

**EXECUTIVE
BOARD
MEETING**

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Supplement 1

CONFIDENTIAL

June 8, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **Ukraine—Ex-Post Evaluation of Exceptional Access Under the 2015 Extended Arrangement—Draft Press Release**

Board Action: Executive Directors' **consideration** (Formal)

Tentative Board Date: **Tuesday, June 8, 2020**

Publication: Proposed, with main paper

Questions: Mr. Hatanpaa, FIN (ext. 35484)
Ms. Albino-War, FIN (ext. 39708)
Ms. Vladkova Hollar, EUR (ext. 39695)



IMF Executive Board Approves 18-month US\$5 Billion Stand-By Arrangement for Ukraine

FOR IMMEDIATE RELEASE

- *The COVID-19 pandemic will bear heavily on the Ukrainian economy in 2020.*
- *To address large balance-of-payments and fiscal financing needs, preserve achievements to date, and advance a small set of key structural reforms to ensure that Ukraine is well-poised to return to growth when the crisis ends, the IMF approved an 18-month Stand-by Arrangement (SBA), with total access of US\$5 billion.*
- *The approval of the SBA enables the immediate disbursement of about US\$2.1 billion.*

WASHINGTON, DC – June 9, 2020. The Executive Board of the International Monetary Fund (IMF) approved today an 18-month [Stand-by Arrangement](#) for Ukraine, with access equivalent to SDR 3.5 billion (about US\$5 billion or 179 percent of quota). The new program aims to help Ukraine to cope with COVID-19 pandemic challenges by providing balance of payments and budget support, while safeguarding achievements to date and advancing a small set of key structural reforms, to ensure that Ukraine is well-poised to return to growth when the crisis ends.

Ukraine's track record in stabilizing the economy over the last 5 years has been strong. However, more reforms efforts are needed to ensure robust and inclusive growth. The outbreak of the COVID-19 pandemic has significantly worsened the outlook and has refocused government policies on containment and stabilization. Uncertainty is large, and the economy is projected to contract sharply as strict containment measures—in Ukraine and globally—led to sizable falls in domestic and external demand. The budget is expected to be hit hard, with a sharp decline in revenues and large emergency spending needs to address the crisis. This, together with the de facto closure of capital markets, has created large balance-of-payments and fiscal financing needs.

The new arrangement succeeds the 14-month SBA that was approved in December 2018, which was focused on maintaining stability during the election year (see [Press Release No 18/483](#)). Policies under the new arrangement will focus on four priorities: (i) mitigating the economic impact of the crisis, including by supporting households and businesses; (ii) ensuring continued central bank independence and a flexible exchange rate; (iii) safeguarding financial stability while recovering the costs from bank resolutions; and (iv) moving forward with key governance and anti-corruption measures to preserve and deepen recent gains.

The approval of the SBA enables the immediate disbursement of the equivalent of SDR 1.5 billion (about US\$2.1 billion). The remainder will be phased over four reviews.

The Executive Board also discussed the ex-post evaluation of exceptional access under Ukraine's 2015 extended arrangement under the Extended Fund Facility (EFF), which

concluded that the extended arrangement helped restore macroeconomic stability and growth but did not fully address Ukraine's underlying balance of payments vulnerabilities.

Following the Executive Board's discussion on Ukraine, Ms. Kristalina Georgieva, Managing Director and Chair, issued the following statement:

“ ... ”

Executive Board Assessment¹

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More information

IMF Lending Tracker (emergency financing request approved by the IMF Executive Board)

<https://www.imf.org/en/Topics/imf-and-covid19/COVID-Lending-Tracker>

IMF Executive Board calendar

<https://www.imf.org/external/NP/SEC/bc/eng/index.aspx>

¹ At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: <http://www.IMF.org/external/np/sec/misc/qualifiers.htm>.

Ukraine: Selected Economic Indicators, 2018–2022

	2018	2019	2020	2021	2022
			Proj.	Proj.	Proj.
Real economy (percent change, unless otherwise indicated)					
Nominal GDP (billions of Ukrainian hryvnias)	3561	3975	3908	4277	4659
Real GDP 1/	3.4	3.2	-8.2	1.1	3.0
Contributions to real GDP growth					
Domestic demand	5.6	3.5	-8.6	2.7	4.3
Net exports	-2.2	-0.3	0.5	-1.6	-1.3
GDP deflator	15.4	8.1	7.1	8.2	5.8
Consumer prices (period average)	10.9	7.9	4.5	7.2	5.6
Nominal monthly wages (average)	24.8	18.5	3.6	11.4	9.3
Unemployment rate (ILO definition; percent)	9.0	8.5	12.6	12.0	11.5
Public finance (percent of GDP)					
General government balance 2/	0.0	-2.0	-7.7	-5.3	-3.5
Public and publicly guaranteed debt	60.6	50.4	65.4	62.7	60.5
Money and credit (end of period, percent change)					
Broad money	5.7	12.6	4.0	11.0	12.5
Credit to nongovernment	5.5	-9.8	-7.3	-12.4	8.4
Interbank o/n rate (annual average, percent)	16.5	15.6
Balance of payments (percent of GDP)					
Current account balance	-3.3	-0.7	-1.7	-2.0	-1.9
Foreign direct investment	1.8	1.6	0.8	2.1	2.4
Total external debt	87.8	78.8	93.0	84.6	77.9
Gross reserves (end of period, billions of US\$)	20.8	25.3	19.3	23.4	26.5

Months of next year's imports of goods and services	3.3	4.8	3.1	3.4	3.6
Percent of IMF composite metric (float)	71.8	86.1	70.2	78.8	83.9
Exchange Rate					
Hryvnia per U.S. dollar (end of period)	27.7	23.7
Real effective rate (deflator-based, percent change)	8.8	14.7

Sources: Ukrainian authorities and IMF staff estimates.

1/ Data based on SNA 2008, exclude Crimea and Sevastopol.

2/ The general government includes the central and local governments and the social funds.