

RRR4U

Issue 5
May 2024

Monitoring of implementation of the IMF program and the Ukraine Plan

**Additional topic of the issue is
international restructuring experience
and restructuring of Ukraine's debt*





About the main thing

Cooperation with international partners is critically important for Ukraine. The success of such cooperation depends on the financing of priority state budget expenditures (domestic revenues are directed to security and defense).

Fulfillment of obligations under financial support programs is not necessary for donors - **Ukraine needs** them to achieve macro stability and transition to economic growth and increase the welfare of Ukrainians. It is also a way to gain the trust of all international partners and foreign businesses.

Our monitoring takes into account the results of the implementation of commitments **as of May 2024.**

The RRR4U consortium continues to regularly monitor Ukraine's compliance with the IMF financing program. The next program review (the fourth) is due in June. We have fulfilled all the structural beacons necessary for its successful passage.

The EU Council has finally approved Ukraine's plan required for the implementation of the €50 billion Ukraine Facility program. The approval of the plan will also allow the European Commission to provide Ukraine with about €1.9 billion in unconditional financing. The tranche is expected after Ukraine signs the Framework Agreement and its ratification by the Verkhovna Rada. Further funding will be provided only if the indicators are met.

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Monitoring of the implementation of structural benchmarks under the IMF program



completed
on time



completed
not on time



in
progress



not
completed





What has changed in the implementation of the IMF program?

The next (fourth) review of the program is due in June.

With the adoption of the law on single-judge review of cases in the HACCC (Benchmark 32, deadline - end of April), Ukraine has **fulfilled all the IMF benchmarks for the next program review.**

At the same time, the program's progress is assessed not only by structural benchmarks. Quantitative performance criteria and indicative targets are also taken into account.

If the program is successfully reviewed, Ukraine may receive a tranche of USD 2.2 billion. This will be the second tranche of this year's total amount of 5.4 billion; therefore, based on the results of the review, Ukraine can choose more than half of this year's funding from the Fund (3.1 billion out of 5.4 billion).

The next deadlines for structural beacons are in June. By the end of June, Ukraine has to fulfill Benchmark 23 on rebooting the Economic Security Bureau of Ukraine (ESBU) and Benchmark 31 on auditing district heating companies.

The implementation of Structural Benchmark No. 23 on the reboot of the Bureau of Economic Security still looks potentially problematic. The relevant draft law must be adopted by the end of June 2024. On April 11, the Verkhovna Rada adopted the draft law in the first reading and has to finalize it for the second reading, taking into account the requirements of international partners.

An important question for the fourth revision is whether the IMF's key assumptions, in particular regarding the duration of the war, will be changed.



Map of the implementation of structural benchmarks



The IMF program

Fiscal sector/Financial sector



Monetary and Exchange Rate



Governance/Anti-Corruption



Energy/SOE Corporate Governance



-  Completed
-  Completed, but not on time
-  In progress
-  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 (deadline - end of 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 (deadline - 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 II Presentation of the medium-term budget forecast and fiscal risk statement as part of the 2024 draft State Budget package (deadline - 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, Ukrenerg and Ukrhydroenergo.



BENCHMARK 12 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 [FATF](#) 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.

**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 13** Strengthening banking supervision

(deadline - 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 14 Tax and Customs should prepare a reform plan**

(deadline - 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 15 Update and publication of the Medium-Term Public Debt Management Strategy (deadline - 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 16 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 17 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 18 Better Public Investment Management**

(deadline - 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 19 Approval of the National Revenue Strategy by the end of 2023

(deadline - 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 20** 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 №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.

**BENCHMARK 21** Propose budget amendments to find new revenue sources

(deadline - end of February 2024)

Sector: fiscal sector

Status: completed

Financing defence 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 was to 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.

The measures proposed by the Ministry of Finance to mobilise additional revenues are expected to increase budget revenues by UAH 44.2 billion. The measures include an increase in revenues from military and excise duties, and the introduction of monthly advance payments of corporate income tax by companies engaged in fuel retailing.

The Ministry of Finance [expects](#) that by the end of the first quarter of 2024, the necessary draft laws will be submitted to the Cabinet of Ministers and considered by the Verkhovna Rada.

**BENCHMARK 22** Concept note on the 5-7-9 program to bigger support SMEs

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

Sector: fiscal sector

Status: completed (completed with delay because the deadline was 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.

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).

In March 2024, the government submitted a concept for the 5-7-9 programme to the IMF, but it has not been made public or officially approved.



BENCHMARK 23 Rebooting the Economic Security Bureau
(deadline - end of June 2024)

Sector: fiscal sector

Status: in progress

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

The new legislation will pave the way for the renewal of the ESBU 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.

The Verkhovna Rada was considering a [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 No. 10349, which was [criticized by](#) both specialized experts and the Speaker of the Verkhovna Rada for not meeting the standards agreed with the partners.

On 11 April, the Verkhovna Rada passed draft law No. 10349 in the first reading. The draft law does not yet fully meet the commitments Ukraine has made to its international partners; the shortcomings are to be addressed before the second reading.

**BENCHMARK 24** Revision of tax privileges

(deadline - 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 25 Medium-term budget planning: diagnostic review and update
(deadline - end of October 2024)

Sector: 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 extensive, 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 26 Estimation of fiscal and quasi-fiscal costs of SOEs
(deadline - end of September 2024)

Sector: 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 27 Determining the link between the MTBF and capital expenditures
(deadline - end of December 2024)

Sector: 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 28 State-owned systemic banks fall under responsibility of the Ministry of Finance. Non-systemic nationalized banks will not be bailed out by the Government if insolvent.

(deadline - permanent)

Sector: financial sector

Status: complete (for now at least)

Ukrainian state represented by the Cabinet of Ministers is the registered owner of the three publicly owned banks (Oschadbank, Ukreximbank, and Privatbank). Ukgasbank and Sens Bank are owned by Ukrainian state 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 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 HACC that came into force in March 2023.

As of now benchmark is complete as systemic state-owned banks are in fact under MinFin responsibility. Smaller PINbank doesn't require bail out. SPF continues to manage it and prepares it for the privatization As benchmark is permanent benchmark's state may change.



BENCHMARK 29 Preparing the basis for bank rehabilitation
(deadline - 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 30** New methodology for risk assessment in supervision

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

RRR4U

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. At the same time, the debt of heat producers (heat supply companies, condominiums, housing cooperatives, and apartment building managers) for natural gas consumed as of April 25, 2024, amounts to 100.4 billion UAH, which is significantly higher than the difference in heat supply tariffs of 34.9 billion UAH, as confirmed by the protocols of territorial commissions. Therefore, the improvement of the financial condition of the heating companies primarily depends on the measures taken to repay the natural gas debts of these companies, which are not related to the difference in tariffs. Thus, the total amount of debt of the population for consumed utilities in the field of heat supply as of 01.03.2024 is 35.9 billion UAH.

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. In addition, based on the results of consultations with the IMF held pursuant to clause 6.1 of Minutes No. 64 of the meeting of the Cabinet of Ministers of Ukraine dated 06.06.2023, it was established that the sources for making settlements on the difference in tariffs should be budget-neutral for the State Budget of Ukraine and not violate the fiscal sustainability of the state, the preservation of which is one of the key priorities of the IMF Program.



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

Sector: energy

Status: in progress

At the end of December 2023, the Verkhovna Rada registered Draft [Law No. 10383](#) "On Amendments to the Law of Ukraine "On the State Budget of Ukraine for 2024" on Compensation of the Tariff Difference", which was developed, in particular, to address the problem of the debt of the DH companies. However, as of March 2024, the draft law is still under consideration, and the [expert opinion](#) of the Ministry of Finance does not support the adoption of this draft law.

In turn, on May 20, the Verkhovna Rada registered a [new draft Law](#) No. 11273 "On Amendments to Certain Laws of Ukraine on the Settlement of Accounts Payable of Heat, Water and Wastewater Companies" to clarify and specify certain provisions of legislative acts on the settlement of accounts payable of heat, water and wastewater companies.

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 district heating companies to ensure that the cost of heat and water was fair. In January 2022, before the full-scale invasion began, the Cabinet of Ministers again [commissioned](#) an audit of the extent to which Naftogaz's activities (in particular, fixed-price contracts) subsidise gas prices for households and DH companies. From February to September 2023, the State Audit Service of Ukraine [inspected](#) a number of heat supply companies in different regions that are entitled to reimbursement of tariff differences from the budget and found that the amount of reimbursement of tariff differences was overstated by more than UAH 4 billion.

The audit process has partially begun, but this cannot indicate that the lighthouse has been completed, which should reflect an accurate diagnosis of the problem of the DHCs' debts before the war and after February 2022, which will allow for a comprehensive settlement. However, there is still time to fulfil the benchmark.

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

(deadline - end of March 2024)

Sector: governance/anti-corruption

Status: completed on time

The need to implement the lighthouse is due to the excessively long consideration of criminal proceedings by the HACCC due to the heavy workload of judges. To solve this problem, the Ukrainian government 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.

At the end of March 2024, draft law [No. 11130](#) was submitted to the Parliament. According to the explanatory note, the draft law is aimed at improving the efficiency of court proceedings without violating procedural deadlines, and therefore proposes to allow the court to consider certain cases by a single judge.

On April 24, 2024, the Verkhovna Rada adopted a law to improve the procedure for criminal proceedings. It is envisaged that cases in the court of first instance will be heard by a single judge. At the same time, consideration of cases by a panel of three judges is possible only at the request of the accused in certain categories of crimes.



BENCHMARK 33 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, NACP) 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 34 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 for Economic and Financial Policy of December 5, 2018, the](#) Ukrainian government promised to complete the external audit of the NABU by the end of July 2019. However, this promise was not implemented.

According to the updated Memorandum, the Ukrainian government 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 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 the implementation of Ukraine Plan indicators



completed on time



completed not on time



in progress



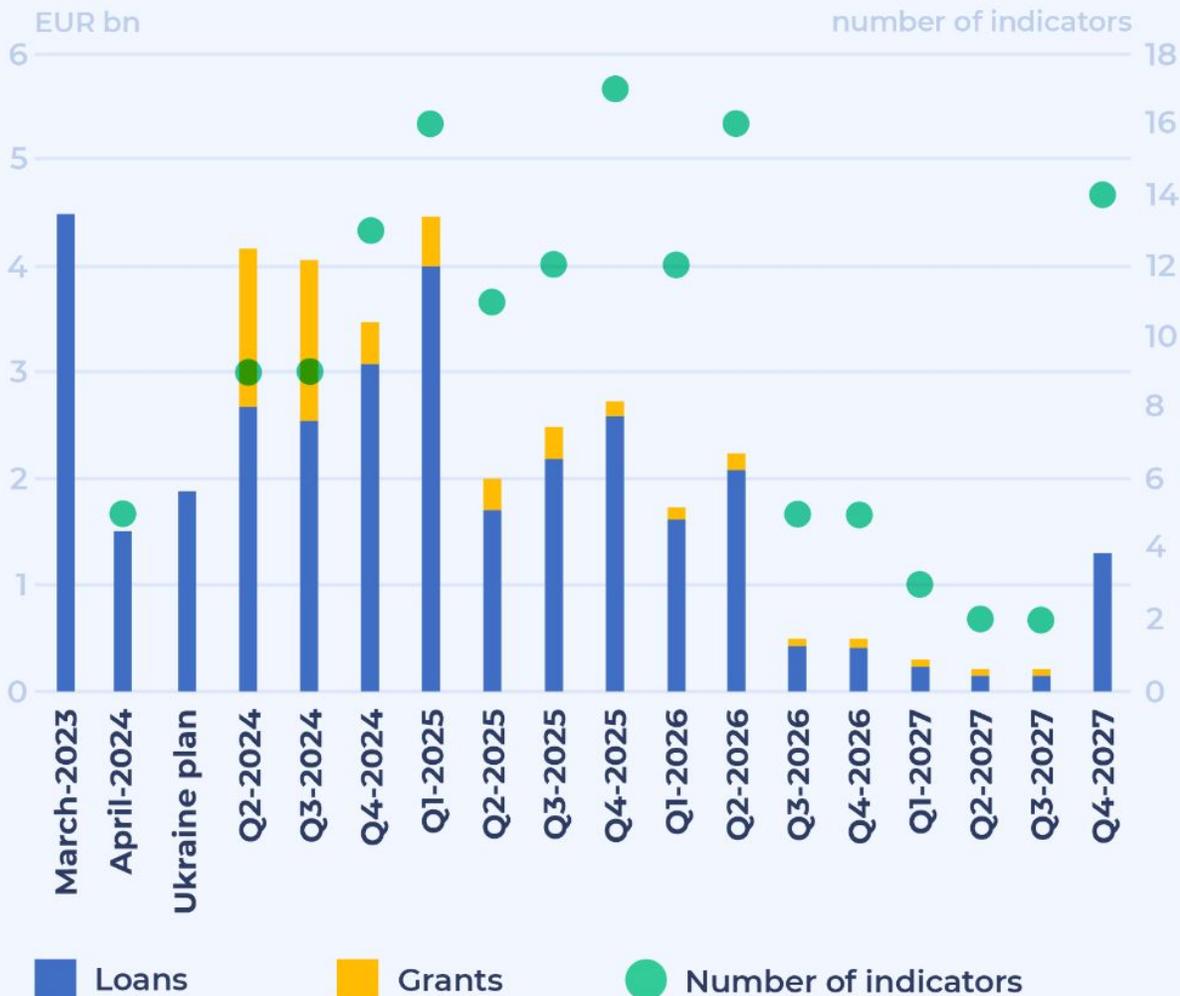
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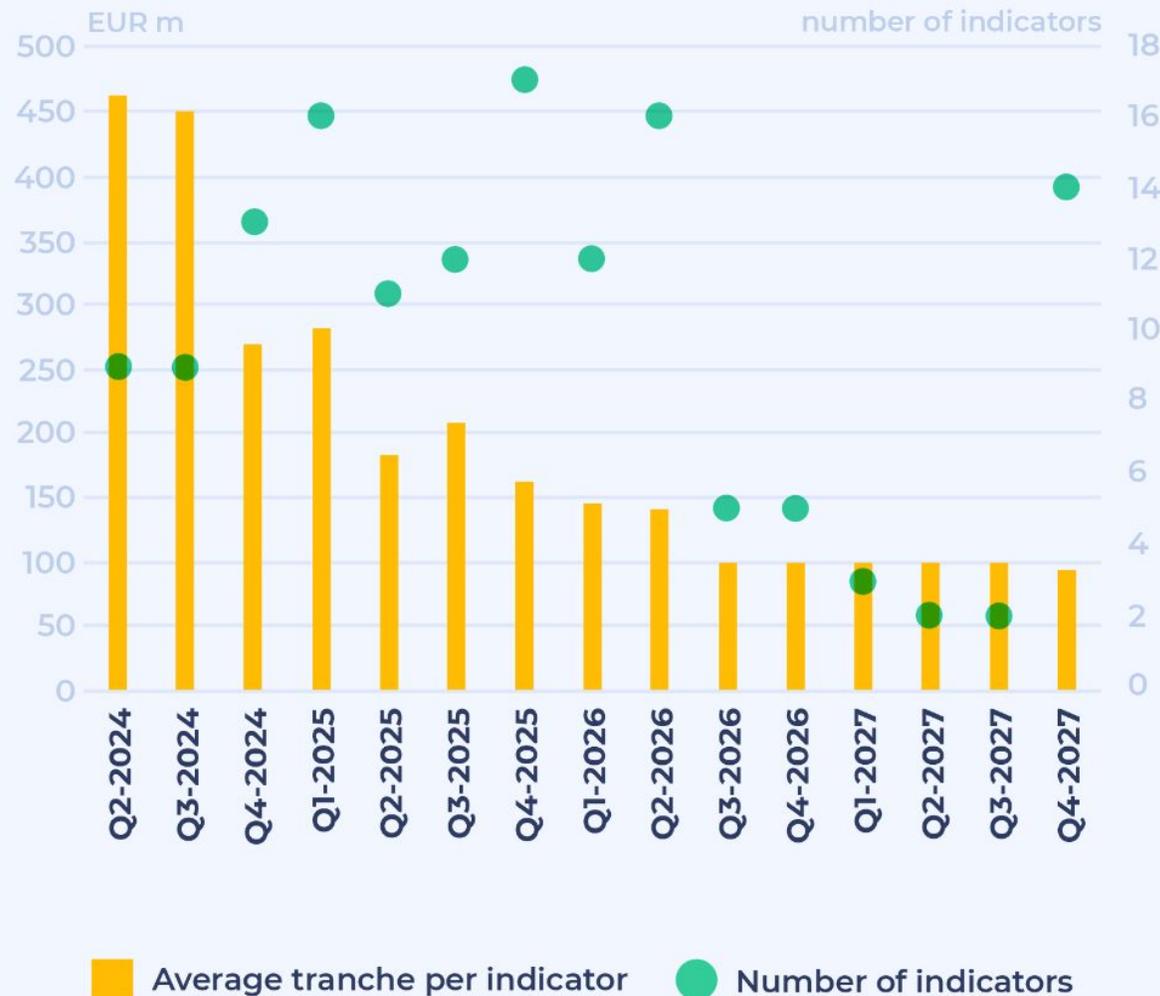
Budget support under the Ukraine Facility:

implementation of 151 indicators = EUR 38.27 billion over 4 years

Planned parameters of Ukraine Facility



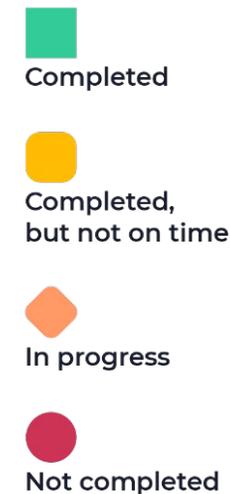
Average tranche per implemented indicator





Map of implementation of the indicators of the Ukraine Plan for 2024 as of the end of May 2024

Sector	II	III	IV
Public financial management / management of public assets	2.2 (Completed), 2.3 (In progress), 2.7 (In progress), 6.2 (Completed)		2.1 (In progress), 6.1 (In progress)
Fight against corruption and money laundering / judicial system	4.2 (Completed)	4.1 (Completed), 4.4 (In progress), 4.6 (In progress)	3.6 (In progress)
Business environment / human capital	8.3 (In progress)	7.6 (In progress), 8.1 (In progress)	7.5 (In progress), 8.7 (Completed)
Energy sector / green transition and environmental protection / management of critical raw materials	10.1 (In progress), 10.15 (Completed)	10.8 (In progress), 15.1 (In progress), 15.10 (In progress)	10.2 (Completed), 10.10 (In progress), 13.1 (In progress)
Agri-food sector / transport	12.8 (In progress)		11.1 (In progress), 11.2 (In progress), 12.1 (In progress), 12.5 (In progress)
Decentralisation and regional policy		9.5 (In progress)	9.6 (In progress)





Indicator 2.2. Adoption of the strategic plan for the digitalisation of the State Customs Service

(second quarter of 2024)

Sector: public finance management

Status: completed on time

In December 2023, the National Revenue Strategy (NRS) was approved, which envisages the adoption of a long-term National Strategic Plan for Digital Development, Digital Transformation and Digitalization of the State Customs Service (SCS). This plan should take into account the EU's Multi-Annual Strategic Plan for Customs (MASP-C), which is a management and planning tool that guides the development of electronic customs systems within the EU.

In accordance with this provision of the NDS, the Ministry of Finance approved the [Long-Term National Strategic Plan for Digital Development, Digital Transformation and Digitalization of the State Customs Service](#) in February 2024, which is earlier than the deadline set in the Plan of Ukraine.

The plan envisages steps until 2026, which include the development of functional and technical specifications for new electronic systems based on the EU best practices, implementation of the New Computerized Transit System (NCTS), introduction of cybersecurity principles, introduction of paperless procedures, and building reliable and modern customs IT systems.



Indicator 2.3. Approval of the Budget Declaration for 2025-2027

(second quarter of 2024)

Sector: public finance management

Status: in progress

The IMF program includes several structural pillars designed to restore medium-term budget planning in order to increase the predictability and predictability of fiscal policy in the medium term. Some of these beacons have already been fulfilled, including the reintroduction of the legislation providing for the development of the Budget Declaration. Some of the structural benchmarks are still to be implemented.

In accordance with the decisions already made, the government is now working on the development of the Budget Declaration for 2025-2027. The Ministry of Finance is responsible for the preparation of the Declaration and it will be based on the medium-term economic forecast developed by the Ministry of Economy.

The mid-term forecast and the Budget Declaration for 2025-2027 must be approved by the government.

According to the [Budget Code](#), the Ministry of Finance has to submit the Budget Declaration to the Cabinet of Ministers by May 15, and the government has to approve it no later than June 1. That is why the process of preparing the Declaration is already at the final stage.



Indicator 2.7. Adoption of the Action Plan for the implementation of the Roadmap for reforming Public Investment Management

(second quarter of 2024)

Sector: public finance management

Status: in progress

In fact, this is a continuation of the steps envisaged in the IMF program: Structural Adjustment 19 provided for the adoption of the [Roadmap for Reforming Public Investment Management](#), which the government approved in December 2023.

Improving the quality of public investment management (PIM) will allow for more economical and 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 financing.

Currently an Action Plan for the implementation of the Roadmap is being elaborated. One of the elements of investment management should be the Electronic System for Responsible Reconstruction - DREAM.



Indicator 4.2. Appointment of a new head of the National Agency on Corruption Prevention
(second quarter of 2024)

Sector: anti-corruption and money laundering

Status: completed on time

As part of this indicator, the Cabinet of Ministers of Ukraine had to announce and hold a competition for the position of the head of the National Agency on Corruption Prevention.

On November 13, 2023, the Cabinet of Ministers of Ukraine published an [announcement on the terms and conditions of the competition for the position of the](#) Head of the National Agency on Corruption Prevention (NACP) on its official website.

Based on the results of the competitive selection, Viktor Pavlushchyk was appointed as the Head of the National Agency on Corruption Prevention by the Order of the Cabinet of Ministers of Ukraine No. 162-r dated 27.02.2024.



Indicator 6.2. Entry into force of the Law on corporate governance of state-owned companies

(second quarter of 2024)

Sector: state asset management

Status: completed on time

In February, the Parliament passed a law improving corporate governance in Ukraine. In March, it was signed by the President and came into force on the day of its publication.

In fact, this was done earlier than envisaged in the Ukraine Plan, as the adoption of this law was one of the three conditions for receiving the World Bank's Policy Support Loan (PSL). Ukraine received the funds from the World Bank in March 2024.

According to the law, state-owned companies must have supervisory boards, whose powers and responsibilities have been clarified, and the government must develop a state ownership policy. The law also introduced compliance, risk management and internal audit mechanisms.

For strategic companies, the shareholder and the Ministry of Finance set requirements through waiting lists with indicators of profitability, liquidity, and solvency.



Indicator 8.3. Enactment of legislation to revise the legal framework of the ESBU

(second quarter of 2024)

Sector: business environment

Status: in progress

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

The new legislation will pave the way for the renewal of the ESBU 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.

The Verkhovna Rada was 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 No. 10439, which was [criticized by](#) both specialized experts and the Speaker of the Verkhovna Rada for not meeting the standards agreed with partners.

On April 11, the Verkhovna Rada passed draft law No.10349 in the first reading. The draft law does not yet fully meet the commitments that Ukraine has made to its international partners; the shortcomings are to be addressed before the second reading.



Indicator 10.1. Development and approval of the Integrated National Energy and Climate Plan

(Q2 2024)

Sector: energy

Status: in progress

Within the scope of the implementation of the indicator, the Cabinet of Ministers should approve the Integrated National Energy and Climate Plan to set national climate neutrality targets and ensure proper planning.

On February 14, 2024, the [draft](#) National Energy and Climate Plan of Ukraine 2025-2030 (NECP) was published on the website of the Ministry of Economy. Public discussions were held during the month, and suggestions and comments on the draft document were collected.

On March 4, the draft NECP was [presented](#) at a meeting of the High-Level Advisory Group (HLAG), on [March 15](#) - to local authorities, and on [May 14](#) - at a hearing of the Verkhovna Rada Committee on Environmental Policy and Nature Management.

The draft NECP is being developed by a group of experts from the DiXi Group Think Tank and the Institute for Economics and Forecasting of the National Academy of Sciences of Ukraine, taking into account the experience of preparing similar documents by EU member states and Energy Community Contracting Parties, with the support of the British Embassy and the US Net Zero World initiative, as well as under the coordination of the Ministry.



Indicator 10.15. Adoption of the Strategy for Thermal Modernisation of Buildings until 2050 and the Action Plan for its implementation

(Q2 2024)

Sector: energy

Status: completed on time

As part of the reform to improve energy efficiency in public buildings and improve public procurement procedures to meet energy efficiency requirements, the Strategy for Thermal Modernization of Buildings for the period up to 2050 and the Action Plan for its implementation are to be adopted.

In accordance with the Cabinet of Ministers' [Order](#) No. 1228-r dated December 29, 2023, the Strategy for Thermal Modernization of Ukrainian Buildings until 2050, the concept of the State Targeted Economic Program for Supporting Thermal Modernization of Buildings until 2030, and the Operational Action Plan for Implementation in 2024-2026, which sets out a long-term plan for the gradual renovation of the Ukrainian building stock with regard to energy-saving technologies, were approved.

Thus, the indicator is fully completed.



Indicator 12.8. Adoption of the strategic document on Mine Action for the period up to 2033

(second quarter of 2024)

Sector: agri-food sector

Status: in progress

The Ukraine Plan provides for the approval of a strategic document on demining for the period up to 2033, as well as a system (criteria) for prioritizing territories to be demined in view of their economic, social, and security importance. Appropriate regulation is extremely important, as much of Ukraine's land has been mined and needs to be demined. Therefore, economic recovery in the de-occupied territories begins with demining. At the same time, according to the Ministry of Economy, Ukraine lacks demining machines and equipment, which makes it important to prioritize the areas to be demined. Clear criteria and transparent mechanisms will reduce corruption risks and help achieve greater economic benefits from demining.

In February 2024, the Ministry of Defense announced that the National Authority on Demining had approved the [draft](#) National Demining Strategy until 2033. The document was sent for approval by the National Security and Defense Council.

In March, the Ministry of Economy announced the start of work on the [Operational Plan for the](#) implementation of this Strategy until 2026.



Indicator 4.1. Increase in the number of employees of the Specialized Anti-Corruption Prosecutor's Office
(third quarter of 2024)

Sector: anti-corruption and money laundering

Status: completed on time

As part of this indicator, the Specialized Anti-Corruption Prosecutor's Office should have been given the opportunity to increase the number of employees from 10% to at least 15% of the number of employees of the National Anti-Corruption Bureau.

To meet this indicator, the Verkhovna Rada of Ukraine adopted Draft Law No. [10060](#) of 08.12.2023, which stipulates that the total number of employees of the Specialized Anti-Corruption Prosecutor's Office shall be 15 percent of the statutory maximum number of central and territorial departments of the National Anti-Corruption Bureau of Ukraine.



Indicator 4.4. Amendments to the Criminal Code and the Criminal Procedure Code enter into force
(third quarter of 2024)

Sector: anti-corruption and money laundering

Status: in progress

As part of this indicator, several laws are expected to be adopted to improve the procedure for plea bargaining, abolish the pre-trial investigation period from the moment of registration of criminal proceedings to the notification of suspicion, and allow individual cases to be heard by a HACC judge instead of a panel.

To fulfill this indicator, the Verkhovna Rada of Ukraine adopted 2 draft laws - No. [11130](#) on one-on-one review and No. [10060](#) on the specifics of calculating the pre-trial investigation timeframe.

The Parliament is awaiting the drafting and adoption of a law to improve the procedure for plea bargaining. The essence of these changes, according to [government officials, will be to](#) provide greater discretion to the prosecution and the court in choosing the type and/or amount of punishment imposed on the basis of the agreement.



Indicator 4.6. Approval of the action plan for the implementation of the Asset Recovery Strategy for 2023-2025

(third quarter of 2024)

Sector: anti-corruption and money laundering

Status: in progress

As part of this indicator, the Cabinet of Ministers of Ukraine had to adopt and publish an Action Plan for the Implementation of the Asset Recovery Strategy for 2023-2025.

To this end, the Cabinet of Ministers has established an Interagency Working Group to prepare proposals for the implementation of the Asset Recovery Strategy for 2023-2025.

The relevant [Resolution](#) No. 1252 of November 17, 2023 entered into force on December 5.

Work is currently underway to develop and approve a corresponding action plan.



Indicator 7.6. Adoption of a comprehensive Demographic Development Strategy for the period up to 2040

(third quarter of 2024)

Sector: human capital

Status: in progress

The Ministry of Social Policy elaborated the Draft Demographic Development Strategy, which identifies the causes of the extremely tense demographic situation in Ukraine and states its deterioration as a result of the armed aggression of the Russian Federation against Ukraine and the temporary occupation of part of the territory of Ukraine.

From March 28 to June 1, the draft document is available for suggestions and comments on the website of the Ministry of Social Policy of Ukraine at the [link](#).

The main challenges and threats to Ukraine's development are as follows: rapid population decline, low birth rate, deteriorating health status of the population, growing number of people with disabilities, high premature mortality, massive forced emigration, illegal export of Ukrainian citizens abroad and large-scale internal displacement.

The goal of the Strategy is to ensure the long-term reproduction of Ukraine's population, including in adverse conditions (wars, epidemics, poverty, economic crises, environmental and man-made disasters), and the ability of people to adapt to changes while maintaining and/or improving key socio-demographic characteristics.



Indicator 8.1. Adoption of the Action Plan on Deregulation
(third quarter of 2024)

Sector: business environment

Status: in progress

The indicator assumes that the Government adopts a decision to approve the Action Plan on Deregulation (likely to replace or extend the existing Plan). It is about reducing the number of regulations and supervisory functions, and making inspections more risk-oriented.

However, it is not specified how these efforts will interact with the already adopted deregulation documents, as well as with the efforts to harmonize Ukrainian legislation with the EU, which may involve maintaining or expanding the control functions of the state.

Currently, the Interagency Commission on Deregulation continues to review regulations for abolition and optimization, and ministries and other government agencies are working to implement previously adopted recommendations. However, the progress in preparing the new Plan is not yet known.



Indicator 9.5. Adoption of the resolution to amend the State Strategy for Regional Development for 2021-2027

(third quarter of 2024)

Sector: decentralization and regional policy

Status: in progress

In 2020, the CMU adopted the [State Strategy for Regional Development](#) (SSRD) for 2021-2027. However, due to the full-scale war, the issue of updating it has become urgent: Ukraine has lost part of its territory, some towns and villages have been destroyed, and infrastructure and housing facilities throughout Ukraine have been damaged or destroyed. About 6 million people became refugees, and the number of IDPs is about 5 million.

These challenges should be taken into account in the updated SSRD, which the Ministry of Recovery was developing with experts in the second half of 2023. The draft of the updated SSRD was [presented](#) in December 2023, and in April, the Ministry of Recovery started working on the development of an action [plan](#) for the Strategy.

However, today there is a risk to the timely adoption of the SFDRR given the announced division of the Ministry of Infrastructure into two separate ministries: The Ministry of Infrastructure and the Ministry of Regional Development. Although the final decision on the division of the Ministry has not yet been made.



Indicator 10.8. Implementation of the REMIT Law

(Q3 2024)

Sector: energy

Status: in progress

As part of the implementation of the electricity market reform, the NEURC should approve secondary legislation to implement Regulation (EU) No. 1227/2011 on wholesale energy market integrity and transparency (REMIT) no later than the third quarter of 2024. The transposition of the main provisions took place in June 2023 through the adoption of Law No. 3141-IX (REMIT Law).

Thus, the NEURC has already approved the following procedures and requirements:

- [Procedure for](#) Acquiring, Suspending and Terminating the Status of a Data Transmission Administrator (Resolution No. 2613 of 27.12.2023);
- [The Procedure for the](#) Functioning of Insider Information Platforms (Resolution No. 137 of January 16, 2024);
- [Requirements](#) for ensuring integrity and transparency in the wholesale energy market (Resolution No. 614 of 27.03.2024);
- [The Procedure for](#) Submitting Information on Economic and Commercial Transactions with Wholesale Energy Products (Resolution No. 618 dated 03.27.2024, enters into force on 07.02.2024).

However, as of the end of May, the NEURC still has to prepare the Terms of Reference for the development of an information system to ensure the NEURC's functions, so that the indicator can be considered fully implemented.



Indicator 15.1. Adoption of the Law of Ukraine on Prevention, Reduction and Control of Industrial Pollution

(Q3 2024)

Sector: green transition and environmental protection

Status: in progress

The indicator is aimed at preventing, reducing and controlling industrial pollution.

The relevant law should introduce integrated approaches to industrial pollution activities and control based on the application of the best available techniques and management methods in accordance with Directive 2010/75/EU on industrial emissions.

As of the end of April 2024, the Verkhovna Rada is considering draft law No. 6004-d of January 4, 2023, which was voted on in the first reading in May 2023. According to media reports, the Verkhovna Rada plans to consider this draft law in the second reading at one of its upcoming meetings.



Indicator 15.10. Development of a concept note defining the scope of deviations from the EIA and SEA rules

(Q3 2024)

Sector: green transition and environmental protection

Status: in progress

In order to fulfill the indicator on environmental impact assessment (EIA) and strategic environmental assessment (SEA), the Ministry of Environment and Natural Resources is expected to develop a concept note defining the scope of deviations from the EIA and SEA rules.

At the end of April 2024, the Ministry of Environment published a [draft](#) concept note for discussion. Comments and suggestions [will be accepted](#) until May 30.

The draft [document](#) contains information on the objects for which deviations have been made, the terms of such deviations, and the bodies that decide on deviations from the EIA and SEA rules to ensure the prompt restoration of damaged critical infrastructure.

Thus, the implementation of the indicator has begun, and according to the Ministry's plans, it should be completed on time.

**Indicator 2.1. Approval of the strategic plan for the digitalization of the State****Tax Service**

(IV quarter of 2024)

Sector: public finance management

Status: in progress

This indicator envisages the adoption of the Strategic Plan for Digital Development, Digital Transformation and Digitalization of the State Tax Service, taking into account the recommendations set out in the National Revenue Strategy until 2030.

As part of the implementation of this indicator, the State Tax Service published the [Roadmap for the Digital Transformation of the State Tax Service](#) on July 5, 2023.



Indicator 3.6. Legislation to improve the bankruptcy regime comes into force
(fourth quarter of 2024)

Sector: judiciary

Status: in progress

The indicator is part of the reforms of insolvency resolution and enforcement of court decisions.

The new legislation should focus on preventing bankruptcy and restoring debtors' solvency, timely detection of signs of a crisis in an enterprise, identification of additional opportunities to restore companies' solvency, and accessibility of information for companies on insolvency prevention and early warning mechanisms.

As of the end of April, the Verkhovna Rada registered Draft Law No. 10228 dated 08.11.2023 "On Amendments to Certain Legislative Acts of Ukraine on Improving Preventive Procedures and Preventing Bankruptcy", which is being considered by the Economic Development Committee.



Indicator 6.1. Adoption of the state ownership policy and of the triage of SOEs

(IV quarter of 2024)

Sector: state property management

Status: in progress

In March, the law necessary for the development of the new policy came into force, updating the rules for managing state-owned enterprises (indicator 6.2). Accordingly, the Ministry of Economy has [started](#) working on the new policy, which, according to the law, should be developed within six months after the law's enactment.

Currently, there is a general state ownership policy and policies adopted by the governing bodies of state-owned enterprises. However, it is planned to develop a new generalized state ownership policy that will apply to all state-owned enterprises. It is also proposed to conduct a new round of evaluation of state-owned enterprises, which will be used to update the list of enterprises to be retained in state ownership. The rest will be privatized or liquidated.



Indicator 7.5. Adoption of two strategies: The Strategy for Reforming Psychoneurological and Other Residential Institutions and Deinstitutionalization of Care for Persons with Disabilities and the Elderly and the Strategy for Ensuring the Right of Every Child in Ukraine to Grow Up in a Family Environment for 2024-2028

(IV quarter of 2024)

Sector: human capital

Status: in progress

The indicator is part of the reform to improve social infrastructure.

It is necessary to adopt the Cabinet of Ministers' Resolution "On Approval of the Strategy for Reforming Psychoneurological and Other Residential Institutions and Deinstitutionalization of Care for Persons with Disabilities and the Elderly" and the Cabinet of Ministers' Resolution "On Approval of the Strategy for Ensuring the Right of Every Child in Ukraine to Grow Up in a Family Environment for 2024-2028."

These strategies should focus on the following key areas:

- development of social services to support families with children, people with disabilities and the elderly to live independently in the community and prevent institutionalization;
- development of assisted living services for people with disabilities and the elderly who need additional support;
- Providing family-based forms of upbringing (e.g., foster care, guardianship, and adoption) for children left without parental care.



Indicator 8.7. Enactment of legislation to restore market surveillance and control over non-food products, including product safety inspections

(fourth quarter of 2024)

Sector: business environment

Status: completed

In order to resume market surveillance and control of non-food products, including product safety inspections, the Cabinet of Ministers of Ukraine adopted and entered into force a resolution amending the resolution of the Cabinet of Ministers of Ukraine No. 303 "On Termination of State Supervision (Control) and State Market Surveillance under Martial Law" dated 13.03.2022 (regarding the exclusion of state market surveillance from its scope) and invalidating the resolution of the Cabinet of Ministers of Ukraine No. 550 "On Termination of

The indicator was fulfilled by the Cabinet of Ministers Resolution No. 261 of 08.03.2024 "On Amendments to the Resolutions of the Cabinet of Ministers of Ukraine of March 13, 2022 No. 303 and May 3, 2022 No. 550".

This is necessary to harmonize Ukrainian legislation and standards with the EU.



Indicator 9.6. Enactment of legislation for the development of urban planning at the local level
(fourth quarter of 2024)

Sector: decentralization and regional policy

Status: in progress

This indicator envisages the adoption of resolutions of the Cabinet of Ministers approving the Procedure for maintaining the state-level urban planning cadastre, the Unified State Address Register, the Unified State Register of Buildings and Structures, the Unified State Register of Administrative and Territorial Units, amendments to the resolutions of the Cabinet of Ministers regulating the development of urban planning documentation in the form of electronic documents, and the maintenance of the Unified State Electronic System in the field of construction, integration and information interoperability.

In pursuance of this indicator, the Cabinet of Ministers of Ukraine developed [Resolution No. 254 of 05.03.2024](#) "Some issues of implementation of the pilot project on the creation of the Unified State Register of Administrative and Territorial Units and Territories of Territorial Communities, the Unified State Register of Addresses, the Register of Buildings and Structures as part of the Unified State Electronic System in the Field of Construction".



Indicator 10.2. Implementation of the market concept of renewable energy

(Q4 2024)

Sector: energy

Status: completed on time

To implement the reform to improve the regulatory framework to increase the share of renewable energy (RES) and ensure stable operation of the energy system, the Ministry of Energy need to introduce a market-based concept for RES by the end of the year.

On March 1, the Cabinet of Ministers approved [Resolution No. 232 amending](#) Resolution of the Cabinet of Ministers "On Amendments to Resolution of the Cabinet of Ministers of December 29, 2019 No. 1175", which provides for improvements to the procedure for holding auctions for the distribution of the renewable electricity support quota. In particular, it introduces a model of contracts for difference for the winners of the auction based on the market premium mechanism instead of a fixed electricity purchase, simplifies the conditions for participation in auctions for future participants, introduces the possibility of holding auctions for the construction of renewable energy facilities together with energy storage facilities, etc.

Thus, the indicator is considered to be met even if it is earlier than the deadline.



Indicator 10.10. Ensuring independence of the NEURC

(Q4 2024)

Sector: energy

Status: in progress

As part of the implementation of the reform to ensure the independence of National Energy Utilities Regulatory Commission (NEURC), the Regulator [has developed an](#) Action Plan to ensure its independence in accordance with Ukraine's international obligations, which was sent to the Cabinet of Ministers in December 2023 together with a letter of justification.

On December 27, 2023, the NEURC [approved the](#) draft Law of Ukraine "On Amendments to Certain Laws of Ukraine on Strengthening the Independence of the Regulator in the Energy and Utilities Sectors". With this decision, the NEURC launched the implementation of the NEURC Independence [Action Plan](#), which was developed to fulfill Ukraine's international obligations in the context of European integration, in particular the recommendations of the Energy Community Secretariat.

It is expected that the adoption of this draft law by the Verkhovna Rada, after approval by the government, will strengthen the independent status of the national energy regulator, as required by the EU acquis, and Ukraine's negotiating position during the EU accession negotiations.

Thus, steps have been taken to implement the indicator, which should be completed by the end of 2024 with the adoption of the relevant legislation.



Indicator 11.1. Adoption of the revised National Transport Strategy of Ukraine until 2030

(IV quarter of 2024)

Sector: transportation

Status: in progress

According to the monthly business survey conducted by the IER, problems with access to logistics are one of the biggest obstacles to business activity. That is why the development of transport infrastructure is important for Ukraine's economic sustainability and economic growth. The development of transportation routes and the availability of transportation services facilitates the movement of goods both within the country and for export.

The National Transport Strategy of Ukraine for the period up to 2030, which is to be adopted, will include measures to improve the situation in transport.

Thus, according to the Ukraine Plan, the Strategy will be aimed at achieving the following goals:

- Rebuilding and developing a competitive and efficient transport system in line with EU policies and standards, in particular with regard to trans-European transport networks and the decarbonization goals of the transport sector set at the international and European levels (including through the development of rail, road and inland waterways included in the TENT network indicative maps, digitalization of transport system management, etc;)
- quality passenger transportation and unimpeded mobility;
- energy-efficient transportation that is safe for people and the environment.



Indicator 11.2. Adoption of the Strategy for the Development and Construction of Border Infrastructure with the EU Member States and Moldova until 2030
(IV quarter of 2024)

Sector: transportation

Status: in progress

As part of this indicator, the Strategy for the Development and Construction of Border Infrastructure with the EU Member States and Moldova until 2030 is to be adopted.

The strategy will focus on the following key areas:

- Reconstruction of checkpoints on the border with Poland, Slovakia, Hungary, and Romania;
- creating a network of service zones;
- simplification of border crossing procedures (digitalization and introduction of joint control) in accordance with EU standards.



Indicator 12.1. Adoption of the Strategy for Agriculture and Rural Development until 2030

(IV quarter of 2024)

Sector: agri-food sector

Status: in progress

The indicator assumes that the Strategy is approved by the Government. The Strategy will contain the following main directions:

- adapting Ukrainian Agriculture and Rural Development policies to the EU pre-accession context
 - ◆ including institutional strengthening and capacity building to develop the necessary systems;
 - ◆ accelerating the harmonization of legal acts on agriculture and sanitary and phytosanitary control with EU standards;
- promoting the development of small producers and rural communities;
- defining baseline and target indicators for environmental and climate action, developing science-based programming and effective financial management and control capabilities.

The draft Strategy was first presented in March. At that time, the text was [published](#) on the Zaporizhzhia CCI website. Work on the text likely continues.



Indicator 12.5. The law on the State Agrarian Register entered into force

(IV quarter of 2024)

Sector: agri-food sector

Status: in progress

The indicator is part of a reform aimed at improving the official public electronic register of farms.

The relevant law should focus on the following key areas:

- The State Agrarian Register (SAR) is recognized as an official public electronic register in the field of agricultural policy and food security with regulation of its mandatory elements, such as the procedure for its maintenance, definition of its data and access by third parties, etc;
- The coverage of the DAR includes information on stakeholders along the entire agricultural value chain, such as agricultural producers, food processors, water users, and others;
- The functional capabilities of the State Agency for Regional Development were expanded, which is a prerequisite for receiving financial assistance and allows for targeted allocation of technical assistance and other administrative services, as well as input of analytical information, etc.
- registration with the State Agency for Agrarian Policy is a prerequisite for receiving any type of state support in the agricultural sector;
- mandatory publication of the register of beneficiaries of any state support programs in the agricultural sector implemented through the SAR.

As of the end of April, the Verkhovna Rada registered [draft law No. 11063](#) of 04.03.2024, which is due to the consideration in the Committee on Agrarian and Land Policy. There is still no conclusion of the relevant VRU Committee.



Indicator 13.1. Adoption of the Law of Ukraine "On Amendments to the National Programme for the Development of the Mineral Resource Base of Ukraine to 2030"

(Q4 2024)

Sector: management of critical raw materials

Status: in progress

As part of the reform to improve planning and ensure optimal conditions for attracting strategic investors, one of the steps is the adoption of the Law of Ukraine "On Amendments to the National Program for the Development of the Mineral Resources Base of Ukraine to 2030".

The corresponding [draft Law](#) was developed in 2021 and registered on October 27, 2021, in the Verkhovna Rada (NO. 6227).

On February 21, 2024, the Committee on Energy, Housing and Communal Services [considered the](#) draft law and recommended that the main Committee on Environmental Policy and Nature Management submit it to the Verkhovna Rada for adoption as a basis in the first reading.

In addition, [it is envisaged](#) that the draft Law No. 6227 on the work plan of the State Geology and Subsoil Service of Ukraine (Q3 2024) will be approved in the parliament.

These steps indicate the resumption of work on the draft Law on the implementation of the indicator.

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Special topic

State Debt Restructuring:
International experience
and Ukraine's situation





Debt restructuring: trends over the last decade

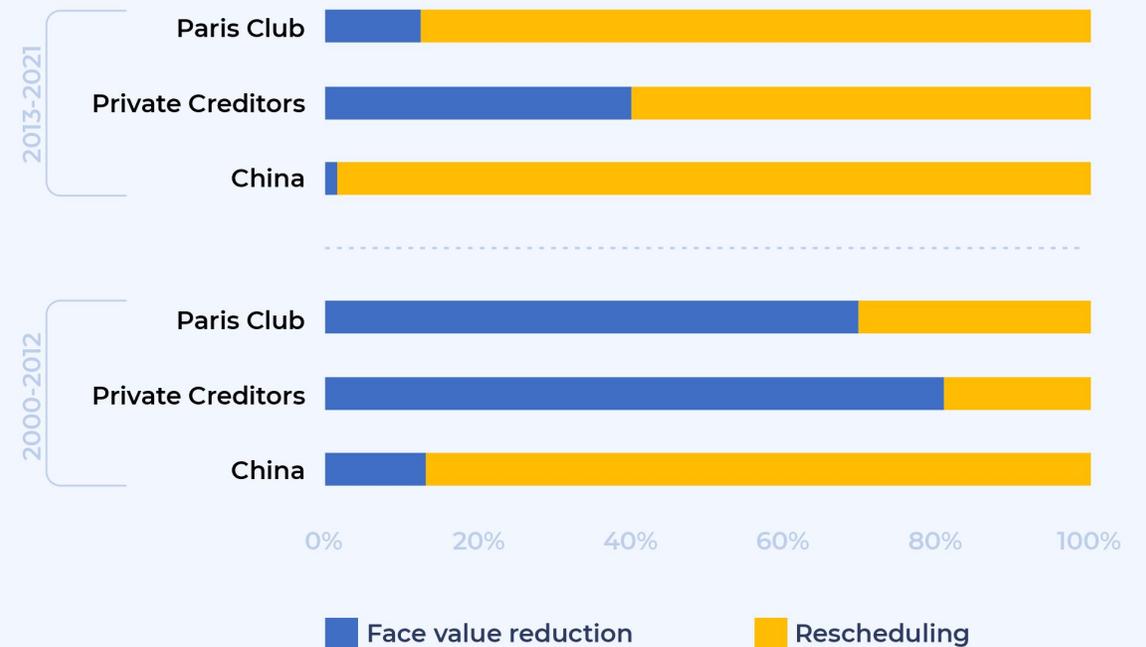
Between 2013 and **2023**, **about 20 countries** started sovereign debt restructuring processes, and 5 of them are currently undergoing this process.

Governments prefer **preemptive restructurings**, which has a less negative impact on the economy than **post-default restructurings**: since 2013, about 70% of external private debt restructurings have been preemptive, while the rest have been post-default.

The trend in restructuring the debt to the Paris Club has changed: while in the early 2000s, the preference was given to **face value reduction** (70%), in recent years the bulk of agreements have involved **rescheduling** (83%). This trend, although less pronounced, is also characteristic of private debt.

Evolution of approaches to restructuring: strengthening of collective action clauses, Common Framework and DSSI mechanisms, new approaches to sovereign debt sustainability assessment (DSA), debt-climate instruments.

External debt restructuring by creditor type



Data: Horn/ Reinhart/Trebesch [dataset](#), author's calculations



Features of current debt restructurings

Currently, 5 countries are in the process of restructuring:

- ◆ **Zambia (year of restructuring start: 2020)**
Debt to GDP - 119.6% (end of 2022)
External debt - 55%, including 12% debt to China
- ◆ **Ethiopia (2021)**
Debt to GDP - 38.8% (March 2023)
External debt - 47%, including 37% debt to official creditors (primarily IDA and China)
- ◆ **Surinam (2020)**
Debt to GDP - 117% (end of 2022)
External debt - 75%, including 29% of Eurobonds, 24% to IBRD and 14% to China
- ◆ **Ghana (2022)**
Debt to GDP - 93.0% (end of 2022)
External debt - 47%, including 20% of Eurobonds and 7% to commercial creditors
- ◆ **Sri Lanka (2022)**
Debt to GDP - 125.8% (end of 2022)
External debt - 49.7%, including 16% - Eurobonds, 7.1% - ADB, 5.4% - China

→ Type of debt being restructured:

External and internal: Ghana, Sri Lanka, Suriname
External only: Ethiopia, Zambia, Zambia

→ Availability of the IMF program:

ECF - Ghana, Zambia
EFF - Sri Lanka, Suriname
Ethiopia in the process of negotiations with the IMF

→ Type of restructuring:

Preemptive: Sri Lanka, Zambia, Suriname
Post-default: Ghana, Ethiopia



Lessons for Ukraine

- ◆ **A balanced and consistent negotiation strategy** aimed at achieving favorable restructuring terms that would minimize payments in the coming years and free up the necessary resources for social and defense spending.
- ◆ **Promoting clear coordination of creditors** to ensure that all investors participate in negotiations and reach a common decision, which significantly speeds up the process.
- ◆ **Agreeing on realistic restructuring parameters** to avoid repeated restructuring episodes.

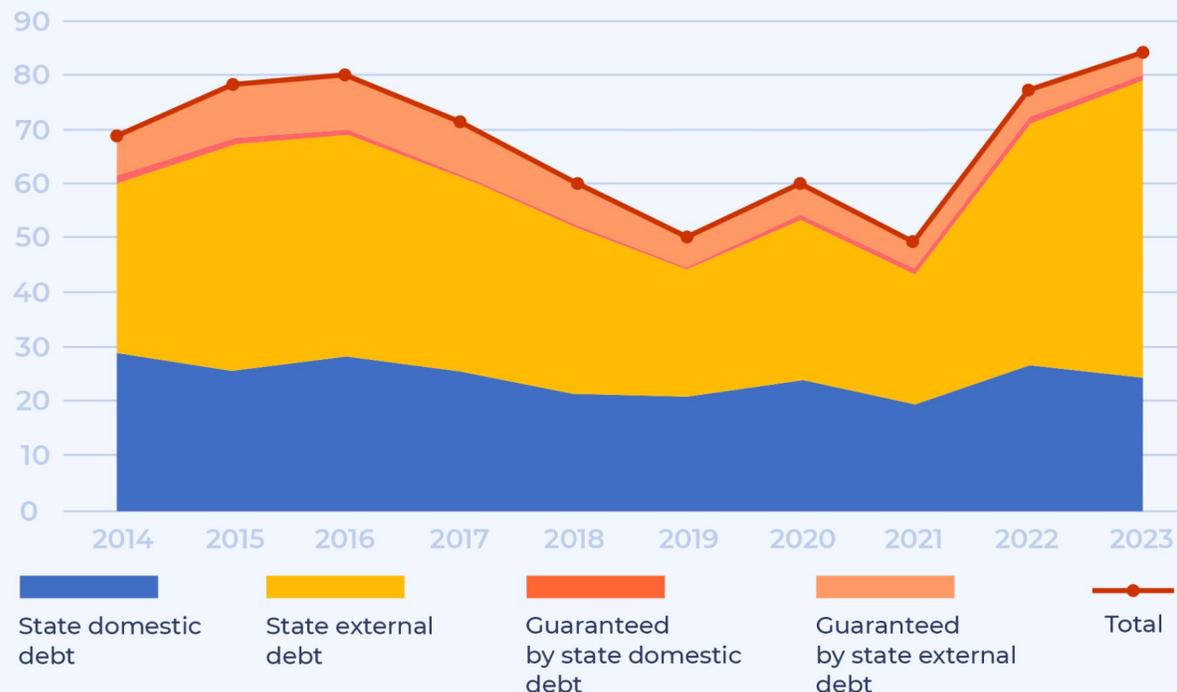


Would we be talking about restructuring if there hadn't been a full-scale invasion?

NO

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State debt and guaranteed by state debt. % GDP



Note: end of year Source: Ministry of Finance

Due to fiscal consolidation and economic growth, Ukraine has reduced its public and publicly guaranteed debt from almost 81% of GDP at the end of 2016 to 50% at the end of 2019

Even during the Covid-19 pandemic, debt did not increase

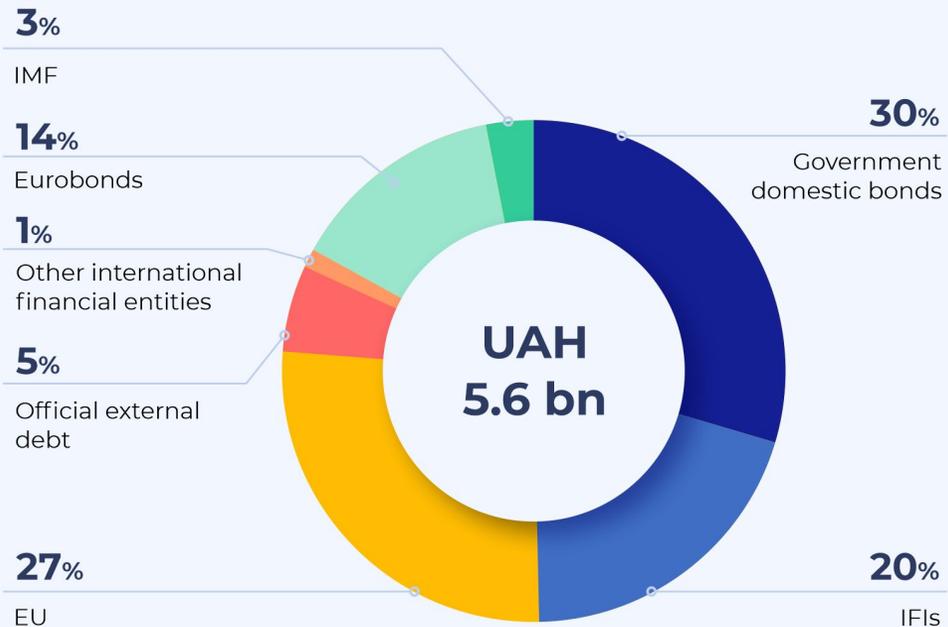
However, Russia's full-scale invasion of Ukraine forced a rapid increase in public debt:

- The EU, the IMF and a number of other countries provide funds in the form of loans
- The United States provided funds in the form of grants



Why are we talking about debt restructuring?

Structure of state debt



Source: Ministry of Finance

In 2022, amid high uncertainty and a lack of liquidity, Ukraine agreed with the holders of government Eurobonds a standstill (to freeze interest payments and debt repayment until September 2024)

The IMF Program envisages the restructuring of Eurobonds: the potential reduction in funding needs due to the restructuring is estimated at USD 4.6 bn in 2024

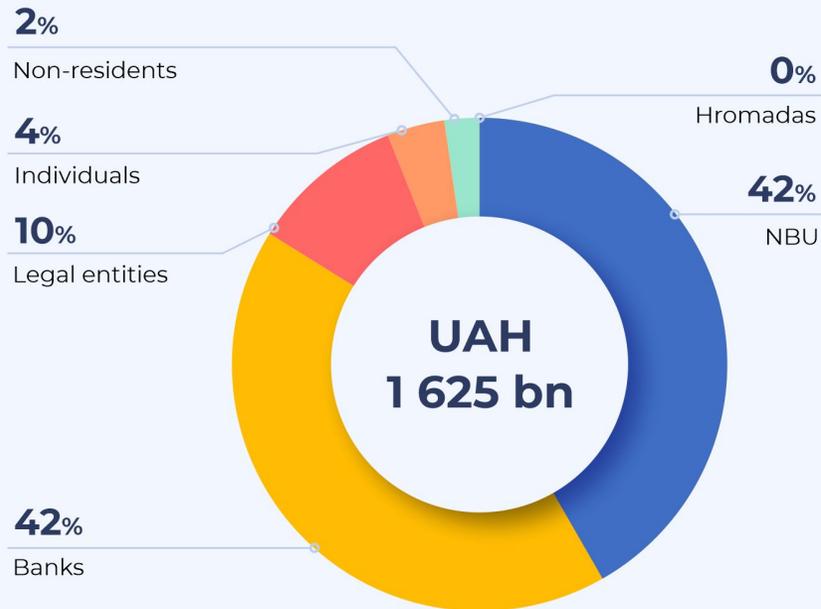
At the same time, Ukraine has agreed on standstill on its official debt until 2027

However, Ukraine continues to repay and pay interest on loans received from IFIs (including the IMF and the World Bank), as well as on macro-financial assistance loans received from the EU before Russia's full-scale invasion of Ukraine



Can we talk about restructuring the domestic public debt?

Government domestic bonds holdings



Source: NBU

In 2022, the NBU bought military government bonds directly from the government for UAH 400 bn

→ The urgent need was explained by the necessity to finance high defense and security expenditures in the context of low support from international partners

As a result, the NBU's share in domestic government bonds is 42%.

🙄 An option is to agree on the reprofiling of this debt, but careful calculations are needed to avoid losses for the NBU

Other domestic government bonds:

- 42% for commercial banks: restructuring will hurt the development of a stable banking sector that continued to operate during the full-scale war. High revenues from domestic government bonds and depositary certificates are transferred to the budget through the taxation of banks' profits (50% in 2023, 25% in 2024). At the same time, the state-owned banks account for 74% of this portfolio
- Individuals have finally started investing in domestic government bonds: investments have increased by 2.5 times since February 23, 2022 - restructuring will hurt the market in the future
- Investments by legal entities have doubled: possibly as a source of income and a savings tool in times of uncertainty



What is the situation with official debt and debt to IFIs today?

Ukraine has agreed with the Paris Club to freeze interest payments and repayment of official (bilateral) debt until 2027, so the topic of restructuring this debt is not raised

Ukraine continues to pay interest and repay loans from the IMF, the World Bank, and other IFIs, as well as the EU:

- **IFIs:** IFIs' policies do not allow restructuring their loans. The IMF program provides for refinancing of previous debts, but it is worth raising the issue of abolishing the surcharge for unused loans
- **EU:** Ukraine is fully servicing its previous loans under previous macro-financial assistance programs. It would be worth discussing the possibility of extending the same terms as under the most recent macro-financial assistance programs, which is likely unrealistic since the old programs were financed by targeted bond issues by the European Union.

For the future:

- Consideration should be given to introducing swaps for certain loans: climate bonds or recovery bonds.



Restructuring of external private debt: Eurobonds

Today, there is a complex equation:

- The standstill on Eurobonds expires in August 2014
- The IMF program provides for restructuring that will help reduce the financial needs by USD 4.6 bn
- According to the available news, at least some private Eurobond holders are ready for the haircut, but expect an annual coupon payment instead
- Ukraine's domestic revenues (income and borrowings) are barely enough to finance defense and security
- Official donors and IFIs are against spending their funding on payments to private investors
- So, if Ukraine does not default, which means that access to the international capital market may be closed for many years after the victory, the government needs to look for other sources of financing the payments

🤔 And here the equation doesn't fit.... Negotiations are very complex and not trivial

Therefore, we wish the Ministry of Finance success in conducting the restructuring and reaching an effective agreement



APPENDIXES





IMF Structural benchmarks - table in the third review

No.	Structural benchmark	Sector	Time	Status
1	Enact the second supplementary Budget 2023	Fiscal	End of April 2023	Completed on time
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 on time
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 on time
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 on time
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 on time
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 on time

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 ringfence of risks from guarantees	Fiscal	End of September 2023	Completed on time
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 on time
12	Amend the AML/CFT Law to restore the obligation of financial institutions to implement enhanced due diligence measures for politically exposed persons, consistent with a risk-based approach that is in line with FATF standards	Governance / Anti-Corruption	End of September 2023	Not completed (completed with a delay)
	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 implemented (implemented with a delay)

No.	Structural benchmark	Sector	Time	Status
13	Strengthening the management and supervision of banks by: (i) separating the related party unit from the banking supervision unit, (ii) introducing "supervisory panels" as an advisory body to the Supervisory Committee, and (iii) resuming scheduled on-site inspections of banking and non-banking institutions, leaving staff security issues to the NBU	Financial sector	End of September 2023	Completed on time
14	Preparation of action plans by the State Border Guard Service and the State Customs Service, including short- and medium-term measures covering key reform areas identified by the upcoming diagnostic, which will be integrated into the overall National Revenue Strategy	Fiscal	End of October 2023	Completed on time
15	Update and publish the Medium-Term Debt Management Strategy to align it with the program objectives	Fiscal	End of October 2023	Completed on time
16	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 on time
17	Select and appoint a supervisory board for the GTSO	Energy/Governance	End of October 2023	Completed on time

No.	Structural benchmark	Sector	Time	Status
18	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 on time
19	Adopt the National Revenue Strategy	Fiscal	End of December 2023	Completed on time
20	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 on time
21	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	Completed on time
22	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 implemented (implemented with a delay)
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 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
25	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
26	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
27	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
28	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
29	Prepare a bank rehabilitation framework in consultation with the DGF and IMF staff	Financial sector	End of March 2024	In progress

No.	Structural benchmark	Sector	Time	Status
30	Implement a supervisory risk assessment methodology to inform supervisory engagement priorities	Financial sector	End of June 2024	In progress
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	Completed on time
33	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
34	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
35	Produce a SOE state ownership policy, dividend policy and privatization strategy	Corporate governance	End of August 2024	In progress