European Commission support for Ukraine

Brussels, 27 April 2015

The European Commission is determined to make sure that Ukraine has all the support it needs, in the short and long term, to undertake the political and economic reforms that are necessary to consolidate a democratic, independent, united and prosperous Ukraine.[1]

Since 2014 the Commission has agreed on a number of concrete measures for the short and medium term 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 Ukrainians. A further package of financial assistance was proposed on 8 January 2015. The EU is both currently and since the country’s independence the biggest international donor to Ukraine.

In order to meet the particularly acute challenge presented by the situation as it was then developing, in mid-2014 the Commission established the Support Group for Ukraine. The Support Group concentrates and coordinates the resources and expertise of the European Commission in order not just to monitor but also to assist Ukraine in the implementation of the Association Agreement and, crucially, in undertaking the deep and systemic reforms that will be necessary if the country is to draw maximum benefit from a closer relationship with the European Union. This is the first time such a Support Group has been established for any country outside the borders of the EU.

EU-UKRAINE ASSOCIATION AGREEMENT

The EU's relations with Ukraine are governed by an Association Agreement. This Agreement, including a Deep and Comprehensive Free Trade Area, was negotiated over the period 2007-2011 and initialed in 2012. On 21 March 2014 the EU and Ukraine signed the political provisions of the Association Agreement, underlining their joint commitment to proceed to the signature and conclusion of the remaining parts of the Agreement. In doing so, Ukraine confirmed its free and sovereign decision to pursue political association and economic integration with the European Union, and to undertake the deep reforms consequent to this decision. Following the completion of technical preparations, the EU and Ukraine signed the remaining provisions of the EU-Ukraine Association Agreement in Brussels on 27 June.

Provisional application of important parts of the EU-Ukraine Association Agreement began on 1 November 2014, including those on the respect for human rights, fundamental freedoms and rule of law; political dialogue and reform; justice, freedom and security; economic and financial cooperation.

Consultations on the implementation of the Agreement including the Deep and Comprehensive Free Trade Area have taken place with the Russian Federation as well as with both Ukraine and Russia in a trilateral format. The importance of promoting trade liberalisation in support of growth and greater prosperity, in line with their WTO obligations, has been agreed on all by all sides. Provisional application of the Deep and Comprehensive Free Trade Area (DCFTA) part of the Agreement has been delayed until 1 January 2016, as part of the overall efforts towards a comprehensive peace process in Ukraine, in full respect of Ukraine’s territorial integrity and right to decide her own destiny.

REMOVAL OF CUSTOM DUTIES (TRADE)

Pending the entry into force of the Deep and Comprehensive Free Trade Area (DCFTA) part of the Agreement on 1 January 2016, the EU continues to apply autonomous trade measures for the benefit of Ukraine, granting Ukrainian exporters continued preferential access to EU markets.

The EU temporarily removed customs duties on Ukrainian exports to the EU as of 23 April. With this rapid response, the European Commission has shown that it stands shoulder to shoulder with the people of Ukraine. Ukraine does not have to provide extra access to EU exports in return. The temporary elimination of customs duties is total or partial, depending on the sector, following the terms of the future agreement. The DCFTA calendar for liberalisation for industrial goods foresees the immediate removal of existing tariffs on most products. For agricultural goods, ambitious concessions have been made taking into account specific sensitivities.

The EU’s unilateral trade opening requires Ukraine to fully co-operate with the EU in its implementation and ensure that Ukraine does not change in any way its tariffs towards the EU during this period. In addition, a number of safeguard controls are put in place to prevent market-distorting surges.
impacting adversely on European companies and industry including the agricultural sector.

The annual value of this support measure is nearly €500 million in tariff reductions, of which almost €400 million accrue to the agricultural sector.

**HUMANITARIAN ASSISTANCE**

The EU has kept the humanitarian aspect of the Ukrainian crisis high on its agenda from the early days of the conflict, has increased its humanitarian assistance and is ready to scale up support as required.

To help the most vulnerable of those affected by the conflict, in 2015 the European Commission is pledging an additional €15 million in humanitarian assistance. The new aid package was announced by Christos Stylianides, Commissioner for humanitarian aid and crisis management, on 26 January during his visit to Ukraine.

In 2014 the Commission allocated €11 million of humanitarian assistance as well as €17 million in development aid for urgent preparations for the winter and early recovery. A further €4.5 million has been provided to meet the recovery and integration needs of internally displaced persons and host communities and to promote confidence-building. Humanitarian assistance from the Member States amounts to €47 million.

The new financial aid was announced in parallel to a joint operation where the EU and its Member States organised the delivery of 85 tonnes of emergency supplies by air and road, including tents, blankets and sleeping bags for the harsh winter conditions, in cooperation with humanitarian partners including UNICEF and UNHCR. Austria, Denmark, Estonia, Finland, France, Germany, Latvia, Poland and Slovenia and the European Commission have provided the relief items.

EU assistance is intended to address the basic needs of those most affected by the conflict, including in non-government controlled areas. The assistance includes shelter for the displaced, health care for the injured and the sick, food, water, sanitation and other emergency aid. Special attention is being paid to funding relief items suitable for winter conditions, including warm clothes, heaters and generators.

About 40% of the Commission’s humanitarian funding addresses the basic needs of the population in the areas directly affected by the conflict who are particularly vulnerable and affected by the ongoing clashes, struggling to survive in harsh winter conditions. EU humanitarian aid also goes to internally displaced people and to refugees who have fled the conflict areas, and to returnees. Humanitarian aid is often distributed in the form of cash and vouchers, so that the internally displaced people and their host communities can buy essential items at the local market, thus supporting the local economy.

Furthermore, material assistance is being mobilised through the EU Civil Protection Mechanism. The European Commission can also support the transport and delivery of supplies provided by Member States.

On the ground, the assistance is being delivered through partner organisations, including UNICEF, UNHCR, WHO, IOM, Save the Children, Danish Refugee Council, People In Need, WFP and ICRC.

**MACRO FINANCIAL ASSISTANCE**

**MFA** is an exceptional EU crisis-response instrument available to the EU’s neighbouring partner countries experiencing severe balance of payments problems. It complements assistance provided by the IMF.

MFA loans are financed through EU borrowings on capital markets. The funds are then on-lent with similar financial terms to the beneficiary countries.

MFA is one important tool in a broader approach intended to support Ukraine in implementing its necessary reform strategy. It is intended to help the new reform-orientated government strengthen the country and deal with economic and political challenges.

On 8 January 2015, the European Commission, on behalf of the EU, proposed further macro-financial assistance to Ukraine of up to €1.8 billion in medium-term loans. It was adopted by the European Parliament and the Council on 15 April 2015. It can be implemented in the course of 2015, and in early 2016, and would be the third MFA programme for Ukraine since 2010. The European Commission has already disbursed €1.61 billion in support of Ukraine under two previous MFA programmes.

The MFA programmes are designed to help Ukraine cover part of its urgent external financing needs in the context of the economic stabilisation and reform programme recently launched by the Ukrainian authorities. The assistance is aimed at reducing the economy’s short-term balance of payments and fiscal vulnerabilities.

The disbursement of the new MFA programme will be conditional on the implementation of the specific economic policy and financial conditions to be agreed in a Memorandum of Understanding (MoU) for the MFA for Ukraine and on the continuous satisfactory track record of implementing the economic adjustment programme supported by the IMF programme for Ukraine that was approved on 11 March
2015.

MFA Disbursements so far: On 20 May 2014, a €100 million tranche was transferred from the first programme, which totals €610 million. This was followed by a disbursement of €500 million on 17 June from the second MFA programme, which totals €1 billion. Further € 260 million have been disbursed on 12 November 2014 (MFA I), and € 500 million on 3 December 2014 (second tranche of MFA II). On 21 April 2015, the final tranche of €250 million under the MFA I was disbursed to Ukraine.

FINANCIAL COOPERATION, GRANTS AND STATE BUILDING

In response to fast moving events and the urgent need to mobilise considerable assistance to help stabilise the country, in 2014 the Commission approved a €365 million Special Measure (in grants), the highest annual amount ever committed for Ukraine. Past support to Ukraine included support for infrastructure development in the areas of energy, transport, environment, border management. Since the signature of the Association Agreement and given the need for systemic reforms, attention now turns to broader governance issues.

Assistance in 2014 was thus focussed on the implementation of a €355m State Building Contract, a budget support operation as used in situation of fragility and transition processes. It will help the government of Ukraine to address short-term economic stabilisation needs, and prepare for in-depth reforms in the context of the Association Agreement/Deep Comprehensive Free Trade Area through support to improved public finance management, anti-corruption, public administration, budget transparency, judicial and constitutional reform and electoral legislation. The first tranche of €250m was released in June with a second of €105m to follow a year later, conditional on progress in reforms of these key areas.

Particular attention has also been devoted also to the involvement of Ukrainian civil society. The State Building Contract will be therefore accompanied by a €10 million Civil Society Support Programme (signed in September) to ensure a credible and effective civil society role in monitoring the stabilisation process and the implementation of key reforms. The action will be implemented through calls for proposals for funding actions implemented by civil society organisations and through technical assistance providing capacity building and support to structured dialogue between the authorities and the civil society.

A further agreement in support of Ukraine's Regional Development Strategy (€55m) provides technical and financial support to the Ukrainian Government to reform the Regional and Local Development system. The overall objective is to support the social, economic and territorial cohesion of Ukraine and well-being throughout the country. The programme backs the three strategic objectives of the State Regional Development Strategy 2020: improving the competitiveness of regions; territorial socio-economic integration; and effective state governance of regional development.

ENERGY SECURITY AND ENERGY REFORMS

Deep energy reforms and enhanced energy security are essential for the political and economic development of Ukraine.

A key objective of the EU support in the energy sector is to facilitate swift implementation of transparency and reforms in line with Ukraine's Energy Community and Association Agreement commitments. Via several technical assistance projects, the EU supports the Ukrainian government in establishing a strong and independent energy regulatory authority, and preparing new gas and electricity laws and increasing the efficiency of the Ukrainian energy sector. A major undertaking in this context will be the restructuring of Naftogaz in line with the 3rd Energy Package in the coming year.

As regards energy security, the EU will continue to assist Ukraine in addressing the short term energy crisis the country is experiencing as well as enhancing supply diversification.

With the mediation of the European Commission Ukraine and Russia agreed on the so-called "winter package" on 30 October 2014 which enables Ukraine to purchase gas from Russia under solid conditions. Vice-President for Energy Union, Maros Šefčovič, is in regular contact with the Russian and Ukrainian sides on its implementation. As agreed in the winter package Naftogaz of Ukraine has paid 3.1 billion dollar to Gazprom with regard to the invoices for November/December 2013 as well as April – June 2014 leaving the final clearance of accounts to the Stockholm arbitration procedure. By implementing the winter package Ukraine resumed imports of Russian gas on 9 December, almost six months after supplies had been suspended due to disagreement over gas prices. The EU welcomes the full implementation of the winter package by both sides and will continue monitoring the situation. The European Commission is prepared to provide additional expert monitoring of gas transit flows in the coming months.
An important step towards a closer integration of the gas market was achieved by enabling gas deliveries from EU into the Ukraine in 2014. Slovakia provides the largest transport capacity through the new interconnection point at Budince. Facilitated by the European Commission, this interconnection point was established as a result of a Memorandum of Understanding signed on 28 April 2014 between the Slovak transmission system operator Eustream and the Ukrainian transmission system operator Ukrtransgaz. Gas flows from Slovakia commenced on 1 September 2014 and as a result of subsequent increases transport capacity currently stand at 31.5 mcm/day. Subject to further technical adjustments in the Ukrainian network this capacity can be further increased to 40 mcm/day in the short term. Transport capacities into Ukraine from Poland are currently at 4 mcm/day and from Hungary at nearly 16 mcm/day, both on a so-called interruptible basis. Transport capacities from Slovakia and Poland are generally fully used. Around 4.9 bcm of natural gas have flowed from the EU to Ukraine in 2014. This has been crucial in securing supplies to Ukraine in addition to gas from Russia.

The EU has also been working with the Government of Ukraine to modernise the Ukrainian gas transmission system in view of the strategic importance of this transit route for gas supplies to Europe. In line with the Joint Declaration of March 2009 between the Ukraine, the EU, EIB, EBRD and World Bank, the EIB and EBRD signed in December 2014 the first two loans of 150 million euro each for the upgrading of the main East-West pipeline.

**FIGHT AGAINST CORRUPTION**

The fight against fraud and corruption is a priority for the Ukrainian authorities, and the setting-up of a national anti-fraud/anti-corruption authority is currently underway. Such an institution will deal with the detection, investigation and deferral to the judicial authorities of cases of fraud/corruption. The Commission is ready to supply the necessary expertise to support the Ukrainian authorities in this respect and work with them towards curbing fraud and corruption at national level.

Furthermore, the EU will monitor the effective disbursement of EU aid and other budgetary resources to ensure that EU funding reaches the intended projects and purposes.

In light of the extraordinary efforts of the EU to assist Ukraine and of the need to protect EU funding from fraud, the Commission is discussing with Ukrainian authorities about the creation of a joint, independent body to investigate on fraud and corruption-related matters.

**FACILITATING MOBILITY**

As regards the support measures in the area of mobility the Commission has proposed to work on three different strands:

1. **optimal use of the existing framework (the bilateral Visa Facilitation Agreement and the relevant provisions of the Visa Code)**

   Schengen visas are issued to Ukrainian citizens in line with applicable legislation: the provisions of the upgraded Visa Facilitation Agreement and of the Visa Code.

   Following the Foreign Affairs Council on 20 February 2014, Commission services examined in detail the flexibilities offered by the upgraded Visa Facilitation Agreement and the Visa Code allowing for issuing Schengen visas to Ukrainian applicants in a facilitated manner and against lowered or waived visa fees. This is in line with the Statement of the Heads of State or Government on Ukraine of 6 March 2014, which reiterated the EU’s commitment to enhance people to people contacts between the citizens of the EU and Ukraine.

   On 7 May 2014 Commissioner Malmström sent a letter to the Interior Ministers of the Member States, recommending the full use of the flexibility offered by Article 5 of the Visa Facilitation Agreement with Ukraine, to issue to eligible Ukrainian visa applicants Schengen multiple-entry visas with the maximum authorised term of validity of 5 years.

   The Commission services are in close contact with the Member States’ consulates in Kyiv to oversee any need for special procedures to be applied.

2. **accelerating the on-going visa liberalisation process, and thereby supporting the reform process in all sectors covered by the Visa Liberalisation Action Plan.**

   EU Member States have repeatedly confirmed (Foreign Affairs Council Conclusions of 20 February and 3 March 2014) their commitment to enhance people-to-people contacts between the EU and Ukraine, i.a. through the visa liberalisation process, along with agreed conditions in the framework of the Visa Liberalisation Action Plan.

   The European Commission’s support package for the Ukrainian stabilisation was supported by the extraordinary meeting of the EU Heads of State and Government of 6 March 2014. The mobility part of this package committed to support the Ukrainian efforts to move forward the visa liberalisation process as quickly as possible in line with the agreed conditions of the Visa Liberalisation Action Plan. On 27
May 2014 the Commission adopted today its fourth progress report on the implementation by Ukraine of the Visa Liberalisation Action Plan (VLAP). It concluded that Ukraine had put in place the necessary legislative, policy and institutional framework and met the first-phase requirements of the visa dialogue. The second phase, where the Commission is checking the implementation of all these rules, had therefore been launched.

The Commission remains in close contact with the Ukrainian authorities to monitor the latest progress towards the benchmarks in the second phase of the Action Plan.

**3) offer cooperation under the umbrella of a Mobility Partnership.**

The offer to conclude a Mobility Partnership can be a further means to strengthen the ties between Ukraine and the European Union. It provides the overarching framework to improve the management of migration and mobility of people. It allows for reinforced cooperation and practical support to the Ukrainian authorities in areas such as legal migration, migration and development and in improving the speed and quality of procedures for asylum and international protection, as well as, in building capacity to better tackle irregular migration.

**EU–UKRAINE AVIATION AGREEMENT**

The Commission is fully committed to the signing of the comprehensive EU–Ukraine aviation agreement to strengthen transport connections. This agreement is designed to create a "common aviation area" between the EU and Ukraine, based on common standards. It would offer further commercial opportunities, more direct connections and economic benefits on both sides, while it would bring regulatory convergence in all aviation fields. Limitations to weekly flights between Ukraine and the EU would be removed, while free and fair competition would help in establishing market prices for all flights. To attain these objectives, Ukraine would have to align its legislation with EU aviation standards and enforce EU requirements in areas such as: aviation safety, air traffic management, environment, economic regulation, competition, consumer protection and social aspects.

Air transport of passengers and cargo between Ukraine and the EU has been growing steadily in recent years and new investment opportunities for airlines would open up by allowing reciprocal majority ownership, facilitating the development of airlines and consolidation of the aviation sector. The comprehensive aviation agreement was initialled in November 2013. Since then it is in the hands of the Council. The Commission urges the signature of the agreement as soon as possible. Following signature, the ratification process will begin for both EU and Ukraine. Similar comprehensive aviation agreements have already been signed with other neighbouring countries: the Western Balkans, Morocco, Georgia, Jordan, Moldova and Israel.

For more information:

- [IP/15/4862 EU-Ukraine Summit: EU steps up its contribution to nuclear safety in Chernobyl with €70 million](#)
- [IP/14/413 Support Group for Ukraine](#)
- [MEMO/14/159 European Commission's support to Ukraine](#)
- [Factsheet on EU-Ukraine relations](#)
- [Frequently Asked Questions about Ukraine](#)

[1] This MEMO provides detailed information on the European Commission's principal actions in support to Ukraine. It is not intended to be comprehensive. See also [MEMO/14/346](#)