- *Multiple currency practice arising from the official foreign exchange auction*. No action taken to date. MCP is expected to disappear over time as the foreign exchange market stabilizes and auction spreads narrow. [Waiver requested]

- *Multiple currency practice arising from the use of the official exchange rate for certain transactions*. MCP has been eliminated. The NBU has adopted a resolution (#264, April 30, 2009) that limits the maximum discrepancy between the official and market rate to 2 percent. [Waiver requested]

- *On February 2, 2009, the authorities adopted a law* (#923) *imposing a 13 percent import surcharge on a wide range of commodities* (excluding those of "critical importance"). The law was adopted for balance of payments reasons. On March 16, 2009, a draft bill (#4206) was introduced in parliament to rescind the import surcharge. This bill has not yet been adopted. However, the government notified the mission team that a cabinet of ministers resolution was adopted to restrict the surcharge to only two commodities. In a letter to the MD, and in the MEFP, the authorities have committed to remove the remaining surcharges.

INTERNATIONAL MONETARY FUND
EXTERNAL RELATIONS DEPARTMENT

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International Monetary Fund
Washington, D.C. 20431 USA

IMF Completes First Review Under Stand-By Arrangement with Ukraine and Approves US$2.8 Billion Disbursement

The Executive Board of the International Monetary Fund (IMF) today completed the first review of Ukraine's economic performance under the 2-year Stand-By Arrangement (SBA), and approved the immediate release of the second tranche under the arrangement equivalent to SDR 1.9 billion (about US$2.8 billion). This will bring total disbursements under the SBA to SDR 4.9 billion (about US$7.3 billion).

With the completion of this review, the Executive Board agreed to rephase the disbursements under the SBA, including the increase of this second tranche from the original amount of SDR 1.3 billion (about US$1.9 billion). The Board also granted waivers of nonobservance of performance criteria pertaining to the cash deficit of the central government, the passage of the budget, exchange rate restrictions, multiple currency practices, and the imposition of import restrictions, which the authorities have agreed to remove fully in the near future.

The SBA with Ukraine was approved on November 5, 2008 in an amount equivalent to SDR 11 billion (about US$16.5 billion; see Press Release No 08/271).

Following the Executive Board discussion, Mr. John Lipsky, First Deputy Managing Director and Acting Chair said:

"Ukraine's economy has been hit very hard by the deep and protracted slowdown of the world economy. Weakening economic activity has led to a sharp decline in fiscal revenues, while strains in global financial markets have put additional stress on an already fragile banking system. These developments have called for significant policy adjustments. The authorities' revised economic program, supported by a Stand-By Arrangement with the Fund, seeks to mitigate the effects of the global crisis, restore confidence in the banking system, and preserve fiscal sustainability while protecting the most vulnerable segments of the population.