

RRR4U

Issue 2
January 2024

Monitoring of Implementation of the IMF program and the EU MFA





Main points

Cooperation with international partners is critically important for Ukraine. The success of this cooperation depends on the financing of important budget expenditures, as domestic revenues are used for security and defense.

The RRR4U consortium continues to regularly monitor Ukraine's compliance with the terms of key international financing programs - with the IMF and the EU.

After the second review, the IMF program was supplemented with **new structural benchmarks** for 2024.

In 2023, the **EU provided Ukraine with all the support envisaged** under the MFA+ program, effectively recognizing that all obligations had been fulfilled. However, we have a different assessment of some of them. Instead, a new instrument, the Ukraine Facility, is to be introduced, where **key commitments will be set out in the so-called "Ukraine Plan"**.

It is not the donors who need commitments under financial support programs - **Ukraine needs** them first and foremost.

Fulfillment of these conditions is the path to a strong economy and the well-being of Ukrainians. And it is also the way to gain the trust of all international partners and foreign businesses.

The European Union, the International Monetary Fund and other partners are ready to help. However, their goal is not just to give money, but to create the **preconditions for Ukraine's economic development and growth, so that** we can eventually finance our own needs.

Our monitoring takes into account the results of the EU macro-financial assistance and the implementation of the cooperation program with the IMF as of **January 2024**.



Key findings



Ukraine fulfills its obligations, often with a delay

As of January 2024, steps have been taken on 20 of the 21 structural benchmarks under the IMF program (one has been postponed, and the remaining 14 benchmarks are due later) and 16 of the 20 commitments under the EU program.



Deadlines are important!

The political risk of a delay in the implementation of the benchmarks is that the IMF may not approve the next disbursement. The new EU program, the Ukraine Facility, will also work on the principle "money for reforms."



Partners are flexible, but to some extent

For one of the uncompleted benchmarks under the IMF program (the 5-7-9 program adjustment to support SMEs more), the deadline was postponed to March 2024. The EU was more loyal to the progress, even crediting partial fulfillment of obligations.



The priority is the fiscal sphere, the rule of law and the fight against corruption

The largest number of new benchmarks under the IMF program are related to fiscal policy and strengthening anti-corruption bodies (BES, NABU, HACC, NAPC).



Other important areas

More and more attention is being paid to the corporate governance of state-owned companies, their (quasi)fiscal losses, and the financial condition of certain sectors (municipal heat and power). As part of the Ukraine Plan, the indicators will also include structural reforms in certain sectors.



Clarity in wording often determines effectiveness

Obligations that are formulated in a general way or do not specify a timeframe are interpreted differently by Ukraine and its partners.



The third review of the IMF program is not just about structural benchmarks

Ukraine has fulfilled the three structural benchmarks required for the third review. However, there is still a lack of data to assess the implementation of the quantitative benchmarks. The IMF will also assess progress on the other benchmarks.



Map of benchmarks and commitments



The IMF program

Fiscal sector/ Financial sector	<div style="display: flex; gap: 5px;"> 1 2 3 4 5 7 10 11 </div> <div style="display: flex; gap: 5px; margin-top: 5px;"> 12 14 15 16 19 20 22 23 </div> <div style="display: flex; gap: 5px; margin-top: 5px;"> 24 25 26 27 28 29 30 </div>
Monetary and Exchange Rate	<div style="display: flex; gap: 5px;"> 6 </div>
Governance/ Anti-Corruption	<div style="display: flex; gap: 5px;"> 9 13 17 21 32 33 34 </div>
Energy/SOE Corporate Governance	<div style="display: flex; gap: 5px;"> 8 18 31 35 </div>



EU macro-financial assistance programme

Macro-financial stability	<div style="display: flex; gap: 5px;"> 1 2 3 4 </div>
Structural reforms and good governance	<div style="display: flex; gap: 5px;"> 5 6 7 8 9 </div>
Rule of law	<div style="display: flex; gap: 5px;"> 10 11 12 13 14 15 16 </div>
Energy	<div style="display: flex; gap: 5px;"> 17 18 19 20 </div>

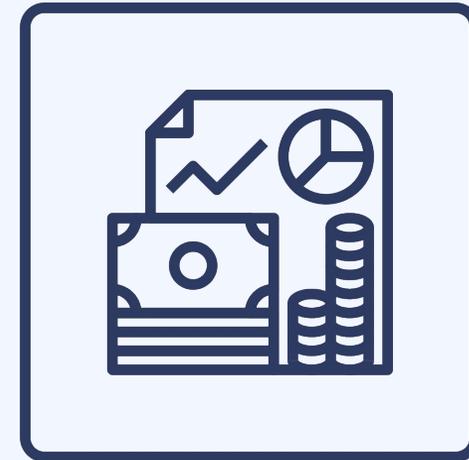
- Completed
- Completed, but not on time
- In progress
- Not completed



Sectoral findings: fiscal policy

Two Priorities: Increased Internal Revenues and Predictable Fiscal Policy

- ◆ Effectively, within the IMF program, the government has committed to enhancing the capacity for internal revenue growth. This involves reviewing privileges and tax exemptions, introducing measures that will generate additional fiscal revenues as early as 2024.
- ◆ Simultaneously, considerable efforts should be directed toward ensuring fiscal stability in the medium term, which includes steps towards predictable fiscal policy and the reduction of fiscal risks.
- ◆ The implementation of measures outlined in the National Revenue Strategy, along with risk considerations, is expected to contribute to fiscal stability. To address the latter, the government plans to conduct stress testing, with the assistance of IMF experts, on the largest state-owned enterprises affected during the full-scale war.
- ◆ Importantly, the government must critically assess past experiences in preparing the medium-term Budget Declaration. Emphasis is once again placed on the document being a strategic one, ensuring funding for priority recovery. Concurrently, the government will initiate steps to enhance the efficiency of the public investment management system.





Sectoral findings: financial sector

◆ The priority is to maintain the stability of the sector

The updated Memorandum contains one new benchmark concerning the financial sector: all banks with majority state ownership should remain permanently under the shareholder management by the Ministry of Finance, and any nationalized non-systemic banks will be transferred to the DGF for resolution.

◆ Two benchmarks that emerged before the second review also remain to be implemented. One of them concerns the preparation of the bank rehabilitation framework, and the other is the introduction of a supervisory risk assessment methodology to guide banking supervision priorities.

◆ It is also important to preserve the independence of the National Bank of Ukraine.





Sectoral findings: energy

- ◆ The updated memorandum with the IMF includes one important structural benchmark in the energy sector.
- ◆ By the end of June 2024, the Government of Ukraine has pledged to find out the amount of debt and the financial condition of district heating companies, including the reasons for the accumulation of debt before and since the start of the war, ahead of the 2024/2025 heating season.
- ◆ Among the previous commitments, it is worth noting the fulfillment of those related to corporate governance in the sector. In particular, Ukraine met the benchmark of selecting and appointing the Supervisory Board of GTSOU on time. Another benchmark, the transfer of the TSO shares to the Ministry of Energy and the adoption of a new charter, was delayed.
- ◆ Among the commitments to the EU, it is worth noting the progress made in implementing the roadmap for the electricity market integration after synchronization. At the same time, no action plan has been prepared to restore the energy infrastructure damaged or destroyed by the war, despite the NSDC decision to do so.





Sectoral findings: governance/anti-corruption

- ◆ The previous Memorandum with the IMF (June 19, 2023) provided for the implementation of 4 structural benchmarks in this area. Two of them were not completed on time (resumption of declarations by public officials and strengthening of PEPs financial monitoring), while there were no problems with the other tasks.
- ◆ The updated Memorandum of December 1, 2023, contains 3 new benchmarks related to governance and anti-corruption.
- ◆ In the near future (by March 2024), the government should optimize and improve the efficiency of the HACC. The benchmark, which envisages the creation of a new administrative court to replace the liquidated DACK, seems to be a difficult one. Also, by September 2024, the Ukrainian government should complete the long-awaited external audit of the NABU and publish its report.
- ◆ A separate benchmark concerns the corporate governance of SOEs and envisages the development of a comprehensive state ownership and dividend policy, as well as a privatization strategy.



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Monitoring of the implementation of structural benchmarks under the IMF program



completed
on time



completed
not on time



in the
course of
implemen-
tation



not
completed





Ukraine completed the first five structural benchmarks by the first review of the programme (June 2023)

Benchmark 1 Amendments to the Budget for 2023 - Defence Financing (end of April 2023)

The Parliament approved the government's amendments to the State Budget for 2023 to provide for increased and more sustainable funding for defence and security, as well as funds for urgent reconstruction. In particular, the expenditures appropriated to the reserve fund were doubled. In addition, two ministries were merged into a single Ministry of Communities, Territories and Infrastructure, which was given responsibility for the Fund for the Elimination of the Consequences of Armed Aggression.

Benchmark 2 Minimize ad hoc changes to the budget law and restore medium-term planning (end of May 2023)

To this end, the Parliament registered a draft law that, among other things, allowed the Rada to consider only those changes to the state budget that had received an expert opinion from the Ministry of Finance, and restored medium-term budget planning. In June, the Budget Committee updated the text, which later became law (see more in Benchmark #10).

Benchmark 3 Preparation of a tax change plan for the National Revenue Strategy roadmap (end of May 2023)

The Ministry of Finance has prepared an action plan, as noted in the IMF assessment under the first review.. The document should serve as a input for the preparation of the National Revenue Strategy (see benchmark N°20)

Benchmark 4 Registration of the draft law on capping state guarantees (end of May 2023)

These changes are intended to contribute to higher debt sustainability of the state. The provisions for the implementation of this milestone were included in the draft law No. 9346 together with the provisions for the implementation of milestone N°2 (see more in benchmark N°10)

Benchmark 5 Transparency and accountability of funds on the NBU's special accounts in UNITED24 (end May 2023)

In April 2023, the Parliament passed a law (No. 3035-IX) to enhance the transparency and accountability of accounts opened with the NBU by the spending units for charitable assistance and donations. This primarily concerned accounts on the UNITED24 platform. This finally provided a legal framework for transparent fundraising and spending from public charity accounts.



BENCHMARK 6 Prepare a strategy for the transition to a flexible exchange rate (June 2023)

Sector: financial sector

Status: completed on time

Right at the beginning of the full-scale invasion, the National Bank fixed the hryvnia and imposed strict currency restrictions. This was the right move, which prevented panic, reduced inflationary pressures, and stabilized Ukrainians' currency expectations.

Over time, the fixed exchange rate began to lose its benefits **as the acute phase of the crisis passed**. In general, a flexible exchange rate is much better for the economy. This benchmark provides for a gradual return to flexible exchange rate and the necessary easing of currency restrictions. The NBU has approved the relevant Strategy, thus fully and timely fulfilling the conditions of this benchmark.

More details: On June 29, 2023, the NBU Board approved the Strategy for easing currency restrictions, moving to greater exchange rate flexibility, and returning to inflation targeting. The public version of the Strategy was [published on](#) July 7. At the same time, the IMF has not set any deadlines for the implementation of this Strategy. The implementation of the strategy depends on whether macroeconomic conditions are favorable for the gradual removal of restrictions and the transition to a flexible exchange rate and inflation targeting.

The NBU is now gradually working on this and is removing currency restrictions in stages. For example, on October 3, the NBU switched to a regime of managed hryvnia flexibility, which is an intermediate stage between a fixed exchange rate and full flexibility.

**BENCHMARK 7 Restoration of pre-war taxation**

(deadline - end of July 2023)

Sector: fiscal sector

Status: not completed (completed with a delay)

Back in December 2022, the Ukrainian authorities promised to abolish the 2% tax for individual entrepreneurs, resume documentary inspections, and return penalties for violations of the use of cash registers. This step was supposed to increase the budget's own revenues. This was and still is important given the unprecedentedly large wartime budget deficit, which is currently being covered by foreign aid and loans. However, even foreign aid is not enough, and more resources are needed to finance the state's defense capabilities.

At the end of June 2023, the Verkhovna Rada adopted the relevant [draft law](#). However, this law returned inspections only for manufacturers of excisable goods, gambling, and financial companies. Other businesses could operate without inspections. IMF representatives were not satisfied with this: the Fund [said they were](#) waiting for a new law to be passed on the resumption of tax audits.

On November 9, the Parliament adopted in the second reading the [draft law №10016-d](#) with an expanded range of taxpayers who may be subject to documentary scheduled audits starting from December 1, 2023. At the same time, the President of Ukraine signed the law only in early December, so it came into force on January 08, 2023.



BENCHMARK 8 Corporate governance reform of the GTS Operator: transfer the GTSO shareholding to the Ministry of Energy and adopt the new charter (deadline - end of July 2023)

Sector: energy/corporate governance

Status: not completed (completed with a delay)

The implementation of the benchmark will create a more transparent and efficient model for managing Ukraine's gas transmission system.

On July 28, 2023, the Verkhovna Rada [adopted](#) Law No. 3293-IX, which provides for the transfer of the corporate rights of LLC "Ukrainian Gas TSO" (GTSOU) to the management of the state represented by the Ministry of Energy of Ukraine. The law also obliges the appointment of an independent supervisory board of the GTSOU, which in turn will be responsible for appointing the head and members of the executive body of the Operator.

The first part of the benchmark was completed on September 22, when the Cabinet of Ministers [transferred the](#) corporate rights of GTSOU to the Ministry of Energy.

A month later, on October 27, JSC "Mahistralni Gazoprovody Ukrainy", which was the parent company of the GTSOU, was liquidated. The termination of the company is one of the steps towards the corporate reform of the GTS Operator and the transition to the target model of a single company.

The second part was completed only at the end of October, when the Ministry of Energy approved the updated GTSOU charter agreed with the Energy Community Secretariat. The document [appeared](#) on the company's website on October 31.

Thus, the benchmark was completed only by the end of October, three months late.

**BENCHMARK 9 Restoration of declaration by officials**

(deadline - end of July 2023)

Sector: governance/anti-corruption

Status: not completed (completed with a delay)

One of the important steps on the way to returning to pre-war anti-corruption policies and procedures was to restore asset declarations by public officials.

In September 2023, the parliament passed a [draft law](#) stipulating that the register of declarations would remain closed for another year. Declarants could voluntarily open their data for public access. The public and international partners reacted negatively to this news. As a result, the President of Ukraine vetoed the law and submitted his own proposals, which opened the register of declarations immediately.

On September 20, 2023, the Parliament reconsidered the above-mentioned draft law and adopted it with the President's proposals. The law entered into force on October 12, 2023. On December 10, 2023, the National Agency on Corruption Prevention announced the opening of public access to the Register of Declarations.



Benchmark 10 Resumption of medium-term budget planning, development of a debt management strategy and reducing risks from state guarantees (end of September 2023)

Sector: fiscal sector **Status:** completed on time

In July, the Parliament adopted the necessary [amendments to the Budget Code](#) to make fiscal policy more predictable in the medium term.

The government has already presented some indicators and targets for the three-year perspective in the materials for the draft State Budget for 2024. In the spring 2024, the government promised to adopt a Budget Declaration for 2025-2027, which should reflect the priorities of budget expenditures and the vision of the government's strategy in general.

The government committed to approve the Medium-Term Public Debt Management Strategy by the end of October 2023 (which corresponds to benchmark 12). This step is extremely important, as the level of public and publicly guaranteed debt increased from 50% of GDP to almost 80% of GDP during the full-scale war and will continue to grow. This is an unsustainable level for countries with weak institutions, but in Ukraine it is driven by the need to borrow for economic stability.

The Budget Code also made budget rules not applicable to the guarantees provided by the government for projects financed by international financial institutions (IFIs). Previously, this provision limited the government's ability to receive funds from IFIs. Now, the absence of the restriction will allow the government to increase borrowing for reconstruction and recovery projects, as there is a lack of domestic sources of funding



Benchmark 11 Presentation of the medium-term budget forecast and fiscal risk statement as part of the 2024 draft State Budget package (end of September 2023)

Sector: fiscal sector

Status: completed on time

The steps outlined in the benchmark are intended to increase the predictability and resilience of the fiscal system.

On 15 September 2023, the government submitted to Parliament a [draft law](#) on the State Budget for 2024 with a long list of explanatory documents. The package included the following documents:

- planned KPIs for budget programmes in 2022-2026;
- forecasts of budgetary and macroeconomic indicators for 2025-2026, and priority fiscal policy objectives;
- Limit expenditures for the period 2022-2026

The documents also contained a report assessing the impact of macroeconomic risks and risks of state-owned enterprises on the budget. For example, the government assessed the impact of three macroeconomic scenarios on the operations of major state-owned enterprises, including Naftogaz, Energoatom, Ukrenergo and Ukrhydroenergo.

**BENCHMARK 12** Concept note on the 5-7-9 program to bigger support SMEs

(initially end of September 2023, postponed to end of March 2024)

Industry: fiscal sector

Status: not completed (postponed)

Limited budget funding requires a review and conditional streamlining of the 5-7-9% loan program for businesses.

Initially, in 2020, the program "Affordable Loans 5-7-9%" was created to support small and medium-sized enterprises (SMEs) for which conventional bank loans were not available. Such loans were also issued for investment and startup support. After the full-scale invasion began, working capital coverage was added to the program and expanded to large companies. In fact, in 2022, the program became the main tool for business support and a "lifeline" for individual companies. In some banks, 80-90% of loans were issued under this program.

At the same time, due to the limited amount of funds in the budget, there is a need to return the program to supporting SMEs. Instead, in September, the government expanded the 5-7-9% program, which contradicts its commitment under the IMF Memorandum. For example, the government allowed companies in the energy efficiency and recycling sectors to use affordable loans. In addition, the maximum term of the program was increased to 10 years, and the program limit was raised to UAH 150 million, which is important for large companies.

The government is currently working on the concept. At the same time, in December 2023, the [government adopted amendments](#) to the resolution on providing support under this program, narrowing the provision of compensation for investment projects and working capital for non-priority sectors to small and medium-sized enterprises only (for working capital in priority sectors, large companies can still receive support).



BENCHMARK 13 Strengthening the financial monitoring of politically exposed persons (PEPs) (deadline - end of September 2023)

Sector: governance/anti-corruption

Status: not completed (completed with a delay)

In the Memorandum with the IMF, the Ukrainian side promised to resume enhanced financial monitoring of top officials (politically exposed persons, PEPs) in accordance with [FATE](#) standards. This step "should ensure a more effective fight against money laundering."

As a reminder, on November 19, 2022, [amendments](#) to the [law on financial monitoring](#) came into force, which reduced the term of the status of a politically exposed person (PEP) from lifetime to 3 years after leaving office. Thus, financial institutions had the right to conduct enhanced financial monitoring of PEPs only for 3 years after their dismissal. The adopted changes were [not in line](#) with international anti-money laundering standards.

Therefore, on October 17, 2023, Ukraine's parliament adopted a [draft law](#) that effectively restores the lifetime status of a politically exposed person (PEP). At the same time, it increases the liability of banks for unreasonable refusal to provide financial services to users. The [law](#) came into force on October 29, 2023.

It should be added that as part of the EU's macro-financial assistance, Ukraine also has to improve its anti-money laundering regulations. The program provides for changes in secondary legislation on beneficial ownership (commitment N°14).

**Politically exposed persons are persons who perform or have performed significant public functions in Ukraine. The full list of such positions is defined in Article 1 of the [Law on Financial Monitoring](#).*

**BENCHMARK 14** Strengthening banking supervision

(end of September 2023)

Sector: financial sector

Status: completed on time

The implementation of the benchmark will bring banking supervision in Ukraine in line with the EU directives. This is necessary to bring Ukraine closer to EU accession. The NBU fully and timely fulfilled the relevant requirements.

Point I: On April 21, 2023, the National Bank of Ukraine [separated the Department for](#) Monitoring of Related Parties and the Department for Integrated Banking Supervision.

Point II: The NBU has introduced supervisory panels without publicly communicating about it. Supervisory panels are supposed to advise the Supervisory Committee on issues and additionally independently analyze its decisions, facilitate horizontal communications between stakeholders, and highlight particularly important issues.

Point III: On July 29, 2023, the NBU [resumed](#) scheduled on-site inspections of banks and non-bank institutions in a remote format in order not to expose its employees to danger.



BENCHMARK 15 Tax and Customs should prepare a reform plan

(end of October 2023)

Sector: fiscal sector

Status: completed on time

The State Tax Service (STS) and the State Customs Service (SCS) are important implementers of the upcoming National Revenue Strategy (see benchmark 20). To ensure that the National Revenue Strategy is coherent and consistent, the IMF program added a structural benchmark to develop reform plans for both services.

The STS and the SMS had to prepare action plans by the end of October, which will be further integrated into the overall National Revenue Strategy (see benchmark 20). On October 23-27, representatives of the STS and the SMS met with the IMF to discuss the progress. The second review of the IMF program revealed that this benchmark was met on time and in full.

More details: On October 23, the STS [announced that it](#) would participate in the IMF technical mission together with the SMS to continue working on its reform plans. On October 31, following the meeting, the STS announced progress in fulfilling the task.

The State Tax Service and the State Migration Service are systemically important institutions not only for filling the budget, but also for shaping the attitude of business and citizens to the state. [Studies show a](#) low level of trust in the activities of fiscal authorities. Low trust is mainly due to non-transparency, slow customs clearance, and corruption. At the same time, the trust index has remained low since the beginning of the invasion, unlike many other institutions. Numerous attempts to reform these bodies by previous governments have not resulted in sustainable positive changes.



BENCHMARK 16 Update and publication of the Medium-Term Public Debt Management Strategy (end of October 2023)

Sector: fiscal sector

Status: completed on time

The medium-term strategy for public debt management will increase the transparency and predictability of fiscal policy and optimize the structure of public debt.

In accordance with the amendments to the Budget Code (see benchmarks #2 and #10), the government had to update the Medium-Term Public Debt Management Strategy. Public debt and publicly guaranteed debt to GDP has already increased from 50% at the end of 2021 to about 80% at the end of 2022 and may exceed 100% of GDP in 2024. Therefore, a clear Strategy should provide the necessary predictability of the government's debt policy.

A challenge for the preparation of the Strategy is the need to restructure the public debt in 2024, which is only at the initial stage of negotiations.

On October 27, the Ministry of Finance adopted a separate [Strategy](#), which clearly plans to conduct a public debt management operation and intends to adopt an updated Strategy afterwards. The document states that the Ministry of Finance plans these steps in order to: "(i) gradually restoring Ukraine's debt sustainability, (ii) preserving liquidity and reducing the state budget deficit during the IMF program period, and (iii) creating the necessary conditions for the commercial sector to participate in the post-war reconstruction of Ukraine to restore Ukraine's market access as soon as possible."



BENCHMARK 17 Simplification of the system of declaration of public officials (deadline - end of October 2023)

Sector: governance/anti-corruption

Status: completed

In addition to restoring asset declarations by public officials (benchmark N°9), the Ukrainian government promised to improve the declaration system. The changes should allow officials to automatically fill in information from other related databases and registries.

[The draft](#) law, adopted in September 2023, stipulates that the National Agency on Corruption Prevention will provide access to and automatic transfer of data from other registers and databases to the declaration form. At the same time, the function of automatically filling in the available data does not relieve the declarant of the obligation to indicate in the declaration all the information known to him or her, even if it is not available in other databases.

The [law](#) came into force on October 12, 2023.



BENCHMARK 18 Corporate governance reform of the GTS Operator:
appointment of a Supervisory Board (deadline - end of October 2023)

Sector: energy/corporate governance

Status: completed on time

The implementation of the benchmark is important for the corporate governance reform of state-owned enterprises. Supervisory boards should eliminate the "manual control" regime in state-owned companies. This helps to transform state-owned enterprises into transparent, efficient, competitive companies that are able to attract investment and generate profits.

The benchmark can be considered a logical continuation of Benchmark No. 8 on the introduction of a single company to manage the gas TSO of Ukraine. On October 31, the Government [approved the](#) company's Supervisory Board: three independent members and one state representative, completing this benchmark in time. At the same time, the issue of appointing another state representative to form a full 5-member board remains.

According to the [Charter](#), the Supervisory Board of GTSOU should consist of five members, three of whom should be independent. As of mid-January, 5 members have not been appointed and there are no governmental statements on this matter. In turn, it was [reported](#) that Prime Minister Denys Shmyhal was promoting the candidacy of Viktor Pynzenyk for the position of state representative in the supervisory board of GTSOU, who previously held the same position in the supervisory board of JSC "Mahistralni Gazoprovody Ukrainy".

Thus, the benchmark is considered to be fulfilled, but the Government should keep in mind the quality of such fulfillment and appoint 5 members of the Supervisory Board of GTSOU.

**BENCHMARK 19 Better Public Investment Management**

(end of December 2023)

Sector: fiscal sector

Status: completed on time

Improving the quality of public investment management (PIM) will allow for more efficient use of public funds in the context of limited budgetary resources. One of the steps should be the unification of PIM approaches and the competitive selection of projects for budget funding.

The World Bank estimates that \$411 billion will be needed to rebuild Ukraine. Private business should become an important source of funding for reconstruction. An important tool for attracting companies will be public-private partnerships (PPPs), which, unfortunately, are not yet working in Ukraine. Revising the approach to PPPs could help.

To change approaches to PIM, in December, the CMU adopted a draft [Roadmap for Public Investment Management Reform](#), which is intended to "create a context, vision of the basic principles and directions for elaborating an integrated, sustainable and effective public investment management system that ensures planning of investment projects based on strategic priorities and a medium-term budgetary framework, their selection in accordance with unified and transparent procedures and clear criteria, and implementation according to planned timing and financing".

This framework document envisages the creation of a targeted PIM model that meets the reconstruction principles developed by RRR4U: prioritization, sustainability, efficiency and effectiveness, transparency and accountability



BENCHMARK 20 Approval of the National Revenue Strategy by the end of 2023

(end of December 2023)

Sector: fiscal sector

Status: completed on time

Details:

In the context of a full-scale war, Ukraine finances half of its state budget expenditures with foreign aid. This situation is not sustainable, and this dependence must be gradually eliminated. The National Revenue Strategy aims to create conditions for increasing domestic budget revenues. To do this, Ukraine needs to strengthen its ability to collect tax and customs revenues.

The strategy includes the following measures mentioned in the IMF program:

- strengthening tax and customs authorities;
- closing the possibility to use the simplified taxation system instead of official employment of full-time employees;
- bringing VAT and excise taxes in line with EU legislation;
- Strengthening anti-corruption measures;
- reforms in the tax system.

On December 27, 2023, the [government approved](#) the National Revenue Strategy, meeting the conditions for the IMF program's benchmark to be activated. The adopted Strategy does not mention the reform of the Bureau of Economic Security, although the IMF program envisaged the inclusion of relevant proposals in the Strategy.

**BENCHMARK 21** Enhancing the institutional independence of the SAPO

(deadline - end of December 2023)

Sector: governance/anti-corruption

Status: completed

In the Memorandum with the IMF, the Ukrainian side indicated its intention to strengthen the effectiveness of anti-corruption institutions. The changes should also affect the Specialized Anti-Corruption Prosecutor's Office (SAPO). On September 15, to fulfill the benchmark, the government submitted to the Verkhovna Rada [draft law N°10060](#), which meets the requirements of the IMF and the EU and is aimed at:

- improving the procedure for competitive selection of SAPO heads and prosecutors;
- strengthening the SAPO's ability to regulate its own organizational structure and activities;
- clarifying the powers of the head of the SAPO;
- creation of a Specialized Disciplinary Commission of SAPO prosecutors;
- conducting regular audits of SAPO activities with the participation of external experts with international experience.

On December 08, 2023, Ukraine's parliament adopted the above draft law. The [law](#) came into force on January 1, 2024.

It is worth noting that a similar obligation is provided for in the EU's macro-financial assistance program (commitment N° 16).

**BENCHMARK 22** Propose budget amendments to find new revenue sources

(end of February 2024)

Sector: fiscal sector

Status: in progress

Financing defense and mobilizing tax and non-tax revenues remains one of the most important items on the fiscal agenda. Based on the conclusions of the Revenue Working Group established in December 2023, the government should prepare short-term measures to increase revenues by at least 0.5 percent of GDP, with the aim of amending the 2024 budget as necessary.

0.5% of GDP is about UAH 38 billion. The developed measures can be applied in 2024 if additional pressure on expenditures arises. The likelihood of such a need arising is quite high, given that defense spending will remain at a significant level throughout the year.

**BENCHMARK 23** Rebooting the Bureau of Economic Security

(end of June 2024)

Sector: fiscal sector**Status:** in progress

Ukraine should adopt a new law on the Bureau of Economic Security (BES), which should provide it with clear powers to investigate major economic crimes in line with best practices, and create a legal framework for the BES to select its management and staff. The law should respect the existing division of investigative powers between the BES and the NABU.

The new legislation will pave the way for the renewal of the BES management and detectives through transparent competitions. This will give the bureau a chance to turn into an effective body that will prevent economic crimes and schemes that cause budget losses.

Currently, the Verkhovna Rada is considering [draft law No. 10088-1, which was](#) recommended by the relevant committee for adoption in the first reading. However, at the end of December, the government prepared its own draft law, which was [criticized by](#) both specialized experts and the Speaker of the Verkhovna Rada for not meeting the standards agreed with the partners.

**BENCHMARK 24** Preparing the basis for bank rehabilitation

(end of December 2024)

Sector: financial sector

Status: in progress

The deadline for this benchmark has been moved from March 2024 to December 2024. The DGF, the Ministry of Finance, and the NBU should prepare a framework for the rehabilitation of the banking system.

The framework for bank rehabilitation will include: (i) mechanisms to support the DGF; (ii) measures to strengthen the banking system's operational readiness for unforeseen situations; (iii) improved procedures for bank resolution and early intervention measures; and (iv) alignment of the criteria for counterparty eligibility for NBU monetary policy operations and lender of last resort operations with international best practices.

As an interim step, the DGF and the NBU will prepare, in consultation with IFI stakeholders, (i) a diagnostic note by the end of February 2024 to assess the current infrastructure for resolving insolvent banks, including an analysis of current challenges; and (ii) based on the diagnostic, adopt a roadmap by the end of April 2024 that will set out a reform agenda to further strengthen the authorities' capacity to resolve and manage financial sector crises, in particular to address key gaps by the end of December 2024.

**BENCHMARK 25** Revision of tax privileges

(end of July 2024)

Sector: fiscal sector

Status: in progress

The review of tax privileges should be a step towards broadening the domestic revenue base without raising tax rates. By the end of July 2024, the government should estimate the losses from all tax privileges and propose measures to reduce budget losses due to preferential taxation.

This step will help Ukraine increase its ability to increase domestic revenues, which is a crucial task given the need to ensure high defense spending and the expected decline in international financial support for Ukraine.



BENCHMARK 26 New methodology for risk assessment in supervision
(end of June 2024)

Sector: financial sector

Status: in progress

The NBU is to introduce risk assessment methodologies for supervision in order to make informed decisions on supervisory priorities. The methodology will be applied to all banks, and a supervisory action plan will be prepared by the end of December 2024. While improving supervisory results, the NBU also plans to increase supervisory efficiency by improving the allocation of resources and processes by adjusting the organizational structure of banking supervision. This will be complemented by strengthening the professional capacity of banking supervision by developing the necessary professional profiles and introducing a multi-year training program for new employees.



BENCHMARK 27 Medium-term budget planning: diagnostic review and update
(end of October 2024)

Industry: fiscal sector

Status: in progress

The resumption of medium-term budget planning was among the important areas of changes in the already implemented structural benchmarks. Thus, medium-term forecasts of expenditures and revenues and a report on fiscal risks were submitted as additional materials to the draft State Budget Law for 2024. Medium-term budget planning increases sustainability by ensuring a predictable budget policy.

That is why, with the help of IMF technical assistance, the government plans to analyze its past experience in preparing the Budget Declaration (not very rich, since only one Budget Declaration has been adopted).

The diagnostic review will become the basis for the preparation of the Budget Declaration for 2026-2028. It is intended to slightly change the approach to preparing for the bottom-up public finance management process to capture more detailed spending needs and ensuring better costing of public service financing.



BENCHMARK 28 Estimation of fiscal and quasi-fiscal costs of SOEs
(end of September 2024)

Industry: fiscal sector

Status: in progress

Ukraine has a large number of state-owned enterprises, which sometimes create fiscal risks, but also bring fiscal and quasi-fiscal losses. An important reason for the deterioration in the financial situation of SOEs was the full-scale war. However, this is partly due to the government's policy of refraining from raising tariffs for electricity, natural gas, and other utilities for households. To cover the financial gaps, large SOEs either accumulate debts, which can then be covered by direct transfers from the state budget or by new borrowings from international official partners or IFIs. The latter, *ceteris paribus*, could be directed to the budget to finance urgent expenditures. SOEs' borrowings are guaranteed by the state, and therefore, in case of problems, the debt falls on the state.

That is why it is important to monitor the current financial situation of state-owned enterprises and conduct stress testing. This is exactly the kind of analysis and assessment that should be carried out within the framework of this structural benchmark for large SOEs that are most affected by a full-scale war. The results should be reflected in the fiscal risk report prepared annually by the Ministry of Finance as part of the budget process.



BENCHMARK 29 Determining the link between the MTBF and capital expenditures
(end of December 2024)

Industry: fiscal sector

Status: in progress

This structural benchmark is a continuation of steps to improve the efficiency of public investment management, the roadmap for reforming which was adopted to implement Structural benchmark #19.

Given the need to finance the reconstruction, the government is expected to adopt a resolution that will provide for a clear link between medium-term budget planning and recovery and reconstruction priorities. The Ministry of Finance should play a key role in this process (which is actually a response to the confrontation between the Ministry of Finance and the Ministry of Reconstruction that occurred in the fourth quarter of 2023).

At the same time, the important role of coordination between the Ministry of Finance and line ministries responsible for the implementation of investment projects in the public sphere is defined.



BENCHMARK 30 State-owned banks remain under management by the Ministry of Finance. Non-systemic nationalized banks will be transferred to the DGF for resolution

(permanent)

Industry: financial sector

Status: in progress

Ukraine represented by the Cabinet of Ministers is the registered owner of the three publicly owned banks (Oschadbank, Ukreximbank, and Privatbank). Ukrgasbank and Sens Bank are owned by Ukraine as represented by the Ministry of Finance. In practice, the Ministry of Finance acts as the shareholder of all state-owned banks, although the Government formally takes key decisions are upon the proposal of the Ministry of Finance.

During the war, Sens Bank (formerly Alfa) and PINbank (First Investment Bank) were nationalized. Sense Bank was sold to the state for UAH 1 by the DGF as part of the bank resolution procedure due to sanctions against its owners. On January 17, 2024, 89% of PINBank's shares were registered to the state, represented by the State Property Fund, based on a decision of the HACCC that came into force in March 2023.

The status of implementation of the benchmark depends on whether it applies to already nationalized banks at the time of its establishment and whether it requires expanding the powers of the Ministry of Finance to act as a shareholder of state-owned banks in all matters. In our opinion, the current rules for the management of state-owned banks provide sufficient powers to the Ministry of Finance, and the requirement to transfer non-systemic banks to the DGF applies to banks nationalized after the completion of the IMF program review.



BENCHMARK 31 Audit of the financial status of the district heating companies before and after February 2022 (deadline - end of June 2024)

Sector: energy

Status: in progress

The benchmark will help determine the amount of debt and the financial condition of district heating companies (DHCs), including the reasons for the accumulation of debt before and after the start of the war, on the eve of the 2024/25 heating season.

Thus, [according](#) to Naftogaz of Ukraine, as of February 21, 2022, the total overdue debt of DHCs and CHP plants to Naftogaz is 49.1 billion UAH (including 39.3 billion UAH for gas for heat production). At the beginning of the heating season in 2023, the state's debt on the difference in tariffs [amounted to](#) about 36 billion UAH, and according to preliminary [estimates, it](#) will exceed 54 billion UAH in 2024.

In the [Letter of Intent](#) dated December 1, 2023, the Ukrainian side noted that DHCs had accumulated a significant amount of debt to Naftogaz before and after the war, which is a result of the accumulated difference in tariffs and the impact of the war. The issue will be resolved in a comprehensive manner when the war-related pressure on the budget is reduced by developing a new tariff methodology. However, the signatories (the President, the Prime Minister, the Minister of Finance, and the Governor of the NBU) also added that the amount of debt and the financial condition of the DHCs will be determined through a desk audit conducted by a reputable audit firm, which will distinguish between debt incurred before and after February 2022.

The issue of auditing district heating companies is not new. Back in 2019, the government [instructed the](#) Ministry of Regional Development and the State Audit Service to audit all DHCs to ensure that the cost of heat and water was objective. In January 2022, before the full-scale invasion, the Cabinet of Ministers again [ordered an](#) audit of the extent to which Naftogaz's activities (in particular, fixed-price contracts) subsidize gas prices for households and DHCs. Therefore, the benchmark is a logical continuation of the previously launched process to accurately diagnose the problem of district heating companies' debts, which will allow for their comprehensive settlement.

**BENCHMARK 32** Optimize and improve the efficiency of the HACC

(deadline - end of March 2024)

Sector: governance/anti-corruption

Status: in progress

The need to implement the benchmark is due to the excessively long consideration of criminal proceedings by the High Anti-Corruption Court (HACC) due to the heavy workload of judges. To solve this problem, the Ukrainian side should amend the legislation to allow cases to be considered in the first instance by one anti-corruption judge or a panel of three anti-corruption judges.

It should be added that in October 2023, the relevant [draft law №10178](#) was registered in the Parliament. The draft law provides for the exclusion from the Criminal Procedure Code of Ukraine of special provisions on mandatory criminal proceedings for crimes within the jurisdiction of the High Anti-Corruption Court in the first instance by a three-judge panel. According to its authors, the adoption of the draft law will help improve the efficiency of the HACC by significantly reducing the workload of each judge and ensuring proper dynamics of criminal proceedings in compliance with reasonable time limits.

**BENCHMARK 33 Complete the external audit of NABU and publish its report**

(deadline - end of September 2024)

Sector: governance/anti-corruption

Status: in progress

The issue of conducting an external audit of the NABU has been on the Ukrainian agenda for quite some time. Both the International Monetary Fund and the European Commission have repeatedly pointed out the need for it. In the [Memorandum on Economic and Financial Policy of December 5, 2018, the](#) Ukrainian side promised to complete the external audit of the NABU by the end of July 2019. However, this promise was never realized.

According to the updated Memorandum, the Ukrainian side has until the end of September 2024 to conduct an external audit of the NABU with the participation of three independent experts with international experience and publish its report.

According [to the](#) Foundation's experts, "the external audit of NABU will provide an impartial and formal assessment of NABU's activities since its establishment in 2015 and may identify areas for improvement and contribute to strengthening NABU's accountability, especially in light of the proposed [draft law](#) to increase its staff from 700 to 1000 people".



BENCHMARK 34 Create a new administrative court to replace the dissolved Kyiv District Administrative Court (deadline - end of July 2024)

Sector: governance/anti-corruption

Status: in progress

In December 2022, the Parliament liquidated the Kyiv District Administrative Court, which considered disputes involving central executive authorities. The KDAC's cases were to be transferred to the Kyiv District Administrative Court until a new Kyiv City Administrative Court was established.

However, the European Commission in its [Report](#) published in November 2023 noted that after the liquidation of the KDAC, access to justice in cases involving central authorities is deteriorating, as a new court has not yet been established and the court with temporary powers is overcrowded. Therefore, the EC, as well as the IMF, points to the need to create a new administrative court staffed by properly vetted judges.

Therefore, the Ukrainian government committed to adopt a law establishing a new court that will be proceeding administrative cases against national government agencies (e.g., NBU, NABU, NAPC) by judges who have been duly vetted for professional competence and integrity, with the decisive and determining vote of independent experts with international experience.

[According](#) to IMF experts, the creation of a new administrative court will help strengthen the independence of the judiciary and predictability of dispute resolution for businesses.



BENCHMARK 35 Improving the management of state-owned enterprises

(deadline - end of August 2024)

Sector: corporate governance of SOEs

Status: in progress

For years, state-owned enterprises (SOEs) have been a source of inefficiency and fiscal risks. To improve efficiency, a corporate governance reform of SOEs was introduced but has not yet been completed.

In the Memorandum, the Ukrainian side stated its intention to improve the efficiency of SOE management through further reform of SOE corporate governance in close cooperation with international partners, in particular:

- to adopt a law on corporate governance of SOEs (this refers to the [draft law №5593-d](#) on improving corporate governance, which as of the end of January 2024 is being prepared for the second reading (adopted as a basis in July 2021));
- implementation of relevant bylaws;
- assessment of the financial condition and fiscal risks of state-owned enterprises in the state ownership policy by the end of March 2024 (as an interim step in the implementation of Structural benchmark 28)
- **Structural benchmark #35** envisages the development of a comprehensive state ownership and dividend policy, as well as a privatization strategy. It is likely that the privatization strategy will take into account past approaches to triage.

This is an important benchmark, since today there is virtually no ownership policy, which prevents SOEs from operating efficiently. The share of dividends that should be allocated to the budget is determined each year based on the budget's needs rather than the need for SOEs to operate efficiently.

It should be added that the IMF does not support the idea voiced by Ukrainian politicians to create a state holding company that would be responsible for all state-owned enterprises. [According to the](#) Fund's experts, this is premature given the financial and potential management risks.



Monitoring of commitments under the EU Macro-Financial Assistance Program - summary



completed on time



completed not on time



in the course of implementation



not completed





COMMITMENT 1 Restore tax legislation
(I-II quarters of 2023)

Area of expertise: macrofinancial stability

Status: not completed on time

This commitment actually corresponds to benchmark 7 under the IMF program (with a deadline of the end of July 2023 - fulfilled, but later), see the analysis above.



COMMITMENT 2 Measures to support the stability of the banking system

Sector: macrofinancial stability

Status: completed

The banking system has shown its resilience during a full-scale war. At the same time, risks continue to exist given the possible increase in non-performing assets. That is why attention to the resilience of the banking system is important.

To fulfill the obligations of this commitment:

- i)** New independent members of Privatbank supervisory board were appointed in December 2022, and for the other three state-owned banks in April-June 2023.
- ii)** The asset quality assessment was completed by the end of September and the necessary regulatory framework was approved in advance. In August, in its review of the banking sector, the NBU wrote that the first results were optimistic: no major asset quality failures were found. At the end of September, the NBU approved the conditions for the third stage of the bank resilience assessment. This indicates that the first stage - asset valuation - is likely to have gone ahead as planned.



COMMITMENT 3 Prepare legislation to improve
bankruptcy processes (Q3 2023)

Sector: macrofinancial stability

Status: completed

Ukraine's bankruptcy procedures are inefficient - they do not help individuals and legal entities find a clear path to resolve their debt problems - and do not comply with EU standards. On October 12, the Verkhovna Rada registered [draft law No. 10143, which is intended to](#) unify Ukrainian bankruptcy and debt restructuring rules with European ones, reduce the cost and shorten the timeframe of bankruptcy procedures.



COMMITMENT 4 Inspection by the National Bank of Ukraine of insurers' ownership structures and compliance with prudential requirements established by law (third quarter of 2023)

Sector: macrofinancial stability

Status: completed

On March 4, 2023, [NBU Board Resolution No. 39](#) came into force, which provided for inspections of insurers' ownership structure to ensure that it meets transparency requirements. This is necessary to ensure a transparent and competitive insurance market.

In March-September 2023, the NBU [provided](#) confirmation of compliance with the ownership structure requirements to 67 nonbank financial institutions.



COMMITMENT 5 Implementation of the Deregulation Action Plan:

- i) deregulation of the licensing and permitting system (end of February)
- iii) improvement of the e-construction portal (first quarter of 2023)
- iii) simplifying the placement of temporary structures for business activities (second quarter of 2023)
- iv) elimination of outdated provisions (third quarter of 2023)
- v) digitalization of license issuance (IV quarter of 2023)

Area of focus: Structural reforms/effective governance **Status:** Implemented

Deregulation measures are intended to make it easier to do business and reduce the cost of administrative procedures. During 2023, there were many activities in this area. We assess that the commitment has been fulfilled, although a more precise definition of the commitment is needed to be more precise

In January 2023, the government amended the Deregulation Action [Plan](#). These changes included simplification of the licensing system and the task of revising the licensing rules. The Ministry of Economy and the Ministry of Digital Transformation continue to work on the ePermit system: in the near future, 10 licenses will be available through Diia.

On April 10, the e-Construction page resumed publishing open construction data, which was suspended last year due to a large-scale intrusion.

According to the Ministry of Economy, an interagency working group has already analyzed more than 1,000 regulatory instruments to identify those that need to be canceled, revised or digitized so that they are not burdensome for business. However, the changes have not yet been implemented

According to the [SRS report as of](#) April 20, most of the points of the Deregulation Plan were implemented. Amendments were made to the regulation on the e-construction system (it is unclear whether they are the ones required in point ii), and outdated regulations on the regulation of markets were canceled (if this was meant in point iv). Laws were adopted to simplify licensing of alcohol production for small businesses, and draft law 7331 on replacing licensing with declarations during martial law was adopted in the first reading (point i). The draft law on kiosks (item iv) has not yet been submitted to the Verkhovna Rada. However, a draft law 9233 was considered by the MPs and approved by the relevant ministry with comments. The draft law was rejected by the Verkhovna Rada.

On November 10, the Ministry of Finance published for discussion a [draft](#) law amending Law No. 481/95-VR on improving the procedure for licensing and control over the production and circulation of excisable goods. The purpose of the draft law is to introduce the possibility of issuing and revoking licenses for all types of activities with excisable goods in electronic form, as well as to improve control over the production and circulation of excisable goods.



COMMITMENT 6 Further development of the public procurement system to bring it in line with the EU acquis, preservation of the State Enterprise "Medical Procurement of Ukraine" as the only national procurer

(without specifying the timeframe)

Area of focus: Structural reforms/ good governance

Status: completed

This Commitment does not specify any deadlines, which is likely due to the understanding that steps are needed to further approximate national legislation to EU acquis, in particular, as provided for in the plan for the implementation of the Association Agreement with the EU, under which Ukraine has already completed several stages of implementation of changes. An effective public procurement system is extremely important given the very tight budget constraints, while a large share of the budget is allocated to public procurement.

The most recent changes introduced (CMU Resolution No. 952) include changes due to the lifting of the COVID-19 quarantine (in particular, localization for goods to combat the pandemic was returned), justification of the grounds for procurement, sanctions for participants whose assets are transferred to ARMA, and new powers for SASU.

SE "Medical Procurement of Ukraine" remains the only national procurer in the field of medical goods



COMMITMENT 7 Advancing customs administration reform, including improvement of IT systems, human resources management and anti-corruption measures

(Q4 2023)

Area of focus: Structural reforms/ good governance

Status: completed

Customs reform is extremely important for establishing effective administration. It should contribute to both the convenient operation of customs and the budget revenues and security of goods and products entering the Ukrainian market, as well as administer a large share of state budget revenues.

In fact, the tasks envisaged for this commitment in the EU program correspond to the IMF program. For example, according to the IMF program, the government should develop a customs reform plan (Structural Benchmark #16).

The wording of this obligation is quite flexible, and therefore allows for some maneuverability in the assessment.

Today, the State Customs Service is working to improve IT systems, human resources management, and anti-corruption measures. According to the [Ministry of Finance's](#) report for 2023, the administration of AEO and NCTS was improved during the year, as well as the synchronization of Ukrainian and EU customs legislation and the creation of appropriate IT solutions.

Further reform of customs administration is also envisaged in the National Revenue Strategy adopted in December.



COMMITMENT 8 Strengthening the process of selecting independent members of supervisory boards and management for the largest state-owned enterprises

(IV quarter of 2023)

Area of focus: Structural reforms/ good governance

Status: completed

The measure is intended to increase the efficiency of state-owned enterprises and thus reduce the fiscal risks they pose to the budget.

Back in 2021, a draft law (5593-d) was registered in the parliament to help improve corporate governance. Under this draft law, the powers of supervisory boards will be expanded and they will be able to appoint and dismiss the heads of state-owned enterprises. In August, it was reported that the OECD was to provide an assessment of this draft law in terms of its compliance with the OECD Corporate Governance Guidelines for SOEs. Work has now resumed on preparing for the second reading of this draft law (it was adopted as a basis in July 2021).

At the same time, it is likely that the fulfillment of this obligation was due to the adoption by the Cabinet of Ministers of a [resolution](#) on the procedures for selecting members of supervisory boards and managers of public sector entities. The resolution improved the mechanism for selecting candidates, as well as the mandatory verification of the business reputation of candidates for supervisory boards. It also improved the work of the committee for the appointment of managers of enterprises of particular importance to the economy.

In addition, in 2023, supervisory boards were appointed at such important SOEs as [Ukroboronprom](#) and [Naftogaz](#)



COMMITMENT 9 Aligning the legislation with the requirements of the Law of Ukraine "On Administrative Procedure"

(deadline - Q3 2023)

Sector: Structural reforms/good governance

Status: not completed

On December 15, 2023, the Law of Ukraine "[On Administrative Procedure](#)" came into force, which regulates in a new way the relations of public authorities and their officials with individuals and legal entities regarding the consideration and resolution of administrative cases. In mid-October 2023, the Ministry of Justice [announced that the](#) Government had approved a draft law that proposes to amend 122 legislative acts and bring them in line with the Law on Administrative Procedure. Representatives of the Ministry of Justice noted that "the draft law minimizes the duplication of norms and special procedures, unifies administrative procedures as much as possible so that citizens and businesses have the same algorithm of relations with the state."

On December 20, 2023, the Verkhovna Rada adopted in the first reading the government's draft law [№10161 "On Amendments to Certain Legislative Acts in Connection with the Adoption of the Law of Ukraine 'On Administrative Procedure'"](#). As of the end of January 2024, it is being prepared for the second reading.

Despite the fact that the above-mentioned draft law has not yet been voted on by the parliament in the second reading, we assume that the EU nevertheless approved the fulfillment of the commitment with a promise from the Ukrainian authorities to quickly adopt the draft law in early 2024.

**COMMITMENT 10** Appointment of the Head of the NABU

(deadline - Q2 2023)

Sector: rule of law**Status:** completed

The EU and other development partners expect Ukraine to step up its fight against corruption and strengthen anti-corruption institutions. In line with the agreed arrangements under the EU macro-financial assistance, in March 2023, the government of Ukraine [appointed the](#) Director of the NABU through a competitive process. The National Anti-Corruption Bureau had been worked without a full-fledged head for almost a year, as the previous director's term of office expired in April 2022.

It should be added that the appointment of the NABU director was also one of the [recommendations made by the](#) EU when Ukraine received candidate status.

**COMMITMENT 11 Resumption of work of the HCJ and HQCJ**

(deadline - 3Q 2023)

Sector: rule of law

Status: completed

On February 22, 2022, 10 members of the High Council of Justice resigned early at their own request. Thus, the work of the institution was blocked due to the lack of a quorum required for decision-making. Only in January 2023, when the Congress of Judges of Ukraine [elected](#) eight members of the HCJ, the work of the judicial governance body was resumed, which allowed unblocking a number of processes in the judiciary related to the work of courts and staff issues, as well as continuing the implementation of tasks related to judicial reform.

In June 2023, the HCJ [appointed the](#) authorized composition of the High Qualification Commission of Judges and unblocked the work of the key body for the formation of the judiciary (the powers of the previous HQCJ were terminated in October 2019). This made it possible to select judges for more than two thousand vacant positions and complete the qualification assessment of judges.

The selection of candidates to the HQCJ was one of the [recommendations made by the](#) EU when Ukraine received candidate status.



COMMITMENT 12 Adoption of a strategy for reforming the law enforcement sector (deadline - Q3 2023)

Sector: rule of law

Status: completed

The respective Comprehensive Strategic Plan (hereinafter - the Plan) for Law Enforcement Reform for 2023-2027 was approved by the [Decree of the President of Ukraine of May 11, 2023](#). The Plan aims to increase the priority of reforming law enforcement agencies as part of the security and defense sector, to ensure its modernization and alignment with the standards that Ukraine must achieve on its way to EU membership.

The Plan sets out the concept of reforms in the field of law enforcement and prosecution, which will help to resolve a number of problematic issues, namely

- excessive duration of pre-trial investigation due to overload and sometimes inefficiency of pre-trial investigation and prosecution bodies;
- unclear delineation of the competence and powers of various law enforcement agencies, duplication of their functions;

- the presence of corruption risks in the activities of law enforcement agencies and prosecutors;
- imperfect mechanisms of appointment and promotion.

The plan applies, in particular, to the prosecutor's office, the Ministry of Internal Affairs of Ukraine, the National Police of Ukraine, the State Border Guard Service of Ukraine, the State Bureau of Investigation, the Bureau of Economic Security of Ukraine, the Security Service of Ukraine and the State Customs Service of Ukraine.



COMMITMENT 13 **Improving the selection of judges** (deadline - part of the commitment was to be fulfilled in Q2-Q3 2023, the other part in Q4 2023)

Sector: rule of Law

Status: completed

In addition to the commitment to resume the work of the High Council of Justice and High Qualification Commission of Judges (commitment №11), the Ukrainian authorities also promised to improve the selection of judges, namely:

- 1) streamline the stages of judicial selection and change their sequence;
- 2) review the length of the mandatory training period for judges;
- 3) approve and publish regulations on the selection of judges with clear criteria and evaluation methodology (Q2-Q3 2023);
- 4) launch the procedure for selecting judges based on the improved database (Q4 2023).

The aforementioned provisions are necessary in the context of continuing the implementation of judicial reform, the importance of which has been repeatedly emphasized by foreign partners.

On September 14, 2023, the High Qualification Commission of Judges of Ukraine [amended](#) the Regulations on the Competition for the Vacant Position of a Judge, and the very next day the HQCJ announced a [competition](#) for 560 vacant positions of judges in local courts.

On December 09, 2023, the Verkhovna Rada adopted draft law [№10140-d](#) on improving judicial career procedures, which defines the main criteria for the integrity and competence of judges (candidates for the position of judge); establishes that a candidate for the position of a local court judge may be subject to a personal moral and psychological qualities test; cancels the stage of the selection exam, as holding two exams (selection and qualification) significantly delayed the selection procedure, etc. The law entered into force on December 30, 2023.

**COMMITMENT 14** Improvement of anti-money laundering legislation

(deadline - Q3 2023)

Sector: rule of law**Status:** not completed

According to the Memorandum with the EU, the Ukrainian government committed itself to improving the legal framework for combating money laundering and terrorist financing by developing relevant secondary legislation and making progress in developing institutional capacity on beneficial ownership.

1. In August 2023, the Ministry of Finance published a [draft](#) new version of the Regulation on the Form and Content of the Ownership Structure dated March 19, 2021, No. 163. The draft was developed to bring the provisions of the acts of the Ministry of Finance in the field of anti-money laundering in line with the requirements of the law. It establishes the form and content of the ownership structure of a legal entity and provides for the possibility of its submission by legal entities to the Unified State Register in electronic form. The explanatory [note to the](#) draft law states that it was developed to implement the aforementioned provision of the Memorandum with the EU. There is no information on the approval of the legal act as of the end of January 2024.

2. In September 2023, the Ministry of Finance published the [draft Regulation](#) on Financial Monitoring. The draft was developed to bring the acts of the Ministry of Finance in line with the provisions of the [law on financial monitoring](#). The draft order proposes to establish requirements for the relevant subjects of primary financial monitoring (auditors, accountants, tax advisors, realtors, etc.) to comply with the legislation in the field of financial monitoring, in particular, regarding: proper organization and conduct of primary financial monitoring, proper risk management system; appointment of an employee responsible for financial monitoring, etc. According to the explanatory [memorandum](#), it was also developed to implement the aforementioned provision of the Memorandum with the EU. There is no information on the approval of the legal act as of mid-late 2024.

Although the aforementioned legislation has not been approved, we assume that the EU approved the fulfillment of the commitment, given that on December 27, 2023, the Government approved the Action Plan for the Prevention of Money Laundering and Terrorist Financing for the next three years. It provides, in particular, for the improvement of legislation in the field of financial monitoring.

**COMMITMENT 15** Criminalization of smuggling (deadline - 4Q 2023)**Sector:** rule of law**Status:** completed

Among other things, as part of the EU's macro-financial assistance, the Ukrainian side promised to start implementing legislation aimed at criminalizing large-scale smuggling of all goods, providing for effective penalties in the form of imprisonment for any damage caused to the state budget above a certain threshold.

Prior to the adoption of the relevant amendments, the [Criminal Code of Ukraine](#) provided for criminal liability only for the movement of certain categories of goods across the customs border of Ukraine outside of customs control or with concealment from customs control (cultural property, poisonous, potent, explosives, narcotic substances, timber, etc.) Illegal movement of other goods is not smuggling.

The absence of criminal liability for the illegal movement of goods (including excisable goods) across the customs border of Ukraine concealed from customs control and outside customs control, as well as for the false declaration of goods, [contributes to the growth of the](#) shadow economy in the country and promotes the use of illegal means and techniques in business among entrepreneurs.

Back in April 2021, a [draft law](#) on the criminalization of smuggling was submitted to the Verkhovna Rada. The draft law proposed to amend the legislation of Ukraine to establish criminal liability for smuggling of goods (including excisable goods), as well as for false declaration of goods that led or could lead to unlawful reduction or exemption from customs duties.

On December 09, 2023, the Verkhovna Rada adopted the draft law, and on January 1, 2024, came into force.

**COMMITMENT 16** Strengthening the capacity of the SAPO

(deadline - Q4 2023)

Sector: rule of law

Status: completed

It should be noted that a similar commitment is contained in the Memorandum with the IMF (benchmark N°21).

In fulfillment of the commitment to increase the institutional independence of the SAPO, on September 15, 2023, the Verkhovna Rada introduced [draft law N°10060](#), which aims to:

- improving the procedure for competitive selection for administrative positions in the SAPO and for prosecutors;
- strengthening the SAPO's ability to regulate its own organizational structure and activities;
- clarifying the powers of the head of the SAPO;
- establishing a separate procedure for disciplinary proceedings against SAPO prosecutors by creating a Specialized Disciplinary Commission of SAPO prosecutors;
- defining the mechanism of accountability of the SAPO management based on the assessment of the SAPO performance and periodic external audit of its activities with the participation of external experts with international experience.

On December 08, 2023, the Verkhovna Rada adopted the draft law, and on January 1, 2024, came into force.



COMMITMENT 17 High energy efficiency standards for new and renovated buildings (deadline - Q2 2023)

Sector: energy

Status: not completed

This task is quite complex and is aimed at introducing high energy efficiency standards in buildings and, as a result, reducing energy consumption in the residential sector.

Ukraine started implementing best practices in energy efficiency even before the full-scale invasion. The minimum requirements for energy efficiency of buildings in Ukraine were [approved](#) in October 2020, in compliance with the requirements of the [Law "On Energy Efficiency of Buildings"](#).

In turn, in early July 2022, the Verkhovna Rada of Ukraine adopted [Law](#) No. 2932-IX to strengthen energy efficiency measures and create conditions for comprehensive thermal modernization of buildings. The law was part of a "package" of three initiatives, including draft Laws No. 7282 (comprehensive plan for the restoration of regions), No. 7398 (civil security in urban planning) and No. 6485 (construction of new energy-efficient housing), designed to ensure a systematic approach to the restoration of cities affected by the war. The Law also provides for new minimum requirements for the energy efficiency of buildings, which are set by the Ministry of Regional Development and reviewed every 5 years, taking into account the requirements of EU and Energy Community acts.

On December 29, 2023, the government [approved the](#) Long-Term Strategy for Thermal Modernization of Buildings until 2050, approved the Operational Action Plan for 2024-2026, and approved the Concept of the State Economic Target Program for Supporting Thermal Modernization of Buildings until 2030. Thus, the adopted documents are aimed at increasing the number of buildings with near-zero energy consumption (NZEB), in particular, ensuring the construction (including the reconstruction of public buildings damaged as a result of military operations) of state-owned buildings in compliance with NZEB requirements. The NZEB requirements are expected to be approved by the end of 2024, and the minimum energy efficiency requirements for buildings are expected to be updated by the end of 2025.

COMMITMENT 17 (continued)

Thus, despite certain steps towards the use of high energy efficiency standards, these changes in Ukraine are not being implemented at the pace expected. It should be understood that as of September 2023, [according to the](#) KSE Institute, about 37% of the housing stock was lost due to the war. As reconstruction requires significant funding, there is uncertainty about the priority between quickly meeting people's basic housing needs or implementing energy-efficient and longer-term projects. The availability of large-scale international funding for green recovery could help solve the problem, but such initiatives are currently only being discussed.

In turn, Ukraine continues to work on implementing EU waste legislation, which also counts towards fulfilling this commitment. In the second quarter of 2023, the [Waste Management](#) Law came into force. In this regard, the Cabinet of Ministers and the Ministry of Environment have been and continue to be actively working on the development and adoption of relevant bylaws to implement the requirements of the Law. Thus, the Government approved and submitted to the Verkhovna Rada the [draft law "On Packaging and Packaging Waste", which](#) implements European approaches into Ukrainian legislation, namely Directive 94/62/EU on packaging and packaging waste and Directive (EU) 2018/852 amending Directive 94/62/EU as part of the EU's transition to a circular economy. The Resolution of the Cabinet of Ministers No. 1166 dated November 07, 2023 ["On Approval of the Procedure for Monitoring Waste Treatment Facilities" was](#) developed to define the basic requirements for the organization of such monitoring to observe the state of the environment and the level of its possible pollution at a stationary source of pollution.

Given that the commitment itself does not contain a specific "task" to be fulfilled, the strengthening of the legal and administrative framework can be interpreted in different ways. In our opinion, certain policies that promote energy efficiency and the transition to a circular economy have been introduced, but we cannot say that this fully ensures the fulfillment of the commitment and will stimulate the implementation of high energy efficiency standards for newly constructed and renovated buildings.



COMMITMENT 18

Improve the functioning of the gas system

Sector: energy

Status: completed

The commitment is divided into three parts. The first part involves the election of the Supervisory Board of Naftogaz of Ukraine in Q1 2023.

Pursuant to this part, on January 24, 2023, the Cabinet of Ministers [adopted a resolution to](#) elect six members of the Supervisory Board of Naftogaz of Ukraine. The independent members of the Supervisory Board are A former Senior Vice President of Equinor (Statoil) (Norwegian company) Tor Martin Anfinsen; former President and CEO of Vermilion Energy and present President and CEO of Tenaz Energy Anthony Marino; Richard Hookway, who brings 33 years of experience at BP; and INSEAD business school professor Ludo Van der Heyden. The board also includes two government representatives: Deputy Head of the Presidential Office Rostyslav Shurma and Prime Minister's Energy Advisor Natalia Boyko. On December 29, the Cabinet of Ministers issued Resolution No. 1221-r appointing the seventh member of the Supervisory Board, Kostyantyn Maryevych, who is the First Deputy State Secretary of the Cabinet of Ministers, as a representative of the state. [According to](#) Naftogaz, the company's Supervisory Board was elected following a transparent and independent competition in accordance with the OECD Principles of Corporate Governance and the OECD Guidelines on Corporate Governance of State-Owned Enterprises.

In accordance with the second part - taking the measures necessary for the certification of a gas storage facility operator in accordance with Regulation (EU) No. 715/2009 (Q1 2023), on December 13, 2022, the Verkhovna Rada [adopted](#) Law No. 2850-IX, which establishes the general principles for the certification of a gas storage operator in accordance with the requirements of EU legislation, in accordance with Regulations (EU) No. 715/2009 and 2017/1938.

In turn, on March 1, 2023, pursuant to the provisions of the Law, the NEURC [approved](#) Resolution No. 393 "On Adoption of a Preliminary Decision on Certification of the Gas Storage Operator", with mandatory conditions for Ukrtransgaz as an operator. Additionally, on April 6, the Energy Community Secretariat [issued a](#) positive opinion on the certification of Ukrtransgaz, and the next day the NEURC [made the](#) final decision on certification.

In order to implement the third part - launching the corporate restructuring of the Gas Transmission System Operator in accordance with the agreed target model (Q2 2023), on July 28, 2023, the Verkhovna Rada [adopted](#) Law No. 3293-IX "On Optimization of the Ownership Structure of the Gas Transmission System Operator of Ukraine", which, in particular, provides for the legal, economic and organizational framework for the transition to the agreed model of a single company in the management of the GTS.



COMMITMENT 19 Prepare an Action Plan for the rehabilitation of energy infrastructure in line with the green transition goals (Q2 2023)

Sector: energy

Status: not completed

Fulfillment of the commitment will allow for a clear plan to restore energy infrastructure damaged or destroyed as a result of the war, which will strengthen Ukraine's energy security. At the same time, Ukraine's [ambitious intentions to](#) achieve EU accession readiness require adherence to a cross-cutting climate policy and green transition. In addition, before the war, Ukraine declared its [support for](#) policies under the European Green Deal, which aims to achieve climate neutrality in Europe.

According to the National Security and Defense Council [decision](#) of October 17, 2023, the Cabinet of Ministers must approve within three months the Action Plan for the restoration of critical infrastructure facilities of the fuel and energy sector of critical infrastructure that were destroyed and/or damaged as a result of Russia's armed aggression against Ukraine. However, the decision does not mention the green transition component.

In turn, on July 4, 2022, the [draft Recovery](#) Plan for Ukraine was presented at a recovery conference in Lugano, Switzerland. This draft was prepared in accordance with the work of working groups, one of which was the Energy Security group, which considered measures to restore destroyed facilities at the intersection of the green transition and reconstruction needs. However, the plan has not been approved by the government.

Additionally, the Ukrainian government is [developing](#) a roadmap - the Ukraine Plan - within the framework of the future European Ukraine Facility, which will contain structural reforms and investment projects until 2027, focusing in particular on the rebuilding of critical infrastructure, as well as the National Energy and Climate Plan, which aims to harmonize the elements of energy and climate policies and ensure Ukraine's sustainable development.

Thus, in order to fulfill the commitment, a number of measures were only announced but not implemented.



COMMITMENT 20 Make progress in implementing the post-synchronization electricity market integration roadmap (Q4 2023)

Sector: energy

Status: completed

This commitment, in particular, is a continuation of the path started to integrate the energy sector into the EU. Synchronization with ENTSO-E has significantly improved the reliability of Ukraine's power system through the ability to receive timely assistance from adjacent operators in the event of emergency power plant outages, import electricity, and reduce the number of disconnected consumers.

At the end of November 2023, ENTSO-E [marked a](#) new level of cooperation between the Continental European operators and Ukrenergo, as the Ukrainian TSO achieved compliance with the key technical requirements necessary to ensure a permanent connection between the power systems of Continental Europe and Ukraine.

Subsequently, on December 14, Ukrenergo [became a](#) full member of the European Network of Transmission System Operators for Electricity (ENTSO-E). In accordance with the status, Ukrenergo [will be able to](#) vote during the meetings of the ENTSO-E General Assembly, influencing the technical, security, market or financial conditions of European operators, participate in the ENTSO-E Board with the right to vote, in ENTSO-E Committees and their working groups.

In addition, the Ukrainian government is [working to](#) accelerate the full membership of JSC "Market Operator" in the Committee of European Market Operators, and the NEURC has [agreed on the](#) distribution of capacity revenues between Ukraine, Slovakia, Poland and Hungary. On [January 16, joint](#) daily auctions for the allocation of access to transmission capacity between Ukraine and Poland were held for the first time on the [Joint Allocation Platform](#) (JAO). Joint daily auctions between Ukraine and Romania have been held since November 2023 on the Ukrenergo auction platform. In addition, Ukrenergo [expects the](#) completion of technical and organizational issues by JAO, Slovak and Hungarian operators to launch joint auctions in the first quarter of 2024.

COMMITMENT 20 (continued)

Meanwhile, on October 25, 2023, the USAID Energy Security Project and EPEX SPOT [presented a](#) detailed Roadmap for the integration of electricity markets with the EU and Moldova. It was noted that the Roadmap consists of 5 stages:

- 1) Regulatory stage (covers the appointment of nominated electricity market operators, the definition of principles governing the parties responsible for the balance, and the rules for access to cross-border capacity);
- 2) Legal phase (combines the definition of the project and operational phases at three levels: regional, bilateral, and central);
- 3) Technical stage (implementation of IT solutions to unite trade zones);
- 4) The launch stage;
- 5) Organizational stage.

It is noted that in the future, the Roadmap will undergo a series of consultations between NEURC, the Market Operator and Ukrenergo, and will be finalized taking into account the wishes of all parties.

Thus, while the work on market coupling continues, the European side is already noting progress in the integration of the Ukrainian and EU electricity markets after synchronization, which serves as a confirmation of the commitment's fulfillment.



IMF Structural benchmarks - table in the second review

No.	Structural benchmark	Sector	Time	Status
1	Enact the second supplementary Budget 2023	Fiscal	End of April 2023	Completed
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	Fiscal	End of May 2023	Completed
3	Prepare an action plan, including to address the weaknesses identified in taxpayers' perception survey, as an input into National Revenue Strategy roadmap	Fiscal	End of May 2023	Completed
4	Submit to Parliament a draft law which will reinstate articles of Budget Code that establish limits on issuance of public guarantee with clear criteria for such provision (including for priority sectors)	Fiscal	End of May 2023	Completed
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	Fiscal	End of May 2023	Completed
6	Prepare a conditions-based strategy to move to a more flexible exchange rate, ease FX controls and transition to inflation targeting	Monetary and exchange rate	End of June 2023	Completed

No.	Structural benchmark	Sector	Time	Status
7	Adopt the draft law on tax policy and administration prepared under the PMB	Fiscal	End of July 2023	Not completed (completed with a delay)
8	Transfer the GTSO shareholding directly to the Ministry of Energy and adopt the new charter	Energy / Corporate Governance	End of July 2023	Not implemented (implemented with a delay)
9	Enact the law to restore asset declaration of public officials not directly involved in the mobilization and war efforts and reinstating the NACP's function to examine and verify them	Governance / Anti-Corruption	End of July 2023	Not completed (completed with a delay)
10	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	Fiscal	End of September 2023	Completed
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 SOEs	Fiscal	End of September 2023	Completed
12	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	Fiscal	Postponed to the end of March 2024	Not completed

No.	Structural benchmark	Sector	Time	Status
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 FATF standards	Governance / Anti-Corruption	End of September 2023	Not completed (completed with a delay)
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	Financial sector	End of September 2023	Completed
15	MoF, with STS and SCS, to prepare an action plan, including short-term and medium-term measures covering key reform areas identified by the upcoming diagnostic, that would feed into broader NRS	Fiscal	End of October 2023	Completed
16	Update and publish the Medium-Term Debt Management Strategy to align it with the program objectives	Fiscal	End of October 2023	Completed
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	Governance / Anti-Corruption	End of October 2023	Completed

No.	Structural benchmark	Sector	Time	Status
18	Select and appoint a supervisory board for the GTSO	Energy/Governance	End of October 2023	Completed
19	Review the current PIM procedures and develop a roadmap of measures so that: (i) all public investment projects follow unified PIM approaches, including 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	Fiscal	End of December 2023	Completed
20	Adopt the National Revenue Strategy	Fiscal	End of December 2023	Completed
21	Adopt legislation to enhance the institutional autonomy and effectiveness of the SAPO by being designated as a separate legal entity, and specifically, on the selection procedures, capacity to regulate organizational activities, mechanisms for discipline and accountability, and autonomy under the criminal procedural code	Governance / Anti-Corruption	End of December 2023	Completed
22	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	Fiscal	End of February 2024	In progress
23	Adopt a new law (consistent with ¶25 of the MEFP) 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)	Fiscal	End of June 2024	In progress

No.	Structural benchmark	Sector	Time	Status
24	Prepare a bank rehabilitation framework in consultation with the DGF and IMF staff	Financial sector	End of March 2024	In progress
25	Prepare an assessment of the effectiveness of tax privileges, including their cost to the budget, in order to have a unified reform approach	Fiscal	End of July 2024	In progress
26	Implement a supervisory risk assessment methodology to inform supervisory engagement priorities	Financial sector	End of June 2024	In progress
27	With the help of IMF TA, 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 PFM processes to capture more detailed spending needs and costing of new public services	Fiscal	End of October 2024	In progress
28	Identify major public companies severely affected by the war and prepare a review of potential fiscal and quasi-fiscal costs	Fiscal	End of September 2024	In progress
29	Based on the outcomes of a roadmap on development of PIM procedures, adopt a government decree with an action plan and timeline that provides clear linkages between MTBF and capital expenditures, including reconstruction priorities, and specifying the gatekeeper role of the MoF	Fiscal	End of December 2024	In progress
30	All banks with majority public ownership remain under the shareholder management at the MoF and any nationalized non-systemic banks will be transferred to the DGF for resolution	Financial sector	Permanent	In progress

No/	Structural benchmark	Sector	Time	Status
31	Determine the stock of arrears 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	Energy	End of June 2024	In progress
32	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	Governance/ Combating corruption	End of March 2024	In progress
33	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	Governance/ Combating corruption	End of September 2024	In progress
34	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	Governance/ Combating corruption	End of July 2024	In progress
35	Produce a SOE state ownership policy, dividend policy and privatization strategy	Corporate governance	End of August 2024	In progress



Commitments under the EU macro-financial assistance program

RRR4U

No	Commitment	Sector	Time	Status.
1	Implementation of the roadmap for phasing out of the temporary emergency measures adopted after the start of the war in the area of tax policy, in a well-sequenced manner, duly accounting for security and its impact on the economic situation	Macro-. financial stability	Q1-2 2023	Completed, not on time
2	Measures to support the stability of the banking system: i) implementation of the agreed methodology on state-owned bank supervisory board successions; ii) preparing for launching of commercial banks' asset assessment	Macro-. financial stability	i) Q1 2023 ii) Q3 2023	Completed
3	Improving the regimes of bankruptcy of legal entities (corporate bankruptcy) and insolvency of individuals by preparing legislation allowing individuals a full discharge of debt in line with the main principles of Directive EU 2019/1023 on preventive restructuring frameworks, and by adopting a roadmap for capacity building activities to support the implementation of the bankruptcy code	Macro-. financial stability	Q3 2023	Completed
4	Measure to strengthen the insurance system: verification by NBU of the ownership structures of insurers and of their compliance with legislative prudential requirements in order to build a transparent and competitive insurance market	Macro-. financial stability	Q3 2023	Completed
5	Implementation of the Deregulation Action Plan: i) deregulation of licensing and permitting system; ii) improvement of the e-construction portal; iii) simplification of placement of temporary structures for business activities; iv) elimination of outdated provisions; v) digitalization of license issuance	Structural reforms/ good governance	i) end of February 2023 ii) Q1 2023; iii) Q2 2023; iv) Q3 2023; v) Q4 2023	Completed

No.	Commitment	Sector	Time	Status.
6	Further development of the public procurement system to bring it in line with the EU acquis, preserving the State Enterprise "Medical Procurement of Ukraine" (MPU) as the sole national procurer	Structural reforms/ good governance	-	Completed
7	Advancement of customs administration reform, including improvement of IT systems, human resources management and anti-corruption measures	Structural reforms/ good governance	Q4 2023	Completed
8	Strengthening the process of selecting independent members of supervisory boards and management for the largest state-owned enterprises	Structural reforms/ good governance	Q4 2023	Completed
9	Aligning the legislation with the requirements of the Law of Ukraine "On Administrative Procedure"	Structural reforms/ good governance	Q3 2023	Not completed
10	Finalizing the selection and appointment of the new head of the NABU	Rule of law	Q2 2023	Completed
11	Re-establish the HCJ and HQCJ of Ukraine based on the current work of the Ethics Council and the Selection Commission	Rule of law	Q3 2023	Completed
12	Development and adoption of a strategic plan for reforming the entire law enforcement sector	Rule of law	Q3 2023	Completed
13	Improve the selection of judges: streamline the selection stages and change their sequence; review the duration of the mandatory training period for judges; approve and publish the updated HQCJ regulations on the selection of judges, including clear evaluation criteria and evaluation methodology; launch the selection of judges	Rule of law	Q4 2023	Completed

Nº	Condition.	Sector	Time	Status.
14	Improving the Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) regulatory framework by developing relevant secondary legislation and making progress in developing institutional capacities related to beneficial ownership	Rule of law	Q3 2023	Not completed
15	Adopting and starting to implement relevant legislation aimed at criminalising large-scale smuggling of all goods, foreseeing effective prison sentences for each damage to the state budget above a defined threshold	Rule of law	Q4 2023	Completed
16	Further strengthening the SAPO, inter alia, through introduction of performance evaluation, improving management selection and other measures to ensure its accountability and independence	Rule of law	Q4 2023	Completed
17	Strengthen the legal and administrative framework to ensure the use of high energy efficiency standards, aimed at applying international best practices on energy efficiency and circular economy, for newly constructed and renovated buildings	Energy	Q2 2023	Not completed
18	To improve the operation of the gas system through: i) selection of the Supervisory Board of Naftogaz; ii) taking the measures necessary for the certification of the gas storage facility operator in accordance with Regulation (EC) No. 715/2009; iii) launching the corporate restructuring of the GTS Operator in accordance with the agreed target model	Energy	i) Q1 2023; ii) Q1 2023; iii) Q2 2023;	Completed

Nº	Condition.	Sector	Time	Status.
19	Preparation of the Action Plan for the restoration of the energy infrastructure of Ukraine destroyed as a result of the military aggression of the Russian Federation, anchored to the objectives of green transition and build-back better, where possible	Energy	Q2 2023	Not completed
20	Make progress in implementing the roadmap for the integration of the electricity market after synchronization	Energy	Q4 2023	Completed