

UKRAINE IN THE YEAR 2022



Ministry of
Finance
of Ukraine



Russian War of Aggression against Ukraine

- On 24th of February 2022, at 5 am Russia launched a full-scale invasion of Ukraine, causing the largest war in Europe since World War II. Russia's illegal, unjustifiable and unprovoked war of aggression was condemned and demanded to end by several UN General Assembly resolutions. On March 16, the International Court of Justice ordered Russia immediately suspend the military operations commenced on 24 February 2022
- With the provision of military assistance from the partner countries, as of December 2022 Ukrainian defenders have liberated half of the territory seized by Russia since the start of the full-scale invasion
- In revenge for its military losses on the ground, Russia continues terrorizing Ukrainian civilians. Nearly 50% of Ukraine's energy system has been damaged by Russian attacks
- Over the nine months of war, Russia has carried out **>16,000 missile strikes** on Ukraine, **97% of which on civilian targets**
- Damage or destruction of **68,399 civilian infrastructure facilities**, including **48,460 residential buildings and houses**, **2,212 educational** and **418 medical institutions**, **407 cultural** and **88 religious buildings**, and **5,643 water and electricity networks** is registered. These numbers do not include the temporarily occupied territories to which authorities do not have access: the real level of destruction is much higher
- Ukrainian law enforcement agencies launched an investigation into **53,115 war crimes and crimes of aggression** committed by Russia since 24 February. They include the **killing of 8,596 (including 443 children)** and the **wounding of 11,620 civilians (including 855 children)**. These figures, growing daily, do not take into account the occupied territories, to which law enforcement officers do not have access
- On September 9, 2022, the World Bank, the European Commission and the Government of Ukraine, in cooperation with partners, released the report with the estimates of the current cost of reconstruction and recovery in Ukraine amounting to **USD 349bn**. This figure is growing every day as Russia continues its war against Ukraine



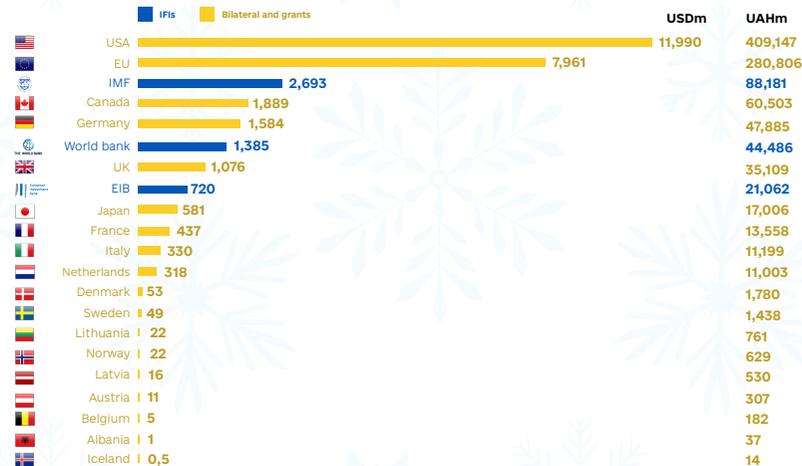
Ukraine's Resistance

- Ukraine has activated its right for self-defense according to the UN Charter Article 51
- Ukraine's government is functional, the budgetary system of Ukraine functions in full scale. The Ministry of Finance, the Treasury and the National Bank of Ukraine jointly ensure the settlement of all necessary payments
- Across Ukraine, **>5000 of Points of Invincibility** were deployed, providing heating, communication and assistance to civilians in need
- Ukrainian road workers in six regions **cleared more than 2,000 km of roads** and **restored 54 bridges** damaged or destroyed as a result of war hostilities
- Financial system is working, servicing business and population in Ukraine-controlled areas



IFI and Bilateral Support

- Since the beginning of the full-scale war the financial assistance from the official partners and IFIs amounted to **USD 31 billion**



- On March 9, the IMF Executive Board approved a disbursement of **USD 1.4 billion (SDR 1,005.9 million)** under the Rapid Financing Instrument to help meet urgent financing needs and mitigate the economic impact of the war
- On October 7, the IMF Executive Board approved the disbursement of **USD 1.3 billion** to Ukraine under the new food shock window of the Rapid Financing Instrument
- On December 19, the IMF approved the 4-months Program Monitoring with Board involvement (PMB) for Ukraine which paves the way toward a possible full-fledged IMF-supported program
- The World Bank has put in place a series of options to facilities bilateral financing from countries which want to support Ukraine
- State budget grant financing amounted to **USD 14.2 billion** in the year 2022



Wartime Economy

- The Ukrainian banking system remained stable and liquid even at the time of the martial law. The NBU took measures necessary to support the reliable and stable functioning of the financial system of Ukraine.
- To curb the inflation the NBU raised the key interest rate to 25% from 10%
- To ensure the goals of price and financial stability the NBU had no other option but to peg the official exchange rate to US dollar and imposed a set of administrative restrictions
- The shortage of electricity as a result of large-scale shelling of energy facilities leads to a weakening of economic activity, a reduction in production and an increase in business costs. At the same time, the business is trying to adapt to the restrictions: buys generators and shifts production to night shifts. The operation of the grain corridor, the completion of the harvest and the liberation of Kherson support economic activity
- Plan of Ukraine's Reconstruction is under development by the government with support of international partners



Reforms

- Candidate status for the EU Membership obtained
- Customs visa free regime with the EU obtained. Following the launch of Common Transit Procedure (NCTS) in Ukraine, **80% of customs EU integration requirements** are fulfilled
- Electricity system of Ukraine has been successfully synchronized with the Continental European power system (ENTSO-E). Ukraine and the EU reopened cross-border electricity trade
- The EU and Ukraine agreed on transport "visa-free" regime
- The Anti-Corruption Strategy 2022-2024 for Ukraine adopted
- The assessment of the acting members of the High Council of Justice on compliance with the criteria of professional ethics and integrity completed by the Ethics Council
- Head the Specialized Anticorruption Prosecutor's Office appointed
- The Law on General Administrative Procedures simplifying administrative procedures for citizens and businesses adopted

UKRAINE IN THE YEAR 2022



Ministry of
Finance
of Ukraine



Debt Management

- In January Ukraine conducted liability management operation buying out USD 101 of the Sept 2022 Eurobonds from the market
- During 9 month of the full-scale invasion, every Tuesday the Ministry of Finance conducted auctions of domestic government bonds attracting **USD 7.4 billion** equivalent to the state budget
- To involve the retail investors from Ukraine into state budget support through investing in local bonds, the Ministry of Finance rebranded bonds as "wartime bonds", created the special website devoted to wartime bonds explaining the investment process and facilitated easy access to buying the bonds through state mobile application Diia
- In August, the consent solicitation transaction on Eurobonds and GDP-linked securities successfully conducted. Maturities on all **13 series of Ukraine's Eurobonds are extended by 2 years** and the GDP warrants payment due in 2023 only is deferred for two years, bearing interest at 7.75% during the deferral period
- State-owned enterprises, namely Ukenergo, Ukravtodor and Ukrzaliznytsia, followed the sovereign consent solicitation framework and with an active support from the Ministry of Finance of Ukraine successfully agreed with investors to defer the Eurobond payments for 2 years
- Ukraine signed a Memorandum of Understanding on official debt payments suspension with international partners in the G7 and Paris Club



Trade and Investment Promotion

- Ukraine, Russia and Turkey signed a United Nations-brokered agreement enabling exports of Ukrainian grain and other foodstuffs through three Black Sea ports in the Odesa region
- 15.5 million tons of Ukraine's agriculture products** was exported since August 1
- In September the Government launched an investment platform AdvantageUkraine. The initiative is aimed at attracting direct investments into innovation technologies, defense industry, metallurgy and metalworking, agriculture, power industry, pharmaceutical, natural resources, logistics and infrastructure, furniture and woodworking industries.
- As of end of the year more than 500 investor applications received through the platform. **52 projects worth USD 5.8 billion** are being developed within the initiative



ESG Developments

- Law of Ukraine on the ratification of the Amendment and the Second Amendment to the Convention on Environmental Impact Assessment in a Transboundary Context adopted
- Law on the National Register of Emissions and Pollutant Release adopted
- Law on Waste management adopted
- Reform of the forest industry launched
- Sustainable Development Goals are an integral part of Ukraine's Recovery Plan



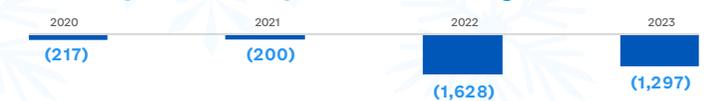
Plans for 2023

- To win against the world's biggest terrorist state
- To achieve state budget consolidation by reducing the monthly deficit from **USD 5bn to USD 3-3.5bn**
- To finance state budget deficit without monetary financing in the baseline scenario
- The NBU will allow converting UAH to USD/EUR that relate to transferring income received from coupon or maturity payments on all Ukrainian government bonds received after April 1, 2023
- To agree with the IMF the full-fledged program

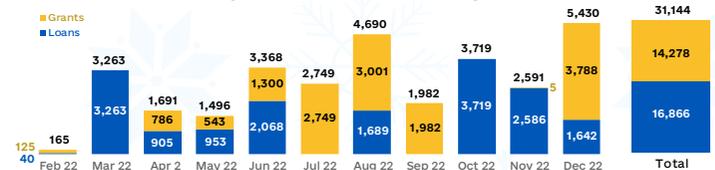
Russian war against Ukraine caused deepest GDP drop in Ukraine's history...



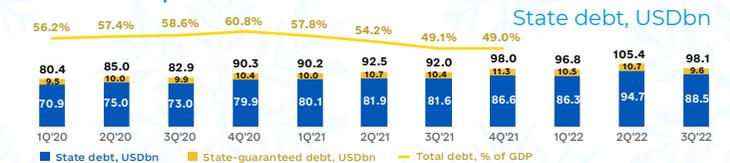
...and hugest state budget deficit



...mostly covered by concessional financing from the international partners in loans and grants format



...which helped to maintain stable state debt level



...and Ukraine's international reserves at the pre-full-scale war level



Consumer inflation in Ukraine shows signs of stabilization...



...and official exchange rate remains fixed by the NBU

