



Brussels, 23.7.2018
SWD(2018) 390 final

COMMISSION STAFF WORKING DOCUMENT

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) 391 final}

Table of contents

1. INTRODUCTION	3
2. BACKGROUND TO THE INTERVENTION	4
3. IMPLEMENTATION / STATE OF PLAY	9
4. METHOD	14
5. ANALYSIS AND ANSWERS TO THE EVALUATION QUESTIONS	17
6. CONCLUSIONS.....	34
ANNEX 1: PROCEDURAL INFORMATION	38
ANNEX 2: SYNOPSIS REPORT	40
ANNEX 3: METHODS AND ANALYTICAL MODELS	46
ANNEX 4: VALIDITY AND RELIABILITY OF THE FINDINGS.....	48
ANNEX 5: EVALUATION FRAMEWORK	51
ANNEX 6: MFA I AND II CONDITIONALITY	58
ANNEX 7: KEY REFERENCES	62

Glossary

<i>Term or acronym</i>	<i>Meaning or definition</i>
AA	Association Agreement
ACU	Accounting Chamber of Ukraine
DG ECFIN	Directorate-General for Economic and Financial Affairs
DG NEAR	Directorate-General for Neighbourhood and Enlargement Negotiations
EBRD	European Bank for Reconstruction and Development
ECA	European Court of Auditors
EEAS	European External Action Service
EFF	Extended Fund Facility
EIB	European Investment Bank
EU	European Union
DCFTA	Deep and Comprehensive Free Trade Area
GDP	Gross Domestic Product
IMF	International Monetary Fund
ISG	Inter-service Steering Group
MFA	Macro-Financial Assistance
NBU	National Bank of Ukraine
PFM	Public Finance Management
SBA	Stand-By Arrangement
SBC	State Building Contract
SGUA	Support Group for Ukraine
SWD	Staff Working Document
VLAP	Visa Liberalisation Action Plan

1. INTRODUCTION

Macro-financial assistance (MFA) is a European Union (EU) policy-based financial instrument of untied and undesignated balance of payments support to partner third countries. It takes the form of medium and/or long-term loans or grants, or a combination of these, and generally complements financing provided in the context of a reform programme implemented by the International Monetary Fund (IMF). The financial assistance provided under MFA operations and the policy measures attached to them aim at supporting the EU agenda vis-à-vis the recipient countries, notably by promoting macroeconomic and political stability in the EU's neighbourhood.

In May 2014 – April 2015, a total of EUR 1.61 billion of MFA loans was disbursed to Ukraine as a response to the deep balance of payments and economic crisis in the country that unfolded in early 2014. This involved three separate EU Decisions for respective amounts of EUR 110 million, EUR 500 million and EUR 1 billion. Two MFA decisions for Ukraine adopted in 2002 and 2010 were combined into one operation (one Loan Facility Agreement and one Memorandum of Understanding), the so-called MFA I operation, for a total of EUR 610 million. Another EUR 1 billion MFA programme was adopted in April 2014 in an emergency procedure, the so-called MFA II operation.¹

The MFA to Ukraine was provided with a view to contributing to a more sustainable balance of payments situation and helping the country overcome the economic and social hardships endured as a result of the crisis. MFA I was fully disbursed in 2014 and 2015 in three instalments - EUR 100 million in May 2014, EUR 260 million in November 2014 and EUR 250 million in March 2015. MFA II was fully disbursed in 2014 in two instalments of EUR 500 million that were released in June 2014 and in December 2014.

In accordance with the Financial Regulation (article 30 point 4), MFA operations in third countries are subject to an ex-post evaluation. With regard to the two above-mentioned MFA operations for Ukraine, the need for such an assessment also stems from the relevant Decisions, which stipulate that the European Commission is required to "[...] submit to the European Parliament and to the Council an ex post evaluation report" that assesses the results and efficiency of the completed macro-financial assistance and the extent to which it has contributed to the aims of the assistance.

As indicated in the Evaluation Roadmap for this evaluation², the goal is to draw lessons with respect to the EU's financial assistance, in particular with regard to the design and implementation of the programmes and the way they contributed to achieving their objectives such as stabilising the economy while alleviating financing and budgetary

¹ Decision 2002/639/EC of the Council, Decision 646/2010/EU of the European Parliament and the Council and Decision 2014/215/EU of the Council.

² http://ec.europa.eu/smart-regulation/roadmaps/docs/plan_2016_202_evaluation_ukraine_en.pdf

needs as well as fostering structural reforms. Apart from identifying areas of improvement for similar on-going or future possible interventions, the evaluation also aims at ensuring better transparency and accountability of the Commission's activities.

The ex-post evaluation of MFA I and II for Ukraine looks at various aspects of this particular EU intervention such as 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). In addition, the evaluation looks at the social impact of the MFA operations and explores their effect on Ukraine's public debt sustainability.

To assist the preparation of the Staff Working Document (SWD) an external contractor was engaged to complete an evaluation report. This external evaluation was carried out from December 2016 to November 2017. It assessed in detail the design and implementation of the two MFA operations that were launched in 2014 and fully disbursed by April 2015, and in particular their role in stabilising Ukraine's economy, easing social tensions and promoting structural reforms. In view of the fact that financial support normally has a lagged impact, that is macroeconomic stabilisation takes hold only after some time passes by following the disbursement of the assistance, the evaluation looks at both the immediate and medium-term impact of the MFA programmes on the country's economy and state of play with structural reforms.

2. BACKGROUND TO THE INTERVENTION

Ukraine was strongly hit by the 2008-2009 global economic downturn. The build-up of significant internal macroeconomic imbalances in the run-up to the crisis, the sudden sharp decline of commodity prices and the huge capital outflows triggered an acute balance of payments crisis, which heavily impacted on the financial sector and ultimately led to a particularly deep recession. Output collapsed by 14.8% year-on-year in real terms in 2009 due to a sharp contraction in investment and household demand as a result of the confidence crisis, weakening currency and deteriorated external environment.

In a combination of a balance of payments crisis and a deep recession, and absent market financing options, Ukraine requested financial assistance from the IMF and the EU. In November 2008, the IMF approved exceptional access support under a front-loaded 24-month Stand-By Arrangement (SBA) of USD 16.4 billion. This assistance aimed at helping the Ukrainian authorities restore financial and economic stability and strengthen confidence. The programme, however, went off track in the autumn of 2009³ in the context of an increasingly fractious political environment ahead of the presidential elections in early 2010. This operation was replaced in July 2010 by a second SBA of USD 15 billion.

³ Ukraine received some USD 10 billion (or around 60% of the total) from this programme after completing only 2 of the planned 8 programme reviews.

In October 2009, the European Commission proposed macro-financial assistance in the form of a loan for up to EUR 500 million and a maximum maturity of 15 years. The objective of this assistance was to support Ukraine's economic stabilisation and to alleviate the country's balance of payments and budgetary needs. The corresponding decision of the European Parliament and of the Council was adopted in July 2010. This assistance was complemented by a EUR 110 million legacy MFA operation⁴, which resulted in a cumulative financial envelope of EUR 610 million. No immediate disbursements, however, were made as talks with the Ukrainian authorities over reforms to be supported through this MFA stalled. In the meantime, the 2010 IMF programme quickly went off track.

The frontloaded 2008 IMF programme and the improvement of the external environment, in particular the pick-up of commodity prices, helped the Ukrainian economy show first signs of stabilisation in the second half 2009. Gradual economic recovery began as the banking sector started to stabilise, commodity prices picked up and external demand started to gradually recover. Accommodative fiscal and monetary policies also supported the rebound in economic activity in 2010 and 2011 when GDP growth reached 4.6% on average. However, in the absence of structural reforms, these expansionary policies also exacerbated Ukraine's macroeconomic imbalances by leading to considerable real appreciation of the fixed exchange rate and thus further eroding external competitiveness.⁵ The unpropitious external environment, and in particular the slowdown of economic activity of Ukraine's key export markets such as the EU and Russia, also weighed on the country's economic performance.

As a result, Ukraine's economy started contracting again from mid-2012 and five consecutive quarters of declining output were recorded. Sizeable and worsening current account (reaching 9% of GDP in 2013) and fiscal (4.3% of GDP) deficits, which reflected unsustainable energy pricing policies and expansionary income policies amid an overvalued currency, diminishing reserves, high contingent liabilities stemming from the state sector, and a weak banking system characterised the Ukrainian economy at the start of 2014. The country was facing significant sovereign and quasi-sovereign external debt repayments without having market access.

The domestic political crisis from end-2013 only amplified Ukraine's daunting economic challenges. The decision of then-President Viktor Yanukovich not to sign the Association Agreement (AA) with the EU in November 2013 led to mass public protests

⁴ This operation approved by the Council in July 2002, was not disbursed because of the rapid improvement in Ukraine's external financing position and the absence of an IMF programme that includes disbursements. However, the Council decision providing the legal framework for the operation remained in force, thus enabling the Commission to reactivate this assistance when the need arises.

⁵ In line with the 2008 IMF programme, the Ukrainian authorities allowed flexibility of the exchange rate with the objective to address the balance of payments shock and mitigate macroeconomic imbalances. As a result, the local currency depreciated by 35% against the USD in 2008. However, as the economic situation started improving as of 2009, the authorities returned to their previous practice of using an effectively pegged exchange rate as a nominal monetary policy anchor.

against the authorities. While Russia stepped in to support Yanukovich by announcing a USD 15 billion bailout package⁶, the protests escalated further, leading to a massive shooting at the demonstrators in February 2014, following which President Yanukovich fled the country and new presidential elections were scheduled by the Parliament. A new, reform-minded government immediately took office. Its policy response, however, was constrained by unexpected events, namely the illegal annexation of the Crimean peninsula by Russia in March 2014 and the eruption of a major armed conflict in the eastern part of the country in the same month, provoked by Russia's destabilising actions. These events not only led to a deep and prolonged confidence crisis but also had a strong negative impact on the economy by cutting production chains and erasing a big part of Ukraine's industrial capacity. All this contributed to further intensifying the country's economic woes. The domestic political calendar was also unfavourable – Ukraine held presidential and parliamentary elections in respectively the spring and in the autumn of 2014. The uncertainty in the run-up to the elections and the relatively slow formation of a new government following the vote in October further dented consumer and business confidence.

In two months only (from end-February to end-April 2014), the local exchange rate lost 30% of its value against the USD, which further depressed domestic demand and added to the domestic cost of imported energy by increasing the losses of the oil and gas giant Naftogaz. The confidence crisis hit heavily the banking sector, which had never fully recovered from the 2008-2009 events. A deposit run and worsening balance sheets of banks necessitated further financing at a time when public finances were undermined by weakening revenue collection and the need for higher security spending.

With no possibility to secure domestic or external market financing and in the context of a rapidly deteriorating security situation, in early 2014 Ukraine officially sought financial assistance for stabilising its economy, while continuing to service its mounting external debt repayments and implementing a deep and comprehensive reform agenda. In this context, the Commission proposed on 19 March 2014 a new **MFA programme of up to EUR 1 billion in loans (MFA II), which complemented the EUR 610 million** that was already available under two previous legal decisions (**MFA I**). Given the extreme urgency of the situation in Ukraine, the Commission proposal was approved under an urgency procedure (Article 213 TFEU) on 14 April 2014.⁷

⁶ Apart from financial support, the agreement envisaged significant reduction in the price of gas supplied by Russia. As part of the package, Russia acquired in December 2013 a EUR 3 billion Eurobond issued by Ukraine.

⁷ 'When the situation in a third country requires urgent financial assistance from the Union, the Council shall adopt the necessary decisions on a proposal from the Commission.' (Article 213 TFEU). This was the first and only time an MFA decision was adopted on the basis of this article that did not require the approval of the European Parliament. As a result, the Decision on the MFA was adopted in less than one month after the Commission's proposal. Quite exceptionally, the MFA even preceded by a few weeks the 2014 IMF SBA.

The MFA was a key element of the EU support package for Ukraine that was presented by the Commission on 5 March 2014 and approved by the EU Heads of State and Government on 6 March (see Table 1).⁸ This package, which combined a number of financial instruments, committed more than EUR 11 billion 'to help stabilise the economic and financial situation in Ukraine, assist with the transition, encourage political and economic reforms and support inclusive development for the benefit of all Ukrainian citizens'.

Table 1. EU Support Package for Ukraine, March 2014

Source	Indicative amounts / ranges (in EUR million)
EUROPEAN COMMISSION (2014-2020)	
<i>Overall development assistance (grants)</i>	1,565
<i>Macro financial assistance (loans)*</i>	1,610
EUROPEAN FINANCIAL INSTITUTIONS	
EIB	up to 3,000
EBRD	5,000
GRAND TOTAL	11,175
<i>Source: European Commission; * - Additional MFA operation of EUR 1,800 million was approved in April 2015</i>	

The EUR 1.6 billion MFA represented the main short-term financial instrument in support of the country's macroeconomic stabilisation and structural reforms. It accounted for approximately 15% of the overall pledged assistance and more than 50% of the envisaged support by the EU for Ukraine's budget. This package was afterwards (with the approval of MFA III in April 2015) increased by EUR 1.8 billion, making total commitments EUR 13 billion and the share made up by the MFA instrument at 34% of the EU's the rescue programme. The MFA was complemented by a sizable EU development assistance grant component (some EUR 1.6 billion in 2014-2020) and project financing (EUR 8 billion) by European-based international financial institutions such as the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD).

In addition to the direct financial support, the Commission pledged trade preferences, including Autonomous Trade Preferences, pending the start of provisional application of the Deep and Comprehensive Free Trade Area (DCFTA), modernisation of Ukraine's gas transit system and work on reverse gas flows from the EU, acceleration of the Visa Liberalisation Action Plan (VLAP) for Ukraine and the set-up of a Support Group for Ukraine (SGUA) to coordinate EU financial and expert support to Ukraine.

The two MFA programmes, along with EIB and EBRD assistance, were an important contributor to the international financial support package for Ukraine under the 2014 SBA with the IMF (see Table 2). In April 2014, the Fund estimated Ukraine's gross external financing requirements in 2014-2016 at USD 27 billion. These needs reflected still substantial current account deficits, large external debt repayments and the need to

⁸ http://europa.eu/rapid/press-release_IP-14-219_en.htm

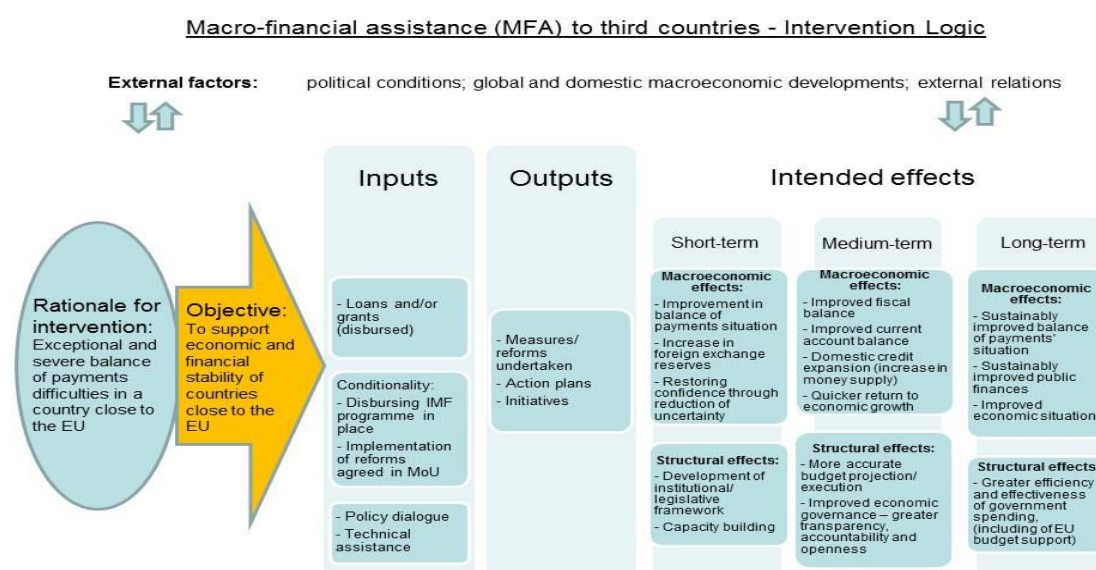
replenish reserves. The IMF committed to provide net (on top of Ukraine's liabilities to the Fund) financing of nearly USD 12 billion, thus covering 44% of the overall financing needs. The contribution of the EU, excluding the EBRD and the EIB financing, was estimated at 11%. The bulk of it, or 7% of the total package, came from the two MFA operations of combined EUR 1.6 billion (USD 2.2 billion).

	2014	2015	2016
<i>Total financing needs</i>	10.0	12.5	4.4
<i>Total financing sources</i>	10.0	12.5	4.4
IMF, net financing	3.7	7.1	1.1
Prospective purchases	7.4	8.6	1.1
Repurchases	3.7	1.5	0
Other official financing	8.2	5.4	3.3
World Bank	1.9	1.6	0.4
European Union, out of which	2.2	0.6	0.1
MFA	1.9	0.3	-
EBRD/EIB/Others	2.2	3.1	2.8

Source: IMF request for SBA, April 2014; Commission staff calculations

The objective of the EU's MFA was to promote economic and financial stability by supporting macroeconomic stabilisation and facilitating comprehensive institutional and governance reforms that are needed for sustainable and balanced economic growth. In the short-term, during the lifecycle of the programme and shortly after its completion, the main expected effects were improved external accounts and a build-up of official reserves. This should also have had an important confidence-boosting role. As for the medium- to long-term, the expectations were for a pick-up in economic activity, improvement in the public finances and of external sustainability through adjustment of the current account, increase in capital inflows and debt reduction.

The general intervention logic for MFA operations is detailed in the diagram below.



With regard to structural reforms, the overall objective was to address some of Ukraine's deep-rooted governance and institutional weaknesses such as widespread corruption, weak transparency and high inefficiency in main economic sectors (energy, banking). The initial steps focused on increasing transparency, improving capacity building and initiating measures that would lead to better governance and stronger institutions needed to encourage investments and business activity as well as to foster social cohesion.

In order to ensure sound implementation of the MFA programmes, strong reporting and monitoring mechanisms were introduced. These included, among others, provision of compliance statements by the Ukrainian authorities on the implementation of the specific measures attached to the programmes. In addition, there was regular submission of relevant macroeconomic and structural data to allow the Commission services assess progress with achieving the objectives of the programme. Monitoring also included assessment missions by the EU staff.

3. IMPLEMENTATION / STATE OF PLAY

3.1. Modality and implementation of the MFA programmes

While MFA I was a legacy programme that was adopted by the EU in 2010 and finalised only in March 2014 with the parliamentary approval of the MoU related to it, MFA II was designed and adopted in a record short time in view of the urgent financing needs faced by Ukraine in early 2014.⁹ The programme was proposed in March, adopted in April, while the parliamentary ratification of the relevant MoU took place already in May 2014, which paved the way for a first disbursement in June. Both operations covered a similar set of reform areas: (i) public finance management (including anti-corruption), (ii) trade and taxation, (iii) energy sector reform, and (iv) financial sector restructuring. As for most of the MFA operations, policy measures were not attached to the first instalment, which was conditional on a satisfactory track record of the IMF programme and the fulfilment of the so-called political pre-condition for MFA - the existence of effective democratic mechanisms in place and to respect the rule of law and human rights.

MFA I included 25 reforms (14 related to the second tranche and 11 to the third tranche), **while MFA II consisted of 10 reforms** for the second tranche (see Annex 6 for a detailed list of the reforms attached to the two programmes). The design of the conditionality, subject to negotiations with the Ukrainian authorities, took into account discussions with the EU Delegation in Kyiv, the European External Action Service (EEAS), as well as extensive external coordination - the IMF, the World Bank, the EBRD and the EIB. In addition, an Operational Assessment of the financial circuits and procedures of Ukraine, delivered in 2014 by external consultants in order to ensure that the public finance management (PFM) system provided sufficient safeguards for the

⁹ This is an exceptionally short period when compared not only to MFA operations but also to international standards (i.e. typical time involving the design and negotiation of a financial support operation by the IMF and the World Bank is 4-6 months).

MFA programme, also fed into the design of MFA II. The selection of the conditions aimed at finding a balance between the need to advance key reforms in the country, in particular in the areas of **anti-corruption** as well as the **energy and financing sectors**, while ensuring a timely disbursement of the support in view of the extremely precarious financial situation of Ukraine in 2014.

	Commission proposal	Council/Parliament Decision	Reference of Council/Parliament decision	Maximum amount, EUR million	Disbursement	Amount
MFA I	Apr-02	Jul-02	02/639/EC	110	May-14	100
					Nov-14	10
	Sep-09	Jul-10	646/2010/EU	500	Nov-14	250
					Apr-15	250
MFA II	Mar-14	Apr-14	2014/215/EU	1,000	Jun-14	500
					Dec-14	500
MFA III*	Jan-15	Apr-15	2015/601/EU	1,800	Jul-15	600
					Apr-17	600
Total						2,810

*Source: European Commission; * - the final tranche from MFA III was not disbursed as Ukraine failed to implement before the expiry of the availability period of the programme several conditions attached to it*

The two programmes combined allowed for the disbursement of EUR 1.61 billion in the form of loans via a total of five tranches during the course of 2014 and 2015 (see Table 3).¹⁰ These disbursements took place from May 2014 to April 2015, largely in line with the initial expectations. The MFA was provided very quickly – in less than seven months, the EU extended EUR 1.36 billion (or some 85% of the total) in concessional loans. This included the entire EUR 1 billion from MFA II and EUR 360 million from the first two tranches under MFA I.

In addition, the **MFA was provided on very favourable financial terms**. Maturity and interest rates differed for each tranche but generally varied between 10 and 15 years and between 0.519% and 1.875%, respectively (see Table 4).

	amount, EUR million	disbursement	maturity	coupon
MFA I	100	20/05/2014	04/04/2024	1.875%
MFA II	500	17/06/2014	04/04/2024	1.875%
MFA I	260	12/11/2014	04/10/2029	1.375%
MFA II	500	03/12/2014	04/10/2029	1.375%
MFA I	250	21/04/2015	04/04/2030	0.519%
Total	1,610			

Source: European Commission

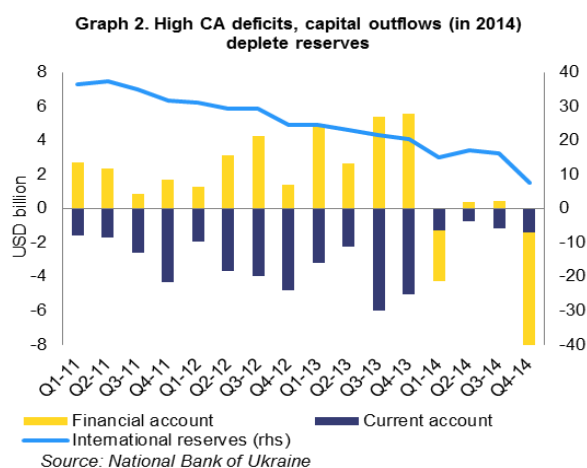
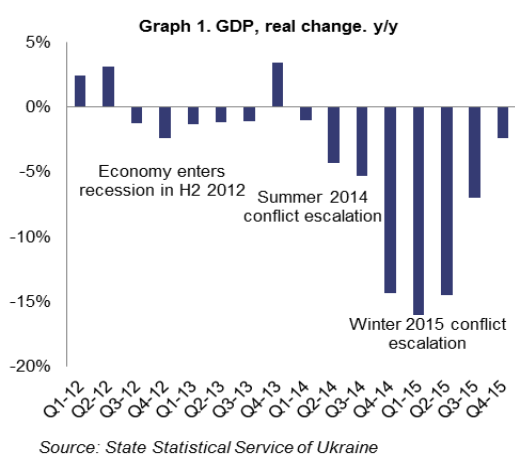
¹⁰ These two programmes were complemented in 2015 by another programme of up to EUR 1.8 billion (so-called MFA III), which was approved in April 2015 (2015/601/EU) and which will be subject to a separate ex-post evaluation.

3.2. Economic developments during the lifecycle of MFA I/MFA II (May 2014 – April 2015)

Ukraine's **difficult economic situation in early 2014** was **exacerbated by the unexpected deterioration of the security situation** – the illegal annexation of the Crimean peninsula by Russia was followed shortly by the breakout of a conflict in the East as a result of Russia's destabilising actions. The intensification of the conflict in the summer of 2014 and then in early 2015 led to a deep confidence crisis that contributed to a substantial weakening of the local currency¹¹ and contraction of household consumption and investments. There was also a negative spillover to the already weak and heavily-dollarised banking sector, which faced huge deposit outflows and a strong deterioration of its balance sheets. Ukraine's industrial sector was also heavily affected both directly, by loss of productive capacity in the non-government-controlled areas, and indirectly, as a result of disruptions in the production chain.

In addition to the conflict in the East, a number of other factors added to Ukraine's economic problems. They included various trade restrictions imposed by Russia, one of Ukraine's key export markets, a dispute on gas deliveries by Russia and worsening terms of trade due to weak global prices for agricultural products and metals, the two key export items of Ukraine.

As a result of the combination of all of the above-mentioned factors, the **economic contraction gradually intensified over the course of 2014**, from 1% year-on-year in the first quarter to 14.4% in the final quarter (see graph 1). The overall economic contraction reached 6.6% in 2014. The fiscal implications from the conflict were serious as well – loss of tax revenues and increases in security spending irrespective of the urgent need for consolidation of the public finances. Higher energy prices due to the currency depreciation and the clearance of gas arrears to Russia led to ballooning losses of Naftogaz, which were ultimately monetised by the central bank. Hefty capital injections in the banking sector were also required.



¹¹ The hryvnia lost 50% of its value against the USD in 2014 despite interventions of the central bank in support of the currency.

Currency depreciation and increases in regulated prices fuelled consumer price inflation to nearly 25% year-on-year at end-2014 from 0.4% a year earlier. Exports shrank by 20% in value terms in the year due to weak global commodity prices but also disrupted production chains as a result of the conflict and hostile trade policies imposed by Russia, offset to a small degree by a reorientation of Ukrainian trade towards the EU. High external debt repayments, clearance of gas arrears to Russia¹² and interventions in support of the local currency kept on depleting Ukraine's international reserves. They more than halved in the course of 2014 to USD 7.5 billion at the end of the year (see graph 2).

The country entered 2015 in a very severe crisis which was further amplified in the first months of 2015 by the resumption of military activity in the East and ongoing uncertainty about the IMF programme. In early February 2015, in an effort to eliminate the parallel currency market, the National Bank of Ukraine (NBU) halted its foreign exchange auctions, which led to a sharp depreciation of the hryvnia – some 40% of its value against the USD in less than a month. Confidence hit rock bottom as foreign exchange reserves fell to a record low of USD 5.6 billion at end-February, which translated to around a month and a half of imports. Against this background, the first quarter ended with the deepest recession as GDP contracted by 16% on the year, while inflation peaked at 60.9% year-on-year in April 2015.

Conflict and economic weaknesses led to large additional financing needs beyond those envisaged in the IMF 2014 SBA programme. Already in late 2014 it was evident that Ukraine needed additional and substantial financing. This financing gap was estimated at USD 40 billion in 2015-2018 with the new USD 17.5 billion Extended Fund Facility (EFF) programme of the IMF that was approved in March 2015. In order to help cover this additional external financing gap, the EU approved in April 2015 another MFA programme, the so-called MFA III, of up to EUR 1.8 billion in the form of loans.

3.3. Economic developments after the implementation of MFA I/MFA II

Ukraine's economy witnessed the **first signs of economic stabilisation already in mid-2015**. This was the result of prudent fiscal and monetary policies to address the macroeconomic imbalances, resumption of financing by international creditors¹³ and an improvement of the external environment, in particular a pick-up of commodity prices. The **gradual easing of the intensity of the fighting in the East** was also important for reining in the confidence crisis and paving the way for macroeconomic stabilisation. In addition, Ukraine managed to agree a large-scale restructuring deal with its private external creditors, which was finalised in November 2015.

¹² In November 2014, Ukraine paid USD 1.5 billion to Russia for clearance of undisputed gas arrears accumulated in 2013. This payment was made as part of a deal that allowed Ukraine to secure additional gas from Russia during the 2014/2015 winter season and thus avoid a potential gas crisis.

¹³ In March 2015, Ukraine received the first tranche of USD 4.9 billion from its new programme with the IMF. This was followed by USD 1 billion bond guarantee by the US, EUR 600 million in MFA from the EU and USD 1 billion in financial assistance from the World Bank.

The quarterly pace of economic contraction eased considerably in the second half of 2015 and **the economy returned to growth in the first quarter of 2016** on the back of gradually improving consumer and investor confidence. GDP growth reached 2.4% in 2016 as investments surged by 20% year-on-year, while household consumption returned as confidence started gaining hold. These two factors remained the main drivers of the economy in 2017, when GDP growth amounted to 2.5%. A stronger performance in that year was constrained by a cargo blockade the Ukrainian authorities imposed in March 2017 over the non-government controlled areas, a move that had a particularly strong impact on the industrial performance.

The economic stabilisation helped the local currency strengthen, which in turn was conducive to a sharp slowdown of inflation – to 6.9% year-on-year in July 2016. Inflationary trends, however, re-emerged as of 2017 in a context of normalisation of the monetary policy, substantial wage growth, and growing food prices due to adverse weather.

Prudent fiscal policies were key to the macroeconomic stabilisation. The consolidated state budget deficit was reduced to 1.4% of GDP in 2017 from 4.5% in 2014 as a result of conservative expenditure and revenue-boosting measures. The improvement came despite mounting interest outlays due to Ukraine's rising public debt, growing defence spending and higher subsidies to compensate for the growing energy prices. Naftogaz, a major quasi-fiscal liability for the state, not only eliminated its operational deficits but became a major contributor to the budget in 2017. This fiscal consolidation, coupled with stability of the exchange rate since 2016, has also helped reduce public debt to 71.8% of GDP at the end of 2017 from nearly 81% a year earlier.

On the external front, a **sharp crisis-driven adjustment of the current account deficit** (from 9% of GDP in 2013 to a surplus of 1.8% in 2015) was **followed by a gradual widening** to 1.9% of GDP in 2017. This reflected mostly the strong recovery in investment imports on improving business confidence, but also robust domestic consumption following considerable wage increases and the stabilisation of the local currency. Another factor for the stabilisation of the current account was the strong increase of remittances, in particular ones from Poland, due to the significant labour migration following the conflict in 2014. Private capital flows returned even though foreign direct investments remain weak. The banking sector also stabilised. Measures to clean up the system from non-viable players, reduce related-party lending and improve the oversight of the central bank all acted to gradually restore confidence. As a result, bank deposits started growing in 2016 and were followed by resumption of credit growth.

The macroeconomic stabilisation helped the country **return to the global debt markets in 2017**, or four years after it lost market access. In September, Ukraine placed USD 3 billion of 15-year Eurobonds with 7.375% yield. Out of this, USD 1.6 billion was used to redeem bonds maturing in 2018 and in 2019, thus ensuring short-term liquidity relief.

3.4. Implementation of MFA III

At the end of 2014, faced with a deteriorating economic situation and the conflict in the East with bleak prospects for a swift resolution, the Ukrainian government recognised a need for further MFA and requested another programme. This **operation of EUR 1.8 billion** was launched in mid-2015. In total, **36 specific conditions** were attached to the financial envelope. In addition to the areas covered by the previous two programmes, MFA III included reforms of **public administration and judiciary**. Ukraine received EUR 1.2 billion under the programme – EUR 600 million in July 2015 and EUR 600 million in April 2017. The country **failed to qualify for the final tranche of EUR 600 million** as four of the reforms attached to it, in particular important measures in the fight against corruption, had not been implemented within the availability period before the programme's expiry in January 2018.

In the meantime, Ukraine continues its four-year programme with the IMF. In 2014-2017, a total of three programme reviews from this programme were completed, leading to the disbursement of approximately of USD 8.5 billion of financial support. Progress with the IMF programme was uneven due to relatively slow implementation of the reforms attached to it in a situation of a complex domestic political environment and continuous strong opposition to reforms from vested interests.

4. METHOD

This evaluation is supported by an assessment of an external contractor that was carried out from December 2016 and to November 2017. The external evaluation, which was facilitated by an Inter-service Steering Group (ISG), included the following steps - an inception report (which explained how the evaluation design would deliver the information required), field visits to Ukraine, Belgium and the United States for discussions with key stakeholders, an interim and a final report (providing responses to evaluation questions). The Evaluation was carried out in line with the principles commonly applied for the evaluation of EU initiatives, as enshrined in the Better Regulation Guidelines.¹⁴

Overall, the quality of the collected evidence (data, documentation, interviews and survey results) for this evaluation can be assessed as very good, within the limitations mentioned below. The quantitative fieldwork was based on reliable statistical data, while purposeful sampling was used for the interviews, the Delphi survey and the focus group discussion. To collect a broad, multi-dimensional and triangulated picture of the economic, financial and structural issues surrounding the programme, a wide range of the civil society organisations was also involved.

¹⁴ European Commission, July 2017, https://ec.europa.eu/info/files/better-regulation-guidelines_en

Fact finding

The evaluation comprised a variety of tools such as desk research, interviews with a wide range of stakeholders, a tailor-made structured communication technique (the so-called Delphi method)¹⁵, 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. With a view to assess the visibility of the EU intervention, a social media and press content analysis was also carried out.

The *desk research* involved the review and analysis of about 60 documents (see Annex 7). These could be grouped in four main types - (i) documents directly related to the design and implementation of the MFA programmes, (ii) EU policy-related documents, (iii) documents published by the Ukrainian authorities, and (iv) documents prepared by various international financial institutions and economic researchers. In addition, a variety of data sources was used and analysed such as the State Statistical Service of Ukraine, the Ministry of Finance of Ukraine, the NBU, the World Economic Outlook of the IMF, among others.

Interviews with key stakeholders constituted an essential part of the fact-finding work.¹⁶ A total of 46 interviews were held in several rounds over the course of 2017. They covered a wide variety of issues related to the design and implementation of the MFA programmes, their impact, the overall financial support package to Ukraine, progress with macroeconomic stabilisation and implementation of structural reforms, and others.

The *Delphi panel* was carried out on the basis of structured questionnaires that sought to establish views on the role and contribution of the MFA in achieving macroeconomic stability, easing external financing constraints and alleviating Ukraine's balance of payments and budgetary needs. In particular, participants were asked to elaborate on the plausible scenario would MFA I and II (or the whole joined assistance package from international community) not have been implemented. The survey also covered aspects related to the role of both MFA operations in promoting structural reforms and their social impacts. During the initial round of the survey, 34 respondents (out of 65 invited) provided valid feedback which resulted in 53% response rate.

The *focus group* discussion collected the views and opinions of a wider group of Ukrainian non-government stakeholders (not directly involved in the operations) on various aspects and most notably the non-financial value added of both MFA operations.

¹⁵ The Delphi method is a structured, interactive communication method that is used for consensus-building by using a series of questionnaires. More information on the Delphi method could be found at <https://www.rand.org/topics/delphi-method.html>.

¹⁶ Interviews were held with EU Member States representatives, Ukrainian authorities, representative of Ukrainian state-owned companies that were directly affected by the structural reforms supported through the MFA programmes, international financial institutions, and the international donor community. In addition, EU officials from various services were also interviewed as part of the evaluation process.

Discussion covered also aspects related to visibility and confidence-boosting effects of the MFA and communication.

The *stakeholder workshop* was organised to test and validate the emerging findings with 14 stakeholders closely involved in the negotiation and/or implementation of the MFA and IMF assistance.

The aims of the *social media (Twitter) and press content analysis* were primarily to (i) analyse in a systematic manner the visibility of MFA I and II (quantitative stage - counts of references obtained) and (ii) strengthen the evidence base for issues related to public acceptability of reforms and their perceptions of the relevance and impact of MFA support (qualitative part – sentiment analysis).

Limitations and Methodological Issues

While the overall reliability and validity of the evaluation is considered strong, there are a number of methodological limitations. The Commission acknowledges the limitations identified and recognises they do not impact on the conclusion drawn from the evaluation.

They relate to 'memory loss'¹⁷ as in certain cases stakeholders were unable to recall in detail aspects related to the programmes or/and the relevant context. Another problem arose from reference by some of the interviewees to the ongoing MFA III operation, which was outside the scope of the evaluation. In such cases, it was underlined that the evaluation relates to MFA I and II only and thus links with MFA III should be avoided. Furthermore, it should be noted that it is extremely difficult to disentangle the impact of the MFA programmes on supporting macroeconomic stability and promoting structural reforms from the ones of other creditors such as the IMF and the World Bank.

In the case of the Delphi panel, the main limitation stems from the insufficient familiarity of participants with the aspects of the MFA operation and the tendency to stick to strong own views based on own interpretation of historical developments. With regard to the social media and press content analysis, not all aspects may have been grasped fully by the researchers, which could have had implications for the interpretation of the analysed content. It should be also noted that the qualitative content analysis involves considerable degree of judgment.

Finally, it should be noted that whilst the quality and coverage of Ukrainian statistics is relatively good, there are some structural breaks, mostly due to the illegal annexation of the Crimean peninsula and the conflict in the East. However, these are not considered to have impacted on the results of the assessment as the monitoring mechanisms of the implementation of assistance were adequate for the evaluation of the initiative.

¹⁷ This 'memory' loss is particularly pronounced for MFA I, which was negotiated in 2010-2012.

5. ANALYSIS AND ANSWERS TO THE EVALUATION QUESTIONS

Relevance

Question 1

To what extent was the MFA operation design (including adequateness of financing envelope, focus of conditionality) appropriate in relation to the outputs to be produced and objectives to be achieved?

In early 2014, Ukraine was facing considerable financing needs reflecting a high current account deficit, large external debt payment obligations and the need to ensure a minimum buffer of foreign exchange reserves. It was expected that private capital flows, in the form of direct or portfolio investment or private credits would remain extremely low in view of the political uncertainty and unfavourable external environment. While at that time, there was not sufficient clarity about the size of the residual external financing needs, it was clear that Ukraine would urgently need considerable financial support to stabilise its economy and implement the ambitious reform agenda of the new authorities.

The two MFA programmes of combined EUR 1.61 billion (around USD 2.2 billion) represented by far the biggest contribution provided by the EU to a partner country under this instrument. They accounted for 35% of all MFA disbursed over the 23 years (from 1991 to 2013) since the launch of the instrument. The contribution of the MFA, and thus its relevance, was strengthened by its quick disbursement - MFA II, which was the largest MFA operation at its time, was made available in full in 2014. The EU's MFA aimed at covering part of Ukraine's external financing needs, complementing a comprehensive international support programme led by the IMF. The size of Ukraine's financing gap was estimated at USD 27 billion in 2014-2016. In view of the urgency of the situation, the MFA focused on the short-term financing needs. Initially, it was meant to cover nearly 20% of Ukraine's external financing gap in 2014 but in reality its contribution came at 35% due to lower-than-planned disbursement by other partners, in particular the IMF.

The MFA was granted completely in the form of loans. This reflected the size of the operation and was consistent with the form of financial assistance provided to Ukraine by other multilateral and bilateral creditors. The decision also took into account the fact that Ukraine receives significant grant support under other EU instruments. Noteworthy, under the State Building Contract (SBC) that was launched along with the two MFA programmes, Ukraine was eligible for EUR 355 million of budget support grants, with EUR 250 million of them disbursed in mid-2014. None of the consulted stakeholders contested the form of the financial assistance delivered under MFA I and II with no suggestion that in hindsight a grant component should have been used.

With regard to the size, some stakeholders argued that the size of the MFA I and II could have been greater.¹⁸ The need for higher assistance, in particular stemming from the severe deterioration of the economic situation as a result of the worsening geopolitical situation over the course of 2014, was recognised by the Commission and reflected in the new MFA proposal from 8 January 2015 for EUR 1.8 billion. This brought the total support under this instrument at EUR 3.4 billion (around USD 4.3 billion), which stretched the financial assistance available from the instrument to its limits

MFA funds were released upon the fulfilment of a number of pre-agreed policy conditions (see Annex 6). The conditionality aimed at addressing Ukraine's main reform needs, while taking into account the priorities of the authorities in order to ensure the required ownership of the programme. In 2014, the effort to design the conditionality was related to MFA II only as reforms attached to MFA I were already agreed by early 2013. Despite the time that had elapsed, MFA I conditions were considered still largely relevant.¹⁹ In addition, any re-opening of discussions related to this programme could have resulted in a considerable delay with the disbursements, thus seriously undermining the relevance of the entire operation.

Both MFA operations were designed following a thorough assessment (ex-ante evaluation) of Ukraine's reform needs. For MFA II, an operational assessment (focused on a specific reform area such as public finance management) was also produced. The conditions covered four main areas - trade, energy, financial sector and PFM, including anti-corruption measures. These were considered key for supporting macroeconomic stabilisation and ensuring a propitious environment for deeper and more comprehensive structural reforms, which were ultimately pursued with the follow-up (MFA III) programme. Targeted reform areas in MFA I and II were in line with the country's priorities, i.e. with the Programme for Economic Reforms for 2010-2014 of Ukraine.²⁰

The reforms supported through the two MFA programmes largely covered the key priority areas identified by the EU and Ukraine in the context of the Association Agreement, thus acting as a tool for promoting its implementation. At a more granular level of detail, MFA conditions also appear to have good degree of complementarity with other EU instruments, including the SBC, which, with MFA operations, represented another major deliverable of the support package to Ukraine announced by the European Commission in March 2014.

In order to ensure complementarity and to avoid overlaps, the choice of reforms was closely coordinated with other key international partners of Ukraine such as the IMF, the World Bank and the EBRD, which all shared the same broad set of priorities, as assessed in early 2014. Finally, conditions were designed to ensure coherence with the general

¹⁸ These views were expressed for instance by the IMF.

¹⁹ This was confirmed by the detailed assessment conducted by the external contractor of the relevance of the reform measures attached to the MFA programmes.

²⁰ http://www.usubc.org/site/files/Ukraine_Program_of_Economic_Reforms_2010-2014.pdf

objective of the operation, i.e. restoring economic stabilisation. There was no dissent among consulted stakeholders²¹ that the identified priorities were essential for a sustainable recovery. Given the relatively short-term nature of the MFA and the need for a swift response, the required reforms had to be generally implementable in 6 to 12 months.

The external assessment did not identify any poorly timed or overly ambitious conditions under MFA I and II operations. With just a few exceptions²², the relevance of the selected reforms was generally high or very high. At the thematic level, all areas of conditionality were highly relevant. This was especially true for anti-corruption measures, and noted as such by national stakeholders. Given the endemic level of the corruption in Ukraine that often obstructed structural reforms, and the fact that it was indeed a key catalyst of the mass public protests that started in November 2013, the importance of these measures was very high.

The anti-corruption dimension was also present in a number of conditions from other areas i.e. clearance of VAT refund arrears (trade and taxation), improvement of implementation of the legislation on the disclosure of ultimate owners of banks (financial sector) and the increase in transparency of financial reporting by Naftogaz (energy sector). At the thematic level, none of the stakeholders, including participants in the focus group, pointed to any additional area that should have been covered by the MFA.

Finally, MFA reforms also complemented those from the IMF SBA (see Table 5), in particular the ones in the areas of public finance management, anti-corruption and energy. They went beyond the scope of the IMF-supported reforms by including measures related to trade policy (with the objective to encourage business activity) and social policy (a call for strengthening of the social safety net in the context of increases of household gas tariffs).

²¹ Those who took part in the individual interviews as well as the ones who participated in the focus group.

²² This relates to conditions (3 out of 25) from MFA I that were implemented before the actual launch of the programme due the significant lag between negotiation of the programme (2010-2013) and its implementation (2014-2015). These included bringing customs valuation practices in line with the standards of the World Trade Organisation, modernising the product coding system, and amending legislation in order to ensure application of the International Financial Reporting Standards for financial market participants.

Priority	EU MFA I and II	IMF 2014 SBA	UA programme of reforms
PFM including reinforcement of the Accounting Chamber of Ukraine	✓	✓ (more restricted scope: only in relation to Public Procurement)	✓
Anti-corruption	✓	✓	✓ (not prominent)
Trade policy: application of WTO commitments	✓	x	✓
Fiscal policy	✓ (VAT refunds)	✓	✓
Energy policy:	✓	✓	✓
Raising tariffs	x	✓	✓
Introducing a social safety net	✓	x	✓
Participating in the Extractive Industry Transparency	✓	x	
Financial policy	✓	✓	✓

Source: 'Ex-post evaluation of Macro-Financial Assistance, Final report', November 2017, ICF

Overall, 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 significant enough to support Ukraine during one of the most challenging periods the country went through. While the geopolitical crisis from early 2014 finally resulted in a considerably increase of Ukraine's external financing needs as of 2015, this was accommodated through a new, and bigger, MFA programme in April 2015. The reform areas supported by the programmes were highly relevant to the country's needs and were well aligned with the reform programme of both the authorities and official creditors such as the IMF.

Effectiveness

Question 2

To what extent have the objectives of the MFA operation been achieved? This question aims at assessing the effectiveness of the intervention and considers the global picture (macroeconomic developments, fiscal policy, structural reforms, other sector reforms) from a quantitative and qualitative point of view.

The objectives of MFA to Ukraine are, as set out, inter alia, in the Memoranda of Understanding (MoU), to “ease Ukraine’s urgent external financing constraints, alleviate its balance of payments and budgetary needs and strengthen its foreign exchange reserve position”. In addition, according to the Council decision on MFA II, the EU assistance should underpin the implementation of a policy programme containing a strong adjustment and structural reform component.

The international financial support package for Ukraine, of which the EU's MFA I and II were an integral part, did not manage to immediately contain the economic crisis. This was due to the unexpected sharp worsening of the geopolitical situation that led to the illegal annexation of the Crimean peninsula by Russia and the emergence of a major

conflict in the East in the spring of 2014. The deep deterioration of the economic ties between Russia and Ukraine was also unforeseen. As a result, Ukraine entered into a deep and prolonged recession, which peaked in the first quarter of 2015. It was accompanied by a strong currency depreciation that eroded household purchasing power by fuelling inflation. The currency weakening was also instrumental for the sharp deterioration of Ukraine's public debt metrics.

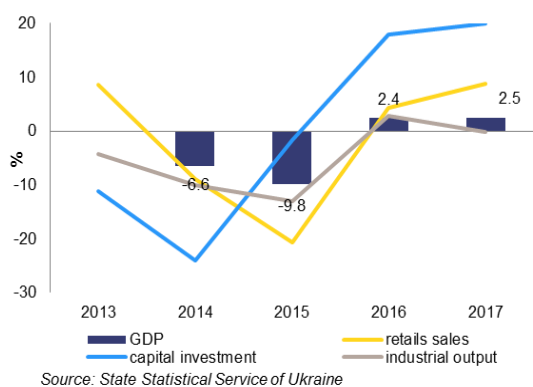
While the real-sector crisis led to a sharp import contraction, and ultimately a strong downward adjustment of the high pre-crisis current account deficit, it was accompanied by huge capital outflows as the confidence crisis unfolded. They reached USD 9 billion in 2014 and contributed to the fast depletion of official reserves in the year.

Even though the two MFA programmes could not avert the economic crisis in Ukraine in 2014-2015, they played an important role in cushioning its effect. Absent alternative financing from domestic/international markets and with no prospects for additional bilateral support, the authorities would have had to resort to further fiscal adjustment without MFA from the EU. This could have contributed only to exacerbate the already deep economic crisis in the country, including by further eroding consumer and business confidence and deepening the sharp depreciation of the local currency.

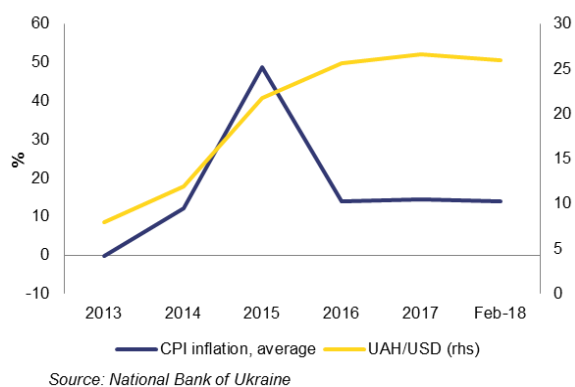
This is also a key finding of the Delphi panel. According to the participants in the survey, the absence of macro-financial assistance from the EU would have led to further fiscal tightening. In view of the already limited means to raise revenues at that time, this would most likely have come from further expenditure cuts. In view of the limited possibilities for further reduction of outlays, wages and employment in public sector are likely to have been the main targets for the required expenditure cuts. In such a case, a further fall in private consumption/rise in unemployment could have been expected, pushing also some of the most vulnerable households into poverty. The absence of the MFA would have also impacted private confidence, which was already running very low. Consequently, this would effectively mean a greater contraction of economic output and a further delay of economic stabilisation that ultimately took place from mid-2015 onwards.

The resumption of the international financial assistance package for Ukraine with the launch of a new, longer programme by the IMF that was complemented by additional MFA from the EU, was a turning point for the country. The currency started stabilising, while investment activity and household consumption commenced a robust recovery that helped the economy register growth of around 2.4% in 2016 and 2.5% in 2017 (see graphs 3 and 4).

Graph 3. Investments, household consumption support economic recovery



Graph 4. Inflation moderates after 2015 as local currency stabilises



Improving economic activity, coupled with tax collection reforms, fuelled growth in tax revenues and helped bring public finances back on a sustainable footing. This has also allowed for considerable increase of wages and pensions after their steep decline (in real terms) with the crisis, without threatening fiscal stability. On the external side, the current account deficit adjusted strongly from its high pre-2014 levels, while private capital flows gradually recovered. This, along with the significant official financial support, helped the country replenish its international reserves. (see Table 6).

Table 6. Ukraine - Selected macroeconomic and social indicators, 2013-2017

	2013	2014	2015	2016	2017
GDP, real, % change	0.0	-6.6	-9.8	2.4	2.5
Industrial output, % change	-4.3	-10.1	-13.0	2.8	-0.1
Retail sales, % change	8.6	-8.9	-20.7	4.3	8.8
Gross fixed capital investment, % change	-11.2	-24.1	-1.7	18.0	20.0
Consumer price index, end-period, % change	0.5	24.9	43.3	12.4	13.7
Unemployment rate (survey-based, %)	7.2	9.3	9.1	9.3	9.5
Wage dynamics, % change in real terms	8.2	-6.5	-20.2	9.0	19.1
Consolidated state government deficit/surplus, % of GDP	-4.3	-4.5	-1.6	-2.3	-1.4
General government debt, % of GDP	39.9	69.4	79.1	80.9	71.8
Current account, % of GDP	-9.0	-3.4	1.8	-1.4	-1.9
Gross international reserves, end-period, USD billion	20.4	7.5	13.3	15.5	18.8
in months of next year's imports	3.5	1.8	3.1	3.5	3.6
Foreign direct investment, net, USD billion	4.1	0.3	3.0	3.4	2.4
Gross external debt, % of GDP	77.5	93.9	130.8	125.3	104.0
Short-term gross external debt, % of GDP	32.3	42.1	56.5	52.1	41.6
Nominal exchange rate, end-year, USD/UAH	8.0	15.8	24.0	27.2	28.1

Source: State Statistical Service of Ukraine; National Bank of Ukraine; Ministry of Finance of Ukraine; Commission Staff estimates

With regard to structural reforms, the two MFA programmes were effective in promoting a variety of measures in the areas public finance management, anti-corruption, energy policy, financial sector restructuring and social policy. These findings were supported by extensive interviews and discussions with various interlocutors (both international and Ukrainian) as well as by an audit carried out by the European Court of Auditors, which examined the effectiveness of the EU assistance (including MFA) in supporting reforms

three specific areas - PFM, the fight against corruption, and the gas sector.²³ The impact on effectiveness was also supported by the ability of the Ukrainian authorities to use the MFA as a 'cover' for their own reform agenda. For example, the Ministry of Finance and Naftogaz were able to use the 'MFA argument' in their internal negotiations related to specific reforms.

The effectiveness of the reforms attached to MFA I and II depended to varying degrees on wider donor support and the implementation of other EU initiatives such as the Visa Liberalisation Action Plan, which was another key tool in supporting anti-corruption reforms. Still, there were areas in which the MFA was the sole international determinant of a reform. In the case of PFM, the extension of the remit of the Accounting Chamber of Ukraine (ACU) and reducing non-competitive tender procedures in order to increase the transparency of the public procurement process are important examples. The MFA also played an instrumental role in the strengthening the social safety net, which allowed for a successful implementation of the energy pricing reform. Together with the work of the World Bank, the EU MFA programmes helped safeguard the lower income households from the increase of the tariff increases, which allowed to avoid higher level of poverty and enabled the energy sector reforms to proceed without major social unrest.

Overall, while the EU MFA support could not avert the economic crisis that resulted from the unexpected geopolitical events, it had proved critical for preventing a deeper contraction in 2014 and ultimately paved the way for the economic stabilisation that started taking hold as of mid-2015. With regard to structural reforms, the two MFA programmes were effective in promoting a variety 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.

Efficiency

Question 3

Was the disbursement of the financial assistance appropriate in the context of the prevailing economic and financial conditions in the beneficiary country?

In what way has the design of the MFA conditioned the performance of the operation in respect to its costs and objectives?

To what extent did the MFA design allowed to carry out the MFA operation efficiently?

In early 2014, Ukraine was facing immediate financing needs associated with the sharply deteriorating real-sector and fiscal situation. These were amplified by the high stock of

²³ <https://www.eca.europa.eu/en/Pages/DocItem.aspx?did=40134>

short-term debt amid absence of market financing options and suspension of a USD 15 billion financial support programme pledged by Russia. The EU stepped in quickly to aid the country through accelerating, including through resorting to the extraordinary legislative procedure for the adoption of MFA II, its financial assistance under the MFA instrument.

In hindsight, this emergency response was completely justified. While the EU MFA support could not avert the economic crisis that resulted from the unexpected geopolitical events, it had proved critical for preventing a deeper contraction in 2014. It also helped the authorities bridge their budget financing needs, thus ensuring uninterrupted disbursement of wages, pensions and other social benefits.

Largely as a result of the MFA, the EU became the biggest net financial contributor to Ukraine in 2014,²⁴ a critical year for the country that saw the economy collapsing due to significant macroeconomic imbalances, structural weaknesses, the conflict in the East and the rapidly deteriorating relations, including economic and trade links, with Russia. Overall, the EU provided more than USD 2 billion in financial assistance that year (out of which nearly USD 1.8 billion in the form of MFA loans). This support, which outweighed the net contributions of other multilateral and bilateral creditors, was an important factor in preventing a sovereign default or a gas crisis, both of which could have serious negative implications for Ukraine and its citizens.

Notwithstanding Ukraine's immediate financing requirement, the Commission respected the need for satisfactory fulfilment of the reform measures supported by the MFA programmes. The decisions to delay disbursements were justified given, inter alia, the importance of the conditions. The Commission also closely coordinated its activity with other international creditors, in particular the IMF. As a result, there were some minor delays with the disbursements of the final tranches from both operations. These were driven by the need to ensure better compliance by the authorities but also the replacement of the IMF's SBA from 2014 with a four-year EFF in March 2015. The postponements were adequately paced i.e. taking into account the financing needs of the authorities at the particular time.

The Commission granted waivers for non-compliance of two conditions related to the disbursement of the second tranche from MFA II and the final (third) tranche from MFA I. These waivers concerned two conditions – timely submission of the draft budget for 2015 and settlement of all legitimate value added tax (VAT) claims in cash, or against VAT obligations of the taxpayer, in a timely manner.²⁵ When making this decision, the

²⁴ In 2014 Ukraine received USD 4.6 billion in loans from the IMF and repaid USD 3.7 billion of outstanding debt to the Fund. Thus, the net contribution of the IMF was approximately USD 0.9 billion. Similar levels of support were provided by the World Bank (USD 1.25 billion in two development policy loans) and the US (USD 1 billion in a bond guarantee).

²⁵ Conditions 2 and 7 from the MoU between the EU and Ukraine for MFA II (http://ec.europa.eu/economy_finance/eu_borrower/mou/mfa_2mou_eu_ukraine_signed_en.pdf) and condition 7 related to the third disbursement from MFA I (http://ec.europa.eu/economy_finance/eu_borrower/mou/mou_eu_ukraine1_en.pdf)

Commission took into account the difficult economic and uncertain political situation in Ukraine.²⁶ In particular, the delay with the submission of the draft 2015 budget was due to the unforeseen early elections of October 2014. As regards VAT refunds, encouraging steps in the area of VAT administration and the significant worsening of the fiscal situation as a result of the deeper-than-expected recession as well as the loss of fiscal revenues from the Eastern regions were taken into account. It should be also noted that the settlement of VAT claims in the form of bonds was also allowed under the IMF programme in view of Ukraine's precarious fiscal situation.

The ownership of the programme by the authorities and dialogue between the EU and the Ukrainian authorities were relatively high and conducive to the efficiency of operations. They took advantage of the 'window of opportunity' for reform that opened in early 2014 following the public protests against the regime of then-President Yanukovich.²⁷ Good quality coordination with other donors and the ability to leverage a higher pace of reform in certain areas ensured the efficiency of the MFA operations. Monitoring processes of the implementation of both MFA operations were appropriate as they allowed the Commission to closely follow the implementation of the various reforms attached to the programme.

With the aim to improve the visibility and public understanding of the two MFA programme for Ukraine, and the MFA instrument in general, the Commission started in mid-2014 to publish on the web site of the Directorate-General for Economic and Financial Affairs (DG ECFIN) the Memorandum of Understanding that lays down the reform measure related to the operations. Despite this initiative, anecdotal evidence from interviews with stakeholders and participants in the focus group suggests that the visibility and awareness of the conditions attached to MFA I and II was relatively limited. It related mostly to the general features of the programmes – timing and size of specific disbursements. At the same time, the information on the specific reforms included, in particular on the way they could support the Ukrainian economy and population, seems to have been insufficient. The relatively limited visibility of the two MFA programmes was also confirmed by a media review and a twitter analysis conducted by an external contractor. These findings go against initial expectations for a bigger visibility given the unprecedented size of the MFA operations and the political context.

Overall, the disbursement of the financial assistance was highly appropriate in the context of the prevailing economic and financial conditions in Ukraine. The quick provision of the funds was crucial in containing an even deeper economic crisis and

²⁶ In this case, the Commission has also received a comfort letter from the MFA which states that the delay with the submission of the draft budget does not endanger the implementation of Ukraine's economic programme.

²⁷ This 'window of opportunity' has started to gradually close down already in 2015 due to the complex domestic political environment and the growing opposition to reforms by vested interests, which continue to exert significant influence on policy-making in the country

paving the way for a gradual economic recovery in 2015. 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. The postponements and granted waivers were justified. While there seems to have been good understanding of the general features of the programmes (timing and size of specific disbursements), the visibility and awareness of the conditions attached to MFA I and II was relatively limited.

EU added value

Question 4

What was the rationale for an intervention at the EU level? To what extent did the MFA operation value compared to interventions by other international donors?

To what extent have the activities financed under the Programme delivered the expected outputs?

The added value of the two MFA operations for Ukraine partly derives from the fact the EU can mobilise and coordinate resources at a speed and a scale that cannot be matched by individual Member States but also by other EU instruments.²⁸ In the absence of MFA, it would have required a Member State, with an experience of cooperating with the IMF, to be willing to coordinate across countries in order to raise the substantial levels of finance required by Ukraine at a very short notice. Another possibility could have been a unilateral commitment. However, in view of the size and the urgency of the financial assistance, such a possibility was hardly feasible.

Several Member States indeed complemented the EU support for Ukraine by providing bilateral financial assistance. Germany committed a EUR 500 million loan, while Sweden and Poland both pledged in early 2015 loans of EUR 100 million. In addition, the central bank of Sweden concluded in September 2015 a currency swap agreement with the NBU worth EUR 500 million. All of the above-mentioned assistance combined came below the MFA support provided by the EU under the two programmes. None of it was made available in the period of implementation of MFA I and II. The design and implementation of the loan agreements committed by Member States took much longer than the one for the two MFA programmes further indicating that they could not have been a viable alternative to the EU support in the aftermath of the 2014 political and economic transition of Ukraine.

²⁸ According to the findings of the European Court of Auditors (ECA), the MFA instrument 'was the most effective means of rapidly disbursing the support promised to Ukraine for dealing with its difficult financial situation'. For more information see the ECA's Special report on EU assistance to Ukraine - https://www.eca.europa.eu/Lists/ECADocuments/SR16_32/SR_UKRAINE_EN.pdf

The EU MFA was an important element of the IMF-led international financial support programme from the spring of 2014. In view of its short-term nature, MFA was supposed to cover approximately 20% of the USD 10 billion financing needs estimated for 2014. In reality, this contribution turned out to be much bigger due to considerable delays with funding by the IMF as well as with extension of project financing loans.

The MFA operations were supportive of national reform priorities that were underpinned in the Association Agreement (AA) between the EU and Ukraine. Thus, the EU had substantial insight and influence over the selection of priorities and the associated conditionalities, adding value compared to other international donors. Some of the EU-led reforms, in particular those directed to anti-corruption measures, were closely followed, and supported, by active civil society organisations in their call for major reforms in the area of anti-corruption and modernisation of government institutions.

In the context of the two MFA programmes, the EU established robust coordination with the IMF and the World Bank in order to identify best the responsibility for reforms among donors and thus ensure full complementarity. The EU support was also a material factor for other creditors, in particular the IMF's Board decision to approve the SBA in April 2014.²⁹

The design of the response to the Ukraine crisis required active and quick co-operation of all international partners, both in terms of financial commitments and agreement on the type of conditionalities proposed. The EU was a constructive party to these discussions, based in part on the understanding of conditions and priorities gained from the negotiations of the AA, which also provided reassurance that conditionalities would be respected (given the poor track record of Ukraine of implementation of past programmes). The ability of the EU to pull together the MFA I (already in place) and MFA II in a very short period of time provided impetus and confidence to other donors that the package could be concluded and implemented on time. The willingness of the EU to lead on areas of reforms where it has political weight could be considered to leverage difficult reforms, providing additional confidence to the other donors. Key areas included public finance management (including anti-corruption measure and public procurement), VAT reforms and the social safety net.

MFA support was taken as a clear sign that the EU was prepared to meet its commitments and to assist in resolving the economic crisis Ukraine went into in early 2014. In so doing the MFA operation provided the sign of solidarity that helped to reduce instability and to buy time for the political process and the implementation of agreed reforms. The MFA programmes also added value through their signalling effect to the population and civil society as well as a confidence-boosting effect on the private sector creditors and investors. While the exact impact of the EU financial support on business confidence is difficult to quantify, in particular in view of the external factors and the fact

²⁹ 'Ukraine. Ex post evaluation of exceptional access under the 2014 Stand-By Arrangement', IMF, September 2016

that MFA was only part of the international support package, the majority of the interviewees in the Delphi panel believed the EU intervention bolstered confidence.

Overall, the ability of the EU to mobilise and coordinate significant financial resources at a relatively quick speed was a key rationale for this intervention. While several Member States also mobilised and extended financial assistance to Ukraine, none of them was able to do it in 2014, the year when Ukraine's financing need was most urgent. The MFA operations were supportive of national reform priorities that were underpinned in the AA between the EU and Ukraine. Thus, the EU had substantial insight and influence over the selection of priorities and the associated conditions, adding value compared to other international donors. The MFA programmes also added value through their signalling effect to the population and civil society as well as a confidence-boosting effect on the private sector.

Coherence

Question 5

Were the measures of the MFA operation in line with key principles, objectives and measures taken in the EU external actions towards Ukraine?

The EU has long been committed to support Ukraine's economic and political reforms. Two broad frameworks, the European Neighbourhood Policy (ENP)³⁰ and the Eastern Partnership³¹, have been put in place to gradually accompany Ukraine towards political association and economic integration with the EU. A milestone was achieved in 2014 with the signature of the AA/DCFTA between the two sides.

The AA entered into force on 1 September 2017 but had been provisionally applied since November 2014 (January 2016 as far as its trade part, the DCFTA, is concerned). To guide the process of reforms underpinned by the AA and to define priorities, an updated version of the Association Agenda was adopted in March 2015.³² By mapping the conditions of the MFA I and II against the short-term priorities established in the Agenda, one can see how the conditions from the MFA operations fed into the implementation of the AA (see table 6). Reforms related to democracy, human rights and fundamental freedoms were not addressed by the two MFA programmes as these are areas that are usually not covered by this instrument.

³⁰ https://eeas.europa.eu/headquarters/headquarters-homepage/330/european-neighbourhood-policy-enp_en

³¹ https://eeas.europa.eu/headquarters/headquarters-homepage/419/eastern-partnership_en

³² EU-Ukraine Association Agenda to prepare and facilitate the implementation of the Association Agreement As endorsed by the EU-Ukraine Association Council on 16 March 2015. Available at: http://eeas.europa.eu/archives/docs/ukraine/docs/st06978_15_en.pdf

Table 7. High-level comparison of Association Agenda's short-term priority for action and MFA areas of conditionality	
<i>Priority for action in Association Agenda</i>	<i>MFA I and II priority</i>
Constitutional reform	X
Election reform	X
Preventing and combating corruption	✓
Judicial reform	x (not part of the MFA I and II)
	✓ (MFA III)
Public administration reform	✓
	✓ (MFA III)
Deregulation	x (not part of the MFA I and II)
	✓ (MFA III)
Public procurement reform	✓
Taxation reform, including VAT refunds	✓
External audit	✓
Energy sector reform	✓

Source: 'Ex-post evaluation of Macro-Financial Assistance, Fian Report', ICF, November 2017

MFA I and II were also coherent with financial commitments taken by the EU towards Ukraine. In particular, the reform measures supported through the two MFA programmes had a good degree of complementarity with the SBC – another emergency support instrument that was deployed in May 2014 with two general objectives – (i) to support the government of Ukraine in addressing short-term economic problems (through the disbursement of a EUR 250 million grant out of a total commitment of EUR 355 million) and (ii) to prepare for in-depth reform in the context of political association and economic integration with the EU on the basis of the AA/DCFTA. There were three common areas of conditionality between the MFA I and II and the SBC - public procurement, public finance management and anti-corruption. Evidence gathered via desk research, semi-structured interviews and from the stakeholder workshop did not provide any suggestion of duplication of effort or inconsistencies. This finding is similar to the one of the European Court of Auditors.³³

The MFA programmes were also aligned coherently with another flagship EU initiative for Ukraine – the Visa Liberalisation Action Plan (VLAP). In 2008, the Commission initiated a dialogue on visa liberalisation with Ukraine with the aim to identify all the relevant conditions that could be necessary to fulfil before EU visa-free travel could be granted. These are primarily linked to the justice and home affairs. The common area for MFA I and II and VLAP was the fight against corruption.

By complementing sizeable grant financing and project finance support extended by the EIB and the EBRD, the two MFA programmes were also coherent with the financing provided by these two financial institutions, which, as mentioned earlier, was part of the overall EU support package for Ukraine. The MFA assistance was also an important contributor to the international financial support package for Ukraine under the 2014 SBA with the IMF (see Table 2, page 7). In order to ensure complementarity and to avoid overlaps, the choice of reforms was closely coordinated with other key international partners of Ukraine. As a result, MFA-supported reforms complemented those from the IMF SBA (see Table 5, page 19), in particular the ones in the areas of public finance management, anti-corruption and energy.

³³ ECA (2016) Special report no 32/2016: EU assistance to Ukraine. 07/12/2016.

Finally, it should be noted that MFA I and II did not overlap with financial support that was directly provided by Member States (see page 26), as the latter was extended after the design and implementation of the two EU support programmes.

Overall, the measures of the MFA operation were completely aligned with key principles and measures taken in the EU external actions towards Ukraine. The conditions attached to the programmes supported reforms in many of the areas covered by the AA/DCFTA between the EU and Ukraine. In addition, the operations were coherent with financial commitments taken by the EU towards Ukraine – they complemented sizeable grant financing and project finance support extended by the EIB and the EBRD. The MFA programmes were also aligned coherently with another flagship EU initiative for Ukraine – the Visa Liberalisation Action Plan.

Public debt sustainability analysis

An analysis of the impact of the MFA operation (also in combination with the IMF programme) on the debt sustainability of the country, possibly by drawing on the IMF's DSA

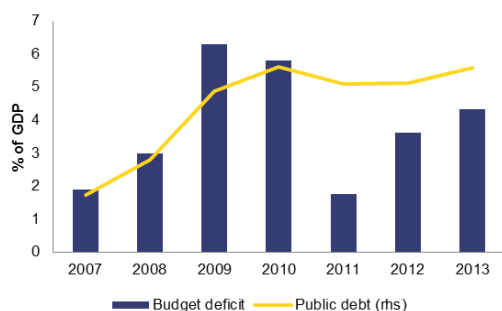
In the wake of the global financial and economic crises in 2007-2008, Ukraine's general government debt-to-GDP ratio increased substantially before stabilising at slightly below 40% over 2010-2013.³⁴ Moreover, it was subject to significant exchange and maturity risks - around 60% of the public debt was denominated in foreign currency, which was a key weakness in view of the overvalued Ukrainian currency at that time.³⁵ In 2014, the general government was facing short-term repayments of USD 4 billion, which mostly related to USD 3.6 billion of payments due to the IMF as part of the 2010 bailout programme. In addition, a state guarantee for a USD 1.7 billion Eurobond issued by Naftogaz was also falling due.

Public debt sustainability was further undermined by Ukraine's weak economic fundamentals at that time. The economy was stagnating despite accommodative income policies that contributed to a significant increase of the budget deficit (see graph 5). High quasi-fiscal liabilities, related mainly to the need for regular capital injections of Naftogaz but also capital increases in state-owned banks, were further adding to the mounting public debt stock.

³⁴ The general government debt includes both state and state-guaranteed debt.

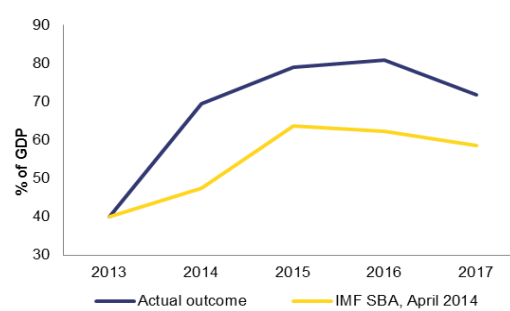
³⁵ According to estimates of the IMF from end-2013, the local currency was overvalued by 14-16% (for more details see Article IV Consultation - <http://www.imf.org/external/pubs/ft/scr/2014/cr14145.pdf>)

Graph 5 . Public debt metrics increase in 2008-2010 on expansionary fiscal policies



Source: Ministry of Finance, IMF; Commission services' calculations

Graph 6 . General government debt - IMF 2014 SBA vs actual outcome



Source: Ministry of Finance; IMF; Commission services' calculations

The unforeseen depth of the economic crisis and the sharper-than-expected currency depreciation pushed Ukraine's public debt-to-GDP ratio well above the initial expectations (see graph 6). The country ended 2014 with a public debt of 69.4% of GDP (up from 39.9% at end-2013), which was well above the 48% ratio initially envisaged under the IMF programme. The main driver for the deteriorating debt metrics was the weaker currency, which accounted for approximately two-thirds of the debt increase. The remaining part reflected mainly sizeable quasi-fiscal activities related to monetising losses of Naftogaz and the banking sector.

MFA I and II played an important role in supporting Ukraine's public debt sustainability through a variety of channels. The direct impact was through favourable terms of the loans. Their long maturity (10 and 15 years) and very low interest rates (from 0.519% to 1.875%), financing conditions that were better than the ones provided by other international donors, led to improvement of both the maturity and interest profile of the public debt.

Indirectly, the impact of MFA I and II could be seen through their positive impact on supporting economic recovery, which is key to bringing debt metrics to a sustainable path. The EU intervention reduced the need for further fiscal adjustments by the authorities (tax hikes, cuts in wages and social payments, reduced capital spending), which would have further weighed down on the GDP of the country and ultimately on the public debt sustainability. The results from the Delphi panel and the structured interviews also suggest that the currency depreciation in 2014 and in 2015 would have been bigger in the absence of the MFA. This would have translated into a bigger nominal debt figure taking into account the high share of foreign-currency liabilities.

MFA I and II had also an important signalling impact – they showed to Ukrainian creditors and to investors that the EU was supporting the country despite the challenging economic and geopolitical situation. In this sense, they acted as a catalyst for addition financial support, namely through bilateral contributions, including from EU Member States. The support signalled by the EU, and the related investor confidence boost, is likely to have eased the impact of capital flight, which would have intensified without the assistance and thus would have led to a greater exchange rate depreciation and, in turn, even stronger deterioration of Ukraine's public debt metric.

Furthermore, both MFA programmes leveraged the EU's political capital which, combined with broader international support, promoted conducive conditions in which Ukraine could work out a debt restructuring with private creditors. Ukraine entered such talks in the spring of 2015, which ultimately resulted in the restructuring of nearly USD 15 billion of state and state-guaranteed external debt. As a result, Ukraine managed to reduce the stock of external debt by USD 3 billion.

Finally, important structural reforms, including ones with direct fiscal implications, were initiated as part of the two MFA programmes. For example, requirements for strengthening the payments discipline towards Naftogaz led to a significant improvement of the overall collection rate by the company and ultimately supported the elimination of the its huge losses. These losses were covered by the state and represented a main quasi-fiscal burden for the authorities – the operating deficit of Naftogaz averaged 2.3% of GDP in 2009-2014. MFA-backed reforms in the areas of tax administration and public procurement had positive fiscal impact and thus also supported the public debt sustainability of the country.

Overall, MFA I and II had a positive direct and indirect impact on Ukraine's public debt sustainability through a variety of channels, including a signalling effect acting as catalyst for additional financial support and investor confidence. With the return of the economy to growth in 2016 and with quasi-fiscal deficits being nearly eliminated, Ukraine managed to reduce its public debt-to-GDP ratio to 74% at the end of 2017. This came after a period of five years of consecutive deterioration of the public debt dynamics.

Social impact assessment analysis

Analysis of social impact of the MFA operation (more specifically in relation to the policy measures included in the Memorandum of Understanding related to the social sector and by including social variables in the analysis, including in combination with IMF programme measures).

The MFA support was essential in supporting the Ukrainian society in 2014, a critical year for Ukraine that saw growing unemployment, sharp fall in disposable income and hence increase in poverty. By being the largest net financial contributor and a key external source of budget deficit financing, the EU helped Ukraine continue uninterrupted provision of salaries to public officials, pensions and other social benefits.

As discussed in the previous sections, MFA I and II had an important role in cushioning a deep economic crisis that was the combined result of build-in macroeconomic imbalances and severe external shocks. The different evaluation tools (interviews with key informants, the Delphi panel and focus group discussion) indicate that the EU financial support is likely to have prevented a stronger depreciation of the local currency and to have avoided an even bigger fiscal consolidation, in particular in the form of wage

cuts and reduced public spending. This suggests that poverty levels in Ukraine would have been higher in the absence of the MFA operations.

Another element of the MFA support was confidence building. Experts in the focus group in Kyiv noted that the signature of the MFA had indeed the effect of signalling continued support for the reforms and provided much needed confidence that the EU would assist Ukraine's economic and political transition. This confidence-building element had positive spillover effects on both businesses and households.

At the time of the disbursement of the final tranche from the two MFA programmes (April 2015), the first signs of economic stabilisation appeared in Ukraine. As of early 2018, economic recovery is firmly taking hold. The unemployment rate, which increased as the economic crisis unfolded, has stabilised at around 9% as of 2016 despite the high internal displacement of people as a result of the conflict in the East.³⁶ Prudent fiscal policies have contributed to considerable improvement of Ukraine's public finances, which ultimately allowed for increases of wages, including the minimum wage, over 2016 and 2017 as well as a sizeable hike of pensions in October 2017. These increases serve to somewhat compensate for the significant loss of purchasing power in the aftermath of the 2014 crisis. They also acted to reduce poverty that went up along with the 2014-2015 recession.

Not only did the MFA programmes for Ukraine have a visible social impact through their importance in stabilising the economy and covering Ukraine's urgent budgetary needs in 2014 and in 2015 but they also supported specific reforms that had an important social impact. In particular, MFA I envisaged the strengthening of the social safety net in order to protect low-income households against higher gas tariffs under the energy pricing reform. In this case, the EU MFA complemented the IMF by helping for a socially-sustainable implementation of one of the flagship reforms under the programme of the Fund.- the adjustment of household gas prices to their cost-recovery levels.

In 2014, Ukraine introduced a new targeted programme to compensate for the increases in gas and heating bills (of respectively 56% and 40% in the year) of the poorest 30% of the population. The rise in tariffs and the associated increase of eligible households, along with the simplification of the procedures required for financial assistance, led to a considerable expansion in the coverage of Housing Utility Subsidies. By December 2015, 30.5% of households received housing subsidies. The enhanced social safety net cushioned the shock from increased energy prices, facilitated their political acceptability and in the long-run, contributed to the reduction of fiscal imbalances.

More generally, leaving aside the specific condition on the social safety net which had the most clear-cut social dimension, other MFA I and II conditions had other cumulative social consequences. For instance, anti-corruption action embedded in a number of MFA

³⁶ As of mid-2018, there were nearly 1.5 million displaced people in Ukraine, according to the Ministry of Social Policy of Ukraine. Reallocating as a result of the conflict, these people are less likely to find a job, which in turn leads to a higher structural unemployment rate.

conditions addressed one of the most pressing social issues in Ukraine, reducing the acceptance of corruption and social apathy, as well as the costs of inefficiencies generated by corruption.

Overall, MFA I and II had a positive social impact through their importance for stabilising the economy and preventing stronger increase in unemployment and higher losses of household incomes by covering Ukraine's urgent budgetary needs in 2014 and in 2015. They have also contributed to strengthen the social safety net and protect low-income households against higher gas tariffs under the energy pricing reform. Furthermore, the two MFA programmes supported specific reforms that had an important social impact, in particular ones related to the fight against corruption.

6. CONCLUSIONS

From May 2014 to April 2015, the Commission implemented two MFA operations in Ukraine of combined EUR 1.61 billion. This assistance was a part of a EUR 11 billion Support Package the EU pledged for the economic and political transition Ukraine embarked on in early 2014. The MFA was entirely disbursed in the form of loans (with maturity of 10 or 15 years) under very favourable interest rates. At that time, the MFA support was the largest ever provided by the EU to a partner country, which reflected both the high financing needs faced by Ukraine and the political importance of this country for the EU.

The MFA package consisted of two operations. The first one totalled EUR 610 million and was itself a mixture of two decisions (one from 2002 and another from 2010) that aimed to support Ukraine in the aftermath of the 2009 depression but were not disbursed at that time. The second was a EUR 1 billion programme that was approved in an urgency procedure in view of Ukraine's immediate need of funds. The **speed of the legislative process for MFA II was critical** for mobilisation of most of the EU funds already in 2014 – a move that not only made the EU the biggest net financial contributor in that year but also helped Ukraine pass through a critical period of its history that included an illegal annexation of part of its territory and the breakout of a prolonged armed conflict.

The scale of MFA support took into account a number of factors such as country exposure for the instrument (by far the highest for Ukraine), budgetary constraints as well as burden-sharing among international donors. MFA complemented a sizeable grant component and billion-strong project financing from European-based international financial institutions. Other EU measures that had important financial implications for Ukraine included the provision of trade preferences and the launch of gas deliveries in order to offset for strained trade relations with Russia.

The evaluation of the EU MFA support 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 reforms in the area of public finance management, anti-corruption, energy policy, and financial sector restructuring. The MFA operations were supportive of national reform priorities that were underpinned in the AA 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.

The EU MFA, in cooperation with other international support, did not manage to immediately arrest the economic crisis in Ukraine. This was due to unexpected geopolitical events that led to a full-fledged confidence crisis but also erased a considerable part of the country's productive capacity. However, according to the experts consulted, **MFA support was important in preventing an even deeper recession and supporting the economic recovery that took hold in 2016.**

The individual reforms attached to MFA I and II were highly relevant to the political, economic and institutional conditions at the time. As **conditions** had to be achieved in the short-term (six to twelve months), and in view of the anticipated need for swift disbursements given the severity of the crisis, they **were suitably ambitious and well targeted.** This was also a key factor for the success of the MFA programmes. Overall there were 35 conditions attached to the two operations that included overall 5 disbursements.³⁷

The reforms have complemented, and sometimes reinforced, those specified in IMF and World Bank programmes. The **conditions were based on well-coordinated analysis among the major donors and the Ukrainian authorities.** Both MFAs were **well aligned with the key priorities guiding the EU – UA relations** reflecting the key areas of focus of the Association Agreement in the reforms attached to the programmes. The operations were also coherent with other components of the EU support package. In particular review of activities carried out by the State Building Contract and EBRD/EIB financing found no evidence of duplication or inconsistency of conditions. There was positive synergy between EU actions, especially on measures to tackle corruption and the need for transparency, with MFA measures complementing those under other EU initiatives.

Implementation of the structural reforms specified in the conditioning of support, has been assessed to be effective. Progress has been made across all the specified areas, including in cases where full compliance was not achieved (such as clearance of VAT refund arrears and submission of the 2015 budget draft). The **need to provide waivers** where reforms had not progressed sufficiently **was justified.** Ultimately, this flexibility was important for achieving the key objective of the assistance. The strong ownership of the programme by the authorities and the **good dialogue between the EU and Ukraine**

³⁷ A full list of conditions attached to the MFA I and MFA II operations can be found at Annex 6.

were conducive to the efficiency of the operations, taking advantage of the ‘window of opportunity’ for reform. Good quality coordination with other donors and the ability to leverage a higher pace of reform in certain areas ensured the efficiency of the operations.

The review of the **visibility of the operations and the EU communication activity indicates scope for improvement**. In particular, communication seems to have been focused on the general aspects of the programme – timing and size of disbursements. While such announcements have a strong confidence-building element, in future more **attention could be given to explain to the public why specific reforms are pursued**. This could ensure a stronger buy-in for reforms by citizens, which could facilitate the implementation of the reform programme.

The two **MFA programmes contributed**, both directly and indirectly, **to improving Ukraine's public debt sustainability**. The loans were provided in long maturities and favourable interest rates, thus helping to improve the country's debt profile. They were also conducive to alleviating an acute liquidity crisis which affected Ukraine's foreign exchange market in 2014. By supporting the economy and stabilising the local currency, the MFA indirectly contributed to the stabilisation of the public debt-to-GDP ratio in 2015 and 2016 and its ultimate reduction in 2017. In addition, MFA operations, combined with broader international support, promoted an environment conducive for a debt restructuring deal with private creditors that was negotiated over the course of 2015 and finalised in November the same year. This deal included a nominal debt reduction of USD 3 billion.

The **MFA operations had a significant positive social impact in Ukraine**. By containing the crisis and supporting the local currency, they prevented a stronger increase in the unemployment and a higher loss of purchasing power. Available evidence suggests that had the MFA I and II not been available, obtaining alternative financing from domestic or/and international sources was not plausible. Faced with no other options, the authorities would have had to pursue even deeper public spending cuts than those that occurred in 2014-2015, with limited scope to increase taxes. Cuts in wages and jobs in the public sector and in capital investment would have been the most likely scenarios. These cuts in turn would have resulted in higher unemployment and further reduction of household incomes. Consequently, the MFA operations assisted in minimising the negative social impact related to higher unemployment and increases in the poverty rate in Ukraine. It is also likely that the absence of the MFA would have led to deterioration of confidence with implications for the local currency (higher depreciation) and thus higher inflation.

The specific condition related to the strengthening of the social safety net, and in particular on the set-up of an effective mechanism to compensate the most vulnerable from the forthcoming energy price increases, was essential. It helped to safeguard lower income households from higher energy tariffs and to avoid higher levels of poverty. It also enabled the energy sector reforms to proceed without a major social unrest. It was a reform where failure could have had serious consequences for the progress of the whole MFA I and II operations as well as programmes implemented by other donors.

Lessons learned

- The speed of the legislative approval for MFA II was critical for the success of the EU intervention, in particular taking into account the urgent financial needs of Ukraine in 2014;
- The design of the MFA programmes, that is the inclusion of a limited number of realistic, and yet ambitious, reforms, was important for their success;
- Strong ownership of the programme by the authorities and good dialogue between the EU and Ukraine were conducive to the efficiency of operations;
- Good coordination with other creditors was another important element for stabilising the economy amid an extremely unpropitious external environment and launch important key structural reforms;
- The visibility and public perception of this specific EU intervention could be improved by pro-active efforts to communicate with a wider audience on the potential benefits from specific reforms supported with the MFA programmes, in particular ones related to social policies and anti-corruption.

Annex 1: Procedural information

1. ORGANISATION AND TIMING

This evaluation assesses two MFA programmes for Ukraine (MFA I and MFA II) of a combined EUR 1.61 billion that were implemented in May 2014 – April 2015. The assessment is in line with the Financial Regulation (article 30 point 4) and the relevant MFA Decisions that call for a submission of an ex post evaluation report to the European Parliament and the Council.³⁸

The objective of the evaluation is to draw lessons with respect to the EU's financial assistance, in particular the design and implementation of the programmes and the way they contributed to achieving macroeconomic stabilisation and fostering structural reforms. Apart from identifying areas of improvement for similar on-going or future possible interventions, the evaluation also aims at ensuring better transparency and accountability of the Commission's activities. The evaluation looks at various aspects of this particular EU intervention such as relevance and efficiency, effectiveness, coherence and EU value added. In addition, the evaluation explores the social impact of the MFA operations and their effect on Ukraine's public debt sustainability.

The work of the external consultant was complemented by internal analysis. The roadmap for the ex post evaluation of MFA I and II for Ukraine was published in August 2016.³⁹ In the context of the framework contract for the provision of evaluation services related to MFA programmes, the Commission awarded on 19 December 2016 the specific contract to ICF Consulting Services Limited with the main assisting subcontractor being Cambridge Econometrics Limited.

The lead DG to carry out and manage this evaluation has been the Directorate General for Economic and Financial Affairs (DG ECFIN). It chaired the Inter-service Steering Group (ISG) that was set up to manage the evaluation. Apart from DG ECFIN, the ISG comprised of representatives of other Commission services (namely the Secretariat-General and the Directorate-General for Neighbourhood and Enlargement Negotiations – DG NEAR) as well as the European External Action Service.

A kick-off meeting at which the foreseen deliverables and the evaluation techniques were discussed in depth by the ISG and the external consultant took place in January 2017. It was followed by meetings on the inception and interim reports in March 2017 and in August 2017, respectively. Overall, the ISG met three times. In addition, ISG members

³⁸ Decision 388/2010/EU of the European Parliament and the Council and Decision 215/2014/EU of the Council.

³⁹ http://ec.europa.eu/smart-regulation/roadmaps/docs/plan_2016_202_evaluation_ukraine_en.pdf

were continuously informed and consulted, through e-mails and phone calls, during the various stages of the evaluation.

2. EXCEPTIONS TO THE BETTER REGULATION GUIDELINES

The evaluation was of an activity conducted outside the EU; therefore the consultation strategy included a range of appropriate tools to reach relevant stakeholders. This did not include an open public consultation. In addition, an evaluation roadmap was published in December 2016 to seek wider feedback. Finally the results of the evaluation will, in due course, feed into a wider meta-evaluation of EU MFA operations, which will include an open public consultation.

3. EVIDENCE, SOURCES AND QUALITY

The evidence used for the ex-post evaluation of MFA I and II for Ukraine included a variety of documents, official data sources, social media (Twitter), media outlets as well as interviews and surveys. Approximately 60 documents were reviewed and analysed. These could be grouped in four main types - (i) documents directly related to the design and implementation of the MFA programmes, (ii) EU policy-related documents, (iii) documents published by the Ukrainian authorities, and (iv) documents prepared by various international financial institutions and economic researchers. In addition, a variety of data sources was used and analysed such as the State Statistical Service of Ukraine, the Ministry of Finance of Ukraine, the NBU, the World Economic Outlook of the IMF, among others.

Overall, the quality of the collected evidence (data, documentation, interviews and survey results) for this evaluation can be assessed as very good. The quantitative fieldwork was based on reliable statistical data, while purposeful sampling was used for the interviews, the Delphi survey and the focus group discussion. To collect a broad, multi-dimensional and triangulated picture of the economic, financial and structural issues surrounding the programme, a wide range of civil society organisations was also involved.

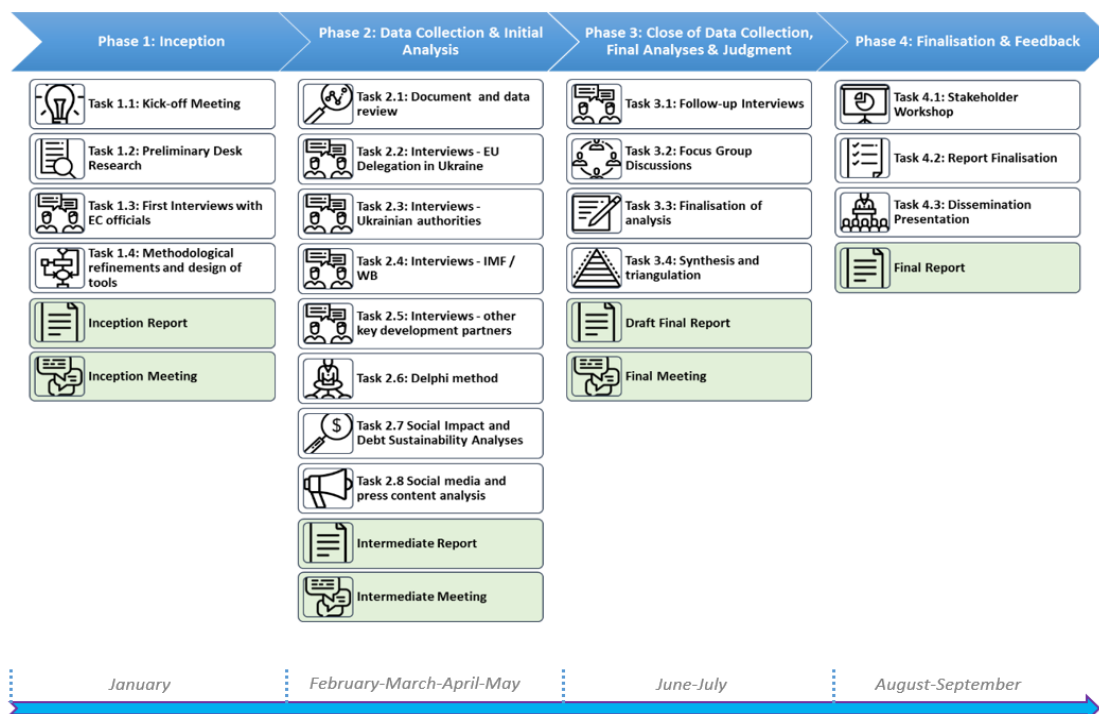
Annex 2: Synopsis Report

Introduction

Stakeholder consultation is a key element in the ex-post evaluation of MFA I and II for Ukraine and Commission minimum standards have been met as a comprehensive range of key stakeholders have been reached as part of the evidence gathering process. The implementation of the stakeholder consultation strategy followed the publication of the ex-post evaluation roadmap of MFA I and II to Ukraine in December 2016. The strategy was developed with the overall objective to capture as much information as possible with regard to the two programmes, in addition to information collected via desk research and data analysis. The consultation focused on extracting recollections from the time when the operations were designed (2010 - 2014) and implemented (March 2014 – April 2015) as well as collecting views on the period after the MFA was ended to assess its impact on achieving its key objectives and drawing lessons for ongoing and future similar EU interventions.

This consultation strategy described below sets out the objectives of the consultation, maps key stakeholders, presents the consultation methods and tools which are used and demonstrates how the stakeholder consultation fits in the evaluation framework.

The diagram below presents a detailed timeframe for the implementation of this consultation during 2017. The items listed in this timeframe are elaborated in the following sections.



Objective setting

The objective of stakeholder consultation was to collect as much valuable and relevant information as possible from various groups and people involved in order to construct an ex-post assessment of the design, implementation and impact of the MFA operations. Stakeholders were consulted on the following key aspects:

Stakeholder mapping

The evaluation was of an activity conducted outside the EU. In addition, since MFA entails balance of payment support and does not lead to tangible and visible outputs for the public, no consultation with the general public and citizens has been sought. Instead, consultation focused on specialists – either people who had been closely involved in the design and/or the implementation of the MFA operations or people with expert knowledge in the areas related to the objectives of the MFA operation.

- Therefore, the following groups of stakeholders have been central in this consultation strategy: (i) Ukrainian authorities (representatives of relevant ministries, the National Bank of Ukraine as well as various institutions and companies subject to the EU conditionality) (ii) International Financial Institutions (representatives of the IMF, the World Bank, and the EBRD); (iii) other donors (for example Germany's development agency GIZ); (iv) external (i.e. non-governmental) Ukrainian experts; (v) representatives of Member States

In addition, EU officials, including current and former representatives of the European Commission, representatives of the European External Action Service (EEAS) and representatives of the EU Delegation in Kyiv played a key role in the information gathering process.

Consultation methods

Interviews with key informants

Interviewees included representatives of EU Member States, Ukrainian national authorities and other stakeholders involved in the implementation of the MFA conditionality, representatives of international financial institutions and of the wider donor community, as well as Commission officials. Overall, 47 people were interviewed (see Table 8), including six over the phone or via exchange of emails.

The main focus of interviews varied significantly depending on the stakeholder type. Interviewees received in advance a copy of the semi-structured questionnaire, tailored to the topics covered, that was used to guide the discussion. The interviews were used to analyse all evaluation questions - relevance, effectiveness, efficiency, coherence, EU added value. The topics covered included, among others, design and coordination of the MFA programmes, assessment of the economic impact of the MFA, views on progresses made in various reform areas and role of MFA in achieving these, articulation of the MFA with other EU instruments/as part of the wider EU-Ukraine relationships, implementation aspects such as domestic political and institutional constraints as well as

timeliness of disbursements). The insight gained through the interviews was a key input for the assessment of the five evaluation questions.

Table 8. Profile of interviewees

Profile	Count of interviewees
National authorities/other local stakeholders involved in the implementation of the MFA	14
International community (IMF, World Bank, EBRD, GIZ)	12
Representatives of Member States	5
Commission officials in Brussels/Kyiv, Representatives of the European External Action Service	16
Total	47

Delphi panel

The Delphi survey sought to establish views on the role and contribution of the MFA in achieving macroeconomic stability, easing external financing constraints and alleviating Ukraine’s balance of payments and budgetary needs. The findings were used to analyse the relevance, effectiveness and efficiency of the EU intervention (evaluation questions 1 to 3). The results from the Delphi panel were also a key input variable in the debt sustainability analysis and also fed into the social impact assessment analysis.

In particular, participants were asked to elaborate on plausible scenario would MFA I and II (or the entire assistance package from international community) not have been available. The survey also covered aspects related to the role of both MFA operations in promoting structural reforms and their social impacts. The structure of the questionnaire was largely driven by the insights gathered during key informant interviews. Pilot test of the questionnaire was also conducted before launching the survey.

The recruitment to the panel was carried out with the support of the local research team at Institute for Economic Research and Policy Consulting of Ukraine. A total of 65 participants were included in the Delphi panel. During the initial round, 34 respondents provided a valid feedback which resulted in a 53% response rate. As the first round of survey results yielded a high level of consensus among the participants in terms of most likely alternative for the MFA, the second round had only exploratory character. Out of 65 experts who received the second questionnaire 21 responded which resulted in 32% response rate (see Table 9).

Table 9. Details of the Delphi Panel participants

Type of organisation	Number of invitees	Respondents, 1st round	Respondents, 2nd round
Think tank	17	11	5
Academia	7	8	5
Bank	10	6	1
Credit rating agency	5	3	2
Investment fund	3	3	0
Media	5	3	1
Consulting	11	1	2
Other	7	6	5
Total	65	41 (out of which 34 full valid answers)	21

Overall, the survey results demonstrated a high level of consensus among the panellists in terms of the most likely alternative outcomes were the MFA operation not to have happened. The main view was that there would have been further depreciation of the hryvnia and partial coverage of the financing gap from other sources (domestic and/or international). Cuts in public spending were also a likely outcome – but the extent to which energy subsidies would have been affected is not clear.

The MFA is believed to have played a role in supporting GDP levels especially in the years that funding was given in 2014 and 2015. The second round of the panel clarified that it was mainly the assistance package taken as a whole (of some EUR 15 billion) which was instrumental in avoiding default, contributing to the success of the debt restructuring talks and, to the extent possible, restoring confidence. The MFA was one part of this package and therefore played a role, including on the political front.

Views on the social macroeconomic impact of the MFA and the contribution of the MFA conditionalities on reform are generally considered to be positive. However, there is a view that EU could have leveraged deeper structural reforms – especially in new challenging areas, notably judiciary reforms and social reforms (pensions, healthcare).

Focus Group

The focus group discussion was organised in Kyiv to collect the views and opinions of a wider group of non-government stakeholders (not directly involved in the operations) on various aspects and most notably the non-financial value added of both MFA operations (see Table 10). Thus, the findings from this exercise were mainly used in the analysis of the efficiency and EU added value of the EU intervention (evaluation questions 3 and 4).

Discussion covered reforms undertaken in Ukraine since the public protests during the 2013 winter, their outcomes and perceptions of the role of MFA in promoting these reforms, and benchmarking the MFA programmes with the IMF and World Bank operations as appropriate. Aspects related to visibility and confidence-boosting effects of the MFA and communication were also considered.

Table 10. Profile of the Focus group participants

Organization types	Number of participants
Think tank	5
Academia	2
Press	2
Bank/credit rating agency	2
Association of employers	1
Non-governmental association	1
Total	13

Some of the key findings of the Focus group discussions are:

- MFA is perceived as a useful tool that allowed to push Ukrainian authorities to advance reforms.
- Experts have been generally aware of the main parameters (amounts, disbursements) of MFA I and II but showed weak knowledge about reforms supported by these programme.
- MFA, while less visible than the IMF support, was perceived more positively by the public. This is due to the fact that the IMF programme sometimes pursued socially sensitive reforms that had been sometimes negatively perceived by the wider public.
- The wider public remains largely unaware of the role of the EU in promoting reforms - people often do not understand the concept of reforms, their rationale and impacts. In this context, there is a need to explain better the conditions attached to the MFA programmes.
- Absence of MFA/IMF financing would have led to damaging fiscal changes – reductions in pay for public sector, smaller reductions in subsidies/safety net, lower real incomes / consumption.

Stakeholder Workshop

The stakeholder workshop was organised in August 2017 via video-conference from Brussels in order to test and validate the emerging findings with stakeholders closely

involved in the negotiation and/or implementation of the IMF/MFA assistance. The specific agenda comprised a presentation of the main findings by the external consultant that was followed by a discussion.

Table 11. Profile of the Stakeholder Workshop participants

Organization types	Number of participants
IMF	3
Ministry of Finance of Ukraine	3
National Bank of Ukraine	1
EU Delegation in Kyiv	1
European Commission (DG ECFIN)	6
Grand Total	14

The workshop confirmed the positive macroeconomic impact of the two MFA programmes (in particular in 2014) and their importance for advancing structural reforms. These views were shared by the Ministry of Finance and the IMF. The Fund highlighted the importance of quick mobilisation and disbursements by the EU. It noted the complementarity of the EU conditionality and the reinforcement of the overall support package to Ukraine. The need for higher EU intervention was successfully addressed with the follow-up programme (MFA III).

With regard to improving visibility and awareness, the IMF recommended more rather than less communication with civil society. This could help to build momentum in support of reforms. The Ministry of Finance confirmed that public communication of the EU on MFA operations helped the UA authorities build a reform momentum.

Annex 3: Methods and analytical models

Social media (Twitter) and press content analysis

The objectives of the *social media* (Twitter) and *press content analysis* were to analyse in a systematic manner the visibility of the MFA operations and strengthen the evidence base for issues related to public acceptability of reforms and their perceptions of the relevance and impact of the MFA support. The analysis consisted of two stages - quantitative (counts of references obtained) and qualitative (sentiment assessment).

The same keywords were used for the Twitter and the press content analyses. These included (along with spelling and word order variations): ‘Macro Financial Assistance to Ukraine’; ‘EU loan to Ukraine’; ‘EU credit/s to Ukraine’; ‘financial assistance to Ukraine’; and ‘EU support to Ukraine’.

Three media outlets (“Dzerkalo Tyzhnya”, “Novoye Vremya” and “Delo”) were selected for the press media analysis primarily for the quality of their economic columns. The analysis covered the online and printed versions of the media outlets for the period from 1 January, 2014 till 30 June, 2015. The initial search returned a selection of 424 articles, from which 105 individual articles that related to MFA I and II were analysed in detail in terms of the content of the publication and the tone used.

The social media (Twitter) analysis was related to tweets in three languages: English, Russian and Ukrainian made from January 2014 to December 2015. It covered a similar sequencing to the one for the press analysis (quantitative counts followed by an analysis of the sentiment of the tweets), with the additional step required to qualify the profile of those sharing the tweets.

A total of 2,642 tweets in English, Russian and Ukrainian were considered as most relevant to this analysis (57% these were in Russian, 32% in English and 11% in Ukrainian). The volume found to be specifically related to MFA I and MFA II was 300 English tweets (or 36% of the relevant English language tweets) and 500 Russian and Ukrainian language tweets.

The social media and press content analyses were useful for providing a better view of the visibility and awareness of the MFA programmes. The main limitation to the press content analysis relates to the considerable degree of judgment that was used for coding a given press article as positive, neutral or negative.

Debt sustainability analysis

The debt sustainability analysis (DSA) explored developments before MFA I and II and during and after MFA I and II. Then, subsequent assessment given counterfactual scenarios had MFA I and II (and MFA I and II and IMF assistance) not been disbursed

were considered. Two key debt indicators used was the public debt-to-GDP ratio. The approach followed closely the methodology applied by the IMF and considered a number of relevant factors that had or could have had material impact on the debt sustainability i.e. fiscal policies pursued by Ukrainian policies, available sources of funding, impact of exogenous factors (i.e. conflict in the East) and most importantly hypothetical impact had the MFA I and II (and more broadly the EU support package) been absent.

Key sources of information and data for the DSA included inter alia: insights from Delphi survey, insights from selected semi-structured interviews (predominantly the ones with the IMF, the World Bank and the Ministry of Finance of Ukraine), insights from local experts, insights from the focus group, review of macroeconomic data provided by the Ministry of Finance and the State Statistical Service of Ukraine as well as review of the IMF documentation and guidelines on DSA.

Overall, the analysis provides a useful insight of the main channels through which the MFA improved Ukraine's debt sustainability. The main caveat to the findings stem from the impossibility to isolate the EU's support from other international assistance programmes as well as from other factors that impact on public debt dynamics such as budgetary developments, quasi-fiscal activities, exchange rate dynamics, capital flows and level of gross international reserves, access and costs of refinancing, overall economic developments.

Annex 4: Validity and reliability of the findings

Table 12. Overview of the main elements underpinning reliability and validity of findings

Elements of the methodology	Discussion	Judgement
Validity of overall judgements	The evaluation was based on an agreed evaluation framework that broke down all evaluation criteria into questions and sub-questions and defined judgement criteria for all. The evaluation framework was agreed with the steering group prior to the design of data collection tools.	Strong
Generalisation of findings	The overall findings can be considered as representative of the range of views with sufficient confidence because: (i) Quantitative fieldwork is based on reliable statistical data; (ii) For qualitative fieldwork the respondents to interviews, Delphi survey and focus group were selected using category-based purposeful sampling.	Medium to strong
Reliability of overall evaluation design	The evaluation collected data from a large variety of sources. It also combined a breadth of data collection and data analysis techniques. Findings are systematically triangulated using a variety of sources.	Strong

Table 13. Limitations and caveats of data collection and analysis

Method	Caveats and limitations
<i>Desk research</i>	<p><i>Relatively reliable data with some occasional exceptions:</i></p> <p>In general, quality of Ukrainian statistics, including national accounts, is relatively good. Key statistical indicators (i.e. GDP, consumer price index, industrial production, business statistics) are now calculated based on EU and/or global methodology. However, some structural breaks exist i.e. due to annexation of Crimea and the conflict in Donbas. For that reason the State Statistical Service of Ukraine retrospectively calculated most of key statistical indicators excluding Crimea since 2010. This was straightforward as these indicators are usually available on regional as well as national level.</p> <p>Coverage of data from the Donbas area is more complex. Some companies operating in the non-government-controlled areas continued statistical reporting (i.e. on output, wages, employment, investment etc.) while others did not. Household surveys were stopped altogether. Thus reduction in economic activity in controlled part of Ukraine in 2014 and 2015 was likely slightly smaller than the</p>

Method	Caveats and limitations
	<p>one suggested by national figures. In this context, analysis of labour market developments prior and after 2014 still remains challenging.</p> <p>Data provided by Ministry of Finance is reliable.</p>
<i>Interviews with key informants</i>	<p>Interviews covered typically informants who were closely involved in the negotiation and/or implementation of the IMF/MFA assistance. Nonetheless, there were also cases i.e. among initially shortlisted stakeholders in Ukrainian authorities, where relevant staff was not employed anymore in a given institution (i.e. partly driven by typically high turnover in the Ukrainian public sector). In certain cases, stakeholders were also unable to recall in detail certain aspects related to the MFA operations or/and relevant context due to the time that elapsed since those operations. In addition, some interviewees had initially confused some discussed aspects of MFA operations by referring in their answers to MFA III, instead of MFA I and II operations.</p> <p>Finally, in some sporadic cases certain initially shortlisted stakeholders did not respond to the interview invitation.</p>
<i>Delphi Panel</i>	<p>Although substantial effort was made to ensure the highest relevance and validity of responses (i.e. by vary thorough selection of sample), Delphi survey in general may exhibit certain weaknesses. In the context of the MFA, the major risks related to insufficient familiarity of participants with the aspects of the MFA operation and the tendency to stick to strong own views based on own interpretation of historical developments. There has been also more than three years since the first disbursement under MFA I was made and hence some memory loss was unavoidable.</p> <p>Therefore, although nearly all respondents stated that they had been familiar with MFA prior to the survey (to a different degree) and there was generally high consensus on most of the aspects, the findings from this exercise should be still considered with a certain degree of caution.</p>
<i>Focus Group</i>	<p>The scope of the focus group discussions was limited to issues such as visibility of EU support and its role in promoting reforms. It also covered the overall assessment of the reform pace in Ukraine since the winter 2013 public protests.</p> <p>All stakeholders had prior knowledge of the MFA and in some cases demonstrated very good understanding of specific aspects related to MFA I and II (i.e. one interviewee led on the comparative research project covering assistance programmes provided to Ukraine over last years, including MFA I and II. However, the evaluation team had to also clarify in a few instances that some conditions were out of the scope of the evaluation as they related to MFA III.</p>
<i>Stakeholder Workshop</i>	<p>As in case of the interview programme, some of the relevant staff from the Ministry of Finance and the World Bank that was initially shortlisted to take part in the workshop was eventually not available.</p>

Method	Caveats and limitations
	This has potentially somehow affected the granularity and relevance of the insights that were provided during the workshop.
<i>Debt sustainability analysis</i>	It is difficult to isolate and quantify the impact of MFA I and II because they were combined with other finance (i.e. IMF and World Bank assistance). The DSA relied substantially on the insights from the Delphi survey and relevant stakeholders who were asked to speculate about hypothetical scenarios that did not take place. All limitations and caveats related to the Delphi survey and insights from semi-structured interviews apply here as well.
<i>Social impact analysis</i>	<p>Similar to the DSA, it is impossible to isolate the impact of the two MFA programmes from the overall international financial support package. In addition, it is not possible to isolate the impact of the programmes on boosting confidence from external factors such as improving terms of trade and economic recovery of Ukraine’s main economic partners.</p> <p>With regard to the specific condition on the strengthening the social safety net, the Ministry of Social Policy in Ukraine engaged only to a limited extent in the hypothetical exercise where questions related to the potential social impact of the measure had MFA condition not been implemented were asked.</p>
<i>Social media and press content analysis</i>	<p><u>Press analysis</u></p> <p>While great effort has been made to ensure that researchers conducting the analysis are sufficiently familiar with the MFA instrument and relevant background, not all aspects may have been grasped fully with some implications for the interpretation of the analysed content.</p> <p>The qualitative content analysis involves considerable degree of judgment i.e. while coding a given press article as positive, neutral or negative. Hence, some coding and interpretation may not have been entirely consistent throughout the whole process of analysis.</p> <p><u>Twitter analysis</u></p> <p>This analysis was based only on publicly available data and content from Twitter. A combination of manual review of sample data and automatic filtering terms was used to exclude off-topic and irrelevant posts to the greatest extent possible but since Crimson Hexagon only offers a sample of raw posts, there might still be stray irrelevant posts that did not get caught in the filtering process. These should only be up to a maximum of 5%;</p> <p>Audience breakdown of users who posted in English is based on sample size $n = 265$, 95% confidence interval and 5% margin of error. A material number of tweets were generated from bot accounts. Most prolific bot accounts were excluded from the analysis, though the data set may still include some bot/spam account that posted once or twice as screening of the whole sample would be very labour intensive.</p>

Annex 5: Evaluation Framework

A2.1 Relevance

Framework for answering Evaluation Question 1: To what extent was the MFA operation design (including adequateness of financing envelope, focus of conditionality) appropriate in relation to the outputs to be produced and objectives to be achieved

Judgement criteria	Quantitative analysis	Qualitative analysis	Sources of information
<p>The size of the financial assistance was adequate in 2015 (as done by the IMF) and the relation to Ukraine’s financing needs and given the constraints of the Genval criteria;</p> <p>Form of support was appropriate given Ukraine’s debt position and income status; MFA conditionalities were consistent with and relevant to Ukrainian needs and EU’s and other donors’ programmes and realistic given the short term nature of the instrument;</p> <p>The MFA package was</p>	<p>Analysis of financing needs in 2014-2015 (as done by the IMF) and the role of the MFA in meeting these needs</p> <p>Comparison between projected and actual financing needs – reasons for deviations and relevance and appropriateness of MFA in light of any changes</p> <p>Analysis of Ukraine’s debt position and GDP data to examine if loan form was appropriate</p>	<p>Degree of consensus among key stakeholders/ key informants regarding the relevance and importance of the MFA (in absolute and relative terms)</p> <p>Stakeholders and local economists’ assessment of the use of a loan and focus of the conditionality;</p> <p>Examination of whether the focus of MFA conditionality was relevant and appropriate in Ukrainian context bearing also in mind the characteristics of the MFA instrument.</p> <p>Analysis of synergies with the IMF SBA programme / other EU programmes</p>	<p>Documentary analysis:</p> <p>Ex-ante evaluation of MFA to Ukraine;</p> <p>The two Memoranda of Understanding (MoU) and Loan Agreements</p> <p>Reports and supporting documentation submitted by the Ukrainian authorities to the European Commission on the fulfilment of the structural reform criteria;</p> <p>Commission’s assessment of compliance with conditionality requirements (i.e. after mission reviews);</p> <p>IMF research including Country Reports;</p> <p>Other reports i.e. on the progress of PFM reforms accompanied with performance indicators/metrics.</p> <p>Semi-structured interviews:</p> <p>EC officials: DG ECFIN, DG NEAR</p> <p>EEAS</p> <p>IMF/ WB officials;</p>

Judgement criteria	Quantitative analysis	Qualitative analysis	Sources of information
generally regarded as relevant to Ukraine's needs by stakeholders, local economists, media etc.			Other bilateral/ multilateral donors supporting given reforms in Ukraine (i.e. GIZ); Ukrainian authorities including also Ministry of Finance and Central Bank of Ukraine; EU Delegation in Ukraine. Workshop with non-government stakeholders Social media and press content analysis

A2.2 Effectiveness

Framework for the evaluation of answering Evaluation Question 2: To what extent have the objectives of the MFA operation been achieved

Judgement criteria	Quantitative analysis	Qualitative analysis	Sources of information
There has been an improvement in Ukraine's macroeconomic situation; The role and contribution of MFA can be identified; The weight of the evidence (underpinned by economic theory and principles) suggests that Ukraine would have been worst off in absence of the MFA; There is evidence of reform e.g. improved fiscal discipline and public	Analysis of trends in key indicators (National accounts, Balance of payments statistics, Government finance statistics, Monetary statistics, External sustainability before, during and after MFA The main differences between the country's actual outcomes and those foreseen at the inception of the programme (IMF & MFA) Analysis of data on lending conditions available for Ukraine (focusing on financing available from national markets / bilateral donors -	Stakeholders and local economists' views on the specific contribution of MFA to short-term macroeconomic stabilisation of Ukraine; Stakeholders and local economists' views on reasons for any significant deviation from projections Stakeholders and local economists' assessment of the contribution of MFA including structural reforms; Assessment of alternatives available to fill the financing gap if MFA (and IMF) resources had not been provided	Document and data review: Macroeconomic data sourced from the IMF, the World Bank and national sources; MFA documentation i.e. Lending Agreement; IMF reviews and Country Reports; Credit Rating Agencies communication; Academic and grey literature i.e. on the impact of the conflict in the East on the Ukrainian economy; Data on public borrowing (scale/ maturity/ costs) and prevailing market conditions at the time of MFA/IMF programmes; Documentation related to both MFA

Judgement criteria	Quantitative analysis	Qualitative analysis	Sources of information
<p>finance management: changes in composition of public spending; achievement of conditionality related to reform of the financial sector</p> <p>Majority of the stakeholders believe that the MFA operation reinforced commitment to reform;</p> <p>There is evidence to suggest that MFA accelerated or promoted reform in certain areas e.g. the financial sector;</p> <p>There is general consensus among stakeholders that the MFA contributed positively to macroeconomic stabilisation and Ukraine's reform effort</p>	<p>knowing that Ukraine lost access to international markets in 2013)</p>	<p>Stakeholders' perceptions on other impacts</p>	<p>operations provided by DG ECFIN;</p> <p>Semi-structured interviews: EC officials: DG ECFIN; IMF/ WB officials;</p> <p>Key bilateral/ multilateral donors; Ukrainian authorities, in particular Ministry of Finance;</p> <p>Independent public finance experts/ financial community;</p> <p>EU Delegation in Ukraine.</p> <p>Inputs from local experts from IER</p> <p>Workshop with non-government stakeholders</p> <p>Delphi survey</p> <p>Social media and press content analysis</p>

A2.3 Efficiency

Framework for answering Evaluation Questions 3 and 4: Q3 Was the disbursement of MFA appropriate in the context of prevailing economic and financial conditions, and Q4: In what way has the design of the MFA assistance conditioned the performance of the operation in respect to its cost and its objectives

Judgement criteria	Quantitative analysis	Qualitative analysis	Sources of information
MFA disbursements were timely given Ukraine's financing needs	Timing of disbursements in relation to key macroeconomic developments and Ukraine's financing needs	Analysis of the timing of disbursements of both MFA and IMF and factors affecting disbursements Time taken between Ukrainian authorities request for MFA assistance and approval/ disbursement of MFA	Document and data review: MFA documentation IMF/ World Bank documentation Documentation related to both operations provided by DG ECFIN Semi-structured interviews EC officials: DG ECFIN, DG NEAR EEAS IMF/ World Bank officials Ukrainian authorities EU Delegation in Ukraine
There were favourable entry conditions for the MFA operation e.g. political commitment; public buy-in, capacity to implement reform The design of the MFA operation was flexible and it adjusted to changes in context	Not applicable	The extent of liaison between the European Commission and Ukrainian authorities; and between the European Commission and IMF/ other donors The communication channels used to make the MFA / EU aid visible and the media treatment received	Document and data review: Macroeconomic data sourced from IMF and national sources IMF/ MFA documentation Credit Rating Agencies reports Financial markets data Documentation related to both operations provided by DG ECFIN

Judgement criteria	Quantitative analysis	Qualitative analysis	Sources of information
and/or feedback mechanisms There was effective dialogue between the European Commission and Ukrainian authorities There was effective monitoring of the MFA operation Donors were well coordinated EU intervention had a leverage effect on the Ukrainian government (so that they maintained focus on reform)		Whether there was effective monitoring of the MFA operation Stakeholders' feedback on what could have been done differently with the benefit of hindsight Analysis of the choice of conditionality – see also relevance Analysis of synergies with the IMF SBA programme / other EU programmes – see also relevance Identification of good practice / lesson learned from the design and implementation of MFA operation in Ukraine	Semi-structured interviews: EC officials: DG ECFIN, DG NEAR EEAS IMF/ World Bank officials Ukrainian authorities EU Delegation in Ukraine Social media and press content analysis – public perceptions of IMF/ MFA supported reforms Workshop with non-government stakeholders

A2.4 EU Added Value

Framework for answering Evaluation Question 5: What was the rationale for an intervention at EU level and to what extent did the MFA operation add value compared to other interventions by other international donors

Judgement criteria	Quantitative analysis	Qualitative analysis	Sources of information
The presence of the EU added value and leverage in pulling together and accelerating a multi-donor package Evidence that MFA reinforced	Trends in confidence indicators and proxy indicators of confidence such as interest rates (yields) on short and long term government bonds, credit default swaps, the movement of the	Qualitative assessment of links between wider fluctuations in confidence indicators and EU assistance Mapping of conditionalities (see	Document and data review: Macroeconomic data sourced from IMF and national sources; MFA documentation; IMF reviews and country reports;

Judgement criteria	Quantitative analysis	Qualitative analysis	Sources of information
<p>the Government’s commitment to socio-economic reform</p> <p>There is demonstrable evidence of signalling and confidence building effect of MFA operation – building investor and private sector confidence</p> <p>EU had a discernible influence on the design and application of conditionalities</p> <p>There is clear financial added value of EU support – national authorities would have struggled to meet their financing needs in absence of the EU MFA</p>	<p>domestic currency against the Euro and the US Dollar, the movement of the domestic stock market index</p>	<p>also relevance)</p> <p>Stakeholders’ views on the role and influence of EU in the design and application of support package</p>	<p>Academic and grey literature;</p> <p>Documentation related to both MFA operations provided by DG ECFIN</p> <p>Semi-structured interviews: EC officials: DG ECFIN, DG NEAR; IMF/ World Bank officials; Other key bilateral/ multilateral donors; Ukrainian authorities; EU Delegation in Ukraine; Inputs from study experts; Workshop with non-government stakeholders</p> <p>Social media and press content analysis</p> <p>Delphi survey</p> <p>Insights from study experts</p>

A2.5 Coherence

Framework for answering Evaluation Question 6: Were the measures of the MFA operation in line with key principles, objectives and measures taken in other EU external actions towards Ukraine?

Judgement criteria	Quantitative analysis	Qualitative analysis	Sources of information
The MFA was fully in line with EU objectives and	Not applicable	Stakeholders assessment of the coherence of the MFA with other EU	Document and data review: MFA documentation including ex-

Judgement criteria	Quantitative analysis	Qualitative analysis	Sources of information
reinforced EU action deployed via other instruments		external actions Qualitative assessment of the adequacy of the conditionality, potential synergies/ overlapping with other EU instruments	ante evaluation of MFA to Ukraine; Identification of relevant programmes/ actions and review of their documentation; Documentation related to both operations provided by DG ECFIN Semi-structured interviews: EC officials: DG ECFIN, DG ENLARGEMENT; EU Delegation in Ukraine; Ukrainian authorities. Workshop with non-government stakeholders

Annex 6: MFA I and II conditionality

MFA I

Second and third loan instalments

Public Finance Management

1. Consistent with the Law of Ukraine "On carrying out public procurement" adopted in July 2010, consolidate progress in establishing a system of public procurement based on the principles of transparency, competition and non-discrimination among tenderers. With a view to increasing transparency, the Ministry of Economy will publish on a quarterly basis data on the number and the value of competitive procurement procedures and sole-source procurement procedures.
2. As stipulated by the Law of Ukraine "On carrying out public procurement", make the Anti-Monopoly Committee operational as the authority to handle appeals in the sphere of public procurement, including by establishing within the Committee an appropriately staffed unit capable of effectively dealing with complaints submitted by aggrieved bidders.
3. Adopt a national anti-corruption strategy that is in line with international best practice and a State Programme with time-bound deliverables to implement it.
4. With a view to strengthening public internal financial control and audit, adopt a strategy for staff training at the different levels of government (central and municipal level, including internal audit services) and for certification of internal auditors.
5. Submit to the Parliament a legislative proposal ensuring that the Accounting Chamber of Ukraine has the Authority to audit not only budget expenditures, but also revenues in line with the standards of the International Organisation of Supreme Audit Institutions (INTOSAI), in particular Principle 3 of the Mexico Declaration on SAI (Supreme Audit Institution) Independence.

Trade and Taxation

6. Refrain from introducing trade-distorting measures and fully apply Ukraine's WTO commitments.
7. Introduce an up-to-date product coding system for foreign trade purposes based on the Harmonised System 2007.
8. Ensure that all VAT refund arrears are cleared and that all legitimate VAT refund claims are paid in cash, or netted out against VAT obligations of the taxpayer in question, in a timely manner.
9. Introduce in VAT legislation the provision that any VAT refund arrears carry an appropriate penalty interest of at least 120% of the NBU discount rate. All legitimate

VAT refund claims that have not been settled within a period adding up to a maximum of 74 days after submission of the VAT refund claim to the tax authorities shall be considered in arrears.

10. With a view to preventing the future occurrence of VAT refund arrears, make significant progress towards strengthening the VAT administration system. In particular, ensure timely VAT refunds through the operation of an automatic VAT refund system and risk-based audits.

Energy Sector

11. Consistent with the Economic Reform Programme, increase substantially the overall collection rate of Naftogaz through better enforcement of payments discipline, notably among communal utilities. To this end: open a special purpose account for centralised collections from communal utilities, through which the corresponding balances for the gas component are directly forwarded to Naftogaz; and substantially expand the utilisation of individual gas meters.

12. In order to compensate vulnerable households for the increase in gas prices, while improving collection rates, strengthen in a targeted manner the social safety net.

13. Reach "Candidate" status in the Extractive Industries Transparency Initiative to underpin transparency in the energy sector.

Financial Sector

14. Amend legislation, notably the accounting law, so as to ensure the application of the International Financial Reporting Standards to all financial market participants by 2014 at the latest.

Fourth loan instalment

Public Finance Management

15. Adopt an appropriate set of Public Internal Financial Control standards (based on the principles of managerial accountability and functionally independent internal audit).

16. Continue to make progress towards establishing a system of public procurement based on the principles of transparency, competition and non-discrimination among tenderers.

17. Implement comprehensive anti-corruption legislation in line with the recommendations made by the Council of Europe's Group of States against Corruption (GRECO) and other international standards.

18. Increase the financial resources allocated to the external audit function to a level that will ensure an appropriate increase in the number and quality of audits.

Trade and Taxation

19. Refrain from introducing trade-distorting measures and fully apply Ukraine's WTO commitments.

20. Consistent with the Economic Reform Programme, ensure that customs valuation practices are fully in line with WTO standards (Agreement on Implementation of Article VII of the GAIT 1994). In particular, the customs value of goods will be determined mainly on the basis of declared transaction values (as defined in Article 1 of the Agreement on Implementation of Article VII of the GA TT 1994) and, in case the customs value cannot be determined in this way, working down on a consecutive basis from Method 2 to Method 6 (as per Articles 2 through 7), with Method 6 being used only in exceptional cases in which the customs administration has justified reasons to doubt the truthfulness or accuracy of the declared value and cannot determine the customs value on the basis of Methods 1 through 5. Compliance will be measured by a diminishing share of customs transactions cleared based on Method 6, on the basis of government sources and independent reports.

21. Continue to ensure that all legitimate VAT refund claims are paid in cash, or netted out against VAT obligations of the taxpayer in question, in a timely manner.

Energy Sector

22. Achieve substantial progress in the implementation of Ukraine's obligations under the Energy Community Treaty, which include ensuring compliance with EU Directive 2003/55/EC, which notably foresees the separation of the production, distribution and transport in the national gas sector. Progress will be monitored by the European Commission, taking into account relevant implementation reports by the Energy Community Secretariat.

23. Further increase the overall collection rate of Naftogaz through improved payments discipline.

24. Make substantial progress towards achieving "EITI Compliant" status in the Extractive Industries Transparency Initiative.

Financial Sector

25. In line with the Ukrainian commitment in the EU-Ukraine Association Agenda, prepare the implementation of EU legislation concerning financial services, as mentioned in the Annex of the relevant Co-operation Chapter of the Association Agreement, in particular through adoption of a strategic multi-year plan. This strategic plan would define the priority areas for legislative approximation, provide a list of specific steps and measures to be taken and outline the timeline for their implementation.

MFA II

Second instalment

Public Finance Management and Anti-corruption

1. Elaboration and publication of draft Annual Procurement Plans for the year 2015 by each of the Procurement Entities or Contracting Authorities financed by the State Budget by 15 September 2014.
2. The government submits to the Verkhovna Rada and publishes (after submission to the Parliament) the first draft of the national Budget for the year 2015 at the latest on 15 September 2014 in line with the Budget Code.
3. In order to improve budget transparency, publication of monthly data on budget execution in line with article 28 of the Budget Code.
4. Implementation of the Law on Principles of Preventing and Counteracting Corruption (2011), article 12, which foresees annual declaration of assets (property, income, expenses and financial obligations) by persons defined in the legislation as declaration subjects. The government will prepare a draft law setting up an independent body with sufficient financial and human resources to ensure proper implementation and enforcement of the legislation.
5. Submission to the Verkhovna Rada a draft law updating the existing legislation on the ACU and extending its remit to include state-owned enterprises.

Trade and Taxation

6. Ukraine will consult with EU and other WTO members on its request for renegotiation of its WTO commitments under article XXVIII of the GATT, so as to address systemic concerns raised by WTO members. These consultations will include the consideration of other WTO compatible instruments, such as the BOP exception. The consultations should result in a further substantial reduction of the number of tariff lines affected by the renegotiation request.
7. Ensure that all legitimate VAT refund claims are paid in cash, or netted out against VAT obligations of the taxpayer in question, in a timely manner.

Energy

8. In order to increase transparency on the operations of Naftogaz, prepare an Annual Financial Report of Naftogaz and its subsidiaries segmented into i) production, ii) import/supply, and iii) network management and storage in line with International Financial Reporting Standards.

Financial sector

9. The NBU will prepare norms and regulations on systemic banks for adoption later in the year.
10. Improvement of implementation of the legislation on the disclosure of ultimate ownership of banks. Publication of data on ultimate ownership for all banks by 1 September on the NBU website.
11. The government submits to the Verkhovna Rada the draft law amending the "law on financial services and state regulation of financial services markets concerning disclosure of information".

ANNEX 7: Key References

European Commission DG ECFIN (2009). Proposal for a Council Decision providing macro-financial assistance to Ukraine. COM(2009) 580 final.

European Commission DG ECFIN (2014a). Macro-financial assistance to Ukraine: Memorandum of Understanding. Note to the Committee on Macro-financial Assistance.

European Commission DG ECFIN (2014b). Operational Assessment of the financial circuits and procedures in Ukraine. Final Report. Specific Contract No. ECFIN-076-2014/SI2.679494.

European Commission DG ECFIN (2014c). Macro-Financial Assistance to Ukraine. Note for the European Parliament, the Council and the Economic and Financial Committee.

European Commission DG ECFIN (2014d). Macro-Financial Assistance to Ukraine: Compliance with policy conditions under MFA I and MFA II; Disbursement of second tranche under MFA I. Note for the European Parliament, the Council and the Economic and Financial Committee.

European Commission DG ECFIN (2015a). Macro-Financial Assistance to Ukraine: Release and borrowing decision for the final loan instalment related to MFA I. Note to the European Parliament and to the Economic and Financial Committee.

European Commission (2010a). Report from the Commission to the European Parliament and to the Council on the implementation of macro-financial assistance to third countries in 2009. COM(2010) 513 final.

European Commission (2010b). Commission Staff Working Document accompanying the 'Report from the Commission on the implementation of Macro-financial Assistance to third countries in 2009'. SEC(2010) 1117 final.

European Commission (2011a). Report from the Commission to the Council and the European Parliament on the implementation of macro-financial assistance to third countries in 2010. COM(2011) 408 final.

European Commission (2011b). Background analysis per beneficiary. Commission Staff Working Paper accompanying the document 'Report from the Commission to the Council and the European Parliament on the implementation of macro-financial assistance to third countries in 2010'. SEC(2011) 873 final.

European Commission (2012a). Report from the Commission to the Council and the European Parliament on the implementation of macro-financial assistance to third countries in 2011. COM(2012) 339 final.

European Commission (2012b). Background analysis per beneficiary. Commission Staff Working Document accompanying the document ‘Report from the Commission to the Council and the European Parliament on the implementation of macro-financial assistance to third countries in 2011’. SWD(2012) 181 final.

European Commission (2013). Background analysis per beneficiary. Commission Staff Working Document accompanying the document ‘Report from the Commission on the implementation of macro-financial assistance to third countries in 2012’. SWD(2013) 211 final.

European Commission (2014a). Report from the Commission to the European Parliament and the Council on the implementation of macro-financial assistance to third countries in 2013. COM(2014) 372 final.

European Commission (2014b). Background analysis per beneficiary. Commission Staff Working Document accompanying the document ‘Report from the Commission to the European Parliament and the Council on the implementation of macro-financial assistance to third countries in 2013’. SWD(2014) 193 final.

European Commission (2015a). Report from the Commission to the European Parliament and the Council on the implementation of macro-financial assistance to third countries in 2014. COM(2015) 290 final.

European Commission (2015b). Background analysis per beneficiary. Commission Staff Working Document accompanying the document ‘Report from the Commission to the European Parliament and the Council on the implementation of macro-financial assistance to third countries in 2014’. SWD (2015) 115 final.

European Commission (2016a). Report from the Commission to the European Parliament and the Council on the implementation of macro-financial assistance to third countries in 2015. COM (2016) 376 final.

European Commission (2016b). Background analysis per beneficiary. Commission Staff Working Document accompanying the document ‘Report from the Commission to the European Parliament and the Council on the implementation of macro-financial assistance to third countries in 2015’. SWD (2016) 192 final.

Astrov, V. and Podkaminer, L. (February 2017). Energy Tariff Reform in Ukraine: Estimated Effects and Policy Options, WIIW, Research Report 416. Available at: <https://wiiw.ac.at/energy-tariff-reform-in-ukraine-estimated-effects-and-policy-options-dlp-4124.pdf>

EBRD, (2014). EBRD steps up lending to Ukraine as part of international support package. Available at: <http://www.ebrd.com/news/2014/ebrd-steps-up-lending-to-ukraine-as-part-of-international-support-package.html>

EBRD, (2017). Ukraine overview. Available at: <http://www.ebrd.com/where-we-are/ukraine/overview.html>

- Economist, (April 16th 2016). Clean-up crew. Available at: <https://www.economist.com/news/europe/21697000-ukraine-broken-its-civic-activists-are-trying-build-new-country-clean-up-crew>
- EESC, (2017). Anti-corruption policy in Ukraine. Available at: https://www.eesc.europa.eu/resources/docs/anticorruption_ukr--2.pdf
- EIB, (2017). Investing in Ukraine. Available at: http://www.eib.org/attachments/country/eib_in_ukraine_en.pdf
- Emerson, M. and Movchan, V. May (2017). Deepening EU-Ukrainian Relations: what, why and how? Available at: <http://www.3dcftas.eu/publications/key/deepening-eu-ukrainian-relations-what-why-and-how>
- European Court of Auditors, (2016). Special Report - EU Assistance to Ukraine. https://www.eca.europa.eu/Lists/ECADocuments/SR16_32/SR_UKRAINE_EN.pdf
- European Parliament (2015). 'Ukraine's economic challenges.' Available at: [http://www.europarl.europa.eu/RegData/etudes/IDAN/2015/559497/EPRS_IDA\(2015\)559497_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/IDAN/2015/559497/EPRS_IDA(2015)559497_EN.pdf)
- FAO, (2017). Food Price Index. Available at: <http://www.fao.org/worldfoodsituation/foodpricesindex/en/>
- Financial Times, (August 2014). Ukraine's economy: broken down. Available at: <https://www.ft.com/content/63e0a202-26fb-11e4-a46a-00144feabdc0>
- Financial Times, (August 2017). Ukraine's reform drive is powering ahead. Available at: <https://www.ft.com/content/3f3ab4b4-9229-11e7-bdfa-eda243196c2c>
- Fitch, (2017). Fitch communication on Ukraine's ratings. Available at: https://www.fitchratings.com/web_content/pages/market-topics/russia-ukraine-spotlight.htm
- Institute for Economic Research, (2015). Year 2014 – Economic summary for Ukraine
- Institute for Economic Research, (2016). Year 2015 – Economic summary for Ukraine
- IMF (2014). Country Report No. 14/263. Available at: <https://www.imf.org/external/pubs/ft/scr/2014/cr14263.pdf>
- IMF (2016). Country Report (Ex-post evaluation of IMF SBA 2014) No. 16/320. Available at: <http://www.imf.org/external/pubs/ft/scr/2016/cr16320.pdf>
- IMF (2015). Country Report No. 15/69. Available at: <https://www.imf.org/external/pubs/ft/scr/2015/cr1569.pdf>
- IMF (2015). Country Report No. 15/218. Available at: <https://www.imf.org/external/pubs/ft/scr/2015/cr15218.pdf>

IMF (2016). Country Report No. 14/106. Available at: <https://www.imf.org/external/pubs/ft/scr/2014/cr14106.pdf>

IMF (2016). Country Report No. 16/319. Available at: <https://www.imf.org/external/pubs/ft/scr/2016/cr16319.pdf>

IMF, (2012). Working paper on Ukraine gas pricing policy (Ukraine Gas Pricing Policy: Distributional Consequences of Tariff Increases by Pritha Mitra and Ruben Atoyan, 2012, IMF Working Paper WP/12/ 247. Available at: <https://www.imf.org/en/Publications/WP/Issues/2016/12/31/Ukraine-Gas-Pricing-Policy-Distributional-Consequences-of-Tariff-Increases-40047>

Kyiv Post, June 2017. Top 12 recent investments in Ukraine.

Moody's, (19 November 2015). Moody's upgrades Ukraine's sovereign rating to Caa3, outlook stable. Available at: https://www.moodys.com/research/Moodys-upgrades-Ukraines-sovereign-rating-to-Caa3-outlook-stable--PR_336283

OECD (2015) Anti-Corruption Reforms in UKRAINE. Round 3 Monitoring of the Istanbul Anti-Corruption Action Plan. Available at: <https://www.oecd.org/daf/anti-bribery/Ukraine-Round-3-Monitoring-Report-ENG.pdf>

Oleksii Khmara (2016) Transparency International Ukraine, Anti-Corruption Policy in Ukraine, 2nd meeting, Brussels, 11 February 2016

PwC (2013). Doing business and investing in Ukraine. Available at: https://www.pwc.com/ua/en/survey/2013/assets/ukraine_doingbusiness_2013.pdf

Reanimation Package of Reforms (2016). News. Available at: <http://rpr.org.ua/en/>

Support Group for Ukraine (2016) 'Activity Report - The first 18 months'. Available at: <https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/neighbourhood/pdf/key-documents/ukraine/20161028-report-sgua.pdf>

Transparency International (2013), Corruption Perception Index. Available at: <https://www.transparency.org/cpi2013/results#myAnchor1>

UAEITI, 2016. Overview. Available at: <https://eiti.org/ukraine>

World Bank (2014). Development Policy Loan 1. Available at: <http://projects.worldbank.org/P150313?lang=en>

World Bank (2014). Financial Programmatic Development Policy Loan 1. Available at: <http://documents.worldbank.org/curated/en/670371468114262139/pdf/879100PGD0R20100Box0385286B00OUO090.pdf>

World Bank (2012). Ukraine PEFA 2011 Public Financial Management Performance Report. Available at: <https://openknowledge.worldbank.org/handle/10986/11898>

World Bank (2016). Ukraine PEFA 2015 Public Financial Management Performance Report. Available at: <https://pefa.org/sites/default/files/UA-May16-PFMPR-Public-EN.pdf>

World Bank, (2017). Ukraine – Overview. Available at: <http://www.worldbank.org/en/country/ukraine/overview#4>