



**Exceptional Macro-financial assistance to Ukraine
of up to EUR 1 billion**

MEMORANDUM OF UNDERSTANDING

between

**The European Union
as Lender**

and

**Ukraine
as Borrower**

MEMORANDUM OF UNDERSTANDING BETWEEN THE EUROPEAN UNION AND UKRAINE

1. On 12 July 2022, the European Parliament and the Council of the European Union adopted a decision (Decision (EU) 2022/1201) to make available exceptional macro-financial assistance to Ukraine in the context of Russia's military aggression against Ukraine.¹ The Decision makes available to Ukraine (hereafter referred to as "the Country") macro-financial assistance (hereafter referred to as "assistance") of up to EUR 1 billion in the form of a loan. The assistance shall be made available for one year starting from the first day after the entry into force of this Memorandum of Understanding (hereafter referred to as "the MoU").
2. The objective of this assistance is to support the Country's macro-financial stability given the acute funding needs triggered by the war circumstances. This assistance from the European Union is complementary to the resources provided to the Country by international financial institutions and bilateral donors in support of the authorities' economic, social and financial resilience.
3. The assistance shall be constituted of a single instalment of EUR 1 billion, which may be disbursed in one or more tranches.
4. The single instalment of the assistance shall be disbursed in one or more tranches, upon the signature and entry into force of this MoU, in accordance with the accompanying Loan Facility Agreement, and shall be conditional upon the authorities of the Country setting up and implementing a reporting system on the use of the funds, as referred to in paragraph 5 of this MoU, and upon continuous compliance of the Country with this MoU.
5. The authorities of the Country are committed to ensure that the financial support received under this assistance is spent in a manner that is efficient, transparent and accountable vis-à-vis the European Union and the Commission. To this end, they shall set up and operate a reporting system that enables the availability of sound budgetary information to the Commission in an accessible, timely and comprehensive manner. They shall provide monthly reports on revenues (which includes the additional resources provided by the Union's macro-financial assistance) and expenditures of the state budget at the level of the major expenditure headings. In these reports, the authorities of the Country shall also include details on the administrative and financial management measures in place, including the internal controls, applied in general and in particular for the Union's macro-financial assistance. Annex I of this MoU presents an outline of this reporting system. In addition, the authorities of the Country are committed to address, adequately and swiftly, any shortcoming detected in the context of the operational assessment done during the implementation of this assistance.

¹ Decision (EU) 2022/1201 of the European Parliament and of the Council of 12 July 2022 providing macro-financial assistance to Ukraine, OJ L 186, 13.7.2022, p. 1–7

Throughout the entire period of the assistance, the European Commission (hereafter referred to as "Commission") shall evaluate, where appropriate based on consultations with the authorities of the Country, the IMF and other competent international organisations, the suitability and good standing of the reporting system referred to above. The authorities of the Country shall ensure the proper implementation and functioning of the reporting system for the entire period of the assistance. In its evaluation[s], the Commission shall focus, in particular, on mechanisms in place to ensure the proper flow, timeliness, accuracy, and adequacy of the information provided. The Commission shall take appropriate measures pursuant to the loan agreement in case failures in the implementation of the reporting system have been identified.

6. The Commission will also continuously verify the funding needs of the Country and may reduce, suspend or cancel all or part of the assistance in case the funding needs of the Country have decreased fundamentally during the period of disbursement compared to the initial projections.
7. The Commission shall transfer the instalment or tranches of instalment to a euro account of the State Treasury of Ukraine (hereafter referred to as "the Recipient") at the National Bank of Ukraine (hereafter referred to as "the Agent"). Given the substantial budgetary financing needs faced by the Country, the proceeds of the loan will be used to finance the Country's budget.
8. During the implementation of the assistance, the Country's authorities shall supply the Commission with all information that is relevant for the monitoring of its economic and financial situation and for the assessment of the implementation of the reporting system. In particular, the authorities will make available to the Commission on a timely basis the relevant information as set out in Annex I.
9. With a view to preventing irregularities and fraud related to the use of the assistance and ensuring the protection of the EU's financial interests, the relevant provisions of the Loan Facility Agreement will apply, notably those regarding regular checks by the Country on the use of European Union assistance, and checks, audits and investigations performed by the Commission, including the European Anti-Fraud Office, the European Court of Auditors and the European Public Prosecutor's Office. Also, the provisions of the Loan Facility Agreement shall ensure the early reimbursement of the assistance in case it has been established that the Country has engaged, in relation to the management of this assistance, in any act of fraud, corruption or any other illegal activity.
10. The Commission, represented by its own agents or its duly mandated experts, shall have the right to carry out operational assessments of the administrative procedures and financial circuits of the Country and of the Agent that relate to the management of European Union macro-financial assistance throughout the duration of this MoU and for five years after the disbursement of the instalment (*ex-post* period).
11. An independent *ex-post* evaluation of the assistance may be carried out by the Commission or its duly authorised representatives. The authorities of the Country are committed to supplying all necessary information to the Commission, represented by its own agents or its duly mandated experts, for the duration of this process. The evaluation report will be made available to the authorities of the Country for comments.

12. The authorities shall ensure, as appropriate, close co-operation with the Commission. Confidential information under this Memorandum shall be exchanged in accordance with the Agreement between the European Union and Ukraine on the security procedures for the exchange of classified information of 13 June 2005.
13. This assistance shall be conditional upon the continuous compliance, by the authorities of the Country, with effective democratic mechanisms, including a multi-party parliamentary system and the rule of law, and with the respect for human rights. The Country undertakes to safeguard central bank independence and to make progress towards implementation of the Association Agreement, including the Deep and Comprehensive Free Trade Area (DCFTA). The Country also undertakes to make progress on the steps outlined by the Commission when being granted candidate status for membership in the European Union.
14. The assistance is implemented on the understanding that the authorities of the Country are committed to phasing out the temporary emergency measures in the area of economic and financial policy that have been imposed for the duration of the war, at the appropriate time and with an adequate sequencing, especially with regard to the monetary policy and exchange rate framework, financial sector regulation, governance of state-owned enterprises, freedom of capital movements, and the tax and trade excise regimes. The authorities of the Country are also committed to reinstating the established economic and financial policy institutions in their pre-war mandates as soon as martial law is lifted.
15. Annex I is an integral part of this MoU.
16. All notices in relation with the present MoU shall validly be given if in writing and sent to:

For the European Union

European Commission
Directorate General for
Economic and Financial Affairs
CHAR 11/248
B-1049 Brussels, Belgium

For Ukraine

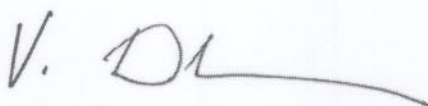
Ministry of Finance
12/2 Hrushevskiyi Street
Kyiv 01008
Ukraine
For the attention of: Minister or Deputy
Ministers and the Department of Debt
Policy

With copy to:
National Bank of Ukraine
9 Instytutska Street
Kyiv 01601
Ukraine
For the attention of: Governor or Deputy
Governors

17. The present MoU shall enter into force following the signature by the European Union and the Country and upon its ratification by the Country's Parliament or following another applicable internal procedure pursuant to its legal order.
18. The MoU may be amended upon mutual agreement of the parties in the form of a written Addendum. The Addendum will be an integral part of this MoU and will enter into force according to the same procedures as the MoU.
19. A signed or electronically signed copy of this MoU transmitted by secure email, or other secure means of electronic transmission, shall be deemed to have the same legal effect as the delivery of an original executed copy of this MoU for all purposes.

Done in Brussels on 19 July 2022 in two originals in the English language.

FOR THE EUROPEAN UNION
as Lender



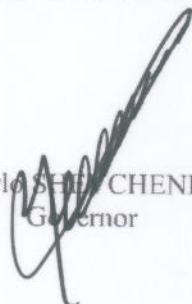
Valdis DOMBROVSKIS
Executive Vice-President
of the European Commission

FOR UKRAINE
as Borrower



Sergii MARCHENKO
Minister of Finance of Ukraine

FOR THE NATIONAL BANK
OF UKRAINE
as Agent to the Borrower



Kyrylo SHEVCHENKO
Governor

ANNEX I

REQUIRED REPORTING SYSTEMS

1. Outline and monitoring of the reporting systems on the use of funds received under this assistance

During the implementation of the European Union's macro-financial assistance, the relevant authorities of the Country shall provide, upon request, to the Commission data and information relating to the implementation of the reporting system, which will include the funding needs, main categories and areas of expenditures for which the corresponding funds were spent, indicating the share of expenditures that were made under the public procurement procedure, to the extent possible.

2. Monitoring of macro-economic and financial developments and policies

During the implementation of the European Union macro-financial assistance, the following indicators and reports shall be published or provided to the Commission by the relevant authorities of the Country:

a) Information submitted by the Ministry of Finance

- GDP or national income (quarterly)
- Main components of GDP (quarterly)
- Employment and unemployment rates (quarterly)
- Level and composition of general and central government revenue and expenditure as well as government payment arrears (quarterly)
- Fiscal balance of the central government (quarterly)
- Fiscal balance of the general government (annual)
- External public debt stock and (interest and principal) payments (quarterly)
- Domestic public debt stock and (interest and principal) payments (quarterly)
- Scheduled quarterly payments (interest and principal) of domestic and external public debt for the years 2022-2024 (quarterly)
- Consumer and producer price changes (monthly)
- Interest rates on benchmark government bonds at liquid maturities (monthly)

b) Information submitted by the National Bank of Ukraine

- Interbank interest rates at benchmark maturities (monthly)
- Banks' overall lending rate (monthly)
- Balance-of-payments and main components (quarterly)
- International reserve position (monthly)
- Nominal bilateral exchange rates against the euro and the USD (monthly)