseline scenario 12-month financing sources, USD billion



Note: EU financing includes Ukraine Facility instrument, "Other" includes financing assurances from donors and a loan from Council of Europe Development Bank. ERA = Extraordinary Revenue Acceleration Loans for Ukraine from G7.

Source: Own elaboration based on IMF, 5th EFF review.

Despite the increase in the financing gap, the 12-month projections for the financing sources suggest that the gap will be filled until Q3 2025. In addition to the prospective IMF financing, the main sources of external financing for Q4 2024 - Q3 2024 include (i) EU financing through the Ukraine Facility, (ii) World Bank loan under Special Programme for Ukraine and Moldova Recovery (SPUR), (iii) G7's Extraordinary Revenue Acceleration (ERA) support (see Box below), (iv) higher support from individual countries, (v) new loan from the Council of Europe Development Bank (CEB), (vi) updated debt flow relief consistent with the August 2024 Eurobond exchange on Ukraine's sovereign bonds (**Figure 8**).

G7 Extraordinary Revenue Acceleration (ERA) Loans

In June 2024, G7 leaders decided to launch **Extraordinary Revenue Acceleration (ERA) Loans** for Ukraine, amounting to USD 50 billion, to begin disbursing before the end of 2024. The financing will be serviced by "*future flows of extraordinary revenues stemming from the immobilization of Russian sovereign assets held in the European Union and other relevant jurisdictions*". The biggest share of ERA Loans are due to originate from the EU, where the large majority of immobilised Russian assets are held. As a follow-up, the European Commission made two proposals.

1. The **exceptional macro-financial assistance (MFA)** loan of up to EUR 35 billion (~USD 38 billion) to cover the EU contribution to the ERA Initiative. Policy conditions should be consistent with those contained in the Ukraine Plan.

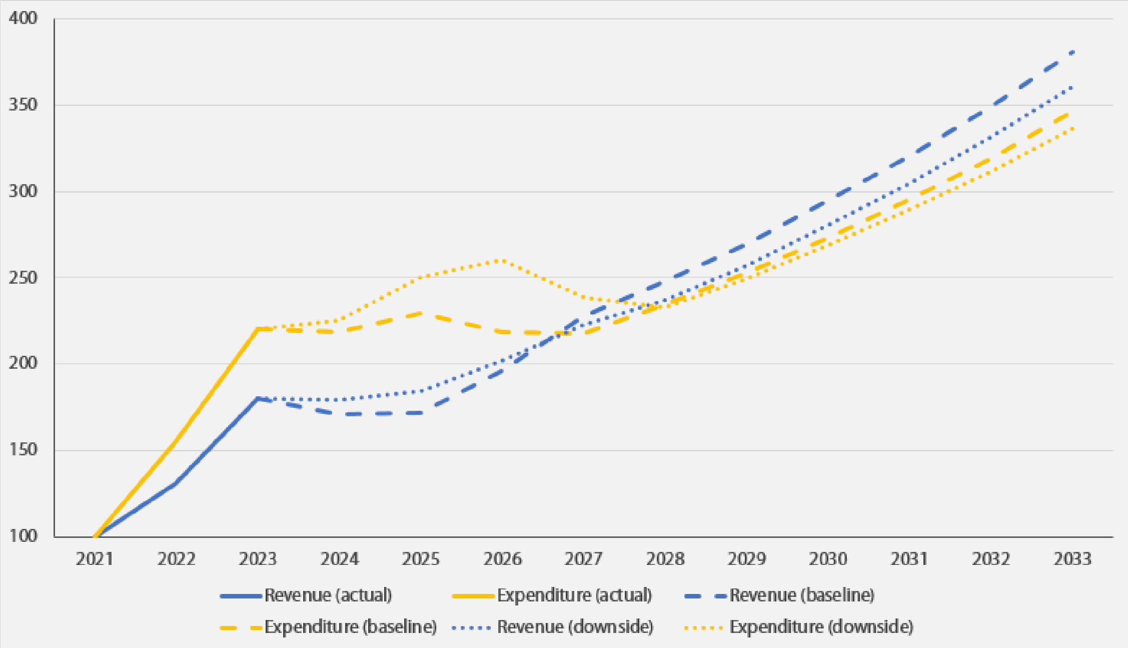
2. The **Ukraine Loan Cooperation Mechanism**, to be funded by revenue from immobilised Russian assets and disbursed to Ukraine to help in repaying the MFA and eligible bilateral loans from G7 (and possibly other) countries. An agreement between the Commission and Ukraine for the disbursement of the financial support by the Mechanism is to be concluded. The "waterfall" system that enables Ukraine to bear no financing burden from ERA loans (and thus exclusion from debt sustainability assessments) hinges on the continued immobilisation of Russian assets or, in case of future reparations or settlement of war damages by Russia, Ukraine would be expected to use such resources for repaying the ERA loans.

The revision to take account of a longer war as a baseline scenario in the 5th review has negative implications for a wide range of variables, in particular in form of a worsening fiscal outlook. As a result, the fiscal deficit is expected to reach 20% in 2025, revised up by almost 10 p.p. compared to the 4th review in June. The 2025 deficit is expected to be financed mainly through external financial support, in particular the Extraordinary Revenue Acceleration (ERA) loans committed by the G7. Being neutralised through the non-repayable financing provided through the Ukraine Loan Cooperation Mechanism, ERA loans will increase public debt levels, offsetting the impact of commercial bond restructuring undertaken this summer (see below), while substantially improving the gross financing needs outlook.

To deliver fiscal and debt sustainability, the EFF programme relies heavily on revenue-based fiscal adjustment to deliver the 0.5-1.5% primary budget surplus commitment for the post-war period. Despite the possible reduction of the deficit in the post-war time, due to changing expenditure needs, robust government revenue growth, primarily through taxes, is needed to achieve the target and bring debt on a sustainable trajectory. In this respect, reforms oriented to domestic revenue mobilisation included in the National Revenue Strategy (SB-20 condition, adopted in December 2023) are crucial. The State Customs Service reform legislation was adopted on time, in line with the respective EFF programme condition (SB-36). The Ukraine Plan also includes two conditions that are stepping stones for future reforms in this area: the adoption of plans for digitalisation of the State Tax Service (Q2 2024) and State Customs Service (Q4 2024), respectively.[5]

[5] For an analysis of the Ukraine Plan conditions, see Rakic, D. and Hanina, K. (2024). "Ukraine Plan conditionality: What is expected and how does it compare with similar programmes?", In-depth analysis, Economic Governance and EMU Scrutiny Unit, European Parliament.

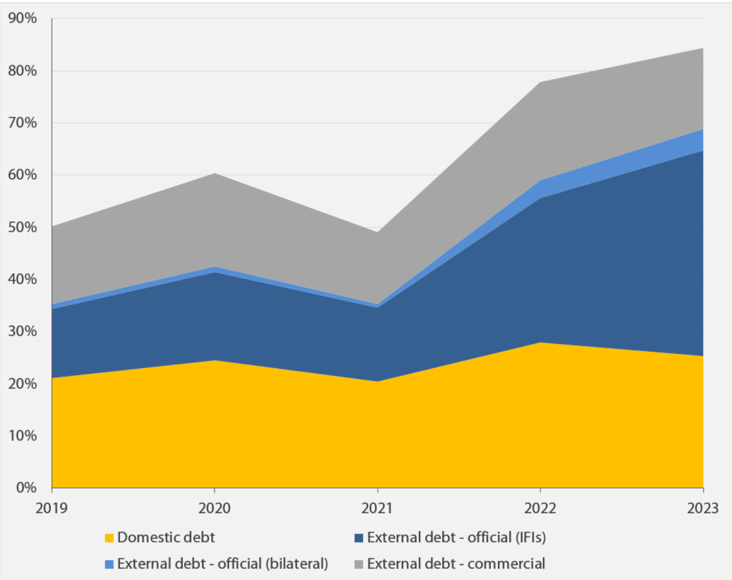
Figure 9: Evolution of general government revenue and expenditure, nominal, 2021=100



Source: Own elaboration based on IMF, 5th EFF review.

Debt dynamics and restructuring

Figure 10: Ukraine's public debt by creditor sector, 2019-2023 % of GDP



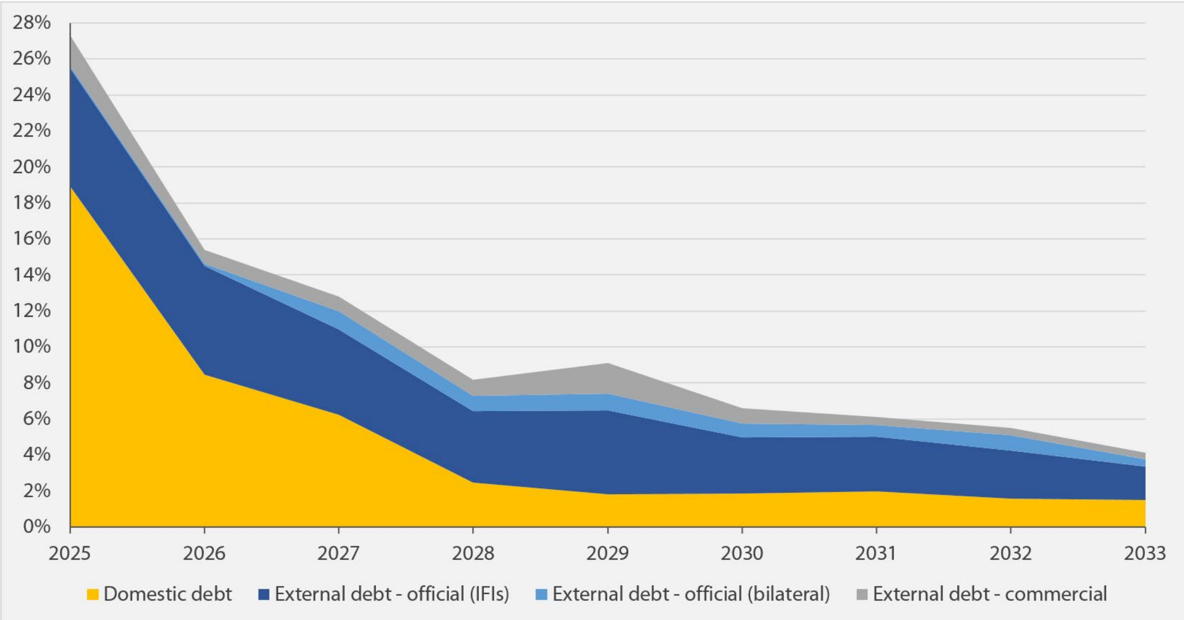
Note: State and state-guaranteed debt is included. GDP from IMF EFF 5th review, baseline scenario. IFIs = international financial institutions.

Source: Own elaboration based on Ministry of Finance of Ukraine, IMF.

Following the start of the Russian aggression in 2022, Ukraine's public debt has changed dramatically, both in scale and in composition. At 82% in 2023, the debt-to-GDP ratio has increased by more than 30 percentage points in just two years (**Figure 10**), and it is forecasted by the IMF to rise further to above 107% in 2026 (above 130% in the downside scenario). On the back of strong GDP growth and fiscal adjustment, the IMF expects public debt to then stabilise in the post-programme period, falling to below 75% in 2033 in the baseline scenario. In the downside scenario, public debt would be dramatically higher, exceeding 134% in 2027 and still higher than 110% in 2033. In terms of composition, with large inflows through loans from international partners since the start of the war, external official debt (principally from the EU and the IMF) now plays a predominant role in the country's public debt structure (**Figure 10**).

Ukraine is currently experiencing high debt servicing costs, estimated to exceed a quarter of total government revenue in 2025. In the IMF's baseline scenario, with the war winding down by the last quarter of 2025 and subsequent gradual normalisation of economic activity, GDP is expected to grow at a healthy rate, and along with it government revenues. However, the debt servicing burden is still expected to exceed 13% relative to government revenue at the end of the EFF programme in 2027 (**Figure 11**). This stems mostly from domestic debt servicing and repayments of IMF loans. Another feature of Ukraine's public debt is that it is overwhelmingly foreign currency-denominated (EUR, USD and SDR), creating an exchange rate risk and putting a particular focus on the managed floating exchange rate regime and future transition to a full floating regime.

Figure 11: Ukraine's debt servicing costs by creditor sector, 2025-2033, % of total government revenue



Note: GDP baseline forecast from IMF, 5th EFF review. IFIs = international financial institutions.

Source: Own elaboration based on Ministry of Finance of Ukraine, IMF.

The debt sustainability analysis (DSA) conducted by the IMF as part of the 5th review concluded that debt is sustainable on a forward-looking basis. Debt sustainability hinges on three elements: i) fiscal adjustment, ii) concessional financing by donors; and iii) debt restructuring (by both official and commercial creditors). The DSA targets include public debt-GDP ratios of 82% in 2028 and 65% in 2033, gross financing needs-GDP ratio of 8% on average in the post-programme period (2028-2033) and annual debt service flow relief on external obligations of 1-1.8% per year.

The IMF assesses medium-term risks to debt sustainability as high. This assessment is based on two indices: the debt fanchart index (DFI) and the gross financing needs financeability index (GFI). Both indices suggest high risk in the medium term. The DFI indicates very high uncertainty around the debt trajectory and the GFI suggests high liquidity risks compared with countries in comparable situations. Due to exceptionally high uncertainty, long-term risks are also high but mitigated by the fiscal adjustment committed to by the Ukrainian authorities.

Ukraine Security Supplemental Appropriations Act (USSAA): grant or loan?

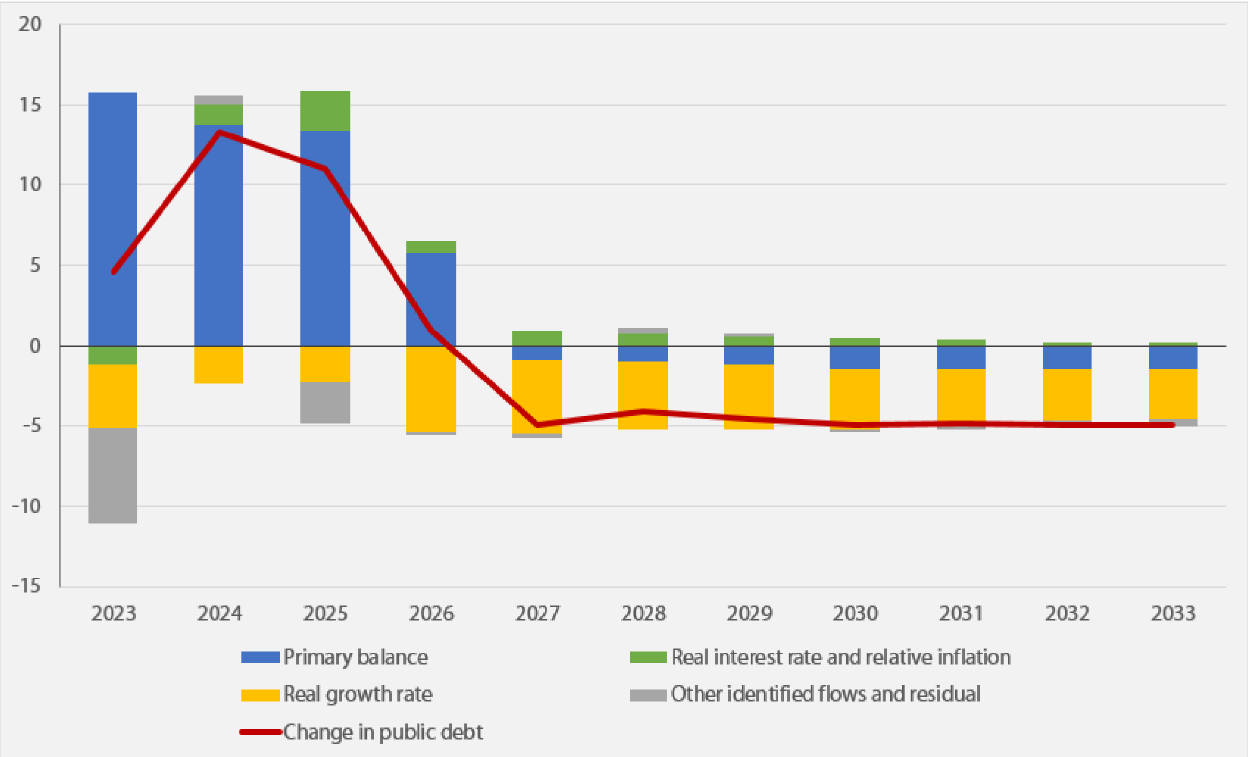
In April 2024, the US enacted the Ukraine Security Supplemental Appropriations Act (USSAA). The Act provides Ukraine **USD 7.8 billion of budget support** through the World Bank's PEACE project, which accepts funds in the form of grants. As a result, Ukrainian authorities record these as grants.

As instructed by the Act, the US President reached a repayment arrangement with the government of Ukraine that includes repayment modalities. No repayment is envisaged for 40 years and the **US President has the authority to cancel repayments altogether**. Up to one half can be cancelled at any time after 15 November 2024, and any remaining amounts after 15 January 2026.

Currently, the support is considered a **contingent liability** that may materialise if the repayments are not cancelled. Since there are no repayments foreseen for 40 years, there is no impact on debt service in the medium term but the impact on the debt level might be significant: **public debt-to-GDP would rise by about 5 p.p. in 2024, before falling to 3 p.p. by 2033**.

Source: IMF 4th review, Annex III, Box1.

Figure 12: Contributions to change in public debt, baseline forecast, % of GDP



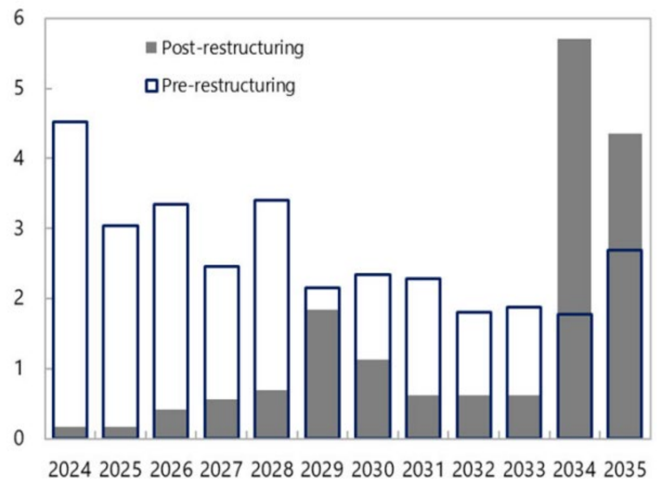
Source: Own elaboration based on IMF, 5th EFF review.

Official and commercial debt restructuring

Overall, USD 10.8 billion debt relief is currently foreseen for the programme period (until 2027Q1). Ukraine has published its last Medium-Term Debt Management Strategy (2024-2026) in October 2023, fulfilling one of the EFF programme conditions. The Ukraine Plan now requires Ukraine to adopt the next strategy (2026-2028) by the end of 2025.

Among official creditors, the Group of Creditors of Ukraine[6] **agreed on a two-step approach to debt restructuring as part of the EFF approval in March 2023**. First, the temporary standstill decided in 2022 is extended for the duration of the IMF programme (until March 2027). Second, they committed to an additional debt treatment to restore Ukraine's debt sustainability before the final review under the IMF programme.

Figure 13: Ukraine's Eurobond debt service, before and after restructuring, USD billion



Source: IMF, 5th EFF review, Annex II, Box I, based on Ministry of Finance of Ukraine, Rothschild and IMF staff calculations.

The debt restructuring agreement with commercial creditors came in August 2024, leading to significant debt relief. At the expiry of the temporary standstill, the completion of a debt restructuring operation was announced, covering sovereign Eurobonds and sovereign-guaranteed Eurobonds issued by Ukravtodor, with in total USD 20.4 billion of outstanding amount of principal (USD 24 billion with accrued interest). Existing series were exchanged for 8 new series worth USD 15.2 billion (reduction of USD 8.8 billion in ***debt stock***, a 37% nominal haircut).[7] In terms of ***debt flow***, the restructuring is expected to lead to a saving of USD 12.4 billion over the next three years.[8] See **Figure 13** for an overview of debt service costs before and after the August Eurobond exchange.

The next step in Ukraine's commercial debt restructuring efforts relates to a type of sovereign derivative, the so-called GDP-linked warrants that were issued as part of a previous restructuring in 2015. The nominal value of these warrants is USD 3.2 billion, but this is practically irrelevant as they do not entail a specific value at the repayment date. Annual payouts (with a two-year lag), however, are indexed to Ukraine's real GDP growth rates from 2019 to 2039. The calculation of the annual payouts is as follows[9]:

- No payment if real GDP growth is <3% or Ukraine's nominal GDP is less than USD 125.4 billion;
- GDP growth between 3% and 4%: payment of 15% of the real GDP growth from 3% to 4%;
- GDP growth > 4%: 40% of the GDP growth exceeding 4%, in addition to previous point.

Payments are capped at 1% of GDP (2021-2024) and at 0.5% (2025). Beyond that, the payment amounts are uncapped, creating a large contingent liability. Ukraine has the right to repurchase the GDP warrants at face value between 2024 and 2027. In August 2024, Ukraine's Cabinet of Ministers decided to temporarily suspend payments under GDP warrants from 31 May 2025, until the restructuring of these instruments is completed.

6 Includes six members of the G7 and Paris Club: Canada, France, Germany, Japan, UK and US.

7 The first part of Eurobonds (USD 9.7 billion) will start with interest payments immediately, at 1.75%, and then progressively increase to 4.5% from August 2025, to 6% from February 2027, and to 7.75% from August 2033. The second part (USD 5.5 billion) entail no interest payments until February 2027, then 3%, and 7.75% from August 2033. Two of these new bond series also include have a potential principal increase clause (capped at USD 2.9 billion) if Ukraine's 2028 GDP exceeds the IMF's forecast by 3%.

8 See details in presentation by Yuriy Butsa, Ukrainian Government Commissioner for Public Debt Management, 17 September 2024.

9 Source: Ukraine's Medium-Term State Debt Management Strategy for 2024 - 2026.

Looking ahead

The medium-term outlook is bound to be continually dominated by exceptionally high uncertainty, where the risks to both the IMF's baseline and downside scenarios remain exceptionally high. The 5th review outlined five most pertinent risks: i) *length and intensity of the war*, ii) *energy supply*, iii) *durability of international support*, iv) *reform fatigue*, v) *limited scope in programme design for absorbing additional shocks*. The first two are related and self-evident, as a more prolonged war (beyond the revised assumptions in the 5th review) and further attacks on the energy infrastructure will imply a deterioration of the economic outlook and higher obstacles to achieving programme objectives.

The short-term financing gap was closed with the recent commercial debt restructuring operation and the G7 decision to launch ERA loans. However, the scenario in which international financial support falters could lead to substantial economic and social consequences for Ukraine, with the likelihood of social spending cuts or domestic debt defaults.

Unlike the first three risks, the implementation of the reform agenda is firmly within the influence of domestic authorities. Ukraine has so far been highly successful in fulfilling conditionality not only under the EFF programme but also several EU MFA packages, the Ukraine Plan and the EU accession process, at the same time. Nevertheless, the implementation of such a highly ambitious and multi-layered reform agenda over a sustained period of time is challenging in any context, let alone in times of war. Reform fatigue was thus flagged as a risk that might hinder the continued successful implementation of the policy adjustment and deep structural reforms over the coming years.

Finally, the scope to absorb of an additional large shock from the programme design perspective is very limited. The fiscal outlook already deteriorated significantly with the recognition in the 5th review that the war will last longer that previously assumed. While safeguards were put in place to ensure Ukraine's capacity to repay the Fund, further prolongations to the expected duration of the war would make the fulfilment of core objectives of the EFF programme, i.e. restoring fiscal and debt sustainability and achieving external viability by the end of the programme, very challenging.

Despite these important risks, strong reasons for optimism can be derived from Ukraine's resilience and performance under severe conditions so far, from the continuing support of international partners, and from the adaptability of the IMF in face of exceptional uncertainty. Under the EFF programme, five reviews have been concluded successfully. Two more reviews have been added for 2025, moving from a semi-annual to quarterly frequency in that year, as it was the case in 2023 and 2024, and bringing the total number of reviews to 13. The authorities have committed to a deep structural reform agenda, also in view of enhancing the prospects of EU accession, and several important structural reform conditions are due in the upcoming reviews (see **Table on EFF conditions** in Annex for the list and evolution through the reviews).

Annexes

1) Overview of methodology to assess depth of structural conditions

Depth of the structural conditions is assessed based on the methodology developed by the Independent Evaluation Office (IEO) of the IMF and implies three levels of complexity - low, medium and high depth. More detailed overview and examples of conditions for each level of complexity are presented in the 2007 IEO Evaluation Report of Conditionality and IMF 2018 Review of Program Design and Conditionality:

- **High depth.** Reforms by themselves, would bring about long-lasting changes in the institutional environment. Most of the conditions in this category entail legislative changes (e.g., approval, adoption, or enactment of legislation by a parliament). This category also includes conditions requiring that certain fiduciary measures be taken on a regular and/or permanent basis, even when legislation is not needed (often these measures are implemented through regulation). Examples of such measures are similar in substance to conditions with limited SD, but are expected to have more lasting effects. This category also includes conditions with long-lasting structural impact - e.g., implementing a civil service reform SOE reforms or privatization - that may be grounded in pre-existing legislation but that probably could not be undone without new legislation.

- **Medium depth.** Reforms that lead to a significant change but are one-off in nature (e.g., budget approval or one-time change in tariff rates as compared to a permanent change such as institutionalizing an automatic tariff adjustment mechanism). These conditions are expected to have an immediate and possibly significant effect, but that would need to be followed by other measures in order for this effect to be lasting. It encompasses conditions of two main types: those requiring one-off fiduciary measures, and quasi-macro quantitative conditionality. Examples of the former include the publication, by a given date, of the federal budget or the accounts of public enterprises, or the preparation of specific audits. Examples of quasi-macro quantitative conditionality include changes in controlled prices, limits on the growth of the wage bill, or the reduction of arrears of certain public enterprises.

- **Low depth.** Reforms that in themselves do not bring about change but are steps towards a change. They may serve as stepping stones for significant reforms. Examples include the preparation or announcement of plans, strategies, or legislation.

2) Table on IMF's EFF: conditions and reviews

Approval of the EFF (SDR 2,011.83 million)		**31 Mar 2023**	**APPROVED**	
PA-1	Appointment of the National Anti-Corruption Bureau of Ukraine (NABU) Head following an open, credible, and transparent process consistent with the law.	Prior action	Governance/Anti-corruption	✓ **MET** link
PA-2	The Cabinet of Ministers of Ukraine (CMU) to approve a second supplementary budget, and submit it to Parliament.	Prior action	Fiscal	✓ **MET** link
PA-3	The CMU to adopt a decision tasking the Ministry of Finance (MoF) to start the preparation of the National Revenue Strategy (NRS) (2024-2030).	Prior action	Fiscal	✓ **MET** link

1st review (SDR 663.90 million)		**15 Jun 2023**	**APPROVED**	
SB-1	Enact the second supplementary Budget 2023.	End-April 2023	Fiscal	✓ **MET** link
SB-2	Submit to Parliament a draft law to restore and strengthen Article 52 of the Budget Code to minimize ad hoc amendments to the budget law.	End-May 2023	Fiscal	✓ **MET** link
SB-3	Prepare an action plan, including to address the weaknesses identified in taxpayers' perception survey, as an input into National Revenue Strategy roadmap.	End-May 2023	Fiscal	✓ **MET**
SB-4	Submit to Parliament a draft law which will re-instate articles of Budget Code that establish limits on issuance of public guarantee with clear criteria for such provision (including for priority sectors).	End-May 2023	Fiscal	✓ **MET** link
SB-5	Enact amendments to the Budget Code and related regulatory framework to enhance transparency and accountability of the special accounts and consolidate them within general government as a special fund of the State Budget	End-May 2023	Fiscal	✓ **MET** link
SB-6	Adopt the draft law on tax policy and administration prepared under the PMB.	~~End-June 2023~~ End-July 2023	Fiscal	➔ **POSTPONED**
SB-7	Prepare a conditions-based strategy to move to a more flexible exchange rate, ease FX controls and transition to inflation targeting.	End-June 2023	Monetary and Exchange rate	✓ **MET** link
QPC-1	Floor on the non-defense cash primary balance of the general government, excluding budget support grants **UAH 258,352 million**	April 2023		✓ **MET** UAH 353,024 million
QPC-2	Floor on net international reserves **USD 15,500 million**	April 2023		✓ **MET** USD 23,762 million
QPC-3	Floor on tax revenues (excluding Social Security Contributions) **UAH 451,700 million**	April 2023		✓ **MET** UAH 472,689 million
CPC-1	Ceiling on non-accumulation of new external debt payments arrears by the general government **UAH 0**	April 2023		✓ **MET** UAH 0
CPC-2	Ceiling on publicly guaranteed debt **UAH 20,000 million**	April 2023		✓ **MET** UAH 0

IT-1	Floor on the overall cash balance of the general government, excluding budget support grants **UAH -356,500 million**	April 2023		✗ **NOT MET** UAH -364,580 million (higher-than-expected defence-related spending)
IT-2	Ceiling on general government borrowing from the National Bank of Ukraine (NBU) **UAH -2,551 million**	April 2023		✓ **MET** UAH -2,551 million
IT-3	Ceiling on general government arrears **UAH 6,000 million**	April 2023		✓ **MET** UAH 1,757 million
IT-4	Floor on social spending **UAH 187,000 million**	April 2023		✗ **NOT MET** UAH 182,321 million (method. changes)

	2nd review (SDR 663.90 million)	**13 Oct 2023**		**APPROVED**
SB-6	Postponed from 1st review: Adopt the draft law on tax policy and administration prepared under the PMB.	~~End-June 2023~~ End-July 2023	Fiscal	✓ **MET WITH DELAY** link
SB-8	Transfer the Gas Transmission System Operator (GTSO) shareholding directly to the Ministry of Energy and adopt the new charter.	End-July 2023	Energy/Corporate governance	✓ **MET WITH DELAY** link, link
SB-9	Enact the law to restore asset declaration of public officials not directly involved in the mobilization and war efforts and reinstating the National Agency for Corruption Prevention (NACP)'s function to examine and verify them.	End-July 2023	Governance/Anti-corruption	✓ **MET WITH DELAY** link, link
SB-10	Added (1st review): Enact the articles of the Budget Code that allow preparation of the medium-term budget framework, elaboration of the debt strategy, and ringfencing risks from guarantees.	End-September 2023	Fiscal	✓ **MET** link
SB-11	Present in the 2024 budget declaration projections for major revenue and spending categories and sources of deficit financing for 2025-2026, and a fiscal risks statement including details on energy and critical infrastructure State-Owned Enterprises (SOEs).	End-September 2023	Fiscal	✓ **MET** link
SB-12	Added (1st review): Develop a concept note on the 5-7-9 program with proposals to target small and medium enterprises by phasing out the eligibility of large companies, enhance monitoring, and maintain adequate safeguards	~~End-September 2023~~ End-March 2024	Fiscal	→ **POSTPONED**
SB-13	Amend the AML/CFT Law to re-establish enhanced due diligence measures on politically exposed persons consistent with the risk based approach consistent with the Financial Action Task Force (FATF) standards.	End-September 2023	Governance/Anti-corruption	✓ **MET WITH DELAY** link
SB-14	Strengthen bank governance and oversight by: (i) separating the related-parties-unit from banking supervision; (ii) implementing "supervisory panels" as a consulting body to the Supervisory Committee; and (iii) resume scheduled inspections for both banking and non-banking institutions, while ensuring NBU discretion on matters related to staff safety.	End-September 2023	Financial sector	✓ **MET** link, link

SB-15	Added (1st review): Ministry of Finance, with State Tax Service (STS) and State Customs Service (SCS), to prepare action plans including short-term and medium-term measures covering key reform areas identified by the upcoming diagnostic, that would feed into broader National Revenue Strategy (NRS).	End-October 2023	Fiscal	✓ **MET** link
SB-16	Update and publish the Medium-Term Debt Management Strategy to align it with the program objectives.	~~End-September 2023~~ End-October 2023	Fiscal	✓ **MET** link
SB-17	Simplify the asset declaration system through linking with other databases and registers consistent with the public officials' legal obligations to make truthful and timely submissions.	End-October 2023	Governance/Anti-corruption	✓ **MET** link
SB-18	Added (1st review): Select and appoint a supervisory board for the GTSO	End-October 2023	Energy/ Corporate Governance	✓ **MET** link
QPC-1	Floor on the non-defense cash primary balance of the general government, excluding budget support grants ~~UAH 318,502 million~~ **UAH 213,000 million** (1st review)	June 2023		✓ **MET** UAH 278,872 million
QPC-2	Floor on net international reserves ~~USD 15,500 million~~ ~~USD 16,500 million (1st review)~~ **USD 16,437 million** (2nd review)	June 2023		✓ **MET** USD 26,284 million
QPC-3	Floor on tax revenues (excluding Social Security Contributions) **UAH 696,400 million**	June 2023		✓ **MET** UAH 747,986 million
QPC-4	Change from CPC to QPC (1st review): Ceiling on publicly guaranteed debt ~~UAH 37,000 million~~ **UAH 48,917 million** (2nd review)	June 2023		✓ **MET** UAH 17,731 million
CPC-1	Ceiling on non-accumulation of new external debt payments arrears by the general government **UAH 0**	June 2023		✓ **MET** UAH 0
IT-1	Floor on the overall cash balance of the general government, excluding budget support grants ~~UAH -638,300 million~~ **UAH -730,000 million** (1st review)	June 2023		✓ **MET** UAH -660,336 million
IT-2	Ceiling on general government borrowing from the NBU **UAH -2,573 million**	June 2023		✓ **MET** UAH -2,573 million
IT-3	Ceiling on general government arrears **UAH 4,500 million**	June 2023		✓ **MET** UAH 1,620 million
IT-4	Floor on social spending **UAH 258,100 million**	June 2023		✓ **MET** UAH 276,051 million
QPC-1	Floor on the non-defense cash primary balance of the general government, excluding budget support grants ~~UAH 337,998 million~~ **UAH 242,900 million** (1st review)	September 2023		✓ **MET** UAH 404,895 million
QPC-2	Floor on net international reserves ~~USD 15,500 million~~ ~~USD 16,500 million (1st review)~~ **USD 14,525 million** (2nd review)	September 2023		✓ **MET** USD 28,138 million
QPC-3	Floor on tax revenues (excluding Social Security Contributions) **UAH 1,094,700 million**	September 2023		✓ **MET** UAH 1,187,653 million

QPC-4	Added (1st review): Ceiling on publicly guaranteed debt ~~UAH 37,000 million~~ **UAH 48,917 million** (2nd review)	September 2023		✓ **MET** UAH 19,571 million
CPC-1	Ceiling on non-accumulation of new external debt payments arrears by the general government **UAH 0**	September 2023		✓ **MET** UAH 0
IT-1	Floor on the overall cash balance of the general government, excluding budget support grants ~~UAH -1,046,000 million~~ **UAH -1,141,100 million** (1st review)	September 2023		✓ **MET** UAH -1,027,513 million
IT-2	Ceiling on general government borrowing from the NBU **UAH -1,153 million**	September 2023		✓ **MET** UAH -1,153 million
IT-3	Ceiling on general government arrears **UAH 3,000 million**	September 2023		✓ **MET** UAH 1,690 million
IT-4	Floor on social spending ~~UAH 372,600 million~~ **UAH 359,600 million** (1st review)	September 2023		✓ **MET** UAH 402,556 million

3rd review (SDR 663.90 million)		**29 Feb 2024**		**APPROVED**
SB-19	Review the current public investment management (PIM) procedures and develop a roadmap of measures so that: (i) all public investment projects follow unified PIM approaches, including public-private partnerships (PPPs); (ii) investment projects are selected on a competitive basis, with transparent selection criteria, and consistent with the medium-term budget framework; (iii) stronger powers are provided to MoF, including a clear gatekeeping role during the different stages of the investment project cycle.	End-December 2023	Fiscal	✓ **MET** link
SB-20	Adopt National Revenue Strategy by the end of 2023.	End-December 2023	Fiscal	✓ **MET** link
SB-21	Adopt legislation to enhance the institutional autonomy of the SAPO, specifically, on the selection procedures, capacity to regulate organizational activities, and mechanisms for discipline and accountability.	End-December 2023	Governance/Anti-corruption	✓ **MET** link
SB-22	Added (2nd review): Based on findings of the revenue working group, prepare short-term revenue measures (tax and non-tax) with yields of at least 0.5 percent of GDP ready to be included in budget 2024.	End-February 2024	Fiscal	✓ **MET** link
SB-30	Added (2nd review, modified 3rd review): All systemic banks with majority state ownership will fall under the responsibility of the MOF, and any nonsystemic 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	Financial sector	✓ **MET**
QPC-1	Floor on the non-defense cash primary balance of the general government, excluding budget support grants ~~UAH 96,737 million~~ **UAH 105,000 million** (2nd review)	December 2023		✓ **MET** UAH 380,542 million
QPC-2	Floor on net international reserves ~~USD 15,500 million~~ ~~USD 16,500 million (1st review)~~ ~~USD 24,900 million (2nd review)~~ **USD 21,689 million** (3rd review)	December 2023		✓ **MET** USD 28,244 million
QPC-3	Floor on tax revenues (excluding Social Security Contributions) ~~UAH 1,679,170 million~~ **UAH 1,653,992 million** (2nd review)	December 2023		✗ **NOT MET** UAH 1,650,424 million

				(low customs revenues due to border blockages)
QPC-4	Added (1st review): Ceiling on publicly guaranteed debt ~~UAH 37,000 million~~ **UAH 57,538 million** (3rd review)	December 2023		✓ **MET** USD 40,258 million
CPC-1	Ceiling on non-accumulation of new external debt payments arrears by the general government **UAH 0**	December 2023		✓ **MET** UAH 0
IT-1	Floor on the overall cash balance of the general government, excluding budget support grants ~~UAH -1,708,700 million~~ ~~UAH -1,674,500 million (1st review)~~ **UAH -1,744,668 million** (2nd review)	December 2023		✓ **MET** UAH -1,717,172 million
IT-2	Ceiling on general government borrowing from the NBU ~~UAH -704 million~~ **UAH 48,592 million** (3rd review)	December 2023		✓ **MET** UAH -731 million
IT-3	Ceiling on general government arrears ~~UAH 1,600 million~~ **UAH 2,000 million** (2nd review)	December 2023		✓ **MET** UAH 1,556 million
IT-4	Floor on social spending **UAH 499,600 million**	December 2023		✓ **MET** UAH 551,083 million

4th review (SDR 1,669.82 million)		**15 Jun 2024**		**APPROVED**
SB-12	Postponed from 2nd review: Develop a concept note on the 5-7-9 program with proposals to target small and medium enterprises by phasing out the eligibility of large companies, enhance monitoring, and maintain adequate safeguards	End-March 2024	Fiscal	✓ **MET** link
SB-30	Added (2nd review, modified 3rd review): All systemic banks with majority state ownership will fall under the responsibility of the MOF, and any nonsystemic 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	Financial sector	✓ **MET**
SB-32	Added (2nd review): Enact amendments to the procedural code to rationalize matters or issues to be heard at the first instance by one anti-corruption judge or by a panel of three anti-corruption judges.	~~End-March 2024~~ End-April 2024	Governance/Anti-corruption	✓ **MET WITH DELAY** link
QPC-1	Added (1st review): Floor on the non-defense cash primary balance of the general government, excluding budget support grants ~~UAH 100,000 million~~ ~~UAH 140,715 million (2nd review)~~ **UAH 135,000 million** (3rd review)	March 2024		✓ **MET** UAH 241,901 million
QPC-2	Added (1st review): Floor on net international reserves ~~USD 16,500 million~~ ~~USD 25,400 million (2nd review)~~ ~~USD 28,400 million (3rd review)~~ **USD 28,266 million** (4th review)	March 2024		✓ **MET** USD 31,408 million
QPC-3	Added (1st review): Floor on tax revenues (excluding Social Security Contributions) ~~UAH 420,000 million~~ **UAH 426,300 million** (2nd review)	March 2024		✓ **MET** UAH 507,992 million
QPC-4	Added (1st review): Ceiling on publicly guaranteed debt ~~UAH 46,000 million~~ ~~UAH 47,900 million (2nd review)~~ **UAH 53,779 million** (4th review)	March 2024		✓ **MET** UAH 5,879 million
CPC-1	Ceiling on non-accumulation of new external debt payments arrears by the general government **UAH 0**	March 2024		✓ **MET** UAH 0
IT-1	Added (1st review): Floor on the overall cash balance of the general government, excluding budget support grants	March 2024		✓ **MET**

	~~UAH -354,000 million~~ **UAH -344,485** (2nd review)			UAH -211,020 million
IT-2	Added (1st review): Ceiling on general government borrowing from the NBU **UAH -9,500 million**	March 2024		✗ **NOT MET** UAH -9,392 million (tech. fluctuation in accounts payable)
IT-3	Added (1st review): Ceiling on general government arrears ~~UAH 1,600 million~~ **UAH 2,000 million** (2nd review)	March 2024		✓ **MET** UAH 1,514 million
IT-4	Added (1st review): Floor on social spending ~~UAH 172,000 million~~ **UAH 130,000 million** (2nd review)	March 2024		✓ **MET** UAH 142,139 million

5th review (SDR 834.88 million)		**1 Sep 2024**		**APPROVED**
PA-4	Appoint the independent auditors to assess the effectiveness of the National Anti-Corruption Bureau of Ukraine to investigate corruption, as provided in its law.	Prior action	Governance/Anti-corruption	✓ **MET**
SB-23	Added (2nd review): Adopt a new law on the ESBU that has a clear mandate and scope for investigative powers consistent with good practice by focusing on major economic crimes; establishing legal basis for operation of the ESBU in terms of the selection of management and staff. The law will respect the existing delineation between the investigative powers of the ESBU and the National Anti-corruption Bureau of Ukraine (NABU).	End-June 2024	Fiscal	✓ **MET**
SB-25	Added (2nd review, modified in 4th review): Develop a methodology to assess the effectiveness of tax privileges, including their cost to the budget, in order to have a unified reform approach	~~End-July 2024~~ End-September 2024	Fiscal	✓ **MET**
SB-28	Added (2nd review): Identify major public companies severely affected by the war and prepare a review of potential fiscal and quasi-fiscal costs.	End-September 2024	Fiscal	✓ **MET**
SB-29	Added (2nd review): Based on the outcomes of a roadmap on development of public investment managment procedures, adopt a government decree with an action plan and timeline that provides clear linkages between Medium-Term Budget Framework (MTBF) and capital expenditures, including reconstruction priorities, and specifying the gatekeeper role of the Ministry of Finance.	End-December 2024[10]	Fiscal	✓ **MET**
SB-30	Added (2nd review, modified 3rd review): All systemic banks with majority state ownership will fall under the responsibility of the MOF, and any nonsystemic 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	Financial sector	✓ **MET**
SB-33	Added (2nd review): Complete an external audit of the National Anti-Corruption Bureau of Ukraine's effectiveness with participation of three independent experts with international experience and publish its report.	~~End-September 2024~~ End-February 2025	Governance/Anti-corruption	➔ **POSTPONED**
SB-36	Added (4th review): Adopt amendments to the Customs Code (consistent with 27 of the MEFP), in line with international best practice.	End-October 2024[11]	Fiscal	✓ **MET**

[10] The timing of this SB corresponds to the 7th review, however it was met and evaluated ahead of the deadline.

[11] The timing of this SB corresponds to the 6th review, however it was met and evaluated ahead of the deadline.

QPC-1	Added (1st review): Floor on the non-defense cash primary balance of the general government, excluding budget support grants ~~UAH 150,000 million~~ ~~UAH 257,184 million (2nd review)~~ **UAH 250,000 million** (3rd review)	June 2024		✓ **MET** UAH 466,499 million
QPC-2	Added (1st review): Floor on net international reserves ~~USD 16,500 million~~ ~~USD 25,300 million (2nd review)~~ ~~USD 26,800 million (3rd review)~~ ~~USD 25,300 million (4th review)~~ **USD 25,267 million** (5th review)	June 2024		✓ **MET** USD 25,792 million
QPC-3	Added (1st review): Floor on tax revenues (excluding Social Security Contributions) ~~UAH 835,000 million~~ **UAH 880,400 million** (2nd review)	June 2024		✓ **MET** UAH 1,001,994 million
QPC-4	Added (1st review): Ceiling on publicly guaranteed debt ~~UAH 46,000 million~~ **UAH 47,900 million** (2nd review) **UAH 53,779 million** (5th review)	June 2024		✓ **MET** UAH 7,071 million
CPC-1	Ceiling on non-accumulation of new external debt payments arrears by the general government **UAH 0**	June 2024		✓ **MET** UAH 0
IT-1	Added (1st review): Floor on the overall cash balance of the general government, excluding budget support grants ~~UAH -750,000 million~~ **UAH -725,996 million** (2nd review)	June 2024		✓ **MET** UAH -555,702 million
IT-2	Added (1st review): Ceiling on general government borrowing from the NBU **UAH -2,884 million**	June 2024		✓ **MET** UAH -3,079 million
IT-3	Added (1st review): Ceiling on general government arrears ~~UAH 1,600 million~~ **UAH 2,000 million** (2nd review)	June 2024		✓ **MET** UAH 1,654 million
IT-4	Added (1st review): Floor on social spending ~~UAH 270,000 million~~ **UAH 262,500 million** (2nd review)	June 2024		✓ **MET** UAH 291,447 million

	6th review (SDR 834.88 million)	**1 Dec 2024**		
SB-27	Added (2nd review): With the help of IMF technical assistance, produce a diagnostic review of pre-war MTBF policies and practices relative to best practices to identify key weaknesses and work towards strengthening strategic budgeting, leveraging bottom-up public financial management processes to capture more detailed spending needs and costing of new public services.	End-October 2024	Fiscal	
SB-30	Added (2nd review, modified 3rd review): All systemic banks with majority state ownership will fall under the responsibility of the MOF, and any nonsystemic 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	Financial sector	
SB-31	Added (2nd review, modified 4th review), Postponed from 5th review: Analyze the debts and assess financial conditions of District Heating Companies (DHCs) through a desk review by a reputable audit firm, including by separating arrears until and after February 2022.	~~End-June 2024~~ End-October 2024	Energy	
SB-35	Added (2nd review), Postponed from 5th review: Produce a State-Owned Enterprise (SOE) state ownership policy, dividend policy and privatization strategy.	~~End-August 2024~~ End-October 2024	SOE corporate governance	
SB-38	Added (5th review): NBU to assess key financial and operational risks to financial stability under various downside scenarios and to prepare contingency plans.	End-October 2024	Financial sector	
QPC-1	Added (2nd review): Floor on the non-defense cash primary balance of the general government, excluding budget support grants	September 2024		

	UAH 368,313 million			
QPC-2	Added (2nd review): Floor on net international reserves ~~USD 25,400 million~~ ~~USD 27,900 million (3rd review)~~ **USD 28,800 million** (4th review)	September 2024		
QPC-3	Added (2nd review): Floor on tax revenues (excluding Social Security Contributions) **UAH 1,398,600 million**	September 2024		
QPC-4	Added (2nd review): Ceiling on publicly guaranteed debt **UAH 47,900 million**	September 2024		
CPC-1	Ceiling on non-accumulation of new external debt payments arrears by the general government **UAH 0**	September 2024		
IT-1	Added (2nd review): Floor on the overall cash balance of the general government, excluding budget support grants **UAH -1,123,107 million**	September 2024		
IT-2	Added (2nd review): Ceiling on general government borrowing from the NBU ~~UAH -1,153 million~~ **UAH 0** (3rd review)	September 2024		
IT-3	Added (2nd review): Ceiling on general government arrears **UAH 1,800 million**	September 2024		
IT-4	Added (2nd review): Floor on social spending **UAH 390,000 million**	September 2024		

	7th review (SDR 684.02 million)	**1 Mar 2025**		
SB-24	Postponed from 4th review: The DGF, MOF and NBU will prepare a bank rehabilitation framework in consultation with IMF staff.	~~End-March 2024~~ End-December 2024	Financial sector	
SB-26	Postponed from 5th review: Implement a supervisory risk assessment methodology to inform supervisory engagement priorities.	~~End-June 2024~~ End-December 2024	Financial sector	
SB-30	Added (2nd review, modified 3rd review): All systemic banks with majority state ownership will fall under the responsibility of the MOF, and any nonsystemic 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	Financial sector	
SB-33	Added (2nd review), Postponed from 5th review: Complete an external audit of the National Anti-Corruption Bureau of Ukraine's effectiveness with participation of three independent experts with international experience and publish its report.	~~End-September 2024~~ End-February 2025	Governance/Anti-corruption	
SB-34	Added (2nd review), Postponed from 5th review: Enact a law to establish a new court that will hear administrative cases against national state agencies (e.g., NBU, NABU, NACP) by judges who have been properly vetted for professional competence and integrity.	~~End-July 2024~~ End-December 2024	Governance/Anti-corruption	
SB-37	Added (4th review), Postponed from 6th review: Amend the Criminal Procedural Code to enable the Specialized Anti-Corruption Prosecutor's Office to manage extradition and mutual legal assistance request and rationalize consequences from expiration of time limits for pre-trial investigations (including for corruption cases) in line with MEFP, 67, 1st bullet.	~~End-October 2024~~ End-December 2024	Governance/Anti-corruption	
SB-39	Added (5th review): Adopt Budget Code amendments in line with Action 1 under the June 2024 PIM Action Plan, as specified in ¶39 of the MEFP.	End-January 2025	Fiscal	

SB-40	Added (5th review): Appoint the new Head of the ESBU based on the selection process.	End-February 2025	Fiscal	
SB-41	Added (5th review): CMU to approve a methodological framework underpinning the PIM process, as specified in ¶39 of the MEFP.	End-February 2025	Fiscal	
SB-42	Added (5th review): To ensure NEURC's functional independence, adopt amendments to the law #3354-IX to exempt regulatory decisions by NEURC from the state registration procedure, in line with MEFP, ¶79.	End-December 2024	Energy	
SB-43	Added (5th review): Complete the formation of the full supervisory board of Ukrenergo (7 members), with independent members constituting the majority of the supervisory board.	End-December 2024	Energy	
SB-44	Added (5th review): Enact amendments to the law to reform the Accounting Chamber of Ukraine (the supreme audit institution), including through a decisive vote of independent experts with international experience for vetting new members, establishing a minimum of 11 members, enhancing the scope of its audit functions, and steps to safeguard the ACU's financial independence consistent with international standards on supreme audit institutions, in line with MEFP, ¶67.	End-December 2024	Governance/Anti-corruption	
QPC-1	Added (2nd review): Floor on the non-defense cash primary balance of the general government, excluding budget support grants **UAH 415,410 million**	December 2024		
QPC-2	Added (2nd review): Floor on net international reserves ~~USD 23,000 million~~ ~~USD 24,900 million (3rd review)~~ **USD 26,300 million** (4th review)	December 2024		
QPC-3	Added (2nd review): Floor on tax revenues (excluding Social Security Contributions) **UAH 2,042,250 million**	December 2024		
QPC-4	Added (2nd review): Ceiling on publicly guaranteed debt **UAH 47,900 million**	December 2024		
CPC-1	Ceiling on non-accumulation of new external debt payments arrears by the general government **UAH 0**	December 2024		
IT-1	Added (2nd review): Floor on the overall cash balance of the general government, excluding budget support grants **UAH -1,557,208 million**	December 2024		
IT-2	Added (2nd review): Ceiling on general government borrowing from the NBU ~~UAH 704 million~~ **UAH 0** (3rd review)	December 2024		
IT-3	Added (2nd review): Ceiling on general government arrears ~~UAH 1,600 million~~ **UAH 1,800 million** (5th review)	December 2024		
IT-4	Added (2nd review): Floor on social spending **UAH 537,800 million**	December 2024		

	8th review (SDR 603.54 million)	**15 Jun 2025**		
SB-30	Added (2nd review, modified 3rd review): All systemic banks with majority state ownership will fall under the responsibility of the MOF, and any nonsystemic 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	Financial sector	
SB-45	Added (5th review): Submit legislative amendments to Parliament to introduce tax reporting requirements for digital platform operators.	End-April 2025	Fiscal	
QPC-1	Added (3rd review): Floor on the non-defense cash primary balance of the general government, excluding budget support grants	March 2025		

	~~UAH 330,000 million~~ ~~UAH 310,000 million (4th review)~~ **UAH 254,800 million** (5th review)			
QPC-2	Added (3rd review): Floor on net international reserves ~~USD 26,000 million~~ **USD 23,800 million** (4th review)	March 2025		
QPC-3	Added (3rd review): Floor on tax revenues (excluding Social Security Contributions) **UAH 485,000 million**	March 2025		
QPC-4	Added (3rd review): Ceiling on publicly guaranteed debt ~~UAH 53,626 million~~ **UAH 62,860 million** (5th review)	March 2025		
CPC-1	Ceiling on non-accumulation of new external debt payments arrears by the general government **UAH 0**	March 2025		
IT-1	Added (3rd review): Floor on the overall cash balance of the general government, excluding budget support grants ~~UAH -215,000 million~~ **UAH -342,400 million** (5th review)	March 2025		
IT-2	Added (3rd review): Ceiling on general government borrowing from the NBU **UAH -984 million**	March 2025		
IT-3	Added (3rd review): Ceiling on general government arrears ~~UAH 1,600 million~~ **UAH 1,800 million** (5th review)	March 2025		
IT-4	Added (3rd review): Floor on social spending ~~UAH 135,000 million~~ ~~UAH 130,000 million (4th review)~~ **UAH 135,000 million** (5th review)	March 2025		

	9th review (SDR 402.42 million)	**31 Aug 2025**		
SB-30	Added (2nd review, modified 3rd review): All systemic banks with majority state ownership will fall under the responsibility of the MOF, and any nonsystemic 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	Financial sector	
SB-46	Added (5th review): Appoint permanent head of SCS and permanent heads for all regional customs administrations.	End-June 2025	Fiscal	
SB-47	Added (5th review): Submit a 2026-28 Budget Declaration on time and in line with program parameters.	End-June 2025	Fiscal	
QPC-1	Added (4th review): Floor on the non-defense cash primary balance of the general government, excluding budget support grants ~~UAH 660,000 million~~ **UAH 546,800 million** (5th review)	June 2025		
QPC-2	Added (4th review): Floor on net international reserves **USD 24,800 million**	June 2025		
QPC-3	Added (4th review): Floor on tax revenues (excluding Social Security Contributions) ~~UAH 850,000 million~~ **UAH 1,019,600 million** (5th review)	June 2025		
QPC-4	Added (4th review): Ceiling on publicly guaranteed debt **UAH 53,626 million** **UAH 62,860 million** (5th review)	June 2025		
CPC-1	Ceiling on non-accumulation of new external debt payments arrears by the general government **UAH 0**	June 2025		
IT-1	Added (4th review): Floor on the overall cash balance of the general government, excluding budget support grants **UAH -370,000 million** **UAH -719,000 million** (5th review)	June 2025		
IT-2	Added (4th review): Ceiling on general government borrowing from the NBU	June 2025		

	UAH -4,100 million			
IT-3	Added (4th review): Ceiling on general government arrears ~~UAH 1,600 million~~ **UAH 1,800 million** (5th review)	June 2025		
IT-4	Added (4th review): Floor on social spending **UAH 250,000 million** **UAH 270,000 million** (5th review)	June 2025		

	10th review (SDR 331.98 million)	**1 Dec 2025**		
SB-30	Added (2nd review, modified 3rd review): All systemic banks with majority state ownership will fall under the responsibility of the MOF, and any nonsystemic 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	Financial sector	
QPC-1	Added (5th review): Floor on the non-defense cash primary balance of the general government, excluding budget support grants **UAH 751,000 million**	September 2025		
QPC-2	Added (5th review): Floor on net international reserves **USD 23,000 million**	September 2025		
QPC-3	Added (5th review): Floor on tax revenues (excluding Social Security Contributions) **UAH 1,622,200 million**	September 2025		
QPC-4	Added (5th review): Ceiling on publicly guaranteed debt **UAH 62,860 million**	September 2025		
CPC-1	Ceiling on non-accumulation of new external debt payments arrears by the general government **UAH 0**	September 2025		
IT-1	Added (5th review): Floor on the overall cash balance of the general government, excluding budget support grants **UAH -1,146,900 million**	September 2025		
IT-2	Added (5th review): Ceiling on general government borrowing from the NBU **UAH -1,500 million**	September 2025		
IT-3	Added (5th review): Ceiling on general government arrears **UAH 1,800 million**	September 2025		
IT-4	Added (5th review): Floor on social spending **UAH 410,000 million**	September 2025		

	11th review (SDR 699.79 million)	**1 Mar 2026**		
SB-30	Added (2nd review, modified 3rd review): All systemic banks with majority state ownership will fall under the responsibility of the MOF, and any nonsystemic 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	Financial sector	

	12th review (SDR 748.72 million)	**31 Aug 2026**		
SB-30	Added (2nd review, modified 3rd review): All systemic banks with majority state ownership will fall under the responsibility of the MOF, and any nonsystemic banks that come under state ownership will not be	Continuous	Financial sector	

	recapitalized using fiscal resources and will be transferred to the DGF for resolution upon breach of prudential requirements.			

13th review (SDR 794.67 million)		**10 Mar 2027**		
SB-30	Added (2nd review, modified 3rd review): All systemic banks with majority state ownership will fall under the responsibility of the MOF, and any nonsystemic 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	Financial sector	

Source: Own elaboration based on IMF.

Notes: SB = structural benchmark, QPC = quantitative performance criteria, CPC = continuous performance criteria, IT = indicative target. Colour coding: green indicates conditions met, red conditions not met, yellow conditions met with delay, and grey indicates conditions subject to future reviews. Red colour of the font represents change in the timing, as well as new conditions and numerical targets which are added as reviews proceed. The strikethrough format represents change in the deadline, and in numerical targets with the marking in which review the change occurred.

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