

Ukraine: First Review Under the Stand-By Arrangement, Requests for Waivers of Nonobservance of Performance Criteria, and Rephasing of Purchases Under the Arrangement—Staff Report; Staff Supplement; Press Release on the Executive Board Discussion

In the context of the first review under the Stand-By Arrangement, requests for waivers of nonobservance of performance criteria, and rephasing of purchases under the Arrangement for Ukraine, the following documents have been released and are included in this package:

- The staff report for First Review Under the Stand-By Arrangement, Requests for Waivers of Nonobservance of Performance Criteria, and Rephasing of Purchases Under the Arrangement, prepared by a staff team of the IMF, following discussions that ended on April 17, 2009, with the officials of Ukraine on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on April 30, 2009. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.
- A staff supplement of May 7, 2009, updating information on recent developments.
- A Press Release summarizing the views of the Executive Board as expressed during its May 8, 2009, discussion of the staff report that completed the review.

The documents listed below have been or will be separately released.

Letter of Intent sent to the IMF by the authorities of Ukraine*

Memorandum of Economic and Financial Policies by the authorities of Ukraine*

Technical Memorandum of Understanding*

*Also included in Staff Report

The policy of publication of staff reports and other documents allows for the deletion of market-sensitive information.

Copies of this report are available to the public from

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INTERNATIONAL MONETARY FUND

UKRAINE

First Review Under the Stand-By Arrangement, Requests for Waivers of Nonobservance of Performance Criteria, and Rephasing of Purchases Under the Arrangement

Prepared by the European Department in Consultation with Other Departments
Approved by Poul Thomsen and Lorenzo Giorgianni

April 30, 2009

Executive Summary

Stand-By Arrangement: A two-year SDR 11 billion SBA involving exceptional access (802 percent of quota) was approved by the Executive Board (Country Report No. 08/384) on November 5, 2008, and a first purchase of SDR 3 billion was made following the Board meeting. As called for under the Emergency Financing Mechanism, a staff report for interim review (Country Report No. 09/17) was issued on January 22, 2009.

Program status: End-March 2009 quantitative performance criteria for net international reserves and base money have been met, and the authorities have made good progress in bank recapitalization. However, the sharp economic contraction since the approval of the program, intensified political tensions, and slippages in program implementation have delayed the completion of the first program review. Since early March, progress has been made in a number of areas, not least with regard to securing the cooperation between political leaders needed to overcome implementation problems. The authorities have approved fiscal corrective measures, revoked legislation that threatened central bank independence, and announced the intervention and recapitalization of seven systemic problem banks. They have also committed to align the official exchange rate with the market rate and to take structural measures to ensure medium-term fiscal sustainability. Against this background, staff supports the authorities' request for completion of the first review.

Discussions were held in Kyiv during January 21–February 5 and April 7–17. The mission met with President Yushchenko; Prime Minister Tymoshenko; NBU Governor Stelmakh; Speaker of the Parliament Lytvyn; Minister of Economy Danylyshyn; Acting Minister of Finance Umanskiy; and the Presidential Administration. The mission also met with the Party of Regions and other senior representatives and officials. The staff team comprised Ms. Pazarbasioglu (head); Messrs. Hofman and Moulin (all EUR), Messrs. Arslanalp and Varsano (both FAD), Mr. Duenwald (SPR), Messrs. Hoelscher and Olafsson (both MCM), and Ms. Lotze (EXR). Ms. Rendak (LEG) and a legal insolvency expert joined the January mission. Messrs. Alier (resident representative), Andritzky (resident advisor) and Ruuhonen (fiscal policy expert) assisted both missions.

Publication: The Ukrainian authorities intend to allow the publication of the staff report.