COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 29.10.2009
COM(2009)580 final

2009/0162 (CNS)

Proposal for a

COUNCIL DECISION

providing macro-financial assistance to Ukraine

(SEC(2009)1428)

EXPLANATORY MEMORANDUM

(1) CONTEXT OF THE PROPOSAL

- **Grounds for and objectives of the proposal**

The Commission proposes to provide to Ukraine macro-financial assistance (MFA) in the form of a loan of up to EUR 500 million. The proposed assistance is intended to contribute to covering Ukraine's general balance-of-payments needs and the external financing needs of the State budget identified by the International Monetary Fund (IMF). It will support the authorities' stabilisation programme with a view to ensuring sustainable fiscal and external accounts, and will thus help Ukraine address the consequences of the global financial crisis.

The proposed Community macro-financial assistance will complement support from the IMF foreseen under the Stand-By Arrangement (SBA) agreed by the IMF board in November 2008. It will also complement Community macro-financial assistance to Ukraine of up to EUR 110 million granted by the Council in 2002[1] which has not yet been implemented. The Commission intends to implement this assistance as a first stage of the overall EU financial support to Ukraine that will thus amount to EUR 610 million.

Community MFA will be exceptional and limited in time, and will be conditional, in particular, on progress in the implementation of the current IMF programme and on the successful fulfilment of economic policy conditions that will be attached to this assistance.

- **General context**

Ukraine's transition from state planned to market economy was comparatively difficult: in 2008 Ukraine's real GDP was still well below its 1990 level. In 2000, after a prolonged contraction, growth resumed; the average growth rate in the period 2000-2008 was 6.9%. However, since the onset of the global crisis, the economic situation of the country has deteriorated dramatically. In 2008, Ukraine's real GDP growth was just 2.5%, and in the first quarter of 2009, GDP is estimated to have contracted by around 20% year-on-year. The latest IMF projections for the current year point to a drop of real GDP by as much as 14%.

Since agreeing on a package of crisis-related adjustments, which included currency devaluation, Ukraine's current account has substantially improved, from a deficit of 7.2% of GDP in 2008 to a surplus, expected to be 0.5% of GDP in 2009. This improvement reflects primarily the narrowing trade deficit. Yet, while the current account balance is projected to achieve a small surplus in 2009, Ukraine has been suffering a capital account deficit: loss of confidence meant capital flight, reversal of capital inflows and a reduction in foreign direct investment. Strong pressures on the capital account produced strong pressures on international reserves that could only be kept at an appropriate level due to the financing provided by the IMF under the SBA. Also, the lower economic activity is resulting in a significant shortfall in fiscal revenue resulting in the widening budget deficit. The latest projections made in the context of

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1 Council Decision 2002/639/EC of 12 July 2002, OJ L 209, 6.8. 2002, p. 22.

the second SBA programme review point to a budget deficit target of 8.6% of GDP in 2009.

The economic policy decisions adopted by the Ukrainian authorities in autumn 2008 made it possible to reach an agreement with the IMF on a financing arrangement. In November 2008, the IMF Board approved a 24-month SBA for USD 16.5 billion, which represents 802% of Ukraine's drawing rights. The exceptional access has been justified by a severe current account and capital account crisis that Ukraine had been facing in late 2008. The adverse terms-of-trade shock related to a reduction of demand for products such as Ukrainian steel coincided with the shortfalls in financing related to the banking crisis and reduced depositor confidence. Further factors that made this exceptional access to IMF financing possible included (i) a sustainable position as far as external and public debt is concerned, (ii) good future prospects of Ukraine to regain access to private capital markets, and (iii) the domestic commitment to policy reforms.

The two-year IMF programme is considerably frontloaded. The first tranche of a USD 4.5 billion loan was disbursed directly after the IMF Board decision. The second disbursement amounting to USD 2.8 billion, initially delayed due to disagreements between the government of Ukraine and the IMF on several key aspects of the programme, was finally made in May 2009. A large part of the second loan tranche (USD 1.9 billion) was channelled directly to the budget to help Ukraine meet its external debt obligations. A disbursement of the third loan tranche of USD 3.3 billion was approved by the IMF Board in late July 2009. The tranche was allocated to the budget in full, also to meet external payment obligations of the general government.

- **Existing provisions in the area of the proposal**

In 2002, the Council adopted a decision providing medium-term macro-financial assistance to Ukraine of up to EUR 110 million. No disbursements have been made on this programme as the conditions for such disbursements were not met. The Council decision is still in force and the Commission intends to implement it, prior to the new proposed assistance.

- **Consistency with other policies and objectives of the Union**

The MFA programme is complementary to other EC financing, in particular to medium-term ENPI budget support implemented within the framework of the Country Strategy for EU cooperation with Ukraine. Thus, it can help increase the EU's leverage on Ukraine's policy making as well as help Ukraine to overcome the current deep economic crisis. The MFA programme is also complementary to the external financing coming from the IMF and the World Bank and from the bilateral donors.

MFA is provided at a time when the EU is also helping to mobilise financing to support the reform of the Ukrainian energy sector. The Commission and the Institutions involved (the IMF, the World Bank, the EBRD and the EIB), subject to their individual rules, capacities and conditions, are working together on a support package to the Ukrainian authorities designed to assist in developing a sustainable solution to Ukraine’s medium-term gas transit and gas payment obligations. The proposed MFA is not intended to be directly linked to that package. However, it would support, in particular through appropriate conditionality, Ukraine’s economic stabilisation and reforms, including reforms of the gas sector and accompanying reforms of the social safety net.

(2) CONSULTATION OF INTERESTED PARTIES AND IMPACT ASSESSMENT

- **Consultation of interested parties**

During the preparation of the present Commission proposal, the Commission services have been in contact with the Ukrainian authorities, the IMF, the World Bank, the EBRD and with potential bilateral donors and creditors, to discuss assistance needs. The Economic and Financial Committee (EFC) has been consulted and no objections were raised.

Following the adoption of the Council Decision, the Commission services will negotiate with the authorities of Ukraine a Memorandum of Understanding and a Loan Agreement to lay down in detail the implementation modalities of the assistance.

- **Collection and use of expertise**

An Operational Assessment assessing the quality and reliability of Ukraine's public financial circuits and administrative controls will be carried out by the Commission with the assistance of external consultants.

- **Impact assessment**

Macro-financial assistance will have an immediate impact on Ukraine's balance of payments and the State budget and will in this way contribute to the alleviation of financial constraints on the implementation of the authorities' economic programme. Macro-financial assistance will further support the general objectives of the stabilisation programme agreed with the IMF.

Project finance or technical assistance would not be suitable to address these macroeconomic objectives. The assistance will be delivered as balance-of-payments and budget support, so that the disbursements will contribute to the building up of reserves in the Central Bank and to meeting the external financing needs of the State budget, as foreseen under the macro-economic stabilisation programme.

(3) LEGAL ELEMENTS OF THE PROPOSAL

- **Summary of the proposed action**

The Community shall make available to Ukraine macro-financial assistance in the form of a loan of up to EUR 500 million. To this end, the Commission shall be empowered to borrow the corresponding amount on the capital markets or from financial institutions. This will complement the amount of EUR 110 million granted in Council decision 2002/639/EC, which will be implemented as a first stage of the overall EU financial support to Ukraine.

The assistance will be made available in two instalments. The maximum average loan maturity shall not exceed 15 years. The assistance will be managed by the Commission which shall agree with the authorities the specific economic policy and financial conditions attached to the payment of the loan instalments. Specific provisions on the prevention of fraud and other irregularities, consistent with the Financial Regulation, will be duly taken into account.

The assistance will be fully consistent with the macroeconomic targets already set in Ukraine's economic policy plans agreed with the IMF. It will be also consistent with longer-term policy objectives contemplated in the EU-Ukraine Partnership and Cooperation Agreement and more recently in the EU-Ukraine Action Plan adopted in 2005 in the framework of the European Neighbourhood Policy and the Association Agreement currently under negotiation. As regards specific economic policy conditions attached to the disbursement of the loan, the Commission intends to focus on a limited number of areas including public finance management and social safety net reforms related to energy sector reforms. Also, the Commission may consider targeting specific policies of particular importance, such as priorities identified in the report on implementation of the European Neighbourhood Policy (ENP Progress Report) of April 2009, or measures deemed appropriate following the Operational Assessment.

- **Legal basis**

Article 308 of the Treaty.

- **Subsidiarity principle**

The proposal falls under the exclusive competence of the Community. The subsidiarity principle therefore does not apply.

- **Proportionality principle**

The proposal complies with the proportionality principle for the following reasons.

The amount of the new assistance proposed –up to EUR 500 million– corresponds to approximately 25% of the residual external financing needs of Ukraine for the year 2009 over and above macro-economic support provided by the IMF and the World Bank. Those needs are estimated by the IMF at USD 2.8 billion, or EUR 2 billion. This burden sharing by the Community takes account of the current exceptional juncture, as the unfolding of the global crisis is having a severe effect on Ukraine's economy.

- **Choice of instruments**

Proposed instruments: other.

In the absence of a framework regulation for the macro-financial assistance instrument, ad hoc Council decisions under Article 308 of the Treaty are the only available legal instrument for this assistance.

(4) Budgetary implication

In line with the Guarantee Fund Regulation[2], the provisioning of the Guarantee Fund is expected to take place in 2012 and to amount to a maximum of EUR 45 million. This corresponds to 9% of the EUR 500 million loan expected to be disbursed in 2010.

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2 Article 5 of Council Regulation (EC, Euratom) No 480/2009 of 25 May 2009 establishing a Guarantee Fund for external action (codified version). The provisioning is appropriated from "the provisioning of the Guarantee Fund" (budget line 01 04 01 14).

(5) ADDITIONAL INFORMATION

- **Review/revision/sunset clause**

The proposal sets a limited availability period.

2009/0162 (CNS)

Proposal for a

COUNCIL DECISION

providing macro-financial assistance to Ukraine

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 308 thereof,

Having regard to the proposal from the Commission[3],

Having regard to the opinion of the European Parliament[4],

After consulting the Economic and Financial Committee,

Whereas:

(1) Relations between Ukraine and the European Union are developing within the framework of the European Neighbourhood Policy. In 2005, the Community -and Ukraine agreed on a European Neighbourhood Policy Action Plan identifying medium-term priorities in EU-Ukraine relations. Since 2007, the Community - and Ukraine have been negotiating an Association Agreement that is expected to replace the existing Partnership and Cooperation Agreement. The framework of EU-Ukraine relations is further enhanced by the newly launched Eastern Partnership.

(2) The Ukrainian economy has been increasingly hit by the international financial crisis with dramatically declining output, deteriorating fiscal position and rising external financing needs.

(3) Ukraine's economic stabilisation and recovery is supported by financial assistance of the International Monetary Fund (IMF). The IMF Stand-By Arrangement (SBA) for Ukraine was approved in November 2008.

(4) Following a further deterioration of the fiscal position, a large part of the second tranche under the IMF's SBA and the full amount of the third tranche were channelled to the budget.

(5) Ukraine has requested Community macro-financial assistance in view of the worsening economic situation and outlook.

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3 OJ C […], […], p. […].

4 OJ C […], […], p. […].

(6) Given that a residual financing gap in 2009-2010 remains in the balance of payments, macro-financial assistance is considered an appropriate response to Ukraine's request to support economic stabilisation in conjunction with the current IMF programme. The present financial assistance is also expected to contribute to alleviate the external financing needs of the State budget.

(7) The macro-financial assistance is provided to Ukraine in addition to the loan facility based on Council Decision 2002/639/EC of 12 July 2002 providing supplementary macro-financial assistance to Ukraine[5],

(8) In order to ensure efficient protection of the Community's financial interests linked to the present financial assistance, it is necessary to provide for appropriate measures by Ukraine related to the prevention of, and the fight against, fraud, corruption and any other irregularities linked to this assistance, as well as for controls by the Commission and audits by the Court of Auditors.

(9) The release of the Community financial assistance is without prejudice to the powers of the budgetary authority.

(10) This assistance should be managed by the Commission, in consultation with the Economic and Financial Committee.

(11) The Treaty does not provide, for the adoption of this Decision, powers other than those of Article 308,

HAS DECIDED AS FOLLOWS:

Article 1

1. The Community shall make available to Ukraine macro-financial assistance in the form of a loan facility with a maximum principal amount of EUR 500 million and a maximum average maturity of 15 years with a view to supporting Ukraine's economic stabilisation and alleviating its balance of payments and budgetary needs as identified in the current IMF programme.

2. To this end, the Commission is empowered to borrow on behalf of the European Community the necessary resources.

3. The release of the Community financial assistance shall be managed by the Commission in a manner consistent with the agreements or understandings reached between the IMF and Ukraine.

4. The Community financial assistance shall be made available for two years starting from the first day after the entry into force of the Memorandum of Understanding referred to in Article 2(1). However, if circumstances so require, the Commission, after consultation of the Economic and Financial Committee, may decide to extend the availability period by a maximum of one year.

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5 OJ L 209, 6.8. 2002, p. 22.

Article 2

1. The Commission is empowered to agree with the authorities of Ukraine, after consulting the Economic and Financial Committee, the economic policy conditions attached to the Community macro-financial assistance, to be laid down in a Memorandum of Understanding. The conditions shall be consistent with the agreements or understandings reached between the IMF and Ukraine. The detailed financial terms of the assistance shall be laid down in a Loan Agreement to be agreed between the Commission and the authorities of Ukraine.

2. During the implementation of the Community financial assistance, the Commission shall monitor the soundness of Ukraine's financial arrangements, administrative procedures, and the internal and external control mechanisms which are relevant to such assistance.

3. The Commission shall verify at regular intervals that Ukraine's economic policies are in accordance with the objectives of the Community assistance and that the agreed economic policy conditions are being satisfactorily fulfilled. In doing so, the Commission shall coordinate closely with the IMF and the World Bank, and, when required, with the Economic and Financial Committee.

Article 3

1. The Community financial assistance shall be made available by the Commission to Ukraine in two loan instalments, subject to the conditions of paragraph 2. The size of each instalment will be laid down in the Memorandum of Understanding.

2. The Commission shall decide on the release of the instalments subject to satisfactory implementation of the economic policy conditions agreed in the Memorandum of Understanding. The disbursement of the second instalment shall not take place earlier than three months after the release of the first instalment.

3. The Community funds shall be paid to the National Bank of Ukraine. Subject to provisions to be agreed in the Memorandum of Understanding, including a confirmation of residual budgetary financing needs, the funds may be transferred to the Treasury of Ukraine as the final beneficiary.

Article 4

1. The borrowing and the lending operations referred to in this Decision shall be carried out in euro using the same value date and shall not involve the Community in the transformation of maturities, in any exchange or interest rate risks, or in any other commercial risk.

2. The Commission shall take the necessary steps, if Ukraine so requests, to ensure that an early repayment clause is included in the loan terms and conditions and that it is matched by a corresponding clause in the terms and conditions of the borrowing operations.

3. At the request of Ukraine, and where circumstances permit an improvement of the interest rate of the loan, the Commission may refinance all or part of its initial borrowings or restructure the corresponding financial conditions. Refinancing or restructuring operations shall be carried out in accordance with the conditions set out in paragraph 1 and shall not have the effect of extending the average maturity of the borrowing concerned or increasing the amount of capital outstanding at the date of the refinancing or restructuring.

4. All costs incurred by the Community which are related to the borrowing and lending operations under this Decision shall be borne by Ukraine.

5. The Economic and Financial Committee shall be kept informed of developments in the operations referred to in paragraphs 2 and 3.

Article 5

The Community financial assistance shall be implemented in accordance with the provisions of Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities[6] and its implementing rules[7]. In particular, the Memorandum of Understanding and the Loan Agreement to be agreed with the authorities of Ukraine shall provide for appropriate measures by Ukraine in relation to the prevention of, and the fight against, fraud, corruption and other irregularities affecting the assistance. They shall also provide for controls by the Commission, including the European Anti-Fraud Office (OLAF), with the right to perform on-the-spot checks and inspections, and for audits by the Court of Auditors, where appropriate, to be carried out on the spot.

Article 6

By 31 August of each year the Commission shall submit to the European Parliament and to the Council a report, including an evaluation of the implementation of this Decision in the preceding year. The report shall indicate the connection between the policy conditions as laid down in a Memorandum of Understanding pursuant to Article 2(1), Ukraine's on-going economic and fiscal performance, and the Commission's decisions to release the instalments of the assistance.

Article 7

This Decision shall take effect on the day of its publication in the *Official Journal of the European Union*.

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[6] OJ L 248, 16.9.2002 p. 1.
[7] Commission Regulation (EC, Euratom) No 2342/2002, OJ L 357, 31.12.2002, p. 1.

Done at Brussels, […]

For the Council
Joaquin ALMUNIA
Member of the Commission

LEGISLATIVE FINANCIAL STATEMENT

1. NAME OF THE PROPOSAL:

Macro-financial assistance to Ukraine

2. ABM / ABB FRAMEWORK

Policy Area(s) concerned and associated Activity/Activities:

Title 01 – Economic and Financial Affairs, 03 – International economic and financial affairs

3. BUDGET LINES

3.1. Budget lines (operational lines and related technical and administrative assistance lines (ex- B.A lines)) including headings:

01 04 0114 Provisioning of the Guarantee Fund

3.2. Duration of the action and of the financial impact:

Disbursements will take place over 2010 in two tranches. However, delays that would prolong the operation cannot be excluded.

3.3. Budgetary characteristics:

Budget line	Type of expenditure		New	EFTA contribution	Contributions from applicant countries	Heading in financial perspective
01.04.01.14	Comp	Diff	NO	NO	NO	**No 4**

Assistance in the form of loan

01 04 01 14 – Provisioning of the Guarantee Fund

The Guarantee Fund for external actions has to be provisioned according to the Fund Regulation as amended. In line with this Regulation, loans are not any more provisioned for the entire amount at the time of the decision but based on the outstanding amount at the end of a year. The provisioning amount is calculated at the beginning of the year "n" as the difference between the target amount and the Fund's net assets at the end of the year "n-1". This provisioning amount is introduced in the year "n" to the "n+1" preliminary budget and effectively paid in one transaction at the beginning of the year "n+1" from "the provisioning of the Guarantee Fund" (budget line 01 04 01 14).

As a result, 9% (maximum of EUR 45 million) of the effectively disbursed amount will be considered in the target amount at the end of the year "n-1" for the calculation of the provisioning of the Fund.

01 04 01 04 – EC guarantee for Community loans raised for macro-financial assistance to third countries.

The budget entry ("p.m.") reflecting the budget guarantee for the loan (EUR 500 million) will be activated only in the case of an effective call on the guarantee. It is not expected that the budget guarantee be called.

4. SUMMARY OF RESOURCES

4.1. Financial Resources

4.1.1. Summary of commitment appropriations (CA) and payment appropriations (PA)

EUR million (to 3 decimal places)

Expenditure type	Section no.		2009	2010			Total
Operational expenditure[8]							
Commitment Appropriations (CA)	8.1.	a	0	0			
Payment Appropriations (PA)		b	0	0			
Administrative expenditure within reference amount[9]							
Technical & administrative assistance (NDA)	8.2.4.	c	0	0			
TOTAL REFERENCE AMOUNT							
Commitment Appropriations		a+c	0	0			
Payment Appropriations		b+c	0	0			
Administrative expenditure not included in reference amount[10]							
Human resources and associated expenditure (NDA)	8.2.5.	d	0	0			
Administrative costs, other than human resources and associated costs, not included in reference amount (NDA)	8.2.6.	e	0	0			
Total indicative financial cost of intervention							
TOTAL CA including cost of Human Resources		a+c+d+e	0	0			
TOTAL PA including cost of Human Resources		b+c+d+e	0	0			

4.1.2. Compatibility with Financial Programming

X Proposal is compatible with existing financial programming.

8 Expenditure that does not fall under Chapter xx 01 of the Title xx concerned.
9 Expenditure within article xx 01 04 of Title xx.
10 Expenditure within chapter xx 01 other than articles xx 01 04 or xx 01 05.

☐ Proposal will entail reprogramming of the relevant heading in the financial perspective.

☐ Proposal may require application of the provisions of the Inter-institutional Agreement[11] (i.e. flexibility instrument or revision of the financial perspective).

4.1.3. Financial impact on Revenue

X Proposal has no financial implications on revenue

☐ Proposal has financial impact – the effect on revenue is as follows:

4.2. Human Resources FTE (including officials, temporary and external staff) – see detail under point 8.2.1.

Annual requirements	2009	2010				
Total number of human resources	1/3	1/3				

5. CHARACTERISTICS AND OBJECTIVES

5.1. Needs to be met in the short or long term

The Ukraine's economy has been severely hit by the global economic and financial crisis. Economic growth started to decelerate in the second half of 2008 and output is expected to contract by 14% in 2009. Although the current account deficit is declining, overall external financing needs remain high due to an increase in short-term debt repayment obligations. For the year 2009 alone the International Monetary Fund identified a residual external financing gap amounting to USD 2.8 billion. Somewhat lower but still substantial external financing needs are expected for 2010. The European Community is expected to cover a part of these residual external financing needs.

5.2. Value-added of Community involvement and coherence of the proposal with other financial instruments and possible synergy

The Community financial support reflects the Ukraine's strategic importance in the European Neighbourhood Policy. Macro-financial assistance is an appropriate instrument to complement the existing Community assistance and contributes to a fully financed IMF-supported economic stabilisation programme. Thereby, important synergies can be established with respect to its impact on economic reform and stabilisation.

[11] See points 19 and 24 of the Interinstitutional agreement.

5.3. Objectives, expected results and related indicators of the proposal in the context of the ABM framework

Within the Activity "International Economic and Financial Affairs" of the Directorate General for Economic and Financial Affairs, the Objective of "providing macro-financial assistance to third countries in resolving their balance of payment crises and restoring external debt sustainability" is related to the general objective "to promote prosperity beyond the EU".

The related indicators are "current account balance as a percentage of GDP" (expected result: improvement), "external debt as a percentage of GDP" (expected result: decrease) and "official reserves in months of imports of goods and services" (expected result: a stabilisation or an increase).

5.4. Method of Implementation (indicative)

X ***Centralised Management***

- X directly by the Commission
- ☐ indirectly by delegation to:
  - ☐ executive Agencies
  - ☐ bodies set up by the Communities as referred to in art. 185 of the Financial Regulation
  - ☐ national public-sector bodies/bodies with public-service mission

☐ ***Shared or decentralised management***

- ☐ with Member states
- ☐ with Third countries

☐ ***Joint management with international organisations (please specify)***

Relevant comments:

6. MONITORING AND EVALUATION

6.1. Monitoring system

The monitoring of the action by the Commission services will take place on the basis of macroeconomic and structural policy measures to be agreed with the Ukrainian authorities in a Memorandum of Understanding. The authorities will be required to report on those measures to the Commission services on a regular basis. The Delegation of the European Commission in Kyiv will also provide reporting on issues relevant for the monitoring of the assistance. The Commission services will remain in close contact with the IMF and the World Bank to benefit from their expertise.

6.2. Evaluation

6.2.1. Ex-ante evaluation

An ex–ante evaluation was carried out by Commission services (Unit D3 of the Economic and Financial Affairs Directorate-General).

6.2.2. Measures taken following an intermediate/ex-post evaluation (lessons learned from similar experiences in the past)

Since 2004 a total of nine ex-post evaluations have been carried out on macro-financial assistance operations, including two in the new independent states of the former Soviet Union (Armenia, Tajikistan). These evaluations conclude that MFA operations do contribute, albeit sometimes modestly and indirectly, to the improvement of the external sustainability, the macroeconomic stability and the achievement of structural reforms in the recipient country. In most cases, MFA operation had a positive effect on the balance of payments of the beneficiary country and helped to relax their budgetary constraints. They also led to a slightly higher economic growth.

6.2.3. Terms and frequency of future evaluation

An independent ex-post evaluation of the assistance to Ukraine is planned to be carried out under the multi-annual evaluation programme of the Directorate-General for Economic and Financial Affairs.

7. ANTI-FRAUD MEASURES

The Commission services have put in place an on-going programme of Operational Assessments of the financial circuits and administrative procedures in all third countries benefiting from the Community macro-financial assistance in order to fulfil requirements of the Financial Regulation applicable to the General Budget of the European Communities.

In Ukraine, no Operational Assessment has yet taken place but a World Bank's Public Financial Management Performance study was published in March 2007. The first Operational Assessment will be commissioned by the European Commission shortly. Its results will be used to guide the definition of the specific policy measures to be attached to the release of the assistance with a view of strengthening efficiency, transparency and accountability of public finance management systems in Ukraine.

The proposed legal basis for macro-financial assistance to Ukraine includes a provision on fraud prevention measures. These measures will be elaborated further in a Memorandum of Understanding and the loan agreement. It is envisaged that a number of specific policy conditions will be attached to the assistance mainly in the field of public finance management, with a view of strengthening efficiency, transparency and accountability of the assistance. The macro-financial assistance will be liable to verification, control and auditing procedures under the responsibility of the Commission, including the European Antifraud Office (OLAF), and by the European Court of Auditors.

8. DETAILS OF RESOURCES

8.1. Objectives of the proposal in terms of their financial cost

Commitment appropriations in EUR million (to 3 decimal places)

(Headings of Objectives, actions and outputs should be provided)	Type of output	Av. cost	Year 2009		Year 2010		Year 2011		Year 2012		Year n+4		Year n+5 and later		TOTAL	
			No. outputs	Total cost	No. outputs	Total cost	No. outputs	Total cost	No. outputs	Total cost	No. outputs	Total cost	No. outputs	Total cost	No. outputs	Total cost
OPERATIONAL OBJECTIVE No.1																
Action 1 Balance of payments/ budget support to Ukraine																
- Output 1	Guarantee Fund provisioning	0	0	0						45.0						
- Output 2																
Action 2 Operational Assessment.																
- Output 1	Report		1	0.05												
Sub-total Objective 1				0.05						45.0						
OPERATIONAL OBJECTIVE No.2 [1]………																

Action 1……………….																
- Output 1																
Sub-total Objective 2																
OPERATIONAL OBJECTIVE No.n [1]																
Sub-total Objective n																
TOTAL COST				0.05						45.0						

8.2. Administrative Expenditure

8.2.1. Number and type of human resources

Types of post		Staff to be assigned to management of the action using existing and/or additional resources (**number of posts/FTEs**)					
		Year 2009	Year n+1	Year n+2	Year n+3	Year n+4	Year n+5
Officials or temporary staff[12] (XX 01 01)	A*/AD	1/3	1/3				
	B*, C*/AST						
Staff financed[13] by art. XX 01 02							
Other staff[14] financed by art. XX 01 04/05							
TOTAL		1/3	1/3				

8.2.2. Description of tasks deriving from the action

Inter alia prepare/negotiate memoranda of understanding and loan agreement, liaise with the authorities and the International Financial Institutions, monitor economic and structural policies of the beneficiary country, conduct review missions and prepare Commission staff reports, prepare Commission procedures related to the management of the assistance.

8.2.3. Sources of human resources (statutory)

X Posts currently allocated to the management of the programme to be replaced or extended

☐ Posts pre-allocated within the APS/PDB exercise for year n

☐ Posts to be requested in the next APS/PDB procedure

☐ Posts to be redeployed using existing resources within the managing service (internal redeployment)

☐ Posts required for year n although not foreseen in the APS/PDB exercise of the year in question

12 Cost of which is NOT covered by the reference amount

13 Cost of which is NOT covered by the reference amount

14 Cost of which is included within the reference amount

8.2.4. *Other Administrative expenditure included in reference amount (XX 01 04/05 – Expenditure on administrative management)*

EUR million (to 3 decimal places)

Budget line 01 03 02 Macro-economic assistance	Year n	Year n+1	Year n+2	Year n+3	Year n+4	Year n+5 and later	TOTAL
1 Technical and administrative assistance (including related staff costs)							
Executive agencies[15]							
Other technical and administrative assistance							
- *intra muros*							
- *extra muros* *1) Operational assessment* *2) Ex-post evaluation*	0.050	0.250					
Total Technical and administrative assistance	0.050	0.250					

8.2.5. *Financial cost of human resources and associated costs not included in the reference amount*

EUR million (to 3 decimal places)

Type of human resources	Year n	Year n+1	Year n+2	Year n+3	Year n+4	Year n+5

15 Reference should be made to the specific legislative financial statement for the Executive Agency(ies) concerned.

						and later
Officials and temporary staff (XX 01 01)	0.030	0.030				
Staff financed by Art XX 01 02 (auxiliary, END, contract staff, etc.) (specify budget line)						
Total cost of Human Resources and associated costs (NOT in reference amount)	**0.030**	**0.030**				

Calculation– ***Officials and Temporary agents*** Reference should be made to Point 8.2.1, if applicable NOT APPLICABLE

Calculation– ***Staff financed under art. XX 01 02*** Reference should be made to Point 8.2.1, if applicable NOT APPLICABLE

8.2.6. Other administrative expenditure not included in reference amount

EUR million (to 3 decimal places)

	Year 2009	Year n+1	Year n+2	Year n+3	Year n+4	Year n+5 and later	TOTAL
XX 01 02 11 01 – Missions	0.020	0.010					0.030
XX 01 02 11 02 – Meetings & Conferences							
XX 01 02 11 03 – Committees[16]							
XX 01 02 11 04 – Studies & consultations							

16 Specify the type of committee and the group to which it belongs.

XX 01 02 11 05 - Information systems							
2 Total Other Management Expenditure (XX 01 02 11)							
3 Other expenditure of an administrative nature (specify including reference to budget line)							
Total Administrative expenditure, other than human resources and associated costs (NOT included in reference amount)	0.020	0.010					0.030

Calculation - ***Other administrative expenditure <u>not</u> included in reference amount*** Three staff missions for one/two persons