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THE SOVEREIGNTY OF UKRAINE IN THE CONTEXT OF COOPERATION WITH THE EUROPEAN UNION AND THE INTERNATIONAL MONETARY FUND

ABSTRACT: *The article examines the impact of Ukraine's cooperation with the European Union and the International Monetary Fund on the sovereignty of Ukraine. Analysing this cooperation, the authors show how collaboration, which is interpreted by some political forces and the population as interference in the internal affairs of Ukraine, can lead to the strengthening of Ukrainian sovereignty through the restoration of financial stability and sustainable economic growth, effective governance, effective anti-corruption policies, the creation of a solid and independent judiciary, reforming state-owned enterprises. It is concluded that if Ukraine successfully fulfils the requirements for the provision of financial assistance provided by the European Union and the International Monetary Fund, this helps strengthen the state sovereignty of the country. It is noted that the conditionality of financial assistance by implementing relevant reforms in Ukraine gives positive results. At the same time, these changes are only the beginning, and the final results will depend solely on Ukraine's willingness to follow a particular course of reforms in the future.*

KEYWORDS: Ukraine; sovereignty; European Union; International Monetary Fund.

1. Introduction

In the context of cooperation with the IMF, the Ukrainian information space was full of statements such as “external management”, “unconstitutional demands”, “no tranche from the IMF is worth state sovereignty”, “the authorities surrendered our sovereignty to the IMF”, “you cannot sell Ukrainian sovereignty for hand-outs”, “is it really independence?”, “the IMF is dictating to Ukraine what the budget, social and tax policy should be, what reforms to implement and how to implement them”, “the IMF will cynically continue its policy of pressure, the destruction of the Ukrainian people”, and so on.

In late May and early June 2020, one of the most discussed topics was the content of the Memorandum between Ukraine and the IMF. Traditionally, pro-Russian politicians and media resources voiced criticism of the IMF. Journalists Strana.ua (a pro-Russian Internet resource, blocked since August 20, 2021) studied the Memorandum's text and listed the IMF's requirements from the Memorandum. According to the article, “new IMF loan means an additional tax burden and a complete ban on benefits and preferences for business, which minimizes the possibility of a quick economic recovery after the crisis”. “For ordinary Ukrainians, agreements with the IMF also do not promise anything good. Medicine will become less affordable, and so will schools for children. Utility tariffs will increase. There is also a risk of raising the retirement age”, the article reads.

This article was republished by the official Facebook page of Mykola Azarov, an ally of Viktor Yanukovych and Ukraine's PM from 2010-2014 (Ukraine World, 2020).

Tetiana Plachkova, former deputy of The Verkhovna Rada of Ukraine (the Ukrainian parliament) from the pro-Russian Opposition Platform-For Life party (banned in Ukraine since September 2022), wrote on Facebook, "If selling the country's sovereignty for another tranche is not problematic, what else can be said" (Plachkova, 2020). Andriy Portnov, a lawyer and former adviser to the President of Ukraine Viktor Yanukovych (2010-2014), wrote the following on his Telegram channel. "Dear rulers, it seems you gave away everything with a single document. Even your idol and former President's inspiration did not do this. You gave away all spheres and branches at once" (Portnov, 2020). Yulia Tymoshenko (Prime Minister of Ukraine from February to September 2005 and from December 2007 to March 2010), the leader of the Batkivshchyna party, which does not have a majority in the Ukrainian parliament now, argued that the government is negotiating with the IMF behind the backs of ordinary Ukrainians. "Laws which go against Ukraine's interests, such as the law on selling out agricultural land and the law destroying the National Bank, were signed by President Zelensky, but Ukraine received no loans from the IMF. We received a new negotiation process and new conditions instead," Tymoshenko said (Tymoshenko, 2020). Danylo Hetmantsev, deputy The Verkhovna Rada of Ukraine from the Sluha narodu party (party with the majority of seats in The Verkhovna Rada of Ukraine) and the Chairman of the Parliament Committee on Finance, Tax and Customs Policy called inflation control interference in sovereignty in a memorandum with the IMF. At the same time, the deputy said that the Memorandum 2020 is much better than all the previous ones (Interfax-UKRAINE, 2020).

As you can see, the IMF has been criticized both by pro-Russian parties and politicians, politicians whose parties do not have a majority in parliament but are not pro-Russian, as well as representatives of the ruling party. The motives of all three groups are different. Pro-Russian forces have traditionally attacked the West, accusing it of trying to bring Ukraine under external control. The pro-Ukrainian forces, opposing the current government, used the criticism of the IMF to raise their ratings since the IMF conditionality is often not popular among ordinary citizens. According to a sociological survey, 46 percent of Ukrainians believed it is better not to cooperate with the IMF and not receive new loans. The opposite point of view was observed by only 32 percent. In a referendum on agricultural land sale, 74 percent of those who participated in the vote would vote against the land sale (KIIS, 2020). The fact that representatives of the ruling party also criticized the IMF can be explained by the fact that the observance of conditionality creates implementation difficulties for the government.

As for the European Union, the criticism is not so pronounced. Macro-financial assistance from the EU is allocated once the International Monetary Fund accepts Ukraine's financing programs. Under such conditions, the IMF received the main criticism due to the unpopularity of certain obligations that Ukraine undertakes within the framework of cooperation with the Fund. It is often noted that EU macro-financial assistance is not aid, but in fact, it is loans. At the same time, the EU mentions “Macro-financial assistance in the form of a loan” in its documents. At the same time, the EU provides such loans for an extended period and at minimal interest rates. For example, in June 2020, Ukraine received from the EU the second tranche within the framework of the fourth macro-financial assistance program for EUR 500 million at 0.125 percent per annum with a maturity period until June 2035 (Ministry of Finance of Ukraine, 2020).

Please consider that today the world is more interconnected than ever before, and the traditional interpretation of sovereignty as the complete independence of states in domestic and foreign affairs requires a new understanding. The European Union is the world’s biggest sovereignty experiment in modern history. There is an opinion that EU membership implies losing or at least limiting national sovereignty. The second and the third articles of the Treaty on the Functioning of the European Union (Eur-lex, 2012) is the basis for such discussions. These articles define the exclusive competencies of the EU, giving it the exclusive right to legislate within these competencies. The subsequent development of the European Union, advances in digital transformation, the energy sector, and the optimization of migration processes depend on strengthening exclusive competencies. Strive to become a member of the EU and Ukraine. According to one of the latest sociological studies, 92 percent of Ukrainians want Ukraine to join the EU (Balachuk, 2022).

This article does not deal with the theoretical aspects of sovereignty. The EU represents an unparalleled experiment in balancing national and collective interests.

The goal of the article is to examine the conditionality of financial assistance from the European Union and the International Monetary Fund (IMF). Using document analysis method, the conditionalities set by the EU and IMF that determine the provision of macro-financial assistance to Ukraine are identified. Due to the method of synthesis, the processed material is summarized and demonstrates how cooperation with the EU and IMF – sometimes interpreted as interference in Ukraine’s internal affairs – can ultimately lead to the strengthening of Ukraine’s sovereignty.

2. IMF and EU financial assistance conditionality

Note that the IMF documents use the term conditionality. The EU, describing macro-financial assistance, uses the term conditions. In this article, these terms are used as synonyms. When a country borrows from the IMF, its government agrees to adjust its economic policies to overcome the problems that led it to seek financial aid. These policy adjustments are conditions for IMF loans and assure that the country will be able to repay the IMF. This system of conditionality is designed to promote national ownership of solid and effective policies.

Conditionality covers the design of IMF-supported programs – that is, macroeconomic and structural policies – and the specific tools used to monitor progress toward goals outlined by the country in cooperation with the IMF. IMF lending has always involved policy conditions. Until the early 1980s, IMF conditionality primarily focused on macroeconomic policies. Subsequently, the complexity and scope of structural requirements increased, reflecting the IMF's growing involvement in low-income and transitional countries, where multiple structural problems may hamper economic stability and growth (IMF, 2021). The conditionality becomes the reason for talking about the loss of sovereignty by states receiving IMF lending.

EU's macro-financial assistance (MFA) is a form of financial aid extended by the EU to partner countries experiencing a balance of payments crisis. It takes the form of medium/long-term loans, grants, or a combination of these and is only available to countries benefiting from a disbursing International Monetary Fund program. MFA is designed for countries geographically, economically, and politically close to the EU. These include candidate and potential candidate countries, countries bordering the EU covered by the European Neighbourhood Policy (ENP), and, in certain circumstances, other third countries.

MFA is exceptional in nature and is mobilized on a case-by-case basis to help countries having serious balance-of-payments difficulties. Its objective is to restore a sustainable external financial situation while encouraging economic adjustments and structural reforms. MFA is intended strictly to complement International Monetary Fund (IMF) financing. As a rule, MFA funds are paid to beneficiary countries' central banks and, generally, can be used however the government sees fit, be it for reserves, foreign exchange market intervention, or direct budget support. MFA is an emergency assistance measure that is not meant to provide regular financial support for economic and social development. A pre-condition for granting MFA is respecting human rights and effective democratic mechanisms, including a multi-party parliamentary system and the rule of law. MFA is also conditional on a non-precautionary credit arrangement with the IMF and a satisfactory track record of implementing IMF program reforms.

MFA funds are released in tranches strictly tied to the fulfilment of conditions aimed at strengthening macroeconomic and financial stability. These conditions tend to focus on public finance management and fiscal reform. Still, they may also touch upon other areas such as trade, enterprise restructuring, business environment, or financial sector reform. These conditions are listed in a Memorandum of Understanding signed between the EU and the beneficiary country (European Commission, n.d.).

3. Results of IMF and EU financial assistance to lending countries

In 2014 the IMF published a report that compresses the experience of the IMF's cooperation with more than 20 post-communist countries in Central and Eastern Europe over 25 years. The IMF provided financial and technical support to early reform steps in Hungary, Romania, and Yugoslavia in the 1980s. But it was after the collapse of communism in 1989 when the primary expansion of the Fund's membership and activities took place, with 25 new members from the ex-socialist bloc joining by the end of 1993. These countries were almost all in perilous economic conditions and desperate need of foreign financing and advice (Roaf, Atoyan, Joshi and Krogulsk, 2014, p.7).

The volume of transition programs remained high through the 1990s. But in the 2000s, the benign global environment and ready availability of market financing meant very few countries were turning to the IMF for financing. The situation changed dramatically with the onset of the global financial crisis in 2008-09, which saw eight countries in the region returning to the IMF for support. By 2014 the crisis programs had concluded, generally successfully (Roaf, Atoyan, Joshi and Krogulsk, 2014, p.9). For the most part, the transition countries have made remarkable progress in the past quarter century. The report notes that most are fully functioning market economies with stable macroeconomics, strong institutions, and income levels that have converged strongly with the West (Roaf, Atoyan, Joshi and Krogulsk, 2014, p.55).

The reports focus mainly on macroeconomic developments, the IMF's principal area of operations, and expertise. How macroeconomic indicators in post-communist countries have evolved is of interest in this context. The macroeconomic ranking is based on a weighted average of seven macroeconomic indicators (current account balance, inflation, unemployment, government balance and debt, GDP per capita at PPP and real GDP growth). As noted in the report, most countries by 2014 have significantly improved their macroeconomic indicators, especially Latvia, Estonia, Bulgaria, the Czech Republic, Poland, and Romania. At the same time, even after 25 years, some countries have not managed to make a decisive break with the past or former state command replaced by control by private interests. Such countries still struggle with low growth, high unemployment, and uncompetitive industries. Countries like Ukraine, Serbia, Albania, Bosnia and Herzegovina, and North Macedonia (Macedonia before February 2019) approaching 2014 had worsened their macroeconomic indicators relative to the 1998-2000 period (Roaf, Atoyan, Joshi and Krogulsk, 2014, p.56).

Michael Emerson analyses the experience of the macro-financial assistance instrument of the European Union from 2006 to 2011 (among European countries, MFA assistance was received by Bosnia and Herzegovina, Albania, Serbia, Moldova, Ukraine, Georgia, Armenia) and emphasizes that the MFA works as a supplement to macroeconomic aid programs of the IMF. This supplement is 'secondary' both in that the amounts are usually only a tiny fraction of the IMF. The MFA adds some of its conditions, notably focusing on medium-term structural reforms and, in particular, public finance management and auditing practices. The macroeconomic stabilization impact of the MFA has been limited or modest in all cases, both because of the small size of the MFA contribution and also because disbursements tended to follow IMF operations with a time lag of around 12 to 18 months. By that time, financial crisis conditions may have passed. The impact on structural reforms may be positive but only slight and takes longer to materialize (Emerson, 2014, p. 5).

Among the post-communist countries in Central and Eastern Europe that joined the European Union, only Slovenia did not resort to an IMF programs (Roaf, Atoyan, Joshi and Krogulsk, 2014, p.8) (if you do not take into account the time spent in Yugoslavia). Did they lose sovereignty by cooperating with the IMF? As can be seen from the 2014 IMF report, the use of International Monetary Fund assistance helped these countries improve their macroeconomic performance on the path to EU membership. No one believes that these countries, carrying out the necessary reforms, have sacrificed their sovereignty.

Despite Michael Emerson's reserved assessment of the effectiveness of the European Union's macro-financial assistance, it should be noted that the MFA was significant for Ukraine and, as we will see below, significantly complemented the IMF assistance.

There is a considerable amount of literature on transitology, particularly on the EU. IMF, World Bank "conditionality" see Carlos Puente (Puente, 2014), Turk Žiga (Turk, 2014), Nigel M. Healey (Healey, 1994), Ivan T. Berend and Bojan Bugaric (Berend, Bugaric, 2015), Garabed Minassian (Minassian, 2001).

These articles examine the reasons for the successes and failures of reforms in the post-communist countries of Central and Eastern Europe. At the same time, the authors do not raise the issues of loss of sovereignty by governments in the process of cooperation with the IMF and the EU. Issues of national independence are considered separately in the context of EU membership see Vlad Perju (Perju, 2008), Dieter Grimm (Grimm, 2017), Carmen E. Pavel (Pavel, 2022). But as noted above, this issue is not the subject of our study.

4. Cooperation of Ukraine with the European Union

Ukraine cooperates with the European Union on a wide range of issues. Priority reforms in Ukraine that the EU emphasizes include the fight against corruption, judicial reform, electoral reform, improvement of the business climate, and energy efficiency. The European Union supports public administration reform and decentralization and contributes to implementing the Association Agreement between the European Union and Ukraine. The EU provides this support to Ukraine through several mechanisms: technical assistance, budget support, macro-financial assistance, project financing, etc. In the context of the topic of this article, macro-financial assistance (MFA) is of the most significant interest to us.

The legal basis for macro-financial assistance to third countries is Article 212 of the Treaty on the Functioning of the European Union (Eur-lex, 2012).

At the beginning of 2020, Ukraine participated in four programs of the EU MFA. The conditions for granting a loan under the MFA were grouped into four areas. The requirements for public finance management concerned the creation of a transparent public procurement system, the introduction of an anti-corruption legislation system, the development of state internal financial control, and the expansion of the powers of the Accounting Chamber of Ukraine. The requirements on trade and taxation issues related to solving problems of value-added tax (VAT) remuneration and bringing trade policy in line with the rules of the World Trade Organization (WTO). In the financial sector, Ukraine pledged to introduce International Financial Reporting Standards and prepare to implement EU legislation on financial services. In the energy sector, the requirements focused on the reform of Ukraine's gas sector (European Commission, 2013).

The decision to allocate funds within the framework of MFA I was made in early 2013. The ratification of the relevant Memorandum in the Verkhovna Rada took place only in March 2014 (European Commission, 2017). As can be seen, a year has passed since the conclusion of the Memorandum and its adoption by Ukraine. This can be explained by the fact that the Ukrainian leadership under President Yanukovych was not interested in carrying out democratic reforms and fighting corruption, which the EU insisted on. At the same time, the dramatic events known as the "Revolution of Dignity" unfolded in Ukraine in the fall of 2013, leading to the flight of former Ukrainian President Yanukovich to Russia and the formation of a new government in Ukraine in late February 2014. At that time, Russia took advantage of Ukraine's vulnerability to seize Crimea and provoke and lead a war in eastern Ukraine. In this situation, the Verkhovna Rada approved the terms of MFA II in order to reduce the external financial pressure on Ukraine, improve its balance of payments and provide for budgetary needs. Despite the loans received, the situation in Ukraine remained difficult. Therefore, in April 2014, the Council of the European Union decided to provide support to Ukraine within the MFA II framework for EUR 1 billion without the approval of the European Parliament (European Commission, 2014). The aid was provided in two installments of EUR 500 million each. The first installment of the loan was disbursed without any conditions, which allowed Ukraine to receive EUR 500 million as early as June.

It should be noted that the terms of the second installment were less complex than the terms of the MFA I and were set out within the same areas as in the MFA I. In the area of public finance management and implementation of anti-corruption measures, EU requirements were aimed at ensuring transparency of public procurement and the state budget, expanding the powers of the Accounting Chamber, and annual submission of asset declarations by persons defined by law as its subjects. The section on trade and taxation focused, as in MFA I, on compliance of trade policy with WTO rules and ensuring timely cash payments for VAT refunds. In the energy sector, the requirements included continuing the reform of the National Joint Stock Company "Naftogaz of Ukraine" and increasing the transparency of its activities. In the financial sector, Ukraine pledged to develop regulatory norms and rules concerning systemic banks, to disclose information about the ultimate owners of all banks, and to improve legislation regarding the regulation of financial services markets (European Commission, 2014).

It should be emphasized that during 2014 the economic situation in Ukraine remained difficult. In addition to the direct military invasion, Russia applied various trade restrictions against Ukraine. As a result, the economic recession in Ukraine continued, and there was a sharp depreciation of the hryvnia and a depletion of international reserves. In this situation, Ukraine addressed the European Union, asked for macro-financial assistance of EUR 2 billion in September 2014, and repeated this request in December of the same year. Taking into account these requests and the economic situation in Ukraine, the European Commission offered to provide Ukraine with EUR 1.8 billion in the form of medium-term loans (European Commission, 2015a).

In April 2015, the European Union decided to provide Ukraine with a EUR 1.8 billion MFA package III. The requirements for MFA III resemble a well-considered government program with a transparent monitoring system.

The areas under which the conditions for macro-financial assistance III were determined have been expanded and supplemented, compared to two previous MFA programs. The three sections: public finance management, governance and transparency, and business environment, were made more detailed.

Table 1: Conditions for granting MFA III distributed according to the spheres

Spheres	Details
Public Finance Management	External audit Public procurement Financial governance
Governance and Transparency	Anti-corruption Public administration State-owned enterprises
Business Environment	Trade and customs Competition policy Justice sector Deregulation

Source: created by the authors based on the Memorandum of Understanding between the European Union as Lender and Ukraine as Borrower (European Commission, 2015b).

Also, the sphere of social safety was added to the already existing financial and energy sectors. It was envisaged to create effective compensation mechanisms to protect the vulnerable layers of the population from an increase in energy tariffs. A separate requirement was the appropriate legislative provision and funding of social benefits and services for internally displaced persons affected by the hostilities in eastern Ukraine (European Commission, 2015b).

According to the Memorandum, the loans were to come in three tranches of EUR 600 million each. The first payment was supposed to be made after the entry into force of the Memorandum, and the relevant Loan Agreement, subject to Ukraine receiving payments under the extended lending program concluded between Ukraine and the International Monetary Fund (European Commission, 2015b).

The second and third tranches were based on the European Commission's positive assessment of the progress made on this list of macroeconomic and structural policy conditions. The terms of the second and third tranches included seventeen and twenty-one obligations, respectively. As a result, two tranches of EUR 600 million each were paid to Ukraine in July 2015 and April 2017. Regarding the third tranche, Ukraine has fulfilled seventeen of the twenty-one obligations associated with this payment, including reforms in public financial management, public administration, the energy sector, and the judicial system. However, several measures were not implemented, including anti-corruption, such as introducing a mechanism to verify the declarations submitted by officials. As a result, the third tranche of MFA III was cancelled in January 2018 (European Commission? 2019).

In November 2017, the Ukrainian government submitted a formal request for additional macro-financial assistance from the EU. Given that Ukraine has not met all the conditions associated with MFA III, the European Commission, in contrast to previous macro-financial assistance programs, when the basis for granting the first tranche was the signing of relevant memoranda and the existence of a valid IMF program, proposed to define specific conditions for granting not only the second but also for the first tranche of this assistance (European Commission, 2018a).

In July 2018, the European Union decided to provide Ukraine with up to EUR 1 billion in macro-financial assistance in the form of a loan. This assistance was provided for the receipt of tranches over two and a half years.

Table 2: Terms of macro-financial assistance MFA IV

Conditions for the first tranche of the loan	Conditions for the second tranche of the loan
Public Finance Management 1. At least seven orders of the Ministry of Finance of Ukraine to improve the predictability of the tax environment for businesses.	*Public Finance Management* 1. Improvement of domestic revenue mobilization and reforming tax and customs management. 2. Enhancement of balance between customs control and trade facilitation. 3. Progress toward meeting the minimum requirements of the Organization for Economic Cooperation and Development to combat tax evasion.
Proper governance and anti-corruption efforts 2. Creation of an automated system for	*Proper governance and anti-corruption efforts* 4. Full-scale use of the declaration logical and arithmetic control system. Conduct an automatic verification

verification of electronic asset declarations submitted by officials. 3. Ensuring adequate verification of information on ultimate beneficial owners. 4. Allocation of expenses for the High Anti-Corruption Court of Ukraine sufficient for its practical and independent functioning.	of at least 1,000 declarations of officials (including representatives of the executive branch, parliament, and judiciary branch) with follow-up decisions. 5. Progress in ensuring the work of the High Anti-Corruption Court of Ukraine accordingly. 6. Adoption of a law against money laundering in line with the EU-Ukraine Association Agreement.
Sector Reforms and State-Owned Enterprises 5. Improving corporate governance in state-owned enterprises. 6. Sale of at least 200 small state-owned facilities through electronic auction.	*Sector Reforms and State-Owned Enterprises* 7. Reducing the high level of bad loans. 8. Improving corporate governance in banks. 9. Implementation of electricity market legislation.
	Social safety 10. Introduction of health care financing reform. 11. Improvement of the targeting, efficiency, and fairness of social payments. 12. Approval of an Action Plan to Implement the Strategy for the Integration of Internally Displaced Persons.

Source: created by the author based on the Memorandum of Understanding between the European Union as Lender and Ukraine as Borrower (European Commission, 2018b)

So, as we can see, the EU requirements for the MFA contributed to the reform of the Ukrainian economy and encouraged reforms, which for various reasons are pretty slow in Ukraine.

5. Cooperation with the International Monetary Fund

Ukraine has been a member of the International Monetary Fund since 1992. For the reasons discussed above, loans from the IMF after the "Revolution of Dignity" were essential for Ukraine. In 2014, Ukraine received two tranches of about USD 4.3 billion under the Stand-by program. The program focused on reforms in the following key areas: monetary and exchange rate policy, the financial sector, fiscal policy, the energy sector, and public administration. In addition, Ukraine pledged to implement reforms to improve the business climate, public reform procurement, tax administration, strengthen money laundering prevention measures, and combat corruption (IMF, 2014). Due to economic difficulties, Ukraine turned to the IMF for additional support. In March 2015, the Stand-by program was replaced by the four-year Extended Fund Facility (EFF) (Ministry of Finance of Ukraine, n.d.).

The goal of the EFF program was to ensure foreign economic and financial stability and to restore sustainable economic growth through urgent reforms. In particular, measures to ensure financial stability implied restoring price stability, exchange rate flexibility to reduce the impact of external shocks on the economy, and strengthening the financial health of banks. In the area of enhancing state finance, efforts were directed toward reducing budget imbalances and achieving public debt sustainability. Ukraine envisioned various reforms, including anti-corruption and judicial measures, deregulation, tax administration reform, reform of state-owned enterprises, and the energy sector, including the restructuring of the National Joint Stock Company "Naftogaz of Ukraine" (IMF, 2015).

Given that the EFF program expired in March 2019, Ukraine asked the IMF for a new 14-month Stand-by program in December 2018. The same month, the IMF Board of Executive Directors approved an appropriate program for Ukraine and allocated the first tranche of USD 1.4 billion to Ukraine. The 2018 Stand-by program aimed to reduce public debt, maintain a flexible exchange rate and a tight monetary stance to reduce inflation, further strengthen tax administration, and improve governance and fight corruption (IMF, 2019). As part of this program, Ukraine assumed specific responsibilities in various areas. In the monetary and exchange rate spheres, a commitment to a policy ensuring an institutionally strong and independent National Bank of Ukraine, reducing inflation, enhancing the effectiveness of the monetary policy, and supporting the development of financial markets was guaranteed.

In fiscal policy, Ukraine pledged to refrain from tax amnesty, introducing new tax exemptions or privileges, reducing or introducing changes in corporate income taxation, introducing new special pensions or benefits, and introduction of a funded second-tier pension system. Commitments in public finance management concerned increasing confidence and predictability of fiscal policy.

To build modern and efficient tax and customs services, Ukraine has pledged to consolidate the divisions of the State Fiscal Service into two separate legal entities: the Tax Service and the Customs Service, by the end of April 2019. In the energy sector, it was decided that the National Joint Stock Company "Naftogaz of Ukraine" would be split into two companies and that gas for household consumers and thermal energy producer companies would be sold at prevailing market prices. In the financial sector, the commitments concerned the economic recovery of the banking system, the withdrawal of troubled banks from the market, and reducing the state's costs from banks' bankruptcy.

In light of the fight against corruption, Ukraine noted the need to ensure the independence and integrity of the new anti-corruption institutions - the National Anti-Corruption Bureau of Ukraine, the Specialized Anti-Corruption Prosecutor's Office, and the High Anti-Corruption Court of Ukraine. Comprehensive and public electronic declaration of assets by politicians has been recognized as a critical element of anti-corruption policy, as it is crucial for countering illicit enrichment and preventing the laundering of corruption revenue.

Ukraine has pledged to privatize and reform the state-owned enterprise sector, reduce their number, improve regulatory policy, and work to create a transparent agricultural land market.

It should be noted that the relevant Memorandum formulated quantitative performance criteria, indicative targets, and requirements for reporting on specific reforms and tasks, conditioning the IMF loan to Ukraine.

At the end of 2019, the economic situation in Ukraine remained difficult. As Ukrainian President V. Zelenskyy noted, our state could not change its commodity-based economy and had a dependence on foreign markets, which, together with stalled reforms, put Ukraine in 2020 before the next potential economic crisis (Zelenskyy, 2020). The COVID-19 pandemic intensified the negative trends in the economy. Under such conditions, Ukraine once again turned to the IMF for help.

During lengthy negotiations, preliminary activities were identified. The implementation of these activities stipulates IMF program approval. The most important of these conditions was adopting legislation aimed at introducing a land market and improving banking regulation (IMF, 2020). IMF Managing Director

The law "On Amendments to Certain Legislative Acts of Ukraine on the Conditions of Circulation of Agricultural Land" was adopted by the Verkhovna Rada on March 31, 2020, and signed by the President of Ukraine at the end of April 2020. The land market in Ukraine was opened on July 1, 2021. Up to 2024, Ukraine's citizens can buy only agricultural land with a limitation of 100 hectares. At the beginning of August 2022, 114 076 land agreements are incorporated in Ukraine (Ministry of Agrarian policy and Food of Ukraine, 2022).

The law on improving banking regulation mechanisms was necessary for the IMF and was aimed at preventing impaired privatized banks from returning to their former shareholders. This law was adopted by the Verkhovna Rada on May 13 and signed by the President on May 21, 2020. The implementation of the preliminary measures made it possible to launch a new Stand-by program in June 2020 and receive the first tranche under the program for USD 2.1 billion. Policies under the new agreement focus on four priorities: mitigating the effects of the economic crisis, ensuring central bank independence and exchange rate flexibility, supporting financial stability, continuing public administration reform, and anti-corruption measures (IMF, 2020a).

The IMF Board of Director's decision on the first Stand-by Program review completion and the allocation of the second tranche under the program for USD 0.7 billion, as well as the extension of its term until June 2022, was adopted on November 8, 2021.

The Letter of Intent contains measures and conditions that the Government of Ukraine and the National Bank of Ukraine (NBU) have implemented and plan to implement within the program. It is noted that Ukraine has fulfilled seven of the nine structural beacons set for the period from the end of June 2020 until the end of March 2021. Among them are such important ones as changes to the law on the National Bank of Ukraine (NBU), which strengthen the autonomy and good governance of the NBU; enactment of amendments to the

Law on Banks and Banking to improve corporate governance of banks; changes to the law on the National Anti-Corruption Bureau of Ukraine to provide legal certainty in its continued effective and independent operation and the status of its head; enactment of amendments to the law on the High Council of Justice (HCJ), to improve the selection process, which should ensure that its members have impeccable reputation and integrity.

The Memorandum contains plans for further measures to implement structural reforms in 2022. In particular, reforms in the monetary, fiscal, and financial sectors aimed at improving the business climate and strengthening the rule of law and the fight against corruption. Implementing relevant measures is necessary to pass the reviews successfully and receive the subsequent tranches of the program.

A further focus of the Stand-by Cooperation Program will be on the vital task of supporting macroeconomic and financial stability and will cover, in particular, the following areas: fiscal policy; monetary and exchange rate policy; financial sector policy; structural policy (anti-corruption legislation and the rule of law, energy sector reforms, reforming state-owned enterprises – corporate governance and privatization) (IMF, 2021).

6. The impact of cooperation with the IMF and the EU on Ukrainian sovereignty

There is no doubt that the requirements of both the EU and the IMF if successfully implemented, will contribute to strengthening the state sovereignty of Ukraine. They aim to ensure foreign economic and financial stability in Ukraine and restore sustainable economic growth, as Ukraine needs an institutionally strong and independent National Bank, an effective anti-corruption policy, a stable and independent judiciary, effective sectoral reforms, and reform of state-owned enterprises and the energy sector.

Corruption leads to significant budget losses and, consequently, affects ordinary citizens' lives. The German newspaper Süddeutschen Zeitung published an investigation revealing large-scale losses for Ukraine due to customs corruption – we are talking about an annual loss of at least USD 4.8 billion (Hassel, 2018). In Corruption Perceptions Index, Ukraine sat in 122nd place out of 180 countries in 2021 (Transparency International, 2022). On this basis, it is clear why the IMF and the EU pay much attention to eradicating corruption in Ukraine and insist that the new anti-corruption institutions are created at their request (NABU, the Special Anti-Corruption Prosecutor's Office, and the High Anti-Corruption Court of Ukraine) remain independent and objective. This attention is justified because of the numerous attempts by various political forces to take these structures under their control and to distort the electronic assets declaration by officials.

As can be seen, the IMF and the EU also focus on good governance. The Democracy Index confirms the relevance of these requirements for Ukraine. In the 2020 Index, Ukraine ranked 79th out of 167 countries. It should be noted that Ukraine is in the "Hybrid regimes" group, which is characterized, among other things, by the spread of corruption and the weak rule of law. The overall ranking in the Democracy Index is formed as an arithmetic average of five indicators, one of which measures the level of government functioning. Ukraine's rating neighbours are North Macedonia, with an index of 5.71, and El Salvador – 4.29. Ukraine's index is only 2.71 (Economist, 2021). In the previous rating, Ukraine was in 78th place with the same Government functioning index (Economist, 2019). Consequently, the attention of international partners to the issues of public administration reform in Ukraine is entirely justified. Recently, the European Commission emphasized that while Ukrainian public administration has proven to be resilient during Russia's war of aggression against Ukraine, reform has slowed or stopped in several sectors, in particular in merit-based recruitment and selection, job classification and salary reform, as well as the roll-out of the Human Resources Management. It was emphasized that political support for public administration reform remains uneven. While it has been demonstrated in digitalization and service delivery, in other areas, particularly civil service and salary reform, the practical measures fall short of the declared objectives (European Commission, 2023).

The claims of IMF and EU aid critics about the fallacy of focusing on public finance management and financial stability do not seem convincing. It is hard to imagine that sustainable economic growth, successful business lending, and an attractive investment climate are possible in a country with an unstable currency and imperfect banking system.

There is no doubt that stronger and better-functioning States are more sovereign.

7. Conclusions

Pressure on the leadership of Ukraine, providing financial assistance through implementing appropriate reforms, gives positive results. The reports of the IMF (IMF, 2021) and the European Commission (European Commission, 2022) confirmed this. Before the Russian invasion in 2022, several critical legislative changes were passed. Such changes have been postponed for various reasons, including the fear of politicians losing ratings. But, as a rule, these changes are only the beginning, and the final results will depend solely on Ukraine's willingness to follow the course of reforms.

The fact that Ukraine is forced to apply for loans from the EU and IMF is evidence of problems in the Ukrainian economy and imperfect approaches to solving them. To stop talking about external management, de-sovereignization, and building equal relations with the IMF and EU it is necessary to pursue an effective economic policy and eliminate the critical dependence on external borrowing.

Huntington, comparing the economic statistics of Ghana and South Korea in the early sixties of the last century, noted that the economic indicators of these countries were about the same. These countries were close in the distribution of gross national product per capita, had a similar branch structure of the economy, and existed mainly due to the export of raw materials. The volumes of economic assistance provided to both countries were also roughly equal. Three decades later, South Korea has become an industrial giant and succeeded in consolidating democratic institutions. It was not the same in Ghana. According to the American political scientist, this striking difference is explained primarily by cultural differences (Huntington, xiii). Ukraine today must decide which way to choose, Ghana's or South Korea's. The European Union and the IMF can provide some assistance. How effectively this assistance will be used depends on Ukraine.

Russian aggression against Ukraine in 2022 significantly impacted the development of European integration. Ukraine has obtained candidate status for EU membership (European Commission, 2022a). EU candidate status and the European Council's decision to start accession negotiations with Ukraine (European Commission, 2023a) will be a powerful vehicle for reforms in Ukraine that can transform it into a modern, democratic, competitive state. As noted in a 2014 IMF report, while the IMF played a leading role in the early stages of the transition from socialism to a market economy, for many countries, the process of joining the European Union was a critical catalyst for subsequent reforms, and European integration remains the main driver of structural change today (Roaf, Atoyan, Joshi and Krogulsk, 2014, p. vii). The Ukrainian experience confirms this statement. In 2022, the European Commission recommended that Ukraine be granted candidate status on the understanding that Ukraine will carry out specific reforms, in particular in the field of fighting corruption, will enact and implement legislation on a selection procedure for judges of the Constitutional Court of Ukraine, tackle the influence of vested interests by adopting a media law that aligns Ukraine's legislation with the EU audio-visual media services directive and empowers the independent media regulator (European Commission, 2022a). Although by the following report of the European Commission, Ukraine had yet to fulfill all the requirements (European Commission, 2023), during 2023, a number of reforms were executed, the implementation of which the Ukrainian authorities avoided for a long time for various reasons.

The Russian aggression began at the end of February 2022 and has already caused enormous damage to Ukraine. Total damage as of April 2022 alone was $60 billion (The World Bank Group, 2022). Under such conditions, Ukraine is doomed to long-term cooperation with the IMF in order to rebuild itself after the war. After the end of Russia's war against Ukraine and the stabilization of the economic situation, there is a danger of certain politicians who, to achieve their interests, will try to speculate on the issue of sovereignty. It will be necessary to communicate the idea of the positive relationship between conditionality and sovereignty among the population of Ukraine and also about the fact that, in the context of Ukraine's future negotiations on membership in the EU, talking about sovereignty in the traditional sense is meaningless with considering the relevant articles of the Treaty on the Functioning of the European Union (Eur-lex, 2012).

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