

EU approves disbursement of €500 million in Macro-Financial Assistance to Ukraine

With this disbursement, the total Macro-Financial Assistance extended to Ukraine by the EU since 2014 will reach €3.3 billion, the largest amount of such assistance directed at any non-EU country.

Valdis Dombrovskis, Commission Vice-President responsible for the Euro and Social Dialogue, also in charge of Financial Stability, Financial Services and Capital Markets Union, said: *“The European Union has shown constant political and financial support to Ukraine. Today’s European Commission decision on disbursement comes at a crucial moment when Ukraine and its people face a new aggression from Russia and need to see solidarity from international partners. Such aggressive behaviour is not acceptable in today’s Europe.”*

Pierre Moscovici, Commissioner in charge of Economic and Financial Affairs, Taxation and Customs, added: *“Ukraine has fulfilled the policy commitments agreed with the EU for the release of the first payment under the Macro-Financial Assistance programme. This is an important and encouraging signal that Ukraine continues to deliver on reforms despite the current security environment and the upcoming electoral cycle.”*

Under the new MFA programme approved by the European Parliament and the Council in July 2018, up to €1 billion is available to Ukraine. The programme helps Ukraine cover its financing needs and supports the implementation of a wide-ranging structural reform agenda. The MFA funds are available in the form of low-interest long-term loans, conditional on the implementation of specific policy measures agreed in the Memorandum of Understanding.

Ukraine has fulfilled the policy commitments agreed with the EU for the release of the first payment under the programme. These included important measures to step up the fight against corruption, improve transparency of company registers, enhance the predictability of the tax environment and strengthen the governance of state-owned enterprises. Ukraine has also agreed with the International Monetary Fund (IMF) on a new Stand-by Arrangement, which will replace its previous programme under the IMF’s Extended Fund Facility, thus continuing the country’s engagement with the IMF. The parliamentary adoption on 23 November of a budget for 2019, which IMF considers satisfactory, has been an important step towards the endorsement of the new programme by the IMF Executive Board, expected in December.

The EU will continue working with the Ukrainian authorities on its reform agenda, including in those areas related to the next disbursement of the MFA programme. These include further measures in the fight against corruption, such as progress in making the High Anti-Corruption Court of Ukraine operational, public financial management, the continuation of reforms of the

energy and banking sectors and reforms in the area of social policy. The Commission will continue to follow developments closely and monitor implementation.

Background

Macro-Financial Assistance (MFA) is part of the EU's wider engagement with neighbouring countries and is intended as an exceptional EU crisis response instrument. It is available to the EU's neighbouring countries experiencing balance-of-payments problems. It is complementary to assistance provided by the IMF. MFA loans are financed through EU borrowing on capital markets. The funds are then on-lent with similar financial terms to the beneficiary countries. MFA grants come from the EU budget.

In March 2018, in response to Ukraine's request, the Commission proposed a new MFA programme for up to €1 billion. This proposal was adopted by the European Parliament and the Council in July 2018. The Memorandum of Understanding was signed by Ukraine and the European Commission, on behalf of the EU, in September 2018 and subsequently ratified by the Parliament of Ukraine.

Ukraine has so far benefitted from a total of €2.8 billion worth of EU MFA loans since 2014. This includes €1.6 billion disbursed in 2014-2015 as part of two earlier MFA operations and €1.2 billion in 2015-2017 as part of a third operation. In addition to MFA, the EU supports Ukraine through several other instruments, including humanitarian aid, budget support, technical assistance and blending facilities to support investment. Overall, the EU and European Financial Institutions have mobilised over €12 billion in loans and 1 billion in grants since 2014 to help Ukraine stabilise its economy, carry out comprehensive reforms and improve the livelihoods of its citizens.

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