



Brussels, 7.7.2020
SWD(2020) 125 final

COMMISSION STAFF WORKING DOCUMENT

Background Analysis per beneficiary country

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 2019

{COM(2020) 296 final}

COMMISSION STAFF WORKING DOCUMENT

Background Analysis per beneficiary country

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 2019

LIST OF ABBREVIATIONS

AA	Association Agreement
CPI	Consumer price index
DCFTA	Deep and Comprehensive Free Trade Area
EC	European Community
ECF	Extended Credit Facility
EEU	Eurasia Economic Union
EFF	Extended Fund Facility
EFTA	European Free Trade Association
EIB	European Investment Bank
ENP	European neighbourhood policy
ENI	European neighbourhood instrument
EU	European Union
EUR	Euro
FATF	Financial Action Task Force
FDI	Foreign direct investment
FSAP	Financial sector assessment programme
GDP	Gross domestic product
IMF	International Monetary Fund
MFA	Macro-financial assistance
MoU	Memorandum of Understanding
OECD	Organisation for Economic Cooperation and Development
OJ	Official Journal of the European Union
PFM	Public finance management
PPP	Public-private partnership
SBA	Stand-By Arrangement
SDR	Special drawing rights
SOE	State-owned enterprise
SREP	Supervisory review and evaluation process
TFEU	Treaty on the Functioning of the European Union
VAT	Value added tax
WTO	World Trade Organisation
y-o-y	year-on-year

CONTENTS

Introduction	4
Background analysis of beneficiaries of macro-financial assistance	5
1. Tunisia.....	5
1.1. Macroeconomic performance	5
1.2. Structural reforms	6
1.3. Implementation of macro-financial assistance	7
2. Jordan	10
2.1. Macroeconomic performance	10
2.2. Structural reforms	10
2.3. Implementation of macro-financial assistance	12
3. Moldova.....	14
3.1. Macroeconomic performance	14
3.2. Structural reforms	15
3.3. Implementation of macro-financial assistance	15
4. Georgia.....	19
4.1. Macroeconomic performance	19
4.2. Structural reforms	19
4.3. Implementation of macro-financial assistance	20
5. Ukraine.....	23
5.1. Macroeconomic performance	23
5.2. Structural reforms.....	24
5.3. Implementation of macro-financial assistance	25
Annexes.....	28
Annex 1: Selected macroeconomic indicators by country	28
Annex 2: MFA operations by date of decision, 1990-2019.....	30
Annex 2A: Status of disbursements made by date of decision at end-December 2019.....	31
Annex 2B: Status of disbursements made by region at end-December 2019 (in millions of €).....	37
Annex 3: MFA amounts authorised by year, 2005-2019 (EUR million)	43
Chart 3A: MFA amounts authorised by year, 2006-2019 (EUR million)	43
Chart 3B: MFA amounts authorised by region, 2006-2019 (%)	43
Annex 4: MFA amounts disbursed by year, 2006-2019 (EUR million).....	44
Chart 4A: MFA amounts disbursed by year, 2006-2019 (EUR million).....	44
Chart 4B: MFA amounts disbursed by region, 2006-2019 (%).....	44
Annex 5: Outstanding amounts in respect of MFA operations disbursed (as at 31 December 2019) ..	45

INTRODUCTION

This Staff Working Document complements the Commission's report to the European Parliament and the Council on the implementation of macro-financial assistance (MFA) to third countries in 2019.¹

Over 2019, two countries in the Southern Neighbourhood, Jordan and Tunisia, benefited from macro-financial assistance disbursements. The year was also characterised by the first disbursement in Moldova, and progress in the implementation of the ongoing MFA programmes in Georgia and Ukraine in the Eastern Neighbourhood. For each beneficiary country, the report provides more detailed information on: (i) their macroeconomic and financial situation; (ii) progress in accomplishing their structural reforms agenda; and (iii) implementation of their MFA operations.

The annexes include overview tables on the effective disbursements of MFA operations since 1990 by date of adoption of the decisions and by region, as well as tables on MFA commitment and payment amounts in 2006-2019, by year and by region.²

¹ This document is based on information available up to May 2020.

² The document and the annexes distinguish between authorised amounts, which refer to the amounts made available to the beneficiary country as per the MFA Decision, and disbursed amounts, which refer to the amounts actually extended to the beneficiary country.

1. TUNISIA

1.1. Macroeconomic performance

The Tunisian economy remained subdued and grew at an estimated 1% rate in 2019, following the improvement in 2018 (2.7%) and the meagre 1.4% average annual expansion over the 2015-17 period. Growth remained fragile, in line with weak external demand and the moderation in domestic consumption and investment. At sectoral level, growth was affected by the stagnation in agricultural production and the drop in manufacturing and non-manufacturing industries, despite positive trends in services. Growth remained insufficient to reduce unemployment, which remained persistently high at around 14.9% at the end of 2019 (with much higher rates for female and youth) despite a slight contraction in the number of unemployed.

Inflation averaged 6.7% in 2019, after reaching a 7.8% decade-high in June 2018. As a response to mounting inflation, the Central Bank of Tunisia increased its base interest rate twice in 2018, first in April (from 5% to 5.75%) and then in June (to 6.75%). It subsequently raised its rate in February 2019 to 7.75%, bringing real interest rates to positive territory. After a period of relatively prolonged depreciation, the dinar appreciated against main foreign currencies in 2019.

The fiscal deficit is estimated at around 3.5% in 2019, as revised in the 2019 Supplementary Finance Law, against a 4.9% deficit in 2018, and is expected to reach 3% in the 2020 Finance Law. The improvement is largely attributed to the good performance of State's own resources (up by about 16% in 2019) driven by the sharp increase in tax revenues (+17.9%), in particular direct taxes (+39.5%) compared to 2018. Operating expenses also rose (up 11.6%), mostly due to an increase in wage costs of 13.5% and goods and services expenditure (+32.8%), while investment remained subdued. The increase in the public service wage bill remains high, at 14.5% of GDP in 2019, compared to 14% in 2018 and 14.8% in 2017.

Total public debt is expected to have reached a level of 72.2% of GDP at the end of 2019, down from 77.9% of GDP at the end of 2017. Debt service costs had once again a considerable impact on total expenditures in 2019 increasing by 38.5% compared to 2018. The stock of external public debt is mostly denominated in euros (55.7%) and is mainly due to multilateral organisations at 48.9%, followed by debt to the financial markets (35.6%) and debt granted within the framework of bilateral cooperation (15.5%). Tunisia issued Eurobonds for EUR 700 million in July 2019, with a yield of 6.37% and a maturity of seven years.

The balance of payments improved in 2019 and the current account deficit stood at TND 10 billion, or 8.8% of GDP at the end of the year (against a record high 11.1% of GDP in 2018). The trade deficit continued to widen in nominal terms (+2%), with a broadening energy balance representing around 40% of the total. Excluding energy, the trade balance deficit narrowed slightly with a drop in both exports and imports of 5.2% and 8.5%, respectively, at constant prices. Export revenues increased (7%) due to the rise in export prices. The country also recorded strong increases in the receipts generated by tourism (+35.7%) and labor income (+15%). There has also been an improvement in

³ This section quotes statistics supplied by national authorities and other relevant sources.

foreign reserves, which, after a record low of 69 days of imports in September 2018, reached 112 days of imports in February 2020.

1.2. Structural reforms

A number of structural challenges and imbalances hinder the Tunisian economy to develop its potential, despite a higher degree of sector diversification than other middle-income countries in the region. Economic activities are mostly clustered along the coast, leaving the interior regions less economically and socially developed. A perceived excess of bureaucracy acts as a discouraging factor to private investment and limited measures have been also taken to combat informality. Beyond the need to reduce the regulatory burden, other remaining challenges point to addressing vested interests, improving the business environment and increasing competition across the economy in order to attract investors. As long as the civil service remains the most attractive employment option, private entrepreneurship might also remain underdeveloped.

The previous Tunisian government had committed to an ambitious plan of reforms, which aimed to address most of the bottlenecks hampering growth in the country. However, the structural reform process progressed at a slow pace, also concerning some measures that were linked to the implementation of MFA II and the IMF programme. Structural reforms supported under the arrangement include measures to improve the business climate, broaden access to finance and reduce corruption. Reform progress has also been influenced by the electoral cycle notably during the second half of 2019 (legislative and presidential elections).

The Parliament adopted the new Organic Budget Law (Loi Organique du Budget, LOB), on 31 January 2019, as well as a new law on the Cour des Comptes (CdC) reflecting the provisions in the new Constitution. These measures were also supported as part of the conditionality for the MFA-II programme.

Additional measures were taken to ensure budget sustainability, including the approval of the reform law for the public pension fund (CNRPS) in April 2019. The law will improve the financial situation of the CNRPS thanks to an increase in the retirement age (from 60 to 62) and higher contributions. Some wage bill containment measures also continued in the public sector, with hiring limits (replacement rate of 25%) in the context of the decisions on the gradual increase in the retirement age and the salary increases for the civil service in January 2019 (to take place in 2019 and 2020). The government, within the framework of the IMF programme, also applied some measures to reduce energy subsidies (by 0.5% of GDP) between March and May 2019, including increases of fuel prices and utility tariffs for some customers.

Work towards the enhancement of state-owned enterprises' (SOEs') efficiency had limited advances in 2019 (including the implementation of the performance contract for Tunisair and enhanced monitoring), although containing contingent risks from SOEs remains a priority. Further delays also took place regarding the operationalisation of the National Anticorruption and Good Governance Authority.

There were some advances regarding financial supervision through the central bank. In the area of tax governance computerisation of the tax administration continued, and international cooperation by the Tunisian tax authorities to combat money laundering and the financing of terrorism strengthened. The EU approved Tunisia's removal from the grey list of non-cooperative tax jurisdictions in March 2019.

Following the adoption of the new law aimed to reform the social security system (Loi Amen) in 2018, there were advances regarding the survey of the households benefitting from the main social transfer programmes and an action plan was presented for the implementation of reforms aimed at improving the effectiveness and sustainability of the country's social protection system, in line with the MFA-II objectives.

The online system of public procurement "TUNEPS" (Tunisian e-procurement system) became compulsory for procurements by central government units as from September 2018 (ministries, non-administrative public institutions and public enterprises) and for other public institutions and the Local Government from 1 September 2019, becoming the only means for public procurement.

In June 2019 a Transversal Law to Improve the Business Climate entered into force. The objective is to modify 16 existing laws and 4 legal codes in order to simplify procedures and address legal obstacles, with the ultimate goal to promote foreign investment. Tunisian authorities admit that the law was designed to a large extent to improve Tunisia's ranking in the World Bank Doing Business report. The government also started implementing the Start-up Act adopted in 2018 and a simplification of administrative authorisations.

Negotiations on the EU-Tunisia Deep and Comprehensive Free Trade Agreement (DCFTA) were launched on 13 October 2015 and limited progress was achieved in 2019 through only one negotiation round in May 2019. At the end of November 2018, the Government introduced, with no previous notice to trade partners, a number of trade restrictive measures that were finally repealed in mid-2019.

Reform implementation was more challenging and had limited progress during the final months of the year, mostly due to the demanding electoral calendar (presidential elections on September 15, parliamentary elections on October 6 and a presidential run-off on October 13) and, subsequently, the protracted formation of a new government that only took office at the end of February 2020.

1.3. Implementation of macro-financial assistance

In February 2016, following a request from Tunisia, the Commission submitted a proposal to the European Parliament and the Council to grant a second MFA operation to Tunisia (MFA II) for a maximum of EUR 500 million, in the form of medium-term loans, which would follow a first MFA operation implemented between 2014 and 2017. The legislative decision on this new operation was adopted in July 2016⁴ and the draft Memorandum of Understanding (MoU) was agreed on with the Tunisian authorities in December 2016.

The MoU and the loan facility agreement were signed on 27 April 2017. Following the Tunisian Parliament's ratification on 28 July 2017, the MoU entered into force on 11 August 2017. The first instalment of EUR 200 million was disbursed on 25 October 2017 and was only conditional on good progress under the IMF's Extended Fund Facility.

The second and third instalments of MFA II were conditional on a number of measures, listed in the MoU, whose focus spans from public finance management and fiscal policy,

⁴ Decision No 1112/2016/EU of the European Parliament and of the Council of 6 July 2016 providing further macro-financial assistance to Tunisia (OJ L186, 9.7.2016).

through the social security system and the labour market, to the improvement of the business climate. Throughout 2018 and 2019, including the review missions in March and July 2019, the Commission held meetings and follow-up exchanges with the Tunisian authorities in order to gather information, assess compliance and provide additional technical support to Tunisian services to enable the fulfilment of the pending MoU conditions required for the disbursement of the second and third instalments. Following the fulfilment of these policy commitments, the EU approved the release of the second disbursement of EUR 150 million on 24 June 2019. The third and final instalment (EUR 150 million) was approved on 30 October and disbursed in November 2019, thus effectively concluding the programme.

The Joint Communication of 29 September 2016 of the HRVP and the Commission to the European Parliament and the Council also envisaged the possibility of granting further macro-financial assistance to Tunisia, if appropriate, on the basis of an assessment of the country's economic and financial needs.

The fourth review of the International Monetary Fund (IMF) programme under the Extended Fund Facility (EFF) was approved by the Board on 28 September 2018, based on the attainment of all Quantitative Performance Criteria, on the fulfilment of two out of three Structural Benchmarks, and on the engagements taken by the Tunisian authorities to implement energy and fuel price increases in the remainder of the year (prior actions).

The fifth review mission, initially planned for November 2018, finally took place in March/April 2019. A staff-level agreement was reached on 17 April 2019. The authorities and IMF staff agreed on policy and reform steps to ensure that the budget deficit target of 3.9% of GDP (before grants) for 2019 could be met to contain the high public debt and elevated financing needs.

On June 12, 2019, the Executive Board of the completed the fifth review of Tunisia's economic programme. The Board also approved the authorities' request for a number of waivers of non-observance, granted on the ground of the corrective measures undertaken by the authorities. Tunisia subsequently received a sixth disbursement of approximately SDR 177 million (around USD 245 million). This brought the total disbursement under the EFF to about USD 1.6 billion, helping to unlock additional financing from Tunisia's other external partners.

Overall, reform implementation was rather challenging throughout 2018 and 2019, which had an impact in the relative slowdown of the reviews and the fulfilment of agreed measures for both the MFA and the IMF programme. While staff-level and technical exchanges continued during the final months of the year, the expected IMF reviews were also delayed due to the electoral calendar. The successive review did not take place during the year, as it was expected to happen only after the September and October 2019 elections and a new government had taken office, which eventually only occurred in 2020.

STATUS OF ECONOMIC REFORMS — TUNISIA
<p>1. Price liberalisation</p> <p>Most prices are market-driven, but regulated prices exist for fuel, electricity, transport and food products. The government started reducing its energy subsidies in 2017 and continued throughout 2018 and early 2019, although additional reforms are expected in this area.</p>
<p>2. Trade regime</p> <p>Tunisia joined the WTO in 1995 and was the first Mediterranean country to sign an Association Agreement with the EU in 1995. Tariff dismantling under the Agreement was completed in 2008. In April 2016, negotiations started for an EU-Tunisia DCFTA and a fourth round of negotiations took place in May 2019. In November 2018, the Tunisian government introduced a number of trade restrictive non-tariff measures that were removed in mid-2019.</p>
<p>3. Exchange rate regime</p> <p>The Central Bank of Tunisia changed its operational framework for exchange rate policy in 2012 to make rates more flexible. The Central Bank has more recently moved towards a greater exchange rate flexibility by implementing competitive multiple-price foreign exchange auctions since August 2018 and net foreign exchange purchases by the Central Bank since May 2019 have facilitated exchange rate flexibility.</p>
<p>4. Foreign direct investment</p> <p>A new Investment Law was approved in 2016. In 2018 and 2019, the implementation of the law continued, namely through the operationalisation of the Tunisia Investment Authority, reforms for the off-shore regime and a new Law to Improve the Business Climate that entered into force in June 2019.</p>
<p>5. Monetary policy</p> <p>The Central Bank is independent and its mandate is to ensure price stability. Since the revolution, the Bank's independence and good governance has been strengthened through new legislation. In 2019, the Bank continued to tighten its policy in order to control inflation.</p>
<p>6. Public finances and taxation</p> <p>Tunisia's public finances keep being characterised by the vast amount of public expenditure devoted to salaries (almost 15% of expenditure in 2019) and subsidies, which are not sufficiently compensated by the relatively heavy fiscal burden (as tax revenues make up over 20% of GDP). The government had committed to undertake fiscal consolidation in order to gradually reduce the annual fiscal deficit until a level of 3% in 2020, before the impact of the COVID-19 outbreak. Limited changes in corporate and income tax rates, as well as in the VAT system, were implemented in 2018 as well as the decision to eliminate the preferential tax regime for off-shore companies by 2021. Improvements in tax administration could further strengthen tax collection, including enhanced information exchange with international partners. A number of measures aimed at reducing tax evasion are in place, although their effectiveness has been limited.</p>
<p>7. Privatisation and enterprise restructuring</p> <p>The privatisation and restructuring of public banks and state-owned enterprises (SOEs) has long been under discussion, and little progress has been made in that direction, mainly because of political opposition, especially by trade unions and other interested parties. Nevertheless, a process of performance optimisation of both public banks and SOEs has recently been undertaken by the authorities, with limited progress so far.</p>

2. JORDAN

1.1. Macroeconomic performance

Regional instability continued to act as a drag on Jordan's economy and to weigh on its external and fiscal positions. During the first three quarters of 2019, real GDP remained largely stable at around 2% year on year. This was not enough to prevent an increase in unemployment, which rose during the third quarter of 2019 to 19.1%, compared to 18.6% during the same quarter in 2018.

During 2019, the Central Bank of Jordan reduced the re-discount rate in three equal steps: from 5.75% to 5.50% on 4 August, to 5.25% on 19 September and to 5% on 30 October. This broadly mirrored the decrease in Fed's rate on 31 July, 18 September and 30 October, given the peg of the Jordanian dinar to the US dollar. This decline coincided with the easing of inflationary pressures, as at the end of 2019 the consumer prices increased only by 0.3% compared to an increase of 4.5% in 2018.

Progress in fiscal consolidation was not sustained. In the first eleven months of 2019, the general budget deficit, including foreign grants, increased to 4.5% of GDP compared 3.5% of GDP in the same period of 2018. This was the result of 4.9% increase in total expenditures which outweighed the 0.9% increase in total revenues (including grants).

Jordan's gross public debt increased to 97.6% of GDP at the end of November 2019 compared to 94.4% of GDP at the end of 2018. The external public debt amounted to around 40.7% of GDP at end-November 2019. Around 73% of Jordan's external public debt was denominated in USD with which the Jordanian currency is pegged while around half of Jordan's external public debt is held by official sector creditors.

Exports grew by 8.6% in value terms, as opposed to a decline in the value of imports by 5.5% in the first ten months of 2019. Combined with an increase in travel receipts (9.9%), this contributed to the narrowing of the current account deficit to 3.4% of GDP (or 4.8% of GDP excluding grants) in the first nine months of 2019 from 9.3% of GDP in the same period in 2018.

External financing conditions have turned less favourable. Foreign direct investment inflows continued the decline of previous years to reach a net inflow of JOD 473.1 million during the first three quarters of 2019 compared to a net inflow of JOD 542.5 million during the same period of 2018.

Thus, in November 2019, gross foreign currency reserves (including gold and SDRs) stood at USD 13.7 billion (equivalent to around 7.4 months of next year's imports). Given the vulnerability of the external position, the elevated risks from regional conflicts, the exchange rate peg and exposure to oil price shocks, the current level of reserves should be preserved or increased to help the country withstand possible shocks stemming from the factors mentioned above.

1.2. Structural reforms

During 2019, the authorities continued efforts for the implementation of their reform agenda in order to reduce macro-economic imbalances and to generate employment. This reform agenda is comprehensive and draws on strategies that have been adopted in previous years as well as in 2019.

Strategies adopted in previous years include the "Jordan 2025" — a 10-year economic blueprint published in May 2015 —, the "Jordan Economic Growth Plan 2018-2022" (JEGP) — aiming to revitalise growth in specific sectors — and the National Strategy for Human Resources Development. Strategies developed more recently include the National

Social Protection Strategy adopted in 2019 as well as the Path to Revival for 2019–20 (widely known as the Renaissance plan), which aims at strengthening the rule of law, increasing productivity and enhancing solidarity. In addition, structural reforms were complemented by programmes agreed with international donors (in particular, the IMF and the World Bank) and the EU (including the MFA II). Finally, acknowledging the need for more and deeper structural reforms, the government embarked on a more ambitious, comprehensive and wide-ranging reform programme which was prepared in collaboration with the World Bank and presented during the “London Initiative” conference in February 2019. This reform programme – the so-called Five-Year Reform and Growth Matrix – aims to preserve macro-economic stability, to increase Jordan’s growth prospects, to make the economy more competitive and export-led and to attract new investment.

Overall, Jordan’s efforts delivered only uneven success as the reform process was challenged by regional instability, the low growth environment, rising unemployment, as well as by domestic political and social tensions. The latest caused delays in reform implementation as well as policy reversals in some cases, notably in tax policies and the adjustment in electricity and water tariffs.

Nevertheless, some important reforms for enhancing growth performance were completed in 2019. The government opened 22 new economic sectors to foreign investments and accelerated efforts to reduce the regulatory burden in trade. A new land legislation simplified and reduced requirements for liquidating land in the case of disputes, while a new by-law for construction in the Amman Municipality introduced more consistent regulation and sustainable zoning strategies. New visas for entry to Jordan were issued including business, tourism, medical and study visas. Also, new regulations were issued facilitating the entrance of high skilled labour to Jordan. Provisions aiming at the automation of registration processes as well as at the simplification of municipal and environmental licences were passed in the context of the Investor Journey. Six pilot government entities started to implement the Regulatory Predictability Framework to improve the overall governance of private sector-related policymaking, reduce regulatory uncertainty, and enhance predictability. Last, secondary legislation was introduced in relation to three important laws that had passed already in 2018 (on secured lending, on business insolvency and on business inspections). The above reforms enabled Jordan to climb to the 75th position in World Bank’s Report on Doing Business for 2020 (which assess progress in 2019) from the 104th position the year before. Nevertheless, in the first three quarters of 2019, net FDI to Jordan shrunk by 12.7% compared to the respective period in 2018.

A significant achievement was the adoption (in collaboration with the World Bank) of an Electricity Roadmap which entailed measures to reform the electricity sector in Jordan as well as to ensure the financial sustainability of the electricity company (NEPCO). In this context, an electricity bill recovery mechanism was adopted and enforced to settle payment arrears.

Another important reform (supported by the MFA-II) was the adoption, in May 2019, of a unified public procurement by-law which provides for the establishment of a central policy and oversight unit and an independent mechanism for handling complaints.

On the other hand, progress in other crucial reform areas was less visible. The strategy for fiscal consolidation had not been formally adopted by the end of 2019 and in essence was replaced by the new IMF programme which was approved by the IMF Executive Board on 25 March 2020. The strategy for revenue mobilisation was not adopted within 2019 and neither was the strategy for enhancing tax administration. The organic law on public finance management structures was not finalised in 2019. Furthermore, the

governance frameworks for Public Investment Management and Public-Private Partnerships had not been legislated in 2019, implying delays to their operationalisation. Similarly, key decisions for the electricity sector (cross-subsidisation of electricity tariffs, re-negotiation of the Purchase Power Agreements) were deferred to 2020. The above reforms are expected to be implemented in the context of the new IMF programme (and in the context of the World Bank programme approved in June 2019 for Public-Private Partnerships).

1.3. Implementation of macro-financial assistance

On 14 December 2016, the co-legislators adopted a decision⁵ to provide additional MFA to Jordan (MFA II) of up to EUR 200 million, entirely in loans, as a follow-up to the EUR 180 million operation completed in 2015. The MoU between the EU and Jordan was signed on 19 September 2017.

The first disbursement (EUR 100 million) was subject to the general political precondition for MFA (respect for effective democratic mechanisms, including a multi-party parliamentary system, the rule of law and human rights) and the IMF programme remaining on track. It was disbursed on 17 October 2017.

The second and final instalment (EUR 100 million) was subject, aside from the political preconditions and good progress with the IMF programme, to specific policy conditionality agreed between Jordan and the EU in the MoU. These policy conditions aim to strengthen Jordan's economy in the areas of the public finance management, the tax policy, the social safety nets, the educational system and the professional training and the labour market policies with an aim at increasing employment opportunities for both Jordanian citizens and Syrian refugees living in Jordan. The second instalment was disbursed on 3 July 2019 as all conditions were met.

Indeed, on 1 May 2019, Jordan adopted a new by-law on public procurement, having drawn on technical advice from the World Bank. The new by-law addressed the issue of the appeals system by foreseeing a two-layer system for examining complaints. This marked the compliance with the last remaining condition of the MFA-II programme.

The second review under the IMF programme was completed on 6 May 2019 by the IMF Executive Board after the provision by the international community of sufficient financial assurances to cover Jordan's external financing gap for the period 2019-2020.

The adoption of a new by-law on public procurement and the completion of the second programme review by the IMF Board enabled the Commission to adopt, on 24 June 2019, the decision for the second and last disbursement (EUR 100 million) of the MFA-II programme. The actual disbursement of the funds took place on 3 July 2019.

During 2019, the economy continued to operate in an environment of weak growth and low investments. As a result of this, considerable external financing needs re-emerged. At the 'London Initiative' conference in February 2019 and following on from that, Jordan received from the international community additional financing commitments of about USD 5 billion for the period 2019-2023 to meet financing needs, improve debt sustainability and give the necessary breathing space for critical reforms.

⁵ Decision (EU) 2016/2371 of the European Parliament and of the Council of 14 December 2016 providing further macro-financial assistance to the Hashemite Kingdom of Jordan (OJ L 352, 23.12.2016, p. 18).

In this context, the Commission received, on 11 July 2019, a request for a new MFA programme (of EUR 500 million) by the Jordanian authorities. In response, on 6 September 2019 the Commission adopted a proposal for a third MFA programme for Jordan, in the amount of EUR 500 million in loans. The proposal was adopted by the European Parliament and the Council on 15 January 2020. It envisages the disbursement of EUR 300 million in 2020 and of EUR 200 million in June 2021, depending on programme implementation. Following the adoption of the programme, Commission staff engaged in discussions with the Jordanian authorities on the conditions of the programme which will be included in the MoU. An agreement on the programme conditions will enable the Commission to move ahead with the first disbursement, if the related pre-conditions are met.

On 30 January 2020, the IMF and Jordan reached a staff-level agreement on a four-year arrangement under the Extended Fund Facility (EFF) for around USD 1.3 billion. This agreement was approved by the Executive Board on 25 March 2020.

STATUS OF ECONOMIC REFORMS — JORDAN
<p>1. Price liberalisation</p> <p>Prices are largely market-driven, but there are oligopolistic conditions in several sectors. Fuel subsidies were eliminated in November 2012. Electricity tariffs and prices for some basic foodstuffs are still subject to administrative controls. In 2017 the government adopted an automatic adjustment of electricity tariffs based on fuel prices and abolished subsidies on bread.</p>
<p>2. Trade regime</p> <p>Jordan has a relatively liberal trade regime. It joined the WTO in 2000 and ratified an Association Agreement with the EU in 2002. It is also one of the EU's partner countries that could potentially benefit from a DCFTA agreement. It is a member of both the Greater Arab Free Trade Area (GAFTA) and the Agadir Agreement and has also concluded FTAs with the United States, Syria, the European Free Trade Association (EFTA) and Singapore. On 19 July 2016, the EU approved a 10-year relaxation of rules of origin for a wide range of industrial products produced in 18 selected special economic zones, provided that each company uses a minimum share of Syrian refugee labour in the production.</p>
<p>3. Exchange rate regime</p> <p>Since October 1995, the dinar has been pegged to the US dollar.</p>
<p>4. Foreign direct investment</p> <p>Jordan is largely open to foreign investment. It signed the OECD's Declaration on International Investment and Multinational Enterprises in 2013. However, there are still significant land ownership restrictions, minimum capital requirements and restrictions on foreign investment in certain sectors, although the government opened up 22 new economic sectors to foreign investments in 2019.</p>
<p>5. Monetary policy</p> <p>The Central Bank of Jordan has become more independent. Its main monetary policy tools are the certificates of deposit, through which it influences retail interest rates in the banking system. The Central Bank has developed a credible track record of maintaining exchange rate stability, while also ensuring price stability and promoting growth.</p>

6. Public finances and taxation

In 2007-2019, Jordan's tax-to-GDP ratio dropped from 20.4% to 15.5%, reflecting structural weaknesses in the taxation system: a high exemption threshold in income tax, widespread tax exemptions and capacity constraints in tax administration. There is scope for revenue mobilisation policies including strengthening tax administration.

7. Privatisation and enterprise restructuring

Privatisation started in 1986 in the aftermath of an economic crisis and has made significant progress since then. Nevertheless, direct state ownership in certain sectors such as mining and public utilities remains significant.

8. Financial sector

The financial sector is relatively well developed and dominated by banks, which are generally profitable and well capitalised. Banks have already started implementing Basel III. However, the narrow and shallow institutional investor base restricts the development of domestic capital markets. The Central Bank implements a financial inclusion strategy to increase access to and the use and quality of financial services.

3. MOLDOVA

1.4. Macroeconomic performance

In 2019, GDP increased by 3.6% in real terms after a significant slowdown in the fourth quarter. Growth in the first three quarters of 2019 was driven by a surge in investments and a rise in household consumption supported by growing real wages. The slowdown in the fourth quarter of 2019 was caused by a cut in public investments and consumption due to a set of fiscal measures introduced in August and that the effects on demand of a cut in tax rates introduced in October 2018 were fading. On the supply-side, main contributors to growth in 2019 were construction (up by 15.919.0%), wholesale and retail trade (5.7%), IT (9.2%), and industry (2.4.8%) together adding 3.5 percentage points to the growth figure. Agriculture was contracting with 0.2% in 2019.

Inflation accelerated quickly in 2019 to 7.5% in December (year-on-year), following a depreciation of the currency, decreases in the rates of personal income taxes and social contributions, and large increases in public sector wages. It is however expected that inflation will decline in 2020 towards the target of the National Bank of Moldova of 5% \pm 1.5% as the impact of the factors driving inflation in 2019 will fade. The National Bank decreased the base interest rate by two percentage points to 5.5% in December 2019.

Following fiscal stabilisation in the 2017-2018, the fiscal situation deteriorated in the first half of 2019 due to a set of election-related reforms and an interruption of external financing. Some measures to stabilise the fiscal situation were however adopted in August 2019 as part of an agreement with the IMF. Following these corrective measures, the budget deficit for 2019 ended at of 1.5% of GDP. Public debt was 31.0% of GDP in Q3 2019. About 80% of the public debt is long-term, mostly with IFIs and the rest with bilateral official creditors.

The 12-month rolling current account deficit widened significantly in the last years to 11.5% of GDP in the third quarter 2019 compared to 5.8% of GDP in 2017. The deterioration reflects stronger growth in non-energy imports due to increased consumption demand. However, the value of imports has stagnated in the second half of 2019 and increased by only 1% in 2019. Exports increased by 3% in 2019 driven by higher trade with Turkey and Russia. The growth of exports to the EU, which had

increased quickly in the last years, stopped in 2019 and exports to the EU remained at the same level as in 2018.

Foreign direct investment has been significantly lower than before the 2014/2015 crisis in the last years. In 2019, however, the inflow of FDI increased to much higher figures (5.1% of GDP in the third quarter on a 12-month basis), related to a Eurobond issued by a large Moldovan company in the agricultural sector registered in Cyprus. The growth of remittances has stabilised at around 15% of GDP in the last years, a level lower than before the 2014 crisis.

The reserves level is still well above the target stipulated in the IMF programme, as the central bank continued to build up international reserves in the last years reaching USD 3.1 billion at the end of 2019 or about five months of imports of goods and services. Total external debt has continued to decrease, reaching 63.0% of GDP at the end of September 2019, down from 66.0% of GDP at end-2018.

1.5. Structural reforms

The overall framework for structural reforms in Moldova is the commitments made under the Association Agreement with the European Union, including the Deep and Comprehensive Free Trade Agreement.

The reform progress in 2019 has been mixed and to a large extent influenced by the change of governments in June 2019 and then again in November.

Monetary and fiscal policies have been strengthened in the last years and substantial structural economic reforms have been carried out.

The banking sector in Moldova has been going through a major restructuring since the banking crisis triggered by large-scale money laundering and the USD 1 billion bank fraud in 2014-2015. Unfit shareholders have been removed from a large number of banks and the control of the three remaining systemic banks has been taken over by international actors. A new banking law entered into force on 1 January 2018. The law introduced an updated regulatory and supervision framework in line with Basel III standards. In 2019, new capital adequacy requirements in line with the EU's CRDIV/CRR package were approved. As a result of the banking sector reforms, including in particular the regulatory and supervisory framework, Moldovan banks have become more resilient and safe. The banks are now well-capitalised, liquid and profitable.

Some positive developments related to the fight against corruption were noted in 2019, including an increase of the annual budget of anti-corruption institutions like the National Integrity Authority, the Criminal Assets Recovery Agency and the Financial Investigation Unit, the development of a draft Justice Sector Reform Strategy for the years 2020–2023, and the establishment in June 2019 by the Parliament of a new commission to investigate all circumstances of the 2014 banking fraud. However, legal proceedings against key actors involved in the bank fraud continue to be slow and progress in recovering assets, in particular from outside of Moldova, has been limited.

1.6. Implementation of macro-financial assistance

On 13 September 2017, the European Parliament and the Council adopted the decision to provide EUR 100 million of MFA to the Republic of Moldova. In a joint statement by the European Parliament, the Council and the Commission, adopted together with the decision, it was recalled that, in light of the initiatives related to the changes of the electoral system in the Republic of Moldova, a pre-condition for granting macro-financial assistance is that the beneficiary country respects effective democratic

mechanisms, including a multi-party parliamentary system and the rule of law and guarantees respect for human rights. The Commission and the European External Action Service were tasked with monitoring the fulfilment of this pre-condition throughout the lifecycle of the macro-financial assistance.

A MoU with the Moldovan authorities outlining a set of economic policy conditions was signed in Brussels on 24 November 2017. The MoU and related documents (loan facility agreement, grant agreement) entered into force on 18 January 2018.

The 28 policy conditions of the MoU focus on five areas of reform: public sector governance, governance and supervision of the financial sector, fight against corruption and money laundering, energy sector reforms and improving the business climate and implementation of the DCFTA.

In July 2018, the release of the first instalment of MFA of EUR 30 million (of which EUR 20 million in loans and EUR 10 million in grants) was put on hold as the political pre-condition was not met, following a number of worrying developments, including the invalidation of the results of the mayoral elections in Chisinau, pointing to a serious democratic backsliding in Moldova.

Following the change of government in June 2019 and renewed reform efforts, the EU released the first instalment in October 2019. One final remaining MoU condition of the second disbursement related to public procurement in utility companies (Action 13) was fulfilled in January 2020. However, the second instalment has not yet been disbursed pending the fulfillment of certain actions in connection with the political pre-conditions, specifically related to anti-corruption, reforms in the justice sector, and investigation of the 2014 bank fraud. The MFA programme expires in July 2020.

The IMF programme, consisting of ECF/EFF arrangements in a total amount of SDR 129.4 million (about USD 178.7 million, or 75% of the Republic of Moldova's quota) was approved on 7 November 2016. After the programme was off track following the adoption of the controversial fiscal package in July 2018, the fourth and fifth reviews were concluded in September 2019, which made available SDR 24 million (about USD 33.8 million). The IMF Executive Board adopted the final sixth review of the programme in March 2020, concluding that the programme has been broadly successful in achieving its objectives, with comprehensive reforms having rehabilitated the banking system and strengthened financial sector governance, entrenching macro-financial stability.

STATUS OF ECONOMIC REFORMS — REPUBLIC OF MOLDOVA

1. Price liberalisation

Most prices are market-driven, but regulated prices continue to exist for electricity, natural gas, water and sanitation, housing and medical services and rail and urban passenger transport.

2. Trade regime

Moldova (a WTO member since 2001) has a liberal trade regime. The EU and the Republic of Moldova have developed a close trading relationship over the years. This led to the conclusion of an Association Agreement, including a DCFTA, which was signed on 27 June 2014 and entered fully into force on 1 July 2016.

3. Exchange rate regime

The National Bank of Moldova follows a flexible exchange rate policy and intervenes on the market to smooth excessive volatility, while letting the exchange rate operate to help absorb external shocks.

4. Foreign direct investment

There are no controls on inward investment. Some efforts have been made to stimulate FDI, notably through the creation of Free Economic Zones. The DCFTA has created further stimulus to FDI from the EU. Some positive progress examples exist, primarily in the automotive sector.

5. Monetary policy

As part of the medium-term monetary policy strategy adopted in December 2010, the central bank targets inflation of 5% annually (measured by the consumer price index), with a possible deviation of ± 1.5 percentage points. This is considered to be optimal for the growth and development of Moldova's economy over the medium term.

6. Public finances and taxation

In 2018, a 12% flat rate income tax was introduced (the earlier system had two levels: 7% and 18%) and social contributions were decrease from 23% to 18%. To compensate for these changes, a set of measures to strengthen revenue was introduced in 2019, including the broadening of the capital gains tax base, an increase in the VAT rate for hotels and resaurants, a phasing out of personal allowances for higher incomes, and limitations for tax-free sales.

7. Privatisation and enterprise restructuring

Moldova has gradually sought to privatise state-owned assets and enterprises. In 2018, the national airliner Air Moldova, the gas transmission company Vestmoldtransgaz, a tobacco producer and a number of other smaller properties were privatised. Limited progress on the privatisation agenda was noted in 2019, but the new government intends to revitalise it in 2020. The Law on State-Owned Enterprise and Municipal Enterprise adopted in late 2017 aims to strengthen governance and transparency of SOEs.

8. Financial sector

The financial sector reform is one of the major successes of the last period. Major achievements include the liquidation of the three banks involved in the 2014 bank fraud (while investigation and asset recovery of the fraud has been less successful), strengthened governance and increased international ownership in remaining systemic banks, and an introduction of a strengthened regulatory and supervisory framework for banks (aligning with Basel III standards) and non-financial institutions, particularly in the insurance sector.

8. Financial sector

Since the Revolution in 2011, Tunisia's financial sector has been affected by a progressively growing demand for credit and high rates of non-performing loans (NPLs), which in turn increased its liquidity needs. The banking system remains well capitalized, but several banks do not comply with the regulatory liquidity requirements. The process of restructuring of the three largest public banks was launched in 2017, but has not yet taken off. Following a negative evaluation by the Financial Action Task Force (FATF) on Tunisia's compliance with anti-money laundering and counter-terrorism financing practices (AML-CTF) practices, the Tunisian authorities have undertaken measures to address a number of technical compliance deficiencies identified in its financial sector. The EU approved Tunisia's removal from the grey list of non-cooperative tax jurisdictions in March 2019.

4. GEORGIA

1.7. Macroeconomic performance

In 2019, Georgia's real GDP is estimated to have increased by 5.2%, driven by both domestic and external demand. In terms of demand components, private consumption and net exports were the main drivers of growth, bolstered by lari depreciation, expansion of credit and higher remittances. On the supply side, Georgia's economic growth is mainly fuelled by growth in services (especially ICT, transport and trade).

The unemployment rate in Georgia has been on a downward trend since 2009 (18.3%) but it remains high (11.1% in the third quarter of 2019) despite robust economic growth. Skills mismatch and large regional disparities are important challenges. The fiscal deficit of the general government has increased from below 0.9% of GDP in 2018 to over 3% of GDP in 2019, according to the preliminary data, mainly due to high capital expenditures for infrastructure. The ratio of public debt to GDP was around 46% in 2019, increasing from 42% of GDP in 2018.

Consumer price inflation accelerated to 7% in December 2019 from 1.5% a year before on the back of currency depreciation, higher prices of tobacco and some foodstuffs. The central bank has reacted by raising the refinancing rate by a cumulative 250 basis points in the second half of the year. In consequence of this decision, inflation has started falling again since January 2020.

Regarding the exchange rate, the Georgian lari has depreciated by 6% against the euro and by 8% against the US dollar in 2019. Given the decreasing but still high dollarisation (63% of deposits and 57% of loans were denominated in US dollars as of end-2018), Georgia remains vulnerable to exchange rate risk.

Georgia's current account deficit narrowed by more than a half to USD 351 billion in the first three quarters of 2019, This represents 3% of GDP in this period. This outcome reflects a combination of growing merchandise exports (10% year-on-year) and stable imports. Exports were boosted by solid demand from major trading partners and also supported by the lari depreciation. A smaller deficit in income payments, a slightly improved surplus in services and an increased inflow of remittances also contributed to the substantial current account adjustment.

Foreign direct investment (7.5% GDP in the first three quarters of 2019) remains the main source of inflows. Georgia's international reserves have been increasing in recent years, totalling USD 3.5 billion at end-2019 (almost 4 months of import cover).

1.8. Structural reforms

Georgia's structural reform agenda focuses on further improving the business environment and education, as well as investing in infrastructure. The Georgian authorities intend to complement structural reforms with fiscal reforms, strengthening of the financial sector, as well as deepening trade relations with the rest of the world.

In terms of improving the business environment, the Georgian authorities are preparing a new insolvency law supporting adequate protection of creditor rights and timely and efficient insolvency processes in line with international standards. A new Company Law has been drafted to regulate corporate relations and to approximate the legislation to the EU directives; it still needs to be submitted to the Parliament. The authorities have continued improving the revenue administration, e.g. by automatically processing VAT declarations and refunding VAT credits. The authorities are also pursuing land reform, with the Law on Agricultural Land adopted in June.

As part of the education reform, the Georgian authorities plan to improve the education system by setting curriculum standards and formalising vocational education and training. The authorities have begun implementing the teachers' retirement scheme, with about 6,400 out of the 12,000 eligible teachers choosing to retire; a second round is ongoing. The government announced also a new education programme, with a declared increase of state funding to 6% of GDP by 2022.

Georgia continues investing in transport infrastructure, despite some delays. The authorities have signed the remaining contracts required for the construction of the East-West highway and began construction on the critical section of the North-South highway corridor. The contract with a Georgian consortium for the development of Anaklia deepwater port was cancelled in January 2020 due to insufficient funding and lack of government guarantees for project-related loans.

In the financial sector, the National Bank of Georgia is strengthening the regulatory and supervisory frameworks for banking, non-banking, payments, and capital and securities markets, and resumed publishing a yearly Financial Stability Report in September 2019. The authorities plan to adopt legislation that makes the emergency liquidity assistance and banking resolution frameworks consistent with best international practice. The authorities are developing the country's capital markets. Georgia introduced a second (funded) pillar of the pension system with effect from January 2019 and plans to introduce mandatory third-party vehicle insurance, which would support the development of the insurance sector.

In terms of deepening trade relations, aside from its Association Agreement with the EU, which includes the creation of a Deep and Comprehensive Free Trade Area (DCFTA) and other existing Free Trade Agreements (FTA), the authorities continue their efforts to advance new FTAs, including with the United States and India.

Georgia's national reform agenda is supported by MFA conditionality. For example, conditions of the current MFA operation notably require an improved public investment management framework, continuation of land registration and education reforms, introduction of mandatory third-party vehicle insurance, submission to the Parliament of a new Company Law, and reducing direct procurement.

1.9. Implementation of macro-financial assistance

The first and second MFA operations for Georgia were pledged at the International Donors' Conference in Brussels in October 2008, following Georgia's military conflict with Russia in August 2008. The first operation of EUR 46 million, fully in the form of grants, was implemented in 2009-2010. The second operation of EUR 46 million, half in grants and half in loans, was implemented in 2015-2017.

In June 2017, Georgia requested further MFA from the EU. The European Parliament and the Council adopted the Decision on further MFA for up to EUR 45 million (EUR 10 million in grants and EUR 35 million in loans) in April 2018. Aside from covering part of Georgia's financing needs and supporting structural reforms, further MFA complements IMF funds (USD 290 million) under an Extended Fund Facility (EFF) programme with Georgia, approved in April 2017 and recently extended to April 2021. Following the entry into force of the MoU and the accompanying agreements, the first instalment of EUR 20 million (EUR 5 million in grants and EUR 15 million in loans) was disbursed to Georgia in December 2018.

The second (final) instalment of EUR 25 million (EUR 5 million in grants and EUR 20 million in loans) is subject, aside from the political preconditions and good progress with the IMF programme, to specific policy conditionality agreed between Georgia and the

EU in the MoU. These policy conditions aim to strengthen the Georgian economy in the areas of public financial management, the financial sector, social and labour market policies, and the business environment. The disbursement of the second instalment will take place when Georgia meets all relevant conditions. Georgia has implemented the majority of the reforms envisaged under the MFA; the main outstanding condition relates to the law on entrepreneurs being submitted to Parliament.

STATUS OF ECONOMIC REFORMS — GEORGIA
<p>1. Price liberalisation</p> <p>Prices are largely market-driven.</p>
<p>2. Trade regime</p> <p>Georgia (a WTO member since 2000) has a liberal trade policy, with no quantitative restrictions on imports or exports. In June 2014, it signed an Association Agreement with the EU, including a deep and comprehensive free trade area (DCFTA) agreement, which entered into force in September 2014. Georgia also has FTAs with its other key trading partners such as Turkey and China.</p>
<p>3. Exchange rate regime</p> <p>There is a floating exchange rate for the lari, with limited official intervention by the National Bank of Georgia. There are no restrictions on current international transactions, in accordance with Article VIII of the IMF's Articles of Agreement, and Georgia does not operate capital controls.</p>
<p>4. Foreign direct investment</p> <p>Georgia has a liberal regime for FDI and unlimited repatriation of capital and profits. FDI inflows in recent years (7.2% of GDP in 2019) have consistently been among the highest in the region.</p>
<p>5. Monetary policy</p> <p>The Central Bank of Georgia's main monetary policy objective is price stability. The Bank is currently applying an inflation-targeting regime, with a target of 3% for 2019-2022. The effectiveness of monetary policy is significantly constrained by the high level of dollarisation: as of end-2019, 56% of loans and 62% of deposits were denominated in foreign currency.</p>
<p>6. Public finances and taxation</p> <p>The public finance management system is essentially sound and transparent. Further needed reforms are ongoing to strengthen public investment management and manage contingent liabilities from state-owned companies and public-private partnerships. Public revenues are constrained by the Constitution, which prescribes a referendum for the introduction of new taxes or the raising of tax rates (Article 94), while the budget deficit, public debt and public spending are capped by the Liberty Act, in force since January 2014, at 3%, 60% and 30% of GDP respectively. The authorities are currently reviewing the fiscal framework, with the aim to focus on medium-term sustainability and enforcement.</p>
<p>7. Privatisation and enterprise restructuring</p> <p>Most state-owned enterprises (SOEs) have been privatised, with their number falling from around 1,300 in 2009 to around 100 currently. The remaining SOEs generate around 7% of GDP in revenue and hold liabilities worth 17% of GDP.</p>
<p>8. Financial sector</p> <p>Georgia's financial sector is small and dominated by banks, which hold more than 90% of total financial sector assets. However, banking sector credit to the economy is only around 60% of GDP. The sector is concentrated, with the two largest banks, out of 16 in total, holding around two thirds of the assets. Georgia's banking sector has a low-risk profile and has generally remained resilient, reporting sufficient capital and liquidity. According to the recent Financial Stability Report, the liquidity coverage ratio is well above the required 100% in both domestic and foreign currencies. The banking sector remains well capitalised against potential shocks, with the capital adequacy ratio around 19%.</p>

5. UKRAINE

5.1. Macroeconomic performance

After the economic and financial crisis from 2014-2015, which had its seeds in ill-designed government deficits engineered during the preceding two-year long stagnation, the economy of Ukraine renewed with continuous and accelerating growth, which reached almost 4% in 2019. While the economic revival has been demand-driven, gross fixed capital formation has remained low at its historically subdued level of about 17% of GDP. The economic expansion occurred primarily in the construction, agricultural and retail sectors, while industrial output has been lagging behind. The unemployment rate decreased to 8.5% in the second quarter of 2019 from its peak at 10.1% in early 2017. Thanks to a year-on-year growth rate of 16.4% in October 2019, implying an increase in real terms of about 11%, the average nominal wage reached the equivalent of around USD 430.

Consumer price inflation stabilised quicker than expected and went below the 5% mid-term target for the first time in December 2019. This allowed the National Bank of Ukraine (NBU) to pursue its policy of aggressively cutting the main refinancing rate, which declined from 18% in mid-March 2019 to 11% as from end-January 2020. The monetary easing aims to expand bank credit to the private sector, which has been stagnating since 2016.

The Ukrainian economy remained very open to the world, with combined exports and imports in excess of its annual GDP. Consistent with accelerating growth and strengthened internal demand, the trade deficit has widened to the pre-crisis level of around 9% of GDP. The Association Agreement with the European Union has triggered structural changes that show a stronger integration of the economy of Ukraine with the West. For instance, remittances from abroad fully finance the trade deficit, and represent more than four times foreign direct investment. Thanks to the overall positive developments in the balance of payments since 2015, international official reserves were replenished and exceeded USD 25 billion, i.e. more than 4 months of imports, at the end of 2019. The revived capital inflows and improved confidence also strengthened demand for the domestic currency, which appreciated by 16% in 2019 and prompted the NBU to intervene in the forex market to purchase USD 7.9 billion of liquidity, almost six times more than in 2018.

In this positive macroeconomic context, the government of Ukraine managed to take control of its public finances. Starting from 2015, the State successfully cut its consolidated fiscal deficit by half and maintained it below or very close to the two-percent threshold. Thanks to economic growth, but also to inflation, the state and state-guaranteed debt declined from 97% of GDP in 2016 to 56% of GDP in 2019. The government is following a successful medium-term debt strategy of extending the maturity, diversifying the currency and reducing the cost of its indebtedness. The latest Eurobond issuance from end-January 2020, with a ten-year maturity and a yearly yield of 4.5% in EUR, was over-subscribed six times. Relative to half a year ago, the corresponding seven-year yield eased by more than 280 basis points. Credit-rating agencies have shared investors' improved confidence. Fitch and S&P upgraded their sovereign rating from B- to B on 6 and 27 September 2019 respectively. Moody's issued a positive outlook on 22 November 2019. In line with these assessments, the cost of domestically funded public debt was almost halved last year, from 19% in early 2019 to 10% in January 2020.

In sum, the latest macroeconomic developments in Ukraine feature stable and accelerating real growth, abating inflation, restored demand for the national currency,

lower interest rates and generally improved investors' confidence. The macro-financial situation of Ukraine stabilised in late 2017 already and has been strengthening since then. However, confidence eroded abruptly, and yields on Eurobonds almost tripled in March 2020, due to higher uncertainty triggered by the government reshuffle from end-February, and especially by the outburst of the coronavirus-related crisis. While the situation has stabilised in early April, it is unlikely that the government could finance all its funding needs in 2020 on domestic and international financial markets. Moreover, economic risks and challenges remain in the form of possible policy and confidence reversals, a sizable debt-repayment burden in 2020 and 2021, the need for a sustained increase in investment to close a significant gap in capital accumulation, and sought-after improvements in the business environment, notably concerning rule of law and competition.

5.2. Structural reforms

With the political transition in 2014, Ukraine embarked on an ambitious and wide-ranging reform programme. Despite the difficult external environment and significant internal challenges, Ukraine managed to push through reforms in a variety of sectors, notably as part of the policy programmes attached to the EU MFA, the IMF and the World Bank assistance. Following a slowdown in reform momentum in 2016-17, the year 2019 saw renewed reform activity.

In the field of public financial management, the authorities decided in December 2018 to consolidate current central and regional tax and customs units of the State Fiscal Service into two separate legal entities: a State Tax Service and a Customs Service. The actual reorganisation of these services took place in late 2019 and early 2020. In order to increase the transparency of the tax system, the Ministry of Finance started issuing clarifications on tax legislation where there is a risk of inconsistent interpretation. Moreover, new laws adopted in 2018 strengthened the fiscal governance by introducing medium-term budgeting and by strengthening program-based budgeting.

As regards the fight against corruption, a law establishing the High Anti-Corruption Court, considered a missing element in the anticorruption enforcement chain, was adopted in June 2018. The court became fully operational in 2019. The authorities also operationalised the compulsory electronic asset declaration system for public officials and performed a complete check of more than 1,000 highly relevant declarations. The company registration process was updated and all useful databases were connected to ensure effective verification of information, including on companies' beneficial ownership, by the various corruption-fighting agencies in Ukraine. In order to ensure an improved framework for fighting and preventing money laundering, Ukraine adopted in December 2019 an anti-money laundering law in line with the EU-Ukraine Association Agreement.

In order to improve corporate governance of Ukrainian state-owned enterprises, a number of independent supervisory boards have been established in several major enterprises in banking, energy, transport and postal sectors, and further supervisory board members are being selected. In the absence of successful large-scale privatisations, Ukraine has improved its legal framework for privatisation and has launched a successful electronic platform of sales of small companies and assets, ProZorro.Sale.

In the energy sector, the authorities and the energy regulator progressed on implementation of the electricity market law. The electricity retail market was opened to large consumers from January 2019 and the wholesale electricity market was opened from July 2019, although a number of issues hamper the functioning of and competition

in the market. In December 2019, Ukraine and Russia signed an agreement that guarantees the transit of gas from Russia to the EU through Ukraine for a further five years.

The situation of the financial sector continues to improve, with strengthened capital and liquidity ratios, as well as higher profitability. While the very high share of non-performing loans (55%) remains a major challenge; a new insolvency law was approved in October 2018. In order to improve governance in state-owned banks (which account for more than half of the banking system's assets), independent supervisory boards were set up and were filled with recognised experts by end-2019.

In the area of social policies, substantial progress has been made in the reform of healthcare financing, with the launch of the National Health Service which signed contracts with primary health providers. Household subsidy reforms progressed well with the launch of a subsidy monetisation (since early 2019 subsidies have been paid directly to households and no more to utility companies) and an eligibility verification. Ukraine also continued a pension reform started in 2017, in order to make the system less costly for the state while ensuring more adequate pension income for the majority of retirees.

Finally, despite progress with reform implementation, challenges remain related to demonopolisation, even-handed protection of property rights, cutting vested oligarchic interests and reducing the regulatory burden. Addressing these remaining challenges is crucial to improve the business climate and to attract and retain investors. The sustainability and inclusiveness of economic growth in Ukraine depend on the extent to which these remaining structural bottlenecks (to investment) are successfully removed.

5.3 Implementation of macro-financial assistance

In January 2015, the Commission proposed a MFA operation (the third one since 2014) consisting of loans of up to EUR 1.8 billion, to be made available in three equal instalments of EUR 600 million. This was done against the backdrop of Ukraine's rapidly deteriorating economic situation and weak balance-of-payments position resulting from the armed conflict in the eastern part of the country. The co-legislators adopted the Commission proposal in April 2015. Two instalments of EUR 600 million each were disbursed to Ukraine in July 2015 and in April 2017. A third instalment of the same amount was also available to Ukraine under this MFA programme. Ukraine fulfilled 17 of the 21 policy commitments attached to this disbursement, including reforms in public finance management, public administration, the energy sector and the judiciary. However, Ukraine had not implemented several measures when the validity period of the MFA expired. These included two measures to fight corruption, notably the introduction of a mechanism to verify asset declarations submitted by public officials. As a result, the third instalment of this MFA was cancelled in January 2018.

In November 2017, Ukraine requested additional MFA from the EU to cover its external financing gap and support the authorities' reform agenda. Following an assessment of this request, the Commission proposed a fourth Macro-Financial Assistance programme (MFA IV) in March 2018 of up to EUR 1 billion in the form of low-interest loans. The European Parliament and the Council adopted this proposal in July 2018. The Commission and Ukraine signed the MoU – setting specific policy conditions of the Macro-Financial Assistance programme – and the Loan Agreement in September 2018. Ukraine ratified the two documents in November 2018.

In October 2018, Ukraine and the IMF agreed at staff level on a 14-month Stand-By Arrangement of USD 3.9 billion. The SBA replaced Ukraine's previous Extended Fund

Facility (EFF) programme to provide an anchor for economic policies during 2019 (an election year). The IMF Board approved the Stand-by Arrangement in December 2018, with a first disbursement of USD 1.4 billion.

The first disbursement under MFA IV of EUR 500 million was made in December 2018 after Ukraine fulfilled the policy conditions, which covered the areas of fight against corruption, public finance management, governance of state-owned companies and privatisation of small companies. Notably, as part of the implementation effort of MFA IV first tranche conditions, Ukraine made significant progress in the areas of anti-corruption policy that had blocked the final disbursement under MFA III. The second instalment (of EUR 500 million) was disbursed in May 2020, after the single outstanding prior action (on strengthening financial sector safeguards from the December 2019 staff-level agreement reached between the Ukrainian authorities and the IMF on a new EFF programme) has been implemented.

STATUS OF ECONOMIC REFORMS — UKRAINE

1. Price liberalisation

While most prices are determined freely, regulated prices remain for utilities (particularly gas and electricity for households) and public transport. As part of the IMF programme, Ukraine has committed to move to market pricing on the gas retail market from 2020.

2. Trade regime

Ukraine joined the WTO in May 2008. The EU-Ukraine Association Agreement entered into force on 1 September 2017; the provisions on the Deep and Comprehensive Free Trade Area (DCFTA) had been provisionally applied since January 2016.

3. Exchange rate regime

Following the decision to abandon the currency peg in February 2014, Ukraine's central bank has implemented a managed float regime. In 2018, the central bank continued to ease the various administrative measures that were introduced to contain the currency crises from 2014 and early 2015. The central bank intervenes on the foreign exchange market only to reduce exchange rate volatility and replenish its reserves.

4. Foreign direct investment

Some restrictions on FDI-related flows exist, such as a ban on the purchase of agricultural land. Capital controls that affect foreign investment activity persist, despite their gradual elimination. The inflow of FDI was around 2% of GDP in 2019.

5. Monetary policy

The central bank's primary objective is to achieve and maintain price stability under an inflation targeting framework. Due to contractionary monetary policy of the central bank in 2019, inflation was reduced from 9.8% at the end of 2018 to 4.1% at the end of 2019. The inflation target of 5% +/- 1 percentage point was therefore achieved.

6. Public finances and taxation

Ukraine has made significant progress in the consolidation of its public finances in recent years; the fiscal deficit in 2019 was around 2% of GDP. General government expenditures remain high, including a heavy burden of spendings on pensions, defence and public debt services. On the revenue side, the tax base has been gradually widened; nonetheless, revenue mobilisation and tax and customs administration reform remain high on the agenda.

7. Privatisation and enterprise restructuring

Despite ambitious privatisation plans, no major sales of state assets took place in 2019. Ukraine has, however, improved its legal framework for privatisation and launched a successful electronic platform of sales of small companies and assets, ProZorro.Sale. In order to improve corporate governance of state-owned enterprises, a number of independent supervisory boards have been established in several major enterprises.

8. Financial sector

The situation of the financial sector continues to improve, with improving capital and liquidity ratios and better supervisory standards. The very high share of non-performing loans (55.1% as a whole, 65.4% in state-owned banks) and the quality of governance of state-owned banks remain challenging.

ANNEXES

Annex 1: Selected macroeconomic indicators by country

MFA complements and is conditional on the existence of an adjustment and reform programme agreed with the International Monetary Fund (IMF). To facilitate comparability, this section thus quotes the latest IMF data available for the selected macroeconomic indicators.⁶

Tunisia		2016	2017	2018	2019	2020
Real GDP	(% change)	1,2	1,9	2,7	1,0	-4,3
Inflation (end of period)	(% change)	4,2	6,2	7,5	6,1	6,0
Unemployment rate	(% labour force)	15,5	15,5	15,5	14,9	n/a
General government net lending/borrowing	(% of GDP)	-6,2	-5,9	-4,6	-3,9	-4,3
Current account balance	(% of GDP)	-9,3	-10,3	-11,2	-8,8	-7,5
Gross official reserves	(months of imports)	3,1	2,6	2,5	5,2	3,6
Total gross external debt	(% of GDP)	66,9	84,3	97,3	90,3	109,9

Sources: IMF World Economic Outlook Database (April 2020), IMF Regional Economic Outlook (April 2020)
Forecast years: 2019-2020

Jordan		2016	2017	2018	2019	2020
Real GDP	(% change)	2,1	2,1	1,9	2,0	-3,7
Inflation (end of period)	(% change)	0,8	3,2	3,6	0,6	1,4
Unemployment rate	(% labour force)	15,3	18,3	18,6	19,1	n/a
General government net lending/borrowing	(% of GDP)	-3,7	-3,6	-4,7	-6,1	-6,7
Current account balance	(% of GDP)	-9,8	-10,8	-7,0	-2,8	-5,8
Gross official reserves	(months of imports)	8,1	8,1	7,9	9,2	9,0
Total gross external debt	(% of GDP)	66,3	69,6	69,0	68,5	76,2

Sources: IMF World Economic Outlook Database (April 2020), IMF Regional Economic Outlook (April 2020)
Forecast years: 2019-2020

⁶ These may vary from the statistics quoted in the country-analysis section of this document.

Moldova		2016	2017	2018	2019	2020
Real GDP	(% change)	4,4	4,7	4,0	3,6	-3,0
Inflation (end of period)	(% change)	2,4	7,3	0,9	7,5	0,5
Unemployment rate	(% labour force)	4,2	4,1	3,0	3,0	3,0
General government net lending/borrowing						
	(% of GDP)	-1,8	-0,8	-1,1	-1,5	-5,5
Current account balance	(% of GDP)	-3,5	-5,7	-10,7	-8,9	-8,3
Gross official reserves	(months of imports)	4,9	5,3	5,5	5,2	4,9
Total gross external debt	(% of GDP)	76,8	70,5	66,4	63,6	64,7
<i>Sources: IMF World Economic Outlook Database (April 2020), IMF Country Report (March 2020)</i>						
<i>Forecast years: 2019-2020</i>						

Georgia		2016	2017	2018	2019	2020
Real GDP	(% change)	2,9	4,8	4,8	5,1	-4,0
Inflation (end of period)	(% change)	1,8	6,7	1,5	7,0	3,5
Unemployment rate	(% labour force)	14,0	13,9	12,7	11,6	n/a
General government net lending/borrowing						
	(% of GDP)	-1,5	-0,5	-0,8	-1,8	-7,5
Current account balance	(% of GDP)	-12,5	-8,1	-6,8	-5,1	-10,5
Gross official reserves	(months of imports)	3,4	3,4	3,5	5,4	3,9
Total gross external debt	(% of GDP)	92,0	90,5	86,4	89,4	102,8
<i>Sources: IMF World Economic Outlook Database (April 2020), IMF Regional Economic Outlook (April 2020)</i>						
<i>Forecast years: 2019-2020</i>						

Ukraine		2016	2017	2018	2019	2020
Real GDP	(% change)	2,4	2,5	3,3	3,2	-7,7
Inflation (end of period)	(% change)	12,4	13,7	9,8	4,1	7,7
Unemployment rate	(% labour force)	9,5	9,7	9,0	8,5	10,1
General government net lending/borrowing						
	(% of GDP)	-2,2	-2,2	-2,2	-2,0	-8,2
Current account balance	(% of GDP)	-1,5	-2,2	-3,3	-0,7	-2,0
Gross official reserves	(months of imports)	3,0	3,2	3,3	4,0	n/a
Total gross external debt	(% of GDP)	120,7	102,9	87,7	79,5	n/a
<i>Sources: IMF World Economic Outlook Database (April 2020), National authorities</i>						
<i>Forecast years: 2019-2020</i>						

Annex 2: MFA operations by date of decision, 1990-2019

MFA Operations 1990 - 2019 by Date of Decision		Year																			Total	Number of operations										
		1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008			2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Current Member States *	Bulgaria	290	110				250			100																				750	4	
	Czech & Slovak Fed. Rep.	375																												375	1	
	Estonia		40																											40	1	
	Hungary	870																												1050	2	
	Latvia		80																											80	1	
	Lithuania		100																											100	1	
	Romania	375				125					200																			780	4	
	Slovakia					130																								130	1	
	Algeria	400				200																								600	2	
	Israel	187,5																												187,5	1	
Jordan																								180					380	2		
Lebanon																			80										80	1		
Tunisia																								300					800	2		
Armenia							58																						158	2		
Belarus					55																								55	1		
Georgia							175											33,5											345,5	5		
Moldova					45		15			15								45											325	7		
Ukraine					85	200				110														1000	1800				4845	8		
Albania					70																								150	4		
Bosnia & Herzegovina										20																			220	3		
Kosovo (UNSCR 1244)									60									50											115	3		
Macedonia (FYR)									35	30																			138	3		
Montenegro							40			80																			20	1		
Serbia										20																			200	1		
Serbia & Montenegro										345	130	70																	545	3		
Tajikistan										95																				95	1	
Kyrgyz Republic																													30	1		
Amount approved	870	1808	480	0	620	255	15	523	150	460	165	393	315	70	25	0	83,5	125	0	446	590	0	0	256	1300	1800	700	100	1045	0	12594	
No. of operations approved	1	6	6	0	6	2	1	4	1	5	4	3	4	1	1	0	2	2	0	4	2	0	0	3	2	2	1	2	1	2	0	66

Annex 2A: Status of disbursements made by date of decision at end-December 2019

EU MACRO-FINANCIAL AND EXCEPTIONAL FINANCIAL ASSISTANCE TO THIRD COUNTRIES BY DATE OF DECISION							
Status of effective disbursements as of end-December 2018 (in millions of €)							
Country	Authorisations			Disbursements			
	Date of Decision	Reference of Decision	Maximum amount	Dates of disbursements	Amounts of disbursements	Totals disbursed	Undisbursed
Hungary (Loan)	22.02.90	90/83/EC	870	Apr. 1990 Feb. 1991	350 260	610	260
Czech and Slovak Federal Republic	25.02.91	91/106/EC	375	Mar. 1991 Mar. 1992	185 190	375	
Hungary (Loan)	24.06.91	91/310/EC	180	Aug. 1991 Jan. 1993	100 80	180	
Bulgaria (Loan)	24.06.91	91/311/EC	290	Aug. 1991 Mar. 1992	150 140	290	
Romania (Loan)	22.07.91	91/384/EC	375	Jan. 1992 Apr. 1992	190 185	375	
Israel¹ (Loan)	22.07.91	91/408/EC	187,5	Mar. 1992	187,5	187,5	
Algeria (Loan)	23.09.91	91/510/EC	400	Jan. 1992 Aug. 1994	250 150	400	
Albania (Grant)	28.09.92	92/482/EC	70	Dec. 1992 Aug. 1993	35 35	70	
Bulgaria (Loan)	19.10.92	92/511/EC	110	Dec. 1994 Aug. 1996	70 40	110	
Baltics (Loans); of which:	23.11.92	92/542/EC	220			135	85
Estonia			(40)	Mar. 1993	20	(20)	(20)
Latvia			(80)	Mar. 1993	40	(40)	(40)
Lithuania			(100)	July 1993 Aug. 1995	50 25	(75)	(25)
Romania (Loan)	27.11.92	92/551/EC	80	Feb. 1993	80	80	
Moldova (Loan)	13.06.94	94/346/EC	45	Dec. 1994 Aug. 1995	25 20	45	
Romania (Loan)	20.06.94	94/369/EC	125	Nov. 1995 Sep. 1997 Dec. 1997	55 40 30	125	
Albania (Grant)	28.11.94	94/773/EC	35	June 1995 Oct. 1996	15 20	35	

Algeria (Loan)	22.12.94	94/938/EC	200	Nov. 1995	100	100	100
Slovakia (Loan)	22.12.94	94/939/EC	130	July 1996			130
Ukraine (Loan)	22.12.94	94/940/EC	85	Dec. 1995	85	85	
Belarus (Loan)	10.04.95	95/132/EC	55	Dec. 1995	30	30	25
Ukraine (Loan)	23.10.95	95/442/EC	200	Aug. 1996 Oct. 1996 Sep. 1997	50 50 100	200	
Moldova (Loan)	25.03.96	96/242/EC	15	Dec. 1996	15	15	
Former Yugoslav Republic of Macedonia (Loan)	22.07.97	97/471/EC	40	Sep. 1997 Feb. 1998	25 15	40	
Bulgaria (Loan)	22.07.97	97/472/EC	250	Feb. 1998 Dec. 1998	125 125	250	
Armenia, Georgia and Tajikistan² (Loans and Grants)	17.11.97 amended by 28.3.00	97/787/EC 00/244/EC	(375)			(294.5)	
Agreed amounts with the recipient countries:			328			294,5	33,5
Armenia (Loan and Grant)			(58)	Dec. 1998 (Loan) Dec. 1998 (Grant) Dec. 1999 (Grant) Feb. 2002 (Grant) Dec. 2002 (Grant) June 2004 (Grant) Dec. 2005 (Grant)	28 8 4 5,5 5,5 5,5 1,5	(58)	
Georgia (Loan and Grant)			(175)	Jul. 1998 (Loan) Aug. 1998 (Grant) Sep. 1999 (Grant) Dec. 2001 (Grant) Dec. 2004 (Grant)	110 10 9 6 6,5	(141.5)	(33.5)
Tajikistan (Loan and Grant)			(95)	Mar. 2001 (Loan) Mar. 2001 (Grant) Dec. 2001 (Grant) Feb. 2003 (Grant) May. 2005 (Grant) Oct. 2007 (Grant)	60 7 7 7 7 7	(95)	

Ukraine (Loan)	15.10.98 12.07.02	98/592/EC 02/639/EC	150	July 1999	58	58	92
Albania (Loan)	22.04.99	99/282/EC	20				20
Bosnia³ (Loan and Grant)	10.05.99 amended by 10.12.01	99/325/EC 01/899/EC	60	Dec. 1999 (Grant) Dec. 1999 (Loan) Dec. 2000 (Grant) Dec. 2000 (Loan) Dec. 2001 (Grant)	15 10 10 10 15	60	
Bulgaria (Loan)	08.11.99	99/731/EC	100	Dec. 1999 Sep. 2000	40 60	100	
Former Yugoslav Republic of Macedonia⁴ (Loan and Grant)	08.11.99 amended by 10.12.01	99/733/EC 01/900/EC	80 18	Dec. 2000 (Grant) Dec. 2000 (Loan) Dec. 2001 (Loan) Dec. 2001 (Grant) May 2003 (Grant) June 2003 (Loan) Dec. 2003 (Loan) Dec. 2003 (Grant)	20 10 12 10 10 10 18 8	98	
Romania (Loan)	08.11.99	99/732/EC	200	June 2000 July 2003	100 50	150	50
Kosovo⁵ (Grant)	19.02.00	00/140/EC	35	Mar. 2000 Aug. 2000	20 15	35	
Montenegro⁵ (Grant)	22.05.00	00/355/EC	20	Aug. 2000 Dec. 2000	7 13	20	
Moldova (Loan)	10.07.00 19.12.02	00/452/EC 02/1006/EC	15				15
Kosovo³ (Grant)	27.06.01	01/511/EC	30	Sep. 2001 Dec. 2002	15 15	30	
Serbia and Montenegro⁶ (ex FRY) (Loan and Grant)	16.07.01 amended by 10.12.01	01/549/EC 01/901/EC	345	Oct. 2001 (Loan) Oct. 2001 (Grant) Jan. 2002 (Grant) Aug. 2002 (Grant)	225 35 40 45	345	
Ukraine (Loan) Amendment of Decision 98/592/EC	12.07.02	02/639/EC	110	May. 2014 Nov. 2014	100 10	110	

Serbia and Montenegro⁷ (ex FRY) (Loan and Grant)	05.11.02	02/882/EC	130	Dec. 2002 (Grant)	30	105	25
				Feb. 2003 (Loan)	10		
				Aug. 2003 (Grant)	35		
				Aug. 2003 (Loan)	30		
Bosnia⁸ (Loan and Grant)	05.11.02	02/883/EC	60	Feb. 2003 (Grant)	15	25	the rest was paid under 04/861/EC
				Dec. 2003 (Grant)	10		
Moldova (Grant)	19.12.02	02/1006/EC	15				15
Serbia and Montenegro⁷ (ex FRY) Amendment of Decision 02/882/EC (Grant)	25.11.03	03/825/EC	70	Dec. 2004	10	10	20 the rest was paid under 04/862/EC
Albania⁹ (Loan and Grant)	29.04.04	04/580/EC	25	Nov. 2005 (Grant)	3	25	
				Mar. 2006 (Loan)	9		
				July 2006 (Grant)	13		
Bosnia⁸ Amendment of Decision 02/883/EC (Loan and Grant)	07-12-2004	04/861/EC	the balance of 02/883/EC	Dec. 2004 (Loan)	10	35	
				June 2005 (Grant)	15		
				Feb. 2006 (Loan)	10		
Serbia and Montenegro⁷ (ex FRY) Amendment of Decision 02/882/EC (Loan and Grant)	07.12.2004	04/862/EC	the balance of 03/825/EC	Apr. 2005 (Loan)	15	40	
				Dec. 2005 (Grant)	25		
Georgia (Grant)	24.01.06	06/41/EC	33,5	Aug. 2006	11	22	11,5
				Dec. 2006	11		
Kosovo (Grant)	30.11.06	06/880/EC	50	Sep. 2010	30	30	20
Moldova (Grant)	16.04.07	07/259/EC	45	Oct. 2007	20	45	
				Jun. 2008	10		
				Dec. 2008	15		
Lebanon¹⁰ (Loan and Grant)	10.12.07	07/860/EC	80	Dec. 2008 (Grant)	15	40	40
				June 2009 (Loan)	25		
Georgia (Grant)	30.11.09	09/889/EC	46	Dec. 2009	15,3	46	
				Jan. 2010	7,7		
				Aug. 2010	23		
Armenia¹¹ (Loan and Grant)	30.11.09	09/890/EC	100	June 2011 (Grant)	14	100	
				July 2011 (Loan)	26		
				Dec. 2011 (Grant)	21		
				Feb. 2012 (Loan)	39		

Bosnia and Herzegovina (Loan)	30.11.09	09/891/EC	100	Feb. 2013 Oct. 2013	50 50	100	
Serbia (Loan)	30.11.09	09/892/EC	200	July 2011	100	100	100
Ukraine (Loan)	29.06.10	646/2010/EU	500	Nov. 2014 Apr. 2015	250 250	500	
Moldova (Grant)	20.10.10	938/2010/EU	90	Dec. 2010 Sep. 2011 Apr. 2012	40 20 30	90	
Georgia (Loan and Grant)	12.08.13	778/2013/EU	46	Jan. 2015 (Grant) Apr. 2015 (Loan) May 2017 (Grant) May 2017 (Loan)	13 10 10 13	46	
Kyrgyz Republic (Loan and Grant)	22.10.13	1025/2013/EU	30	Jun. 2015 (Grant) Oct. 2015 (Loan) Feb. 2016 (Grant) Apr. 2016 (Loan)	10 5 5 10	30	
Jordan (Loan)	11.12.13	1351/2013/EU	180	Feb. 2015 Oct. 2015	100 80	180	
Tunisia (Loan)	15.5.14	534/2014/EU	300	May 2015 Dec. 2015 July 2017	100 100 100	300	
Ukraine (Loan)	14.04.14	2014/215/EU	1 000,0	June 2014 Dec. 2014	500 500	1 000,0	
Ukraine (Loan)	15.04.15	2015/601/EU	1 800,0	July 2015 Apr. 2017	600 600	1 200,0	600,0
Tunisia (Loan)	06.07.16	2016/1112/EU	500,0	Oct. 2017 June 2019 Oct. 2019	200 150 150	500,0	
Jordan (Loan)	14.12.16	2016/2371/EU	200,0	Oct. 2017 July 2019	100 100	200,0	
Moldova (Loan and Grant)	13.09.17	2017/1565/EU	100,0	Oct. 2019	30	30,0	70,0 (ongoing)
Georgia (Loan and Grant)	18.04.2018	2018/598/EU	45,0	Dec. 2018	20	20,0	25,0 (ongoing)
Ukraine (Loan)	04.07.2018	2018/947/EU	1 000,0	Dec. 2018	500	500,0	500,0 (ongoing)
TOTAL			12 594,0			10 357,0	2 237,0

- ¹ Assistance to Israel includes a loan principal amount of €160 million and grants of €27.5 million in the form of interest subsidies.
- ² Exceptional financial assistance, which includes a ceiling of €245 million for the loans and a ceiling of €130 million for the grants. Out of the global amount of €375 million, maximum amounts of €58 million, €175 million and €95 million were actually agreed with the beneficiary countries
- ³ Includes a loan principal amount of up to €20 million and grants of up to €40 million.
- ⁴ Includes a loan principal amount of up to €50 million and grants of up to €48 million.
- ⁵ Exceptional financial assistance.
- ⁶ Includes a loan principal amount of €225 million and grants of €120 million.
- ⁷ Includes a loan principal amount of €55 million and grants of €75 million.
- ⁸ Includes a loan principal amount of €20 million and grants of €40 million.
- ⁹ Includes a loan principal amount of €9 million and grants of €16 million.
- ¹⁰ Includes a loan principal amount of €50 million and grants of €30 million.
- ¹¹ Includes a loan principal amount of €65 million and grants of €35 million.

Annex 2B: Status of disbursements made by region at end-December 2019 (in millions of €)

<u>Country</u>	<u>Authorisations</u>			<u>Disbursements</u>			
	<u>Date of Decision</u>	<u>Reference of Decision</u>	<u>Maximum amount</u>	<u>Dates of disbursements</u>	<u>Amounts of disbursements</u>	<u>Totals</u>	<u>Undisbursed</u>
<u>A. Current EU Member States</u>							
Baltics (Loans) of which :	23.11.92	92/542/EC	220			135	85
Estonia			(40)	March 1993	20	(20)	(20)
Latvia			(80)	March 1993	40	(40)	(40)
Lithuania			(100)	July 1993	50	(75)	(25)
				Aug. 1995	25		
Bulgaria (Loan)	24.06.91	91/311/EC	290	Aug. 1991 March 1992	150 140	290	
Bulgaria (Loan)	19.10.92	92/511/EC	110	Dec. 1994 Aug. 1996	70 40	110	
Bulgaria (Loan)	22.07.97	97/472/EC	250	Feb. 1998 Dec. 1998	125 125	250	
Bulgaria (Loan)	08.11.99	99/731/EC	100	Dec. 1999 Sep. 2000	40 60	100	
Czech and Slovak Federal Republic (Loan)	25.02.91	91/106/EC	375	March 1991 March 1992	185 190	375	
Hungary (Structural Adjustment Loan)	22.02.90	90/83/EC	870	Apr. 1990 Feb. 1991	350 260	610	260
Hungary (Loan)	24.06.91	91/310/EC	180	Aug. 1991 Jan. 1993	100 80	180	
Romania (Loan)	22.07.91	91/384/EC	375	Jan. 1992 Apr. 1992	190 185	375	
Romania (Loan)	27.11.92	92/551/EC	80	Feb. 1993	80	80	
Romania (Loan)	20.06.94	94/369/EC	125	Nov. 1995 Sep. 1997 Dec. 1997	55 40 30	125	
Romania (Loan)	08.11.99	99/732/EC	200	June 2000 July 2003	100 50	150	50
Slovakia (Loan)	22.12.94	94/939/EC	130	July 1996			130
TOTAL A			3 305,0			2 780,0	525,0

B. Current Accession and Pre-Accession Countries

Albania (Grant)	28.09.92	92/482/EC	70	Dec. 1992 Aug. 1993	35 35	70	
Albania (Grant)	28.11.94	94/773/EC	35	June 1995 Oct. 1996	15 20	35	
Albania (Loan)	22.04.99	99/282/EC	20				20
Bosnia¹ (Loan and Grant)	10.05.99 amended by 10.12.01	99/325/EC 01/899/EC	60	Dec. 1999 (Grant) Dec. 1999 (Goan) Dec. 2000 (Grant) Dec. 2000 (Loan) Dec. 2001 (Grant)	15 10 10 10 15	60	
Former Yugoslav Republic of Macedonia (Loan)	22.07.97	97/471/EC	40	Sep. 1997 Feb. 1998	25 15	40	
Former Yugoslav Republic of Macedonia² (Loan and Grant)	08.11.99 modified by 10.12.2001	99/733/EC 01/900/EC	80 18	Dec. 2000 (Grant) Dec. 2000 (Loan) Dec. 2001 (Loan) Dec. 2001 (Grant) May 2003 (Grant) June 2003 (Loan) Dec. 2003 (Loan) Dec. 2003 (Grant)	20 10 12 10 10 10 18 8	98	
Kosovo³ (Grant)	19.02.00	00/140/EC	35	Mar. 2000 Aug. 2000	20 15	35	
Kosovo³ (Grant)	27.06.01	01/511/EC	30	Sep. 2001 Dec. 2002	15 15	30	
Montenegro³ (Grant Budgetary Support)	22.05.00	00/355/EC	20	Aug. 2000 Dec. 2000	7 13	20	
Serbia and Montenegro⁴ (ex FRY) (Loan and Grant)	16.07.01 amended by 10.12.2001	01/549/EC 01/901/EC	345	Oct. 2001 (Grant) Oct. 2001 (Loan) Jan. 2002 (Grant) Aug. 2002 (Grant)	35 225 40 45	345	
Serbia and Montenegro⁵ (ex FRY) (Loan and Grant)	05.11.02 amended by 25.11.03 07.12.04	02/882/EC 03/825/EC (7) 04/862/EC	130 70	Dec. 2002 (Grant) Feb. 2003 (Loan) Aug. 2003 (Grant) Aug. 2003 (Loan) Dec. 2004 (Grant) Apr. 2005 (Loan) Dec. 2005 (Grant)	30 10 35 30 10 15 25	105 50 25	25 20

Bosnia⁶ (Loan and Grant)	05.11.02	02/883/EC	60	Feb. 2003 (Grant)	15	60	
				Dec. 2003 (Grant)	10		
				Dec 2004 (Loan)	10		
	amended by						
	07.12.04	04/861/EC		June 2005 (Grant)	15		
				Feb. 2006 (Loan)	10		
Albania⁸ (Loan and Grant)	29.04.04	04/580/EC	25	Nov. 2005 (Grant)	3	25	
				Mar. 2006 (Loan)	9		
				Jul. 2006 (Grant)	13		
Kosovo (Grant)	30.11.06	06/880/EC	50	Sep. 2010	30	30	20
Bosnia and Herzegovina (Loan)	30.11.09	09/891/EC	100	Feb. 2013	50	100	
				Oct. 2013	50		
Serbia (Loan)	30.11.09	09/892/EC	200	juil-11	100	100	100
TOTAL B			1 388,0			1 203,0	185,0

Neighbourhood East and Other Countries⁹

Armenia, Georgia and Tajikistan¹⁰ (Loans and Grants) Agreed amounts with the recipient countries:	17.11.97 amended by 28.3.00	97/787/EC 00/244/EC	(375) downsized to 328			(294,5)		294,5	33,5
Armenia			(58)	Dec. 1998 (Loan)	28	(58)			
				Dec. 1998 (Grant)	8				
				Dec. 1999 (Grant)	4				
				Feb. 2002 (Grant)	5,5				
				Dec. 2002 (Grant)	5,5				
				June 2004 (Grant)	5,5				
				Dec. 2005 (Grant)	1,5				
Georgia			(175)	July 1998 (Loan)	110	(141,5)	(33,5)		
				Aug. 1998 (Grant)	10				
				Sep. 1999 (Grant)	9				
				Dec. 2001 (Grant)	6				
				Dec. 2004 (Grant)	6,5				
Tajikistan			(95)	Mar. 2001 (Loan)	60	(95)			
				Mar. 2001 (Grant)	7				
				Dec. 2001 (Grant)	7				
				Feb. 2003 (Grant)	7				
				May 2005 (Grant)	7				
				Oct. 2006 (Grant)	7				
Belarus (Loan)	10.04.95	95/132/EC	55	Dec. 1995	30	30		25	
Moldova (Loan)	13.06.94	94/346/EC	45	Dec. 1994	25	45			
				Aug. 1995	20				
Moldova (Loan)	25.03.96	96/242/EC	15	Dec. 1996	15	15			
Moldova (Loan)	10.07.00 19.12.02	00/452/EC 02/1006 EC	15					15	
Moldova (Grant)	19.12.02	02/1006/EC	15					15	
Ukraine (Loan)	22.12.94	94/940/EC	85	Dec. 1995	85	85			
Ukraine (Loan)	23.10.95	95/442/EC	200	Aug. 1996	50	200			
				Oct. 1996	50				
				Sep. 1997	100				
Ukraine (Loan)	15.10.98	98/592/EC	150	July 1999	58	58		92	
Ukraine (Loan) Amendment of Decision 98/592/EC	12.07.02	02/639/EC	110	mai-14	100	110			
				Nov. 2014	10				

Georgia (Grant)	21.01.06	06/41/EC	33,5	Aug. 2006 Dec. 2006	11 11	22	11,5
Moldova (Grant)	16.04.07	07/259/EC	45	Oct. 2007 June 2008 Dec. 2008	20 10 15	45	
Georgia (Grant)	30.11.09	09/889/EC	46	Dec. 2009 Jan. 2009 Aug. 2010	15,3 7,7 23	46	
Armenia¹¹ (Loan and Grant)	30.11.09	09/890/EC	100	June 2011 (Grant) July 2011 (Loan) Dec. 2011 (Grant) Feb. 2012 (Loan)	14 26 21 39	100	
Ukraine (Loan)	29.06.10	646/2010/EU	500	Nov. 2014 Apr. 2015	250 250	500	
Moldova (Grant)	20.10.10	938/2010/EU	90	Dec. 2010 Sep. 2011 Apr. 2012	40 20 30	90	
Georgia (Loan and Grant)	12.08.13	778/2013/EU	46	Jan. 2015 (Grant) Apr. 2015 (Loan) May 2017 (Grant) May 2017 (Loan)	13 10 10 13	46	
Kyrgyz Republic (Loan and Grant)	22.10.13	1025/2013/EU	30	Jun. 2015 (Grant) Oct. 2015 (Loan) Feb. 2016 (Grant) Apr. 2016 (Loan)	10 5 5 10	30	
Ukraine (Loan)	14.04.14	2014/215/EU	1000	June 2014 Dec. 2014	500 500	1000	
Ukraine (Loan)	15.04.15	2015/601/EU	1800	July 2015 Apr. 2017	600 600	1200	600
Moldova (Loan and Grant)	13.09.17	2017/1565/EU	100				100 (ongoing)
Georgia (Loan and Grant)	18.04.2018	2018/598/EU	45,0	Dec. 2018	20	20,0	25,0 (ongoing)
Ukraine (Loan)	04.07.2018	2018/947/EU	1 000,0	Dec. 2018	500	500,0	500,0 (ongoing)
TOTAL C			5 853,5			4 436,5	1 417,0

D. Neighbourhood South						
Israel ¹² (Structural Adjustment Soft Loan)	22.07.91	91/408/EC	187,5	Mar. 1992	187,5	187,5
Algeria (Loan)	23.09.91	91/510/EC	400	Jan. 1992 Aug. 1994	250 150	400
Algeria (Loan)	22.12.94	94/938/EC	200	Nov. 1995	100	100 100
Lebanon ¹³ (Grant and Loan)	10.12.07	07/860/EC	80	Dec. 2008 (Grant) June 2009 (Loan)	15 25	40 40
Jordan (Loan)	11.12.13	1351/2013/EU	180	Feb. 2015 Oct. 2015	100 80	180
Tunisia (Loan)	15.5.14	534/2014/EU	300	May 2015 Dec. 2015 July 2017	100 100 100	300
Tunisia (Loan)	06.07.16	2016/1112/EU	500,0	Oct. 2017 June 2019 Oct. 2019	200 150 150	500,0
Jordan (Loan)	14.12.16	2016/2371/EU	200,0	Oct. 2017 July 2019	100 100	200,0
TOTAL D			2 047,5			1 907,5 140,0
TOTAL A+B+C+D			12 594,0			10 357,0 2 237,0
<p>¹ Includes a loan principal amount of €20 million and grants of €40 million.</p> <p>² Includes a loan principal amount of up to €50 million and grants of up to €48 million.</p> <p>³ Exceptional financial assistance.</p> <p>⁴ Includes a loan principal amount of €225 million and grants of €120 million.</p> <p>⁵ Includes a loan principal amount of €55 million and grants of €75 million.</p> <p>⁵ Includes a loan principal amount of €20 million and grants of €40 million.</p> <p>⁶ Includes a loan principal amount of €25 million and grants of €45 million.</p> <p>⁸ Includes a loan principal amount of €9 million and grants of €16 million.</p> <p>⁹ Other countries include Tajikistan and Kyrgyz Republic, to which exceptional MFA support was provided</p> <p>¹⁰ Exceptional financial assistance, which includes a ceiling of €245 million for the loans and a ceiling of €130 million for the grants. Out of the total amount of €375 million, maximum amounts of €58 million, €175 million and €95 million were actually agreed with the beneficiary countries.</p> <p>¹¹ Includes a loan principal amount of €65 million and grants of €35 million.</p> <p>¹² Assistance to Israel includes a loan principal amount of ECU 160 million and grants of ECU 27.5 million in the form of interest subsidies.</p> <p>¹³ Includes a loan principal amount of €50 million and grants of €30 million.</p>						

Annex 3: MFA amounts authorised by year, 2005-2019 (EUR million)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
By region															
Accession and Pre-Accession	50,0			300,0											350,0
Neighbourhood East	33,5	45,0		146,0	590,0			46,0	1 000,0	1 800,0		100,0	1 045,0		4 805,5
Neighbourhood South		80,0						180,0	300,0		700,0				1 260,0
Other								30,0							30,0
Total amounts authorised	83,5	125,0	0,0	446,0	590,0	0,0	0,0	256,0	1 300,0	1 800,0	700,0	100,0	1 045,0	0,0	6 445,5
Loans	0,0	50,0	0,0	365,0	500,0			218,0	1 300,0	1 800,0	700,0	60,0	1 035,0		6 028,0
Grants	83,5	75,0	0,0	81,0	90,0			38,0				40,0	10,0		417,5

¹ More detailed information is available in the statistical data of the staff working document

2 Authorised amounts refer to the amounts agreed to in the MFA Decisions, which may differ from the disbursed amounts (Annex 3)

Chart 3A: MFA amounts authorised by year, 2006-2019 (EUR million)

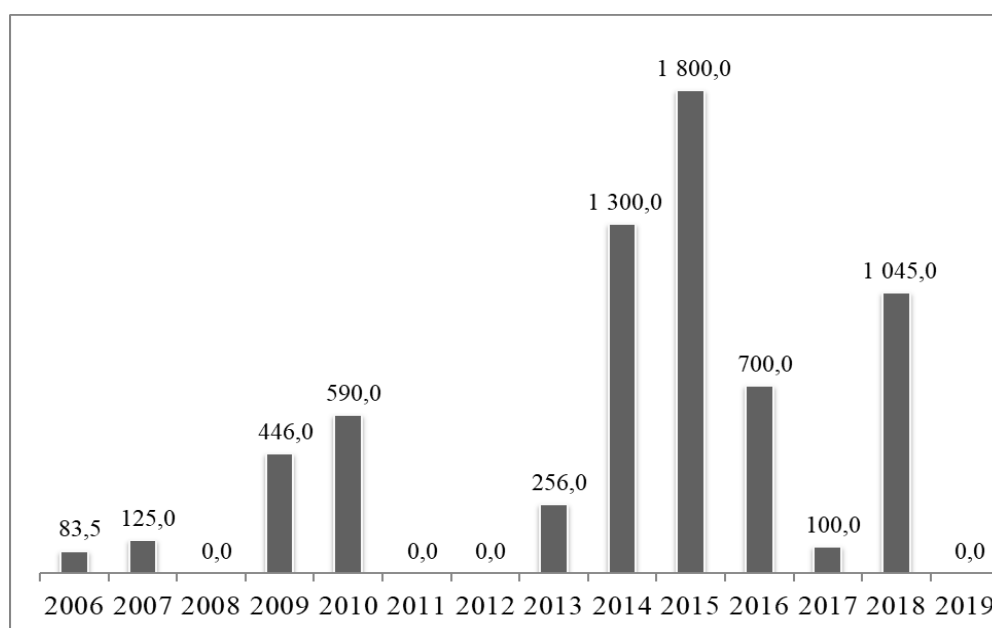
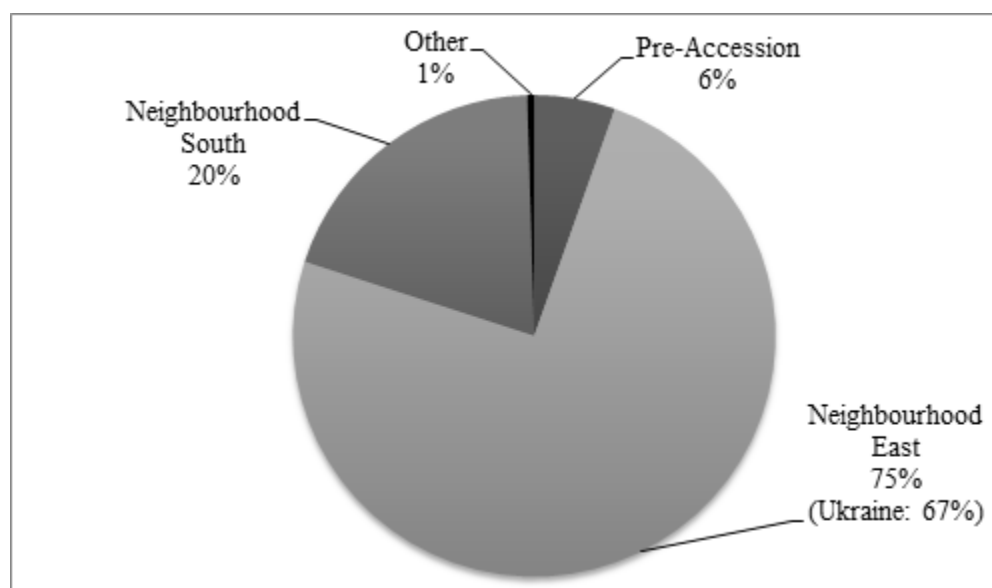


Chart 3B: MFA amounts authorised by region, 2006-2019 (%)



Annex 4: MFA amounts disbursed by year, 2006-2019 (EUR million)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
By region															
Accession and Pre-Accession	32,0				30,0	100,0		100,0							262,0
Neighbourhood East	29,0	20,0	25,0	15,3	70,7	81,0	69,0		1 360,0	873,0		623,0	520,0	30,0	3 716,0
Neighbourhood South			15,0	25,0						380,0		400,0		400,0	1 220,0
Other										15,0	15,0				30,0
Total amounts disbursed	61,0	20,0	40,0	40,3	100,7	181,0	69,0	100,0	1 360,0	1 268,0	15,0	1 023,0	520,0	430,0	5 228,0
Loans	19,0	0,0	0,0	25,0	0,0	126,0	39,0	100,0	1 360,0	1 245,0	10,0	1 013,0	515,0	420,0	4 872,0
Grants	42,0	20,0	40,0	15,3	100,7	55,0	30,0			23,0	5,0	10,0	5,0	10,0	356,0

¹ More detailed information is available in the statistical data of the staff working document

Chart 4A: MFA amounts disbursed by year, 2006-2019 (EUR million)

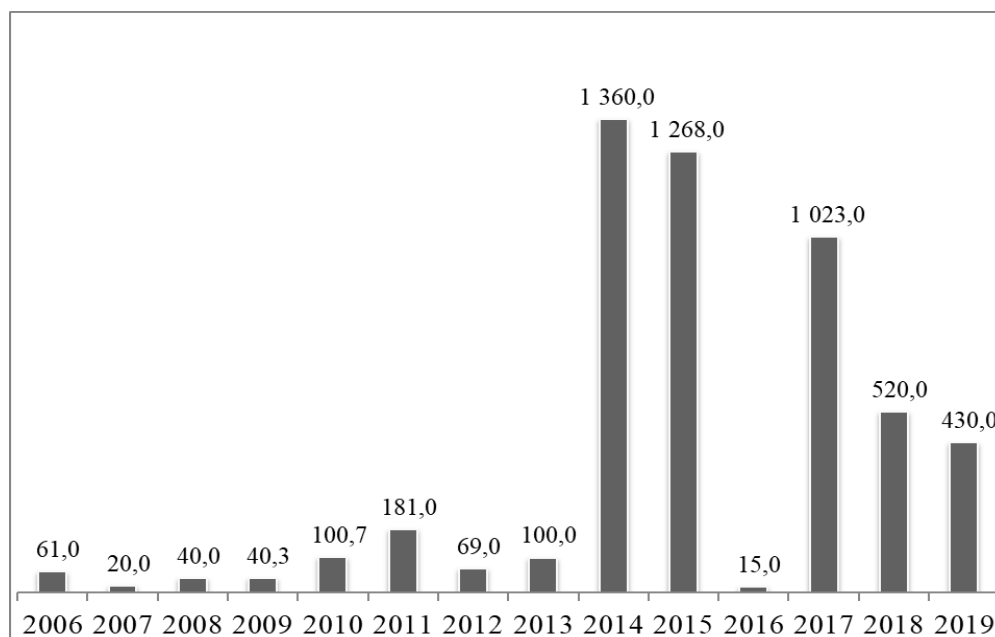
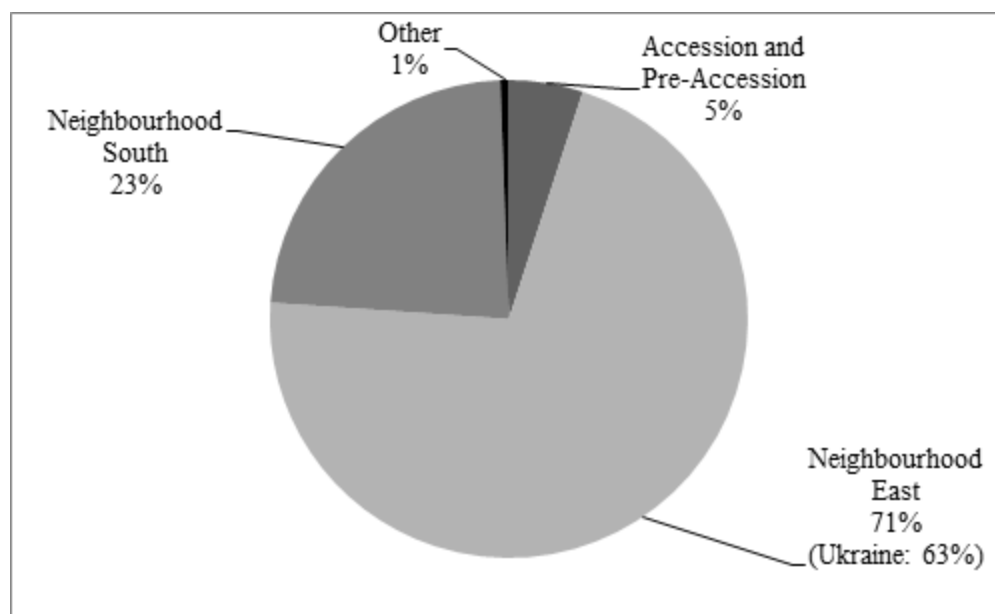


Chart 4B: MFA amounts disbursed by region, 2006-2019 (%)



Annex 5: Outstanding amounts in respect of MFA operations disbursed (as at 31 December 2019)

Country	Outstanding capital in respect of MFA operations disbursed (in EUR millions)
Ukraine	3.310,00
Tunisia	800,00
Jordan	380,00
Bosnia and Herzegovina	94,00
Armenia	65,00
Georgia	38,00
Moldova	20,00
Others (Kyrgyz Republic, Albania, Serbia, Montenegro, fYRoM)	21,60
Total	4.728,60

Chart 5B: Country share of outstanding capital in respect of MFA operations disbursed

