



**Exceptional macro-financial assistance to Ukraine  
of up to EUR 5 billion**

**MEMORANDUM OF UNDERSTANDING**

**between**

**The European Union  
as Lender**

**and**

**Ukraine  
as Borrower**

## MEMORANDUM OF UNDERSTANDING BETWEEN THE EUROPEAN UNION AND UKRAINE

1. On 20 September 2022, the European Parliament and the Council of the European Union adopted a decision (Decision (EU) 2022/1628) to make available exceptional macro-financial assistance to Ukraine in the context of Russia's military aggression against Ukraine.<sup>1</sup> The Decision makes available to Ukraine (hereafter referred to as "the Country") macro-financial assistance (hereafter referred to as "assistance") of up to EUR 5 billion in the form of loans. The assistance shall be made available for one year starting from the first day after the entry into force of this Memorandum of Understanding (hereafter referred to as "the MoU"). The European Commission (hereafter referred to as "Commission") may extend the availability period upon request from the Country.
2. The objective of this assistance is to support the Country's macro-financial stability given the acute financing needs triggered by the war circumstances. This assistance from the European Union is complementary to the resources provided to the Country by international financial institutions and bilateral donors in support of the country's economic, social and financial resilience.
3. The assistance shall be disbursed in several instalments, which may each be disbursed in one or more tranches. The Commission shall decide on the amount of each instalment and tranche.

The first instalment of the assistance shall be released upon the signature and entry into force of this MoU and the accompanying Loan Facility Agreement and the satisfactory implementation of the reporting requirements laid down in Annex 1 of this MoU.

The release of the second or any subsequent instalment of the assistance will be conditional on the satisfactory implementation of the reporting requirements, and satisfactory progress towards the implementation of the policy conditions laid down in Annex 1 of this MoU. The Commission shall decide on the timing of the release of the second or any subsequent instalment.

The release of the final instalment over the maximum of the assistance will be conditional on the satisfactory implementation of the reporting requirements and the policy conditions laid down in Annex 1 of this MoU.

4. The authorities of the Country are committed to ensure that the financial support received under this assistance is spent in a manner that is efficient, transparent and accountable vis-à-vis the European Union and the Commission. To this end, they shall –

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<sup>1</sup> Decision (EU) 2022/1628 of the European Parliament and of the Council of 20 September 2022 providing financial assistance to Ukraine, reinforcing the common provisioning fund by guarantees by Member States and by specific provisioning for some financial liabilities related to Ukraine guaranteed under Decision No 566/2014/EU, and amending Decision (EU) 2022/1201, OJ L 245, 22 September 2022, p. 1.

as already set out in the MoU accompanying Decision (EU) 2022/1202 - set up and continue to operate a reporting system that enables the availability of sound budgetary information to the Commission in an accessible, timely and comprehensive manner. They shall provide monthly reports on revenues (which includes the additional resources provided by the Union's macro-financial assistance), expenditures of the state budget at the level of the major expenditure headings and areas of expenditures for which the corresponding funds were spent. In these reports, the authorities of the Country shall also include details on the administrative and financial management measures in place, including the internal controls, applied in general and in particular as regards the Union's macro-financial assistance. Annex I of this MoU provides for further details of this reporting system. In addition, the authorities of the Country are committed to address, adequately and swiftly, any shortcoming detected in the context of the operational assessment done during the implementation of this assistance.

5. Prior to the release of the any instalment by the Commission, the Country's authorities shall provide the Commission with a Compliance Statement on the conditions that the release of the assistance is linked to pursuant paragraph 3. Upon receipt of the compliance statement by the authorities of the Country, the Commission will evaluate, based on consultations with the authorities of the Country and, wherever possible, with competent international organisations, the satisfactory observance of the conditions that the release of the assistance is linked to pursuant to paragraph 3. In this assessment, particular attention will be paid to policy actions in strengthening economic resilience and stability, governance and the rule of law, and the energy sector, and the reporting requirements, as made explicit in Annex I. In case of an overall negative evaluation, the Commission may withhold the disbursement of an instalment until the Country proves satisfactory compliance with the reporting requirements and policy conditions. In any case, the Commission shall verify the fulfillment of all the policy conditions agreed in Annex I of this MoU before the maximum amount of the macro-financial assistance is disbursed.
6. The Commission will also, where possible in close cooperation with competent international organisations, continuously monitor the financing needs of the Country and may reduce, suspend or cancel the assistance in case the financing needs of the Country have decreased fundamentally during the period of disbursement compared to the initial projections.
7. The Commission shall disburse the instalments to a euro account of the State Treasury of Ukraine (hereafter referred to as "the Recipient") at the National Bank of Ukraine (hereafter referred to as "the Agent"). Given the substantial budgetary financing needs faced by the Country, the proceeds of the loan will be used to finance the state budget
8. During the implementation of the assistance, the Country's authorities shall supply the Commission with all information that is relevant for the monitoring of its economic and financial situation and for the assessment of progress in structural reforms. In particular, the authorities will supply to the Commission on a timely basis the relevant information as set out in Annex II.
9. With a view to preventing irregularities and fraud related to the use of the assistance and ensuring the protection of the EU's financial interests, the relevant provisions of the Loan Facility Agreement will apply, notably those regarding regular checks by the Country on the use of European Union assistance, and checks, audits and investigations

performed by the Commission, including the European Anti-Fraud Office, the European Court of Auditors and the European Public Prosecutor's Office. Also, the provisions of the Loan Facility Agreement on early repayment will apply in case it has been established that the Country has engaged, in relation to the management of this assistance, in any act of fraud, corruption or any other illegal activity.

10. The Commission, represented by its own agents or its duly mandated experts, shall have the right to carry out operational assessments of the administrative procedures and financial circuits of the Country and of the Agent that relate to the management of European Union macro-financial assistance throughout the duration of this MoU and for five years after the disbursement of the last instalment (*ex-post* period).
11. An independent *ex-post* evaluation of the assistance may be carried out by the Commission or its duly authorised representatives. The authorities of the Country are committed to supplying all necessary information to the Commission, represented by its own agents or its duly mandated experts, for the duration of this process. The evaluation report will be made available to the authorities of the Country for comments.
12. The authorities of the Country will ensure, as appropriate, close co-operation with the European Commission. Confidential information under this Memorandum shall be exchanged in accordance with the Agreement between the European Union and Ukraine on the security procedures for the exchange of classified information of 13 June 2005.
13. This assistance shall be conditional upon the continuance compliance, by the authorities of the Country, with effective democratic mechanisms, including a multi-party parliamentary system and the rule of law, and with the respect for human rights. The Country also undertakes to safeguard central bank independence, continue to be guided by international best practice for good governance of state-owned enterprises and banks and to make progress towards implementation of the Association Agreement, including the Deep and Comprehensive Free Trade Area (DCFTA). The Country also undertakes to make progress on the steps outlined by the Commission when being granted candidate status for membership in the European Union.
14. The assistance is implemented on the understanding that the authorities of the Country are committed to phasing out the temporary emergency measures in the area of economic and financial policy that have been imposed for the duration of the war, at the appropriate time and with an adequate sequencing, especially with regard to the monetary policy and exchange rate framework, financial sector regulation, governance of state-owned enterprises, freedom of capital movements, and the tax and trade excise regimes. The authorities of the Country are also committed to reinstating the established economic and financial policy institutions in their pre-war mandates as soon as martial law is lifted.
15. Annexes I and II are an integral part of this MoU.
16. All notices in relation with the present MoU shall validly be given if in writing and sent to:

For the European Union

European Commission  
Directorate General for  
Economic and Financial Affairs  
CHAR 11/248  
B-1049 Brussels, Belgium

For Ukraine

Ministry of Finance  
12/2 Hrushevskyi Street  
Kyiv 01008  
Ukraine  
For the attention of: Minister or Deputy  
Ministers and the Department of Debt  
Policy

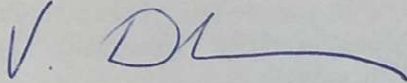
With copy to:  
National Bank of Ukraine  
9 Instytutska Street  
Kyiv 01601  
Ukraine  
For the attention of: Governor or Deputy  
Governors

17. The present MoU shall enter into force following the signature by the European Union and the Country and upon its ratification by the Country's Parliament or following another applicable internal procedure pursuant to its legal order.
18. The MoU may be amended upon mutual agreement of the parties in form of a written Addendum. The Addendum will be an integral part of this MoU and will enter into force according to the same procedures as the MoU.

Done in Kyiv on 30 September and in Luxembourg on 3 October 2022 in two originals in the English language.

FOR THE EUROPEAN UNION  
as Lender

Valdis DOMBROVSKIS  
Executive Vice-President  
of the European Commission




FOR UKRAINE  
as Borrower

Sergii MARCHENKO  
Minister of Finance of Ukraine



FOR THE NATIONAL BANK  
OF UKRAINE  
as Agent to the Borrower

Kyrylo SHEVCHENKO  
Governor



## ANNEX I

### REPORTING REQUIREMENTS AND POLICY CONDITIONS

#### A. Reporting requirements on the use of funds received under this assistance

During the implementation of the European Union's macro-financial assistance, the relevant authorities of the Country shall provide to the Commission data and information relating to the implementation of the reporting system, which will include the funding needs, main categories and areas of expenditures for which the corresponding funds were spent, indicating the share of expenditures that were made under the public procurement procedure, to the extent possible.

#### B. Policy conditions

At the time of the Commission staff review that will precede the decision on the disbursement of the second and subsequent instalments, the authorities of the Country are committed to have shown satisfactory progress towards the implementation of the following actions. Before the maximum amount of the macro-financial assistance is disbursed, the Commission shall verify the fulfilment of all of them.

##### **Economic resilience and stability**

1. Prepare a roadmap for phasing out the temporary emergency measures in the area of economic and financial policy that have been imposed for the duration of the war, especially with regard to the monetary policy and exchange rate framework, financial stability, corporate governance of state-owned banks and enterprises, freedom of capital movements, and the tax and trade excise regimes.
2. Develop an action plan on identification of the crucial obstacles for SME development .

##### **Governance and rule of law**

3. Approve the methodology and criteria for evaluating candidates for the positions of independent members of the supervisory boards of state owned banks (SOBs). Continue cooperation through the SOB Nomination Commission with the participating International Financial Institutions and other international partners, implementing jointly agreed methodology (compliance assessment, merit ranking, deliberations and voting) and seeking consensus among voting and non-voting members of the Commission, to ensure transparent and professional merit-based selection of high-quality independent professionals to the supervisory boards of the SOBs.
4. Make a good progress in the integrity vetting of candidates to the vacant High Council of Justice (HCJ) positions by the Ethics Council and the selection of candidates to the High Qualification Commission of Judges of Ukraine (HQCJ) following a transparent and meritocratic process, including access to all relevant data and adequate external oversight by the civil society.
5. To increase institutional independence and operational effectiveness of the Specialized Anti-Corruption Prosecutor's Office (SAPO), conduct necessary administrative procedures to restore and further reinforce SAPO's professional staff.

## Energy

6. Develop a plan for gas purchases and storage to prepare for the 2022/23 heating season, including identification of sources for gas and the necessary financing.
7. The energy regulator (NEURC) should develop a plan of gradual measures to ensure settlements with producers of electricity from renewable energy sources, as well as gradually adjust electricity transmission tariff to the level that will cover all economically justified costs of the Transmission System Operator.



**ANNEX II**  
**MONITORING SYSTEM**

**1. Monitoring of macro-economic and financial developments and policies**

During the implementation of the European Union macro-financial assistance, the following indicators and reports shall be published or provided to the Commission by the relevant authorities of the Country:

*a) Information submitted by the Ministry of Finance*

- GDP or national income (quarterly)
- Main components of GDP (quarterly)
- Employment and unemployment rates (quarterly)
- Level and composition of general and central government revenue and expenditure as well as government payment arrears (quarterly)
- Fiscal balance of the central government (quarterly)
- Fiscal balance of the general government (annual)
- External public debt stock and (interest and principal) payments (quarterly)
- Domestic public debt stock and (interest and principal) payments (quarterly)
- Scheduled quarterly payments (interest and principal) of domestic and external public debt for the years 2022-2024 (quarterly)
- Consumer and producer price changes (monthly)
- Interest rates on benchmark government bonds at liquid maturities (monthly)

*b) Information submitted by the National Bank of Ukraine*

- Interbank interest rates at benchmark maturities (monthly)
- Banks' overall lending rate (monthly)
- Balance-of-payments and main components (quarterly)
- International reserve position (monthly)
- Nominal bilateral exchange rates against the euro and the USD (monthly)

**2. Monitoring of structural policies**

During the implementation of the European Union exceptional macro-financial assistance, data and/or information relating to the implementation of policy measures specified in Annex I shall be provided to the Commission by the relevant authorities of the Country, on request from the Commission.