EUROPEAN
COMMISSION

Brussels, 23.7.2018
SWD(2018) 391 final

COMMISSION STAFF WORKING DOCUMENT

EXECUTIVE SUMMARY OF THE EVALUATION

of the

Council Decision of 12 July 2002 providing supplementary macro-financial assistance to Ukraine

Decision No 388/2010/EU of the European Parliament and of the Council of 7 July 2010 providing macro-financial assistance to Ukraine

Council Decision of 14 April 2014 providing macro-financial assistance to Ukraine

{SWD(2018) 390 final}

From May 2014 to April 2015, a total of EUR 1.61 billion of Macro-Financial Assistance (MFA) loans was disbursed to Ukraine in response to the deep balance of payments and economic crisis in the country that unfolded in early 2014. The MFA I operation involved two EU Decisions[1] adopted in 2002 and 2010 for EUR 110 million and EUR 500 million respectively. The MFA II operation was adopted in April 2014 via urgency procedure for EUR 1 billion.[2]

The two programmes aimed to help the economy address an unsustainable balance of payments situation and help finance the high fiscal deficit amid a strong economic downturn as a result of the worsening geopolitical situation. MFA assistance was a key element of the EU Support Package for Ukraine announced by the European Commission in March 2014 and represented an important part of the financial assistance provided by Ukraine's international partners; led by the International Monetary Fund (IMF).

The ex-post evaluation of MFA I and II assessed relevance and efficiency (to what extent was the MFA operation design appropriate in relation to the objectives to be achieved), effectiveness (to what extent have the objectives of the MFA operation been achieved), coherence (were the measures of the MFA operation coherent with previous assessments made and in line with the relevant EU policies) and EU value added (what was the rationale for an intervention at EU level) of the EU intervention. In addition, the evaluation explored the social impact of the MFA operations and their effect on Ukraine's public debt sustainability.

A contractor was engaged to assist the conduct of the evaluation and prepare an evaluation report. The evaluation report used a variety of tools including desk research, interviews with a wide range of stakeholders, a structured communication method, a focus group discussion with non-governmental stakeholders, as well as a workshop with stakeholders closely involved in the design and implementation of the two programmes. A social media and press content analysis was also carried out to assess the visibility of the EU intervention.

The evaluation finds that the main **value added** of two programmes was the mobilisation of significant financial assistance, urgently needed by Ukraine, at a speed and a scale that cannot be matched by individual Member States. The financial assistance proved critical for preventing a deeper contraction and ultimately paved the way for Ukraine's economic stabilisation, including by promoting important structural reforms. The MFA operations were supportive of national reform priorities that were underpinned in the Association Agreement between the EU and Ukraine. They also added value through their signalling effect to the population and civil society as well as a confidence-boosting effect on the private sector. Furthermore, the EU support had a symbolic importance as a sign of solidarity to Ukraine at times of severe political and economic crisis and violation of sovereignty and territorial integrity.

[1] Decision 2002/639/EC of the Council, Decision 646/2010/EU of the European Parliament and the Council.
[2] Decision 2014/2015/EU of the Council.

The evaluation also indicates that the design of the two MFA programmes, both in terms of financing envelope and focus of reforms, was **appropriate** in view of the targeted objectives. The size of the disbursed assistance was large enough to assist Ukraine during one of the most challenging periods the country went through. Reform areas supported by the programmes were relevant to the country's needs and were aligned with the reform programme of the authorities, key priorities of the EU-Ukraine relations, and programmes of other official creditors such as the IMF.

While the MFA could not avert the economic crisis that resulted from the unexpected geopolitical events, it proved critical for preventing a deeper contraction in 2014 and paved the way for the economic stabilisation that started taking hold in mid-2015. With regard to structural reforms, the two MFA programmes were **effective** in promoting a range of measures in the areas public finance management, anti-corruption, energy policy, financial sector restructuring and social policy that have also contributed to bringing the economy back to a sustainable growth path.

The EU intervention was **efficient** - disbursement of the financial assistance was appropriate in the context of the prevailing economic and financial conditions in Ukraine. The quick mobilisation and provision of the funds was crucial in containing an even deeper economic crisis and supporting a gradual recovery. This became possible as a result of the design of the programmes, which included a set of achievable, yet ambitious and relevant, reforms. The strong ownership of the programme by the authorities was also key to its success. An area, for improvement is the public visibility and awareness of the specific conditions attached to the programmes.

The reforms supported by the MFA operations were aligned with key principles and measures taken in the EU external actions towards Ukraine. In addition, they were **coherent** with financial commitments taken by the EU towards Ukraine as well as with EU initiatives such as the Visa Liberalisation Action Plan.

The evaluation finds that the MFA programmes contributed, both directly and indirectly, to **improving Ukraine's public debt sustainability,** due to the longer maturity and lower interest rates of the MFA. MFA acted as catalyst for additional bilateral donors support and raising investor confidence.

The MFA had a **positive social impact** in the country by preventing a stronger increase in unemployment and a higher loss of households incomes by containing the crisis and supporting the currency. The condition on strengthening the social safety net, and in particular a mechanism to compensate the most vulnerable from energy price increases, was essential to safeguard lower income households from higher energy tariffs and to avoid higher levels of poverty. It was also instrumental for advancing other important energy-related reforms without social unrest, such as an overhaul of the unsustainable pricing model. More generally, MFA I and II conditions in the area of fighting corruption, a pressing social issue in Ukraine, helped reduce the acceptance of corruption and the costs of inefficiencies generated by corruption.