

Third U.S. Loan Guarantee: Proposed Conditions Precedent

1. **IMF PROGRAM:** Ukraine shall fulfill all IMF prior actions of economic reforms and macroeconomic policies necessary to obtain IMF Board approval of the second review of the Extended Fund Facility (EFF) Arrangement. Ukraine shall provide to USAID written verification of its intent to remain in compliance with the EFF Arrangement.
2. **SOCIAL SAFETY NET:** Ukraine shall affirm in writing that proceeds from the U.S. loan guarantee will contribute to social spending to help protect the most vulnerable Ukrainians from the impact of necessary economic adjustments, including continued reductions in untargeted energy subsidies.

Ukraine also shall affirm its commitment to continue implementing income testing in the energy privileges (EP) program, in accordance with Law 76-VIII/2014, to improve the targeting of social-assistance benefits. Ukraine shall affirm its intent to provide to USAID, through [specify ministry or office], quarterly reports for one (1) year beginning on [date] on the number of beneficiaries in Housing Utility Subsidy (HUS) and EP programs; the total value of fiscal transfers for HUS and EP; and the number of applications received for HUS and EP.

3. **PUBLIC PROCUREMENT:** Ukraine shall submit to Parliament a new law formalizing the use of electronic procurement for government acquisition of goods and services to increase transparency and efficiency in government procurement.
4. **PROSECUTOR GENERAL'S OFFICE:** Ukraine shall provide to USAID a copy of the comprehensive regulation, adopted by the Prosecutor General, which ensures the independent operations of the Office of Inspector General (IG) of the Prosecutor General's Office (PGO). The regulation shall clearly define the PGO IG's jurisdiction, powers, and authority, to enable it to perform its functions in a manner that is effective and credible, and that increases the accountability of the PGO to the public. The regulation shall be endorsed by the U.S. Department of Justice.
5. **NAFTOHAZ CORPORATE REFORM:** Ukraine shall take the following actions towards improving corporate governance at Naftohaz in line with the Corporate Governance Action Plan (CGAP) agreed to with the European Bank for Reconstruction and Development: the Cabinet of Ministers shall: 1) approve the restated Charter of Naftohaz, as specified in Action 1.2 and Action 1.3.1 in the CGAP; 2) approve and make public the Nomination Policy for the Supervisory Board of Naftohaz and the criteria for the Supervisory Board Members; 3) authorize the committee created by the Ministry of Economic Development and Trade to be used as a nominating committee for the candidates for the Supervisory Board of

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Naftohaz; and 4) publish on the Internet the job descriptions for Supervisory Board Members, as specified in Action 1.3.6 and Action 1.3.7 in the CGAP.

6. **TAX ADMINISTRATION REFORM:** Ukraine shall provide evidence that Ukraine's State Fiscal Service has transferred the files of all taxpayers meeting large-taxpayer criteria to the Large Taxpayer Office (LTO) and has assigned staff to each new large-taxpayer file. Ukraine shall also affirm in writing its commitment to provide adequate resources to the LTO and satisfy the IMF structural benchmark.
7. **ASSET DISCLOSURE:** Ukraine shall affirm in writing that it has developed an IT system to manage asset disclosures of high-level officials and shall provide evidence that it has begun posting asset disclosures of high-level government officials electronically and publicly.