

NATIONAL AGENCY OF UKRAINE ON CIVIL SERVICE

PARTS A AND D OF THE PUBLIC FINANCE MANAGEMENT SUPPORT
PROGRAMME FOR UKRAINE PROJECT

SPECIAL-PURPOSE FINANCIAL STATEMENTS

For the Period from February 09, 2022 to
December 31, 2023

Together with Independent Auditor's Report

PARTS A AND D OF THE PUBLIC FINANCE MANAGEMENT SUPPORT PROGRAMME FOR UKRAINE PROJECT
SPECIAL-PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD FROM FEBRUARY 09, 2022 TO DECEMBER 31, 2023
IN EURO

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INDEPENDENT AUDITOR'S REPORT

To the National Agency of Ukraine on Civil Service

Opinion

We have audited the accompanying special-purpose financial statements of the National Agency of Ukraine on Civil Service under Parts A and D of the Public Finance Management Support Programme for Ukraine Project (further - the Project) financed from funds of the Grant No. TF0B6630 dated February 09, 2022, which comprise:

- Summary of sources and uses of funds as of December 31, 2023 and for the period from February 09, 2022 till the date specified;
- Statement of expenditures as at December 31, 2023 and for the period from February 09, 2022 till the date specified;
- Statement of Special Account as at December 31, 2023 and for the period from February 09, 2022 till the date specified;
- Summary of significant accounting policies and other explanatory notes.

In our opinion, special-purpose financial statements give true and fair view of the sources and uses of the funds of the Grant No. TF0B6630 in respect of Parts A and D of the Public Finance Management Support Programme for Ukraine Project as at December 31, 2023 and for the period from February 09, 2022 till the date specified, in accordance with the Grant Agreement and regulations of the Bank.

External funds have been used as required by the relevant general terms and conditions, financial arrangements and Disbursement Letter paying due attention to efficiency and cost-effectiveness; and have been used only for the corresponding purposes.

The terms of the Grant Agreement No. TF0B6630 do not provide for the use of partner funds.

The services have been purchased in compliance with the corresponding general conditions, financial agreements, and the Disbursement Letter.

Accounting and storing of the necessary supporting documents, accounting data and accounts regarding all Project transactions, including those concerning the expenditures disclosed in the Statements of actual expenditures, are performed in a due manner. There is a clear interconnection between accounting data and the financial statements provided to the World Bank.

The prepared special-purpose financial statements comply with the requirements of generally accepted accounting principles and practices, and the instructions from the World Bank, and give true and fair view of the financial position of the Project as at December 31, 2023, as well as the resources and expenditures for the period from February 09, 2022 to December 31, 2023.

Separate opinion on expenditures

In addition, with regard to the expenditures for the period from February 09, 2022, to December 31, 2023, proper supporting documentation was maintained to confirm applications submitted to the Bank for reimbursement of the expenditures incurred, and that the expenditures stated in the withdrawal applications are to be financed in accordance with the terms and conditions of the Grant No. TF0B6630.

Separate opinion on the Statement of Special Account

In our opinion, the special-purpose financial statements on the Special accounts give true and fair view of financial position of the Special Accounts of the Project, as at December 31, 2023 and for the period from February 09, 2022 to December 31, 2023 in consistence with the World Bank regulations. These accounts were maintained according to the provisions of the corresponding general conditions, financial agreements, and the Disbursement Letter.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the special-purpose financial statements section of our report. We are independent of the National Agency of Ukraine on Civil Service in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and ethical requirements applied in Ukraine to our audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

Closing date for the Grant funds disbursement

We draw attention to Note 3 to the special-purpose financial statements, which states that the closing date for the Grant funds disbursement is June 11, 2025, or such later date set by the Bank.

Military aggression of the Russian Federation against Ukraine

We draw attention to Notes 5 and 6 to the special-purpose financial statements of the Project, which state that on February 24, 2022, the military invasion of Ukraine by the Russian Federation began and continues, which became the basis for the introduction of martial law in Ukraine from 05:30 on February 24, 2022 in accordance with the Law of Ukraine "On Approval of the Decree of the President of Ukraine "On the Introduction of Martial Law in Ukraine" No. 2102-IX, which continues as of the date of approval of these special-purpose financial statements of the Project. These events indicate that a material uncertainty exists that may cast significant doubt on the ability of the National Agency of Ukraine on Civil Service to continue implement the Project as a going concern.

Our opinion is not modified in respect of this matter.

Responsibility of Management and Those Charged with Governance for the Special-Purpose Financial Statements

Management is responsible for the preparation and fair presentation of these special-purpose financial statements in accordance with World Bank's regulations, and for such internal control as management determines is necessary to enable the preparation of the special-purpose financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the special-purpose financial statements, management is responsible for assessing the Project ability to continue as a going concern within the period of uses of funds, i.e., by June 11, 2025, or such later date set by the Bank disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Project or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Project.

Auditor's Responsibility for the Audit of the Special-Purpose Financial Statements

Our objectives are to obtain reasonable assurance about whether the special-purpose financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these special-purpose financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the special-purpose financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk

of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Project to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the special-purpose financial statements, including the disclosures, and whether the special-purpose financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The audit was performed under the supervision of the Key Audit Partner Nikolayenko O.M.

Key Audit Partner

Number of registration with the Register of Auditors and Audit Companies: 101534

June 28, 2024

Kyiv

Limited Liability Company BDO. Identification code under EDRPOU: 20197074. Number of registration in the Register of Auditors and Audit Companies: 2868. Legal address: 4, Andriia Fabra Street, Dnipro, 49070. Tel. 044-393-26-91.

BDO LLC is included in the Register of auditors and audit companies in section 4 «Auditing companies entitled to perform statutory audits of financial statements of public interest entities». Link to the Register: <https://www.apu.com.ua/subjekty-audytorskoj-dijalnosti-jaki-majut-pravo-provodyty-obovjazkovyj-audyt-finansovoi-zvitnosti-pidprijemstv-shho-stanovljat-suspilnyj-interes/>



Nikolaenko O.M.

PARTS A AND D OF THE PUBLIC FINANCE MANAGEMENT SUPPORT PROGRAMME FOR UKRAINE PROJECT
SPECIAL-PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD FROM FEBRUARY 09, 2022 TO DECEMBER 31, 2023
IN EURO

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE PREPARATION AND APPROVAL OF THE SPECIAL-PURPOSE FINANCIAL STATEMENTS

The following statement, which should be read in conjunction with the independent auditor's responsibilities stated in the independent auditor's report set out on pages I-III, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the special-purpose financial statements of the National Agency of Ukraine on Civil Service (further - NACS) in respect of Parts A and D of the Public Finance Management Support Programme for Ukraine Project financed from funds of the Grant No. TF0B6630 dated February 09, 2022, as at December 31, 2023 and for the period from February 09, 2022 till the specified date.

Management of the NACS is responsible for the preparation of the special-purpose financial statements that give true and fair view of the financial position of the Project as at December 31, 2023, and the resources and expenditures for the period from February 09, 2022 to December 31, 2023.

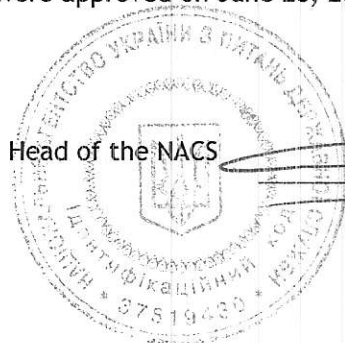
In preparing the special-purpose financial statements, management of the NACS is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures in notes and annexes when compliance with the accounting policies set out in Note 3 is insufficient to understand the impact of particular transactions, other events and conditions on the special purpose financial statements of the Project;
- Assessing the ability of the NACS of the Project to continue as a going concern.

Management of the NACS and the Project is also responsible for:

- Developing, implementing and maintaining an effective and sound system of internal control over the Project;
- Keeping adequate accounting records that are sufficient to disclose with reasonable accuracy at any time the financial position of the Project and which enable them to ensure that the special purpose financial statements for the Project comply with the accounting policies set out in Note 3;
- Taking measures within its competence to ensure the safety of the Project assets;
- Preventing and detecting fraud and other irregularities.

The special-purpose financial statements for the period from February 09, 2022 to December 31, 2023, were approved on June 28, 2024.



Head of the NACS

Aliushyna N.O.

PARTS A AND D OF THE PUBLIC FINANCE MANAGEMENT SUPPORT PROGRAMME FOR UKRAINE PROJECT
SUMMARY OF SOURCES AND USES OF FUNDS
for the period from February 09, 2022 to December 31, 2023
in EURO

	Actual	
	For the period	Aggregate
Opening balance		
Special account of JSC "Ukreximbank" - EURO	-	-
Account in State Treasury of Ukraine - UAH	-	-
Total opening balance of available funds:	-	-
Sources of funds:		
Grant from the International Bank for Reconstruction and Development and the International Development Association	51 700	51 700
Total funding:	51 700	51 700
Project expenditure:		
Category 1: Goods, works, consulting services; Training and Operating Costs under Parts A and D of the Project	17 871	17 871
Total Project expenditure:	17 871	17 871
Closing balance		
Special account of JSC "Ukreximbank" - EURO	-	-
Account in State Treasury of Ukraine - UAH	33 829	33 829

Head of the NACS



Aliushyna N.O.

Aliushyna N.O.

PARTS A AND D OF THE PUBLIC FINANCE MANAGEMENT SUPPORT PROGRAMME FOR UKRAINE PROJECT
 STATEMENT OF WITHDRAWALS FROM THE GRANT ACCOUNT
 For the period from February 09, 2022 to December 31, 2023
 In EURO

Application number	Category	Date of withdrawal	Currency	Amount	Equivalent
NACS-1	DA-A	08.05.2023	EUR	12 200	12 200
NACS-2	DA-A	15.06.2023	EUR	14 500	14 500
NACS-4	DA-A	22.09.2023	EUR	25 000	25 000
Total:					51 700

Summary by categories:	
DA-A	51 700
Total:	51 700

PARTS A AND D OF THE PUBLIC FINANCE MANAGEMENT SUPPORT PROGRAMME FOR UKRAINE PROJECT
 STATEMENT OF WITHDRAWALS THROUGH PROCEDURE FOR DRAWING UP STATEMENTS OF
 EXPENDITURE

For the period from February 09, 2022 to December 31, 2023

In EURO

Application number	Category 1	Total
1. Applications submitted to the World Bank and reimbursed in the period from February 09, 2022 to December 31, 2023		
NACS -3	6 742	6 742
Total	6 742	6 742
2. Expenses actually incurred for the period from February 09, 2022 to December 31, 2023		
From the Grant's account	-	-
From special accounts	-	-
From current accounts in national currency	17 871	17 871
Total	17 871	17 871
3. Table of discrepancies in Project expenses between the World Bank and NACS records for the period from February 09, 2022 to December 31, 2023		
Reimbursed according to IBRD and IDA	6 742	6 742
Expenditure not provided for the reimbursement as at 31.12.2023	11 129	11 129
According to NACS	17 871	17 871

PARTS A AND D OF THE PUBLIC FINANCE MANAGEMENT SUPPORT PROGRAMME FOR UKRAINE PROJECT

STATEMENT OF WITHDRAWALS FROM SPECIAL ACCOUNTS

For the period from February 09, 2022 to December 31, 2023

In EURO

Category	Date of withdrawal	Payment		EUR Equivalent amount
		Currency	Amount	
Sub_account	11.05.2023	EUR	9 100	9 100
Sub_account	21.06.2023	EUR	12 000	12 000
Sub_account	25.09.2023	EUR	30 600	30 600
Total:				51 700

Summary by categories	
Sub_account	51 700
Total:	51 700

PARTS A AND D OF THE PUBLIC FINANCE MANAGEMENT SUPPORT PROGRAMME FOR UKRAINE PROJECT

STATEMENT OF SPECIAL ACCOUNTS

For the period from February 09, 2022 to December 31, 2023

In EURO

Deposit account	Ukreximbank
Account No.	UA62322310000025301000000172
Grant No.	TF0B6630
Currency	EUR

OPENING BALANCE	-
Receipts: Funds received	51 700
Interest accrued	
TOTAL FUNDS RECEIVED	51 700
Deductions: expenditure	
Funds withdrawal from the Grant's account	51 700
Direct payments from special accounts	-
Payment of bank services	
TOTAL EXPENDITURE	51 700
CLOSING BALANCE	-

PARTS A AND D OF THE PUBLIC FINANCE MANAGEMENT SUPPORT PROGRAMME FOR UKRAINE PROJECT
 STATEMENT OF FACTUAL EXPENDITURE IN NATIONAL CURRENCY
 For the period from February 09, 2022 to December 31, 2023
 In EURO

	----- Payment-----		EUR Equivalent amount
	Currency	Amount	
Category 1: Goods, works, consulting services; Training and Operating Costs under Parts A and D of the Project	UAH	714 339	17 871
Total expenditure of the period		714 339	17 871

PARTS A AND D OF THE PUBLIC FINANCE MANAGEMENT SUPPORT PROGRAMME FOR UKRAINE PROJECT
RECONCILIATION BETWEEN NACS AND BANK RECORDS
For the period from February 09, 2022 to December 31, 2023
In EURO

Grant amount		2 867 000
<hr/>		
Less:		
Project expenditure:		
Category 1: Goods, works, consulting services; Training and Operating Costs under Parts A and D of the Project	17 871	
Total:		<hr/> (17 871)
Special account of JSC "Ukreximbank" - EURO	-	
Account in State Treasury of Ukraine - UAH	33 829	
Total available funds		<hr/> (33 829)
Total withdrawals:		<hr/> (51 700)
Balance as at December 31, 2023		<hr/> 2 815 300

NOTES TO THE SPECIAL-PURPOSE FINANCIAL STATEMENTS

For the period from February 09, 2022 to December 31, 2023

In EURO

1. PROJECT DESCRIPTION

Ukraine, represented by the Ministry of Economy of Ukraine, has received the Grant No. TF0B6630 from the International Bank for Reconstruction and Development and the International Development Association (the “Bank”), acting as the administrator of grant funds provided by the European Commission on behalf of the European Union (the “Donor”) under the EU-World Bank Partnership Program, Part III for Europe and Central Asia Programs, Single Donor Trust Fund (TF073423). Grant No. TF0B6630 in the amount of EUR 3,809,000 (three million eight hundred and nine thousand) received under the Grant Agreement dated February 09, 2022, to finance the Public Finance Management Support Programme for Ukraine Project.

On April 4, 2022, the Ministry of Economy of Ukraine, on the basis of Agreement No. 1455/60.1-22 on the authorization to implement the Public Finance Management Support Programme for Ukraine Project, financed by Grant No. TR0B6630, authorized the NACS to implement the Project.

The Project consists of four parts: Part A “Country-wide Launch of the HRMIS” (Part A of the Project), Part B “Enhancing Public Investment Management” (Part B of the Project), Part C “Better Governance and Oversight of State-Owned Enterprises (SOEs)” (Part C of the Project), and Part D “Project Management and Implementation Support” (Part D of the Project).

Part A and partially Part D of the Project, implemented by the National Agency of Ukraine on Civil Service with a total value of EUR 2,867,000, aim to support the NACS in implementing a human resources management information system (HRMIS) in public administration institutions across the country.

The objective of the Project is to better manage public resources of interventions by: (i) launching of a country-wide HRMIS; (ii) reassessing and improving the efficiency of the PIM system; and (iii) improving the governance of SOEs.

The Project consists of the following parts:

Part A Country-wide Launch of the HRMIS.

Supporting the country-wide launch of HRMIS through:

- (i) functional enlargement of the HRMIS by developing modules for performance appraisal, professional competencies, and analysis and reporting;
- (ii) connecting public institutions at the national and subnational levels to the HRMIS, including data migration, and validation;
- (iii) integration of the HRMIS with relevant registers and information systems in the public administration;
- (iv) development of application programming interface (API) specifications to be used as standards for data exchange (interoperability with other systems);
- (v) training of future users and change management;
- (vi) improving the policy and methodological framework for the implementation of the HRIMS main functional modules (review of HRM practices and processes, preparation of governmental decisions about HRIMS implementation, including capacity building of selected public entities on HRM); and
- (vii) the carrying out of annual technological upgrades and adaptive and evolutive changes to the HRMIS.

Part D Project Management and Implementation Support

Support for Project management and implementation, including, inter alia, the provision of goods, consultants’ services and training, and incremental operating costs (including a financial audit).

NOTES TO THE SPECIAL-PURPOSE FINANCIAL STATEMENTS

For the period from February 09, 2022 to December 31, 2023

In EURO

2. BASIS OF PRESENTATION

These special-purpose financial statements of the Project have been prepared on the cash basis of accounting and incorporate the significant accounting policies, which have been consistently applied in all material respects, and comply with the recommendations of the Financial Management Committee of the World Bank “Guidelines: Annual Financial Reporting and Auditing for World Bank Financed Activities”. The Project financing is recognized as a source of funds for the Project when funds are received. Project expenditures are recognized as a disbursement of funds under the Project when payments are made.

The reporting currency is EUR. Items included in the special-purpose financial statements of the Project are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the NACS and the Project (the “functional currency”). The functional currency of the Project is EUR.

Transactions in other currencies are translated into EUR at the interbank exchange rate ruling on the date of the transaction of the respective conversion of EUR into the currency of payment. Cash balances in other currencies are translated into EUR at the interbank exchange rate of the last conversion of EUR into the currency of payment.

3. ACCOUNTING POLICIES

Basis of preparation

The special-purpose financial statements have been prepared on the cash basis of accounting. The accounting policies have been consistently applied throughout the period of the Grant use.

Reporting period

This report covers the period of use of funds from Parts A and D of the Project funded by Grant No. TF0B6630 for the period from February 09, 2022 to December 31, 2023.

Closing date of the Grant

The World Bank has set a closing date for the Grant - June 11, 2025, or such later date as the Bank may determine.

Special bank account

In accordance with the terms of the Grant Agreement and to ensure the implementation of the Project, a Special Account in EUR was opened for the NACS in PJSC “State Export-Import Bank of Ukraine” on the terms agreed with the Bank.

Recognition of income and expenses

The Project maintains its records and prepares its financial statements on a cash basis. Income is recognized when it is received on bank accounts supported by advances from the Bank. Expenditures are recorded on the date when the funds are withdrawn from the accounts.

Foreign currency transactions

The accompanying special purpose financial statements are presented in EUR. Transactions in other currencies are translated into EUR at the actual exchange rates at which they were purchased, unless otherwise stated.

Statements of expenditures

Statements of expenditures are used to recognize the Grant expenditures during the calendar quarter that were paid from the Special Account.

The statements of expenditures shall be accompanied by primary documents (invoices, works acceptance acts, etc.).

NOTES TO THE SPECIAL-PURPOSE FINANCIAL STATEMENTS

For the period from February 09, 2022 to December 31, 2023

In EURO

4. BUDGET

The Recipient may withdraw the Grant in accordance with the provisions of Article III(a) of the Standard Conditions to finance Eligible Expenditure in the amount allocated and, if necessary, up to the percentage indicated for each Category in the following table:

Category	Amount of the grant (expressed in euros)	Percentage of expenditure to be financed (including taxes)
For NACS: Category 1: Goods, works, consulting services; Training and Operating Costs under Parts A and D of the Project	2 867 000	100%
For the Ministry of Economy of Ukraine: Category 2: Goods, works, consulting services; Training and Operating Costs under Parts B, C and D of the Project	942 000	100%
TOTAL AMOUNT	3 809 000	

Notwithstanding the provisions of Section 3.01 of the Grant Agreement No. TF0B6630 (Agreement), no withdrawals shall be made:

- (a) for payments made prior to the date of this Agreement;
- (b) under category (1), until the NACS Manual has been adopted by NACS, on behalf of the Recipient, in form and substance satisfactory to the World Bank; and
- (c) under category (2), until the MoE Manual has been adopted by the MoE, on behalf of the Recipient, in form and substance satisfactory to the World Bank.

5. ECONOMIC ENVIRONMENT

Ukraine continues to be engaged in a full-scale war with the Russian Federation and is under martial law. In 2023, the economy recovered due to the high adaptability of businesses and households to the war and loose fiscal policy, supported by large-scale international financing. According to NBU estimates, GDP grew by 5.7% in 2023. Despite the war, economic growth will continue. In 2024, real GDP will grow by 3.6%, primarily due to continued high fiscal spending amid expected sufficient international assistance.

However, if the active phase of the war lasts longer, the economy is likely to grow more slowly. Russia does not stop trying to destroy the country's economic potential. This is evidenced by the terrorist attack on the Kakhovka HPP, the intensification of barbaric shelling of port infrastructure, the blockade of the grain corridor in the Black Sea by Russia and its eventual withdrawal from the grain agreement. Thus, the risks to the economy, as well as the need for international assistance, were significant. The main assumption is that high security risks will decrease significantly as of 2025. If high security risks persist for longer, they will have a negative impact on business and consumer expectations, as well as on exchange rate and inflation expectations. This will also increase pressure on public finances and exacerbate problems in the labor market. Under this scenario, economic growth potential will be lower and inflationary pressures will be higher than currently expected.

Thanks to external support and the NBU's consistent policy, Ukraine's international reserves grew by 42% in 2023 to reach USD 40.5 billion. Despite delays in the flow of international assistance in early 2024, it is expected to be resumed in the coming months. Under the baseline scenario of the NBU's forecast, Ukraine will receive about USD 37 billion in 2024 as external loans and grants.

NOTES TO THE SPECIAL-PURPOSE FINANCIAL STATEMENTS

For the period from February 09, 2022 to December 31, 2023

In EURO

Since early 2023, inflation has been falling faster than expected. The easing of inflationary pressures was facilitated by an ample supply of food and fuel, as well as a rapid recovery of the energy system from the damage caused by the Russian terrorist attacks. An important factor was the improvement in inflation expectations since the beginning of the year amid the cessation of emission financing, the strengthening of the hryvnia cash exchange rate, and the increased attractiveness of hryvnia assets. As a result, in 2023, consumer inflation slowed to 5.1% year-on-year (26.6% in 2022).

In July 2023, the NBU Board decided to cut the key policy rate to 22% from 25% set in June 2022. Given the improvement in inflation expectations and further slowdown in inflation, the current and projected rate cuts are consistent with maintaining the attractiveness of hryvnia savings. In September 2023, the NBU decided to cut the key policy rate from 22% to 20%, in October to 16%, and from December 15, 2023, to 15%. These steps support economic recovery while not posing a threat to macrofinancial stability.

On October 3, 2023, the National Bank of Ukraine switched to a regime of managed exchange rate flexibility, following the strategy of easing currency restrictions. The official exchange rate is based on the interbank market rate and is no longer set by the NBU, as it was since February 24, 2022. In doing so, the NBU keeps monitoring the situation on the interbank foreign exchange market and tries to significantly limit exchange rate fluctuations, preventing both significant depreciation and significant strengthening of the hryvnia.

The war between Ukraine and the Russian Federation is ongoing and results in significant destruction of property and assets in Ukraine and other material consequences. The consequences of the war are evolving daily and their impact in the longer term is uncertain. The future impact on the Ukrainian economy depends on the outcome of the full-scale war, the successful implementation of new reforms by the Ukrainian government, the country's recovery and transformation strategy with a view to EU membership, and cooperation with international funds.

The management and personnel of the NACS and the Project are located outside the open hostilities and continue to operate in a relatively normal operating mode.

These factors will have an impact on the NACS's, and the Project's operations results in future periods. The management of the NACS and the Project monitors the development of the current situation and takes measures to minimize any negative consequences to the extent possible.

When preparing these special-purpose financial statements of the Project, the known and reasonably estimable effects of the above factors on the Project's special-purpose financial statements in the reporting period were considered.

Management of the NACS and the Project cannot predict all developments that could have an impact on the wider economy and what effect they could have on the special purpose financial statements of the Project and the NACS in the future. The management of the NACS and the Project believe they are taking all necessary measures to support the sustainability of the business. However, a further unstable business environment could negatively affect the results of operations and financial position of the NACS and the Project in a manner not currently determinable. These special purpose financial statements for the Project reflect management's current assessment of the impact a Ukrainian business environment has on the operations and the financial position of the NACS and the Project. The future business environment may differ from management's current assessment. As at the date of approval for issue of these special-purpose financial statements for the Project, there is a material uncertainty regarding the going concern related to the Project.

6. EVENTS AFTER THE REPORTING PERIOD

As discussed in Note 5, Ukraine is engaged in a full-scale war with Russia and is subject to martial law. In the future, the key risk is the prolongation of the war even if the hostilities are localized. This will require the economy to operate for a long time in extreme conditions, threaten to deepen its decline, and increase the need for assistance from partners. The impact of the war on the global economy will also increase.

In addition, there are significant risks of systematic disruptions in the rhythm of international aid and/or a significant reduction in its volume.

PARTS A AND D OF THE PUBLIC FINANCE MANAGEMENT SUPPORT PROGRAMME FOR UKRAINE PROJECT

NOTES TO THE SPECIAL-PURPOSE FINANCIAL STATEMENTS

For the period from February 09, 2022 to December 31, 2023

In EURO

The situation continues to evolve and its consequences are still uncertain. It is currently impossible to predict all the changes that may have an impact on the entire economy. The management of the NACS and the Project continues to monitor the possible impact of these events on the Project implementation and will take all possible measures to mitigate any consequences.

The management and personnel of the NACS and the Project are located outside the area of open hostilities and continue to operate in a normal business mode.

WORLD BANK AUDIT DOCUMENTATION CHECKLIST

Name of Loan/Credit/ Grant:	World Bank UKRAINE
Grant #	TF0B6630
Audit Report:	Year ended December 31, 2023

	Check if Included	Check if N/A
I. Audit report (Opinion):		
A. Applicable accounting standards noted	<input checked="" type="checkbox"/>	<input type="checkbox"/>
B. Applicable auditing standards noted	<input checked="" type="checkbox"/>	<input type="checkbox"/>
C. Opinion rendered on all forms of withdrawals:		
1. Statement of Expenditures	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2. Special Account	<input checked="" type="checkbox"/>	<input type="checkbox"/>
D. All sources of financing for the project are noted	<input checked="" type="checkbox"/>	<input type="checkbox"/>
II. Financial Reports:		
A. Revenue Earning Entity (all of the following are required):		
1. Balance sheet	<input type="checkbox"/>	<input checked="" type="checkbox"/>
2. Cash Flow Statement	<input type="checkbox"/>	<input checked="" type="checkbox"/>
3. Income Statement	<input type="checkbox"/>	<input checked="" type="checkbox"/>
B. Non-Revenue Earning Entity (all of the following are required):		
1. Balance sheet	<input type="checkbox"/>	<input checked="" type="checkbox"/>
2. Summary of Sources and Uses of Funds	<input checked="" type="checkbox"/>	<input type="checkbox"/>
C. If applicable (refer to Loan Agreement):		
1. Statement of Expenditure (SOE) Statement	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2. Special Account Statement	<input checked="" type="checkbox"/>	<input type="checkbox"/>
III. Notes to the Financial Statements	<input checked="" type="checkbox"/>	<input type="checkbox"/>
IV. Reconciliation between World Bank records and project records	<input checked="" type="checkbox"/>	<input type="checkbox"/>
V. Management Letter	<input checked="" type="checkbox"/>	<input type="checkbox"/>

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BDO — це бренд мережі BDO та кожної Фірми-члена BDO.

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BDO LLC, a Ukrainian limited liability company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and each BDO Member Firms.

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