

# Ukraine: Council endorses agreement on a further €1bn in loans

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On 29 May 2018, EU ambassadors endorsed, on behalf of the Council, an agreement with the European Parliament on a new package of **macro-financial assistance** for Ukraine.

A further €1 billion in loans will cover Ukraine's financing needs over a period of two and a half years. The loans will **support economic stabilisation** and a programme of **structural reforms**, supplementing resources provided by the IMF and other donors.

The IMF has identified a \$4.5 billion financing gap for 2018 and 2019, going over and above funding committed so far by the international community.

Macro-financial assistance is an exceptional form of financial aid that the EU extends to partner countries with balance-of-payments difficulties. This is the **third operation** for Ukraine since 2014. The EU additionally provides assistance under its neighbourhood policy.

The EU pledged €1.6 billion of macro-financial assistance in 2014 and €1.8 billion in 2015, of which Ukraine received €2.81 billion. A €600 million instalment was cancelled in January 2018 due to incomplete compliance with the conditions set.

Ukraine is part of the EU's Eastern Partnership. An EU-Ukraine association agreement, which includes free trade provisions, entered into force on 1 September 2017.

The further disbursements will be conditional on Ukraine respecting **democratic mechanisms** and the **rule of law**, and guaranteeing respect for **human rights**. They will be subject to **economic policy and financial conditions**, focusing on structural reforms and sound public finances and including a timeframe for their fulfilment. The conditions will be laid down in a memorandum of understanding between Ukraine and the Commission.

The Commission will be responsible for disbursing the macro-economic assistance. The Commission and the European External Action Service will monitor the fulfilment of the conditions.

## Joint statement on the preconditions

Parliament, Council and Commission agreed a joint statement in the light of **unfulfilled conditions** and the cancellation of the third instalment of the previous programme.

Further macro-financial assistance will be conditional on progress in the **prevention of corruption**, as well as on the progress of the IMF programme, the statement reads. The memorandum of understanding will include obligations to strengthen governance, administrative capabilities and the institutional set-up for preventing corruption.

Upon each disbursement, the Commission will **report publicly** on the fulfilment of the conditions, in particular those concerning the prevention of corruption.

## Next steps

The European Parliament and the Council will be called on to adopt the decision without further discussion.

The Council requires a qualified majority. (Legal basis: article 212, paragraph 2, of the Treaty on the Functioning of the European Union.)

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