

## Appendix I. Letter of Intent

Ms. Kristalina Georgieva  
Managing Director  
International Monetary Fund  
Washington, D.C., 20431  
U.S.A.

June 17, 2024

14287/0/2-24 від 17.06.2024

Dear Ms. Georgieva:

1. Russia's illegal and unjustified invasion of our country continues to bring enormous human, social, and economic costs. As attacks persist, civilian casualties are large, over a quarter of the population has been displaced, and infrastructure damage is massive and increasing, with serious long-lasting consequences for our people. The latest Rapid Damage and Needs Assessment (RDNA-3) estimates reconstruction needs at US\$486 billion over the next decade, and these needs increase with every day of the war. Through this hardship, our people continue to show courage, determination, and resilience while macroeconomic, financial, and external stability has been preserved with skillful policymaking and external support. Our sustained strong performance thus far under the Extended Fund Facility (EFF) has clearly demonstrated our capacity to implement sound economic policies despite these challenging circumstances. The IMF-supported program, together with significant official financing assurances, provides a crucial financing envelope of US\$121.9 billion over the program period. In this regard, we welcome the approval of US aid and the adoption of the EU's €50 billion Ukraine Facility as major steps forward to support long-term growth and stability. We also welcome the decision of the European Council, which will allow the extraordinary returns from Russian frozen assets (€3 billion in 2024) immobilized under sanctions following Russia's war in Ukraine, to be used for our benefit. Disbursements of additional flows arising from returns on Russian frozen assets would better position us to address still significant social and development challenges. Overall, we continue to face major risks amid the exceptionally high uncertainty due to the war.

2. The goal of our IMF-supported program remains to restore fiscal and achieve debt sustainability on a forward-looking basis as well as medium-term external viability. It also aims to promote long-term growth in the context of post-war reconstruction and our process of accession to the EU. The program is designed to resolve our balance of payments problems and restore medium-term external viability not only in the baseline scenario but also under a downside scenario. We remain committed to ambitious reforms and strong policy implementation with a view to maintaining macroeconomic stability and achieving stronger economic outcomes, even as the war continues. The attached updated Memorandum of Economic and Financial Policies (MEFP) lays out

in detail the economic program that we will undertake, supported by the IMF and other international partners.

3. Given the exceptionally high uncertainty, our objectives under the program remain to first preserve macroeconomic and financial stability within the context of the ongoing war while preparing the ground for a strong post-war recovery. We remain focused on restoring stability and undertaking repairs to essential infrastructure, such as in the energy sector that has suffered from repeated attacks. Despite the war, we continue to press forward with implementing wide-ranging structural reforms covering public finances, the financial sector, monetary and exchange rate policies, governance, anti-corruption, and the energy sector. These ongoing efforts should set the stage for stronger prospects after the war ends. After the war, we will further deepen our structural reforms and implement additional macroeconomic policy reforms. These will help restore medium-term external viability, support reconstruction, promote strong long-term growth, and accelerate our progress toward EU accession. To help lay the foundations for post-war growth, we will advance reforms to enhance productivity and competitiveness.

4. For this Fourth Review under the EFF, we met all of the end-March 2024 and continuous quantitative performance criteria (QPCs) and also met all but one of the indicative targets (ITs), where due to technical reasons, a temporary fluctuation in the accounts payable led to a minor miss in the IT on the ceiling on general government direct borrowing from the NBU. We are requesting a modification to adjust the end-June 2024 floor on net international reserves primarily to reflect the shifted timing of US external financing.

5. Against this very challenging backdrop, we continue to implement key structural reforms under the program as highlighted in Table 2 of the MEFP. In particular, as part of our continuous efforts to improve public financial management, we developed a concept note related to the 5-7-9 Affordable Loan program (end-March 2024 structural benchmark) to help ringfence fiscal and financial sector risks. Aligned with our commitment to strengthen governance and anticorruption frameworks, we also successfully enacted amendments to the procedural code on adjudication by the High Anti-Corruption Court, though due to legislative delays we were unable to complete this structural benchmark before the end-April deadline. Additionally, we respected the continuous structural benchmark on the banking system. Looking ahead, we are requesting to reset three structural benchmarks, primarily to allow more time to undertake the reforms in view of their complexity: (i) an analysis on the stock of debts and assessment of financial conditions of District Heating Companies (DHCs), from end-June 2024 to end-October 2024; (ii) the assessment of the effectiveness of tax privileges, from end-July to end-September 2024; and (iii) the enactment of a law to establish a new court to hear administrative cases against national state agencies, from end-July to end-December 2024.

6. Going forward, we will continue implementing wide-ranging reforms, and as a demonstration of this commitment we propose two new structural benchmarks: (i) to amend the criminal procedural code to balance the objectives of comprehensive investigations of criminal

offenses and protection of rights of parties in criminal proceedings; and (ii) to adopt a Customs Code, in line with best practices (both by end-October 2024).

7. Our international partners have assured us of their continued support to help ensure that debt sustainability is restored, and the program is fully financed. As part of our efforts to restore debt sustainability we announced on March 24, 2023, the intention to undertake a restructuring of our external public debt, in line with program parameters, and our plan remains to reach agreement with commercial creditors before the end of August 2024. Should the case arise where the macroeconomic and debt outlook worsen, we also commit to undertaking a further external commercial debt treatment as needed to restore debt sustainability in line with program parameters (Memorandum of Economic and Financial Policies, ¶39). In light of these steps, we request the completion of the financing assurances review.

8. Under IMF's policy on multiple currency practices (MCPs), no MCPs have been identified since the Third Review. As we continue the transition of our exchange rate regime laid out in the NBU's Strategy, we will monitor these issues carefully in close collaboration with the IMF to help ensure that MCPs do not arise.

9. Based on our successful implementation of the program targets for end-March 2024, our implementation of structural benchmarks over April 2024–May 2024, as well as our strong policy commitments for the period ahead, we request completion of the Fourth Review, and a disbursement in the amount of SDR 1,669.82 million (83 percent of quota), which will be channeled for budget support. A memorandum of understanding between the National Bank of Ukraine (NBU) and the Ministry of Finance (MOF) has been established to govern the mechanism of servicing of the government's obligations to the Fund by the NBU on behalf of the MOF.

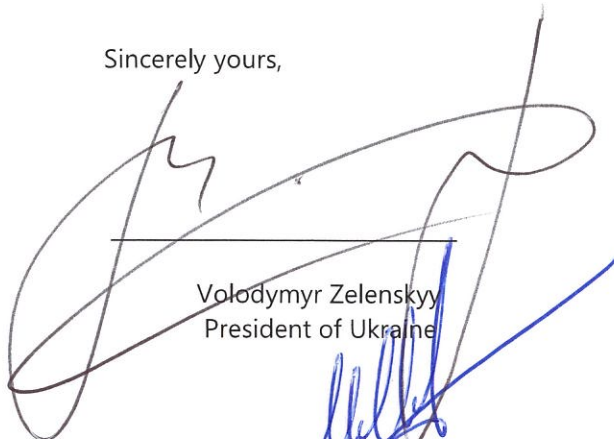
10. We believe that the policies set forth in the attached MEFP are adequate to achieve the objectives of the program, both in the baseline as well as in a downside scenario. Acknowledging that these scenarios are subject to exceptionally high uncertainty, we are committed to continue adapting our policies as conditions evolve. We will consult with the IMF on the adoption of these measures, and in advance of any revisions to the policies contained in the MEFP, in line with the IMF's policies on consultation. We will refrain from any policies that would be inconsistent with the program's objectives and our commitments presented in the MEFP.

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

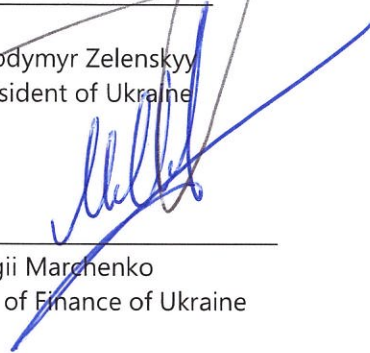
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12. In line with our commitment to transparency, we consent to the IMF's publication of this letter, the MEFP, the TMU, and the accompanying Executive Board documents.

Sincerely yours,



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Volodymyr Zelenskyy  
President of Ukraine

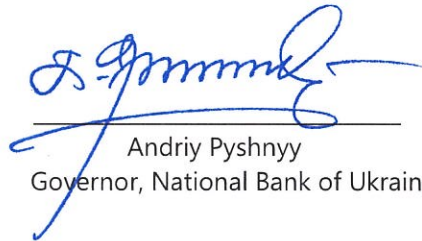


\_\_\_\_\_  
Sergii Marchenko  
Minister of Finance of Ukraine



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Denys Shmyhal  
Prime Minister of Ukraine



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Governor, National Bank of Ukraine