

Appendix I. Letter of Intent

4130/0/2-26 від 13.02.2026

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

February _____, 2026

Dear Ms. Georgieva:

1. Russia's illegal and unjustified invasion of our country, now approaching its fifth year, continues to inflict enormous human, social, and economic costs. As attacks persist, civilian casualties remain high, over a third of the population has been displaced, and infrastructure damage—including to gas and electricity—continues to mount, affecting daily life and economic activity. Through this hardship, our people continue to show courage, determination, and resilience while macroeconomic, financial, and external stability has been preserved. Our strong performance under the 2023 Extended Fund Facility (EFF) has clearly demonstrated our capacity to implement sound economic policies despite these challenging circumstances. That program, together with significant official financing assurances, provided a crucial financing envelope of US\$85.5 billion over eight reviews through June 2025.
2. Against this background of exceptionally high uncertainty and in light of Ukraine's continuing balance of payments needs, we are requesting a new 48-month EFF from the IMF to support our economic policy priorities, in an amount equivalent to SDR5,935.3 million (295 percent of quota), equivalent to about US\$8.1 billion, with an initial purchase of SDR1,106.5 million (55 percent of quota; about US\$1.5 billion). Approval of the IMF arrangement, together with significant official financing assurances, would provide a crucial financing envelope of US\$136.5 billion in the baseline over the program period. For each purchase intended for budget support, a special agreement between the National Bank of Ukraine and the Ministry of Finance will be signed to clarify the responsibilities for timely servicing their financial obligations to the Fund. We hereby also notify the IMF's Executive Board of our decision to cancel the existing EFF arrangement, effective as of the date of this letter.
3. The goal of our new IMF-supported program is to address challenges arising from the protracted war while maintaining external and financial stability; ultimately the program aims to restore fiscal and debt sustainability, and to promote long-term growth in the context of post-war reconstruction and our ongoing process of accession to the European Union. 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 steadfast policy implementation. The attached Memorandum of Economic

and Financial Policies (MEFP) lays out in detail the economic program that the authorities of Ukraine will undertake, supported by the IMF and other international partners.

4. The new program will build on the successes of the 2023 EFF and remain anchored on our EU accession path. While remaining focused on preserving macroeconomic and financial stability, the new program will include a range of durable structural reform measures aimed at mobilizing domestic revenue, de-shadowing the economy and leveling the playing field, combatting corruption, improving SOE corporate governance and transparency, progressing towards energy sector liberalization, and positioning the financial sector to mobilize resources for post-war reconstruction. We also commit to safeguarding the independence of our anti-corruption institutions.

5. Our international partners have assured us of their continued support to help ensure that debt sustainability is restored and the proposed program is fully financed. We are continuing our comprehensive debt restructuring strategy with the objective of restoring debt sustainability on a forward-looking basis, consistent with program targets and the requirements under the IMF's Exceptionally High Uncertainty (EHU) framework.

6. Our progress in implementing the program will be monitored through reviews, at quarterly frequency at least until the exceptional uncertainty ends, based on prior actions, quantitative performance criteria, indicative targets, and structural benchmarks as described in the accompanying MEFP and the technical memorandum of understanding (TMU). Furthermore, we are committed to (i) not introducing or intensifying any exchange restrictions; (ii) not introducing or intensifying import restrictions for BoP reasons; (iii) not introducing or modifying multiple currency practices; and (iv) not concluding bilateral payment agreements in violation of Article VIII of the Articles of Agreements. All of these will continue to be continuous performance criteria under the arrangement. There will be nine such reviews to examine the progress made in carrying out the program and to agree on any corrective measures necessary to achieve program objectives. A first review of the program would be completed on or after June 1, 2026, and a second review on or after September 1, 2026.

7. Since the outset of the war, we have maintained a number of measures that constitute exchange restrictions for reasons of national or international security. We have notified these measures to the Fund for approval under Decision 144. As conditions have permitted, and consistent with the NBU's Strategy, we already initiated the gradual removal of some exchange restrictions in consultation with IMF staff, and will continue this process as circumstances normalize.

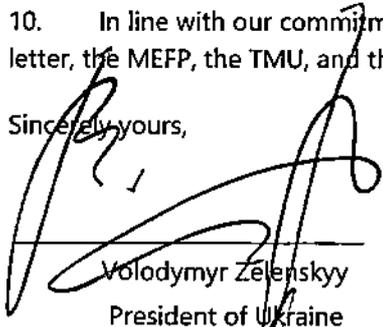
8. We believe that the policies set forth in the attached MEFP are adequate to achieve the objectives of the program, both in the baseline and in a downside scenario. Acknowledging that these scenarios are subject to exceptionally high uncertainty, we are committed to adapting our policies as needed should 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.

9. We will 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).

10. 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.

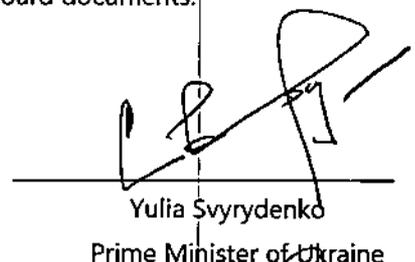
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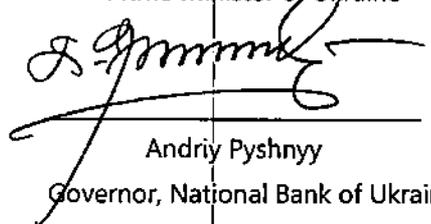
Volodymyr Zelenskyy
President of Ukraine



Sergii Marchenko
Minister of Finance of Ukraine



Yulia Svyrydenko
Prime Minister of Ukraine



Andriy Pyshnyy
Governor, National Bank of Ukraine

Attachment I. Memorandum of Economic and Financial Policies

I. Background, Recent Economic Developments, and Outlook

Context

- 1. Russia's unprovoked, illegal, and unjustified invasion, now approaching its fifth year, continues to inflict severe human and economic costs.** Civilian casualties and displacement are rising, and infrastructure damage remains widespread, with recent aerial attacks targeting energy and other critical facilities. Drone launches were five times higher in 2025 relative to the previous year, and strikes on gas and electricity infrastructure intensified in October 2025. Ground combat persists in eastern Ukraine, with Russia making limited gains at high cost. The humanitarian toll remains enormous.
- 2. Despite these challenges, we have succeeded in maintaining macroeconomic and financial stability.** Inflation is easing, reserves remain adequate, and the banking system is stable. However, the fiscal and current account deficits remain elevated, driven mainly by substantial defense and security spending to safeguard our country, alongside critical social and humanitarian expenditures to support displaced populations and restore essential services. These needs, combined with revenue pressures from the war's economic impact, require significant external and domestic financing. Robust reform implementation and strong international partner support—including from the EU and G7—remain critical. In this regard, we are especially grateful to our donors for their continued support and commitments during the program period and beyond.
- 3. The official launch of EU accession negotiations in 2024 was a historic milestone, setting the stage for our European integration path, stability and long-term growth prospects.** Our policy initiatives, guided by close engagement with the IMF and anchored in our strategic goal of EU accession, will underpin our recovery and long-term growth. Reforms to achieve EU accession will strengthen our economy and institutions, by creating conditions for increased investment and durable growth. Our candidate status implies that the choice of the regulatory regime defined by the EU *acquis* will frame our recovery and reconstruction process. Progressive integration into the European internal market should enhance trade and technology transfer to the Ukrainian economy, helping sustain the recovery.
- 4. Against this background, we recognize that, despite eight successful reviews and strong program performance, we need more time to restore sustainability and external viability; consequently, we are requesting a 48-month Extended Arrangement under the Extended Fund Facility (EFF) from the IMF to support our economic policy priorities in the coming years,** in an amount equivalent to SDR 5,935.3 million (295 percent of quota, about US\$8.1 billion). This new arrangement will build on the achievements of the 2023 EFF—which helped stabilize the economy and catalyze external financing—while strengthening resilience to shocks, reinforcing fiscal and debt sustainability, and deepening structural reforms critical for recovery and EU accession, with an extended horizon that is crucial given the war's prolonged effects and the

need for sustained support to secure reconstruction and advance reforms beyond the previous program's scope.

Economic Outlook

5. Damages from Russia's continuing war are major headwinds, although we expect the economic resilience from 2025 to carry forward to 2026.

- Real GDP growth is now estimated at 1.8–2.2 percent in 2025, down from the previous year's outturn of 3.2 percent. This slowdown is mainly attributable to the negative impact of Russia's repeated attacks on energy infrastructure as well as weaker harvest conditions even as the economy has been resilient overall. Looking ahead, growth is projected to remain broadly stable at 1.8–2.5 percent in 2026, as harvest conditions normalize, the adverse impacts from attacks on energy and mining sectors dissipate, and domestic defense production continues expanding.
- Although inflation remains elevated due to supply shocks, including persistent labor shortages, it has been trending down since June 2025, reaching 8 percent (y/y) at end-December. Going forward, we expect this downward trajectory to continue.
- The current account deficit excluding grants deteriorated in 2025, reaching an estimated US\$44.6 billion, up from US\$26.4 billion in 2024. These developments reflect the impact of the war, as repeated attacks on production capacity constrain exports, while elevated national defense and energy needs drive import demand. With the war expected to continue in 2026, the current account deficit excluding grants is projected to remain elevated, broadly similar to the level in 2025. Nevertheless, thanks to sizable donor disbursements, our international reserves reached US\$57.3 billion by end-2025, and are projected to rise to US\$65.5 billion in 2026.
- The hryvnia-dollar exchange rate was broadly stable over 2025, reflecting FX market dynamics and our FX interventions. Conversely, over this period, the hryvnia has depreciated more than 13½ percent against the euro, broadly in line with movements of the dollar against the euro. Our FX interventions have remained below the peak in December 2024, but continue to be sizable, including to intermediate the public sector's structural FX surplus and to cover the structural FX deficit of the private sector. The spread between official and cash rates remains low.
- As the war continues to weigh on confidence, credit to the economy is likely to remain low. Nevertheless, we continue to support financial inclusion and deepening, including through key subsidized lending programs including the 5-7-9 program, aimed at small- and medium-sized enterprises, and the eOselya to support mortgage lending to households. Financial institutions continue to report solid earnings, liquidity remains adequate, gross nonperforming loans are still falling, and loan default rates have approached pre-war levels.

6. The economy could rebound more quickly, especially if reforms accelerate and a just and durable peace agreement delivers a swift and sustained improvement in security. In the

near term, economic performance could exceed expectations if security conditions improve quickly, resulting in high return migration, rapid energy repairs, a recovery in sentiment, and durable restoration of our supply routes. In the medium term, economic growth could be accelerated by forceful implementation of structural reforms, particularly those related to EU integration and the energy sector. Additionally, significant investments, including those financed by private investment or official development partner inflows in macro critical sectors could give a strong boost to medium-term economic performance.

7. Conversely, downside risks to the outlook amid exceptionally high uncertainty could weaken economic performance. The most significant risks pertain to the security situation. In the near term, attacks could be even more damaging or frequent than expected, especially as regards energy infrastructure, or export transit routes could be significantly interrupted. Should these risks materialize, near-term growth could be impacted, inflation could re-ignite, the already large fiscal and current account deficits could widen further, and balance-of-payments pressures could increase, weighing on international reserves accumulation. Over a longer horizon, if the war concludes without a peace settlement that contains credible security guarantees and/or adequate resources for reconstruction and post-war defense, then the recovery, return migration, and IDP resettlement would be weaker. This would result in lower investment, persistent mismatches in the labor market, and higher macroeconomic volatility, and, consequently, weaker medium-term potential growth.

II. Macroeconomic and Structural Policies for 2026–29

A. Overview

8. The ultimate goals of our economic program—supported by the IMF—are to restore fiscal and debt sustainability as well as external viability, while maintaining macroeconomic and financial stability. Our economic program sets out a comprehensive set of policies and reforms to address the challenges posed by the ongoing war, while making progress on the reforms necessary for recovery and EU accession.

- Our current focus is to maintain macroeconomic, external, and financial stability, in order to strengthen Ukraine’s capacity on its way to victory. We are implementing robust budget policies for 2026, anchored in a strong medium-term budget framework and the upcoming Budget Declaration for 2027–30, which will guide fiscal policy and the assessment of financing gaps. Monetary and exchange rate policies are focused on maintaining price and external stability, with managed exchange rate flexibility to absorb shocks, reduce external imbalances and sustain adequate reserves. The key policy rate remains tight to anchor inflation expectations, and we will be cautious in further FX liberalization, guided by our conditions-based roadmap. Structural reforms are advancing across public finances, financial sector, SOE corporate governance, anti-corruption, and the energy sector. We are implementing reforms to VAT and CIT, strengthening public investment management, and enhancing fiscal transparency.

- Despite the war, we are confident that the EFF-supported program provides the appropriate framework to restore external viability by 2029. Our strong implementation track record, commitment to reform, and continued support from stakeholders and international partners will enable us to address new challenges as they arise.
- We will continue to build on significant progress and begin to also shift our focus to more expansive structural reforms to entrench macroeconomic stability and accelerate reconstruction, promoting economic growth and restoring medium-term external viability. Swift progress toward EU accession remains a major anchor, with a wide range of measures undertaken under the Ukraine Facility and EU enlargement process.

9. We have taken note of the IMF staff analysis on a downside scenario that illustrates the impact of worse security conditions persisting over a longer period and will act decisively if shocks materialize. We also recognize that the materialization of these risks would likely necessitate an even stronger domestic effort, building on the financial resources already provided by our partners. In such an eventuality, we would build on our track record of responding to shocks with policy measures amid a full-scale war. Specifically, we would identify additional revenue enhancing measures (e.g., raising the main VAT rate, ¶14, first bullet) that could be implemented swiftly and/or expenditure savings through efficiency gains or even tighter expenditure reprioritization, where possible. We also stand ready to increase issuance on the domestic government bond market to finance the part of the deficit that cannot be met by concessional external financing sources. This will ensure that financing gaps are swiftly closed without compromising economic and financial stability or debt sustainability. We also stand ready to deploy our foreign reserves, adjust our monetary policy stance, and recalibrate FX controls to maintain macroeconomic stability as needed.

10. We are equally focused on policies to achieve high and sustained growth rates, including upside scenarios that motivate reform priorities toward EU accession. Medium- and long-term growth will depend on catalyzing investment, supporting inward migration, rebuilding human capital, and fostering an enabling business environment. Effective frameworks for post-war reconstruction—leveraging official resources and catalyzing private capital, including FDI—will be critical. Implementing wide-ranging policies and reforms for EU accession and integration into the European internal market will require steadfast commitment over an extended period. Achieving a larger productivity boost would require a more ambitious reform agenda, and more successful measures to level the playing field and promote entry and competition, including deshadowing of the economy, privatization of state-dominated sectors, and financial sector reform.

B. Fiscal Policy

11. We will ensure that fiscal policy under the program contributes to and achieves the restoration of fiscal and debt sustainability. We are committed to gradually narrowing the fiscal deficit after the war ends, consistent with delivering debt sustainability and meeting the debt targets under the program (see ¶40). Despite the current exceptionally high uncertainty, we see medium-

term levels of the primary balance excluding grants in the range of 0.2–0.4 percent of GDP as being consistent with restoring sustainability. A transition path to this medium-term deficit target requires the following expenditure and revenue efforts:

- *Expenditures:* Our overarching priority remains national defense, and therefore we must continue to tightly manage non-defense spending. The Budget Declaration for 2027–29 will provide a clear vision of our expenditure priorities over the program period. To ensure this, by April, we will share a first draft of the budget circular, assumptions, and a table showing state budget general fund expenditure ceilings for each key spending unit with IMF staff. The circular, which will form the basis of an early consultation with IMF staff on the Budget Declaration, will request the major expenditure priorities over the medium term from key spending units. Moreover, to ensure that the Budget Declaration is consistent with the program, we will consult IMF staff during its preparation ahead of its Parliamentary submission in June. We will also reassess our procedures for forecasting core macroeconomic assumptions underpinning the Budget Declaration and upcoming 2027 Budget to ensure that they are aligned with the IMF program assumptions on key macroeconomic variables. We also will update the macroeconomic frameworks underpinning budgets and budget declarations as circumstances warrant and to facilitate policy discussions. To operationalize this commitment, we will review whether changes in procedures or regulations are needed.
- *Revenues:* Restoring fiscal and debt sustainability will require us to lock in the revenue mobilization gains that we have been able to achieve during the war and deliver tax revenues consistent with attaining the program’s medium-term fiscal path. Based on our current spending plans, we expect that a tax-to-GDP ratio above 37.5 percent of GDP each year over the medium term is consistent with an adequate tax effort and will help deliver primary balances excluding grants in the range described above. To ensure adequate resources for our post-war defense and reconstruction needs alongside sustainable fiscal balances, we will enact legislation to remove the sunset date of the 5 percent military levy (adopted in 2024).

12. Consistent with this goal, we implemented fiscal policies in 2025 consistent with the second supplementary budget, enacted in October. Fiscal policy execution remained challenging due to repeated defense expenditure shocks, despite our efforts to strictly control non-defense spending and ensure adequate tax revenues, which overperformed their targets. As revised, the general government overall deficit excluding grants (measured below-the-line) reached UAH 2,059 billion (23.2 percent of GDP). This very high deficit was financeable, thanks to large-scale external support from donors (including frontloaded support under the G7’s ERA initiative) and domestic debt issuance.

13. We prepared the 2026 Budget to be consistent with the program’s parameters, and in consultation with the IMF. Given its criticality to the program’s success, this Budget was approved as a **Prior Action** for this program. It reflects the assumption that the war will continue through 2026 as well as the following key priorities and our intention to implement fiscal policies consistent with stability:

- The general government's expenditures in the 2026 Budget will reach UAH 6,228 billion (62.2 percent of GDP), with defense expenditures receiving the largest budgetary allocation. We have incorporated a larger contingency reserve buffer to ensure resilience to potential expenditure shocks. We have also limited additional non-defense expenditures to a few select initiatives, amounting to around 1 percent of GDP, to address priorities in demographics, healthcare, and education. These initiatives are aligned with our commitment to ensuring adequate social protection, which will be monitored under the program through an **indicative target**.
- We are determined to continue progress on domestic revenue mobilization. Overall, the 2026 Budget's revenue projection is about 39 percent of GDP, underpinned by new tax revenue measures (see ¶21). Our progress in ensuring adequate revenues will continue to be monitored by a floor on tax collections excluding social security contributions (**quantitative performance criterion**).
- Taken together, the budget for 2026 envisages the general government's overall deficit excluding budget support grants reaching UAH 1,927 billion (19.3 percent of GDP; **indicative target**). Our progress in implementing fiscal policies under the program will be measured by the cash non-defense primary balance excluding grants (**quantitative performance criterion**).

14. Nevertheless, the war continues to expose us to sizable fiscal policy shocks and, as appropriate, we will take the following actions to mitigate risks to budget implementation:

- We will only revise spending categories in consultation with IMF staff and after identifying either new financing sources or compensating fiscal measures. We continue to stand ready to increase taxes if budgetary shocks materialize, and view increases in the main VAT rate as the most efficient option to mobilize resources in such a contingency.
- We are also seeking improved efficiency of government spending, including through expenditure audits to help contain risks to the budget.
- We will continue to avoid any tax policy subsidies, incentives, or other administrative measures that erode the tax base and will refrain from introducing new categories of taxpayers in the existing preferential regimes.

15. Consistent with the law and recent public financial management (PFM) reforms, we will ensure that all investment projects are prioritized and selected through the established Public Investment Management (PIM) framework, fit into the medium-term budgetary framework (MTBF), and are consistent with the objective of restoring fiscal and debt sustainability. To this end, we will also carefully evaluate the financing mix, and will seek financing on highly concessional terms. In parallel, we will also advance reforms to the financial market infrastructure with the aim of mobilizing private financing for recovery and reconstruction (see ¶54).

C. Financing Strategy

16. We are working with donors to secure timely external disbursements, consistent with meeting our financing needs and achieving debt sustainability as well as medium-term external viability. The war and its associated cost entail a large financing gap, which now stands at US\$136.5 billion over 2026–29. The following financing sources have been identified:

- *We have secured firm financing commitments for the next 12 months of the IMF-supported program:* We are very grateful for the commitments from our donors through February 2027. At present, pledges over 2026Q1–2026Q4 amount to US\$47.6 billion in bilateral and multilateral budget support, including US\$10.6 billion of remaining resources under the G7’s ERA initiative and support committed by the EU and other partners of US\$36.9 billion. The prompt disbursement of the envisaged amounts will be vital to maintaining economic and financial stability.
- *We have good prospects on financing for the rest of the program:* From 2027Q1 onwards, our partners have assured us of their continued support, which will help ensure that the program is fully financed over its duration.

We will manage disbursements under the G7’s ERA initiative prudently and transparently by: (i) incorporating them in the budget; (ii) accounting for them in our treasury reporting; (iii) disbursing financing for budget support purposes into the treasury single account; and (iv) avoiding any earmarking, allocation to special funds, or disbursements into accounts other than the treasury single account without prior agreement with the donor country.

17. The domestic government bond market will remain an essential source of budget finance. We stepped up issuances of domestic government bonds in the second half of 2025 to ensure adequate deficit financing and improve cash buffers. The domestic rollover rate for 2025 was approximately 113 percent. For 2026, we have developed an issuance calendar consistent with the program, and we stand ready to step up issuances if expenditure shocks—particularly related to defense—materialize. This strategy will help ensure the resilience of budget implementation, the avoidance of arrears and monetary financing, and maintain stability under both program macro scenarios. To ensure that any necessary scaling up of domestic issuance is feasible, we will remain engaged with the domestic market. Benchmark bonds, which banks can use to meet reserve requirements, will also support our efforts; issuances in 2025 amounted to UAH138 billion.

18. We are proceeding with plans to enhance public debt management and treasury cash and liquidity management.

- We adopted a Medium-Term Debt Strategy for 2026–28. This document contains analysis of our debt structure, risk factors, goals of debt management, and issuance strategy.
- We are also committed to strengthening our debt management capacity, including by increasing staffing and training. We will continue to support the development of the domestic debt market, including through medium-term efforts to maintain the attractiveness of locally-issued instruments and diversify the set of investors (including by improvement of cross-border

settlement). Moreover, our efforts should help facilitate international capital market access in the medium term, consistent with debt sustainability objectives, and thereby enable the bond market to play an active role in reconstruction.

D. Fiscal Structural Reforms

19. We are moving forward with the fiscal structural reform agenda to support our development goals and path to EU accession. In our efforts to support sustainable growth, improve the business climate, and address the shadow economy, we are focusing on: (i) raising revenues to help meet reconstruction and social spending needs, guided by the objective of enhancing the efficiency, fairness, and simplicity of the tax system, through the home-grown National Revenue Strategy (NRS); (ii) ensuring fiscal sustainability and the predictability of budget policy by strengthening the medium-term budget framework; (iii) improving our public investment and PFM frameworks; (iv) reforming and strengthening the pension system and social safety net, and (v) enhancing fiscal transparency and management of fiscal risks.

Revenue Mobilization

20. Our strategic goal under the NRS is to increase revenues by closing opportunities for tax evasion, promoting growth, improving compliance, and combating the shadow economy. The NRS aims to establish a fair and competitive tax framework that generates sufficient revenues to support our post-war development goals while ensuring fiscal and debt sustainability as well as alignment with EU standards. We will continue to closely monitor and report progress on NRS implementation. To reflect reform progress and ensure accountability within a comprehensive, transparent, and unified reporting framework, we will publish a comprehensive status report each year in March.

21. Near-term tax reforms under the program aim to broaden the tax base and make the tax system more conducive to economic growth, tax compliance, and formalization. To this end, Parliament will adopt a package of tax measures (**structural benchmark, end-March, 2026**), consisting of the following:

- Taxing income earned through digital platforms;
- Eliminating the tax exemption for imports through small-value postal packages;
- Removing VAT exemptions from simplified regimes by making VAT registration mandatory, effective January 1, 2027, for simplified taxpayers with turnover exceeding the general VAT registration threshold. The threshold will be raised moderately but will not exceed UAH 4 million.

22. We will take additional steps to strengthen the VAT:

- We have issued a decree prepared by the Ministry of Economy to level the playing field for VAT payers in competitive public procurement tenders (**Prior Action**). The access of non-VAT payers to the procurement system will not be restricted by this measure.
- During 2026, with IMF-supported TA, we will (i) define an approach to apply the IMF’s RA-gap methodology to Ukraine, and (ii) conduct a VAT policy analysis. In 2027, we will conduct a quantitative analysis of the VAT gap using the aforementioned Ukraine-specific approach. This analysis will take into account any restrictions imposed during the period of Martial Law, if applicable.

23. We will abolish opportunities to abuse the Simplified Tax (ST) system for income tax avoidance. Specifically, we will (i) submit to Parliament legislation to amend the definition of “employment” in the Labor Code (**Prior Action**), in line with good international practice, to reduce opportunities for disguised employment; (ii) step up enforcement of this definition by the labor inspectorate; (iii) apply the new employment rules to prevent tax evasion on personal income related to hidden employment; and (iv) in 2026, submit to the Parliament amendments to the Tax Code to exclude from the second group of Simplified Tax payers certain types of activities that carry a high risk of concealing employment relationships (in particular services, including IT services, consulting services in the fields of accounting and audit, marketing, engineering, and law), and to introduce increased differentiated rates for such activities for the third group of tax payers. Moreover, digitalization and better data integration—including through our new “obryi” system—will help address informal employment.

24. We will develop legislation to further make the ST system more targeted and limit its abuse. With IMF TA support, we will submit draft laws to Parliament by end-2026 to (i) limit the practice of companies artificially splitting to remain below the thresholds for preferential regimes and (ii) to limit the possibility for businesses to return to the use of ST after their transition to the general taxation system.

25. Under the program, we will close several major corporate income tax (CIT) loopholes. Specifically, supported by the TA from the IMF, we will:

- Submit to Parliament draft laws to amend the Tax Code (**structural benchmark, end-June 2026**), aiming to:
 - (i) align transfer pricing rules with OECD standards, extend their coverage to domestic transactions, and make compliance with the arm’s length principle mandatory for all businesses
 - (ii) implement the requirements of the EU Anti-Tax Avoidance Directives (ATAD), which are currently partially implemented in Ukraine’s legislation, namely Article 4 (interest limitation rule). The draft law will also provide for the abolition of the tax exemption for income of foreign companies whose place of effective management is located in Ukraine.

- By end-September 2026, we will:
 - (i) develop and submit to Parliament draft law to implement Article 5 (exit taxation), Article 6 (General Anti-Abuse Rule, GAAR), and Articles 9, 9a, 9b (hybrid mismatches) of ATAD. This draft law will also establish restrictions on deducting from the corporate income tax base expenses that lack a reasonable economic rationale (business purpose) and eliminate other gaps and deficiencies in the legislation that may affect the effective application of ATAD rules; and
 - (ii) conduct an assessment of the adequacy and effectiveness of the ATAD rules, which have already been partially implemented in Ukrainian legislation, in particular Articles 7 and 8 (the Controlled Foreign Company rule) in order to identify shortcomings in the current provisions and to select optimal tax rules and their administration and to submit to Parliament a draft law providing for the implementation of these tax rules.
- In the context of a comprehensive reform (see ¶154) of Joint Investment Institutions (JIIs), we will, by end-2026, submit to the Parliament a draft law aimed at minimizing direct and indirect losses of tax revenues to the budget from the preferential taxation regime for JIIs, as well as to ensure a neutral approach to investments/investors.

26. We will further advance several additional tax reforms under the NRS. We will (i) develop a comprehensive package of measures for the post-war period to reform the taxation of carbon emissions; (ii) analyze and assess the taxation of extractive industries; and (iii) define the principles of taxation of virtual assets, aligned with EU rules, in particular with regard to information exchange and initiatives of the OECD Global Forum. Work in several of these areas has already begun and will be supported by IMF TA and other development partners.

27. We will continue with our ongoing efforts to quantify and disclose tax privileges. We will phase in the new methodology to assess tax privileges and gradually apply it to all relevant topics, targeting the most significant tax expenditures first, and leading to a regular evaluation cycle covering all topics over a number of years. We will conduct a comprehensive inventory of tax expenditures related to these major taxes for publication alongside the 2027 annual budget documentation, and we will conduct regular calculations of tax expenditure costs. After taking appropriate confidentiality measures, the State Tax Service (STS) will support this effort by giving the MOF access to comprehensive data, after taking appropriate confidentiality measures. Moreover, the MOF will consult with IMF staff on the methodology of assessing the impact of any new tax proposal.

28. Robust IT processes are necessary for successful NRS implementation. The MOF, in accordance with the NRS, has developed an updated IT strategy for the Public Finance Management System. The core approach outlined in the IT strategy is to consolidate at the MOF level the IT systems of the STS and State Customs Service (SCS), and ensuring the IT systems are managed by an independent administrator (OPF) using cloud technologies. The strategy includes the gradual transition to a new level of service-oriented systems, particularly within STS and SCS, to make

services available online. An operational plan for the reform implementation was approved in September 2025:

- We will ensure that, in 2026, the OPF will have the necessary resources to enhance its capacity, including to hire the required additional IT specialists with competitive salaries.
- A first near-term measure, in line with Step 1 under the operational plan, will be the designation of OPF as the manager of those IT systems whose components will be used for the development of new customs IT systems compatible with EU IT systems (by end-February 2026). This work includes the documentation of IT systems at customs and relevant intellectual property rights.
- An important milestone for 2026 will be the design of a centralized data warehouse (**structural benchmark, end-December 2026**), including a robust data access policy.

29. Near-term reform efforts at the STS focus on further building public trust in the STS, improving taxpayer services, enhancing efficiency through digitalization, developing modern and automated compliance risk management (CRM) practices, and strengthening the effectiveness of tax audits:

- The 2024 Tax Compliance Cost Survey shows a need to reduce the cost of tax compliance for businesses, including by improving taxpayer services and addressing performance issues of the electronic taxpayer office.
- Survey respondents also show a still relatively low level of trust in the fairness of the STS. In addition to establishing a fully automated risk-based approach to tax administration (see below), we aim to more effectively curb the ability of taxpayers to negotiate informally with STS staff.
- To improve our risk-based approach to tax administration, we have developed methodological documents to operationalize the automated tax risk management system. We have adopted an Overall Compliance Improvement Plan as a comprehensive document on the identification, assessment, and mitigation of risks by major types of tax risks. We have launched a two-year pilot (ending July 31, 2026) of the automated risk management system. By end-August 2026, the STS will prepare information on the results from using the automated CRM system. Based on this information, we will then (by end-2026) prepare and submit to the CMU a report on the lessons learned from the pilot and, if needed, proposals for legislative amendments.
- By June 2027, after effective implementation of automated CRM, we will enact changes to the Tax Code to address constraints that are limiting the effectiveness of the STS and negatively affecting tax compliance, including (i) the requirement for the STS to publish its risk assessment algorithms; (ii) the requirement to prove non-compliance before conducting tax audits; (iii) the statutory time limit of 30 days to complete an audit; (iv) the requirement to pre-announce tax audits through an annual list; (v) the inability to collect tax debts until confirmed by a court, even in cases where the debt has been self-declared by a taxpayer.

- Digitalization initiatives include (i) the introduction of a track and trace system for excise tax administration, by November 1, 2026; (ii) the e-audit program to automatically verify the consistency of tax declarations with SAF-T data and other data, which has been operational in late December 2025; (iii) an IT solution to more effectively collect outstanding tax debts which are recoverable and undisputed (or have exhausted the appeals process), which was fully operationalized across the regions in 2025.
- Supported by IMF TA, we are reviewing other countries' practices with respect to giving the tax authorities access to data on taxpayers' bank accounts. Providing such access in Ukraine will require a review by the Ministry of Finance in cooperation with the NBU, and with the technical assistance of the IMF and other international partners, taking into account best international practices and the requirements of EU Directives, in particular the specific issue of a possible expansion of the grounds for out-of-court access by tax authorities to information on the amounts of funds transferred to taxpayers' bank accounts as part of taxable transactions.

30. We remain committed to implementing the changes to the Customs Code enacted in 2024, including key governance reforms. The commission to select the new head of customs was formed in September 2025 and has begun its work. We expect to appoint a new permanent head of customs by end-March 2026 (**structural benchmark, end-March 2026**). We will also establish Key Performance Indicators (KPIs) for the head of customs (by end-February 2026) in consultation with IMF staff. These KPIs will balance revenue collection performance with other objectives, such as trade facilitation, good governance, and reform progress. The MOF will continue to oversee the selection, KPI-based performance evaluation, and policy guidance for the SCS head, ensuring transparency and accountability while allowing SCS operational independence. Any vacancies for regional customs heads will be filled as soon as possible.

31. The Economic Security Bureau of Ukraine (ESBU) will play a key role in combatting tax and customs fraud. A new head of the ESBU was appointed in 2025. The new ESBU head has subsequently approved procedures of staff attestation and formed the attestation commission, a critical step in the vetting of all ESBU staff. The attestation of heads of division and territorial offices and their deputies will be prioritized. We increased the ESBU's budget which, alongside facilitating access to the necessary economic data, including from the tax and customs authorities, will help strengthen ESBU's effectiveness. The ESBU will also leverage the anti-money laundering and counter terrorist financing (AML/CFT) framework to support efforts to detect tax evasion and smuggling of goods in significant amounts through the use of financial intelligence tools, in coordination with relevant agencies.

Public Financial Management

32. We will continue with ongoing reforms to establish the Budget Declaration as the key operational tool for medium-term fiscal policy planning. Supported by IMF TA, the 2026–28 Budget Declaration published in mid-2025 showed methodological improvements relative to the previous year, notably thanks to the inclusion of plan indicators for the medium-term period across all subsectors of the general government. In 2025, the MoF calculated the baseline expenditures at

the level of the state budget in accordance with the approved methodology and issued directives to the key spending units regarding the preparation of information and the execution of calculations. with the incorporation of a “current policy” expenditure baseline. In developing our Budget Declaration for 2027–2029, we aim to further enhance medium-term planning, including through:

- the introduction of baseline expenditure estimates as an element of the planning system for key spending units, to align baseline expenditures of MoF and key spending units and ensure more credible planning.
- a “current policy” scenario, with revenue and expenditure projections under unchanged policies (i.e., as currently legislated). This scenario will also quantify the gap – or fiscal space – between the deficit under current policies and the deficit in line with the government’s fiscal objectives, as agreed with IMF staff.
- an active policy scenario to spell out the impact of any new policies, including measures to achieve the government’s fiscal objectives.
- estimates of payments needed to compensate state-owned enterprises for their accrued costs of quasi-fiscal activities since the beginning of the war. It will further incorporate realistic estimates of funds needed to execute court-ordered retroactive pension payments.
- expanded fiscal risk reporting (see ¶134).

33. We will improve the alignment of SOE financial planning with the annual budget processes. With IMF TA, we will review the experience from our first annual SOE financial planning cycle and identify actions to improve the alignment between the SOE financial planning and annual budget processes.

34. We continue to strengthen fiscal risk management. Specifically:

- To strengthen the link between the fiscal risks assessment and the predictability of government spending, with IMF TA we will update the methodological guidance (with input from MOE and other line ministries in their respective areas of responsibility) for assessing fiscal risks in key spending areas and contingent liabilities, including public investments (including PPPs), guarantees, local governments and SOEs, by end-2026. By integrating these assessments more robustly into the early stages of the budget cycle, fiscal risk analyses can better inform budgetary and fiscal decisions.
- We have significantly improved fiscal risk analysis and reporting and remain committed to further strengthening. With IMF TA, we will improve fiscal risk reporting by, for example, including projections of fiscal variables (deficit, debt) under certain shock scenarios starting with the Budget Declaration for 2027–2029 and the FRS, and improve the reporting of PPP fiscal risks in the FRS.

- We will implement the MOF's SOE financial oversight and fiscal risk management function into the SOE governance framework and align it with secondary legislation. We will enhance the identification, analysis, and reporting of Public Sector Obligations (PSOs) and quasi-fiscal activities, to improve their management, transparency, accountability and limit fiscal risks (see also ¶69).
- We will refrain from imposing new PSOs and will only introduce new ones after prior consultation with IMF staff on their appropriate design, including separate and transparent accounting of PSO obligations in line with international best practice.
- The CMU approved the regulation for the financial indicators in August 2024 (No. 984) consistent with the gatekeeper role of the MOF to limit quasi-fiscal risks and help safeguard debt sustainability. If necessary, we will review the financial indicators at the latest in early 2027 before the next SOE financial planning season in 2028, and we will make any changes to the financial indicators through a CMU resolution.

35. We will enhance the institutional independence and effectiveness of audit institutions to ensure that public funds are used for their intended purposes and any misuse is prevented or detected. Legislative amendments were enacted in December 2024 to reinforce the independence and financial autonomy of the Accounting Chamber of Ukraine (ACU) and expand its oversight mandate in line with international standards. We will establish the Advisory Group of Experts (AGE), whose task is to vet candidates for the ACU Board, and appoint its six members by end-April 2026. All ACU board members will be appointed from the pool of vetted candidates in accordance with the 2024 amendments by end-December 2026 (**structural benchmark, end-December 2026**).

Public Investment Management

36. The Action Plan for the Implementation of the public investment management (PIM) Roadmap for 2024–2028 designates the MOF as the gatekeeper for all stages of PIM. We are enhancing the PIM framework through improved (i) strategic planning in accordance with the Concept of the National Strategic Planning System, which was adopted in August 2025; (ii) integration of public investment into the MTBF; (iii) procedures for preparing, appraising, selecting, and implementing projects; (iv) institutional capacity; and (v) monitoring and evaluation of implementation. Our PIM reforms, with a key role for the annual SPP process, will follow the principles of budget unity, coherence, and predictability and strengthen coordination between the MOF, MOE, Ministry of Development, and other line ministries who remain responsible for project execution. Building on our achievements in 2024–25, we will continue implementing the Action Plan:

- To improve the alignment of resource allocation with strategic priorities, we will adopt by end-March 2026 (i) a policy framework (regulation and methodological guidance) for preparing sectoral strategies in line with the new approaches to public investment management and (ii) a time-bound action plan for the update of sectoral strategies. The policy framework will include approaches to synchronize sectoral strategies with the State Strategy for Regional Development,

design key priorities and indicators—consistent with expenditure limits that are aligned with the total available resource envelope for new projects—which will guide the prioritization of public investment areas. The action plan, structured until December 2026, will include key coordination mechanisms, timelines, responsible authorities, and required resources (including coordination of international technical assistance and other capacity and financial assistance to support all key sectoral ministries). We will implement the action plan and adopt sectoral strategies in line with the policy framework (as well as sector-specific guidelines for public investment projects preparation and prioritization) by end-December 2026.

- By end-March 2026, we will enact legal amendments to improve the integration of PIM into medium-term budget planning and fiscal risk management, covering: (i) use and recording of multiannual budget commitments and contingent liabilities for public investment projects; (ii) determination of contingent liabilities that may arise from PPPs; (iii) management and disclosure of fiscal risks related to public investments; and (iv) public investment budgeting at the local level.
- By end-August 2026, the Strategic Investment Council will approve the SPP update for the 2027 Budget. Only projects prepared and appraised using the PIM methodologies will be eligible for the SPP and for funding in the 2027 Budget.

Pensions and Social Spending

37. We are preparing modifications to the pension system and mechanisms to support vulnerable layers of the population:

- **Pensions.** With IMF and World Bank support, we are developing a comprehensive pension reform covering all components of the system. The reform will aim to improve adequacy and fiscal sustainability, strengthen the contributory principle, and address old-age poverty through a more transparent and equitable design. Our reform proposal to the CMU will include an analysis of the long-term fiscal implications, prepared in consultation with IMF staff. We will ensure—through compensating revenue or expenditure measures if needed—that the reform does not widen the deficit of the general government sector over the medium term. Moreover, we will refrain from: (i) introducing new special pensions or privileges; (ii) passing any new legislation that would give rise to additional pension-related contingent liabilities, which are not provided with financial resources; and (iii) modifications that would lead to a lowering of the legally defined retirement age. In the near term, we will take measures to limit the amount of additional benefits paid to certain categories of pensioners, on top of the contributive part of their pensions. We will also offer a unified approach to the annual increase of all pensions assigned in the pension system, exclusively through the indexation mechanism. Specifically, we will submit draft legislation to Parliament to discontinue the practice of linking annual increases in certain special pensions to increases in salaries.
- **Disability benefits.** We will introduce new approaches to supporting people with health impairments, including people with disabilities. To ensure comprehensive and better targeted

support, we are preparing legislation to establish a new mechanism for assessing individual functional capacity, aligned with the International Classification of Functioning, Disability and Health (ICF). This will allow social benefits and rehabilitation measures to be based on the assessment of daily functioning, whereas the current approach relies solely on medical diagnosis. The new model will improve fairness, transparency, and efficiency in allocating disability-related support and promote the rehabilitation and inclusion of people with disabilities into the labor market.

- **Mechanisms to support vulnerable groups.** We are working to further enhance the targeting and means testing of benefits to vulnerable groups of the population. With the support of the World Bank, including through a programmatic loan, we are working on draft legislation to consolidate different types of social entitlements. More specifically, we are exploring the options for integrating various social assistance programs under a single unified package based on individual needs regardless of a recipient's status (e.g., IDP or non-IDP). In this context, we have also increased the income threshold for eligibility under the Guaranteed Minimum Income program.
- **Social standards.** We are taking steps to restore the role of the subsistence minimum as a genuine social standard. We will adopt legislation to decouple the subsistence minimum from technical calculations of public sector wages, fines, and other administrative indicators. In parallel, we are developing a new structural methodology for calculating the subsistence minimum and its components in line with EU approaches. We will also review the current linkages of social assistance programs to the subsistence minimum to ensure consistency with fiscal sustainability.

E. External Debt Strategy

38. Our efforts to restore debt sustainability on a forward-looking basis remain guided by the strategy announced in March 2023. The August 2024 Eurobond exchange was a major step forward in the process. In addition, we recently concluded the exchange of outstanding GDP-linked warrants into a new series of Eurobonds. However, a treatment of the remaining external commercial claims in the restructuring perimeter remains necessary to help close financing gaps during the program period, reduce gross financing needs to manageable levels, including after the program, and to place debt on a sustainable path. Our goal remains to restore debt sustainability and ensure that our program is fully financed, including in a downside scenario. Our strategy is also designed to help create the necessary conditions for private sector participation in the post-war reconstruction of Ukraine, and takes into account the importance of preserving financial stability.

39. Building on the successful Eurobond and GDP warrants exchange, we are making progress on the additional components of the strategy:

- *Commercial claims other than Eurobonds:* Discussions continue with a group of investors holding 45 percent of Ukrenergo's state-guaranteed bonds in the restructuring perimeter, with proposed terms being those of the 2025 Agreement in Principle. With Cargill, we have entered

negotiations to restructure the loans on terms comparable to other commercial claims. We are aiming to reach an agreement as soon as possible. In the meantime, a moratorium on government payments on all these instruments was introduced in August 2024 and remains in effect. We continue to be aided by our external financial and legal advisors and remain committed to a credible process for restructuring these claims in line with the overall strategy under the program, including with transparency for information and communication.

- *Official bilateral debt.* Creditors in the Group of Creditors of Ukraine (GCU) remain committed to a two-step process involving an extension of the debt standstill, a new cutoff date, and a separate assurance to deliver a final debt treatment sufficient to restore debt sustainability before the final review of the IMF-supported program. We remain in close contact with the GCU regarding the restructuring of external commercial debt to ensure their comfort with the overall strategy as developments unfold. Going forward, we will seek treatments on comparable terms with other official creditors, including guaranteed loans, and the definitive restructuring of these claims.

40. We believe that the full implementation of our strategy will allow us to deliver the debt sustainability targets under the program’s baseline scenario. We are committed to undertaking a further treatment of external commercial claims as needed to restore debt sustainability, in line with program parameters. We note that the exceptionally high uncertainty now prevailing means that it is difficult to pin down a future scenario. If the scenario prevailing at the penultimate review of the program (or once conditions of exceptionally high uncertainty abate if that occurs earlier) is worse than that on which the present restructuring is based, then a further treatment of external commercial claims would be required. This would be alongside the restructuring of official bilateral claims. The further treatment, if needed, would be expected to take place once conditions of exceptionally high uncertainty abate, or at the latest by the penultimate review of the program. We continue to retain legal and financial advisors to assist us in this process and will continue to share information on a regular basis with creditors about an eventual further treatment, including the potential range of outcomes and possible timelines.

41. To support our goal of safeguarding debt sustainability, we will continue to strictly limit the issuance of guarantees (*Quantitative Performance Criterion*). Adequate space will be provided to facilitate guarantees on loans from International Financial Institutions (IFIs) and foreign governments for projects, including those for recovery and reconstruction.

F. Monetary and Exchange Rate Policies

42. Our monetary and exchange rate policies aim to safeguard price and external stability while building an adequate level of international reserves. Guided by our [Strategy for Easing FX Restrictions, Transitioning to Greater Flexibility of the Exchange Rate, and Returning to Inflation Targeting](#) and our [Monetary Policy Guidelines for the medium term](#) (MPG), and in close collaboration with the IMF, we continue adapting our policies to evolving macroeconomic

conditions, including cautiously advancing FX liberalization while ensuring external viability—a key program objective.

43. We will maintain a sufficiently tight monetary policy stance and key policy rate (KPR) to bring down inflation, anchor expectations, and support macroeconomic stability. Following cumulative rate hikes of 200 bps in Q1 2025, the key policy rate (KPR) remained at 15.5 percent through end-2025. At our January MPC we adopted a modest rate cut of 50 bps, taking into account the steady decline in inflationary pressures while remaining cautious given the still-elevated risks to the outlook. Further easing remains conditional on the evolution of inflation expectations, consistent evidence that inflation remains on a downward trajectory towards the inflation target and a weakening of inflationary risks. Our stance aims to preserve the attractiveness of hryvnia instruments, limit inflationary and FX pressures, and maintain confidence in the domestic currency. Looking ahead, monetary policy will focus on returning inflation to the 5 percent target over the policy horizon of three years, with readiness of monetary policy to adjust if risks materialize.

44. To strengthen external buffers and prospects for medium-term external viability, we will continue to accumulate reserves and facilitate greater exchange rate flexibility. To these ends, we have tightened the Net International Reserves (NIR) targets (**quantitative performance criterion**) and recalibrated our FX intervention approach to enhance the role of the exchange rate as a shock absorber while avoiding excessive volatility. While the NBU continues to address the war-related structural FX deficit of the private sector, we also recognize that allowing the exchange rate to adjust in response to changes in domestic and external factors will strengthen the functioning of the FX market and the resilience of the Ukrainian economy.

45. We will ensure strict adherence to the FX liberalization Strategy balancing the trade-offs between supporting growth and safeguarding external stability. FX liberalization will continue to follow a conditions-based roadmap ensuring that the pace of easing supports growth and safeguards external stability while maintaining consistency with the overall policy mix. To ensure compliance with current controls and limit unproductive capital outflows, we will continue to closely monitor FX market conditions and related flows, including through: (i) bank-level data analysis to identify and address potential circumvention of controls; and (ii) potential controls to limit virtual asset transactions to preserve the efficacy of CFMs (see ¶157); (iii) careful assessment by the Government and NBU, on a needs-basis, of existing and potential new cases for exceptions and extensions to import and export settlement deadlines; (iv) close monitoring of securities transactions and enforcement of capital controls by NSSMC, including of cross-border transactions for international Ukrainian government bonds. We commit to a comprehensive stocktaking of FX measures implemented to date. Furthermore, we are committed to the standard **continuous performance criterion** of (i) not introducing or intensifying any exchange restrictions; (ii) not introducing or intensifying import restrictions for BoP reasons; (iii) not introducing or modifying multiple currency practices; and (iv) not concluding bilateral payment agreements in violation of Article VIII of the Articles of Agreements.

NBU Independence and Governance

46. A strong and independent NBU remains critical to achieving macroeconomic stability.

We will adhere to the following principles, including in line with the 2023 Safeguards Assessment:

- *Ensure financial autonomy.* We will ensure adherence to our profit retention rules and that the distribution of NBU profits to the state budget takes place in line with procedures established under the NBU Law. We commit to refraining from using NBU profit for earmarked spending and will direct this revenue category to the General Fund of the State Budget. Finally, we recognize that costs incurred from monetary policy implementation via liquidity absorption (interest expenses on NBU CDs) are both necessary and justified to support macroeconomic stability in line with our mandate.
- *Implement Safeguards Assessment recommendations.* In order to take steps to enhance the NBU's secured creditor status under bank resolution, we have developed and submitted to the parliament the corresponding legislative amendments. We will continue working with IMF staff to improve the execution of functions of the Audit Committee and strengthen collective fitness of the NBU Council. We will ensure that vacant positions in the NBU Council are filled by end-March 2026 to support its operational effectiveness.

47. As conditions allow, we will gradually unwind wartime measures, undertaken to support price and external stability, to support the eventual transition back to a full-fledged inflation targeting framework with a floating exchange rate.

- *Monetary financing:* We remain committed to avoiding monetary financing, including indirect forms; if external disbursements are delayed, any use will be strictly limited under the agreed MOF–NBU framework articulated in the Technical Memorandum of Understanding.
- *Wartime measures and liquidity management:* As liquidity conditions evolve, we will adjust our monetary policy framework to better align with economic conditions. When conditions permit, we will phase out war-time measures to strengthen our monetary policy toolkit, uphold NBU credibility and independence, and thereby support our transition to a full-fledged inflation targeting framework with a floating exchange rate.
- *FX Liberalization:* Consistent with our FX liberalization roadmap under the NBU's Strategy, and as conditions permit in the post-martial law period, we will gradually phase out FX controls implemented under Resolution No. 18. This approach will continue to support growth while safeguarding external stability. Accordingly, any necessary legal amendments will be developed for submission to Parliament, including as related to the Currency Law and the NBU Law.

G. Financial Sector

48. We have preserved financial stability through a variety of emergency measures and will continue to reinforce financial crisis preparedness. We have restored pre-full scale invasion regulatory requirements, which we will adhere to, and will reinforce financial stability through a prudent approach to micro- and macroprudential regulation. Despite the war, bank branches remain

operational, including through the introduction of “Power Banking” to counter power outages. Online banking services have remained fully available, the non-cash payment system is functioning normally, and banking system capital and liquidity is robust. Our priorities are on preservation of financial stability whilst ensuring financial and operational readiness to respond adeptly to shocks. The NBU and the Deposit Guarantee Fund (DGF) continue to address weak banks alongside court-based nationalizations related to the wartime setting and have prepared contingency plans to respond to further potential high-impact events in their respective areas. More specifically:

- The NBU assessed key financial and operational risks to financial stability under various downside conditions and updated NBU’s monitoring and emergency response frameworks accordingly. The NBU will continue to monitor and adjust contingency plans as needed.
- Following an NBU “bank resilience assessment,” restructuring and capitalization plans were developed for weak banks and business plans were adjusted accordingly. As a shareholder, the MOF directed State Owned Banks (SOBs) to uphold best practice risk appetite frameworks, which were reviewed by the NBU during the 2025 Supervisory Review and Evaluation Process.
- Key gaps in the legal framework regarding early intervention measures, temporary administration, and resolution of insolvent banks have been addressed and a corresponding draft law covering these key gaps and improving existing liquidation procedures is expected to be adopted in February 2026 and we are implementing the action plan approved by the NBU-DGF coordination committee.
- The adequacy of DGF financial resources has been reviewed and emergency financial backstops will continue at least until the target reserve ratio has been reached.
- The NBU has aligned its frameworks for counterparty eligibility in monetary policy operations with international best practice and their coordination with lender-of-last-resort operations.

49. The NBU will continue to undertake resilience assessments of the banking system while considering wartime developments and needs. The NBU has completed a resilience assessment, which included loan file reviews involving external auditors and solvency stress tests under baseline and adverse scenarios. The results of the assessment informed restructuring and capitalization plans and efforts to close outstanding gaps in regulatory capital requirements and harmonization of regulations with the EU acquis. An analysis of business model viability will be undertaken in consultation with IFIs. Once conditions have stabilized, (i) the NBU will complete a targeted asset quality review (AQR) in consultation with IFIs to assess the adequacy of banks’ capital buffers and (ii) carry out a subsequent bank viability assessment. This risk-based asset quality review will consider loan collateral valuations and based on a Terms of Reference prepared in consultation with IMF staff by end-April 2026. In parallel, the NBU will prepare a concept note by end-April 2026 to inform the relaxation of the current blanket prohibition on bank capital distributions and consider the need for continued restrictions until after the independent AQR findings have been fully reflected in banks’ regulatory ratios and financial statements.

50. We are fully committed to further strengthening banking supervision. The NBU refined the supervisory risk-assessment methodology and expanded the supervisory plan in December 2025 to include all material bank risks and develop methodologies for supervisory risk assessments. The NBU is also developing supervisory methodology to determine Basel Pillar II increased capital adequacy and liquidity requirements based on supervisory assessment, which will be implemented by end-September 2026. The NBU is taking steps to mitigate growing critical third-party risk in banks, non-bank financial institutions, and payments service providers through the implementation of new regulatory requirements (**structural benchmark, end-June 2026**). The steps include: (i) preparing regulatory requirements to address third-party risk for banks and non-banks and their publishing for discussions with the market (by end-March 2026 for banks and end-May 2026 for non-bank financial institutions); and (ii) implementing the requirements through entry into force of the framework by end-June 2026. If needed, the NBU will develop a draft law in consultation with IFIs including measures for detection, containment, and mitigation of market-systemic critical third-party risk for third parties that are either in going- or gone-concern and submitting it to Parliament. Entities identified as critical third parties will be subject to NBU's fit and proper rules.

51. We will update our SOB strategy with a view to reducing state ownership in the banking sector. Any decision that has the potential to increase state ownership in the banking sector will be taken in consultation with IMF staff and strictly informed by financial stability and national security considerations during the martial law period. Any non-systemic banks that come under state ownership will not be recapitalized using fiscal resources and will be transferred to the DGF for resolution upon breach of prudential requirements (**continuous structural benchmark**). Further envisaged reforms regarding SOBs are:

- We are preparing the sale of two systemic SOBs, Sense Bank and Ukgazbank, starting with the appointment of an internationally recognized financial advisor in consultation with IFIs by end-March 2026.
- Given uncertainties regarding the timing of the sale processes, we will ensure SOB supervisory boards remain fully operational for all SOBs. To strengthen the independence and professionalism of the nominations process of the supervisory boards, we will approve an amended SOB Nomination Committee (NomCom) framework by CMU resolution based on IFI recommendations and which will: (i) require all NomCom participants to adhere to strict confidentiality rules, (ii) permit nationality to be considered only as a secondary factor between otherwise equally qualified candidates, (iii) strengthen assessment procedures by pre-agreeing on interview questions and sharing draft scores ahead of the interviews, (iv) develop an annual performance assessment for the SOB supervisory boards by the Ministry of Finance and link reappointment to its results, and (v) require the Ministry of Finance to maintain a pool of high-scoring candidates from previous selection processes for future vacancies (**structural benchmark, end-February 2026**).
- We will approve an updated general SOB strategy in consultation with IFIs (**structural benchmark, end-June 2026**) and use it to inform the strategies for individual banks with majority public ownership. The strategy will detail how the protections for fully government

owned SOBs in Article 7 of the Law on Banks and Banking will be extended to majority government owned systemically important SOBs.

- We commit to ensuring that any future transfers of bank ownership, including following seizures during Martial Law, can only take place with due regard to the Law on Banks and Banking and following formal notification, review, and approval of the process by the NBU.

52. Governance of the Deposit Guarantee Fund (DGF) will be enhanced/strengthened while preserving its current critical role in the financial safety net. A working group established by the Financial Stability Council has prepared a draft law to adjust DGF governance arrangements including equal representation from institutions comprising the DGF Administrative Board, and close gaps relative to good practice, DGF accountability, internal controls, and procedures for the appointment of the Managing Director. More time will be needed to reach consensus on the composition of the Administrative Board. We expect to submit the DGF governance amendments to parliament in March 2026. The new appointment procedures will include the engagement of an independent HR firm to assist with the selection process and the introduction of a nomination committee comprising voting representatives and IFIs as observers. Given the essential role of the DGF in safeguarding deposits and addressing insolvent banks, we will refrain from making any changes to the allocation of roles and responsibilities of financial safety net stakeholders during Martial Law.

53. Improvements to the National Securities and Stock Markets Commission (NSSMC) governance will better position it to contribute to the recovery. Once conditions stabilize, vast private investment will be needed to aid reconstruction and recovery. This requires further development of our financial markets' infrastructure and its alignment with good practices to enable Ukraine to attract a broad range of investors. The NSSMC, which will be a key regulator and driving force of these developments, has taken some governance initiatives, including a fit and proper review of the Chair and Commissioners and amendments to the Ethics Committee Regulation. A functional audit of the NSSMC, supported by IFIs, is expected to be completed by end-June 2026. Nevertheless, a more robust and effective NSSMC governance structure is needed in the form of a supervisory board to provide strategic direction, ensure collegial responsibility and implementation of reforms, and enhance its effectiveness and credibility by promoting independence, accountability, transparency, and integrity in its operations. We will make changes to the NSSMC's governance structure and decision-making bodies in consultation with IFIs by introducing a two-tier governance structure comprising of a majority-independent supervisory board to oversee the existing executive and Commission functions. As a first step, NSSMC, in consultation with CMU and IFIs, will finalize a concept note by end-March 2026 outlining the structure, composition and mandate of the supervisory board. The new governance structure will be aligned with the Constitution in terms of government responsibilities for regulatory agencies and implemented through amendment of the NSSMC law (**proposed structural benchmark, end-December 2026**).

54. We will reform financial and capital market infrastructure (FCMI) with the aim of maximizing opportunities to attract private investment for reconstruction and recovery. We will close gaps in institutions, regulation, market standards and infrastructure as set out in the

Financial Stability Council's (FSC) FCMI development roadmap to enhance the prospects for attracting private capital, which needs to play a critical and large-scale role in Ukraine's reconstruction strategy. The roadmap includes detailed activities to (i) further coordinate and develop public, private, and public-private deal pipelines; (ii) reform market instruments, including introducing new instruments such as securitizations and covered bonds, and facilitate loan syndications, and loan sub-participations; (iii) reform of existing investment funds frameworks (also covering JIs) through adoption of the investment funds law (#13246) by end-October 2026 and lending instruments (such as factoring and leasing); and (iv) align financial regulation to achieve EU Regulatory Equivalence. In addition, we have signed an MOU with IFIs to create a vertically integrated capital markets infrastructure for trading, reporting, clearing and settlement, recordkeeping and custody. Specifically:

- *Market instrument reforms.* Legislative proposals to align the asset backed securities frameworks with international standards and good practice are being prepared in consultation with IFIs and industry and will be submitted to Parliament by end-March 2026. Also, a legislative proposal to enhance creditor protection will be developed by NBU in 2026.
- *Capital markets infrastructure.* A vertically integrated markets infrastructure will be created involving the State, a strategic partner and SOBs. It will incorporate existing infrastructure elements such as the Settlement Center and the minority stake in the National Depository of Ukraine (NDU). As a first step, the management of the State's stake in the NDU was transferred from the NSSMC to the NBU in September 2025. We will ensure that NBU obtains and holds a majority stake in NDU for further CSD consolidation and representation in the supervisory board reflecting its majority stake in line with IMF technical assistance. Legislative proposals to provide the legal basis for the implementation of a vertically integrated markets infrastructure will be submitted to Parliament by the end-February 2026 and is expected to be adopted by end-March 2026.
- *Lending development strategy.* A strategy approved by the FSC in July 2024 is being implemented to support banks' lending to priority sectors during the war and further developing credit infrastructure to support banks' risk management and lending decisions. In addition, the FSC approved an NBU-prepared Mortgage Lending Strategy to develop the mortgage lending market in June 2025. Parliament will adopt a law by end-May 2026 to improve the regulation and functioning of credit bureaus, which will be complemented with enhanced supervision of credit bureaus through requirements for ownership and internal controls within six months of the law being signed by the President.
- *Further aligning banking norms with the EU to achieve Regulatory Equivalence.* NBU, with support of IFIs, has achieved substantial alignment of banking legislation with the EU acquis and will refrain from relaxing existing prudential requirements. Achieving Regulatory Equivalence will be an important step towards EU market access and will facilitate a reduction of Ukraine sovereign risk weights, which will positively impact EU banks' incentives to hold Ukraine risk. NBU will first seek to obtain EBA's official assessment of the equivalence of confidentiality and professional secrecy regimes before launching the process for an official regulatory equivalence assessment.

To this end, we will submit to parliament amendments to our laws to align the legal framework on bank secrecy, specifically regarding information disclosure by NBU with Directive 2013/36/EC (CRD IV) by end-March 2026.

- *War risk insurance system.* To preserve interests of businesses in frontline regions, we launched a mechanism for compensating war risks in December 2025. Simultaneously, we are continuing our work on determining the optimal long-term model for war risk insurance.

55. We are reforming financial and credit market regulations to align with international good practice and improve asset price discovery. NBU, with support from IFIs, has aligned banks' regulatory capital structure, calculation of risk-weighted exposures, and leverage ratio calculations with EU rules. The definition of minimum capital requirements and non-performing exposures have been aligned with EU standards. NBU will take further steps to strengthen banks' NPL workout capacity and promote the secondary market for NPLs, in line with the NPL strategy approved by the FSC. The NBU will continue monitoring economic conditions and reinstate pre-war regulations when it is safe to do so and based on: (i) banks' adherence to the new capital requirements aligned with EU standards; (ii) the results of resilience assessments, and (iii) the banking system's role of lending to the economy and its involvement in the domestic debt market. NBU has reinstated the normal regulatory deadlines for conducting fit and proper assessments. The State Property Fund, NBU and the Ministry of Justice have improved mechanisms for real estate transactions information collection and exchange. We will make legislative changes to implement European (TEGOVA) and international valuation standards (IVS) by end-June 2026 that will be followed by the development of an implementation roadmap. These legislative changes will also encompass the expansion of the Unified Database to include real estate transactions that are not subject to taxation. We have also implemented a house price index (HPI) methodology in 2025 with IMF assistance, and we will finalize the mechanism for publication of the HPI by end-May 2026. We will further account for the above-mentioned legislative changes to the data collection while preparing HPI.

56. Further regulation of the payments market is being advanced to strengthen the system and support de-shadowing. The payments market is developing fast due to the entry of new technology operators and digitalization. We are advancing legislation to join the Single European Payments Area. The NBU has already taken measures to counteract illegal use of the payment system, including through increased bank monitoring and legislative changes are being advanced in parliament to extend its powers to restrict payment service providers (PSPs) that fail to comply with regulatory requirements. The NBU has also improved its supervision of PSPs by (i) developing an early warning and reporting system; (ii) transitioning to risk-based supervision; and (iii) strengthening supervisory and analytical capacity. To complement these efforts, we will facilitate PSPs' information exchange on clients that bear high risks of illegal use of payment systems by implementing a "money-mule" register. The relevant legislative proposal, prepared by NBU, will be adopted by parliament by end-April 2026. The NBU will finalize a draft legislative proposal in February 2026 to (i) align payment acquiring services with EU norms; (ii) extend the NBU's supervisory and regulatory powers to technology operators; and (ii) clarify financial and payment licenses with clear ownership structure requirements for PSPs.

57. We are taking steps to mitigate the risks that virtual assets may pose to price stability, the effectiveness of capital flows measures, the monetary transmission mechanism and tax revenues. We have prepared a law to regulate virtual assets in consultation with IFIs to align with international best practice while considering economic development goals and mitigating price and financial stability risks. We will ensure the law clearly sets out (i) regulators' roles and responsibilities; (ii) promotes a level playing field for virtual asset service providers in terms of licensing and market access; (iii) potential controls to limit crypto transactions to preserve the efficacy of CFMs; and (iv) alignment with the EU acquis.

58. We will continue to strengthen the legal, regulatory, and supervisory framework for NBFIs. A legal framework for financial services and financial companies, insurance and credit unions and payment market participants is being phased-in. This includes (i) transitioning to a risk-based approach for supervising NBFIs; (ii) strengthening powers to revoke licenses and liquidate failed NBFIs; (iii) strengthening ownership structures; and (iv) improving disclosure requirements. Legislation on investment funds has been submitted to parliament and NSSMC is moving forward with the regulation of financial intermediaries to align their capital requirements with the EU acquis. As regards financial reporting, we have restored the requirements for mandatory quality control of services provided by audit companies that apply to non-bank financial companies. The NSSMC will continue to provide access to financial reporting files submitted to the Financial Reporting Collection Center and will define the main tasks for expanding the functional capabilities of the Financial Reporting Collection Center in consultation with key stakeholders.

59. Finally, we will continue our efforts to recover value from former shareholders of failed banks. We reaffirm our commitment to continuing efforts to recover value from assets of failed banks and to abstain from any interference with the current asset recovery strategies of the largest bank nationalized in 2016 and of the DGF. We are aware that public authorities and banks may have overlapping interests in assets belonging to persons subject to sanctions and/or criminal investigations. While public interests take precedence over banking and private sector claims, we will make plans to analyze—with the involvement of the banking industry where necessary—whether the hierarchy of claims has any material impact on banking-sector soundness.

H. Governance and Anti-Corruption

60. We will accelerate reforms to enhance governance and fight corruption which remains central to our reform agenda. Sustained progress in these areas is critical to domestic revenue mobilization, reducing the shadow economy, and ensuring a level playing field. Persistent vulnerabilities to high-level corruption highlight the need for more credible safeguards, stronger oversight, and greater accountability - as these risks can hinder our policy objectives and erode public trust. Our governance reform agenda, focused on upholding the confidence of the public, investors, and international partners, is closely aligned with our broader goal of advancing toward membership of the EU.

61. To combat high-level corruption, we will ensure that the independence and autonomy of key anti-corruption enforcement institutions are safeguarded.

Building on hard-won progress, we remain firmly committed to preserving the operational independence of the National Anti-Corruption Bureau of Ukraine (NABU), Specialized Anti-Corruption Prosecutor's Office (SAPO) and the High Anti-Corruption Court (HACC). We will refrain from taking any measures that would undermine their independence, powers or resources, including through amendments to their legal or regulatory frameworks.

62. We will support focusing on the prevention of anti-corruption measures on high-risk critical sectors.

This includes tax, customs, public procurement, and energy. To enhance prevention, and consistent with IMF technical assistance on strengthening the asset declaration and lifestyle monitoring frameworks, the National Agency for Corruption Prevention (NACP) will issue regulations prioritizing and enhancing the verification of asset declarations of senior officials in these high-risk sectors (**structural benchmark, end-June 2026**). Aligned with the IMF technical assistance, which will provide guidance on the principles and modalities of publication, the NACP will publish, on a bi-annual basis, key performance indicators on risk-based verification and lifestyle monitoring activities, starting end-March 2026 for the second half of 2025. We will launch an independent external audit of the NACP. The audit will assess, in particular, the agency's effectiveness in verifying the accuracy of high-level officials' asset declarations and in managing its whistleblower function in 2024–2025, and will propose options to remedy any identified shortcomings.

63. We will enact a legal framework for independent, reliable, timely, and high-quality forensic services to support criminal investigations that fall under NABU's jurisdiction.

The legal framework will be developed in consultation with key stakeholders. The forensic service will enjoy structural independence in line with European forensic science standards (including guidance of European Network of Forensic Science Institute, Council of Europe Standard Operating Procedures for forensic services, and ISO/IEC 17025) to ensure the reliability of forensic evidence and compliance with fair-trial guarantees provided in article 6 of the European Convention on Human Rights and Fundamental Freedoms. We remain fully committed to advancing additional legislative and institutional reforms essential for strengthening anti-corruption enforcement. In the coming months, in close coordination with all stakeholders, we will prepare amendments to the Criminal Code and Criminal Procedure Code to address longstanding systemic weaknesses that hinder investigations, create delays at the trial stage, and undermine accountability for corruption.

64. We will effectively implement AML/CFT measures to strengthen financial integrity.

The NBU will strengthen its AML/CFT supervisory activities with the goal of ensuring that its rules and guidance on enhanced due diligence for politically exposed persons are applied by banks proportionate to risks, and do not automatically disqualify groups of people in line with the FATF standards. We will amend Article 32 of the AML/CFT law and the corresponding Article 73 of the Banking Law to ensure that the penalties for AML/CFT violations by entities regulated and supervised by the NBU are effective, dissuasive, and proportionate, in line with the FATF standards. The financial sanctions applicable to such entities will be clearly prescribed in the laws of Ukraine and the regulatory legal acts of the NBU by March 2027.

65. We will enhance procurement transparency and strengthen the beneficial ownership framework including verification, enforcement mechanisms, and sanctions. In January 2026, to enhance procurement transparency and help deter conflicts of interest, we have adopted a CMU resolution to require publication of ultimate beneficial ownership (UBO) information for companies that have received direct contracts or contracts concluded under a negotiated procedure for public procurement, and publication of UBO information of successful non-resident bidders. We will strengthen the sanctions regime for beneficial ownership obligations by end-2026 through legislative amendments that extend sanctionable UBO obligations under the FATF standards. We will also raise maximum fines and expand available measures—including the dissolution of a legal entity for material breaches of AML legislation—to ensure that sanctions are effective, proportionate, and dissuasive, supported by clear guidance on aggravating and mitigating factors.

66. We are committed to strengthening the integrity of the tax system by using AML/CFT tools more effectively to detect and deter tax crimes. We will enhance the use of AML/CFT tools to combat tax crimes and strengthen overall tax and customs compliance. With IMF capacity development support, we will complete an independent review of the operations and effectiveness of the State Financial Monitoring Service and will prepare an action plan to address the identified deficiencies by end-March 2026. By end-March 2027, we will also deepen operational cooperation between the FIU, tax authorities and law enforcement bodies to ensure the timely use of financial intelligence for detecting tax crimes, improving case selection, and supporting effective enforcement actions.

67. We will swiftly address SOE corporate governance shortcomings highlighted by the Energoatom case through a comprehensive action plan. In December 2025, we adopted amendments to CMU resolutions 142, 143, and 777 developed in consultation with international partners to mandate a leading role for supervisory boards in the preparation of board profiles, standardize documentation, and ensure timely and competitive selection of qualified and professional board members, and to ensure that, for state representatives, at least two candidates are submitted for each vacancy, matching the required board profile and subject to integrity checks equal to those for independent members, and that candidates are evaluated by the Nomination Committee, including through interviews. In close consultation with international partners, we have appointed a new supervisory board for Energoatom in line with improved criteria set out in CMU resolution 1804. We will adopt amendments to the Energoatom charter to ensure that decisions on CEO nomination and dismissal are taken by a simple majority of the supervisory board, after which the new supervisory board will promptly select a new CEO through a competitive merit-based procedure with integrity checks, and launch a forensic audit by a reputable independent auditor, for which adequate funding would be secured. By end-March 2026, we will also rescind CMU resolution 1441, thus restoring independent board evaluations. We will promptly fill supervisory boards for Naftogaz, Ukrhydroenergo, Ukrenergo, and GTSOU, as announced in resolution 1258, and amend charters as above if needed before selecting new CEOs.

68. We will continue to strengthen SOE corporate governance in close consultation with international partners.

- We will enact changes to the State Ownership Policy (SOP) and the Law “On Joint Stock Companies” (2465-IX) to mandate that all SOE charters require simple majority voting for supervisory board decisions, except for the approval of the strategic development plan, and avoid provisions that enable veto or supermajority requirements by end-June 2026. This would ensure the alignment of company-level governance with OECD Guidelines on Corporate Governance of SOEs, which emphasize the importance of independent, accountable boards operating free from political interference and with strong fiduciary duties.
- In close consultation with IMF and international partners, we will continue a comprehensive reform of SOE supervisory board nomination procedures according to a roadmap with time-bound measures to improve nominations across both strategic and non-strategic SOEs, increasing efficiency and ensuring the individual and collective fitness of supervisory board members, which will be approved by end-March 2026.
- We will ensure that all SOE CEO nominations and dismissals are decided by a simple majority of supervisory boards, with appropriate charter amendments if needed.
- We will ensure that comprehensive financial, compliance and performance audit for all non-defense SOEs listed in Resolution 777 as of November 2025 (“top SOEs”) by reputable independent auditors are initiated by end-June 2026
- We will continue implementing the SOP as per the SOP Action Plan including the framework for privatizations (full or partial); requiring that financial statements are prepared in accordance with IFRS, subject to an appropriate transition period; and implementing SOE information disclosure, and SOE remuneration policy (not applicable to SOBs). We commit to publishing a revised SOP by end-May 2026, which would more closely align with OECD Guidelines on Corporate Governance of SOEs, following recommendations from the 2025 OECD Review. We will consult with the IMF and international partners on all related draft legislations and CMU resolutions.

69. We will increase the transparency and accountability of SOEs to promote effective management and accurately quantify quasi-fiscal activities The publication of financial statements for top SOEs in accordance with IFRS standards will resume by end-June 2026, with appropriate redactions to protect critical infrastructure and an extended publication lag of up to one year. We will introduce mandatory annual financial audits for top SOEs, for which adequate funding would be secured, by making appropriate legislative amendments if needed. We will ensure that audits are published starting with the 2025 financial audits by end-August 2026. By end-June 2026, we will start the development of an annual SOE report in accordance with the requirements of the SOP, which would be appropriately expanded to include information on top SOEs financials through a common set of indicators, payments to the state budget and fiscal support, specific PSO obligations and quasi-fiscal activities carried out by each SOE, and alignment of company-level governance with international best practice. The report would be published annually starting by end-September 2026 for the year 2025 and gradually expanded to cover more SOEs. We will continue timely implementation of the PSO Action Plan and ensure that financial statements

reflecting a separation of PSO and non-PSO activities are published for all SOEs that are subject to PSOs by end-June 2027.

70. We are exploring options, in close consultation with international partners, to enhance SOE management, including the potential introduction of a centralized SOE management model, consistent with the SOE corporate governance reform agenda in the SOP and international best practices. This will include defining the roles and mandates of key government institutions engaged in SOE management, such as the MOF, MOE, CMU, other relevant line ministries, and the State Property Fund (SPFU). We will ensure a strong gatekeeper role of the MOF for SOE financial oversight, limit quasi-fiscal risks, and help safeguard debt sustainability. Importantly, any new SOE management framework must not dilute the government's authority over dividend policy, ensuring that SOE dividends are directed to the state budget and are transparently reported to ensure accountability and oversight. Any primary legislation to formalize a centralized SOE management model for non-strategic SOEs will be consistent with the principles of the medium-term reforms as envisaged in the NomCom Roadmap (see ¶68) and other key reforms of the SOP, which will have helped to enshrine modern SOE corporate governance practices. Overall, the ultimate goal of centralizing SOE ownership should be to professionalize the state's ownership function, and any centralized management framework should only proceed with caution. It should rest on a clear legal mandate, ensure adequate MOF oversight and fiscal transparency, incorporate robust safeguards against political interference to ensure professional, merit-based leadership, and require rigorous, internationally aligned reporting and accountability.

I. Energy Sector Reforms

71. Our immediate priority remains to mitigate the adverse impact of the war on the energy sector. We continue to work swiftly to repair damage to generating capacity, and to ensure sufficient electricity provision to households and firms in the heating season and beyond

- We aim to make our energy system more resilient to future attacks, such as through decentralized energy generation, including gas turbines, and the Green Transformation in a conducive market and regulatory environment with an independent energy regulator (see ¶73). The affected companies are mostly relying on their working capital to repair and restore energy facilities. We are very grateful for continuing donor support, including for equipment, and will seek additional donor support for repairs, as well as decentralized electricity generation support programs, including gas generation projects. We have expanded the scope of the 5-7-9 lending program and the BDF to support the energy sector and are implementing SOB energy support lending programs, including for households. In 2025, we imported more than 6 bcm of gas following large-scale attacks on our infrastructure, and significant imports are planned for 2026 to ensure adequate supply during the heating season. Naftogaz has secured financing for gas imports from the EBRD, EIB, and bilateral donors, and we are working towards securing additional donor financing. Any transfers from the State Budget to energy companies for emergency needs related to the war will be allocated through amendments to the budget, subject to the availability of financing and only after consultation with IMF staff.

72. We are strongly committed to implementing an ambitious reform agenda to address long-standing structural problems in the energy sector that have been exacerbated by

Russia's war. Restoring the sustainability of the sector and reducing quasi-fiscal liabilities will necessitate a gradual increase in gas, electricity, and heating tariffs for households to cost recovery levels, while ensuring adequate and well-targeted support to protect vulnerable households. Returning to prices fully reflecting market conditions will require the restoration and enhancement of competition in wholesale and retail markets and may only be possible after the war winds down.

- By end-June 2026, based on a Ministry of Energy proposal and input from stakeholders, the CMU will adopt a roadmap for the gradual liberalization of gas and electricity markets, with a time-bound implementation plan for the post-martial law period. The roadmap will be based on technical analysis of the financial condition of the sector, in coordination with the European Commission, and will describe the steps needed to reform the PSOs in order to gradually liberalize market prices once martial law is lifted and ensure that vulnerable consumers are adequately protected, as well as preparatory steps to be implemented before the end of martial law. To ensure that the proposed reform is fiscally sustainable, we will conduct and publish technical analysis quantifying the costs of QFA resulting from price caps and PSOs in the electricity, gas and heating sectors, the incidence of existing subsidies, and reform scenarios to achieve gradual cost recovery while ensuring adequate social protection, building on the findings of IMF TA to the Ministry of Energy (**structural benchmark, end-July 2026**).
- Following the adoption of the roadmap, and to support reconstruction and repairs, we will plan to carry out a gradual adjustment in electricity tariffs while ensuring an adequate level of utility subsidies to protect vulnerable households. These increases could begin as early as needed, taking into consideration the evolution of the war.
- To allow the future adjustment of household gas, heat and hot water tariffs, we intend to prepare amendments to law 2479-IX to remove the moratorium on price increases, consistent with our commitments under the Ukraine Facility Plan. After the removal of the moratorium, we will gradually increase gas prices, accompanied by adequate adjustments in utility subsidies to protect vulnerable households. This would provide needed resources to maintain an adequate supply of gas and heating.
- We will tackle the arrears and debt of District Heating Companies (DHCs) comprehensively once war-related pressures on the budget subside, by developing a new tariff methodology that achieves cost recovery. We will explore mechanisms and legal amendments to ensure that local heat and hot water tariffs gradually converge to, and later at least maintain, cost-recovery levels. We will consult with IMF staff on plans to clear arrears through direct or indirect budget support.

73. We will strengthen governance in the energy sector by empowering SOE supervisory boards and by reinforcing NEURC independence.

- To restore the rights of majority-independent supervisory boards, we will reverse recent charter changes mandating qualified majority voting for strategic decisions in energy SOEs. In line with

expected amendments to the SOP (see ¶68), we revised the charter of GTSOU in January 2026 to ensure that decisions on the nomination and dismissal of members of the management board, including the CEO, are taken by a simple majority of the entire supervisory board, and by end-April 2026 we will accordingly revise the charters of Energoatom and Ukrhydroenergo.

- The NEURC law will be amended by end-April 2026 and enacted in a timely manner, taking into consideration the recommendations of the Energy Community Secretariat to strengthen NEURC's independence and regularly assess its governance and independence, and to make nomination procedures more transparent. In particular, the law will require that the Competition Commission be composed of six members with full voting power, three of whom are proposed by international partners, and will increase the transparency of decisions. We will finalize and publish the first external assessment of NEURC's governance and independence by end-November 2026.

J. Program Monitoring

74. Program implementation is being monitored through quarterly reviews via quantitative performance criteria, indicative targets, and structural benchmarks. We commit to provide to IMF staff all data needed for adequate monitoring of the program, including as detailed in the attached TMU. The complete schedule of reviews is presented in the companion staff report, and quantitative conditionality is detailed in Table 1. The program will also be monitored through the continuous performance criterion (PC) on the non-accumulation of external payments arrears, and standard continuous PCs. Prior actions and Structural Benchmarks (SBs) described in this MEFP are summarized in Table 2. The First and Second Reviews are expected to take place on or after June 1, 2026 and September 1, 2026 respectively, based on quantitative performance criteria for end-March 2026 and end-June 2026, respectively, and corresponding SBs.

Table 1. Ukraine: Quantitative Performance Criteria and Indicative Targets

(end of period; millions of Ukrainian hryvnia, unless indicated otherwise)

	Mar 2026		Jun 2026		Sep 2026	Dec 2026	Mar 2027
	EBS/25/64	QPC	EBS/25/64	QPC	IT	IT	IT
I. Quantitative Performance Criteria 1/ 2/							
Floor on the non-defense cash primary balance of the general government, excluding budget support grants (- implies a deficit) 2/ 3/	153.6	310.0	460.5	687.4	943.2	1,076.3	348.1
Floor on tax revenues (excluding Social Security Contributions)	599.0	580.0	1,292.8	1,280.0	2,057.0	3,000.0	651.3
Ceiling on publicly guaranteed debt 3/	68.0	65.0	68.0	65.0	65.0	65.0	73.0
Floor on net international reserves (in billions of U.S. dollars) 3/	34.3	44.2	34.3	51.3	51.9	49.2	51.6
II. Indicative Targets 1/ 2/							
Floor on the cash balance of the general government, excluding budget support grants (- implies a deficit) 3/	-340.0	-402.9	-590.0	-801.2	-1,287.1	-1,927.4	-452.5
Ceiling on general government arrears	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Floor on social spending	160.0	160.7	327.0	330.3	504.2	684.0	180.5
Ceiling on general government borrowing from the NBU 4/ 5/	-2.5	-2.5	-6.3	-6.3	0.0	0.0	0.0
III. Continuous performance criterion 1/ 2/							
Ceiling on non-accumulation of new external debt payments arrears by the general government	0	0	0	0	0	0	0
IV. Memorandum items							
External project financing (in billions of U.S. dollars)	0.3	0.4	0.3	0.9	1.5	2.8	0.4
External budget financing (in billions of U.S. dollars) 6/	5.2	12.7	9.8	28.0	37.0	46.9	9.9
Budget support grants (in billions of U.S. dollars)	0.2	0.9	0.3	1.1	1.5	1.9	0.1
Budget support loans (in billions of U.S. dollars) 6/	5.0	11.8	9.5	26.9	35.4	45.1	9.8
Interest payments	93.6	96.5	250.5	243.2	358.7	518.2	95.0
NBU profit transfers to the government	0	146.0	151.3	146.0	146.0	146.0	63.0
Government bonds for the purposes of bank recapitalization and DGF financing	0	0	0	0	0	0	0
Cash balance of the general government, excluding budget support grants, treasury report at current exchange rates (- implies a deficit; in billions of Ukrainian hryvnia)	-340.0	-402.9	-590.0	-801.2	-1,287.1	-1,927.4	-452.5

Sources: Ukrainian authorities and IMF staff estimates and projections.

1/ Definitions and adjustors are specified in the Technical Memorandum of Understanding (TMU).

2/ Targets and projections for 2026 and 2027 are cumulative flows from January 1, 2026, and 2027, respectively.

3/ Calculated using program accounting exchange rates as specified in the TMU.

4/ From end of previous quarter.

5/ For March 2026 onwards, calculated using actual and projected redemptions of government bonds as of November 21, 2025.

6/ Excludes prospective IMF disbursements under the EFF.

Table 2. Ukraine: Prior Actions and Structural Benchmarks (concluded)

No.	Structural Benchmark or Prior Action	Sector	Timing	Status
A	Adopt 2026 Budget consistent with the program	Fiscal	Prior Action	Met
B	Issue a decree to level the playing field for VAT payers in public procurement tenders (MEFP ¶22)	Fiscal	Prior Action	Met
C	Submit to Parliament legislation to amend the definition of “employment” in the Labor Code, consistent with good international practice (MEFP ¶23)	Fiscal	Prior Action	Met
1	Any non-systemic banks that come under state ownership will not be recapitalized using fiscal resources and will be transferred to the DGF for resolution upon breach of prudential requirements (MEFP ¶51)	Financial	Continuous	
2	Implement recommendations in MEFP ¶51 to strengthen the nomination process for SOB supervisory boards (MEFP ¶51)	Financial, Governance	End-Feb 2026	
3	Adopt a package of tax measures for 2026-27, as specified in MEFP ¶21	Fiscal	End-March 2026	
4	Appoint a new permanent head of customs (MEFP ¶30)	Fiscal, Governance	End-March 2026	
5	Submission to Parliament of amendments to the Tax Code, as specified in MEFP ¶25, including to align transfer pricing rules with OECD standards and to implement Article 4 of the EU ATAD. (MEFP ¶25)	Fiscal, Governance	End-Jun 2026	
6	Approve an updated SOB strategy that considers privatization objectives and how the safeguards in Article 7 of the Law on Banks and Banking can be extended to all majority systemic state-owned banks (MEFP ¶51)	Financial, Governance	End-Jun 2026	
7	Implement, by means of entry into force, of a critical third-party risk oversight framework (MEFP ¶50)	Financial	End-Jun 2026	
8	NACP to issue new regulations establishing a risk-based system for verification of asset declarations, prioritizing senior officials in identified high-risk areas (MEFP ¶62)	Governance	End-Jun 2026	
9	Publish a technical analysis quantifying the costs of current QFA in electricity, gas, and heating, the incidence of existing subsidies, and fiscally sustainable reform scenarios to achieve gradual	Energy	End-Jul 2026	

Table 2. Ukraine: Prior Actions and Structural Benchmarks (concluded)

No.	Structural Benchmark or Prior Action	Sector	Timing	Status
	cost recovery while ensuring adequate protection of vulnerable consumers, reflecting the findings of IMF TA to the Ministry of Energy (MEFP ¶172)			
10	Create the design of a centralized data warehouse for tax and customs administration (MEFP ¶128)	Fiscal, Governance	End-Dec 2026	
11	Strengthen NSSMC decision-making structures and processes by amending the NSSMC law to align governance with the Constitution and implement a two-tier governance structure including a supervisory board with clearly defined roles and responsibilities. (MEFP ¶153)	Financial, Governance	End-Dec 2026	
12	Appoint all ACU board members from the pool of vetted candidates in accordance with the 2024 amendments (MEFP ¶135)	Fiscal, Governance	End-Dec 2026	