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### EXECUTIVE SUMMARY

The draft budget for 2010 developed in September is obviously a pre-election patch-up, destined for revision as soon as the January presidential election is decided. The proposed spending plan is just too far from economic reality. As written now, planned spending levels would create a 7.4% GDP fiscal gap next year, with no reliable pool of money to plug it in sight. Moreover, the budget fails to encompass measures the IMF has required. Such steps are essential for continued cooperation between the IFIs and the Ukrainian government.

We therefore expect a repeat of the 2005 scenario>>>

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