# COUNCIL DECISION

## of 15 October 1998

## providing supplementary macro-financial assistance for Ukraine

(98/592/EC)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 235 thereof,

Having regard to the proposal from the Commission [1],

Having regard to the opinion of the European Parliament [2],

Whereas the Commission has consulted the Monetary Committee before submitting its proposal;

Whereas Ukraine is undertaking fundamental political and economic reforms and is making substantial efforts to implement a market economy model;

Whereas Ukraine and the European Communities and their Member States have signed a Partnership and Cooperation Agreement which will help the development of a full cooperation relationship;

Whereas the authorities of Ukraine have requested financial assistance from the International Financial Institutions, the Community and other bilateral donors;

Whereas Ukraine has agreed with the International Monetary Fund (IMF) on a macro-economic programme for the period July 1998 to June 2001 supported by an 'Extended Fund Facility' (EFF) of approximately USD 2,3 billion; whereas policy-based loans to Ukraine in the order of USD 2,1 billion are also expected from the World Bank during the programme period;

Whereas, over and above the estimated financing which could be provided by the IMF and the World Bank, and after undisbursed commitments of bilateral donors under previous programmes have been deducted, a residual financing gap of some USD 2,2 billion remains to be covered during the programme period in order to support the policy objectives attached to the government's reform effort; whereas complementary official and private contributions are expected from other bilateral donors;

Whereas by Decisions 94/940/EC [3] and 95/442/EC [4], the Council approved macro-financial assistance for Ukraine of up to a total amount of ECU 285 million for support to previous macro-economic programmes; whereas, however, further official support is required in the context of the present programme to support the balance of payments, consolidate the reserve position and facilitate the necessary structural adjustment of that country;

Whereas an additional Community long-term loan to Ukraine is an appropriate measure to help ease the country's external financial constraints;

Whereas commitments have been given by the Ukrainian authorities, the Group of Seven and the European Union in the context of the Memorandum of Understanding signed on 21 December 1995 aimed at the closure of the Chernobyl nuclear power plant by the year 2000;

Whereas the Community loan should be managed by the Commission;

Whereas the Treaty does not provide, for the adoption of this Decision, powers other than those of Article 235,

HAS DECIDED AS FOLLOWS:

*Article 1*

1. The Community shall make available to Ukraine a long-term loan facility of a maximum principal amount of ECU 150 million with a maximum maturity of 10 years, with a view to ensuring a sustainable balance-of-payments situation, strengthening the country's reserve position and comforting the implementation of the necessary structural reforms.

2. To this end, the Commission is empowered to borrow, on behalf of the European Community, the necessary resources that will be placed at the disposal of Ukraine in the form of a loan.

3. This loan will be managed by the Commission in close consultation with the Monetary Committee and in a manner consistent with any agreement reached between the IMF and Ukraine.

*Article 2*

1. The Commission is empowered to agree with the Ukrainian authorities, after consulting the Monetary Committee, the economic policy conditions attached to the loan. These conditions shall be consistent with the agreements referred to in Article 1(3).

[1] OJ C 386, 20. 12. 1997, p. 10.
[2] OJ C 80, 16. 3. 1998, p. 29.
[3] OJ L 366, 31. 12. 1994, p. 32.
[4] OJ L 258, 28. 10. 1995, p. 63.

2. The Commission shall verify at regular intervals, in collaboration with the Monetary Committee and in close coordination with the IMF, that the economic policy in Ukraine is in accordance with the objectives of this loan and that its conditions are being fulfilled.

*Article 3*

1. The loan shall be made available to Ukraine in at least two instalments. Subject to Article 2, the first instalment is to be released on the basis of a satisfactory track record of Ukraine's macro-economic programme agreed with the IMF in the context of the present EFF or of a successor upper credit tranche arrangement.

2. Subject to Article 2, the later instalment(s) shall be released on the basis of a satisfactory continuation of the arrangements referred to in paragraph 1 and not before a period of three months has elapsed after the release of the previous instalment.

3. The funds shall be paid to the National Bank of Ukraine.

*Article 4*

1. The borrowing and lending operations referred to in Article 1 shall be carried out using the same value date and must not involve the Community in the transformation of maturities, in any exchange or interest rate risk, 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 may be exercised.

3. At the request of Ukraine, and where circumstances permit an improvement in the interest rate on the loans, 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, expressed at the current exchange rate, of capital outstanding at the date of the refinancing or restructuring.

4. All related costs incurred by the Community in concluding and carrying out the operation under this Decision shall be borne by Ukraine.

5. The Monetary Committee shall be kept informed of developments in the operations referred to in paragraphs 2 and 3 at least once a year.

*Article 5*

At least once a year the Commission shall address to the European Parliament and to the Council a report, which will include an evaluation of the implementation of this Decision.

Done at Brussels, 15 October 1998.

*For the Council*

*The President*

W. SCHÜSSEL