



CENTRE
FOR ECONOMIC
STRATEGY

POLICY PAPER

NEGOTIATION CHAPTER 'ECONOMIC AND MONETARY POLICY': WHAT NEEDS TO BE DONE TO BRING UKRAINE CLOSER TO EU MEMBERSHIP?



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1. SUMMARY

"Economic and Monetary Policy" is Chapter 17 of Ukraine's negotiations on accession to the EU. This chapter covers various aspects of the candidate country's adaptation to the EU's economic and monetary system and is crucial for ensuring the candidate country's effective integration into the EU's Economic and Monetary Union.

Candidate states' readiness for accession is assessed by key criteria, including a sufficient level of price stability, sustainability of public finances, independence and credibility of institutions responsible for policy development and implementation, and the legislative procedures that, in line with EU legislation, regulate the budget process at the national and local levels.

The challenges of a full-scale war do not allow Ukraine to fully align with EU standards, especially regarding quantitative limits on public debt and budget deficits. However, in some areas, introducing EU principles and practices is still possible even under current circumstances.

The main task of this paper is to define the priority areas for improving Ukraine's economic and monetary policy to facilitate its accession to the EU.

In this study, we assess the implementation of the most relevant recommendations of the European Commission in 2023. In addition, we provide an overview of the key legal framework of European economic and monetary policy legislation to highlight the similarities and differences between European and Ukrainian law. We also review the European Commission's guidelines for other candidate countries to identify potential issues for Ukraine in the accession process. In conclusion, we provide a list of priority actions to align Ukrainian practices in formulating and implementing economic and monetary policies in line with EU practices.

2. EUROPEAN PRINCIPLES OF ECONOMIC AND MONETARY POLICY DEVELOPMENT AND IMPLEMENTATION: ESSENTIALS

The 17 negotiating chapters on "Economic and Monetary Policy" primarily focus on designing and implementing short- and medium-term fiscal and monetary policies. At the same time, the quality of long-term public policies in the economic sphere falls under the so-called "economic fundamentals," which include the operation of a functional market economy and the ability to cope with competition and market forces within the EU.

There are no barriers to moving goods, services, capital, and labour within the EU's internal market. Accordingly, macroeconomic imbalances in one Member state can have a negative impact on the rest of the member countries. First, this applies to countries that belong to a monetary union. Eurozone countries have reached the level of monetary union integration, bypassing the fiscal union stage – this approach's

shortcomings became apparent during the debt crisis. Hence, a large part of the European acquis¹ in fiscal policy was adopted after 2010 to avoid significant imbalances in the future. As each EU Member State declares its readiness to do its best to join the European Union, the key macro-stability and public finance sustainability guidelines also apply to non-euro area countries (although, in this case, the sanctions for non-compliance are much milder or non-existent).

Member States receive significant funds from the EU to mitigate regional inequalities, support and develop agriculture, etc. Transparent and unified budgeting and reporting rules in the candidate countries are a crucial precondition for effective fund management at the EU level.

It should be noted that the functioning of banks in the EU is highly regulated, and national banks usually play the role of national regulator to ensure an appropriate level of stability in financial markets. However, the Financial Services negotiating chapter covers this area of the European acquis, to which we have prepared a separate study. Therefore, this paper does not address the NBU's regulatory functions; instead, we focus on the key monetary policy design and implementation principles.

3. URGENT RECOMMENDATIONS OF THE EUROPEAN COMMISSION

Ukraine is moderately prepared² for accession to the EU under the 17th negotiating chapter, "Economic and Monetary Policy", according to the most recent report published by the European Commission³.

The most urgent recommendations of the Commission include:

- To prepare to return to inflation targeting and a flexible exchange rate framework.
- To limit monetary financing of the state budget.
- To prepare to return to medium-term budget planning starting in 2024.

The rest of the section is devoted to a detailed analysis of implementing the Commission's recommendations.

¹ Acquis (acquis communautaire) – a term used in the European Union (EU) to refer to the set of rights and obligations that are mandatory for all EU Member States. It includes all legislation, regulations, court decisions, international agreements and other legal documents that form the EU legal system and policies

² The European Commission uses an ordinal scale to assess the level of readiness: early stage; some level of preparation; moderately prepared; good level of preparation; and well advanced.

³ [Ukraine Report 2023 - European Commission \(europa.eu\)](https://european-council.europa.eu/media/en/press-communications/infographic/infographic-ukraine-report-2023-10-10-1000x500px.pdf).

3.1. INFLATION TARGETING AND FLEXIBLE EXCHANGE RATE REGIME

As of 2021, the NBU maintained a floating exchange rate and de jure and de facto⁴ inflation targeting. After 24 February 2022, the NBU fixed the value of the hryvnia at 29.25 UAH/\$. In July, the exchange rate was adjusted to 36.57 UAH/\$. At the same time, the NBU eased currency restrictions⁵.

In October 2023, the NBU introduced a managed floating exchange rate⁶ as part of a long-term strategy to return to a floating exchange rate and inflation targeting⁷, consisting of three main stages:

- Stage I - minimising the multiplicity of exchange rates, liberalising trade operations and facilitating new loans and investments.
- Stage II - liberalising of trade finance, management of currency risks of banks, with the possibility of repatriation of interest on "old" debt and investments.
- Stage III - the possibility of repayment of loans and investments, liberalisation of household transactions and derivatives transactions, the possibility of lending to non-residents and investing abroad.

In early May 2024, the NBU introduced the largest currency easing measures since the beginning of the full-scale war, including the elimination of currency restrictions on imports, permission to repatriate new dividends, permission to transfer funds abroad under leasing or rent, simplification of the conditions for purchasing foreign currency to service new external loans to allow repayment of interest on old external loans, and easing restrictions on transfers to foreign subsidiaries by Ukrainian representative offices⁸.

3.2. RESTRICTIONS ON MONETARY FINANCING

Article 54 of the Law on the "National Bank of Ukraine"⁹ explicitly prohibits the NBU from providing loans to the state and purchasing domestic government bonds on the primary market. At the beginning of the full-

⁴ Declared exchange rate policies often differ from actual policies. In this regard, the IMF determines the actual exchange rate policy based on capital controls, central bank interventions in the foreign exchange market, etc. See details in [Annual Report on Exchange Arrangements and Exchange Restrictions 2021 | IMF eLibrary](#), p. 11.

⁵ [The NBU fixed the official hryvnia/US dollar exchange rate at a new level and took a number of additional measures to balance the FX market and support the economy's resilience in the face of war \(bank.gov.ua\)](#)

⁶ [The NBU is introducing managed floating exchange rate, which will strengthen the resilience of the FX market and the economy \(bank.gov.ua\)](#)

⁷ [A strategy to ease currency restrictions, move to greater exchange rate flexibility, and return to inflation targeting \(bank.gov.ua\)](#)

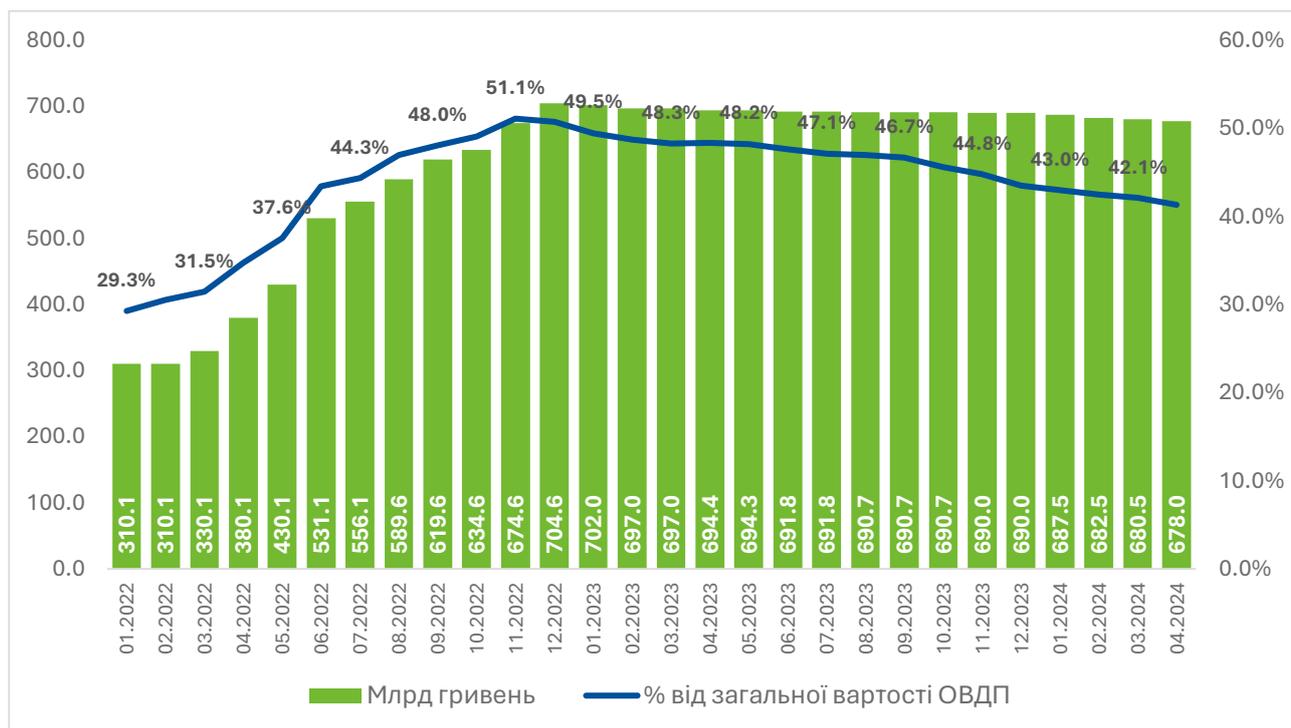
⁸ [Currency liberalisation continued: NBU introduces the largest easing of currency restrictions since the start of the full-scale war \(bank.gov.ua\)](#)

⁹ [On the National Bank of Ukraine | of 20.05.1999 № 679-XIV \(rada.gov.ua\)](#)

scale invasion in 2022, the NBU resorted to monetary financing as the combination of domestic and foreign budget revenues was not sufficient to cover war expenses. The Resolution "On Purchase of Domestic Government Debt Securities (War Bonds) During Martial Law"¹⁰ of 8 March 2022 served as the legal framework for financing the NBU's wartime needs during martial law.

Between February and December 2022, the volume of domestic government bonds in the NBU's portfolio increased by UAH 394.5 billion. However, starting from January 2023, this figure has been decreasing (see Figure 1).

Figure 1. Domestic government bonds in the NBU's assets (in UAH billion and as a percentage of the total value of domestic government bonds) in 2022-2024



Source: CES calculations and visualisation based on NBU data [T-bills_nom.xlsx \(live.com\)](https://live.com/T-bills_nom.xlsx)

Despite the full-scale war, the NBU is trying to limit direct government financing.

¹⁰ [Resolution of the Board of the National Bank of Ukraine dated 08 March 2022 No. 43 "On the Purchase of Domestic State Loan Bonds "Military Bonds" during the Period of Martial Law" \(bank.gov.ua\)](#)

3.3. MEDIUM-TERM BUDGET PLANNING AND OTHER FISCAL POLICY ISSUES

The European Commission acknowledges that an ongoing war has significantly complicated medium-term budgetary planning. This includes identifying critical priorities for funding, setting upper expenditure thresholds, and forecasting fiscal risks. The war's negative impact - fewer budget data are published due to security requirements - has worsened the transparency of public finances.

Although macroeconomic forecasts are still published, preparing them is becoming increasingly difficult due to the high level of uncertainty. The European Commission highlights, along with a weak assessment of the capacity to make macroeconomic forecasts, the absence of a particular entity - an independent fiscal council - to assess forecasts and budget assumptions and to monitor how previous years' forecasts have performed. Although such an institution is not a requirement for EU membership, it is considered a good practice¹¹. It could become an additional tool for analysing public finances, especially in wartime, when efficient planning and spending of budget funds is crucial, and the cost of error can be high.

The European Commission noted that the government has announced a return to medium-term budget planning in 2024. The IMF expects¹² Ukraine to return to the medium-term budgetary framework reform in preparing the 2025 budget. The first Budget Declaration for 2022-2024 adopted by the CMU was in May 2021, a year before the full-scale invasion. Following this, the three-year forecasting was postponed. Instead of the Budget Declaration, in 2024 the Ministry of Finance published a document entitled "State Budget Indicators for 2025-2026"¹³ and "Thresholds for state budget expenditures and loans and state policy goals in the relevant field of activity and indicators of their achievement in 2022-2026"¹⁴. This year, the Ministry of Finance has already communicated the instructions for preparing proposals for the Budget Declaration for 2025-2027 to the budget spending units in March, per Article 33 of the Budget Code.

At the end of June 2024, the CMU approved the Budget Declaration for 2025-2027¹⁵, which means a return to medium-term budget planning and creating a benchmark for macroeconomic and budgetary indicators. However, the forecasting process is significantly complicated due to the high uncertainty associated with the war, which is unlikely to enable the document to become a reliable guideline.

Another critical focus of the European Commission is the government's initiatives to reform the public

¹¹ [Establishing an independent fiscal institution in Ukraine - international experience. Centre for Economic Strategy, November 2022](#)

¹² [Ukraine: Third Review of the Extended Arrangement Under the Extended Fund Facility. 22 March 2024](#)

¹³ [State Budget Indicators for 2025-2026, Ministry of Finance of Ukraine](#)

¹⁴ [Thresholds for state budget expenditures and loans and state policy goals in the relevant area of activity and indicators of their achievement in 2022-2026](#)

¹⁵ [On approval of the Budget Declaration for 2025-2027](#)

finance audit system, such as the State Audit Service and the Accounting Chamber. Internal financial control is essential to sustainable public finances, and strong reform efforts are required¹⁶.

Ukraine will need to do more to align the existing medium-term budget framework with European legislation's requirements; we discuss these requirements in more detail in Section 5.2, "Budgetary Framework."

4. IMPLEMENTATION OF EU LEGISLATION IN DEVELOPMENT AND IMPLEMENTATION OF ECONOMIC AND MONETARY POLICY

Before moving on to a more detailed discussion of the current implementation status of the European acquis in Ukraine, let's review a few key concepts, which we address in the next section. European legislation includes two types of legal acts:

- **directives that require transposition into national legislation:** directives set out the general direction of policy, and EU Member States have the autonomy to determine how to transpose them into national legislation (for example, by adopting a new legal act, codifying existing legislation, or incorporating the provisions outlined in the directive into various national legal acts).
- **regulations that do not require transposition:** regulations usually address technical aspects of the European policy and are more detailed; they automatically bind all Member States and do not require transposition into national law.

The acts of European law in the field of developing and implementing fiscal and monetary policy are not particularly numerous. However, European legislation is notably demanding regarding procedures and regulations at all stages of state budgeting. In addition, quantitative indicators of macroeconomic policy quality are enshrined in the relevant regulations, which could be a challenge for Ukraine due to the impact of a full-scale war on all sectors of the economy, as well as on state revenues and expenditures.

The rest of this chapter is devoted to a detailed analysis of the European acquis's essential economic and monetary policy acts.

¹⁶ [How effective is control in state public finances? Centre for Economic Strategy, 28 February 2024](#)

4.1. TREATY ON THE FUNCTION OF THE EUROPEAN UNION

PRINCIPLES

The Treaty on the Functioning of the European Union¹⁷ was first signed as the Treaty of Rome in 1957 and renamed the Treaty of Lisbon in 2009. As one of the key EU acts, the treaty outlines the EU's operational framework and defines the powers and functions of its institutions. Chapter VIII sets out the fundamental principles of economic and monetary policy within the EU, such as price stability, healthy public finances and monetary conditions, and a sustainable balance of payments. The Treaty obliges Member States to develop and implement economic policies guided by all EU members' common principles and interests. The main provisions are listed below.

- The European Council is authorised to define critical areas of economic policy and monitoring in the Member States; in case of non-compliance, the European Commission and the Council jointly develop individual recommendations. Member States are eligible for assistance in case of significant macroeconomic imbalances caused by extraordinary circumstances¹⁸.
- Emission financing of state and local budgets is prohibited. The European Central Bank and national central banks cannot provide loans to EU government institutions, Member States' national governments, or local governments. Purchasing government bonds on the primary market (i.e., directly from the issuer) is also prohibited.
- Member states must ensure the sustainability of public finances, measured by the ratio of budget deficits and public debt to GDP. Failure to meet this obligation leads to intervention by the Commission, which is supposed to prepare recommendations on fiscal policy. Countries not complying with the Commission's recommendations are subject to sanctions.
- The European Central Bank implements monetary policy in the European area. However, Member States must ensure that national legislation (including national bank charters) aligns with the European System of Central Banks statutes and the European Central Bank¹⁹.

To summarise, the Treaty on the Functioning of the European Union establishes a general framework for the EU's standard economic and monetary policy, including the principles of fiscal policy coordination, a prohibition on debt monetisation, the definition of quantitative indicators for public finance sustainability, the

¹⁷ [Treaty on European Union and the Treaty on the Functioning of the European Union](#)

¹⁸ According to Article 119 of the treaty, "the activities of the Member States and of the Union shall include [...] the adoption of an economic policy which is based on the close coordination of Member States' economic policies, on the internal market and on the definition of common objectives and conducted in accordance with the principle of an open market economy with free competition". De facto, this principle implies the refusal of absolute independence of economic and monetary policies in the Member States in order to ensure the functionality and stability of the single economic union

¹⁹ [PROTOCOL \(No 4\) ON THE STATUTE OF THE EUROPEAN SYSTEM OF CENTRAL BANKS AND OF THE EUROPEAN CENTRAL BANK](#)

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introduction of a procedure for correction of excessive deficits/debts, and the obligation to align the national monetary policy framework with the ECB's framework.

4.2. TREATY ON STABILITY, COORDINATION AND GOVERNANCE IN THE ECONOMIC AND MONETARY UNION

The Treaty on Stability, Coordination and Governance in the Economic and Monetary Union²⁰ – is a 2012 intergovernmental treaty between EU Member States to strengthen fiscal discipline and coordination in the EU. The main provisions of the treaty include:

- **Requirements for a balanced budget:** the budget deficit should not exceed 3% of GDP, while the structural budget deficit should not exceed 0.5% of GDP. However, if the public debt-to-GDP ratio falls significantly below the critical 60% threshold, the structural budget deficit may reach 1% of GDP.
- **Automatic correction mechanism:** Member States should apply an automatic budget correction mechanism if the budget deficit deviates significantly from the critical value.
- **Strengthened oversight:** expanding the European Commission's authority to monitor the budgetary policies of Member States, including the right to review draft budget plans and make recommendations if the plans do not comply with the rules.
- **Economic Partnership Programmes:** in case of excessive deficits, Member States should introduce a programme outlining structural reforms to correct budget deficits and prevent future deficits effectively.
- **Coordination of national policies:** Member States should coordinate their short- and medium-term economic policies and undertake measures to facilitate economic cohesion.
- **Governance and accountability:** The Euro summit is officially recognised as the key forum for discussing issues related to governance within the EU.

The Stability Treaty was intended to strengthen EU budgetary management standards (whose weaknesses became evident during the debt crisis) at the national level, while the Stability and Growth Pact, described in the next section, ensures fiscal discipline at the EU level.

4.3. THE STABILITY AND GROWTH PACT

The Stability and Growth Pact (SGP) was adopted in 1997 to provide a framework for monitoring and coordinating the fiscal policies of EU Member States, especially those belonging to the Eurozone.

²⁰ [TREATY ON STABILITY, COORDINATION AND GOVERNANCE IN THE ECONOMIC AND MONETARY UNION](#)

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The Pact consists of two parts:

- **A preventive arm** – requiring countries to submit stability (for Eurozone countries) or convergence (for non-Eurozone countries) programmes outlining their fiscal strategies. The European Commission and Council review these programmes to ensure national budgets align with SGP criteria.
- **A corrective arm** – an excessive deficit procedure triggered if a Member State's deficit or debt exceeds the level set out in the SGP.

The SGP went through several reforms aimed at increasing its efficiency and flexibility. In particular, the 2011 reform (introduced in response to the debt crisis) included six new regulations that strengthened control and supervision of the fiscal sector and introduced stricter conditions for public debt control:

- **Council Directive 2011/85²¹ was introduced to strengthen fiscal control by establishing a unified budgeting framework for all EU Member States.** The Directive requires national budgetary frameworks to be comprehensive, i.e. to cover all areas of public administration and to contain all relevant fiscal information. Moreover, planning and reporting must be consistent across different subsectors of the general government sector and must be in line with national and EU rules. The Directive also introduces requirements for the quality of statistics and forecasts used in budget planning and requirements for medium-term budgetary planning. Regarding the latter, each Member State must develop budgeting procedures that include the following:
 - comprehensive and transparent multi-year budgetary targets in terms of deficit, debt and any other consolidated fiscal indicator such as expenditures.
 - projections for each major item of general government expenditure and revenue for the budget year and subsequent years based on policy continuity.
 - a description of medium-term policies that may affect general government finances, broken down by significant revenue and expenditure items, indicating how adaptation to medium-term budgetary objectives is achieved compared to the projections based on unchanged policies.
 - an assessment of how, in terms of the direct long-term impact on public finances, the envisaged policy may affect the long-term sustainability of public finances.

Member States must have independent public institutions or bodies responsible for auditing public accounts and supervising compliance with fiscal rules.

- **Council Regulation 1177/2011²² (which amended and supplemented Regulation 1467/97) outlines detailed procedures for the excessive deficit procedure, which is triggered when a**

²¹ [Directive - 2011/85 - EN - EUR-Lex \(europa.eu\)](#)

²² [Regulation - 1177/2011 - EN - EUR-Lex \(europa.eu\)](#)

Member State exceeds the deficit (3% of GDP) or debt (60% of GDP) thresholds set by the Maastricht criteria.

- **Regulation 1173/2011²³ ensures compliance with budgetary discipline through fines and sanctions.** Exceeding the thresholds for the budget deficit (3% of GDP) and public debt (60% of GDP) triggers the mechanism of the Excessive Deficit Procedure (EDP). Regulation 1173/2011 defines the enforcement mechanisms for Eurozone countries subject to the EDP, including an interest-free deposit of up to 0.2% of GDP or a fine of 0.2% of GDP. Non-Euro area Member States must comply with the fiscal thresholds; however, they are not subject to penalties and sanctions.
- **Regulation 1176/2011²⁴ establishes mechanisms to supervise and correct macroeconomic imbalances in the EU** (with a particular focus on the Eurozone). The MIP (Macroeconomic Imbalances Procedure) is a structured approach to identifying, preventing and correcting macroeconomic imbalances. The list of benchmarks is regularly updated (see Appendix 1 for details on the current indicators and their thresholds; we also provide information on the current values of these indicators in Ukraine); however, there are no strictly determined minimal, maximum, or optimal values.
- **Regulation 1174/2011²⁵ supplemented Regulation 1176/2011 by introducing the EIP (Excessive Imbalance Procedure),** which is initiated if the identified imbalances significantly threaten the economic stability of the EU Member States; this procedure usually includes the identification of key measures and the setting of deadlines for their implementation; in case of non-compliance with the stabilisation plan, the Eurozone Member State faces a fine of up to 0.1% of GDP.
- **Regulation 1175/2011²⁶ (amending and supplementing Regulation 1466/97) extended the scope of the EU's policy on budgetary surveillance and economic policy coordination.** In particular, the Regulation obliges Member States to submit annual Stability Programmes (for Euro area countries) or Convergence Programmes (for non-Euro area countries) for approval by the Commission and the Council of the EU. The programmes should be based on MTOs (Medium-Term Budgetary Objectives), which are individual for each country, such as achieving structural balance or surplus. This should ensure the sustainability of public finances in the medium term (the maximum frequency of MTOs review is once every three years). Regulation 1175/2011 also requires the introduction of automatic mechanisms in national budget processes to adjust deviations from MTOs.

The 2013 reform somewhat expanded the responsibilities of Member States in the area of financial and budgetary stability; the main components of the reform included:

²³ [Regulation - 1173/2011 - EN - EUR-Lex \(europa.eu\)](#)

²⁴ [Regulation - 1176/2011 - EN - EUR-Lex \(europa.eu\)](#)

²⁵ [Regulation - 1174/2011 - EN - EUR-Lex \(europa.eu\)](#)

²⁶ [Regulation - 1175/2011 - EN - EUR-Lex \(europa.eu\)](#)

- **Regulation 472/2013²⁷ establishes enhanced supervisory procedures for Eurozone countries experiencing severe financial distress** or receiving financial assistance from EU funds, such as the European Stability Mechanism (ESM). Countries receiving financial assistance must prepare macroeconomic adjustment programmes detailing structural reforms and fiscal consolidation measures.
- **Regulation 473/2013²⁸ was introduced to strengthen fiscal discipline further and enhance economic policy coordination among Eurozone Member States.** In particular, the Regulation obliges Eurozone countries to submit annual draft budgets to the European Commission for approval. Member States must also have independent institutions responsible for monitoring the implementation of national fiscal rules and providing economic forecasts (although the regulation applies exclusively to Eurozone countries, other EU members are also encouraged to follow this practice).

Therefore, Directive 2011/85 should be transposed into Ukrainian law. However, all aspects of macroeconomic policy regulated by the relevant directives mainly apply to Eurozone countries and will not be that appropriate for Ukraine in the first years of membership.

5. ASSESSMENT OF UKRAINE'S READINESS FOR ACCESSION

Negotiations with each candidate country determine the conditions of accession to the EU. However, after analysing the experience of other candidate countries, explanatory sessions, and other sources, we have identified the most relevant areas for Ukraine. These include the quality of monetary policy, the budgetary framework, public finance control, and statistics and forecasting. Each area is described in detail in this section.

5.1. QUALITY OF MONETARY POLICY

The Treaty on the Functioning of the European Union and its Annex - the Statute of the European System of Central Banks and the European Central Bank - provide critical requirements for developing and implementing monetary policy for EU Member States. Accordingly, in assessing the quality of monetary policy in Ukraine, we will rely on the main provisions of the above documents and the Law on the National Bank of Ukraine (see detailed analysis in Appendix 2, "COMPARISON OF KEY PRINCIPLES OF MONETARY POLICY FORMULATION AND IMPLEMENTATION IN THE EU AND UKRAINE").

²⁷ [Regulation - 472/2013 - EN - EUR-Lex \(europa.eu\)](#)

²⁸ [Regulation - 473/2013 - EN - EUR-Lex \(europa.eu\)](#)

- **Key functions.** Like the ECB, the NBU defines "ensuring the stability of the Ukrainian currency" as its primary function; maintaining sustainable economic growth is also within the NBU's mandate, as long as it does not contradict its primary function.
- **Prohibition of monetary debt financing.** Legislation in the EU and Ukraine prohibits the central bank from lending to the government or buying government bonds on the primary market. The NBU deviated from this rule at the beginning of the war, which required the adoption of a particular bylaw.
- **Independence of the central bank.** In the EU and Ukraine, the central bank develops and implements monetary policy independently of the government; the central bank and the government are not liable for each other's obligations. According to the law, the NBU Council develops the basic principles of monetary policy. It controls its implementation, while the NBU Board ensures the implementation of monetary policy through appropriate instruments (the Council does not interfere with the operational activities of the NBU Board). The Council consists of the NBU Governor, four members appointed by the Verkhovna Rada, and four members appointed by the President. The Law on the National Bank of Ukraine contains a list of grounds for dismissal of the NBU Council members. The Verkhovna Rada of Ukraine dismisses the members appointed by it by adopting a resolution upon the recommendation of the relevant committee, while the President has the right to dismiss the members appointed by him by a decree. Ukrainian legislation does not provide for judicial review of the dismissal of the NBU Council members, which weakens the protection against unjustified dismissal and, in the opinion of the European Commission²⁹, threatens the independence of the NBU.
- **Term of the NBU Governor.** EU legislation requires the NBU Governor's term of office to be at least five years. The Law on the National Bank of Ukraine stipulates that the Verkhovna Rada appoints the NBU Governor upon the President's proposal for a seven-year term.
- **Mechanisms of monetary intervention.** The NBU conducts its monetary policy using interest rate instruments, foreign exchange interventions, and reserve requirements in line with EU principles. The currency restrictions introduced in 2022 are gradually being eased with the aim of a complete transition to a flexible exchange rate regime.

The NBU operates in line with the basic principles of the European System of Central Banks, except for specific institutional differences. Before the large-scale invasion, the NBU had been implementing policies in the spirit of the European principle of allocative efficiency, i.e., using market-based instruments and avoiding transaction limits and other significant regulatory interventions in the free market. The restrictions on the free movement of capital introduced in 2022 were a response to unprecedented circumstances. However, the NBU has consistently implemented a strategy to return to a flexible exchange rate and target inflation.

²⁹[Ukraine Report 2023 - European Commission \(europa.eu\)](https://european-council.europa.eu/media/en/press-activities/press-summaries/Pages/2023-07-13-1.aspx)

5.2. BUDGETARY FRAMEWORK

The EU Council defines in Directive 2011/85/EU³⁰ several components that should be included in the budgetary frameworks of the Member States (see Appendix 3. "ESSENTIAL COMPONENTS OF THE BUDGET FRAMEWORK DEFINED BY DIRECTIVE 2011/85/EU"). Ukraine has almost all of the required components in its Budget Code, although some provisions have been postponed due to the war, and some of the regulations are missing certain elements. Below, we will take a closer look at some of these components and the status of their implementation in Ukraine within the framework of the Budget Code³¹. Appendixes 3-7 provide a detailed item-by-item analysis of the EU directive and the relevant provisions of the Ukrainian budget legislation.

5.2.1. FORECASTS (CHAPTER III)

Regarding macroeconomic forecasting, Ukraine meets the requirements for the availability and quality of macroeconomic forecasts. Still, fiscal forecasting procedures are not in line with the directive; they do not consider different macro scenarios and the transparency of forecasting. Regular, unbiased evaluation and revision of macroeconomic and fiscal forecasts are not undertaken at all (for more details, see Appendix 4. "ASSESSMENT OF UKRAINE'S IMPLEMENTATION OF THE DIRECTIVE 2011/85/EU PROVISIONS ON MACROECONOMIC FORECASTING").

5.2.2. NUMERICAL FISCAL RULES (CHAPTER IV)

Ukraine's Budget Code enshrines fundamental fiscal rules - keeping the budget deficit to no more than 3% of forecast GDP and keeping public and guaranteed debt at no more than 60%. However, these normative restrictions cannot be considered as fully implemented fiscal rules, as the legislation does not establish implications for violation of these rules and procedures for returning to the limits (see Appendix 5: "FISCAL RULES IN ACCORDANCE WITH THE DIRECTIVE 2011/85/EU").

It is important to note that EU law is flexible enough to allow Member States to suspend fiscal rules when it is objectively necessary through the so-called "general escape clause" (see details in Regulation 2024/1263³²). Member States may deviate from the fiscal rules if they face exceptional circumstances beyond their control. These circumstances are usually unexpected and significantly impact public finances, such as natural disasters and severe economic disruptions (full-scale war should also be included in this list). Temporary deviations are also allowed during the implementation of structural economic reforms that have a positive long-term impact on the sustainability of public finances.

³⁰ [Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States](#)

³¹ [BUDGET CODE OF UKRAINE](#)

³² [Regulation - 2024/1263 - EN - EUR-Lex \(europa.eu\)](#)

Member States must notify the European Commission of their intention to deviate from the fiscal rules and provide detailed justification. The Commission then assesses the request and provides an opinion on compliance with the conditions for the deviation. Based on the Commission's assessment, the Council of the EU decides whether to grant the derogation and on what conditions. For the last time, the "general escape clause" mechanism was used in the EU during the COVID-19³³ pandemic.

During the war, the fiscal rules in Ukraine (relevant articles of the Budget Code) were suspended in the final provisions of the annual budget laws. Ukraine adhered to the fiscal regulations until 2020(inclusively), and the deviation from them in extraordinary circumstances is entirely reasonable.

Total return to the fiscal rules will be possible only after the end of the war. Since the level of public debt has already significantly exceeded the limit, it will be necessary to account for this in the public debt management strategy. It is recommended that relevant provisions be added to the Budget Code to the procedures for returning to the limits set by the fiscal rules. The EU describes the process of dealing with an excessive deficit procedure in a separate Regulation³⁴, and its relevant provisions should be implemented in national legislation. According to this regulation, an excessive deficit is supposed to be a temporary condition resulting in unforeseen circumstances. In case of an excessive deficit, the government must submit a plan of concrete actions to bring it to the regulatory level within a certain period of time, in the spirit of Article 104c of the Treaty on the Functioning of the European Union³⁵.

Another important step would be to establish the Fiscal Council, an institution that would monitor compliance with the rules and provide an independent assessment of the processes related to budget planning and performance, including macroeconomic forecasting, fiscal forecasting, and implementation of fiscal rules.

5.2.3. MEDIUM-TERM BUDGETARY FRAMEWORKS (CHAPTER V)

As part of a broad public finance reform after the Revolution of Dignity and the signing of the European Union-Ukraine Association Agreement, Ukraine switched to medium-term budget planning, developing and approving its historic first medium-term budget declaration for 2022-2024. However, after the outbreak of a full-scale war in February 2022, public finances changed significantly, and it was no longer possible to match the wartime budget figures with pre-war forecasts. Thus, medium-term budgetary planning in Ukraine was suspended at the very beginning of its implementation and resumed in June 2024 with the approval of the Budget Declaration for 2025-2027.

The Ukrainian medium-term budgetary framework is described in Article 33 of the Budget Code of Ukraine and only partially complies with the requirements of Directive 2011/85/EU (see Appendix 6: "FRAMEWORK

³³ [COMMUNICATION FROM THE COMMISSION TO THE COUNCIL on the activation of the general escape clause of the Stability and Growth Pact](#)

³⁴ [COUNCIL REGULATION \(EC\) No 1467/97](#)

³⁵ [Article 104c - EC Treaty \(Maastricht consolidated version\) Article 104. Member States shall avoid excessive government deficits](#)

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OF MEDIUM-TERM BUDGET PLANNING"). The main difference and the direction for the Ukrainian government's efforts is to include all public finance entities in the medium-term budget planning framework in line with the EU. The "general government sector"³⁶ means that in addition to the state budget, local budgets and budgets of social funds should also be included. Ukraine's first medium-term budgetary framework did not include this, while the second one (the Budget Declaration for 2025-2027) already considered the indicators of local budgets. Still, it is necessary to include social fund budgets and ensure that analytical fiscal indicators are comprehensive.

Regarding revenue planning and macroeconomic forecasting, the Ukrainian framework and Budget Declarations are generally in line with the Directive, as they contain a forecast of tax revenues and an analysis of related fiscal policies.

Medium-term budgetary planning also focuses on setting policy objectives and allocating the resources needed to achieve them, along with the corresponding planning of budget expenditures. Ukraine does not have a functional classification of budget expenditures, and the budget expenditure thresholds - presented in the Budget Declaration - are given in a programmatic form for the main spending units, whose objectives are not optimally formulated in most cases. The formal approach of describing the main areas of expenditures does not provide an opportunity to assess the effectiveness or efficiency of budget planning and the impact on achieving policy goals.

In addition, the directive requires an assessment of the long-term impact of fiscal policies on public finance indicators, which is currently not provided for in the Ukrainian Budget Declaration.

5.2.4. TRANSPARENCY OF GENERAL GOVERNMENT FINANCES AND COMPREHENSIVE SCOPE OF BUDGETARY FRAMEWORKS (CHAPTER VI)

This part of the directive refers to the comprehensiveness of information on the general government sector, which is currently lacking in the Ukrainian medium-term budgetary framework (Appendix 7. "TRANSPARENCY OF GENERAL GOVERNMENT FINANCES AND COMPREHENSIVE SCOPE OF THE BUDGETARY FRAMEWORK"). According to the Manual on Government Deficit and Debt³⁷, the sub-sectors of general government include the budget of the central government (ministries, departments, etc.), the budgets of state agencies, the budgets of local governments, and the budgets of social funds. Ukraine's medium-term budgetary planning framework covers only the sub-sectors that are part of the state budget - the central government budget and the budgets of state agencies. The adopted declaration for 2025-2027 also includes indicators of local budgets for 2025-2027. Still, the information is provided separately from the state budget

³⁶ Delimitation of the general government sector, [Manual on Government Deficit and Debt, Eurostat](#)

³⁷ Delimitation of the general government sector, [Manual on Government Deficit and Debt, Eurostat](#)

indicators and is not consolidated into data on the general government sector. This time, the declaration also does not provide information on the budgets of social funds.

Ideally, the medium-term budgetary framework should include consistent and complete information on the financial status and projections of all sub-sectors of general government, including local budgets and social fund budgets. This information should be collected in a uniform manner, using the same accounting and reporting procedures, to ensure the accuracy and comparability of the collected data. There should be coordination mechanisms between the sub-sectors to ensure coverage of all areas in terms of medium-term planning, fiscal rules, and forecasting. When Ukraine accedes to the EU, all this information will need to be submitted to the EU authorities.

All government agencies and funds that are not part of the national government budgets should be analysed to assess the impact of their financial condition and forecasts on public finances.

5.3. PUBLIC FINANCE CONTROL

The Treaty on the Functioning of the European Union sets out the following guidelines for the control of public finances within the framework of fiscal policy³⁸:

- The budget deficit should not exceed 3% of GDP
- Public debt should not exceed 60% of GDP.

In Ukraine's case, before the war and even after the COVID-19 crisis, the restrained budget policy and reforms introduced after 2015 allowed us to meet these criteria: the budget deficit in 2021 was 3.4% of GDP, and public and publicly guaranteed debt amounted to 49% of GDP³⁹.

Unfortunately, the full-scale war made it impossible to keep these targets in line. So far, in 2023⁴⁰, the officially published budget deficit has exceeded 20% of GDP, and the adjusted implied deficit, excluding grants and direct aid from budget revenues, has reached 38% of GDP. Due to the grant support, debt accumulation did not increase as rapidly as it could have, and public debt was kept at 84% of GDP at the end of 2023. The indicator will likely deteriorate in 2024, as the amount of grant aid is expected to decline, replacing it with long-term concessional loans.

During the war, Ukraine cannot and should not aim to achieve peacetime targets. However, a few years after the war, when the economy recovers, it will likely be necessary to reduce debt levels and return to a policy of restrained budget deficits. For now, this is neither possible nor advisable. The European Commission agrees

³⁸ [Consolidated version of the Treaty on European Union - PROTOCOLS - Protocol \(No 12\) on the excessive deficit procedure](#)

³⁹ [Budget Performance Review 2021, Centre for Economic Strategy, 3 February 2012](#)

⁴⁰ [Budget Performance Review 2023, Centre for Economic Strategy, 7 May 2014](#)

with this, noting that since a full-scale invasion of the Russian Federation requires extraordinary economic policy measures, there can be no progress in this area yet.

However, it is possible to return to some peacetime policies now without waiting until the war is over. This includes medium-term budget planning, of course, with adjustments to make it more flexible given the war's unpredictability.

5.4. STATISTICS AND FORECASTING

Economic and monetary policy must be evidence-based - this is one of the EU's key principles of public administration. Accordingly, the quality of statistical data plays an important role.

Chapter II of Directive 2011/85/EU defines the principles of statistics and forecasting in the field of economic policy, in particular:

- Obliges all EU Member States to use the unified standard of the European System of Accounts (ESA, European System of Accounts 2010).
- Stipulates that national accounting systems are subject to regular and independent audits.
- Obliges all EU Member States to publish in a timely and regular manner fiscal data for all subsectors of the public administration sector, including cash-based fiscal data (monthly for central government, state government and social security subsectors, quarterly for the local government subsector) and a detailed reconciliation table showing the methodology for the transition between cash-based data.

Furthermore, the regulations detail the provisions on macro statistics. In particular, Regulation (EU) 2016/792⁴¹ and Implementing Regulation (EU) 2020/1148⁴² establish a common framework for the development, production and distribution of harmonised indices of consumer prices (HICP) and house price index (HPI) in the EU Member States. These regulations aim to ensure consistency in measuring inflation across countries by unifying the calculation methodology and the frequency of Eurostat's data submission (monthly for the consumer price indices and quarterly for house price indexes).

Ukraine is somewhat ready for accession in the context of macroeconomic and public finance statistics but has not demonstrated significant progress in recent years. Macroeconomic statistics align with European standards, but the frequency of reporting and data transmission to Eurostat remains challenging. Public finance statistics are published according to the IMF methodology, not the ESA 2010. In addition, statistical indicators directly related to excessive debt procedures have not been published nor provided to Eurostat⁴³.

⁴¹ [Regulation - 2016/792 - EN - EUR-Lex \(europa.eu\)](#)

⁴² [Implementing regulation - 2020/1148 - EN - EUR-Lex \(europa.eu\)](#)

⁴³ [Ukraine Report 2023 - European Commission \(europa.eu\)](#)

6. CANDIDATE COUNTRIES' EXPERIENCE

In this section, we analyse the key challenges for the candidate countries of the Western Balkans and Turkey in terms of economic and monetary policy approximation to European standards and practices.

6.1. MONETARY POLICY

Generally, there are two key criteria for assessing the quality of monetary policy in EU candidate countries. The first relates to central banks' institutional, financial, and operational independence. For example, despite significant progress in meeting the fundamental economic accession criteria, Serbia still needs to introduce changes to the legislation governing the National Bank to ensure its independence from the government and guarantee that it cannot monetise public debt⁴⁴. Albania also needs to legally guarantee the central bank's independence and prohibit government financing⁴⁵, a similar problem in Bosnia and Herzegovina⁴⁶. The European Commission also has some concerns about the independence of Turkey's central bank and highlights the inadequate monetary policy measures that have led to high inflation⁴⁷. North Macedonia should exclude the central bank from the scope of legislation governing public officials; the central bank should function without getting government approval⁴⁸.

The Commission's second assessment criteria relate to the objectives and instruments of monetary policy. In line with European principles, central banks should aim to target inflation, and monetary policy instruments should minimise free market disturbances caused by public intervention. Open market operations, minimum reserve requirements, and "standing facilities" such as margin lending and the deposit facility are considered sufficient instruments of central bank policy.

6.2. FISCAL POLICY (ECONOMIC POLICY)

Similar to Ukraine, most candidate countries failed to fully implement European economic policy legislation as of 2023. Turkey managed to introduce medium-term budgetary planning for 2023-2025⁴⁹. North Macedonia has also made some progress in this area by establishing quantitative frameworks for public debt limits and budget deficits in its legislation⁵⁰. However, Serbia⁵¹ and Bosnia and Herzegovina⁵² have not made

⁴⁴ [Serbia enlargement report 2023](#)

⁴⁵ [Albania enlargement report 2023](#)

⁴⁶ [Bosnia and Herzegovina enlargement report 2023](#)

⁴⁷ [Türkiye enlargement report 2023](#)

⁴⁸ [North Macedonia enlargement report 2023](#)

⁴⁹ [Türkiye enlargement report 2023](#)

⁵⁰ [North Macedonia enlargement report 2023](#)

⁵¹ [Serbia enlargement report 2023](#)

⁵² [Bosnia and Herzegovina enlargement report 2023](#)

significant progress in implementing the European budgetary framework. The Commission notes that Albania has no independent fiscal authority to ensure compliance with fiscal rules and proper macroeconomic forecasting (instead, the candidate country relies on IMF projections, which is inconsistent with the European acquis⁵³). The vast majority of candidate countries have difficulties with the transition to the ESA 2010 standard, similar to Ukraine.

7. CONCLUSIONS AND RECOMMENDATIONS

The challenges of a full-scale war make it impossible for Ukraine to fully align with EU standards, especially in terms of quantitative limits on public debt and budget deficit. However, implementing EU principles and practices in some areas is possible, even under current circumstances. Below, we provide recommendations for the most priority steps in aligning Ukrainian legislation with the European acquis governing economic and monetary policy.

7.1. MONETARY POLICY

The European Commission expects candidate countries to implement monetary policies based on a market-based approach. This means that national banks can rely on open market operations, minimal reserve requirements, and "standing facilities" such as margin lending and deposit facilities instead of applying transaction restrictions and other instruments that distort the allocative efficiency of the money market. Inflation targeting should be a priority for national banks to maintain financial stability, and legislation regulating central banks should contain provisions prohibiting debt monetisation. The NBU is implementing monetary policy in line with the European model despite the challenges of a full-scale war. Thus, our recommendations are as follows:

- Continue implementing the transition strategy to inflation targeting and a flexible exchange rate regime.
- Do not use debt monetisation. In addition, central banks that are members of the European System of Central Banks must be institutionally, operationally, and personally independent from the government. Regarding this requirement, the Law on the National Bank of Ukraine contains provisions similar to the Treaty on European Union and the Functioning of the European Union (and Protocol No. 4). However, the current procedure for dismissal of NBU Council members does not fully guarantee the independence of the NBU.

⁵³ [Albania enlargement report 2023](#)

- It is necessary to introduce a judicial procedure for dismissing the NBU Council members to prevent unlawful dismissals and, therefore, strengthen the NBU's independence.

7.2. BUDGETARY FRAMEWORK AND MEDIUM-TERM BUDGET PLANNING

Since Ukraine will be obliged to comply with the common budgetary framework for EU Member States, which is still significantly different from Ukrainian practice, it should be implemented now. According to the chapters of Directive 2011/85/EU, the following recommendations for Ukraine can be highlighted:

- **Macroeconomic forecasting (Chapter III Forecasts)**
 - Introduce a section in the Budget Declaration taking into account different macroeconomic scenarios and their impact on the budget. The Ministry of Economy is already preparing such scenarios, and the only thing remaining is an assessment of its fiscal impact.
 - Introduce a practice of regular independent evaluation and post-evaluation of macroeconomic and fiscal forecasts. This can be done by establishing a specialised institution (Fiscal Council) or assigning this function to one of the existing institutions (Accounting Chamber, Public Council under the Ministry of Finance, National Institute for Strategic Studies, or other body) and providing appropriate funding for this function.
- **Numerical Fiscal Rules (Chapter IV)**
 - To describe in the Budget Code the consequences of violating fiscal rules and the mechanism for bringing fiscal rules back in force in case of violation.
 - To assign to the Fiscal Council (or another institution) the function of monitoring compliance with the rules and independent evaluation of budget planning and performance processes, including the implementation of fiscal rules.
- **Medium-term budgetary frameworks (Chapter V)**
 - Include in the framework of medium-term budget planning all entities of the "general government sector" from the EU perspective, i.e., local budgets and budgets of social funds, in the forms of separate data and consolidated indicators for the general government sector.
 - Revise the strategic planning system for a clearer definition of budget expenditure targets and their reflection in the medium-term budget framework, including policy descriptions.
 - Amend the Budget Declaration with a forecast of expenditures by functional classification, separately by sub-sectors and by the sector of general government in total.
 - Amend the Budget Declaration with an assessment of the long-term impact of policies on public finances.
- **Transparency of general government finances and comprehensive scope of budgetary frameworks (Chapter VI)**
 - Ensure that the medium-term budget planning framework provides consistent and complete information on the financial situation and projections of all sub-sectors of the general government sector, including local budgets and budgets of social funds, collected in a consistent

- way, using the same accounting and reporting procedures, to ensure that the data collected is correct and comparable and in line with the requirements for reporting to EU statistics bodies.
- To amend the Budget Declaration with an analysis of the impact on the general government budget of the finances of state bodies and funds that are not part of the general government budget.

7.3. CROSS-CUTTING ISSUES: STATISTICS

Although public statistics is a separate negotiating chapter, its performance directly affects the ability to develop and implement evidence-based public policies. In particular, access to reliable macroeconomic and public finance statistics is necessary to comply with the macroeconomic imbalance procedure, the excessive debt procedure, etc. Access to statistics is partially limited due to the war. However, the quality of public finance statistics can be improved by implementing ESA 2010 standards. In addition, it is necessary to provide Eurostat data on a regular basis and publish key indicators for the macroeconomic imbalance procedure (see the list of missing indicators in Appendix 1. "CURRENT INDICATORS OF THE MACROECONOMIC IMBALANCE PROCEDURE AND ITS THRESHOLDS").

APPENDIX 1. CURRENT INDICATORS OF THE MACROECONOMIC IMBALANCE PROCEDURE AND ITS THRESHOLDS

The Macroeconomic Imbalance Procedure (MIP) is a supervisory mechanism established by the European Union to identify, prevent, and correct potential macroeconomic imbalances that could adversely affect economic stability. Below is a list of key MIP indicators and their current thresholds. The values of the respective indicators for Ukraine illustrate the level of readiness for accession in the context of macro-stability (as the war has seriously affected all aspects of the economy, we provide data for 2021 and the most recent data)

Indicator	Thresholds	Ukraine's indicators
3-year backward moving average of the current account balance as a percent of GDP	+ 6% / -4%	As of the end of 2021: -0.51% As of the end of 2023: -1.27% ⁵⁴
net international investment position as a percent of GDP	-35%	As of the end of 2021: no data available As of the end of 2023: -5.9% ⁵⁵
5-year percentage change of export market shares measured in values	-6%	As of the end of 2021: 30.8% As of the end of 2022: -22.0% ⁵⁶
3-year percentage change in nominal unit labour cost	+ 9% for Eurozone countries; + 12% for non-Eurozone countries	As of the end of 2021: 33.5% As of the end of 2023: 24.5% ⁵⁷
3-year percentage change of the real effective exchange rates based on HICP/CPI deflators relative to 41 other industrial countries	+ 5% for Eurozone countries; + 11% for non-Eurozone countries	Not relevant for Ukraine due to temporary restrictions on currency transactions during martial law
private sector debt (consolidated) in % of GDP	133%	As of the end of 2021: 23.6% As of the end of 2022: 23.5% ⁵⁸
private sector credit flow in % of GDP	14%	As of the end of 2021: 1.5%

⁵⁴ CES calculation based on [State Statistics Service](#) and [NBU](#) data.

⁵⁵ CES calculation based on [State Statistics Service](#) and [NBU](#) data.

⁵⁶ CES calculation based on [World Bank](#) data.

⁵⁷ CES calculation based on [State Statistics Service](#) data.

⁵⁸ [Domestic credit to private sector \(% of GDP\) | Data \(worldbank.org\)](#)

		As of the end of 2022: -5.7% ⁵⁹
year-on-year changes in house prices relative to a Eurostat consumption deflator	+ 6%	As of the end of 2021: 5.0% As of the end of 2023: -5.4% ⁶⁰
general government sector debt in % of GDP	60%	As of the end of 2021: 43% As of the end of 2023: 79% ⁶¹
3-year backward moving average of the unemployment rate	10%	As of the end of 2021: 9.2% As of the end of 2023: 16.7% ⁶²
year-on-year changes in total financial sector liabilities	+ 16.5%	No relevant statistics available.
3-year change in p.p. of the activity rate	-0.2%	As of the end of 2021: 2.3% As of the end of 2023: no data available
3-year change in p.p. of the long-term unemployment rate	+ 0.5%	As of the end of 2021: 1.4% ⁶³ As of the end of 2023: no data available
3-year change in p.p. of the youth unemployment rate	+ 2%	No relevant statistics available.

Source: [Scoreboard - European Commission \(europa.eu\)](https://ec.europa.eu/eurostat/).

APPENDIX 2. COMPARISON OF KEY PRINCIPLES OF MONETARY POLICY FORMULATION AND IMPLEMENTATION IN THE EU AND UKRAINE

Provisions of the Treaty on European Union and the Treaty on the Functioning of the European Union and Protocol № 4	Provisions of the Law “On the National Bank of Ukraine”
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⁵⁹ CES calculation based on [Domestic credit to private sector \(% of GDP\) | Data \(worldbank.org\)](https://data.worldbank.org/)

⁶⁰ CES calculation based on [State Statistics Service](https://www.ukrstat.gov.ua/) (we used the Ukrainian deflator for calculations).

⁶¹ CES calculation based on open data.

⁶² CES calculation based on [NBU](https://www.ukrstat.gov.ua/) data (tab 2.16).

⁶³ CES calculation based on the [State Statistics Service](https://www.ukrstat.gov.ua/) data.

<p>TFEU, Article 123(1). Overdraft facilities or any other type of credit facility with the European Central Bank or with the central banks of the Member States (hereinafter referred to as ‘national central banks’) in favour of Union institutions, bodies, offices or agencies, central governments, regional, local or other public authorities, other bodies governed by public law, or public undertakings of Member States shall be prohibited, as shall the purchase directly from them by the European Central Bank or national central banks of debt instruments</p>	<p>Article 54. Ban on Lending to the State</p> <p>The NBU must not grant loans in the national or foreign currency, both directly and indirectly, through a public institution or other legal entity whose property is state-owned, with the purpose of financing the State Budget of Ukraine.</p> <p>The NBU must not purchase in the primary market any securities issued by the Cabinet of Ministers of Ukraine, a public institution or other legal entity whose property is state-owned.</p>
<p>TFEU, Article 130. When exercising the powers and carrying out the tasks and duties conferred upon them by the Treaties and the Statute of the ESCB and of the ECB, neither the European Central Bank, nor a national central bank, nor any member of their decision-making bodies shall seek or take instructions from Union institutions, bodies, offices or agencies, from any government of a Member State or from any other body. The Union institutions, bodies, offices or agencies and the governments of the Member States undertake to respect this principle and not to seek to influence the members of the decision-making bodies of the European Central Bank or of the national central banks in the performance of their tasks</p>	<p>Article 4. Economic Independence</p> <p>The NBU shall be an economically independent body that carries out expenditures at the expense of its own revenues, and in the cases specified by this Law – also at the expense of the funds of the State Budget of Ukraine. The NBU shall be a legal entity with separated property that is the subject to the public property rights and is allocated to the NBU under the terms of its full economic control. The NBU shall not be liable for or assume the commitments of government bodies; the government bodies shall not be liable for the NBU’s commitments, unless they voluntarily assume such a commitment. The NBU shall not be liable for or assume the commitments of financial institutions; financial institutions shall not be liable for the NBU’s commitments, unless they voluntarily assume such a commitment. To ensure discharge of its activities and performance of the functions defined herein, the NBU shall have the right to establish enterprises, institutions, standalone subdivisions (branches and representative offices in Ukraine, as well as representative offices of the NBU abroad). The NBU, its enterprises, institutions, standalone units</p>

	<p>(branches and representative offices in Ukraine, as well as NBU representative offices abroad) shall have a seal bearing the Coat of Arms of Ukraine and their respective names.</p> <p>Article 53. Guarantees of Non-Interference</p> <p>Any interference of the public authorities, other public institutions or their officials, any legal entities or individuals in the exercise of functions and powers of the NBU, NBU Council, NBU Board or the NBU employees shall be prohibited, except for within the limits stipulated by the Constitution of Ukraine and this Law.</p> <p>The NBU shall report to the public authorities and other public institutions and furnish them with information in the cases set forth by the Constitution of Ukraine and this Law.</p> <p>All matters related to the NBU functions may only be defined and altered by this Law. Any provision of this Law may only be changed by amending the Law.</p>
<p>Protocol № 4, Article 14. National central banks.</p> <p>In accordance with Article 131 of the Treaty on the Functioning of the European Union, each Member State shall ensure that its national legislation, including the statutes of its national central bank, is compatible with these Treaties and this Statute.</p> <p>The statutes of the national central banks shall, in particular, provide that the term of office of a Governor of a national central bank shall be no less than five years.</p> <p>A Governor may be relieved from office only if he no longer fulfils the conditions required for the performance of his duties or if he has been guilty of serious misconduct. A decision to this effect may be</p>	<p>Article 18. Appointment and Dismissal of the NBU Governor.</p> <p>The NBU Governor shall be nominated by the President of Ukraine and appointed by the Verkhovna Rada of Ukraine for the period of seven years.</p> <p>The NBU Governor cannot serve more than two consecutive terms.</p> <p>A citizen of Ukraine permanently residing in Ukraine and having full higher education in economics or finance, or academic degree in these fields as well as experience of work of not less than 10 years</p>

<p>referred to the Court of Justice by the Governor concerned or the Governing Council on grounds of infringement of these Treaties or of any rule of law relating to their application. Such proceedings shall be instituted within two months of the publication of the decision or of its notification to the plaintiff or, in the absence thereof, of the day on which it came to the knowledge of the latter, as the case may be</p>	<p>in the legislative bodies or on managerial positions in other state authorities and the state agencies ensuring the implementation of the state financial, economic or legal policies, or on managerial positions in international financial organizations, or on managerial positions in a bank, or scientific research experience in the field of finance, economics or laws, who is able to hold this position due to their business, moral qualities and state of health, as well as there is no information about such a person in the Unified State Register of Persons Who Have Committed Corruption or Corruption Related Offenses, may be the NBU Governor.</p> <p>A person cannot be appointed the NBU Governor, if they has a representation mandate or is a (former) head of a public authority, other government body, Chairperson or a member of the NBU Council (other than NBU Governor), if they left office less than a year ago; or is a public servant, or a leader of a political party or a member of the governing body of a political party, or is an employee of a legal entity, including its head or a member of the governing body of the legal entity (except for the NBU and other legal entities where the participation of NBU representative in governing bodies is required by the law or some shares (stakes) are owned by the NBU), or owns directly or indirectly shares (stakes) of a legal entity subject to the NBU's regulation and supervision. During their tenure the NBU Governor shall suspend membership in any political party.</p>
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<p>Protocol № 4, Article 18. Open market and credit operations.</p> <p>In order to achieve the objectives of the ESCB and to carry out its tasks, the ECB and the national central banks may:</p> <ul style="list-style-type: none"> • operate in the financial markets by buying and selling outright (spot and forward) or under repurchase agreement and by lending or borrowing claims and marketable instruments, whether in euro or other currencies, as well as precious metals; • conduct credit operations with credit institutions and other market participants, with lending being based on adequate collateral 	<p>Article 25. Monetary Policy Instruments.</p> <p>The NBU shall conduct monetary policy by using the following instruments:</p> <ol style="list-style-type: none"> 1) setting and regulating reserve requirements for banks 2) interest rate policy 3) refinancing of banks 4) foreign exchange interventions (purchase and sale of currency assets in the foreign exchange markets) 5) open market operations with securities (excluding corporate rights), treasury notes included 6) regulation of the capital import and export 7) introduction of obligatory sale of a portion of earnings in foreign currency for the period of up to six months 8) change in the settlement periods for transactions on exports and imports of goods 9) issue of own debt instruments and operations with them 10) transactions with derivative financial instruments.
<p>Protocol № 4, Article 19. Minimum reserves.</p> <p>ECB may require credit institutions established in Member States to hold minimum reserve on accounts with the ECB and national central banks in pursuance of monetary policy objectives. Regulations concerning the calculation and determination of the required minimum reserves may be established by the Governing Council. In cases of non-compliance the ECB shall be entitled to levy penalty interest and to impose other sanctions with comparable effect</p>	<p>The NBU shall be entitled, but not obliged, to grant credits for refinancing of the bank, unless this is associated with risks to the banking system.</p>
<p>Protocol № 4, Article 23. External operations.</p> <p>The ECB and national central banks may:</p> <ul style="list-style-type: none"> • establish relations with central banks and financial institutions in other countries and, where appropriate, with international organisations; • acquire and sell spot and forward all types of foreign exchange assets and precious metals; the term "foreign exchange asset" 	<p>Article 43. Participation in International Organizations</p> <p>The NBU shall be entitled to take part in the formation of capital and activities of international organizations under international treaties, to which Ukraine is a party, as well as according to agreements between the NBU and other central banks.</p>

<p>shall include securities and all other assets in the currency of any country or units of account and in whatever form held;</p> <ul style="list-style-type: none"> • hold and manage the assets referred to in this Article; • conduct all types of banking transactions in relations with third countries and international organisations, including borrowing and lending operations. 	
<p>Protocol № 4, Article 27. Auditing.</p> <p>The accounts of the ECB and national central banks shall be audited by independent external auditors recommended by the Governing Council and approved by the Council. The auditors shall have full power to examine all books and accounts of the ECB and national central banks and obtain full information about their transactions.</p>	<p>Article 70. External Audit</p> <p>The audit of the NBU’s annual financial statements that have been produced according to the international financial reporting standards shall be carried out at least once a year by an audit firm that has experience in making audits of central bank financial reporting. Audits of the NBU’s annual financial statements shall be carried out in compliance with international auditing standards. The NBU Council shall approve an audit firm for the audit of the NBU’s annual financial statements based on the procurement procedure pursuant to the laws on public procurement. The same audit firm is not allowed to perform audits of the NBU’s annual financial statements for</p>

	<p>more than 10 consecutive years.</p> <p>In monitoring how money is received and spent by Ukraine's state budget, the Accounting Chamber checks how the targets of NBU administrative expenses are met.</p>
<p>Protocol № 4, Article 32. Allocation of monetary income of national central banks.</p> <p>The income accruing to the national central banks in the performance of the ESCB's monetary policy function (hereinafter referred to as "monetary income") shall be allocated at the end of each financial year in accordance with the provisions of this Article.</p> <p>The amount of each national central bank's monetary income shall be equal to its annual income derived from its assets held against notes in circulation and deposit liabilities to credit institutions. These assets shall be earmarked by national central banks in accordance with guidelines to be established by the Governing Council.</p>	<p>Article 5-1. Distributable Profit</p> <p>The NBU activities shall not be profit-oriented.</p> <p>The NBU defines its distributable profit as a portion of profit net of unrealized gains. The NBU's unrealized gains are recognized in a revaluation reserve.</p> <p>A gain becoming realized in the following periods is recognized in the distributable profit of the respective reporting periods.</p> <p>The NBU shall compensate the amount of excess of the unrealized loss over the revaluation reserve amount at the expense of current year profit and, if it is not sufficient, at the expense of general provisions.</p> <p>Upon validation by an external auditor and approval by the NBU Council of the NBU's annual financial statements, the NBU shall use distributable profit to create general reserves at the level of 10 percent of the NBU's average annual monetary liabilities according to the procedure established by the NBU.</p> <p>The NBU Council may also decide to use the distributable profit for the NBU's authorized capital increase.</p> <p>After the part of distributable profit has been used for the purposes defined in paragraphs five and six of this Article, the rest of distributable profit shall be transferred to the State Budget in full.</p> <p>The NBU shall not transfer to the State Budget of Ukraine the portion of distributable profit that</p>

	exceeds the one declared in the audited financial statements approved by the NBU Council.
<p>Article 37. Professional secrecy</p> <p>Members of the governing bodies and the staff of the ECB and the national central banks shall be required, even after their duties have ceased, not to disclose information of the kind covered by the obligation of professional secrecy.</p> <p>Persons having access to data covered by Union legislation imposing an obligation of secrecy shall be subject to such legislation.</p>	<p>Article 66. Protection of Secrets.</p> <p>The NBU officials, both during and after their term of office, are prohibited from disclosing the information, which constitutes the state secret, banking secret, or is of confidential nature and which has come to their knowledge in the course of the performance of their official duties, except for the cases specified by the laws of Ukraine.</p>

APPENDIX 3. ESSENTIAL COMPONENTS OF THE BUDGET FRAME- WORK DEFINED BY DIRECTIVE 2011/85/EU

Budgetary framework components	Ukraine's status
(a) systems of budgetary accounting and statistical reporting.	Available ⁶⁴ .
(b) rules and procedures governing the preparation of forecasts for budgetary planning.	Available ⁶⁵ .
(c) country-specific numerical fiscal rules, which contribute to the consistency of Member States' conduct of fiscal policy with their respective obligations under the TFEU, expressed in terms of a summary indicator of budgetary performance, such as the government budget deficit, borrowing, debt, or a major component thereof.	Available, but postponed due to the war in the final amendments of the relevant budget laws (since the beginning of the war, the following provisions of the Budget Code of Ukraine have been suspended: the state budget deficit for each year of the medium-term period should not exceed 3% of the forecast nominal GDP of Ukraine; the total amount of public debt and publicly

⁶⁴ [The Budget Code of Ukraine | 08.07.2010 № 2456-VI \(rada.gov.ua\)](#), Chapter 10. On accounting and reporting on the State Budget of Ukraine.

⁶⁵ [The Budget Code of Ukraine | 08.07.2010 № 2456-VI \(rada.gov.ua\)](#), articles 33, 75 and 75¹.

	guaranteed debt at the end of the budget period should not exceed 60% of the annual nominal GDP of Ukraine).
(d) budgetary procedures comprising procedural rules to underpin the budget process at all stages.	Available ⁶⁶ .
(e) medium-term budgetary frameworks as a specific set of national budgetary procedures that extend the horizon for fiscal policy-making beyond the annual budgetary calendar, including the setting of policy priorities and of medium-term budgetary objectives.	Available, but postponed due to war. In 2023, the Ministry of Finance published the document ‘State Budget Indicators for 2025-2026’ instead of the Budget Declaration and planned to return to the practice of medium-term budget planning, so in 2024, the Cabinet of Ministers approved the Budget Declaration for 2025-2027.
(f) arrangements for independent monitoring and analysis, to enhance the transparency of elements of the budget process.	Not available.
(g) mechanisms and rules that regulate fiscal relationships between public authorities across sub-sectors of general government.	Available.

APPENDIX 4. ASSESSMENT OF UKRAINE'S IMPLEMENTATION OF THE DIRECTIVE 2011/85/EU PROVISIONS ON MACROECONOMIC FORECASTING

Chapter III. Forecasts, article 4	Implementation status in Ukraine
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⁶⁶ [The Budget Code of Ukraine | 08.07.2010 № 2456-VI \(rada.gov.ua\)](https://rada.gov.ua/).

<p>1. Member States shall ensure that fiscal planning is based on realistic macroeconomic and budgetary forecasts using the most up-to-date information. Budgetary planning shall be based on the most likely macrofiscal scenario or on a more prudent scenario. The macroeconomic and budgetary forecasts shall be compared with the most updated forecasts of the Commission and, if appropriate, those of other independent bodies. Significant differences between the chosen macrofiscal scenario and the Commission's forecast shall be described with reasoning, in particular if the level or growth of variables in external assumptions departs significantly from the values contained in the Commission's forecasts.</p>	<p>Planning in Ukraine is based on the most realistic macroeconomic forecast, chosen from several scenarios presented by the Ministry of Economy. At this stage, comparison with the European Commission's macro forecast for Ukraine is not relevant.</p>
<p>2. The Commission shall make public the methodologies, assumptions and relevant parameters that underpin its macroeconomic and budgetary forecasts.</p>	<p>Not relevant for Ukraine.</p>
<p>3. In order to support Member States in preparing their budgetary forecasts, the Commission shall provide forecasts for the expenditure of the Union based on the level of expenditure programmed within the multiannual financial framework.</p>	<p>Not relevant for Ukraine.</p>
<p>4. Within the framework of a sensitivity analysis, the macroeconomic and budgetary forecasts shall examine paths of main fiscal variables under different assumptions as to growth and interest rates. The range of alternative assumptions used in macroeconomic and budgetary forecasts shall be guided by the performance of past forecasts and shall endeavour to take into account relevant risk scenarios.</p>	<p>Ukraine has alternative macroeconomic scenarios, but alternative scenarios for budget revenues and expenditures are not published. They are addressed in the section of the Budget Declaration 'Assessment of Fiscal Risks and Their Impact on State Budget Indicators'. However, the latest document ('State Budget Indicators for 2025-2026') does not provide a quantitative assessment of the impact of changes to interest rates or growth. The impact of war scenarios on the budget is also not provided.</p>

<p>5. Member States shall specify which institution is responsible for producing macroeconomic and budgetary forecasts and shall make public the official macroeconomic and budgetary forecasts prepared for fiscal planning, including the methodologies, assumptions and relevant parameters underpinning those forecasts. At least annually, the Member States and the Commission shall engage in a technical dialogue concerning the assumptions underpinning the preparation of macroeconomic and budgetary forecasts.</p>	<p>Macroeconomic forecasts, as well as assumptions, are presented fully in the media. The Ministry of Economy meets with think tanks and experts to discuss forecasts and assumptions regularly. However, the forecasting of state budget revenues and expenditures is not transparent. While the methodology of the revenue forecast is usually presented in the accompanying documents to the budget submission to the Verkhovna Rada, there has been no public discussion of the forecasts for several years, and expenditure forecasts have never been discussed in public and are carried out within the interagency processes of the Ministry of Finance and line ministries according to the budget calendar.</p>
<p>6. The macroeconomic and budgetary forecasts for fiscal planning shall be subject to regular, unbiased and comprehensive evaluation based on objective criteria, including ex post evaluation. The result of that evaluation shall be made public and taken into account appropriately in future macroeconomic and budgetary forecasts. If the evaluation detects a significant bias affecting macroeconomic forecasts over a period of at least 4 consecutive years, the Member State concerned shall take the necessary action and make it public.</p>	<p>No assessment of macroeconomic development forecasts or budget revenues and expenditures is performed.</p>
<p>7. Member States' quarterly debt and deficit levels shall be published by the Commission (Eurostat) every 3 months.</p>	<p>Not relevant for Ukraine.</p>

APPENDIX 5. FISCAL RULES IN ACCORDANCE WITH THE DIRECTIVE 2011/85/EU

Chapter IV. Numerical Fiscal Rules, articles 5-7	Implementation status in Ukraine
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Compliance with the reference values on deficit and debt set in accordance with the TFEU.	The state budget deficit for each year of the medium-term period, as defined in the Budget Declaration, may not exceed 3 per cent of the forecast nominal gross domestic product of Ukraine for the corresponding year (Article 14, Chapter 3 of the Budget Code). The total amount of public debt and publicly guaranteed debt at the end of the budget period may not exceed 60 per cent of the annual nominal gross domestic product of Ukraine (Article 18, Chapter 3 of the Budget Code). Both regulations are suspended for the period of war-time.
The adoption of a multiannual fiscal planning horizon, including adherence to the Member State's medium-term budgetary objective.	Available. In 2023, the Ministry of Finance published the document 'State Budget Indicators for 2025-2026' instead of the Budget Declaration. for 2025-2026', and in 2024, the Cabinet of Ministers approved the Budget Declaration for 2025-2027. (Art. 33, Chapter 5 Preparation and Approval of the Budget Declaration).
Country-specific numerical fiscal rules: the target definition and scope of the rules.	Not provided.
Country-specific numerical fiscal rules: the consequences in the event of non-compliance.	Not provided.
Country-specific numerical fiscal rules: the effective and timely monitoring of compliance with the rules, based on reliable and independent analysis carried out by independent bodies or bodies endowed with functional autonomy vis-à-vis the fiscal authorities of the Member States.	There is no independent monitoring framework provided, although the Ministry of Finance regularly publishes data on the deficit and public debt.
If numerical fiscal rules contain escape clauses, such clauses shall set out a limited number of specific circumstances consistent with the Member States' obligations deriving from the TFEU in the area of budgetary policy, and stringent procedures in which temporary non-compliance with the rule is permitted.	The fiscal rules (like articles of the Budget Code) may be suspended by a law on budget (amendments to the law on budget) of the corresponding year. This is what happened during the war. There are no other actions in case of violation of fiscal rules at the legislative level.

The annual budget legislation of the Member States shall reflect their country-specific numerical fiscal rules in force.	The annual budgets reflect the fiscal rules, but they were postponed during the war.
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APPENDIX 6. FRAMEWORK OF MEDIUM-TERM BUDGET PLANNING

Chapter V. Medium-term Budgetary Frameworks	Analysis of the relevant provisions of Ukrainian legislation
Member States shall establish a credible, effective medium-term budgetary framework providing for the adoption of a fiscal planning horizon of at least 3 years to ensure that national fiscal planning follows a multi-annual fiscal planning perspective.	Available. In 2023, the Ministry of Finance published the document “State Budget Indicators for 2025–2026” instead of the Budget Declaration, and in 2024, the Cabinet of Ministers of Ukraine approved the Budget Declaration for 2025–2027 (Art. 33, Ch. 5: Drafting and Approval of the Budget Declaration).
(a) comprehensive and transparent multiannual budgetary objectives in terms of the general government deficit, debt and any other summary fiscal indicator such as expenditure, ensuring that these are consistent with any numerical fiscal rules as provided for in Chapter IV in force.	According to the Directive and Article 33 of the Budget Code of Ukraine, the Budget Declaration in Ukraine includes indicators of the state budget deficit, state and guaranteed debt, and the thresholds on state budget expenditures. Before the war, the indicators in the Budget Declaration adhered to established fiscal rules. Following the full-scale invasion, the Budget Declaration for 2025-2027 deviated from these established fiscal rules, which were suspended during the wartime period. However, the Ukrainian Budget Declaration does not include indicators for social funds. The Directive stipulates that it should encompass all general government finances — the general government sector — which includes the state budget, local budgets (together comprising the consolidated budget), and social fund budget.

<p>(b) projections of each major expenditure and revenue item of the general government with more specifications on the central government and social security level, for the budget year and beyond, based on unchanged policies.</p>	<p>The Budget Declaration includes projections of expenditures and revenues for both the state and local budgets, but it does not include the social fund budgets (see above). Additionally, there is no consolidated information on the finances of the general government sector. A detailed description of tax rates and taxation policies covers the state budget revenue forecast in the Budget Declaration. Expenditures are not forecasted by functional category, and expenditure thresholds are described according to the program method. Although the goals of budget spending units are specified, these goals are not formulated in the best way, often describing resources or processes rather than public policy goals. The Declaration also includes projections for local budgets for 2025-2027, specifically revenues, intergovernmental transfers, expenditures, and reverse subsidies.</p>
<p>(c) a description of medium-term policies envisaged with an impact on general government finances, broken down by major revenue and expenditure item, showing how the adjustment towards the medium-term budgetary objectives is achieved compared to projections under unchanged policies.</p>	<p>The Budget Declaration in Ukraine describes the main revenue projections and the expected government policy in this area. In terms of expenditures, the Budget Declaration for 2022-2024 limited the description of such policies to the expected policies in the social protection sector (subsistence minimum, minimum wage, social standards) and in the public sector remuneration. In the Budget Declaration for 2025-2027, the expenditure part focuses on social protection, veterans' policies, and national security and defence. The other policies are mentioned formally in both declarations, without any clear goals or means of state policy in these sectors.</p>
<p>(d) an assessment as to how in the light of their direct long-term impact on general government finances, the policies envisaged are likely to affect the long-term sustainability of the public finances.</p>	<p>No such assessment was made.</p>

<p>Projections adopted within medium-term budgetary frameworks shall be based on realistic macroeconomic and budgetary forecasts in accordance with Chapter III</p>	<p>The Budget Declaration is based on the macroeconomic forecast developed by the Ministry of Economy and embedded in the Budget Declaration.</p>
<p>Article 10. Annual budget legislation shall be consistent with the provisions of the medium-term budgetary framework. Specifically, revenue and expenditure projections and priorities resulting from the medium-term budgetary framework as set out in Article 9(2) shall constitute the basis for the preparation of the annual budget. Any departure from those provisions shall be duly explained.</p>	<p>Ukraine has extremely limited experience in implementing medium-term planning. The first Budget Declaration was for the years 2022-2024, followed by a full-scale invasion in 2022, and in 2024 the Budget Declaration for 2024-2027 was approved. Formally, the budget should be based on the Budget Declaration. However, Ukraine had no chance to test in practice how well the annual budgets complied with the Budget Declaration. The common peacetime practice of making frequent changes to the state budget throughout the year may be a challenge to adhere to this norm. Moreover, in times of war, the probability of changes is much higher, and the budget may, for objective reasons, go beyond the declaration, despite the fiscal space allocated.</p>
<p>Article 11. No provision of this Directive shall prevent a Member State's new government from updating its medium-term budgetary framework to reflect its new policy priorities. In this case, the new government shall indicate the differences from the previous medium-term budgetary framework.</p>	<p>The government may make necessary amendments by updating the Budget Declaration annually. The Budget Declaration for the next year is based on the Budget Declaration approved in the previous period and may be amended if macroeconomic forecasts deviate from the updated values, if the projected budget indicators deviate from the actual values, or if new laws and regulations affecting public finance indicators are adopted.</p>

APPENDIX 7. TRANSPARENCY OF GENERAL GOVERNMENT FINANCES AND COMPREHENSIVE SCOPE OF THE BUDGETARY FRAMEWORK

Chapter VI. Transparency of general government finances and comprehensive scope of budgetary frameworks	Analysis of the relevant provisions of Ukrainian legislation
<p>Article 12.</p> <p>Member States shall ensure that any measures taken to comply with Chapters II, III and IV are consistent across, and comprehensive in coverage of, all sub-sectors of general government. This shall, in particular, require the consistency of accounting rules and procedures, and the integrity of their underlying data collection and processing systems.</p>	<p>According to the Manual on Government Deficit and Debt (Eurostat), the sub-sectors of the general government sector include the central government budget (ministries, departments, etc.), budgets of state agencies, local government budgets, and social fund budgets. Within the framework of Ukrainian medium-term budget planning, only the sub-sectors included in the state budget — central government budget and budgets of state agencies — are disclosed. Indicators for local budgets are presented separately. As a result, there is no consolidated information on the general government sector budget in the declaration. The consolidated budget and social fund budgets are published separately, operate under general budgetary rules, and comply with Ukrainian legislation, but they are not included in the medium-term budget planning framework.</p>
<p>Article 13.</p> <p>1. Member States shall establish appropriate mechanisms of coordination across sub-sectors of general government to provide for comprehensive and consistent coverage of all subsectors of general government in fiscal planning, country-specific numerical fiscal rules, and in the preparation of budgetary forecasts and setting-up of multiannual planning as laid down, in particular, in the multiannual budgetary framework</p> <p>2. In order to promote fiscal accountability, the budgetary responsibilities of public authorities in the various sub-sectors of general government shall be clearly laid down.</p>	<p>Not provided.</p>

<p>Article 14.</p> <p>1. Within the framework of the annual budgetary processes, Member States shall identify and present all general government bodies and funds which do not form part of the regular budgets at sub-sector level, together with other relevant information. The combined impact on general government balances and debts of those general government bodies and funds shall be presented in the framework of the annual budgetary processes and the medium-term budgetary plans.</p> <p>2. Member States shall publish detailed information on the impact of tax expenditures on revenues.</p>	<p>Not provided.</p>
<p>3. For all sub-sectors of general government, Member States shall publish relevant information on contingent liabilities with potentially large impacts on public budgets, including government guarantees, non-performing loans, and liabilities stemming from the operation of public corporations, including the extent thereof. Member States shall also publish information on the participation of general government in the capital of private and public corporations in respect of economically significant amounts.</p>	<p>Not provided.</p>