

# Ukraine: Investor Presentation



MINISTRY OF  
FINANCE OF  
UKRAINE

July 2021

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# Ukraine's economy: dynamics of selected indicators

	2015	→	2019	→	Today
 Real GDP growth	(9.8)%	→	3.2%	→	(2.2)% (Q1 2021)
 Consumer inflation (eop)	43.3%	→	4.1%	→	9.5% (June 2021)
 Reserves (eop)	US\$ 13.3bn (eop)	→	US\$ 25.3bn (eop)	→	US\$ 28.4bn (Jul 1, 2021)
 Primary state budget balance <sup>1</sup>	2.0% of GDP	→	1.0% of GDP	→	0.3% of GDP <sup>2</sup> (Q1 2021)
 State debt to GDP	67.1%	→	44.3%	→	51.4% <sup>3</sup> (Q1 2021)

**Note 1** Primary state budget balance defined as state budget revenues minus expenditures excl. debt service and minus net lending

**Note 2** Estimated based on primary state budget balance of UAH 12.7bn during Q2 2020 – Q1 2021 and actual nominal GDP of UAH 4,349bn during Q2 2020 – Q1 2021

**Note 3** Estimated based on actual state debt of UAH 2,235bn as of Mar 31, 2021 and actual nominal GDP of UAH 4,349bn during Q2 2020 – Q1 2021

**Sources** State Statistics Service of Ukraine, NBU, State Treasury



# Extensive governmental response to tackle Covid-19 impact

## Economy Stimulus Program



### SMEs support:

- ▶ Expansion of Affordable Loans “5-7-9%” program to help SMEs affected by the lockdown
- ▶ Provision of **portfolio state guarantees** for loans and partial **compensation of loan principal**
- ▶ **Moratorium on tax penalties, tax exemption and relief from tax debt** during lockdown<sup>2</sup>
- ▶ **One-off stimulating payments** of c. **US\$ 300** per private entrepreneur in December 2020



### Population support:

- ▶ **One-off pension increase** to low-income pensioners and monthly pension top-up for retirees aged 80+ years
- ▶ **Moratorium on penalties and disconnection of consumers**<sup>1</sup> who are late on utility payments
- ▶ **300% increase in salaries for medical personnel** working with Covid-19 patients



### Transformation of the economy:

- ▶ **Transportation sector reform:** spin-off of Ukrzaliznytsia, reorganization of Seaport Authority, heavy investments into transportation infrastructure
- ▶ **Investments attraction:** replacement of income tax with a capital withholding tax, involvement of IFIs for the implementation of investment projects
- ▶ **Innovation enhancement:** digital transformation strategy, R&D stimulation, reform of scientific setup

Sources CMU, Ministry of Finance, Parliament of Ukraine

## Covid-19 funds use

UAHbn	6m2021	2021(B)	Exec. <sup>2</sup>
Healthcare services procurement	9.8	17.5	56%
Vaccines procurement	9.3	10.5	89%
Social support of population	3.7	3.8	97%
Unemployment-related payments	1.1	1.1	100%
Other	2.4	3.1	77%
<b>Total funds</b>	<b>26.3</b>	<b>36.0</b>	<b>73%</b>

## Vaccines procurement

Vaccine	Received <sup>3</sup>	Available <sup>4</sup>	Exec. <sup>2</sup>
Pfizer	3.8m	21.1m	18%
Sinovac	3.4m	7.2m	47%
Moderna	0.0m	2.0m	0%
AstraZeneca	1.7m	7.1m	24%
<b>Total</b>	<b>8.9m</b>	<b>37.4m</b>	<b>24%</b>

## Vaccination status

Received 1 <sup>st</sup> doze of vaccine	2,778,375
Received 2 <sup>nd</sup> doze of vaccine	1,501,526

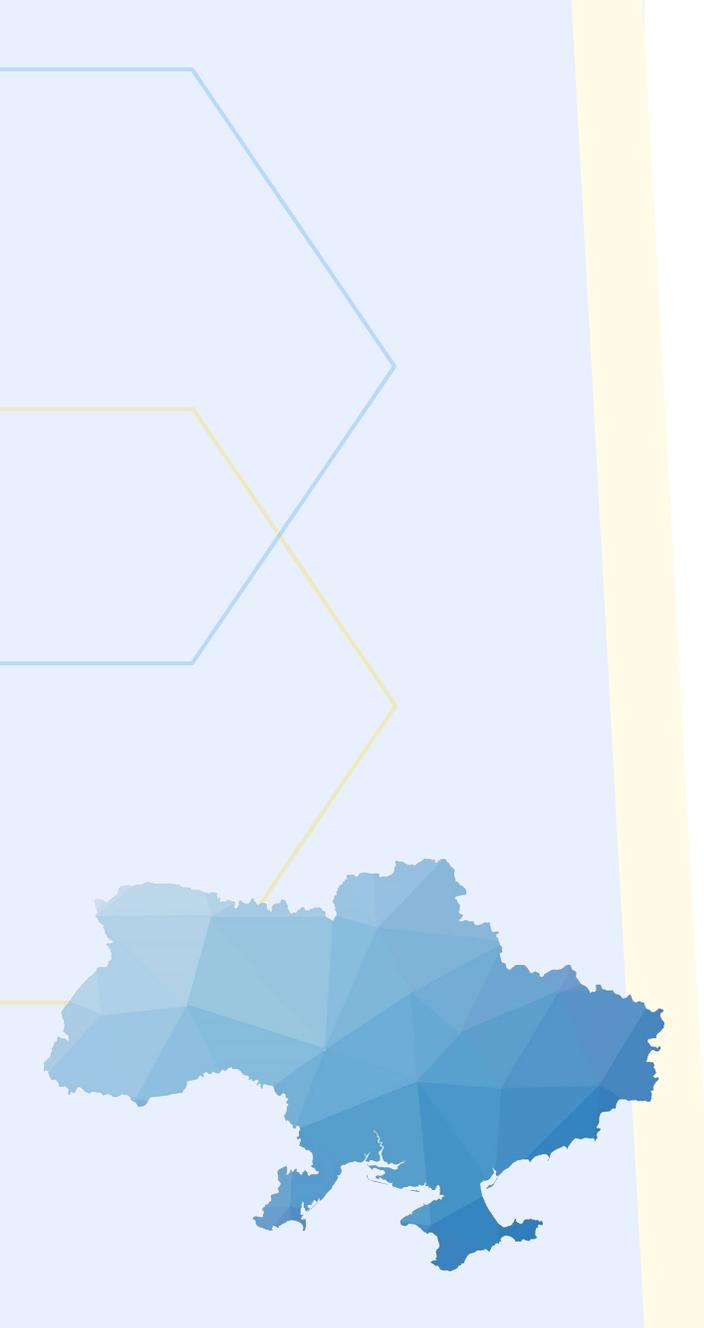
**Note 1** Effective during April-May 2020, January 2021 and April 2021

**Note 2** Disbursement of funds compared to budget plan

**Note 3** As at 21 July 2021

**Note 4** Including 8.1m dozes reserved for Ukraine under COVAX program



- 
- 1 Solid foundation for long-term economic growth**
  - 2 Return to gradual fiscal consolidation
  - 3 Prudent debt management strategy
  - 4 Reviving business climate and development prospects
  - 5 Strong focus on ESG considerations

# Accumulated economic buffer to curb Covid-19 crisis (1/2)

## 2020 GDP in current prices

US\$  
156bn

## GDP per capita dynamics, US\$

2017 US\$  
2,640

+17%

2018 US\$  
3,097

+18%

2019 US\$  
3,663

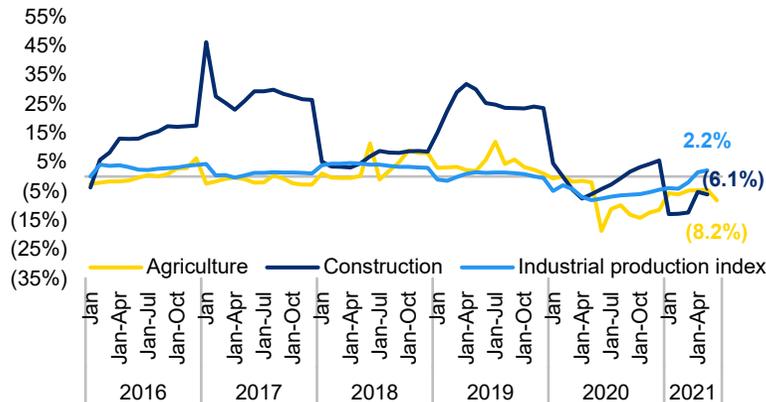
+2%

2020 US\$  
3,727

## Comments

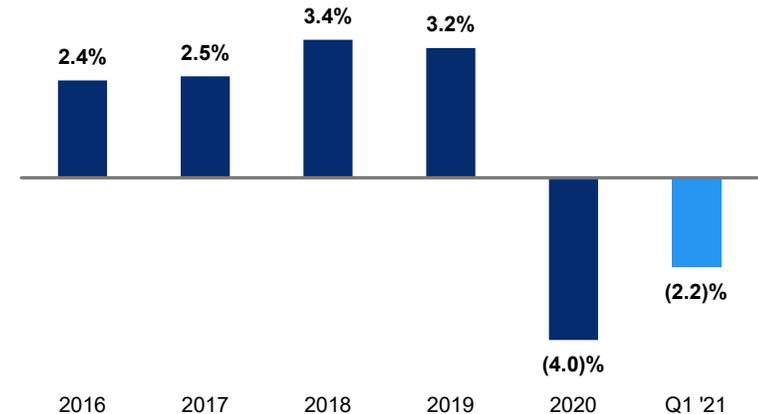
- ▶ In 2020, Ukraine's **real GDP has declined by 4.0%** which is **significantly lower than projected** by the government (-4.8%) and the IMF (-7.2%). In Q1 2021, the real GDP has contracted by 2.2%
- ▶ YTD 2021, the **key economic sector outputs started to return to upward trend** with industrial production showing the increase (2.2% y-o-y in May 2021), while construction index is still negative (-6.1% y-o-y in May 2021), followed by agriculture (-8.2% y-o-y in Jun 2021)
- ▶ Despite Covid-19, the **private consumption remained strong in Q1 2021 after quick return to growth in Q3 2020**, while the fixed capital accumulation remains negative

## Key economic sectors output growth (y-o-y)<sup>1</sup>, %



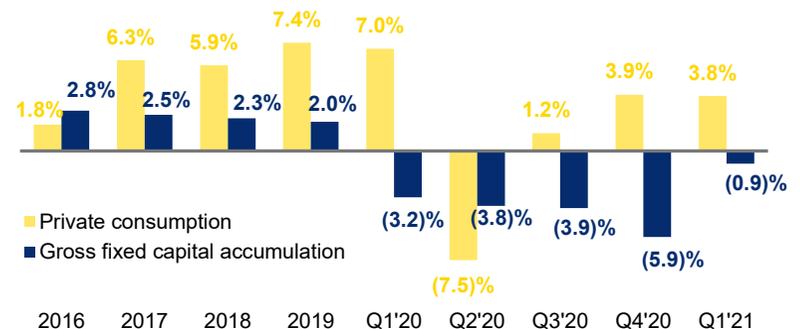
Source State Statistics Service of Ukraine

## Real GDP growth (y-o-y)<sup>2</sup>, %



Sources State Statistics Service of Ukraine

## Component contribution into real GDP growth, %



Source State Statistics Service of Ukraine

## Notes

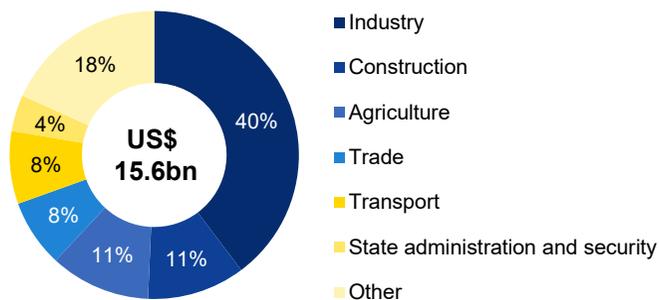
- 1 To the corresponding period of the previous year on a cumulative basis
- 2 2021-2023 data according to the latest Ministry of Economy's projections

# Accumulated economic buffer to curb Covid-19 crisis (2/2)

## Comments

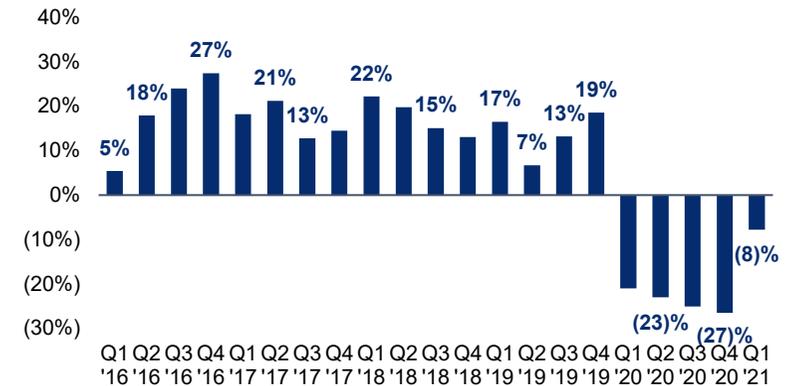
- ▶ **The key contributors to industrial output increase in May 2021** are production of furniture (+18.9%), plastics and rubber industry (+10.5%), and machinery (+10.4%)
- ▶ **Gross fixed capital went down by 7.8% in Q1 2021** on the back of the economic disruption caused by Covid-19
- ▶ Despite the capital investments decline in 2020-Q1 2021, the consistent growth in the previous periods (15%+ y-o-y in 2016-2019) is expected to solidify Ukraine's prospects for quick economic recovery post Covid-19 outbreak
  - **Industry has been the major contributor to capital investments in Q1 2021 accounting for c.40%** followed by construction and agriculture with 11% shares both

## Capital investments split by sector in Q1'2021, %



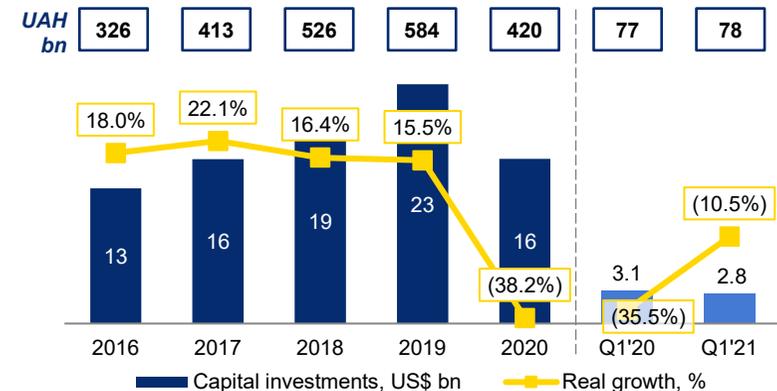
Source State Statistics Service of Ukraine

## Gross fixed capital accumulation, % (y-o-y)<sup>1</sup>



Source State Statistics Service of Ukraine

## Capital investments dynamics



Source State Statistics Service of Ukraine

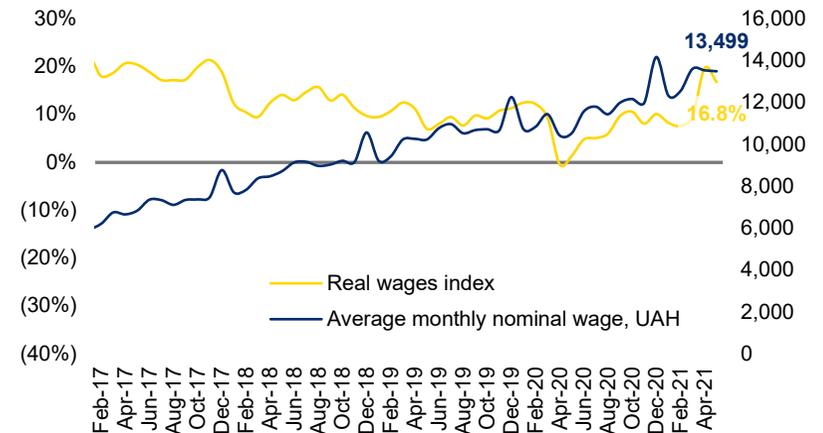
Note 1 To the corresponding period of the previous year on a cumulative basis

# Despite economic downturn, consumer demand remains firm

## Comments

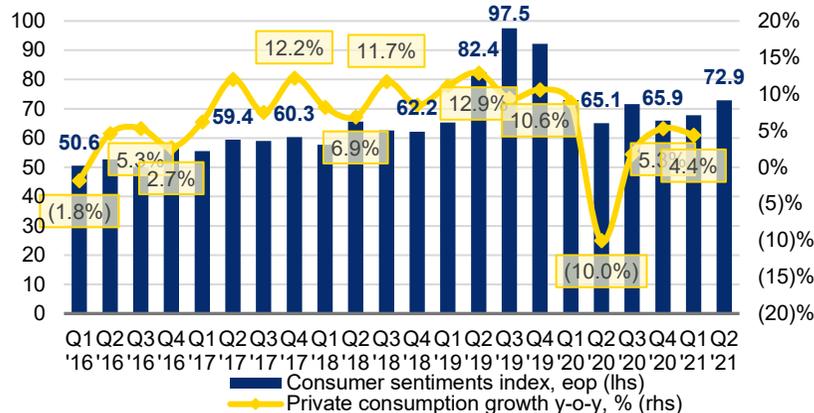
- ▶ Over recent years, consumer demand was consistently driven by a number of factors, including **steady rise in real wages, improving consumer sentiments** (before Q1 2020), **growing personal money remittances**
  - Despite economic crisis caused by Covid-19, real wages growth was mainly resilient and reached 16.8% y-o-y in May 2021
- ▶ **Covid-19 also had limited impact on the retail trade:** its turnover growth increased to 14.3% in May 2021 from just above 8% as of Dec 2020
- ▶ Final private consumption grew by 5.3% and 4.4% y-o-y in Q4 2020 and Q1 2021, respectively, after a 10.0% y-o-y decline in Q2 2020

## Real wages growth (%) and avg monthly nominal wages (UAH)



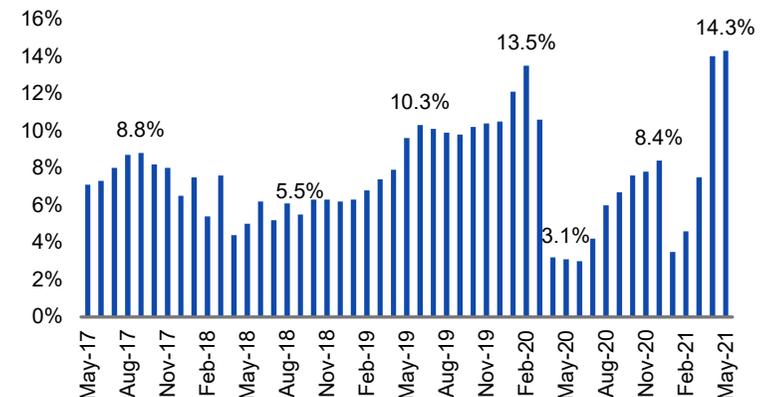
Source State Statistics Service of Ukraine

## Private consumption and consumer sentiments evolution



Source GFK, State Statistics Service of Ukraine

## Retail trade growth (y-o-y)<sup>1</sup>, %



Note 1 To the corresponding period of the previous year on a cumulative basis

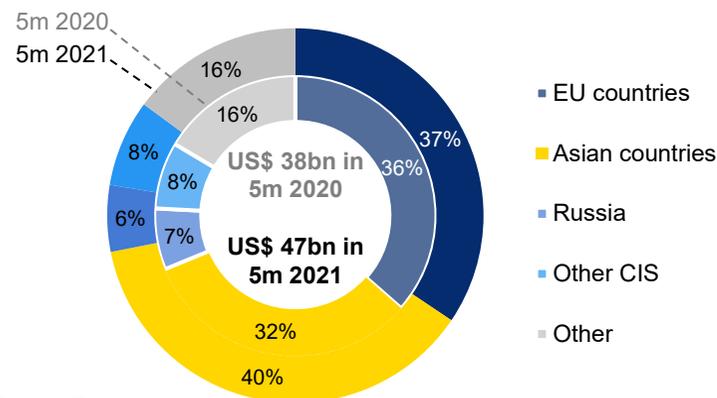
Source State Statistics Service of Ukraine

# Revival of external trade in 5m 2021

## Comments

- ▶ **The international trade has started to recover after disruptions caused by global Covid-19 pandemic:** Ukraine's goods trade turnover has increased by 25% y-o-y in 5m 2021 (to US\$ 47bn)
- ▶ The total export and import of goods and services have reached US\$ 29.1bn and US\$ 29.1bn in 5m 2021, respectively
- ▶ **Exports of goods and services have risen by 24.8% y-o-y in 5m 2021** with ferrous and non-ferrous metals as well as mineral products being the key drivers of such development
- ▶ **Imports of goods and services have increased by 24.5% y-o-y in 5m 2021** with machinery and equipment development, chemicals, and mineral products contributing the most

## Geographic structure of goods trade in 5m 2020 & 5m 2021<sup>1</sup>

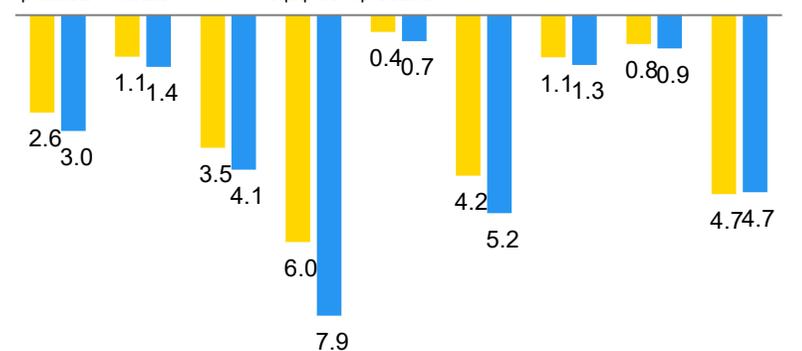
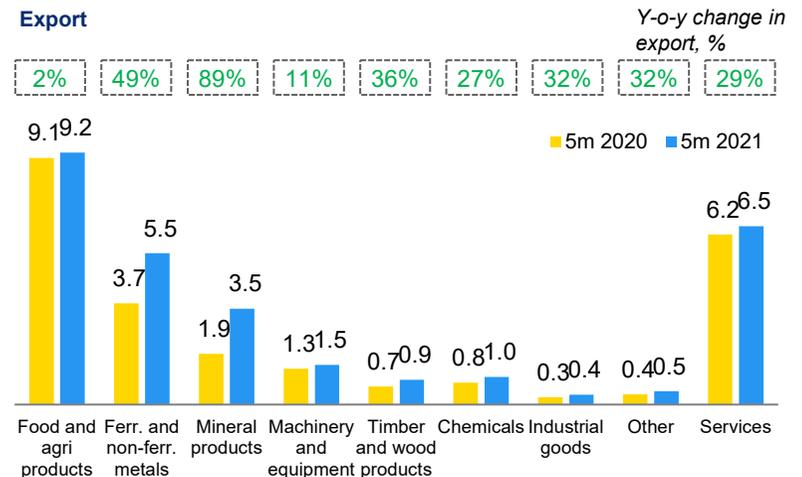


Source NBU  
Notes

<sup>1</sup> Sum of export and import of goods

## Export and import of goods and services dynamics, US\$ bn

### Export



### Import

Source Ministry of Economy

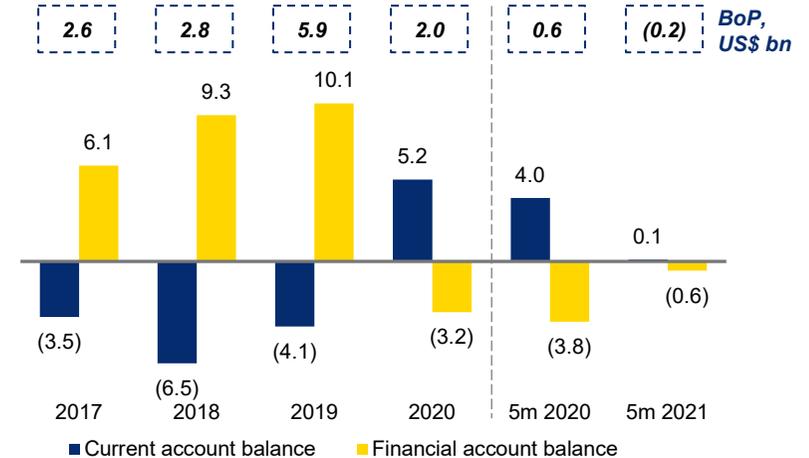
Y-o-y change in import, %

# Firm external position leading to less vulnerability to external shocks

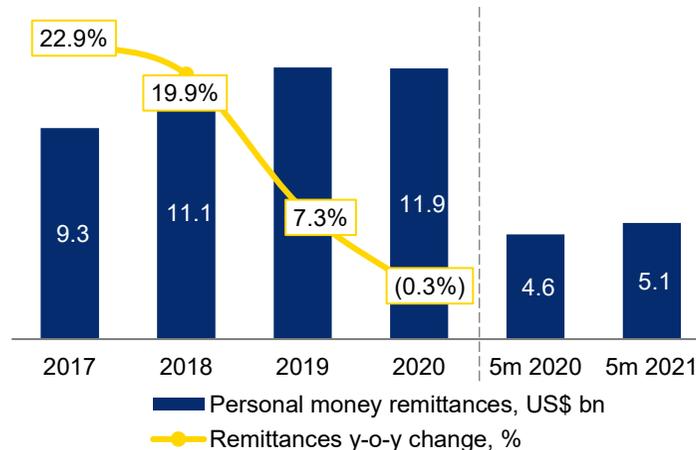
## Comments

- ▶ **The trade balance deficit amounted to US\$ 40m in 5m 2021** which is relatively comparable to US\$ 3m in 5m 2020. Slight decrease in the deficit is resulting from a slightly higher growth in exports (by 19.7% y-o-y) vs imports (by 19.6% y-o-y)
- ▶ **The current account (CA) balance demonstrated surplus of US\$ 0.1bn in 5m 2021** which is lower than US\$ 4.0bn during the same period of the previous year mainly due to outflows related to investment income (US\$ 6.7bn in 5m 2021 vs US\$ 2.4bn in 5m 2020)
- ▶ **The financial account continued to record capital outflows (US\$ 0.6bn in 5m 2021)** which was primarily due to a souring of global financial conditions for EMs

## Balance of payments components, US\$ bn

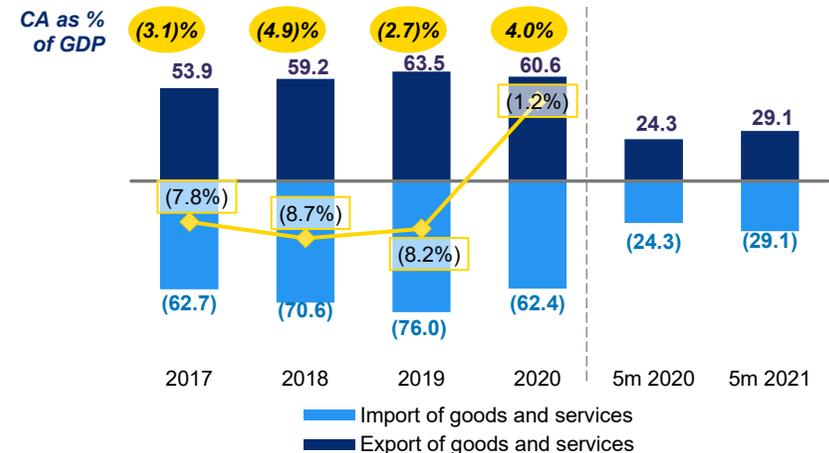


## Private money remittances, US\$ bn



Source NBU

## Ukraine's current and trade balance dynamics, US\$ bn



# Prudent monetary policy implemented by independent regulator

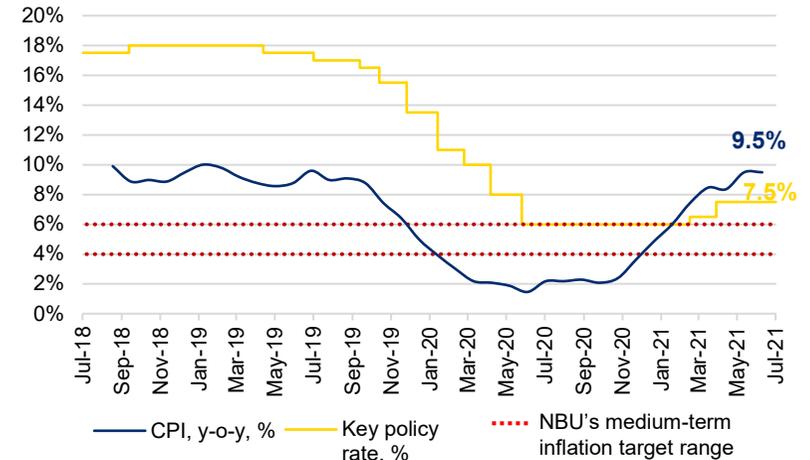
## Comments

**Medium-term consumer inflation target range: 5%+/-1%**

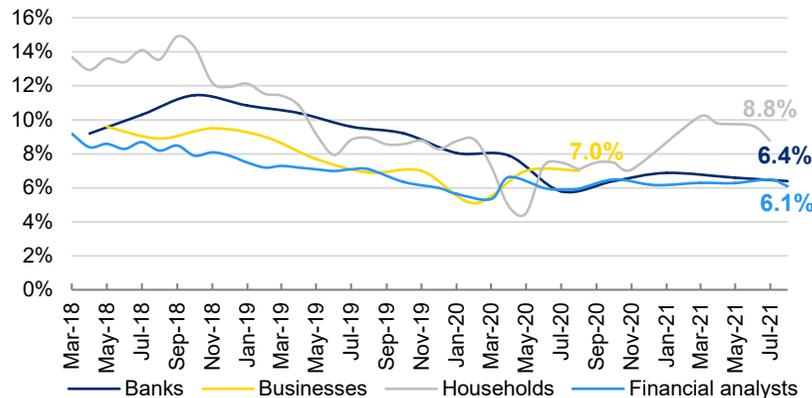
**Y-o-y inflation as of June 2021: 9.5%**

- ▶ **The NBU has significantly softened its monetary policy maintaining the cycle of key policy rate cuts until June 2020** on the back of UAH appreciation and decelerated inflation
- ▶ During July 2020 – February 2021, the NBU has decided to keep its key policy rate at 6% to curb the price growth as the economy recovers in 2021–2022, while leaving room for its further decrease
- ▶ In March-April 2021, the key policy rate was raised twice by 1.5 p.p. in total in order to respond to the growing inflation
- ▶ In March-June 2021, consumer inflation came out higher than had been projected previously. Inflationary pressures were generated by the rise in prices for certain foods and fuels and sustained consumer demand.

## Consumer price index (CPI) change and key policy rate

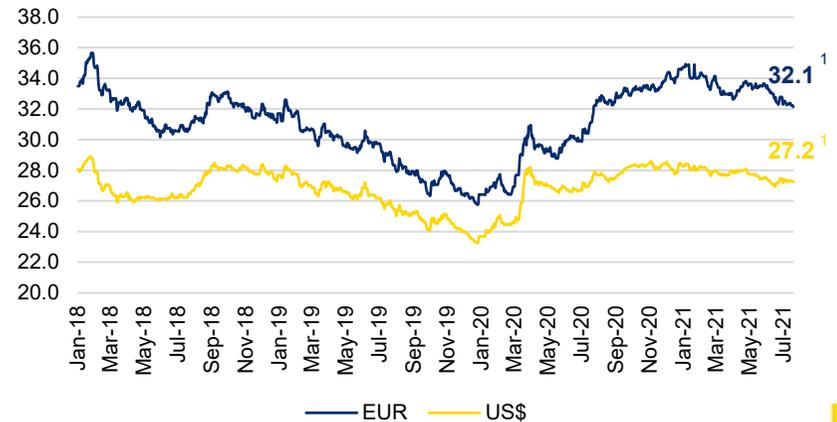


## CPI expectations for the following 12 months



Source NBU

## UAH/US\$ and UAH/EUR exchange rates dynamics



## Notes

1 As of June 24, 2021

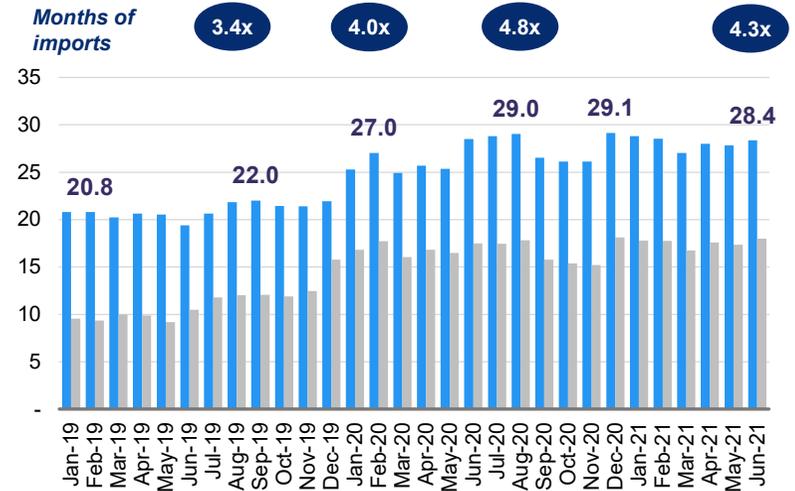


# Accumulated international reserves

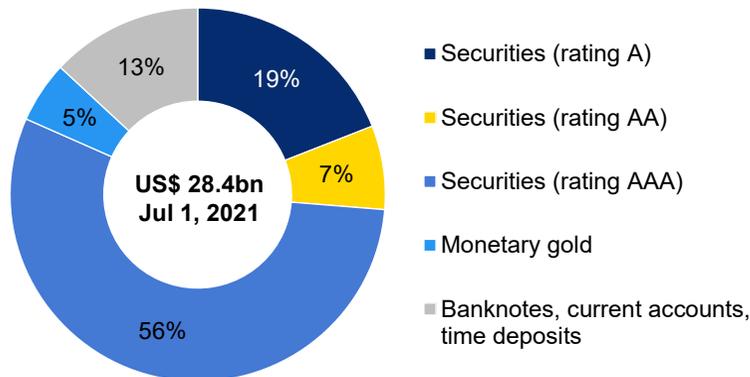
## Comments

- ▶ **Gross international reserves increased by 1.9% (m-o-m) and reached US\$ 28.4bn as of July 1, 2021** (covering 4.3 months of future imports)
- ▶ Maintained **high levels of FX reserves** and **floating FX rate policy** are the most influential factors providing strong buffer for Ukraine on the back of the current downturn (vs previous ones)
- ▶ Over May 2021, the international reserves decreased on the back of NBU's net FX purchase (US\$ 583.3m), new FX domestic placements (US\$ 726.3m), government transactions to repay public debt (US\$ 995.6m), and financial instruments revaluation loss (US\$ 180.8m).

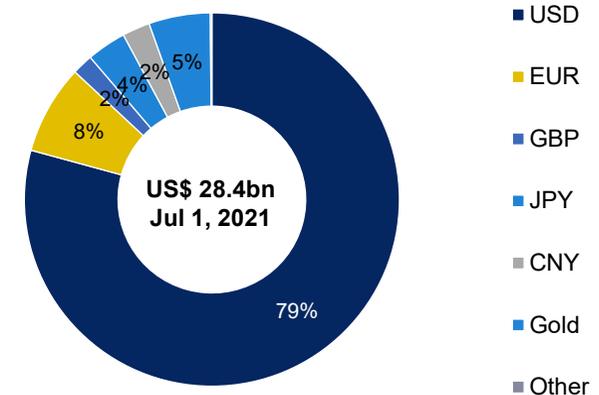
## Gross and net international reserves (eop), US\$ bn



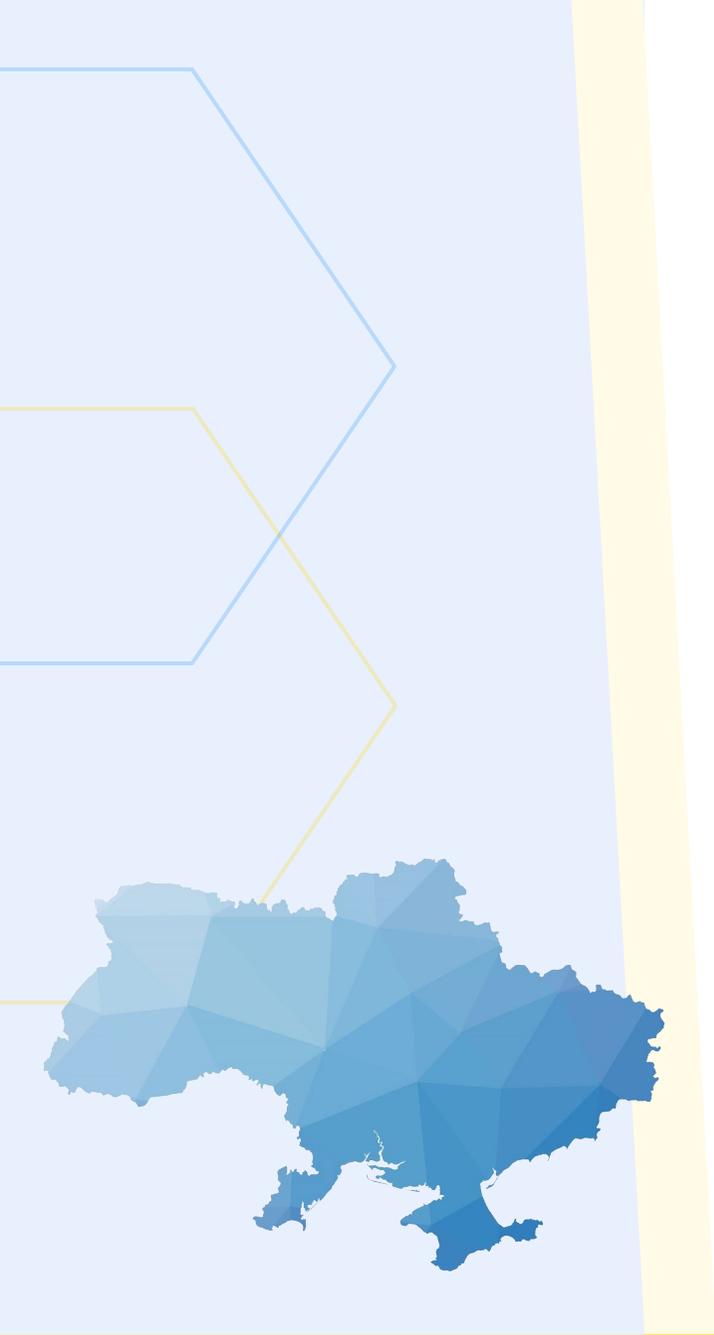
## Gross international reserves by instrument (Jul 1, 2021)



## Gross international reserves by currency (Jul 1, 2021)



Source NBU



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# 2022-2024 Budget Declaration

Key indicators of 2022-2024 Budget Declaration					
	2020 (Act.)	2021 (Law)	2022 (Plan)	2023 (Plan)	2024 (Plan)
<b>Key macroeconomic assumptions</b>					
Nominal GDP, UAHbn	4,192	4,809	5,369	5,994	6,651
Real GDP growth, %	(4.0%)	4.1%	3.8%	4.7%	5.0%
CPI (eop), %	5.0%	8.9%	6.2%	5.3%	5.0%
PPI (eop), %	14.5%	17.0%	7.8%	6.2%	5.7%
Unemployment rate, %	9.5%	9.2%	8.5%	8.0%	7.8%
Trade deficit, USDbn	(1.8)	(6.2)	(8.6)	(10.6)	(12.1)
NBU's key policy rate (eop), %	6.0%	7.5%	7.0%	5.5%	5.2%
UAH/USD (avg)	27.0	28.0	28.6	28.8	29.2
<b>Key state budget indicators, UAHbn</b>					
<b>(i) Revenues</b>	<b>1,076.0</b>	<b>1,097.5</b>	<b>1,219.6</b>	<b>1,333.2</b>	<b>1,451.6</b>
as % of GDP	25.7%	22.8%	22.7%	22.2%	21.8%
<b>(ii) Expenditures</b>	<b>1,288.1</b>	<b>1,335.2</b>	<b>1,394.2</b>	<b>1,497.0</b>	<b>1,614.1</b>
as % of GDP	30.7%	27.8%	26.0%	25.0%	24.3%
<b>(iii) Net lending</b>	<b>5.5</b>	<b>9.0</b>	<b>13.5</b>	<b>16.0</b>	<b>17.1</b>
as % of GDP	0.1%	0.2%	0.3%	0.3%	0.3%
<b>Overall state budget deficit</b>	<b>217.6</b>	<b>246.6</b>	<b>188.0</b>	<b>179.8</b>	<b>179.6</b>
as % of GDP	5.2%	5.1%	3.5%	3.0%	2.7%

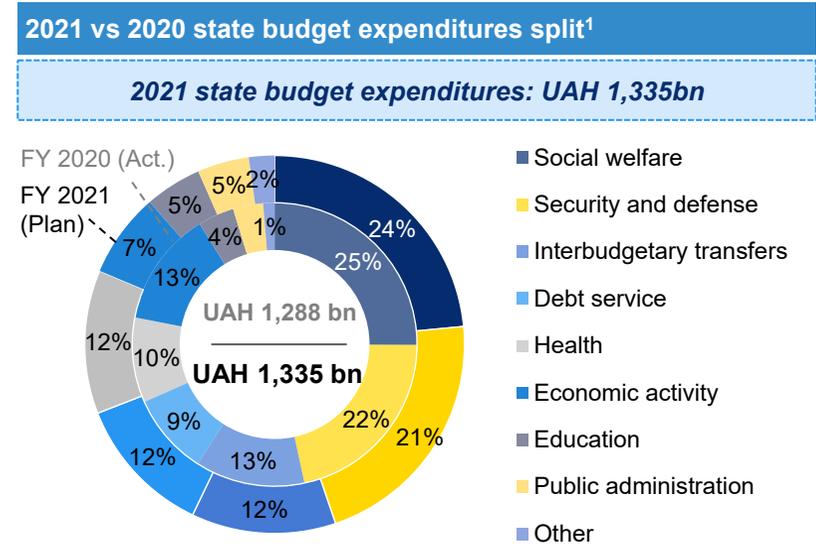
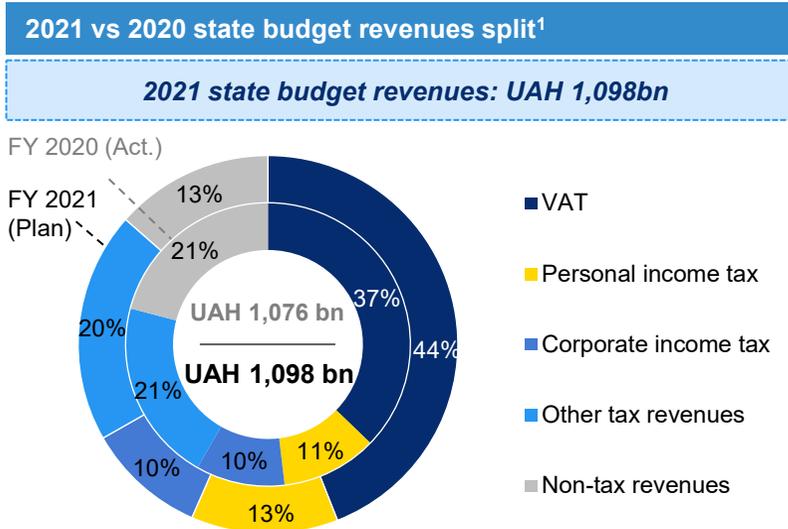
Source Ministry of Finance of Ukraine



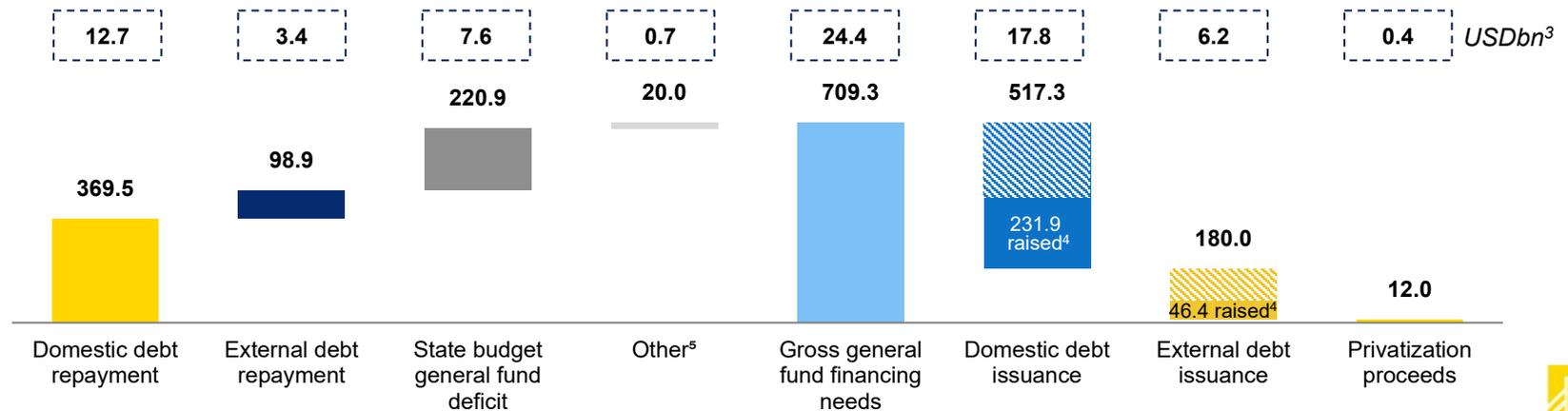
# 2021 state budget to resume gradual fiscal consolidation

## Key indicators of 2021 State budget:

- Total revenues: **UAH 1,098bn (+2%)**
- Total expenditures: **UAH 1,335bn (+4%)**
- Budget deficit<sup>2</sup>: **UAH 246.6bn / 5.1% of GDP in 2021 (per government's forecast of UAH 4,809bn GDP in 2021)**



## 2021 State Budget Law: general fund financing, UAHbn



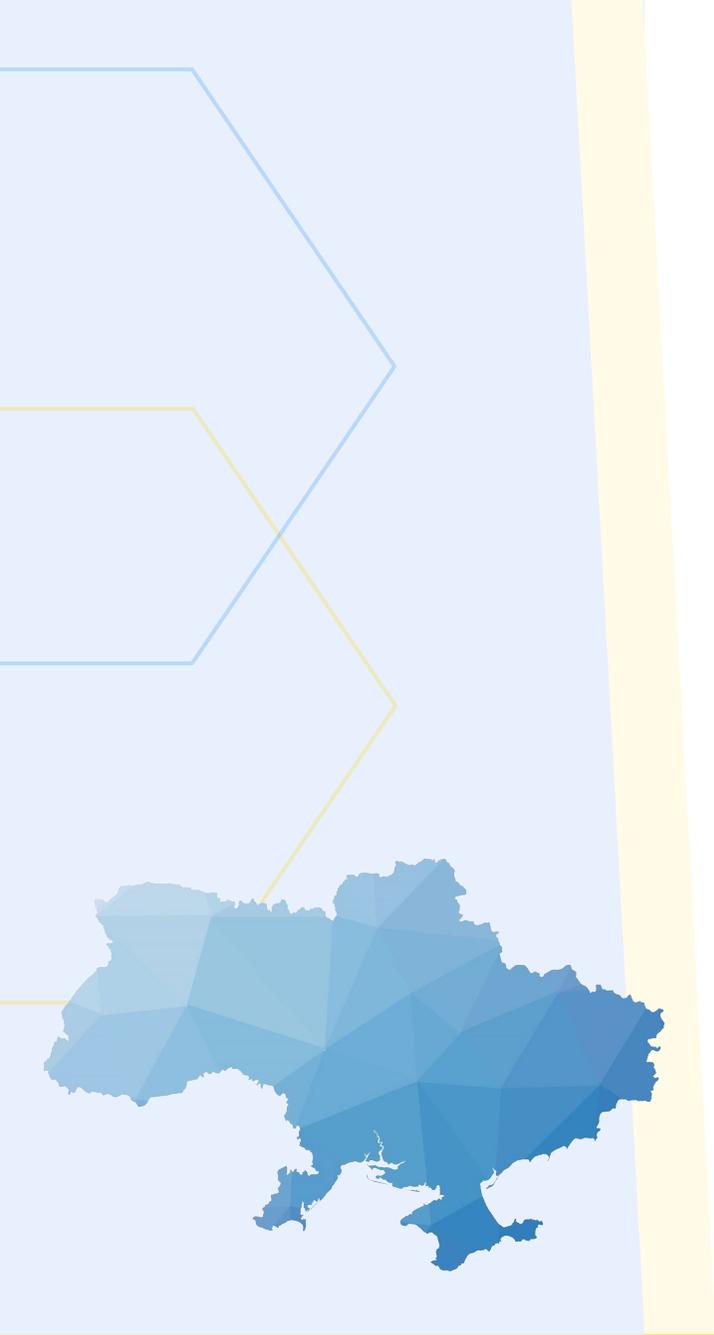
### Notes

- 1 According to State Budget Law 2021 (as of May 2021) and Actual Annual State Budget Execution 2020
- 2 Budget deficit defined as revenues minus expenditures and minus net lending
- 3 Translated at the 2021 budgeted avg 29.1 UAH per 1 USD
- 4 As of July 20, 2021
- 5 Other includes financing for active operations, i.e. changes in the volume of deposits and securities used to manage liquidity, changes in the volume of budget funds

# Jan-May 2021 state budget execution

UAH m	Jan-May 2020	Jan-May 2021	% diff.
<b>Revenues</b>	<b>314,847</b>	<b>476,169</b>	<b>+51%</b>
<b>Tax revenues, incl.</b>	<b>239,570</b>	<b>402,576</b>	<b>+68%</b>
Personal income tax and income charge	36,625	51,310	+40%
Corporate profit tax	35,451	62,464	+76%
Fee for the use of mineral resources	9,264	20,729	+124%
Excises	36,836	57,420	+56%
VAT (net of VAT reimbursement)	111,889	194,495	+74%
Export and Import duties	8,485	14,178	+67%
<b>Non-tax revenues</b>	<b>75,277</b>	<b>73,593</b>	<b>(2%)</b>
<b>Expenditures</b>	<b>(340,116)</b>	<b>(509,428)</b>	<b>+50%</b>
General public functions, incl.:	(53,039)	(82,317)	+55%
Debt service	(41,078)	(65,534)	+60%
Security and Defense	(70,889)	(102,724)	+45%
Economic activity	(16,456)	(33,397)	+103%
Protection of environment	(1,083)	(1,527)	+41%
Healthcare	(14,948)	(62,267)	+317%
Intellectual and physical development	(2,098)	(3,969)	+89%
Education	(15,549)	(23,076)	+48%
Social welfare	(113,055)	(143,567)	+27%
Interbudgetary transfers	(52,993)	(56,579)	+7%
<b>Net lending</b>	<b>961</b>	<b>(452)</b>	<b>(147%)</b>
<b>Primary state budget balance</b>	<b>16,770</b>	<b>31,823</b>	<b>+90%</b>
<b>Overall state budget balance</b>	<b>(24,308)</b>	<b>(33,711)</b>	<b>+39%</b>

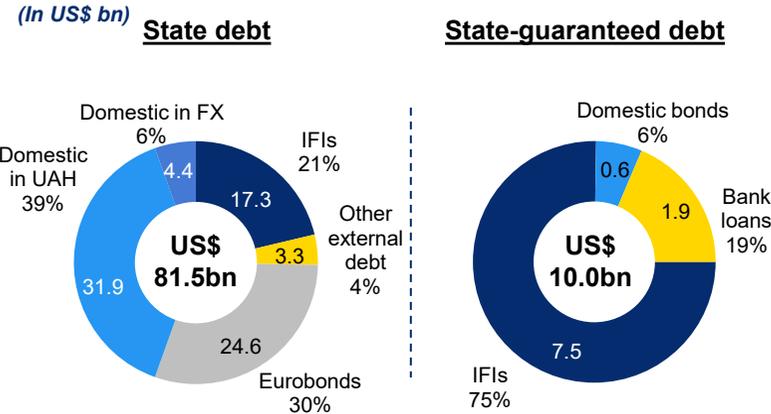




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- 4 Reviving business climate and development prospects
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# Prudent and proactive debt management strategy

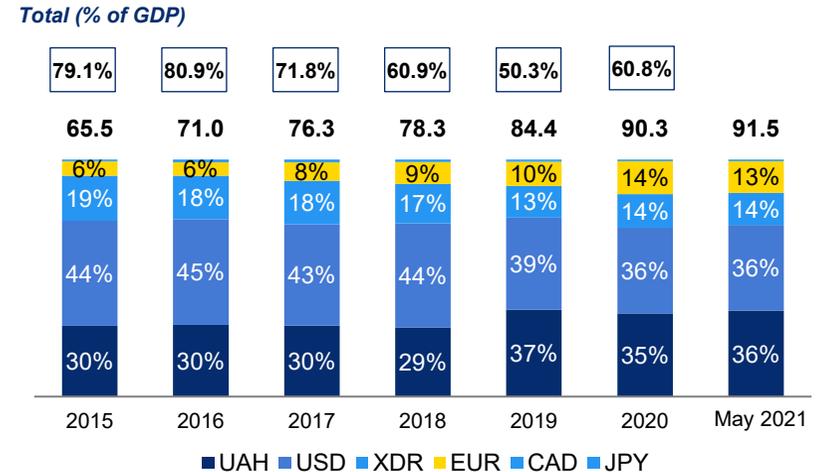
## State and state-guaranteed debt structure (end-May 2021)



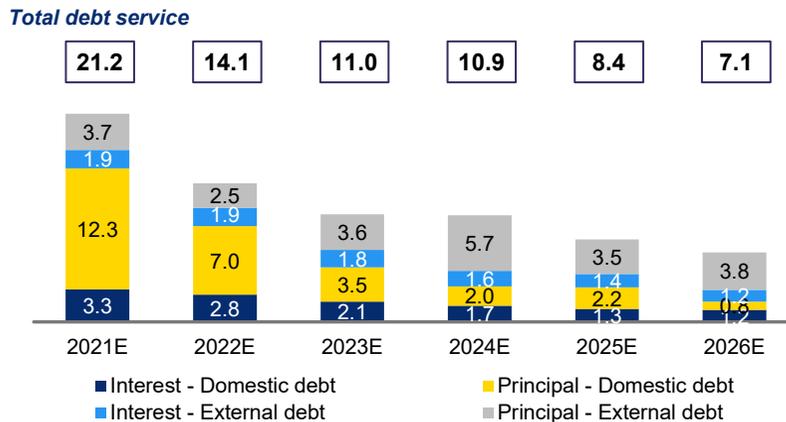
As of end-May 2021, Ukraine's total state and state-guaranteed debt (US\$ 91.5bn / UAH 2,517bn) split between:

- 59% of external debt, 41% of domestic debt
- 89% of state debt, 11% of state-guaranteed debt

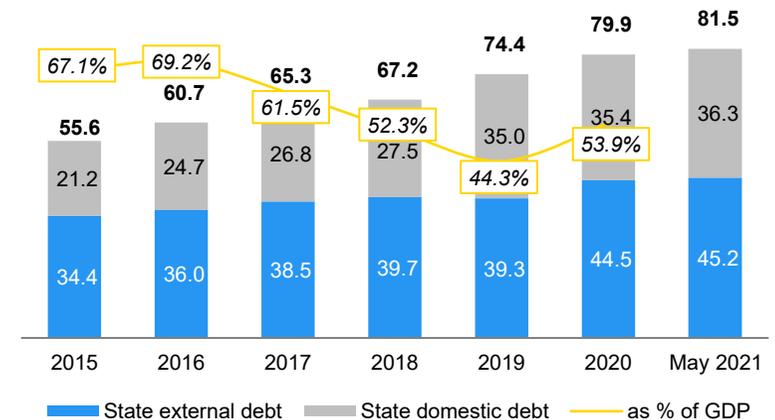
## State and state-guaranteed debt by currency, US\$ bn



## State debt amortization schedule (01.07.2021)<sup>1</sup>, US\$ bn



## State debt dynamics, US\$ bn



### Notes

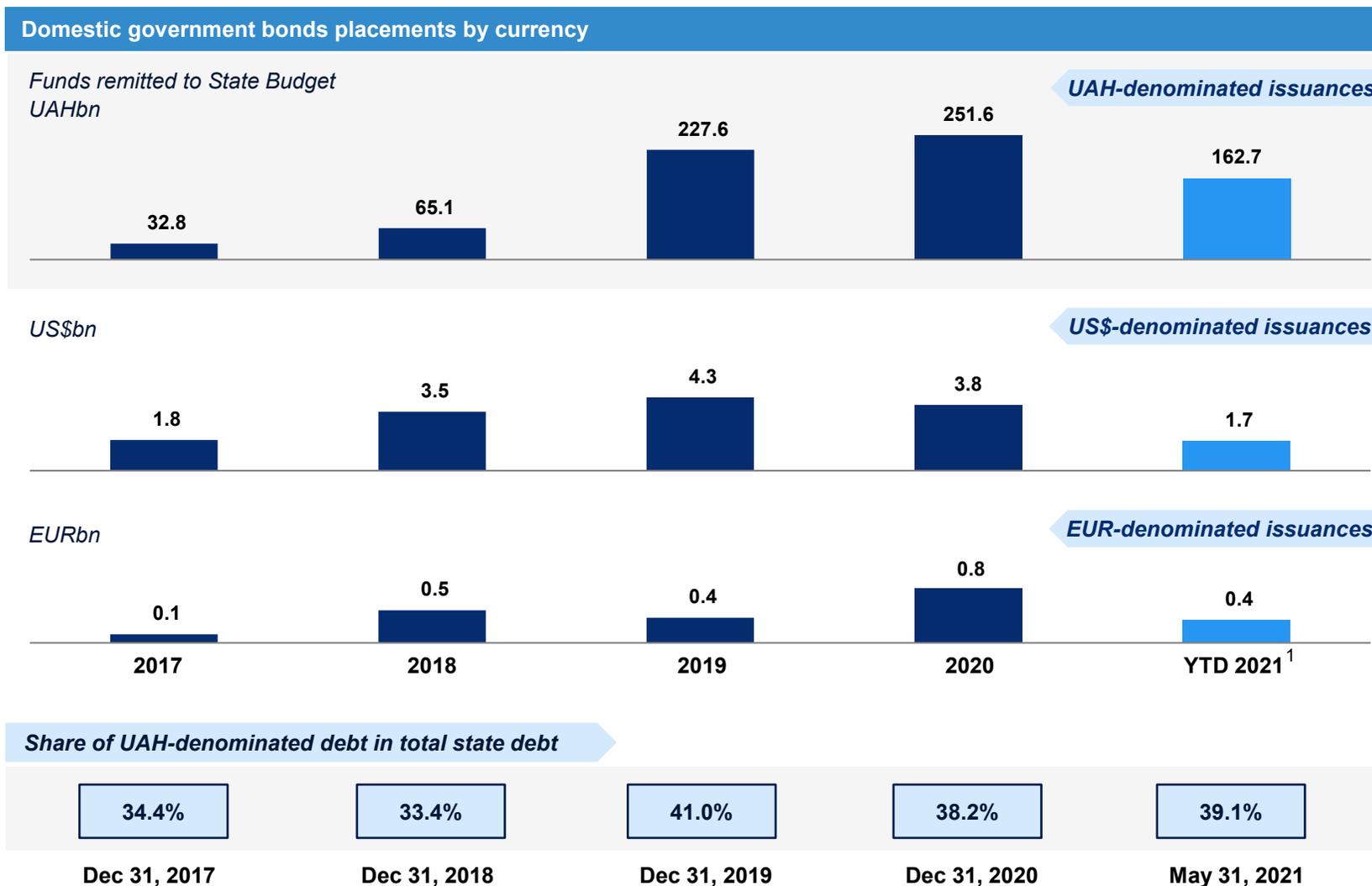
<sup>1</sup> Incl. outstanding debt obligations only

Source Ministry of Finance



# Switching focus to UAH-denominated issuances on domestic market

- **UAH-denominated issuances grew at 98% CAGR over 2017-2020**
- After major 3.4x 2019 y-o-y volume increase, 2020 saw further growth of 13% y-o-y in UAH-denominated securities
- 6m 2021 kept the positive growth tendency with a major increase of 54% y-o-y for UAH-denominated issuances
- In line with MTDS objectives, **FX-denominated issuances are kept relatively stable**



Notes  
1 As of July 13, 2021

Source Ministry of Finance

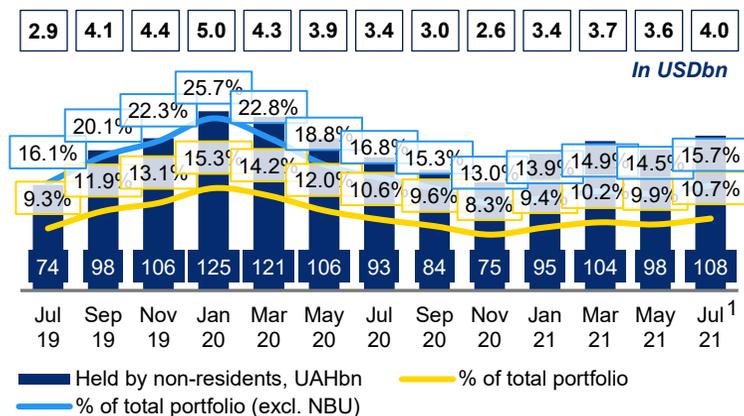


# Ukraine's domestic government bond holders

## Key highlights

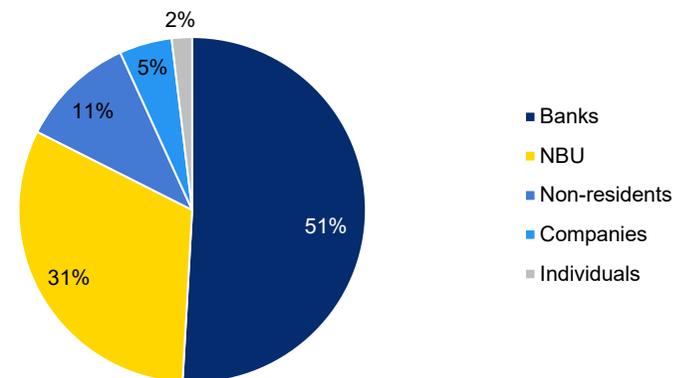
- ▶ With a **c.51% share, banks are currently the largest holder of domestic government bonds followed by the NBU**, which accounts for **c.31% of the portfolio**<sup>1</sup>
- ▶ At c.11% of total outstanding Ukrainian domestic government bonds as of July 2021<sup>1</sup>, the **portfolio held by non-residents has recently returned on its upward trajectory** (after Mar-Nov 2020 decline in line with the EM's capital outflow)
- ▶ **Ukraine is making consistent steps to deepen domestic government bond market and to increase share of non-residents in local currency bonds portfolio**
  - A link between Clearstream, the international central securities depository, and the depository of the NBU active since May 2019 ensuring streamlined access to Ukraine's domestic government bond market

## Domestic government bonds held by non-residents (eop)

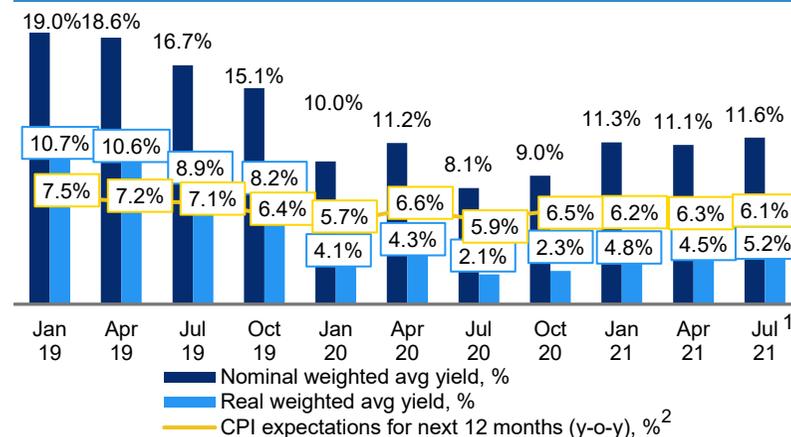


Source Ministry of Finance, NBU

## Domestic government bond holders<sup>1</sup>



## Nominal and real weighted avg yields at primary auctions, %



Source Ministry of Finance of Ukraine, NBU

- On August 28, 2020, the NBU has eliminated obstacles for foreign investors to enter the Ukrainian securities market through establishment of the **direct access to the purchase and sale of government bonds with the help of a "nominee holder"**

- From now on Ukrainian banks that have accounts with the NBU depository will be able to open depot accounts for its foreign clients for the purpose of buying and selling Ukrainian government bonds

### Notes

- 1 As of July 19, 2021
- 2 According to NBU's survey about inflation expectations of financial analysts for the next 12 months



# Pipeline of official concessional external financing

Combined with a proactive response to Covid-19 economic fallout, **Ukraine managed to secure a range of concessional financing from its international partners to cover significant portion of external financing needs for 2020-2021**

Partner	Programs	Pipeline financing
<b>International Monetary Fund</b> 	<ul style="list-style-type: none"> <li>On June 9<sup>th</sup> 2020, IMF Executive Board approved <b>18-month Stand-By Arrangement (SBA)</b> for Ukraine, under which <b>US\$ 2.1bn</b> (SDR 1.5bn) was disbursed immediately</li> <li>The total amount of program is <b>US\$ 5.0bn</b> (SDR 3.6bn) that will be directed towards support of balance of payments and budget to help address the effects of Covid-19 while moving forward important structural reforms</li> </ul>	<b>US\$ 3.0bn<sup>1</sup></b>
<b>European Union</b>  	<ul style="list-style-type: none"> <li><b>EUR 1.2bn MFA program</b> for Ukraine was adopted within EUR 3.0bn support package to neighboring partners in May 2020. The first <b>EUR 623.5m</b> tranche has been provided on December 9, 2020. The second tranche of EUR 600m is conditional upon reforms in such areas as public finance management, good governance and the rule of law</li> <li>Since 2014, the EU has approved EUR 5.0bn in MFA support for Ukraine, o/w EUR 3.3bn were disbursed during 2014-2018, EUR 1.1bn in 2020, and EUR 0.6bn are expected in 2021</li> <li>In addition, various European institutions provide significant financial support for Ukraine, e.g. <b>EUR 340m</b> from the EIB within "Early Recovery Programme"</li> </ul>	<b>EUR 0.6bn</b>
<b>World Bank</b> 	<ul style="list-style-type: none"> <li>On June 25, 2021 <b>the First USD 350m Economic Recovery DPL was disbursed</b>. The Second USD 350m is being structured at the moment.</li> <li>On May 11, 2021, the institution approved a new <b>\$90 million project to scale-up Ukraine's health sector response to the COVID-19 pandemic</b>. US\$ 30m of them will be transferred to the general fund of the state budget.</li> <li>On May 6, 2021, the World Bank approved a <b>US\$ 200m project to support efficiency, quality, and transparency of higher education system in Ukraine</b>. US\$ 75m of them will be transferred to the general fund of the state budget.</li> <li>On December 11, 2020 the institution has approved US\$ 300m loan to the state budget general fund within <b>the Second Additional Financing for COVID 19 Response under the Social Safety Nets Modernization Project</b>. The First Additional Financing constituted US\$ 150m. US\$ 309m out of US\$ 450m has been already disbursed.</li> <li>On June 26, 2020 the <b>World Bank</b> has approved <b>US\$ 350m First Economic Recovery Development Policy Loan (DPL)</b> for Ukraine to support economic recovery and mitigate Covid-19 effects.</li> </ul>	<b>US\$ 0.6bn</b>
<b>Total amount of envisaged external financing from the official partners</b>		<b>c.US\$ 4.2bn</b>

## Notes

<sup>1</sup> Translated from SDR to US\$ based on 1.4424 US\$ per 1 SDR IMF exchange rate as of June 25, 2021



# Status of cooperation between Ukraine and the IMF

## New 18-months US\$ 5.0bn SBA program

- ▶ On May 21, 2020, a Staff Level Agreement on a new **18-month SDR 3.6bn (c. US\$ 5.0bn) arrangement under the Stand-By Arrangement (SBA) was agreed and approved** by the Executive Board on June 9. It replaced the Staff Level Agreement on a 3-year Extended Fund Facility (EFF) program which was achieved in December 2019 and the Executive Board approval that was made afterwards
- ▶ **Current list of structural benchmarks:**

- (1) Approved SOBs' NPL reduction plans
- (2) Reviewed and enacted to fully reflect gas and non-gas costs heating tariffs, adopted simplified procedure for households to switch gas supplier
- (3) New organizational structures and frameworks for the State Tax Service and State Customs Service
- (4) Enacted selected amendments to the Banking Law
- (5) Enacted amendments to the DGF and other laws to improve bank liquidation mechanism and recovery of assets
- (6) Enacted amendments to the Law on the High Council of Justice to enhance its selection process
- (7) Strengthened corporate governance in SOEs, including a new corporate charter for Naftogaz
- (8) The State Tax Service and State Customs Service to operate nationally as two single legal entities
- (9) Complete a compliance audit by the State Audit Service of Ukraine, in consultation with external/third party auditors, of COVID-related spending

Sources IMF,  
Ministry of  
Finance

## Past EFF and SBA programs

Availability date / Reviews	SDR m	US\$ m <sup>1</sup>
<b>SBA 2020 program (US\$ 5.0bn, 179% of quota)</b>		
June 9, 2020 [disbursed]	1,500	2,076
Following reviews	2,100	2,897
<b>Total SBA program</b>	<b>3,600</b>	<b>4,973</b>
<b>SBA 2018 program (US\$ 3.9bn, 139% of quota)</b>		
December 18, 2018	1,000	1,391
<b>Total SBA program</b>	<b>1,000</b>	<b>1,391</b>
<b>EFF 2015 program (US\$ 17.5bn, 900% of quota)</b>		
March 11, 2015	3,546	4,879
July 31, 2015 [1 <sup>st</sup> review]	1,182	1,659
September 15, 2016 [2 <sup>nd</sup> review]	716	1,003
April 3, 2017 [3 <sup>rd</sup> review]	734	996
<b>Total EFF program</b>	<b>6,178</b>	<b>8,537</b>

## Key priorities under new IMF's 2020 SBA program:

- ▶ Mitigating the economic impact of the crisis, including by supporting households and businesses
- ▶ Ensuring continued central bank independence and a flexible exchange rate
- ▶ Safeguarding financial stability while recovering the costs from bank resolutions
- ▶ Moving forward with key governance and anti-corruption measures to preserve and deepen recent gains

**Note 1** Past tranches translated at NBU XDR/US\$ exchange rate as of the date of their receipt, future tranches (SBA 2020 program) translated per the IMF's rate of 0.7238 SDR/USD as of June 23, 2020



# B / Stable credit rating affirmed by both Fitch and S&P

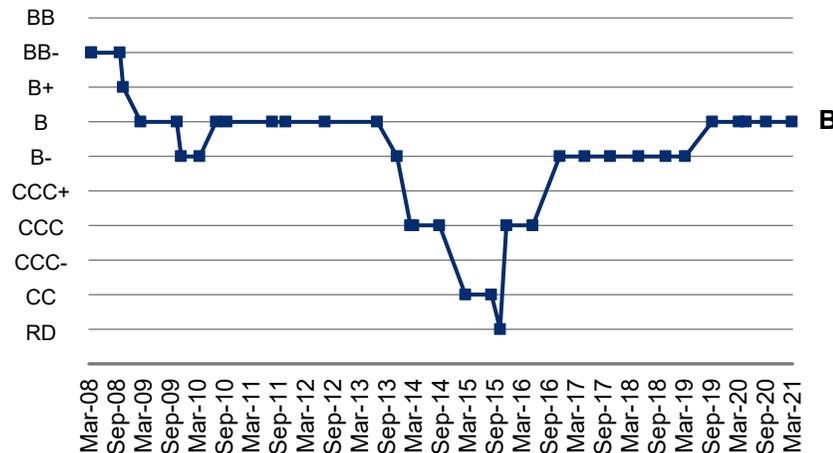
## FitchRatings

**Rating: B, Stable**

*Last update: Feb 26, 2021, reaffirmed at B, outlook Stable*  
*Next update: Aug 6, 2021*

### Key rating drivers of the last review:

- ▶ Track record of multilateral support and a credible macroeconomic policy framework that has underpinned a relatively high degree of resilience to the coronavirus shock
- ▶ Expectations for gradual fiscal consolidation and continuation of macroeconomic policies
- ▶ Human development indicators compare favorably with the peer group, a net external creditor position of close to 13% of GDP, and general government debt is somewhat lower than the 'B' median



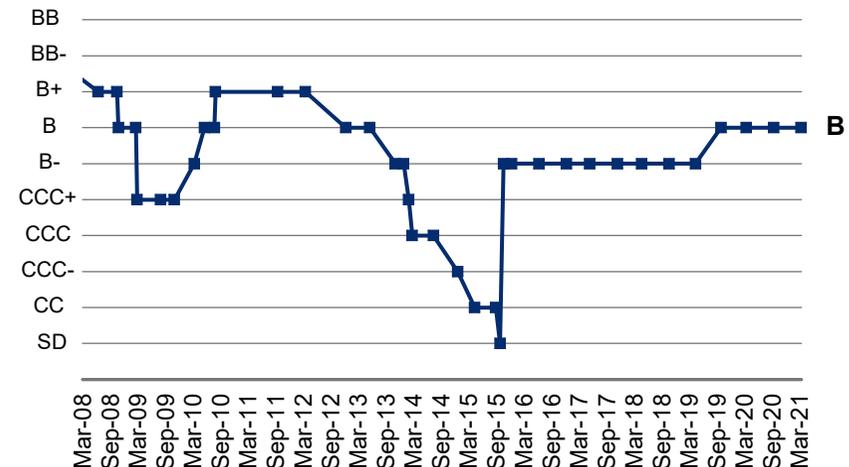
## S&P Global

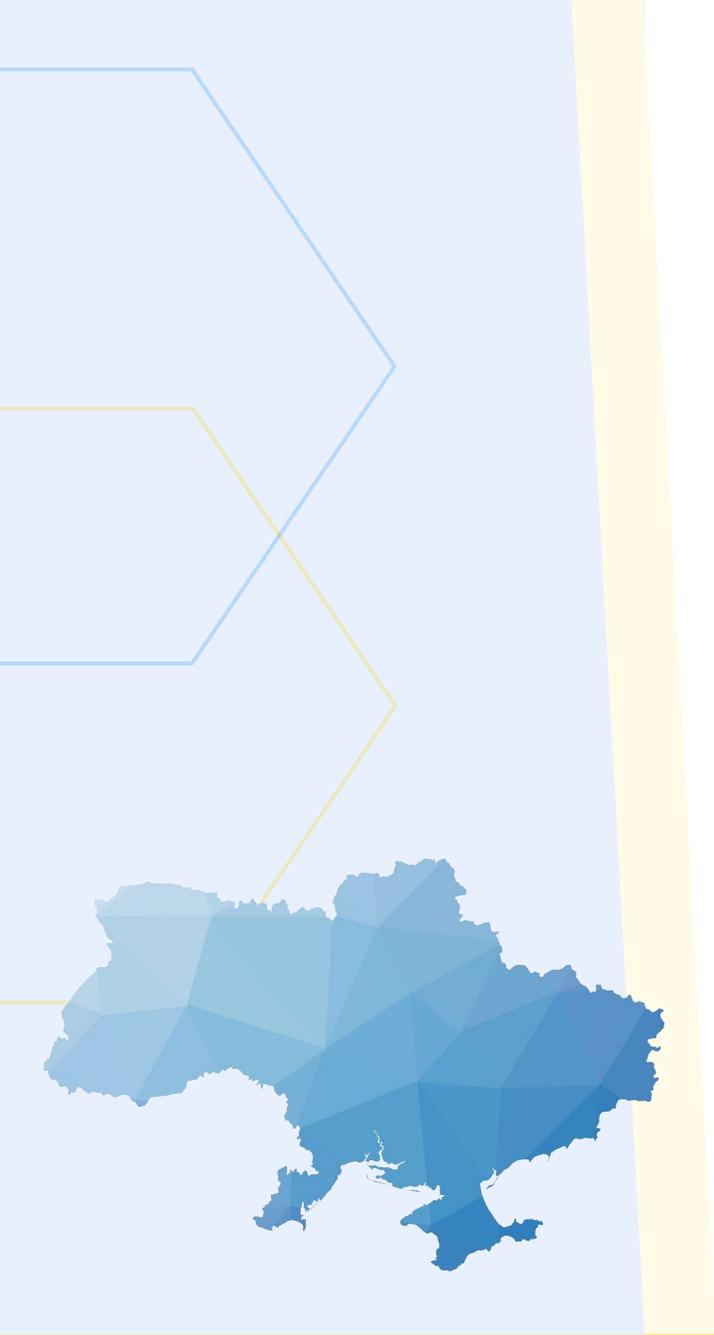
**Rating: B, Stable**

*Last update: Mar 12, 2021, reaffirmed at B, outlook stable*  
*Next update: Sep 10, 2021*

### Key rating drivers of the last review:

- ▶ Ukraine's growth, balance of payments, and public finances all outperformed the expectations in 2020
- ▶ Reserve adequacy has improved, providing a cushion against potential adverse external developments including further delays in the disbursement of concessional loans
- ▶ Stronger macroeconomic management since 2015 and augmented foreign exchange (FX) reserves
- ▶ The ongoing implementation of reforms helps the government access commercial debt markets and receive concessional funding from international financial institutions (IFIs)

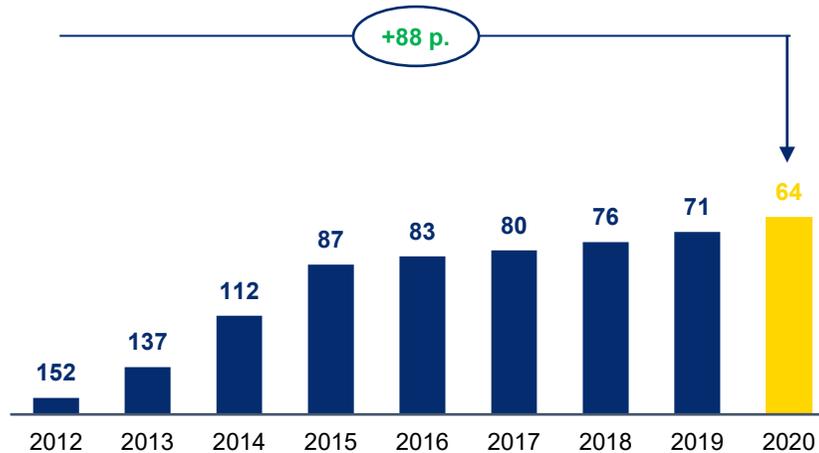




- 1 Solid foundation for long-term economic growth
- 2 Return to gradual fiscal consolidation
- 3 Prudent debt management strategy
- 4 Reviving business climate and development prospects**
- 5 Strong focus on ESG considerations

# Business climate improvement to accelerate growth potential

## Ease of Doing Business ranking

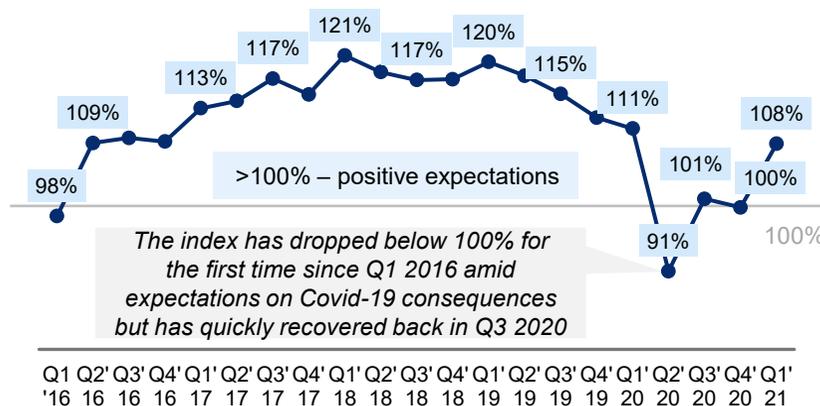


Source Doing Business

## Ukraine's selected pillars in 2020 global ranking

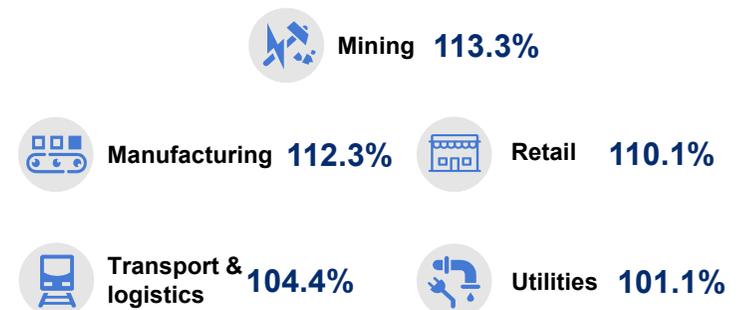


## Business expectations index by the NBU



Source NBU

## Q1 2021 expectations by industry



# Seizing crisis opportunity for agri exports

Overall Ukraine concluded 19 FTAs with 46 countries

- 2001 FTA with Macedonia
- 2008 Ukraine entered WTO
- 2012 FTA with EFTA countries  
FTA with Montenegro
- 2013 FTA with CIS countries
- 2017 DCFTA with the EU  
FTA with Canada
- 2020 FTA with Israel, United Kingdom

## Comments

- ▶ Reinforced by Covid-19, the global demand for basic goods, such as agri and food, remains stable
- ▶ This provides Ukraine an opportunity to elevate basic goods exports to large and developed economies amidst crisis
- ▶ Most of such trade connections have already been set up and developed with conclusion of an increasing number of FTAs while Ukraine has undergone a major shift in trade flows towards the EU market in recent years
  - **The EU's share** in Ukraine's foreign trade turnover (goods) went up **from 35% in 2015 to 38% in 2020**
  - **DCFTA (in full force since September 2017)** provides further opportunities in the EU markets

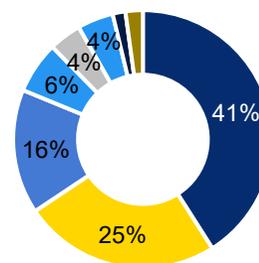
## 5m 2021 y-o-y increase in export of goods by countries<sup>2</sup>

 <b>Czech Rep. / +97.0%</b> USD 569m	 <b>Poland / +54.9%</b> USD 1,907m
 <b>USA / +54.8%</b> USD 539m	 <b>Germany / +54.8%</b> USD 1,017m
 <b>China / +50.1%</b> USD 3,560m	 <b>Turkey / +49.3%</b> USD 1,538m
 <b>India / +47.8%</b> USD 970m	 <b>Italy / +44.1%</b> USD 1,200m

Source State Statistics Service of Ukraine

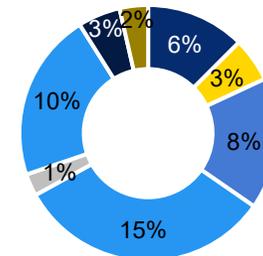
## Ukraine's exports and imports breakdown<sup>1</sup> in 5m 2021

### Exports



- Agricultural products
- Mineral products
- Timber and wood products
- Industrial goods

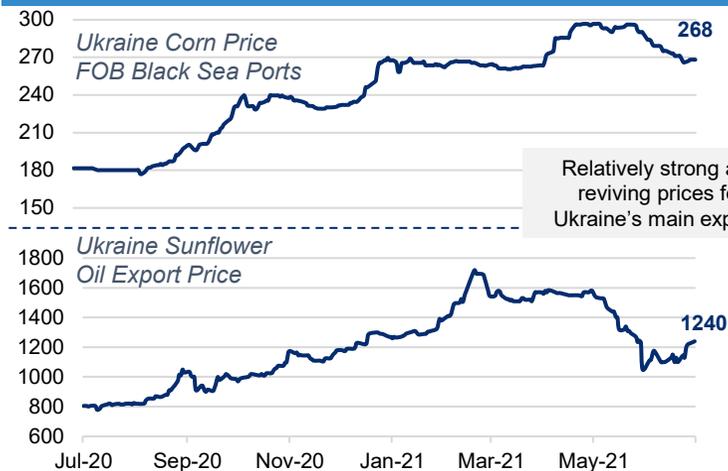
### Imports



- Ferrrous and nonferrous metals
- Machinery and equipment
- Chemicals
- Other (incl. informal trade)

Source National Bank of Ukraine

## Ukraine's export prices on selected agri goods (US\$ / t)

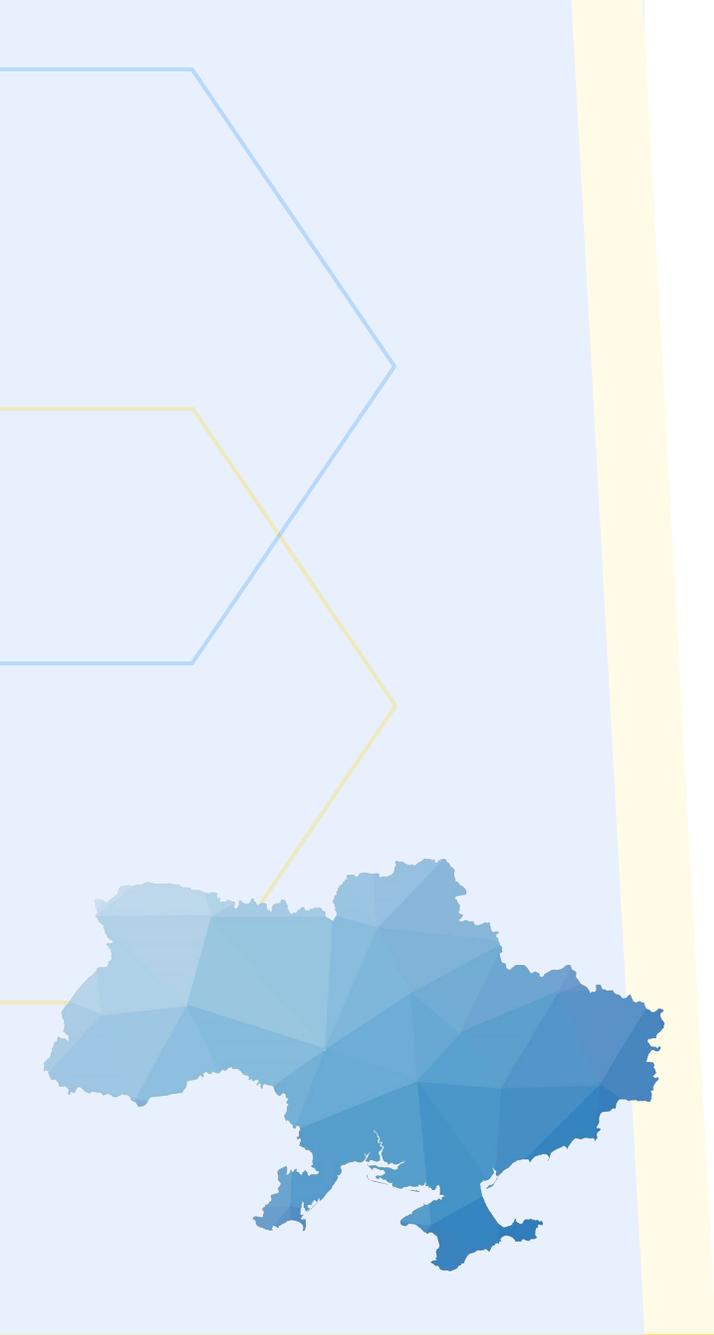


Source Bloomberg, as of June 24, 2021

### Notes

- 1 Export and import of goods breakdown
- 2 Only countries, exports of goods to which in 5m 2021 surpassed 2.0% of total Ukraine's export of goods were included





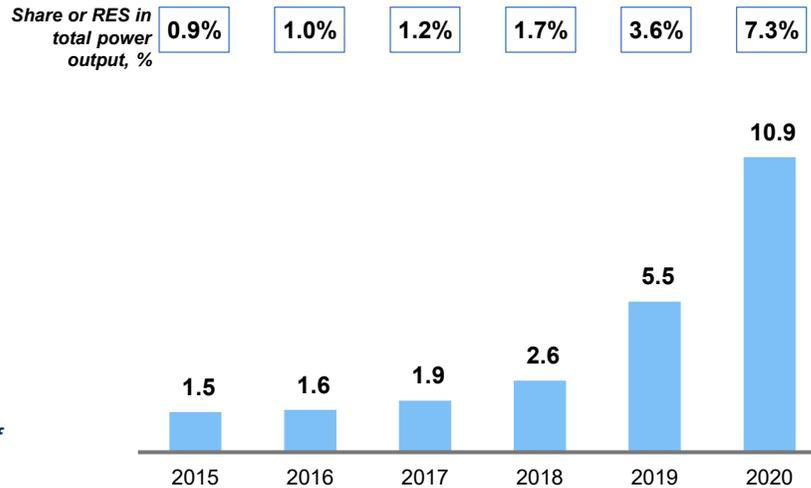
- 1 Solid foundation for long-term economic growth
- 2 Return to gradual fiscal consolidation
- 3 Prudent debt management strategy
- 4 Reviving business climate and development prospects
- 5 **Strong focus on ESG considerations**

## Ukraine's Paris agreement commitments

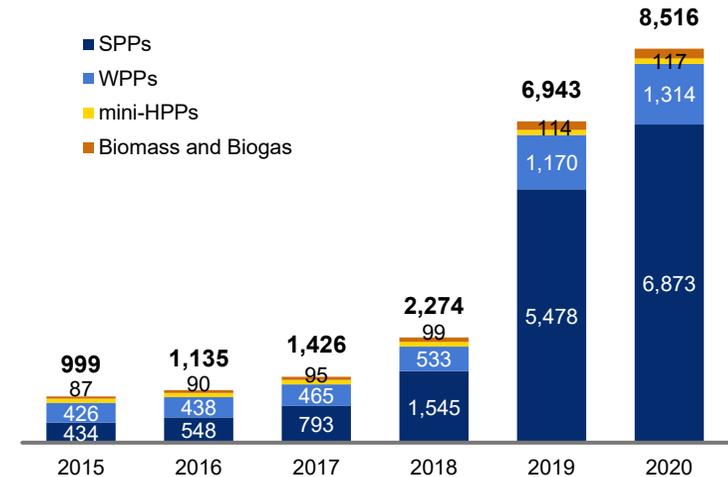
- Ukraine is a Party to the UNFCCC and is one of the first countries which ratified the Paris Agreement.
- Ukraine's 1st NDC defines GHG emissions target as 'not exceeding 60% of the 1990 level'. (63% as of end 2019)
- In April 2021, the draft of the 2<sup>nd</sup> NDC were published, aiming to reduce GHG emissions by 65% in 2030 compared to the 1990 level.
- The draft of 2<sup>nd</sup> NDC targets the share of renewables to account for 30% by 2030 (vs. 25% actual target).

Sources SAEЕ, Ministry of Energy of Ukraine

## Electricity production from RES, TWh



## RES installed capacity dynamics as of eop, MW



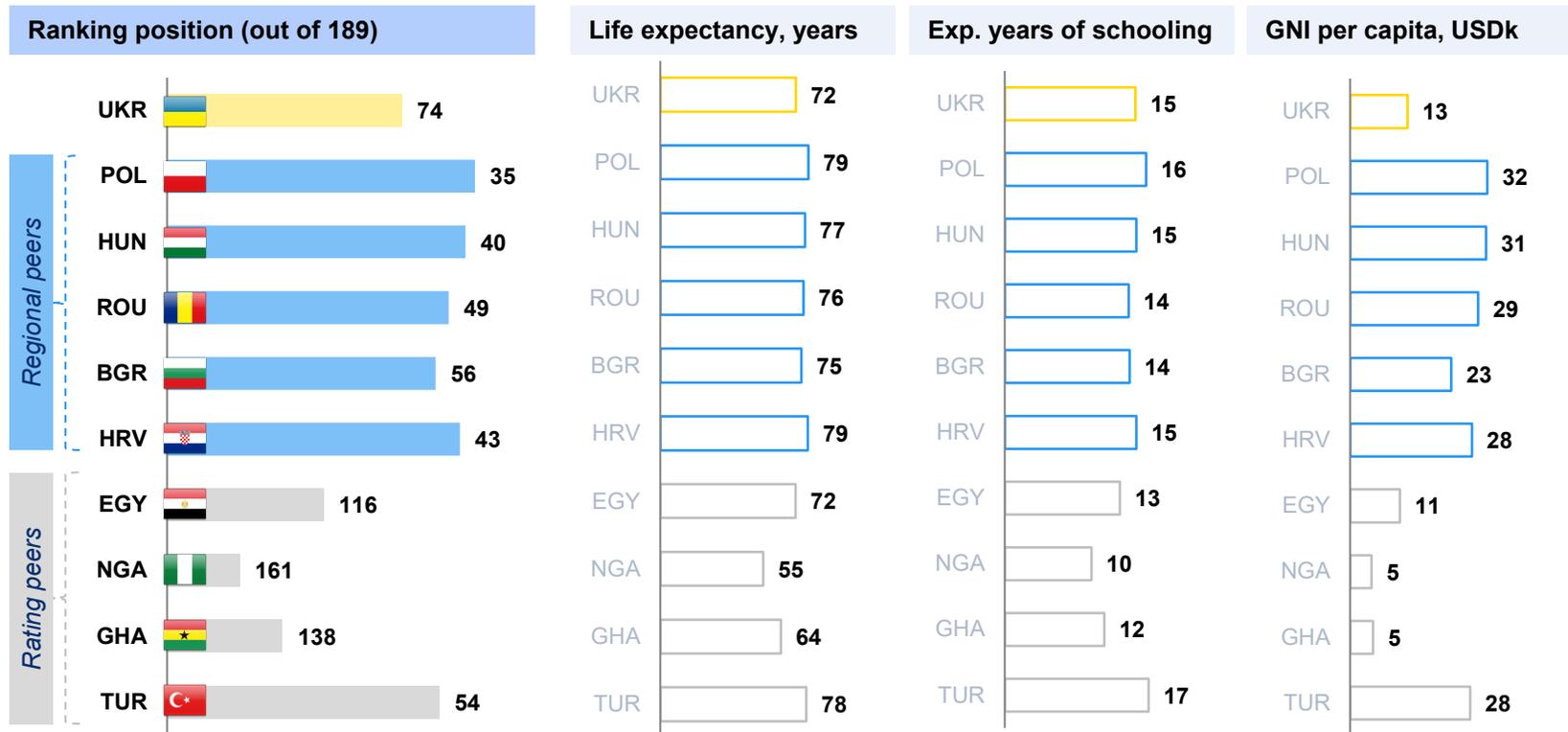
## Key environmental initiatives / commitments

- 2014:** Ukraine committed to Environmental standard aligned on EU standards as part of the EU-Ukraine Association Agreement
- 2015:** Ukraine committed itself to achieving a range of policy targets attached to the **UN Sustainable Development Goals (SDGs)**
- 2016:** Ukraine signed the **Paris agreement** in April (which commits Ukraine to ensuring that greenhouse gas emissions in 2030 will not exceed 60% of the 1990 emissions level) and ratified it in September
- 2017:** the government adopted the **Energy Strategy of Ukraine until 2035**. It outlines measures to: (i) reduce greenhouse gas emissions, and (ii) restructure the coal sector to reduce its environmental impact
- June 2020:** Government signs Memorandum with green energy producers
- August 2020:** IFC Partnered with Ukraine's National Securities and Stock Market Commission to Boost Green Finance. The SAEЕ<sup>1</sup> developed a draft Concept for the implementation of a green bond market in Ukraine
- March 2021:** Ukraine approved National Economic Strategy 2030, committing to reach 25% share of renewables as of 2030



## UNPD Human Development Index 2020

- Ukraine belongs to **High Human Development group** within **UNDP HDI** (which is also used by selected credit rating agencies) and demonstrates consistent improvement since 2015
- While life expectancy and education indices perform relatively in line with the regional peers and generally overperform rating peers, the income measure, GNI per capita, is the one pulling the country's ranking down



► In order to further enhance the country's human capital, both education and healthcare sectors are currently undergoing reforms with the following key priorities:

- Education:** (i) affordable and quality pre-school education, (ii) New Ukrainian School, (iii) modern professional (vocational) education, (iv) quality higher education and development of adult education, (v) development of science and innovation
- Healthcare:** (i) implementation of the new financing mechanism "money follows the patient", (ii) introduction of "family" doctors, (iii) primary care, palliative care, and emergency medical care 100% funded by the state, (iv) new methods for procuring and distributing vaccines, (v) new licensing and educational standards for doctors, etc.

Sources UNDP, Ministry of Education and Science of Ukraine, Ministry of Health of Ukraine

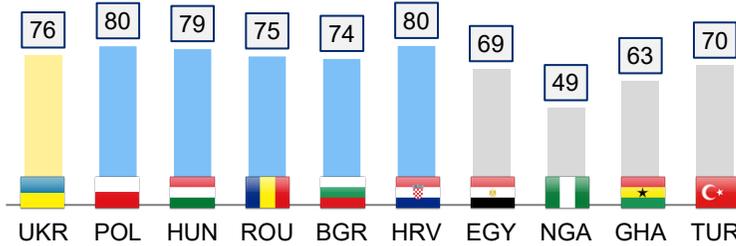


## Ukraine vs peers in governance ratings

### Sustainable Development Goals Index 2021



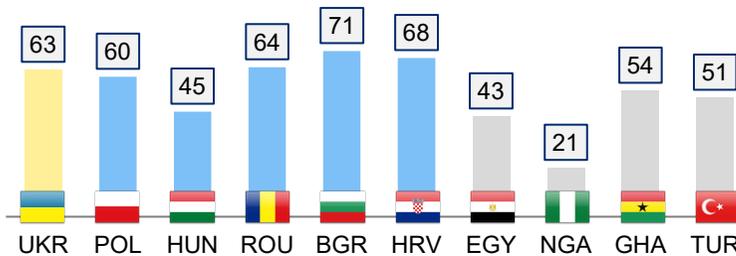
- ▶ Rating: 0 (worst) to 100 (best)
- ▶ Analyzes country's performance within 17 goals



### Open Budget Index 2019



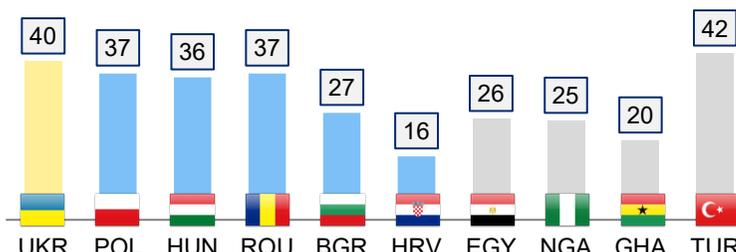
- ▶ Rating: 0 (worst) to 100 (best)
- ▶ Analyzes country's budget transparency



### Investor Relations Index 2020



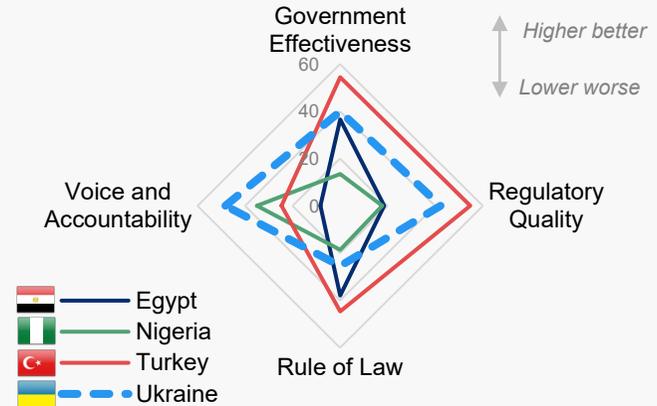
- ▶ Rating: 0 (worst) to 42 (best)
- ▶ Analyzes country's investor relations function



Sources U.S. Department of State, World Bank, UN, TPPR, International Budget Partnership, IIF

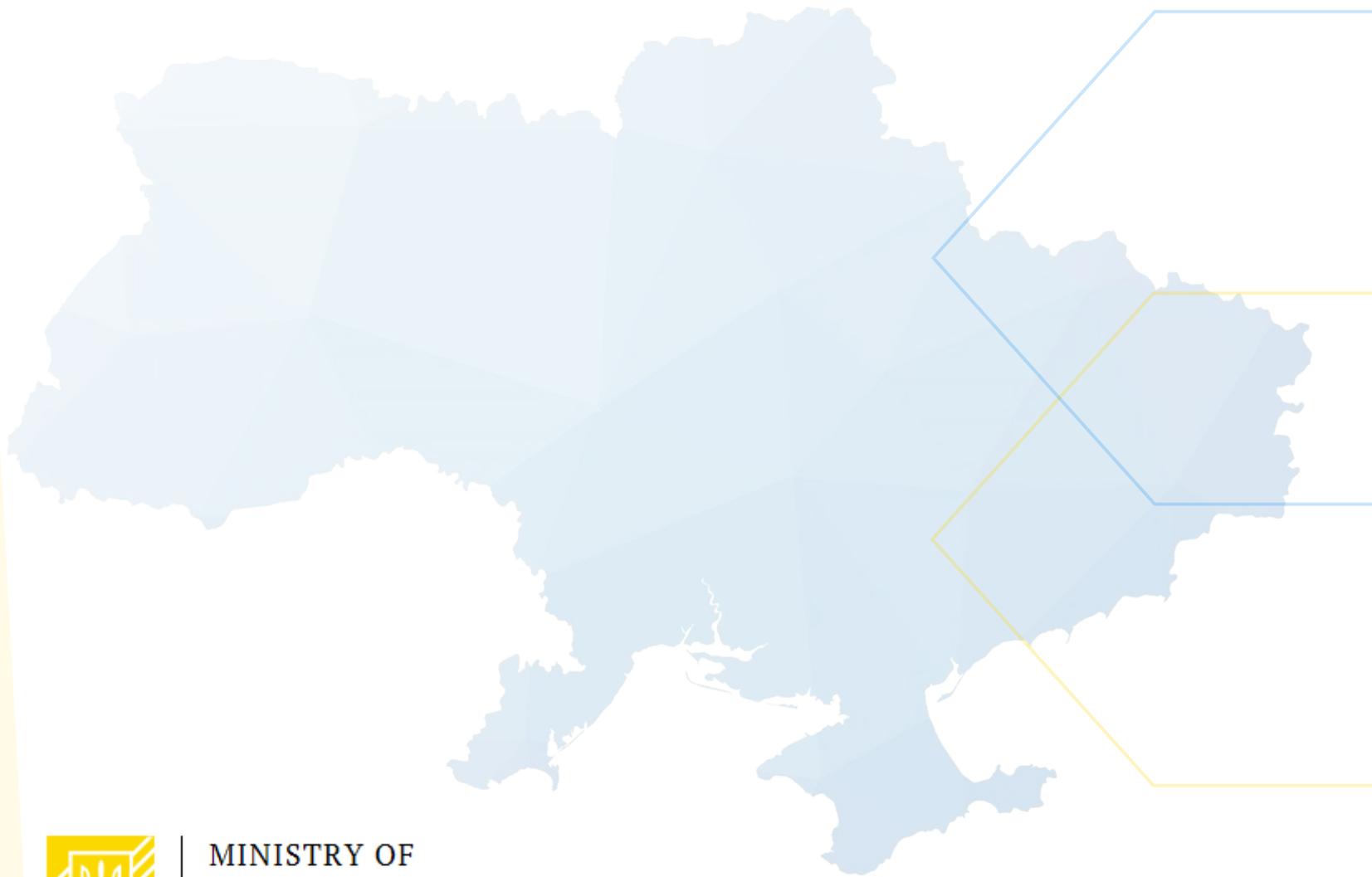
## WGI and other developments on governance

### Worldwide Governance Indicators 2019



- ▶ **Worldwide Governance Indicators (WGI)** are published by the World Bank and constitute an important basis for sovereign credit ratings
  - Ukraine performs in line with its rating peers demonstrating relatively solid performance in Voice and Accountability, Government Effectiveness and Regulatory Quality pillars
- ▶ Besides the mentioned indices, Ukraine has also topped **Transparent Public Procurement Rating** in 2019 (among 31 countries) and was highly appraised with regard to the fiscal transparency in the **U.S. 2020 Fiscal Transparency Report**
- ▶ European Open Data Portal named **Ukraine as one of the trend-setter in opening up the finance data** in Europe because of its online data platform E-data. This platform combines several three portals: Spendings, OpenBudget, ProlFIs.





**MINISTRY OF  
FINANCE OF  
UKRAINE**

