Center of Public Finance and Governance
at Kyiv School of Economics

KSE Institute

FISCAL DIGEST – 9M 2026

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EXECUTIVE SUMMARY

In Q3 2026, growing pressure on budget[1] liquidity prompted the Ukrainian government to introduce additional measures to manage expenditure execution and safeguard priority payments. Intensified Russian attacks on businesses, energy and logistics infrastructure constrained economic activity and tax revenues, while delays in fulfilling commitments to international partners postponed several external financing tranches. Together, these developments put pressure on the liquidity of the Single Treasury Account (STA), leading to temporary delays in non-priority payments. In response, the government moved to semi-manual management of expenditures: in September, the Treasury suspended non-priority payments, and about $885 mn of capital expenditures were postponed to December, and the Cabinet of Ministers adopted a resolution introducing daily and ten-day forecasts of STA liquidity, under which, in case of a shortfall, only priority expenditures (defence and security, debt servicing, pensions, wages, and social benefits) are financed. By mid-October, around $1 bn of non-priority payments remained pending in the Treasury, and $0.4 bn of VAT refunds were suspended. The receipt of the €2.9 bn Ukraine Facility tranche in early October, including the €0.8 bn under the Ukraine Support Loan (USL), helped ease immediate liquidity pressures, although expenditure prioritisation remained necessary.

Russian attacks on businesses, energy facilities, and logistics infrastructure weakened Ukraine's domestic tax base in Q3 2026, while external support drove the increase in budget revenues over the first nine months. Total revenues reached $93.6 bn, up 43.5% y-o-y, with external transfers accounting for approximately 69.5% of the increase. Tax receipts grew by 12.7% to $40.3 bn, although their share of revenues fell to 43.1%, from 54.8% a year earlier, as other revenue sources expanded faster. From July, damage to productive assets and operational disruptions, alongside weaker taxable imports and slower payroll growth, increasingly constrained tax collections. General-fund tax receipts fell $1.2 bn, or 9.3%, short of the Q3 plan, increasing pressure on budget liquidity and dependence on timely external disbursements. Delays in implementing reforms required for partner financing could further increase liquidity pressures, while tax measures expected to generate additional revenues in subsequent periods would offer little immediate relief.

Expenditures accelerated sharply in Q3 2026 as USL-funded defence appropriations in the special fund were disbursed, while the general fund faced liquidity constraints that delayed non-priority payments. In Q3 alone, $43.9 bn was spent (+50% y-o-y), bringing total expenditures for 9M 2026 to $108.8 bn (+24.4% y-o-y). At the same time, most Ministry of Defence general-fund appropriations had already been brought forward to earlier months, part of military pay had to be financed from the special fund and the defence reserve, and some capital expenditures were postponed to December amid irregular external inflows. Defence and security remained the dominant expenditure item, accounting for 73% of total spending ($79.5 bn), while non-military expenditures rose more moderately (+13.6%), with the fastest growth in intergovernmental transfers (+48%), driven by education subventions and the financing of regional resilience plans ahead of winter.

Grant-heavy external support significantly reduced the reported budget deficit and limited additional debt accumulation. In 9M 2026, the deficit excluding grants reached $42.6 bn, up 42.9% y-o-y, compared with $15.2 bn after accounting for $27.4 bn in grants. Gross external loans fell by 63.3% y-o-y to $9.1 bn, while total external budget resources increased by 12.4% to $36.5 bn, reflecting the shift towards grants. However, delays in reform implementation and unmet commitments continue to threaten the timely disbursement of partner funding. Ukraine did not receive the second MFA tranche of approximately €3.7 bn under the USL in Q3 2026, as initially scheduled, due to the failure to

[1] "Budget" refers to the central (state) level budget

fulfil all conditions. Ukraine received only two payments under the Ukraine Facility in 2026, the latest of which was disbursed in October, while the disbursement schedule continued to lag significantly behind initial expectations. Domestic borrowing remained focused on refinancing, with gross bond issuance declining by 10.6% y-o-y to $8.2 bn.

State debt growth slowed in 2026, although external debt continued to rise. State and state-guaranteed debt reached $212.6 bn at the end of September, up 9.5% y-o-y. External state debt increased by 13.6% y-o-y to $166.8 bn, while domestic debt declined by 3.4% in dollar terms to $45.8 bn, reflecting exchange rate effects. The Medium-Term Public Debt Management Strategy for 2027–2029 prioritises concessional financing, a higher share of grants, domestic capital market development, and improved debt structure to contain borrowing costs and refinancing risks.

KSE Institute's updated forecast points to growing fiscal pressures in 2026–2027. Weaker domestic tax revenue prospects and higher defence spending needs not fully covered by identified resources have worsened the fiscal outlook. The 2026 financing position has shifted from a projected surplus of $4 bn to an uncovered need of $2 bn, while the 2027 financing gap has widened to $33.7 bn from $23.5 bn. Unlike the government, which assumes 1.3% growth in 2027, KSE Institute projects a 0.6% contraction. Securing timely and sufficient external support will remain critical to budget stability.

BUDGET REVENUES

International assistance drove most of the increase in budget revenues in 9M 2026, while deteriorating business conditions slowed tax revenue growth in Q3. Total revenues reached $93.6 bn, up $28.4 bn (43.5% y-o-y), including $40.3 bn in tax receipts, or 43.1% of total revenues. Transfers from international partners, including support through the EU's USL, reached $27.4 bn, or 29.2% of revenues, and accounted for approximately 69.5% of the annual increase. Non-tax and other revenues, a substantial share of which comprised military equipment and other in-kind assistance from international partners, totalled $25.9 bn (+18.8% y-o-y). Since part of partner support arrived as equipment and supplies, the recorded revenue growth did not fully translate into additional budget liquidity.

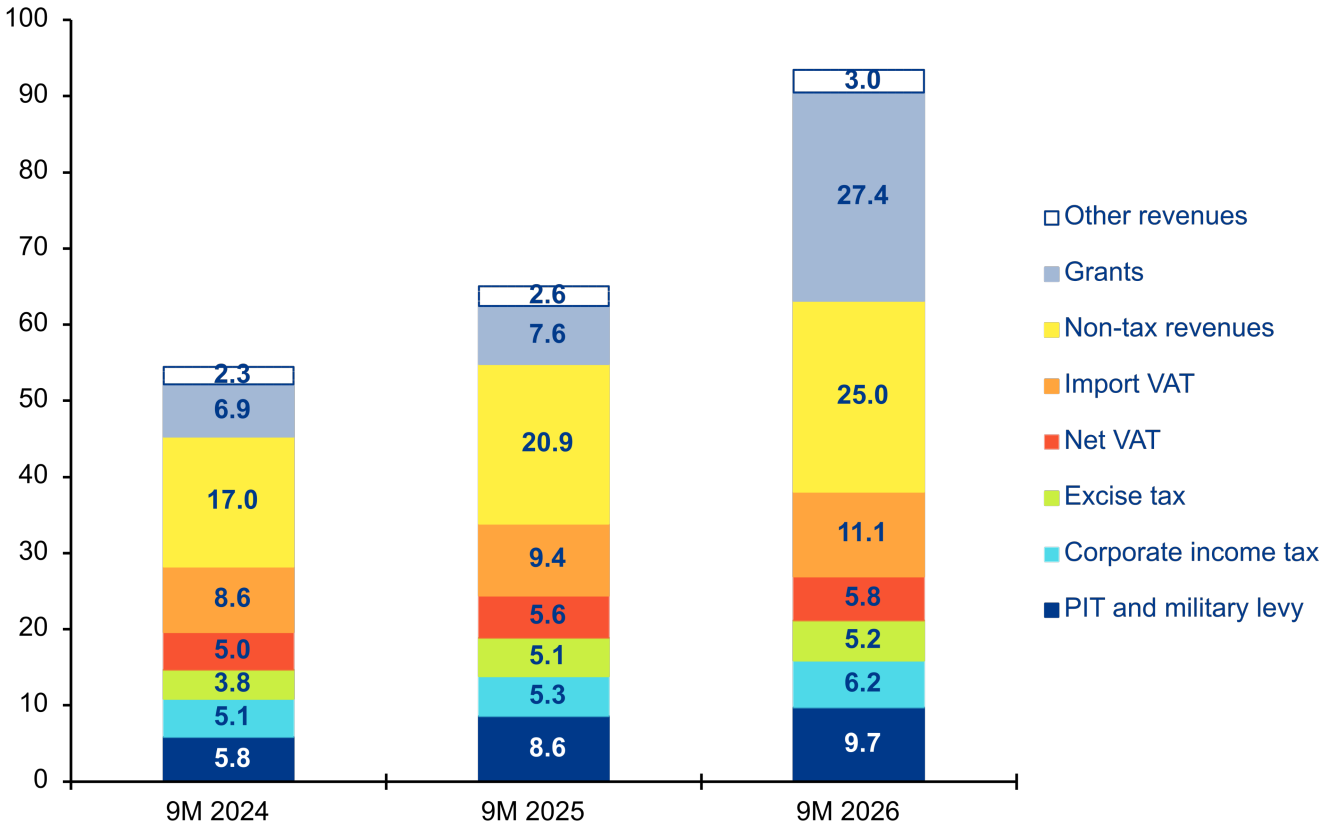
Intensified Russian attacks on businesses, energy facilities, warehouses, and transport and port infrastructure, together with prolonged air raid alerts, increasingly disrupted business operations from July. Production stoppages and logistics disruptions reduced sales and increased operating costs, putting pressure on business profitability and the tax base. Weaker taxable imports and slower wage growth further constrained tax revenue growth. Year-on-year tax revenue growth slowed from 13.8% in H1 to 12.7% in 9M, although cumulative receipts remained $4.5 bn above their level in 9M 2025. General-fund tax collections fell 9.3% short of the Q3 schedule, adding to pressure on budget liquidity and dependence on timely external cash inflows.

Disruptions to domestic sales and imports may have constrained value-added tax (VAT) receipts in Q3, while consumer inflation, which reached 10% y-o-y in September after lower readings in preceding months, may have provided less support to nominal tax base growth than envisaged in the budget. Total VAT receipts reached $16.9 bn in 9M, or 42% of budget tax revenues. Import VAT growth slowed from 23.5% y-o-y in H1 to 18.8% in 9M, with receipts reaching $11.1 bn. Net domestic VAT increased by 4% y-o-y to $5.8 bn, following a 2.5% decline in H1. Budget liquidity constraints led to approximately $0.4 bn in VAT refunds being delayed in September, temporarily supporting net VAT revenues despite weaker gross receipts. The delayed refunds reduced businesses' available working capital and shifted the

corresponding payments to subsequent months. Thus, part of the increase in net domestic VAT revenues reflects delayed refunds rather than stronger underlying tax collections, effectively shifting liquidity pressures from the government to businesses.

FIGURE 1.

Structure of budget revenues in 2024-2026, $bn



Sources: Ministry of Finance of Ukraine, Openbudget

Business interruptions and higher operating costs limited employers' ability to increase wages and expand employment, limiting the expansion of the payroll tax base in Q3. Average wage rose by 9.1% in hryvnia terms between January and May 2026, reaching around $680 in May, before broadly stabilising in local currency. Earlier wage gains nevertheless supported personal income tax (PIT) and military levy receipts, which increased by 13.5% y-o-y to $9.7 bn in 9M, accounting for 24.1% of tax revenues and remaining their second-largest source.

Other taxes, including corporate income tax (CIT), excise, customs duties, and rent payments, also came under pressure in Q3 as Russian attacks disrupted business operations, production, and logistics. Their combined receipts nevertheless reached $13.7 bn in 9M 2026, or 33.9% of total tax revenues, approximately $1.4 bn more y-o-y, largely supported by higher CIT payments. CIT receipts increased by 17.2% y-o-y to $6.2 bn. Within this total, CIT payments by banks rose by 47.1%, partly reflecting the increase in their tax rate from 25% in 2025 to 50% in 2026, while payments by non-bank businesses grew by only 5.1%. July and August collections largely reflected Q2 results, so the effects of Q3 business disruptions on taxable profits may become more visible in subsequent payments. Excise receipts increased by 3.6% y-o-y to $5.3 bn, with growth slowing from 9.3% in H1 as attacks on ports and other logistics infrastructure constrained imports, particularly fuel, limiting the gains from higher tobacco and fuel rates. Persistent illicit tobacco trade further reduced potential revenues, with its estimated market

share increasing from 19.8% in June to 21.6% in September. Import and export duties grew by 19.5% y-o-y to $1.2 bn, while rent payments increased by 17.6% to $0.9 bn, although damage to extraction facilities and restricted access to resources in occupied territories continued to constrain production.

As domestic revenue collection weakened in Q3, timely implementation of reforms linked to external financing became increasingly important for maintaining budget liquidity. Parliament passed the new Customs Code at first reading in August, proposing digitalised procedures and clearer customs valuation rules. Its adoption is also a condition for accessing €1.5 bn under the USL. In September, the government submitted laws to improve VAT administration and transfer-pricing rules, while Parliament adopted targeted VAT exemptions for defence-production inputs to support domestic manufacturers, reducing potential tax receipts. Following the end of Q3, on October 15, Parliament approved legislation introducing new VAT rules for distance sales of goods in international parcels, including collection through online marketplaces for purchases up to €150, addressing IMF and EU commitments and equalising tax treatment of domestic and foreign sellers. These developments have different implications for budget financing: meeting reform commitments may facilitate access to external funding in the near term, while additional domestic tax revenues will materialise only after the relevant measures are implemented and will not address immediate liquidity pressures. The Ministry of Finance expects around $212.3 mn in additional annual revenues, with implementation beginning no earlier than July 2027.

BUDGET EXPENDITURES

Despite record overall spending, the budget is increasingly split in Q3 2026 between a well-resourced special fund and a cash-strapped general fund. Total government expenditures reached $108.8 bn in 9M 2026 (+24.4% y-o-y), and in Q3 alone $43.9 bn was spent (+49.3% y-o-y), as defence resources financed under the €90 bn USL started to be disbursed through the special fund. These resources, however, are largely earmarked and could not ease the pressure on the general fund, which finances military pay and most civilian spending and bore the brunt of the liquidity constraints. In September, general-fund expenditures declined by 2.9% y-o-y, as payments outside the protected categories were held back.

The general fund ran out of resources for defence well before the end of the year, forcing the government to search urgently for money to pay service members. Throughout the year, the Ministry of Finance brought forward monthly defence appropriations from the final months to earlier ones to meet operational needs. By the end of September, the Ministry of Defence's general-fund appropriations left for Q4 had been reduced to $3.4 bn, about one third of the originally scheduled amount, while the uncovered general-fund need for military pay and related payments was estimated at $9–10 bn as of the end of August. The gap was patched with ad hoc measures. From July, the military levy was redirected to the special fund and earmarked for military pay, but its receipts of about $1.1 bn in Q3 covered only around half of the $2.1 bn in pay financed from the special fund. In September, the special fund covered almost two-thirds of servicemen's pay, and the government redirected $763 mn from the reserve for the security and defence sector to cover September pay and one-off payments.

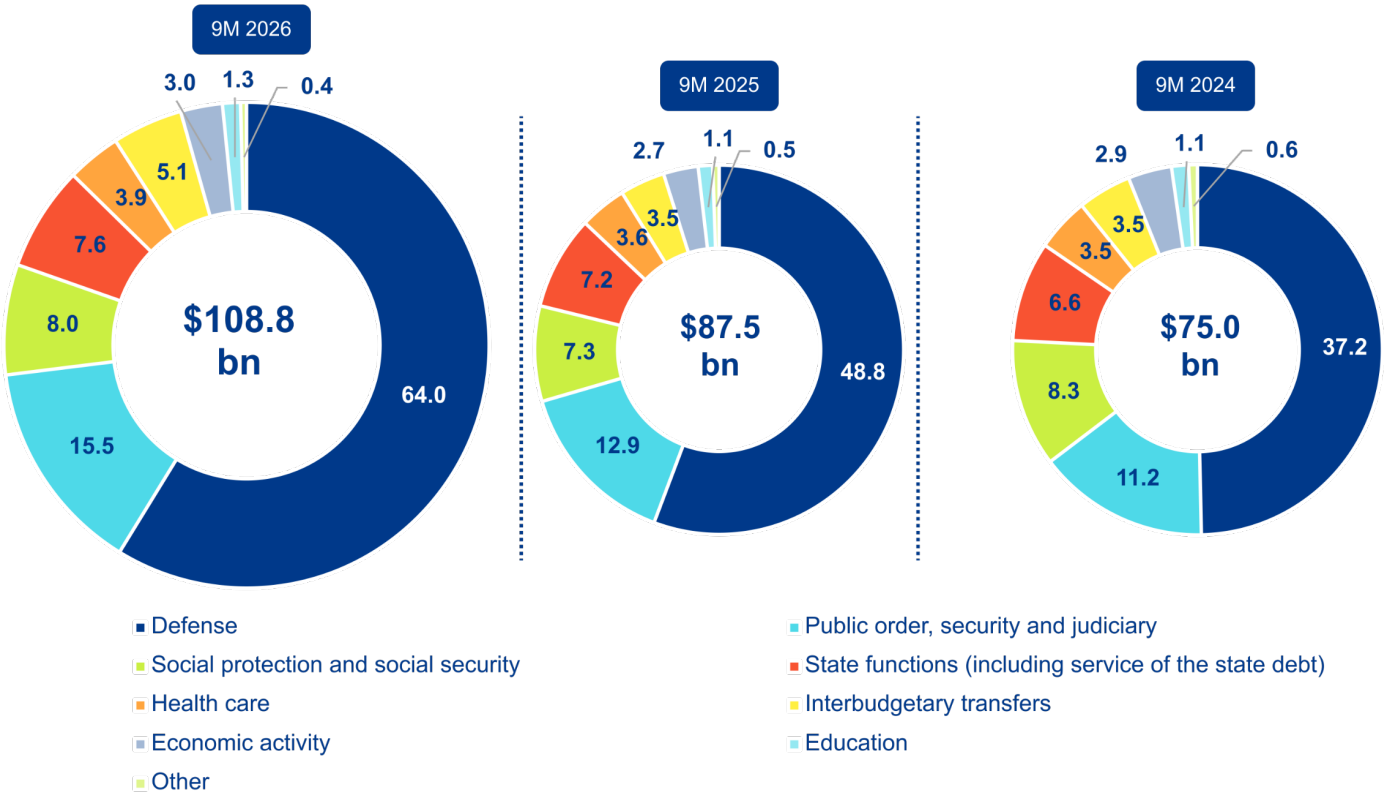
The USL substantially increased the defence budget, but it is unlikely to close all defence needs in 2026. Following the June amendments, which raised defence and security

appropriations by about $35 bn, special-fund spending by the Ministry of Defence reached $18 bn in July–September, almost twice the $9.3 bn spent in the whole of H1, including about $9.9 bn under a new program for strengthening the country's defence capability, mostly in the form of transfers to enterprises. However, USL resources are largely earmarked for weapons procurement and the defence industry and cannot fully replace the general-fund resources needed for military pay. Moreover, after nine months, only 65.9% of the annual expenditure plan was executed, and almost half of the special-fund defence appropriations (about $25 bn) remained unspent, depending directly on the timing of further USL and other external disbursements. The risk of underfinancing in Q4 2026 has therefore increased.

Capital expenditures became the main adjustment margin, shifting a growing share of spending to the end of the year. After nine months, general-fund capital expenditures were executed at only 59% of the annual plan, and acquisition of fixed capital fell by 21.7% y-o-y. December now accounts for the largest share of scheduled general-fund expenditures, with planned allocations rising from $8.1 bn in early July to $10.8 bn. This reflects the postponement of funding for public investment projects and regional resilience plans, as well as debt servicing and part of the security and defence reserves. Beyond delaying energy protection and heating-season preparations, such deferrals can lead to arrears to contractors and suspended works, and may raise the longer-term cost of the war, as postponed investment projects become more expensive to complete.

FIGURE 2.

Structure of budget expenditures in 2024-2026, $bn[2]



Sources: Ministry of Finance of Ukraine, Openbudget

Overall, the structure of expenditures shifted further toward defence, while non-military spending grew more moderately. Defence and security accounted for 73% of total spending, or $79.5 bn (+28.9% y-o-y), of which $62.5 bn was spent through the Ministry of Defence (+31.5%) and $15.5 bn on the security sector (+20.4%), mainly the Security Service of Ukraine,

[2] The state functions sector includes the state debt servicing

the National Guard, and the State Border Guard Service. Non-military expenditures rose by 13.6% to $29.3 bn. Intergovernmental transfers grew fastest, by 48% to $5.1 bn, driven by higher education subventions linked to teachers' salary increases and a new $0.5 bn subvention for regional and city resilience plans ahead of the heating season, while spending on economic affairs increased by 13.7% to $3 bn, mainly due to compensation for domestic passenger rail services, emergency road repairs, and the protection of critical energy infrastructure. Debt service, a protected category accounting for about a fifth of non-military spending, rose more modestly, by 5.7% to $6.3 bn, although some payments were shifted to the end of the year, with the December allocation raised by about $0.9 bn to $3.6 bn.

Despite revenue shortfalls in Q3, pensions and social assistance were paid on time and in full in 9M 2026, reflecting their priority status in budget financing. Total social benefit spending rose by 9% y-o-y to $7.5 bn, driven by pension indexation and higher subsistence minimum and minimum wage levels, to which some benefits are linked. Transfers to the Pension Fund increased by 4.3% to $4.5 bn, mainly due to indexation, even though the number of pensioners fell by almost 200 thousand to 10 mn. Expenditures on support for vulnerable groups rose by 10.9% to $1.6 bn, partly reflecting expanded assistance for low-income households and IDPs. Support for families with children grew fastest, up 70.8% to $0.7 bn, following a higher one-off childbirth benefit and new monthly childcare payments. By contrast, housing and utility subsidies fell by 9.6% to $0.6 bn, although the number of recipients rose by almost 90 thousand to 1.9 mn. This reflected lower utility bills, as damage to energy infrastructure reduced the supply of heating and electricity.

In September, the government began disbursing one-off cash assistance under the Winter Support Programme to vulnerable households living in areas where hostilities are ongoing or have taken place. The assistance amounts to $430 per household and is available to persons with disabilities, single pensioners unable to work, housing subsidy recipients, IDPs, large families, single mothers, families raising children with disabilities, foster families, family-type orphanages, and families providing foster care. Total funding allocated for the programme in 2026 amounts to $51 mn, covering payments to 116 thousand households.

TABLE 1.

Actual expenditures on social payments in 9M 2024-2026, $bn

Indicator	9M 2024	9M 2025	9M 2026	Change (%, y-o-y, 2026 vs 2025)
Pension Fund funding for pension payments & covering deficit	5.1	4.3	4.5	4.3
Support for vulnerable citizens (IDPs, low-income families)	1.7	1.4	1.6	10.9
Support for benefits and subsidies	0.7	0.7	0.6	(9.6)
Support for children & families	0.4	0.4	0.7	70.8
Support for persons with disabilities	0.1	0.1	0.2	58.1

Sources: Ministry of Finance of Ukraine, KSE Institute

BUDGET FINANCING

Ukraine's budget deficit remains high, driven by rising wartime expenditure and declining revenues as Russian attacks damage businesses and disrupt economic activity. At the same time, a shift in the composition of international support towards grants has significantly affected the reported deficit and external financing figures. In particular, the USL, which has become a major source of external support in 2026, is recorded in the budget as grant revenue and does not currently add to Ukraine's public debt burden. As a result, the deficit excluding grants reached $42.6 bn, up 42.9% y-o-y, while the deficit including $27.4 bn in grants amounted to $15.2 bn. As in previous periods, the budget deficit has been financed through a combination of external support and domestic instruments, including government bonds and privatisation proceeds.

External financing remains a key source of budget financing, but its volume has significantly declined compared to the previous year. The government continues to secure external loans and borrowings to finance the budget deficit, with the majority of these funds provided on concessional terms. For 9M 2026, gross external loans amounted to $9.1 bn, which is 63.3% lower compared to $24.9 bn for 9M 2025. Ukraine received substantial financing of $3 bn through various World Bank-supported programmes, $2.8 bn tranche under the Ukraine Facility and two disbursements under the IMF's Extended Fund Facility (EFF) programme.

Insufficient progress in implementing reforms and fulfilling commitments remains the main reason for funding shortfalls, despite the availability of substantial committed support. Access to funding under many international programmes remains conditional on meeting agreed commitments and implementing reforms. Insufficient progress in fulfilling these commitments, together with delays in reform implementation, has contributed to significant delays in disbursements. Under the agreed disbursement schedule, Ukraine could potentially receive up to $19 bn in support under the Ukraine Facility in 2026, including part of the USL. However, by October, Ukraine had received only its second payment, bringing total disbursements to $6.2 bn. Although some progress has been made in implementing reforms, securing the full amount envisaged for 2026 is becoming increasingly unlikely. Similarly, delays in meeting reform commitments postponed the second €3.7 bn MFA tranche under the USL, initially scheduled for September, until November. These delays are widening budget cash-flow gaps, complicating liquidity management, and increasing pressure on the government to secure alternative financing or adjust expenditure execution. Meanwhile, the IMF has announced plans to bring the combined second and third reviews of Ukraine's EFF programme. Under the original schedule, Ukraine was expected to receive approximately $0.7 bn by the end of 2026 and a further $1 bn in early 2027. Combining the reviews could bring in a larger amount of much-needed financing. However, the IMF had already highlighted a slowdown in reform implementation during the previous review. Therefore, unless sufficient progress is achieved in meeting programme commitments, consolidating the reviews could instead result in further delays to IMF disbursements, adding to uncertainty over external financing flows.

In 9M 2026, domestic bond issuance remained focused primarily on refinancing maturing debt rather than financing the budget deficit. This reflected limited reliance on domestic borrowing amid the government's broader objective of reducing its dependence on the domestic debt market. Gross domestic bond issuance totalled $8.2 bn, down 10.6% y-o-y, while net domestic financing (excl. debt repayments) amounted to $454 mn. The restrained pace of domestic borrowing is consistent with the government's approved strategic objective of reducing the stock of domestic debt. Since the beginning of 2026, the Ministry of Finance has also conducted nine domestic government bond exchange auctions, totalling $2.4 bn.

TABLE 2.

Sources and amounts of external loans to Ukraine in 9M 2026

Resources of external loans	$ bn
World Bank	3.0
EU (Ukraine Facility)	2.8
IMF	2.2

Sources: Ministry of Finance of Ukraine

TABLE 3.

Budget funding sources (revenues and gross financing) in 2024-2026, $bn

Resources	9M 2024	9M 2025	9M 2026	Change (%, y-o-y, 2026 vs 2025)
Internal budget resources	**57.3**	**66.8**	**74.5**	**11.5**
Domestic government bonds	9.5	9.2	8.2	**(10.6)**
Budget revenues (without grants)	47.8	57.6	66.2	**15.0**
Share of internal budget resources	58.0%	67.0%	67.0%	X
External budget resources	**41.0**	**32.5**	**36.5**	**12.4**
External loans	34.1	24.9	9.1	**(63.3)**
Grants	6.9	7.6	27.4	**258.6**
Share of external budget resources	42.0%	33.0%	33.0%	X

Sources: Ministry of Finance of Ukraine, KSE calculations

STATE DEBT AND STATE-GUARANTEED DEBT

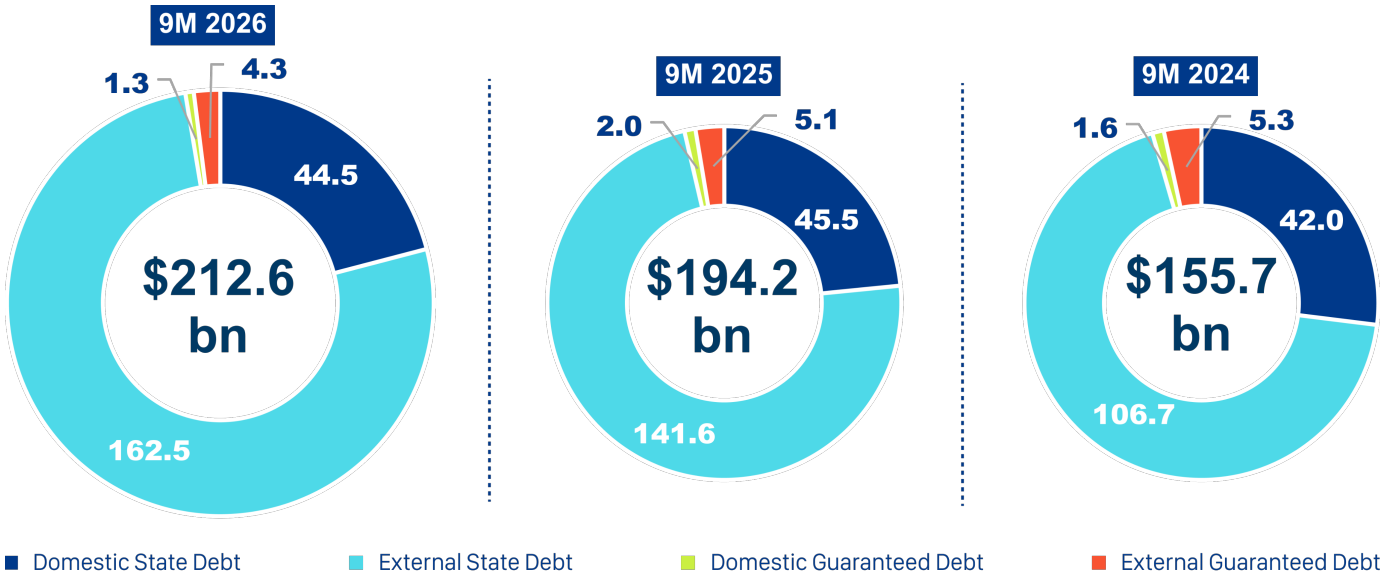
The accumulation of state and state-guaranteed debt slowed significantly in 2026, with limited external disbursements at the beginning of the year and a high share of grant financing keeping the total debt stock largely stable at $212.6 bn. During 2026, total debt increased by 5.5% in hryvnia terms, whereas in U.S. dollar terms, it declined by 0.3% due to exchange rate fluctuations. However, the y-o-y growth rate stood at 9.5% (18.9% in hryvnia terms).

In 9M 2026, the growth in state debt was driven primarily by an increase in external debt, while domestic debt expanded at a more moderate pace. Ukraine's external state debt increased by 13.6% (23.4% in hryvnia terms) y-o-y to $166.8 bn by the end of September 2026. The bulk of new external borrowing was contracted on long-term concessional terms.

At the same time, domestic state debt increased by 4.9% in hryvnia terms, while in dollar terms it edged down by 3.4% to $45.8 bn. According to the NBU Depository, in 2026, the government of Ukraine raised $8.5 bn from offering domestic government debt securities through auctions and allocated $7.6 bn for redemption of domestic government debt securities.

FIGURE 3.

State Debt and State-Guaranteed Debt in 2024-2026, $bn



Sources: Ministry of Finance of Ukraine, KSE calculations

On 9 September, the Cabinet of Ministers of Ukraine approved the Medium-Term Public Debt Management Strategy for 2027-2029. The updated Strategy builds on its predecessor for 2026-2028, maintaining and further developing the approaches set out in the previous version. It retains the same four core debt management objectives: securing long-term concessional financing and maximising the share of grants in official support; developing the domestic capital market and strengthening its role in financing the state and economic recovery; optimising the public debt structure by balancing borrowing costs against key debt risks; and maintaining effective investor communication to ensure transparency and predictability in debt management policy.

OUTLOOK FOR 2026-2027

KSE Institute projects budget revenues of $143.5 bn in 2026, with tax receipts of $54.7 bn falling below the Ministry of Finance's amended annual target and covering only 34.5% of projected expenditure. Compared with the Q3 forecast, higher bilateral military assistance increases total revenues, while intensified attacks on production, energy, and logistics reduce expected tax collections. KSE Institute now estimates an uncovered financing need of $2 bn in 2026, compared with financing exceeding projected needs by $4 bn previously. Through year-end, domestic collections will depend on taxable imports, payrolls, profitability, energy availability, and VAT refunds, while timely partner disbursements remain essential. For 2027, the Ministry of Finance's draft budget envisages approximately $60 bn in tax revenues, broadly matching KSE Institute's forecast of $59.8 bn. However, the government assumes economic growth of 1.3%, while KSE Institute projects a 0.6% contraction following the latest escalation. Under the latter forecast, taxes would cover only 33.9% of expenditure. KSE Institute's revenue baseline incorporates higher bank

taxation, scheduled excise increases, and digital-platform taxation, but excludes additional gains from parcel taxation and improved customs administration. Its projected financing gap reaches $33.7 bn in 2027, up from $23.5 bn previously. Fiscal resilience will depend on preserving productive capacity, implementing planned measures, and securing additional external support.

Government expenditure is now projected at $158.7 bn in 2026, about $15 bn above the previous estimate, and is expected to increase further to $176.4 bn in 2027, well above the $154.4 bn envisaged in the draft State Budget for 2027. In both years, the revision is driven almost entirely by defence. Higher bilateral military assistance, expected to be channelled through the budget, brings defence and security expenditures to $114.4 bn in 2026, or about 72% of the total, while also freeing domestic resources for business support and the repair of assets damaged by Russian strikes. Even so, our forecast implies that about $5 bn of the amended 2026 appropriations will remain unspent and that Q4 spending will be broadly matched by incoming revenues, mainly external grants. Since much of this support is earmarked, the overall financing gap of $2 bn understates the shortage of general-fund resources for military pay, so payment prioritisation and the deferral of capital expenditures are likely to continue until the end of the year. For 2027, our forecast puts defence and security spending at $127.9 bn, compared with $104.1 bn in the draft budget, while non-defence expenditures are broadly in line with it. The gap reflects differences in approach rather than in priorities: the draft includes only resources with identified sources, primarily the second half of the USL, whereas our forecast also accounts for bilateral military assistance expected to be channelled through the budget during the year. Moreover, the additional $9.6 bn for military pay in the draft mainly secures existing obligations rather than allowing for higher pay or new incentives, so defence spending is likely to be revised upward during 2027.

External financing will remain critical to covering the budget deficit, with disbursements increasingly contingent on EU support and the implementation of reforms. The shift towards grants under the USL framework reduces the need for conventional borrowing and limits additional debt accumulation. Financing under the Ukraine Facility could potentially become the largest source of inflows in Q4 2026. In October, Ukraine received nearly €2.9 bn under the Ukraine Facility, including €0.8 bn financed through the USL. Further disbursements remain conditional on meeting agreed reform commitments, but everything will depend on achieving the indicators and implementing the reforms. Subject to satisfactory performance, Ukraine is expected to receive an additional $6 bn in 2026 as macrofinancial assistance under the USL. The IMF is negotiating the consolidation of the third and fourth EFF tranches, expected to amount to approximately $0.7 bn and $1 bn, respectively, with a decision on combining the reviews expected in December. While consolidation could result in a larger disbursement, it also carries a risk of delays or the receipt of funds in 2026. According to the Draft State Budget for 2027, support from international partners continues to play a key role in maintaining macroeconomic stability and covering critical financing needs. The Government expects to receive $52.9 bn in grants and $38.7 bn in loans in 2027. However, $32.6 bn of the required loan financing currently has no confirmed funding sources or corresponding partner commitments. Failure to secure the required amount of financing remains the key risk to fiscal stability.

Beyond the financing gaps, the fiscal outlook remains vulnerable to further disruptions in domestic revenue collection and external financing. Additional Russian attacks on production, energy and logistics could weaken tax revenues while increasing unplanned expenditure on emergency infrastructure repairs and support for affected households. Delayed external disbursements, or assistance earmarked for specific purposes or provided in kind, could prolong cash shortages in the general fund. With only 65.9% of the annual expenditure plan executed in the first nine months, fully implementing the amended budget

would require approximately $56 bn in Q4, exceeding spending in the record third quarter. Further financing delays could require continued payment restrictions or, if funding shortfalls persist, formal reductions in non-protected budget allocations. Postponing funding for energy protection and regional resilience projects could delay winter preparations, while concentrating expenditures in December increases the risk of rushed procurement and unspent allocations if financing arrives late. Although pensions and core social benefits remain priority expenditures, other social programmes could face payment delays. Some deferred commitments could carry over into 2027, adding to financing pressures already identified in KSE Institute's forecast.

TABLE 4.

Ukrainian budget, $bn

Indicators	9M 2024	9M 2025	9M 2026	Change (%, y-o-y, 2026 vs 2025)
Total revenues	**54.6**	**65.2**	**93.6**	**43.5**
Grants	6.9	7.6	27.4	**258.6**
Non-tax and other revenues	**24.4**	**29.5**	**53.3**	**80.9**
Tax revenues	**30.2**	**35.8**	**40.3**	**12.7**
PIT and military levy	5.8	8.6	9.7	**13.5**
Corporate income tax	5.1	5.3	6.2	**17.2**
Rent for the use of subsoil	0.9	0.8	0.9	**17.6**
Excise tax	3.8	5.1	5.3	**3.6**
Domestic VAT (net)	5.0	5.6	5.8	**4.0**
Import VAT	8.6	9.4	11.1	**18.8**
Import and export duty	0.9	1.0	1.2	**19.5**
Total Expenditures	**75.0**	**87.5**	**108.8**	**24.4**
Defence	37.2	48.8	64.0	**31.2**
Deficit	**(20.2)**	**(22.2)**	**(15.2)**	**(31.4)**
Deficit (net of grants)	**(27.1)**	**(29.8)**	**(42.6)**	**42.9**
Net borrowings	19.2	23.2	7.4	**(68.2)**
Loans	43.6	34.0	17.4	**(49.0)**
Repayments	(24.0)	(10.8)	(10.0)	**(8.1)**
Average exchange rate, UAH/USD	39.7	41.6	44.1	**5.9**

Sources: *Ministry of Finance of Ukraine, KSE calculations*