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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 2015

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LIST OF ABBREVIATIONS

AA	Association Agreement
CIS	Commonwealth of Independent States
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
GAFTA	Great Arabic Free Trade Area
GCC	Gulf Cooperation Council
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
USD	United States dollar
TFEU	Treaty on the Functioning of the European Union
VAT	value added tax
WTO	World Trade Organisation
y-o-y	year-on-year

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INTRODUCTION

This staff working document is published in parallel with the Commission's Report to the European Parliament and the Council on the implementation of macro-financial assistance (MFA) to third countries in 2015. It provides economic and financial information regarding the situation of the beneficiary countries and more detailed information on the implementation of MFA operations in those countries. Statistical data on the MFA decisions adopted since 1990, by date and by region, are set out in the annexes, as are total MFA commitment and payment amounts in 2005-2015, by year and by region.

BACKGROUND ANALYSIS OF BENEFICIARIES OF MACRO-FINANCIAL ASSISTANCE

1. GEORGIA

1.1. Executive summary

The recession in Russia, the economic slowdown in other CIS countries and sharp depreciations in the currencies of major trade partners since the end of 2014 reduced Georgian exports and remittances sharply, leading to a deceleration of GDP growth from 4.6 % in 2014 to 2.8 % in 2015. The lari lost a quarter of its value between November 2014 and December 2015, and external vulnerabilities increased. Despite the slowdown in domestic demand, the large lari depreciation and falling oil prices, the current account deficit widened to close to 12 % of GDP in 2015, while external debt increased to over 100 % of GDP due to valuation effects, and foreign exchange reserves are covering around three months of next year's imports. Notwithstanding a difficult economic situation, the Government pursued a relatively responsible fiscal and tight monetary policy, and allowed the exchange rate to depreciate to help absorb the external shock. Despite a high rate of dollarisation, the banking system remains sound and well capitalised, reflecting also the careful supervision and regulation by the central bank.

In July 2014, the authorities signed a three-year IMF stand-by arrangement (SBA) for USD 154 million. Most of the funds (80 %) were disbursed in 2014. Subsequently, disbursements were kept on hold due to postponement of the completion of the second programme review, which was closely linked to the Georgian parliament's plans to remove banking supervision from the national bank and transfer it to a newly created Financial Supervision Agency. The IMF team re-visited Tbilisi in November and started discussions on the second and third programme reviews, which are not yet concluded.

In 2013, the European Parliament and the Council adopted a decision on an MFA programme to Georgia for a total of EUR 46 million, to be provided equally in loans and grants and disbursed in two tranches. The first tranche was disbursed in spring 2015. Disbursement of the second tranche was planned for immediately after the summer of 2015, but delayed following the postponement of the second review of the IMF programme. As Georgia fulfils all policy conditions for disbursement of the second tranche, the approval of the IMF programme review would allow the second MFA disbursement to go ahead.

1.2. Macroeconomic performance

Georgia's real GDP growth slowed from 4.6 % in 2014 to 2.8 % in 2015, mainly due to rapid deterioration of the regional environment from the second half of 2014, which led to a sharp fall in Georgia's exports and reduced inflows of worker remittances. Under external pressure, the lari lost 26 % of its value against the dollar between November 2014 and December 2015. Consumer price inflation picked up in 2015 (to 4.9 % in December) as a result of the pass-through effect of lari depreciation on prices and increases in electricity tariffs, which outweighed lower oil prices and weak domestic demand. To fight inflation, the national bank tightened the monetary stance, increasing its key policy rate seven times in 2015 so that it reached 8 % in December.

The fiscal deficit widened from 2.9 % of GDP in 2014 to over 3.3 % in 2015, significantly above the target of 3.3% agreed under the IMF programme. The deterioration reflects the overrun in expenditures, especially in the area ofproject spending, while revenues over-performed, despite the economic slowdown, thanks to improved tax administration, rising inflation and the lari depreciation, which boosted import-related VAT revenue. The public debt increased from 35.5 % of GDP in 2014 to

41.2 %, due mainly to the valuation effects of exchange rate depreciation (three quarters of the public debt is denominated in foreign currency). Fiscal policy also faces multiple challenges. Revenue collections are constrained by the Georgian constitution, which rules out the introduction of new taxes and increases in the existing tax rate, except for excises, without approval by referendum. At the same time, expenditures are under pressure from increasing costs relating to the introduction of the universal healthcare (UHC) scheme and rising spending on pensions, targeted social assistance and education. In the coming period, pressures will also arise from spending relating to the pension reform.

External vulnerabilities increased. The current-account deficit widened to 11.7 % of GDP in 2015, from 10.6 % in 2014, despite a slowing economy, the sharp depreciation of the lari and falling oil prices. After staying at around 80 % of GDP since 2008 (83 % of GDP at the end of 2014), external debt jumped due to lari depreciation, to 107 % of GDP in 2015. Foreign exchange reserves dropped from USD 2.7 billion in December 2014 to USD 2.5 billion in December 2015, covering about three months of next year's imports.

Georgia's banking system is well capitalised and sound. Its Basel II capital adequacy ratio is 17.5 % and the liquidity ratio is 36 %. Due to the high level of dollarisation in the banking system (two thirds of loans are in USD), the lari's depreciation against the US dollar had a negative impact on the level of non-performing loans (NPLs), which stayed at relatively low levels (though rising to 5.6 % at the end of 2015, from 4.7 % at the end of 2014). However, if NPLs start to rise faster in the future, the banking system is expected to have sufficient buffers to withstand pressures.

1.3. Structural reforms

Georgia has implemented a series of important structural reforms and substantially improved its business environment in the past few years. In 2015 (as in 2014), it ranked 24th out of 189 countries in the World Bank's *Doing Business* report. It is considered one of the best countries when it comes to starting a business, registering property, dealing with construction permits, getting credit and enforcing contracts. Nevertheless, there is room for improvement in areas such as access to electricity, resolving insolvency and trading across borders.

Despite slow economic growth, the situation on the Georgian labour market has slowly improved and the unemployment rate fell from 14.6 % in 2013 to 12.4 % in 2014. National business surveys confirm that this positive trend continued in 2015. However, high youth unemployment and large urban/rural disparities remain a challenge. Poverty, though still high, continued to decrease, mostly thanks to the government raising targeted social assistance and pension benefits. The UHC scheme had been introduced in 2013 (see above) and its coverage was expanded to the whole population in 2014. While this was a welcome move, it put pressures on the budget, so the government conducted a survey in 2015 (also as part of the MFA conditionality), the results of which will serve as a basis for further improving the operation and financial management of the scheme. In addition, the Ministry of Labour, Health and Social Affairs boosted its capacity to improve the quality of the health services.

Georgia has started preparatory work for the introduction of a proper pension system. The plan is to introduce the first 'pay as you go' public pillar, which would be earnings-related, instead of the present system of flat subsistence pensions. Given the constitutional restrictions on raising revenue, funding of the transition cost of this pension reform will be a significant challenge in the coming period.

Georgia has made some progress in the area of public finance management (PFM), also as part of the MFA conditionality, notably by establishing a training centre to raise awareness of public procurement legislation and procedures among public agencies organising tenders and potential bidders. The Law on the State Audit Office was amended in order to protect its operational independence, but enforcement of the law will still need to improve.

As regards the financial sector, substantial progress was made in developing risk-based supervision and adapting regulations to the Basel II guidelines on capital adequacy. On the basis of the banks' reports determining the level of capital they need to guard against overall credit risks, the central bank completed the supervisory review and evaluation process (SREP) for the two largest banks (accounting for 60 % of total banking assets) in 2015, also as part of MFA conditionality. Following the SREPs, the central bank sent banks recommendations on how to improve their risk models. The remaining SREPs will be completed in 2016. Georgia is also considering introducing a deposit insurance scheme. In summer 2015, the Georgian Parliament initiated the transfer of banking supervision functions from the central bank to a newly established Financial Supervisory Agency (FSA). This has held up the second IMF programme review and consequently the disbursement of the second MFA tranche. The Parliament passed the legislation in the autumn, overruling the President's veto, but the Constitutional Court suspended its implementation pending a final verdict (the legal deadline is summer 2016), leaving banking supervision with the central bank.

1.4. Implementation of macro-financial assistance

The EU pledged up to EUR 500 million of support for Georgia's economic recovery at an International Donor Conference held in Brussels in October 2008 in the aftermath of the military conflict with Russia. The pledge included two potential MFA operations, for EUR 46 million each, the first of which was successfully implemented in 2009-2010. The second MFA programme is ongoing and the support is being provided in the form of grants and loans (in even proportions). It was proposed by the Commission in January 2011, but procedural disagreements between the co-legislators meant that adoption was delayed until August 2013. The MoU, the loan facility agreement (LFA) and the grant agreement were signed and, where necessary, ratified by the Georgian parliament in December 2014.

The first MFA tranche was disbursed in January (EUR 13 million in grants) and April 2015 (EUR 10 million in loans) on the basis that Georgia had a good track record of implementing the IMF programme (as attested by the successful first review under the Stand-by Arrangement in January). The second tranche (EUR 23 million) was due to be disbursed immediately after the summer of 2015, but has been delayed following the postponement of the second review of the IMF programme. The IMF decision was closely linked to the Georgian parliament's plan to remove banking supervision from the central bank and place it with the FSA. When the IMF re-started discussions on the second and third reviews in November, the Commission conducted a review mission which confirmed compliance with the conditionality for the disbursement of the second MFA tranche. Therefore, as soon as the IMF Board approves the second and third review of the programme, the EU should be able to disburse the second tranche.

STATUS OF ECONOMIC REFORM — GEORGIA
1. Price liberalisation Prices are largely free.
2. Trade regime Georgia 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.
3. Exchange regime There is a floating exchange rate of 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.
4. Foreign direct investment Georgia has a liberal regime for FDI and unlimited repatriation of capital and profits.
5. Monetary policy The National Bank's main monetary policy objective is price stability. The Bank is currently applying an inflation-targeting regime, with a target of 5 % for 2016. The effectiveness of monetary policy is significantly constrained by the high level of dollarisation: FX loans accounted for 64.2 % of banks' total loans at the end of 2015, up from 60.3 % a year earlier.
6. Public finances and taxation The PFM system is essentially sound and transparent, although further reforms are still needed in areas such as internal financial control and audit. Public revenues are constrained by the constitution (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.
7. Privatisation and enterprise restructuring Most state-owned enterprises (SOEs) have been privatised. Privatisation receipts are expected to have declined from 0.5 % of GDP in 2014 to an estimated 0.4 % in 2015.
8. Financial sector There were 19 banks at the end of December 2015, including 17 foreign-controlled banks and one branch of a non-resident bank. Foreign capital accounted for about 80 % of banks' total paid-in capital. The five largest banks represented about 78 % of total banking assets. Amendments to the Organic Law on the National Bank of Georgia, to transfer banking supervision functions from the central bank to a newly established Financial Supervisory Agency, were adopted by the Georgian parliament in September and subsequently suspended by the Constitutional Court in October 2015. Pending a final verdict, banking supervision remains with the central bank.

2. JORDAN

2.1. Executive summary

The Jordanian economy slowed down to 2.4 % in 2015, on the back of continuing conflicts in Iraq and Syria affecting tourism exports and business confidence. Consumer prices fell by -0.9% in 2015, helped by sharp declines in fuel and transport prices. Despite lower oil prices, the primary government deficit (excluding grants and transfers to NEPCO, the electricity company, and WAJ, the Jordanian water authority) is estimated at around 5.2 % of GDP in 2015, up from 4.5 % of GDP in 2014. This underlines Jordan's fragile fiscal position as the country continues to depend on foreign grants. Lower oil prices were the key driver of the improvement in the current-account deficit (excluding grants), which is estimated to have shrunk to 11.7 % of GDP for 2015 (from 12.1 % in 2014), despite weaker exports and tourism. In December 2015, international reserves in foreign currency stood at a comfortable level of USD 14.7 billion, equivalent to 6.8 months of the next year's imports.

Macroeconomic stability was underpinned by a USD 2 billion SBA which was agreed with the IMF in August 2012 and satisfactorily completed in August 2015. Since then, the Jordanian authorities have been in talks with the IMF on a new programme.

In 2015, the Commission implemented an MFA programme of EUR 180 million in the form of medium-term loans. The first tranche (EUR 100 million) was disbursed on 10 February and the second (EUR 80 million) on 15 October 2015. This operation helped Jordan to address the negative macroeconomic impact of the Syrian conflict as well as of exogenous economic shocks. At the Supporting Syria and the Region Conference (London, 4 February 2016), the international community pledged around USD 10 billion to countries affected by the refugee crisis. This included a EUR 2.4 billion pledge by the European Commission, which in turn entailed a new MFA operation to Jordan subject to the relevant pre-conditions. The Jordanian authorities expressed interest in a follow-up MFA operation and sent a formal request for such assistance in March 2016.

2.2. Macroeconomic performance

Despite several exogenous shocks (major disruptions in gas flows from Egypt, deep conflicts in Syria and Iraq), the Jordanian economy has proven resilient in recent years, thanks to prudent macroeconomic policies and substantial financial support from the international community. However, with continuing conflicts in Iraq and Syria affecting tourism, exports and business confidence, GDP growth slowed down to 2.4 % in 2015, from 3.1 % in 2014. Unemployment remains high: after declining from 12.6 % in 2013 to 11.9 % in 2014, it rose to 13.8 % in the third quarter of 2015 and around twice as high among young people and women.

With sharp falls in fuel and transport prices, inflation is estimated to have dropped to -0.9 % in 2015, although core inflation is about 3 %, reflecting demand from Syrian refugees. As regards monetary policy, the Central Bank of Jordan (CBJ) reduced the rediscount (policy) rate from 4.25 % in early 2015 to 3.75 % in July 2015, as the CPI turned negative and lending growth to the private sector remained subdued. This decision was also motivated by the comfortable level of international reserves and expectations of a narrowing current-account deficit. Growing confidence in the dinar helped to reduce the dollarisation ratio from 26.4 % in October 2014 to 24.4 % in October 2015.

Despite lower oil prices, fiscal consolidation did not advance in 2015. The slowdown of the economy, combined with shortfalls in sale tax, led to an increase of the primary government deficit (excluding grants and transfers to NEPCO, the electricity company, and WAJ, the Jordanian water authority) to around 5.2 % of GDP in 2015, up from 4.5 % of GDP in 2014. This highlights Jordan's fragile fiscal position as the country continues to be dependent on foreign grants, which amounted to around 1.8 % of GDP in 2015With NEPCO continuing to make steady progress toward operating balance, the combined deficit of the central government and NEPCO reached 6.1% of GDP in 2015 from 9.2% in 2014. On the back of substantial official borrowing (notably from the IMF and the World Bank) and the issuing of international bonds with guarantees from the United States, public debt increased from 87 % of GDP in 2013 to 89 % at the end of 2014 and an estimated 93 % by the end of 2015.

Despite weak exports and tourism, the current-account deficit (excluding grants) is estimated to have shrunk to 11.7 % of GDP for 2015, from 12.1 % in 2014, thanks to lower oil prices. Taking account of the fall in grants received, the current deficit is estimated to have increased from 6.8 % of GDP in 2014 to 9.9 % in 2015. In December, international reserves in foreign currency stood at a comfortable level of USD 14.7 billion, equivalent to 6.8 months of the next year's imports. Credit to the private sector continued to improve and banking sector indicators remained sound.

2.3. Structural reforms

The authorities continued to implement an ambitious structural reform agenda aimed at correcting macroeconomic imbalances and contributing to more inclusive and sustainable growth. In this context, in May 2015 the government published *Jordan 2025*, a 10-year economic blueprint to support comprehensive and sustainable economic development and strengthen social cohesion. Progress with structural reforms in 2015 was underpinned by various programmes with international donors, in particular the arrangement with the IMF and the MFA programme with the EU. Reforms focused on improving the investment and trade framework, PFM and the fight against corruption, tax policy and administration, policies to foster employment, and the restructuring of the energy sector, *inter alia* through the elimination of fuel subsidies and the introduction of a system of cash transfers to compensate households.

Efforts to reduce the operating loss of the national electricity company (NEPCO) continued throughout 2015, in line with the IMF programme. Helped by lower oil prices and new energy-efficient power plants, NEPCO's operating losses are estimated to have fallen to 4 % of GDP in 2015, from 4.6 % in 2014. However, the authorities deferred the announced 15 % increase of NEPCO's electricity tariffs, despite the low inflation environment in late 2015. Although the current low oil prices can support a balanced budget, this is a departure from NEPCO's cost-recovery strategy, which involves annual tariff increases until 2017.

The reform of energy subsidies has progressed swiftly. Following the elimination of fuel subsidies in 2012 and their replacement by a cash transfer scheme, the authorities have aimed (in line with MFA conditionality) to improve the targeting of this scheme creating additional fiscal savings. Progress in this direction was substantial in 2015, with the establishment of a special unit responsible for the development and operation of a national unified registry, one of the conditions attached to the EU's MFA operation.

Progress was achieved in PFM, as stipulated by relevant MFA conditions. The authorities strengthened internal financial controls by adopting regulations that define better the concept of internal control and internal audit, and expand training. Visible progress was also made with the adoption of an income tax law in January 2015. However, although the law increased progressivity, it failed to expand the tax base and its contribution to tax revenues (0.5 % of GDP) was more modest than initially planned.

The adoption of relevant legislation for the permanent operation of the Unemployment Fund and the Maternity Fund was a key reform encouraged by the MFA programme; it strengthens the social safety net, protects the unemployed and facilitates women's participation in the labour market.

The authorities took important steps to improve trade and investment frameworks on the basis of MFA conditionality. Following the adoption of a new investment law in 2014, they advanced in 2015 with the adoption of comprehensive by-laws which clarify tax exemptions and incentivise investments in specific economic sectors (including transport, tourism and agriculture). In line with best practice, they also established a new public-private partnerships (PPP) unit in the Ministry of Finance, which will be dealing with the preparation, management and monitoring of PPP projects. Lastly, they adopted an amended law on standardisation and metrology, paving the way for easier standardisation and accreditation of industrial products.

Progress on the audit bureau law was unsatisfactory. Although steps were taken to achieve some of the objectives (adopting certain INTOSAI standards, withdrawing from pre-audit activities, enhancing financial independence), a new audit bureau law has yet to be adopted by the Jordanian parliament.

2.4. Implementation of macro-financial assistance

On 29 April 2013, following Jordan's official request for MFA in December 2012, the Commission adopted a proposal for a decision to provide MFA of up to EUR 180 million in the form of a medium-term loan. The decision was adopted by the European Parliament and the Council on 11 December 2013. The assistance was meant to complement IMF funds under the three-year SBA that started in August 2012. It was justified by the negative macroeconomic impact the Syrian conflict was having on Jordan, notably through the fiscal cost of hosting refugees and the exogenous shock of major disruptions to gas flows from Egypt.

In early 2014, negotiations were concluded on the MoU setting out the economic policy measures to be taken by the Jordanian authorities, and on the LFA, both of which were signed in March 2014. These MFA conditions aimed to support reforms in the areas of PFM and taxation, social security, labour markets, the investment and trade framework, and the energy sector. The first tranche of the MFA operation (EUR 100 million) was disbursed on 10 February and the second (EUR 80 million) on 15 October 2015. Cooperation with the Jordanian authorities was good and the conditions attached to the MFA programme were broadly fulfilled, with the exception of that regarding the audit bureau law, for which a waiver was granted. Good progress was also recorded with the implementation of the IMF programme, which was successfully completed in August 2015.

In November 2015, the government published the *Jordanian economic response to the Syrian crisis: piloting the holistic approach*, a strategy paper calling for more support from the international community to address the consequences of the Syrian crisis. In response, the international community decided at the London Conference (4 February 2016) to pledge around USD 10 billion for countries affected by the refugee crisis (Syria, Jordan, Lebanon and Turkey). This included a EUR 2.4 billion pledge by the European Commission, which entailed a possible new MFA operation to Jordan. The Jordanian authorities expressed interest in a follow-up MFA operation and sent a formal request for such assistance in March 2016. Following completion of the IMF SBA in August 2015, the authorities have been in talks with IMF staff on a new programme with an emphasis on structural reforms.

STATUS OF ECONOMIC REFORM — JORDAN
1. Price liberalisation Prices are largely free, but there are oligopolistic conditions in several sectors. Electricity tariffs and prices for some basic foodstuffs are still subject to administrative controls. The government did not implement fully the annual increases in electricity tariffs as outlined in the medium-term energy strategy.
2. Trade regime Jordan has a relatively liberal trade regime. It acceded to 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 benefit from a DCFTA agreement. It is a member of both the Great Arabic Free Trade Area (GAFTA) and the Agadir Agreement and has also concluded FTAs with the USA, Turkey, Syria, the European Free Trade Association (EFTA) and Singapore.
3. Exchange rate regime Since October 1995, the dinar has been pegged to the US dollar.
4. Foreign direct investment Jordan is largely open to foreign investment. Its signing-up to the OECD's Declaration on International Investment and Multinational Enterprises in 2013 and the enactment of several laws (on income tax, investment, competition and customs) in recent years have significantly improved its attractiveness to foreign investors. However, investors have complained about land ownership restrictions, minimum capital requirements, equity ownership restrictions and restrictions on foreign investment in certain sectors, such as the wholesale and retail trade. They have also reported hidden costs due to bureaucratic red tape, vague regulations and conflicting jurisdictions.
5. Monetary policy The Central Bank of Jordan has become more independent. Its main monetary policy tools are the certificates of deposits (CD) through which it influences retail interest rates in the banking system. The Central Bank has developed a credible track record of ensuring price stability, maintaining exchange rate stability and promoting growth.
6. Public finances and taxation A new income tax law aimed at boosting tax revenue while increasing the progressivity of taxation was adopted in January 2015, after long delays. Although progressivity has improved, the law fails to lower the exemption threshold for individuals and its contribution to tax revenues (0.5 % of GDP) is more modest than initially planned.
7. Privatisation and enterprise restructuring Privatisation started in 1986 in the aftermath of an economic crisis and has made significant progresssince then. Nevertheless, direct state ownership in the mining sector and public utilities remains significant. The authorities continue to introduce various measures to eliminate excessive regulation.
8. Financial sector The financial sector is relatively well developed and dominated by banks, which are generally profitable and well capitalised. Banks have already implemented Basel II and the authorities are now testing their capacity to implement Basel III. However, the narrow and shallow institutional investors' base restricts the development of domestic capital markets. In 2012, Jordan adopted an Islamic (*sukuk*) financing law.

3. KYRGYZ REPUBLIC

3.1. Executive summary

The Kyrgyz economy has shown resilience in the face of adverse external economic circumstances, particularly in the CIS region. In 2015, GDP growth reached 3.5 %, thanks to the solid performance of the agricultural and service sectors, and inflation remained stable at 3.4 %. The balance of payments situation remains vulnerable, reflecting a structurally large current-account deficit. The deepening economic crisis in Russia and sluggish performance in other CIS countries dampened exports and depressed imports via lower remittances. Thus, the current-account balance is expected to have improved only slightly to 16.0 % of GDP in 2015, from 16.8 % in 2014. Total international reserves declined to USD 1.78 billion by the end of 2015, or 3.7 months of forecast imports, down from USD 1.96 billion or 4.4 months at the end of 2014.

On 8 April 2015, the IMF Executive Board approved a new three-year arrangement under the Extended Credit Facility (ECF) for a sum equivalent to SDR 66.6 million (75 % of quota, or about USD 92.4 million). In December, the IMF successfully completed the first programme review, which enabled the immediate disbursement of SDR 9.514 million (USD 13.2 million).

In December 2011, the Commission adopted a proposal to provide the Kyrgyz Republic with MFA of up to EUR 30 million (EUR 15 million in loans and EUR 15 million in grants). The proposal was adopted by the European Parliament and the Council on 22 October 2013. This exceptional MFA operation, i.e. outside the normal geographical scope of the MFA instrument, was justified by the strength of pro-democratic political and economic reform momentum in the country and by the economic and political importance of the region for the EU. The first tranche of EUR 15 million was disbursed in two instalments: EUR 10 million in grants in June 2015 and EUR 5 million in loans in October 2015. The grant element of the second tranche was disbursed in February 2016 and the loan element was disbursed on 13 April 2016.

3.2. Macroeconomic performance

In 2015, the Kyrgyz economy registered 3.5 % GDP growth (3.6 % in 2014), while non-gold GDP growth was somewhat more robust (4.5 %), thanks to the solid performance of the agricultural and service sectors. The new government pursued a policy of fiscal expansion to stimulate economic activity; as a result, the overall fiscal deficit reached 5.4 % of GDP, as compared with 3.9 % in 2014. A significant acceleration in spending combined with an adverse exchange-rate effect caused a steady build-up in the public debt stock, which reached 68.0 % of GDP at year-end 2015. Most of it was held in foreign currency, albeit owed to official creditors at long maturities and concessional interest rates.

As a result of a tighter monetary stance and the impact on household consumption of lower remittance inflows, the headline inflation rate fell to 3.4 % (y-o-y) in December, down from 10.5 % in December 2014. The depreciation of the Russian rouble and the Kazakhstani tenge relative to the US dollar put considerable pressure on the som. In spite of central bank interventions in the foreign-exchange market, the som lost 29 % of its value in dollar terms in 2015. The depreciation was accompanied by a further dollarisation of the economy, with foreign currency deposits in banks accounting for 65.6 % of total deposits at year-end 2015, up from 56.3 % in 2014.

The balance-of-payments situation of the country remains vulnerable, reflecting a structurally large current-account deficit. Non-gold exports and imports fell during 2015 in US dollar terms, reflecting the weakening regional economic environment. Although exports are projected to have declined faster than imports by volume, the significant drop in import prices helped narrow the trade deficit by 37.9 %. However, this improvement in the trade balance was offset by a decline in transfers (mostly remittances). Thus, the current-account deficit remains very large, representing 16.0 % of GDP in 2015. Total international reserves contracted to USD 1.78 billion by the end of 2015, or 3.7 months of forecast imports, down from USD 1.96 billion or 4.4 months at the end of 2014.

3.3. Structural reforms

The Kyrgyz Parliament adopted a sustainable development programme in December 2013, in the context of the implementation of the 2013-2017 National Sustainable Development Strategy. The programme focuses on improving the business environment, reforming the public sector, strengthening the financial system and addressing infrastructure development needs with a view to achieving high, broad-based and inclusive growth and reducing poverty. It also highlights the need for additional financing from donors to ensure full implementation.

The Private Sector Development Strategy approved in February 2015 should give new impetus to reforms. It targets the removal of impediments to business activity and improvements in the investment climate. It should also bolster current reforms in the financial sector, such as the introduction of a credit registry system, PPPs and inspections as part of regulatory reform.

The authorities continue to take measures to strengthen the banking system in accordance with the 2013 FSAP update. These include a decision to harmonise minimum capital requirements by raising banks' paid-in capital in three steps by 2017, and adoption of a new Banking Code. In addition, finalising the audit of the debt resolution agency (DEBRA) remains a priority, so that DEBRA and the banks under its receivership can be liquidated without delay. The Kyrgyz Republic has received financing from the World Bank for consulting services on the audit of DEBRA and bankrupt banks under its receivership.

With respect to PFM, the authorities have put in place the basic legal framework for the introduction of a single treasury account, in line with the MoU with the EU in the context of the MFA programme.

The authorities have enacted a new public procurement law and an 'anti-money laundering/combating the financing of terrorism' law consistent with the 2012 financial sector assessment programme (FATF) standard. The new law will remove loopholes in public procurement, decrease opportunities for corruption and increase 'value for money' from public funds. The authorities also intend to submit a request to join the Council of Europe's Criminal Law Convention on Corruption with a view to becoming a member of the Group of States against Corruption (GRECO).

On 12 August 2015, the Kyrgyz Republic formally joined the Eurasia Economic Union (EEU). The government has notified the WTO Secretariat of a review of tariffs in relation to the country's membership in the Eurasian Union and is now preparing to negotiate with WTO members.

3.4. Implementation of macro-financial assistance

The sharp drop in economic growth and the worsening of the external position in 2010, which were caused by external shocks and internal political and ethnic conflicts, led to a sizeable external financing gap. At an international donor conference in July 2010, the EU pledged to support the country's recovery. The Kyrgyz authorities requested MFA support from the EU in October 2010. Following agreement on an IMF programme in June 2011, the Commission adopted an MFA proposal for a maximum of EUR 30 million (EUR 15 million in grants and EUR 15 million in loans) on 20 December 2011, to be disbursed in two tranches.

The adoption of the MFA decision was delayed by a disagreement between the co-legislators (European Parliament and Council) over the procedure to be used for the adoption of the MoU. A compromise was found in June 2013 and the decision was formally adopted on 22 October 2013. The relevant MoU, grant agreement and LFA were signed in October 2014 and ratified by the Kyrgyz parliament in February 2015.

On 22 May 2015, following agreement in April on a new IMF programme under the ECF, the Commission adopted a decision to release the first MFA tranche. The first grant instalment of EUR 10 million was disbursed on 11 June and the first loan instalment of EUR 5 million on 15 October.

Considering the satisfactory progress of the Kyrgyz authorities in implementing policy conditionality under the MFA programme and theirsatisfactory track record with the implementation of the IMF programme (as confirmed by the successful first programme review completed on 4 December), the Commission approved the release of the second tranche (grant of EUR 5 million and loan of EUR 10 million) on 25 January 2016 and disbursed it in the first half of 2016.

STATUS OF ECONOMIC REFORM — KYRGYZ REPUBLIC
1. Price liberalisation Most prices are liberalised, but administered prices are maintained for some utilities.
2. Trade liberalisation The Kyrgyz Republic has been a member of the WTO since 1998 and has a very open economy, with a trade-to-GDP ratio of about 140 %. The bulk of its non-gold exports go to Kazakhstan and Russia. In December 2014, it signed an accession agreement with the Russian-led EEU, thereto grouping Russia, Belarus, Kazakhstan and Armenia.
3. Exchange rate regime The National Bank of the Kyrgyz Republic (NBKR) operates a managed floating exchange rate regime allowing the exchange rate to adjust to substantial pressures or shocks while aiming to maintain a competitive exchange rate.
4. Foreign direct investment FDI is focused mainly on large infrastructure projects, notably in the transport and energy sectors, which are mostly financed through concessional loans for public investment programmes and FDI (notably from Russia and China).
5. Monetary policy The NBKR's main objective is to guarantee price stability, while maintaining the purchasing power of the national currency. It aims to keepthe inflation range within 5 to 7 % in the medium term.
6. Public finances Public finances suffer from corruption and a narrow tax base, as a result of a large informal economy (estimated in official statistics at 20 % of GDP, but potentially much larger).
7. Privatisation and enterprise restructuring Political change in 2010 led to the reversal of some of the previous administration's privatisation deals in the energy and telecommunications sectors, due to allegations of nepotism and corruption. In 2011, the government initiated privatisation in the telecommunications and banking sectors. After several failed attempts, the authorities finally managed to privatise the large Zalkar Bank in late 2013.
8. Financial sector reform The 2010 banking crisis revealed deficiencies in the NBKR's resolution powers and independence. Consequently, banking regulations have been amended and upgraded to a Banking Code, which would strengthen the NBKR's powers of early intervention and resolution. However, while a new Banking Law was submitted to the Kyrgyz parliament in August 2015, the Code has not yet been adopted.

4. TUNISIA

4.1. Executive summary

In parallel with a protracted and fragile political transition since the 2011 revolution, the Tunisian economy has suffered from continual domestic unrest, regional instability (including the impact of the Libyan conflicts) and a weak international environment (particularly in the euro area). These unfavourable developments substantially weakened its growth performance and its fiscal and balance-of-payments positions. In 2015, largely as a result of the negative economic impact of terrorist attacks (particularly on tourism, the transport sector and investment) and of production disruptions due to social unrest, growth was much weaker than originally projected, while the situation negatively affected an already vulnerable balance of payments and fiscal position, creating significant financing needs.

In June 2013, the IMF Board approved a 24-month SBA with Tunisia for USD 1.75 billion, which was subsequently extended until December 2015; a successor arrangement is currently being negotiated. In this context, in May 2014, the EU approved complementary MFA of EUR 300 million in the form of loans, of which EUR 200 million was disbursed in two equal tranches in May and December 2015 respectively. It is expected that the remaining EUR 100 million will be disbursed during the course of 2016.

In August 2015, in the context of a worse economic and balance of payments position, characterised by growing financial needs, Tunisia asked the EU for additional MFA support. In response to this request, in February 2016 the Commission adopted a proposal for a new MFA operation of up to EUR 500 million in loans, which could be approved abound mid-2016.

4.2. Macroeconomic performance

Following two years of stable, but low GDP growth in the context of the IMF programme (2.3 % in 2013 and 2014), growth in 2015 is estimated at about 0.3 %, as compared with a forecast of 3 % at the beginning of the year. Tunisia's economy suffered a strong setback largely as a consequence of the terrorist attacks of 2015, which affected key economic sectors. This downward revision was influenced by the negative effect of the attacks on the tourism sector (which contributes about 7 % of GDP and occupies around 15 % of the workforce), the transport sector (also contributing about 7 % of GDP, 20 % of which depends on tourist traffic) and on foreign investors' sentiment, coupled with disruptions in phosphate production, transport and other sectors (due to work stoppages and strikes). Growth will not be sufficient to make a significant dent on *unemployment*, which remains high (15 %), particularly among the young and graduates (over 30 %) and women (21.6 %). Furthermore, employment in the informal economy still accounts for around 50 % of workers aged between 15 and 24.

Inflation averaged 5.5 % in 2014 and is on a downward trend, in view of declining international commodity prices, stable domestic food production, the weakening of domestic demand and a prudent monetary policy. Headline inflation is expected to have moderated to an average of 4.9 % in 2015 and to stay at around 4 % over the next five years. After tightening monetary policy between 2012 and mid-2014 in response to inflationary pressures and the deterioration in external and fiscal balances, the central bank cut its benchmark rate by 50 basis points (to 4.25 %) last October, to help reignite faltering GDP growth amid slowing CPI inflation.

As regards public finances, Tunisia achieved a certain degree of fiscal consolidation in 2014, as the structural fiscal balance (which notably excludes banking recapitalisation costs and other one-off items) declined from 5.1 % of GDP in 2013 to 4.2 % in 2014. However, in 2015, the structural deficit is estimated to have increased to 4.7 % of GDP, driven largely by expenditure measures taken in the aftermath of the terrorist attacks and despite expenditure savings generated by the lower-than-expected oil prices. Meanwhile, general government debt continued to increase, reaching 50 % of GDP in 2014, and is forecast to peak at 61 % of GDP by the end of 2018, before the trend starts to reverse. Also, a substantial increase in public debt amortisations is scheduled for the coming two years (from about USD 600 million in 2015 to over USD 1.4 billion in 2017 and almost USD 1.2 billion in 2018).

Turning to the balance of payments, the current-account deficit widened further in 2014, reaching 8.9 % of GDP as compared with 8.3 % in 2013, and remained unsustainably high in 2015, despite the decline in oil prices, weaker domestic economic activity and improved export performance. The negative effects on tourism of the Sousse terrorist attack contributed to the current account deficit being pushed back towards 8.8 % of GDP. Private capital inflows in Tunisia have also weakened since 2011, contributing to the vulnerabilities of the balance of payments. Net FDI, which averaged almost 5 % of GDP in 2005-2010, fell to just over 2 % in the last two years. In this context of a large current-account deficit and weaker capital inflows, Tunisia had increasingly to rely on official financial inflows. In 2015, Tunisia also managed to cover part of its external financing gap by issuing in January 2015 a 10-year, USD 1 billion eurobond at 5.75 %, which was oversubscribed by international investors despite not including a sovereign guarantee by a foreign donor.

Official foreign exchange reserves ended 2015 at USD 7.5 billion, or the equivalent of barely three months of imports. This is well below the USD 8.2 billion the IMF had foreseen for the end of the year in the context of the 6th review of the programme (completed in September 2015) and compares with a USD 10.1 billion reserve target under the original programme. External debt increased from 48 % of GDP in 2011 to an estimated 56.2 % in 2014, and it is expected to peak at 72.3 % of GDP in 2018 before the trend starts to reverse. Tunisia’s sovereign ratings have been downgraded several times since 2011, the last time in 2014 (from Ba2 to Ba3 by Moody’s and from BB to BB- by Standard & Poor’s).

4.3. Structural reforms

Tunisia continues to face significant structural reform challenges. While it enjoyed a period of relatively high *per capita* economic growth in 2000-2010 (one of the highest among the oil importers in the Middle East and North Africa), it continues to suffer from a number of structural deficiencies. In particular, it relies excessively on export-oriented, low value-added industry located near the coast, which contributes to an unbalanced pattern of regional economic development and suffers from rigid labour markets and skills mismatches, which contributes to high unemployment, particularly among young people. Coupled with perceptions of a lack of transparency and weak economic governance, the growth model has resulted in an unfair distribution of economic gains across the population.

As in 2014, progress on structural reform was mixed. Ambitious reforms such as the new Investment Code were marred by a protracted period of stakeholder consultation (this lasted about two years), before finally being adopted by the Tunisian parliament in December 2015. Similarly, following a two-year consultation process on tax reform (prepared with IMF technical assistance), some important measures, also supported by the EU MFA operation, were incorporated in the 2016 budget law. Other economic reforms, particularly relating to the business climate, were hampered by the delays in the legislative agenda. Nevertheless, the adoption of the law on competition in August 2015 and the PPP law in December, and progress on the bankruptcy law, which was adopted by the cabinet in November, are encouraging developments. There has also been progress in the recapitalisation of the three major public banks and on the new central bank law, a condition under the EU MFA operation. A revised banking law (also an MFA condition), including key aspects such as a banking resolution mechanism, new prudential regulations and improved governance, and new bank bankruptcy provisions, is also awaiting parliamentary approval. This law also provides for the creation of a deposit guarantee scheme, which is part of MFA conditionality.

Overall, reform progress has been constrained by the delicate political transition, although the recent positive momentum is encouraging and the government remains committed to pursuing a positive reform path. The bulk of the groundwork for some key reforms (notably on tax policy and administration, improvement of the business and investment climate, and reform of the financial sector) has been substantial and should pave the way for the implementation of deeper reforms. Full implementation of other reforms (e.g. price subsidy reform and the improvement of the social safety net) will require further intermediate steps, strong political commitment and support.

4.4. Implementation of macro-financial assistance

The Tunisian parliament's ratification of the legal documents on 4 March 2015 enabled the Commission to proceed with the implementation of the EUR 300 million of MFA[1], which is being disbursed in three equal tranches of EUR 100 million. The first tranche, disbursed in May, was conditional on good progress under the IMF's SBA. With the MoU conditions having been satisfied in the course of October and November and the 6th review of the IMF programme having been successfully completed on 30 September, the Commission disbursed the second tranche of the assistance in December 2015. It is expected that the third and last tranche of EUR 100 million will be disbursed in the course of 2016, provided that the policy conditions under the MoU are met.

In February 2016, following a request from Tunisia, the Commission submitted to the European Parliament and the Council a proposal to grant a second MFA operation to Tunisia, for a maximum of EUR 500 million, in the form of medium-term loans. The new operation could be adopted in mid-2016 and would be disbursed in three tranches in 2016 and 2017.

[1] Decision No 534/2014/EU of the European Parliament and of the Council of 15 May 2014 providing macro-financial assistance to the Republic of Tunisia (OJ L 151, 21.5.2013).

STATUS OF ECONOMIC REFORM — TUNISIA
1. Price liberalisation Most prices are free, but regulated prices prevail for some fuels, electricity, transport and food products.
2. Trade regime 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.
3. Exchange rate regime The Central Bank of Tunisia changed its operational framework for exchange rate policy in 2012 to make the rate more flexible. The Tunisian dinar is fully convertible for current account transactions but there are still limitations on its convertibility for capital account transactions.
4. Foreign direct investment Since 1972, FDI has benefited from the introduction of offshore arrangements offering incentives to exporting enterprises. These arrangements were reinforced with the promulgation of the Investment Incentives Code. The approach has shown its limitations over the last decade, however, as the favourable treatment accorded to the offshore sector has come at the expense of other sectors subject to much heavier restrictions imposed in 1993.
5. Monetary policy The Central Bank's mandate is to ensure price stability and inflation. It is an independent institution and since the revolution the government has undertaken a review of the legislation and regulations to strengthen its independence and good governance. It acts as regulator and supervisor of the financial sector; both functions are currently being strengthened under the IMF programme and thanks to EU and World Bank support. A new law sent in November 2015 to the Tunisian parliament for adoption will strengthen the Central Bank's governance, establish its function as a lender of last resort and create a deposit guarantee scheme.
6. Public finances and taxation Central government expenditure made up nearly 28.4 % of GDP in 2015. Nearly 47 % of this was expenditure on wages and salaries. Transfers and subsidies, of which the bulk are energy and food subsidies, represented around 5.2 % of GDP. Both the subsidy system and the current complex and regressive tax system are undergoing protracted reform.
7. Privatisation and enterprise restructuring Privatisation almost ground to a halt following the 2011 revolution, partly because it is associated with questionable practices and processes under the previous administration. The repossession and sale of assets belonging to the previous ruling elite are ongoing.
8. Financial sector The country's three largest public banks, which represent 40 % of total banking system assets, are hampered by weak lending practices, governance issues and excessive exposure to the tourism sector, which has been severely impacted since the revolution. All this has increased vulnerabilities in the sector. An IMF/World Bank financial system stability assessment in 2012 warned that the banking system had recapitalisation needs of around 2 % of GDP, but the recapitalisation carried out in 2015 finally amounted to 1 %. Given the negative impact of the 2015 terrorist attacks on the tourism sector, additional financing needs for these banks are likely to arise in the short to medium term. A revised banking law, including key aspects such as a banking resolution mechanism, new prudential regulations, and improved governance and new bank bankruptcy provisions, is awaiting parliamentary approval.

5. UKRAINE

5.1. Executive summary

In 2015, Ukraine's recession deepened. The decline in real GDP reached 9.9 % as a result of weak consumer confidence and loss of productive capacity associated with the armed conflict in the east of the country. As the conflict subsided, at least provisionally, and substantial international financial support had been made available, Ukraine's economy showed signs of stabilisation in the second half of the year. As a result of an acute currency crisis in early 2015 and sharp increases in gas and electricity tariffs, CPI inflation exceeded 60 % year-on-year in April before subsiding substantially thanks to reinforced currency controls and strong monetary policy tightening.

The high inflation environment supported budget revenue growth in nominal terms and, coupled with conservative expenditure policies, contributed to a significant reduction of the budget deficit to 1.6 % of GDP in 2015. Despite fiscal consolidation, public debt rose by 10 percentage points on the year to nearly 80 % of GDP at the end of the year, as a result of the ongoing currency depreciation. At the same time, Ukraine's external adjustment continued, as the deficit on the current account went down to 0.2 % of GDP in 2015 on the back of ongoing sharp import contraction, which outpaced the parallel decline in exports (in terms of both volume and prices). The pace of private capital outflows slowed over the course of the year as macroeconomic stabilisation started to take hold. Meanwhile, official assistance flows enabled Ukraine to replenish the stock of gross international reserves, to USD 13.3 billion at the end of 2015, from USD 7.5 billion a year earlier[2]. As part of the four-year IMF programme launched in March 2015, Ukraine reached an agreement with private creditors over the restructuring of USD 19 billion of external debt. This involved maturity extension and debt relief of approximately USD 3 billion. In the meantime, Ukraine failed to agree on the restructuring of a USD 3 billion eurobond held by Russia and defaulted on this instrument on its maturity in December 2015.

In January 2015, in view of Ukraine's rapidly deteriorating economic situation and weak balance-of-payments position as a result of the armed conflict in the eastern part of the country, the Commission proposed a new MFA operation of up to EUR 1.8 billion in the form of loans to be disbursed in three equal tranches of EUR 600 million. This followed two MFA programmes (MFA I and MFA II) initiated in 2014 for a combined EUR 1.61 billion. The new operation was adopted by the European Parliament and the Council in April 2015 and entered into force in July, following completion by the Ukrainian authorities of all legislative procedures. The first tranche under MFA III was disbursed in July. It followed the disbursement of the final remaining tranche of EUR 250 million from the previous operations in April. In total, therefore, the EU extended MFA for EUR 850 million to Ukraine in 2015.

5.2. Macroeconomic performance

In 2015, Ukraine's recession deepened. The decline in real GDP reached 9.9 % in real terms, as compared with 6.6 % a year earlier. This strong drop in output was fuelled by weak consumer confidence and loss of productive capacity as a result of the armed conflict in the eastern part of the country. In addition, economic activity was negatively affected by a weaker harvest, the slump in global commodity prices and Russia's obstructive trade policies. As the conflict subsided, at least provisionally, and substantial

[2] In 2015, Ukraine received more than USD 10 billion of official financial support, of which USD 6.5 billion was from the IMF. The other major creditors were the EU, the United States and the World Bank, each of which extended around USD 1 billion.

international financial support was made available, Ukraine's economy showed signs of stabilisation in the second half of the year. The annual pace of economic contraction eased significantly and in Q3 quarter-on-quarter growth was reported for the first time in two years.

An acute currency crisis in early 2015, coupled with sharp increases in gas and electricity tariffs, pushed CPI inflation up to more than 60 % year-on-year in April. In response, the National Bank of Ukraine (NBU) introduced pervasive currency controls and raised the key policy rate by 16 percentage points to 30 %. These restrictive measures yielded results and, in the absence of demand-side pressures, consumer price growth moderated to 20.9 % year-on-year in March 2016. It is expected to furtner slow down in the course of the year on the back of favourable base effects and weak demand-side pressures. In October 2015, in view of the improved inflationary prospects, the NBU lowered the key policy rates by a cumulative eight percentage points, to 22 %.

Budgetary execution came in well above expectations in 2015 as a result of strong nominal revenue growth (driven largely by the higher-than-anticipated inflation) and tight expenditure policies. The consolidated budget deficit amounted to 1.6 % of GDP in 2015, well below the 4.2 % target agreed with the IMF and a significant improvement on the 4.5 % fiscal gap in 2014. In addition, the authorities were successful in significantly reducing the operational deficit of the Naftogaz gas company to an estimated 1.5 % of GDP in 2015, from 5.6 % a year earlier. Despite the stronger-than-projected fiscal outcome, public debt metrics worsened further in the course of 2015, as general government debt, including state guarantees, reached 79.4 % of GDP at the end of the year, up from 69.4 % a year earlier and 39.9 % at the end of 2013. Given the high foreign exchange component (70 % of the total debt), the increase was again driven mainly by the ongoing depreciation of the local currency. Stronger deterioration was averted by the conclusion of a debt restructuring deal with private bondholders and other creditors, which resulted in debt relief of approximately USD 3 billon. The deal also involved a maturity extension of some USD 19 billion of debt, thus significantly easing Ukraine's liquidity constraints over the short to medium term.

On the external side, Ukraine's current account continued its adjustment, albeit mainly due to a sharp contraction of imports, which slightly outpaced the drop in exports (in terms of both volume and prices). The current-account deficit shrank to 0.2 % of GDP in 2015, from 3.4 % a year earlier and 9.0 % in 2013. The pace of private capital outflows slowed over the course of 2015 as macroeconomic stabilisation started to take hold. Net FDI rebounded strongly to USD 3 billion, albeit mostly as a result of the ongoing recapitalisation in the banking sector (rather than fresh greenfield investment). Meanwhile, official assistance flows enabled Ukraine to replenish its stock of gross international reserves — to USD 13.3 billion at the end of 2015 from USD 7.5 billion a year earlier. Successful debt restructuring by the sovereign and corporate sectors and ongoing deleveraging by businesses and banks resulted in a decrease in Ukraine's external debt in 2015 in absolute US dollar terms.However, gross external debt-to-GDP ratio increased by nearly 40 percentage points in 2015 to 131 % at the end of the year as a result of the declining GDP in US dollar terms.

Supported by active central bank policies and gradual macroeconomic stabilisation, the banking sector witnessed the first signs of recovery in 2015. Deposit growth, in particular in local currency, was recorded for most of the year. As a result, the liquidity position of the sector improved and thus the NBU scaled down its financial support. Despite these positive developments, credit activity remained weak, while ongoing high loan-loss provisions led to a further increase in the cumulative loss for the sector to UAH 57.3 billion, which translated into a 5.1 % negative return on assets. The proportion of non-performing loans reached 25.6 % at the end of Q3 2015, up from 19 % at the end of 2014.

5.3. Structural reforms

In 2015, Ukraine made progress on its wide-ranging reform agenda, benefiting from significant financial and technical assistance from multilateral and bilateral creditors. The new MFA operation launched by the EU in 2015 focused on reforms in six areas: PFM, governance and transparency (including anti-corruption, public administration and reform of SOEs), energy, the financial sector, the business environment, and social safety nets. In the course of the year, there was progress with reforms in all these areas, albeit at a slower-than-expected pace on several occasions.

As regards PFM, the authorities adopted legislation fostering transparency, non-discrimination and competition in the area of public procurement. In September 2015, public access to evaluation records was improved with the introduction of amendments to the public procurement law. In December, the Ukranian parliament adopted a law on e-procurement. The new law on the Accounting Chamber of Ukraine (ACU), the supreme external audit institution in the country, entered into force in August. Apart from extending the ACU's remit to SOEs, the law strengthened transparency and public accountability by providing for the publication of audit reports.

The adoption of the 2016 budget was accompanied by significant changes to the tax and budget codes aimed at improving tax administration and increasing fiscal-policy transparency and credibility by reducing discretionary powers for budgetary amendments throughout the year. Following lengthy discussions, the authorities failed to reach an agreement on a comprehensive tax reform, but they did take the first real steps towards the much-needed broadening of the tax base. In view of a sharp fall in payroll taxes that significantly increased the pension fund deficit, further measures are needed to broaden taxation and restructure pension system financing[3].

Ukraine established a national anti-corruption bureau in April. The bureau did not start investigations until the end of 2015, however, due to a significant delay in the appointment of the specialised anti-corruption prosecutor, which finally took place in November. There was also considerable delay with the establishment of the third new anti-corruption institution, the National Agency for Prevention of Corruption. Despite the launch of the procedure for the appointment of its top management in May 2015, the selection was finalised only in March 2016.

At the end of 2015, Ukraine made the first step towards major public administration reform by adopting a civil service law. This should be bolstered by the introduction of the necessary primary and secondary legislation and the adoption of a comprehensive strategy for the reform of the public administration. Significant progress was also achieved in improving SOE transparency and governance. The authorities launched regular reporting on the biggest SOEs and initiated a process for merit-based managerial appointments. In a move to strengthen reporting obligations, a list of companies to be converted from unitary to joint stock companies was adopted and financial audits were launched. Despite ambitious plans, the privatisation process did not start in 2015, as there was insufficient political support for the requisite legislative changes.

[3] As of 2016, a single social security contribution of 22 % has replaced the various individual contributions totalling nearly 41 % on average and the 3.6 % social security contribution by employees has been abolished. The reform is aimed at encouraging competitiveness and reducing the high incidence of informal work (estimated at over 40 % in 2015).

In the energy sector, reform efforts included the introduction of a new gas market law and changes to secondary legislation for its successful implementation. The new law should serve as a basis for the reform of the sector and the restructuring of Naftogaz. Efforts continued to adjust the unviable energy subsidy model and thus strengthen Naftogaz' financial position. As a result, residential gas and electricity tariffs were increased significantly. In order to protect vulnerable households from this increase, an existing subsidy scheme was strengthened and extended to cover some 5.4 million households as of early January 2016. While gas sector reforms advanced at a steady pace, there was little progress in other key areas related to the energy reform, such as the adoption of a new law on the energy market regulator and the introduction of a new electricity market law, which did not place in 2015 as initially expected.

The NBU continued the process of banking sector consolidation and clean-up by intervening in a number of lenders that faced financing shortfalls, while further improving the operational and financial capacity of the deposit guarantee fund. Measures were taken to strengthen the capital base of commercial banks and to downsize related-party lending.

5.4. Implementation of macro-financial assistance

In January, in view of Ukraine's rapidly deteriorating economic situation and weak balance-of-payments position as a result of the armed conflict in the eastern part of the country, the Commission proposed a new MFA operation consisting of a loan of up to EUR 1.8 billion, to be extended in three equal tranches of EUR 600 million. The European Parliament and the Council adopted the proposal in April 2015. The MoU laying down the agreed policy measures attached to the programme was signed in May and ratified by the Ukrainian parliament in June. In July, the Commission (on behalf of the EU) made the first disbursement of EUR 600 million. In the meantime, in April, it completed MFA I (an operation for a total of EUR 610 million which had been launched immediately after the economic crisis in Ukraine unfolded in early 2014), with the third and final disbursement of EUR 250 million. The two earlier tranches, for a combined EUR 360 million, had been disbursed in 2014.

Overall, the Commission thus extended MFA for EUR 850 million to Ukraine in 2015, bringing total MFA disbursements to EUR 2.21 billion[4]. Ukraine can still access two tranches of EUR 600 million from MFA III. This assistance is conditional on successful implementation of the policy measures specified in the MoU and continuous progress with the IMF programme for Ukraine — a four-year extended fund facility of around USD 17.5 billion, which the IMF Board approved in March 2015. The first USD 4.9 billion was disbursed in March and a further USD 1.7 billion in August, following the successful first review of the programme. If the second review (launched in September 2015) is completed successfully, Ukraine will be able to draw on another USD 1.7 billion.

[4] This includes EUR 1.36 billion in MFA I and MFA II disbursements in 2014.

STATUS OF ECONOMIC REFORM — UKRAINE

1. Price liberalisation

While most prices are determined freely, regulated prices prevail in utilities (notably gas, heating, and electricity) and public transport. In 2015, utility prices were raised sharply with a view to bringing them gradually to cost-recovery levels.

2. Trade liberalisation

Ukraine joined the WTO in May 2008. A DCFTA agreement with the EU entered provisionally into force in 2016. In February 2015, in the context of a worsening balance-of-payments situation, Ukraine introduced temporary import surcharges on industrial (5 %) and agricultural products (10 %), which were then repealed at the end of the year. In November 2015, an export ban on wood entered into force which is considered inconsistent with both WTO and DCFTA provisions.

3. Exchange rate regime

Following the decision to abandon the currency peg in February 2014, the NBU has resorted to a managed float regime. Continuous pressures on the local currency prompted the NBU to introduce various administrative measures and intervene regularly on the foreign exchange market in an attempt to stem the depreciation.

4. Foreign direct investment

FDI-related flows are largely liberalised, but restrictions exist, e.g. a ban on the purchase of agricultural land, which in 2015 was extended from 2016 to 2017. Various capital controls exist that affect foreign investment activity.

5. Monetary policy

The NBU continued to provide liquidity support while encouraging the return of deposits to the banking system and attempting to maintain foreign exchange market equilibrium in an environment of high market volatility.

6. Public finances

General government expenditures remain high and are not sufficiently well monitored, but measures are being implemented to streamline outlays and improve control over them. On the revenue side, the tax base has been widened with changes to the Tax Code entering into force in 2016. Naftogaz' operational deficit was reduced significantly in 2015. Major risks for public finances stem from the rapidly increasing financing gap for the pension system and the still weak tax base.

7. Privatisation and enterprise restructuring

Measures were introduced to improve corporate governance and reporting on SOEs. Despite ambitious privatisation plans, the need to develop a clear strategy and legal framework, together with a lack of political consensus, meant that a new round of privatisations did not get underway before the end of the year"

8. Financial sector reform

In 2015, the NBU continued banking sector consolidation and clean-up, bringing down the number of banks in Ukraine to 120 at the end of the year, from 163 at end-2014. Reform efforts focused on conducting new stress tests for large and medium-sized banks and on implementation of a comprehensive programme for unwinding related-party lending.

ANNEXES

Annex 1A - EU MACRO-FINANCIAL AND EXCEPTIONAL FINANCIAL ASSISTANCE TO THIRD COUNTRIES BY DATE OF DECISIONS

Status of effective disbursements as of end-December 2015 (in millions of €)

	Authorisations			**Disbursements**			
Country	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**	
Israel[1] (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 **Latvia** **Lithuania**			**(40)** **(80)** **(100)**	March 1993 March 1993 July 1993 Aug. 1995	20 40 50 25	**(20)** **(40)** **(75)**	**(20)** **(40)** **(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 Tajikistan[2] (Loans and grants)	17.11.97 modified by 28.3.00	97/787/EC 00/244/EC	**375**			**294.5**	**80.5**
Agreed amounts with the recipent countires:			**(328)**				
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**
Bosnia[3] (Loan and grant)	10.05.99 modified 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 Macedonia[4] (Loan and grant)	08.11.99 modified 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**
Kosovo[5] (Grant)	19.02.00	00/140/EC	**35**	Mar. 2000 Aug. 2000	20 15	**35**	
Montenegro[5] (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**
Kosovo[3] (Grant)	27.06.01	01/511/EC	**30**	Sep. 2001 Dec. 2002	15 15	**30**	
Serbia and Montenegro[6] **(ex FRY)** (Loan and grant)	16.07.01 modified 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) Modification of Decision 98/592/EC	12.07.02	02/639/EC	**110**	May. 2014 (loan) Nov. 2014 (loan)	100 10	**110**	
Serbia and Montenegro[7] **(ex FRY)** (Loan and grant)	05.11.02	02/882/EC	**130**	Dec. 2002 (grant) Feb. 2003 (loan) Aug. 2003 (grant) Aug. 2003 (loan)	30 10 35 30	**105**	**25**
Bosnia[8] (Loan and grant)	05.11.02	02/883/EC	**60**	Feb. 2003 (grant) Dec. 2003 (grant)	15 10	**25**	the rest was paid under 04/861/EC
Moldova (Grant)	19.12.02	02/1006/EC	**15**				**15**
Serbia and Montenegro[7] **(ex FRY)** Modification Decision 02/882/EC (grant)	25.11.03	03/825/EC	**70**	Dec. 2004 (grant)	10	**10**	**20** the rest was paid under 04/862/EC
Albania[9] (Loan and grant)	29.04.04	04/580/EC	**25**	Nov. 2005 (grant) March 2006 (loan) July 2006 (grant)	3 9 13	**25**	
Bosnia[8] Modification Decision 02/883/EC (grant and loan)	07/12/2004	04/861/EC	the balance of 02/883/EC	Dec. 2004 (loan) June 2005 (grant) Feb. 2006 (loan)	10 15 10	**35**	
Serbia and Montenegro[7] (ex FRY) Modification Decision 02/882/EC (Grant and loan)	07.12.2004	04/862/EC	the balance of 03/825/EC	April 2005 (loan) Dec. 2005 (grant)	15 25	**40**	
Georgia (Grant)	24.01.06	06/41/EC	**33.5**	August 2006 (grant) Dec. 2006 (grant)	11 11	**22**	**11.5**
Kosovo (Grant)	30.11.06	06/880/EC	**50**	Sept. 2010 (grant)	30	**30**	**20**
Moldova (Grant)	16.04.07	07/259/EC	**45**	Oct. 2007 (grant) June 2008 (grant) Dec. 2008 (grant)	20 10 15	**45**	
Lebanon[10] (Loan and grant)	10.12.07	07/860/EC	**80**	Dec. 2008 (grant) June 2009 (loan)	15 25	**40**	**40**
Georgia (Grant)	30.11.09	09/889/EC	**46**	Dec. 2009 (grant) Jan. 2010 (grant) August 2010 (grant)	15.3 7.7 23	**46**	

Armenia[11] (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**	
Bosnia and Herzegovina (Loan)	30.11.09	09/891/EC	**100**	Feb. 2013 (loan) Oct. 2013 (loan)	50 50	**100**	
Serbia (Loan)	30.11.09	09/892/EC	**200**	July 2011 (loan)	100	**100**	**100**
Ukraine (Loan)	29.06.10	646/2010/EU	**500**	Nov. 2014 (loan) Apr. 2015	250 250	**500**	
Moldova (Grant)	20.10.10	938/2010/EU	**90**	Dec. 2010 (grant) Sept. 2011 (grant) Apr. 2012 (grant)	40 20 30	**90**	
Georgia (Loan and grant)	12.08.13	778/2013/EU	**46**	Jan. 2015 (grant) Apr. 2015 (loan)	13 10	**23**	**23 (ongoing)**
Kyrgyz Republic (Loan and grant)	22.10.13	1025/2013/EU	**30**	Jun. 2015 (grant) Oct. 2015 (loan)	10 5	**15**	**15 (ongoing)**
Jordan (Loan)	11.12.13	1351/2013/EU	**180**	Feb. 2015 Oct. 2015	100 80		
Tunisia (Loan)	15.5.14	534/2014/EU	**300**	May 2015 Dec. 2015	100 100	**200**	**100 (ongoing)**
Ukraine (Loan)	14.04.14	2014/215/EU	**1 000.0**	Jun. 2014 Dec. 2014	500 500	**1 000.0**	
Ukraine (Loan)	15.04.15	2015/601/EU	**1 800.0**	Jul. 2015	600	**600.0**	**1 200.0 (ongoing)**
TOTAL			**10 796.0**			**8 189.0**	**2 427.0**

[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 1B - EU MACRO-FINANCIAL AND EXCEPTIONAL FINANCIAL ASSISTANCE TO THIRD COUNTRIES BY REGION

Status of effective disbursements as of end-December 2015 (in millions of €)

	Authorisations			Disbursements			
Country	Date of Decision	Reference of Decision	**Maximum amount**	Dates of disbursements	**Amounts of disbursements**	**Totals**	**Undisbursed**
A. EU Accession countries							
Baltics	23.11.92	92/542/EC	**220**			**135**	**85**
(Loans) of which :							
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. Western Balkans							
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**
Bosnia[1] (Loan and grant)	10.05.99 modified 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**	
Former Yugoslav Republic of Macedonia (Loan)	22.07.97	97/471/EC	**40**	Sep. 1997 Feb. 1998	25 15	**40**	
Former Yugoslav Republic of Macedonia[2] (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**	
Kosovo[3] (Grant)	19.02.00	00/140/EC	**35**	March 2000 Aug. 2000	20 15	**35**	
Kosovo[3] (Grant)	27.06.01	01/511/EC	**30**	Sep. 2001 Dec. 2002	15 15	**30**	
Montenegro[3] (Grant budgetary support)	22.05.00	00/355/EC	**20**	Aug. 2000 Dec. 2000	7 13	**20**	
Serbia and Montenegro[4] (ex FRY)	16.07.01 10.12.2001	01/549/EC modified by 01/901/EC	**345**	Oct. 2001 (grant) Oct. 2001 (loan) Jan. 2002 (grant) Aug.2002 (grant)	35 225 40 45	**345**	
Serbia and Montenegro[5] (ex FRY) (Loan and grant)	05.11.02 modified 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) April 2005 (loan) Dec. 2005 (grant)	30 10 35 30 10 15 25	**105** **50**	**25** **20**

Bosnia[6] (Loan and grant)	05.11.02 modified by 07.12.04	02/883/EC 04/861/EC	**60**	Feb. 2003 (grant) Dec. 2003 (grant) Dec 2004 (loan) June 2005 (grant) Feb. 2006 (loan)	15 10 10 15 10	**60**	
Albania[8] (Loan and grant)	29.04.04	04/580/EC	**25**	Nov 2005 (grant) Mar 2006 (loan) Jul 2006 (grant)	3 9 13	**25**	
Kosovo (Grant)	30.11.06	06/880/EC	**50**	Sept. 2010	30	**30**	**20**
Bosnia and Herzegovina (Loan)	30.11.09	09/891/EC	**100**	Feb. 2013 (loan) Oct. 2013 (loan)	50 50	**100**	
Serbia (Loan)	30.11.09	09/892/EC	**200**	July 2011 (loan)	100	**100**	**100**
TOTAL B			**1 388.0**			**1 203.0**	**185.0**
C. New Independent States (NIS)							
Armenia, Georgia and Tajikistan[9] (Loans and grants) Agreed amounts with the recipent countires:	17.11.97 modified by 28.3.00	97/787/EC 00/244/EC	**375** downsized to **(328)**			**294.5**	**80.5**
Armenia			**(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			**(175)**	July 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			**(95)**	March 2001 (loan) March 2001 (grant) Dec. 2001 (grant) Feb. 2003 (grant) May 2005 (grant) Oct 2006 (grant)	60 7 7 7 7 7	**(95)**	
Belarus (Loan)	10.04.95	95/132/EC	**55**	Dec. 1995 (loan)	30	**30**	**25**
Moldova (Loan)	13.06.94	94/346/EC	**45**	Dec. 1994 (loan) Aug. 1995 (loan)	25 20	**45**	
Moldova (Loan)	25.03.96	96/242/EC	**15**	Dec. 1996 (loan)	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 (loan)	85	**85**	
Ukraine (Loan)	23.10.95	95/442/EC	**200**	Aug. 1996 (loan) Oct. 1996 (loan) Sep. 1997 (loan)	50 50 100	**200**	
Ukraine (Loan)	15.10.98	98/592/EC	**150**	July 1999 (loan)	58	**58**	**92**
Ukraine (Loan) Modification of decision 98/592/EC	12.07.02	02/639/EC	**110**	May. 2014 (loan) Nov. 2014 (loan)	100 10	**110**	
Georgia (Grant)	21.01.06	06/41/EC	**33.5**	Aug. 2006 (grant) Dec 2006 (grant)	11 11	**22**	**11.5**
Moldova (Grant)	16.04.07	07/259/EC	**45**	Oct. 2007 (grant) June 2008 (grant) Dec. 2008 (grant)	20 10 15	**45**	
Georgia	30.11.09	09/889/EC	**46**	Dec. 2009 (grant) Jan. 2009 (grant) Aug. 2010 (grant)	15.3 7.7 23	**46**	
Armenia[10] (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	**61**	**39**
Ukraine (Loan)	29.06.10	646/2010/EU	**500**	Nov. 2014 (loan) Apr. 2015 (loan)	250 250	**500**	
Moldova (Grant)	20.10.10	938/2010/EU	**90**	Dec. 2010 (grant) Sept. 2011 (grant) Apr. 2012 (grant)	40 20 30	**90**	
Georgia (Loan and grant)	12.08.13	778/2013/EU	**46**	Jan. 2015 (grant) Apr. 2015 (loan)	13 10	**23**	**23** **(ongoing)**
Kyrgyz Republic (Loan and grant)	22.10.13	1025/2013/EU	**30**	Jun. 2015 (grant) Oct. 2015 (loan)	10 5	**15**	**15** **(ongoing)**
Ukraine (Loan)	14.04.14	2014/215/EU	**1000**	Jun. 2014 Dec. 2014	500 500	**1000**	
Ukraine (Loan)	15.04.15	2015/601/EU	**1800**	Jul. 2015	600	**600**	**1200** **(ongoing)**
TOTAL C			**4 755.5**			**3 239.5**	**316.0**

D. Mediterranean countries

Israel[11] (Structural adjustment soft loan)	22.07.91	91/408/EC	**187.5**	March 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[12] **(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		
Tunisia (Loan)	15.5.14	534/2014/EU	**300**	May 2015 Dec. 2015	100 100	**200**	**100** **(ongoing)**
TOTAL D			**1 347.5**			**927.5**	**240.0**
TOTAL A+B+C+D			**10 796.0**			**8 150.0**	**1 266.0**

[1] Includes a loan principal amount of €20 million and grants of €40 million.
[2] Includes a loan principal amount of up to €50 million and grants of up to €48 million.
[3] Exceptional financial assistance.
[4] Includes a loan principal amount of €225 million and grants of €120 million.
[5] Includes a loan principal amount of €55 million and grants of €75 million.
[5] Includes a loan principal amount of €20 million and grants of €40 million.
[6] Includes a loan principal amount of €25 million and grants of €45 million.
[8] Includes a loan principal amount of €9 million and grants of €16 million.
[9] 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.
[10] Includes a loan principal amount of €65 million and grants of €35 million.
[11] 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.
[12] Includes a loan principal amount of €50 million and grants of €30 million.

Annex 2: MFA amounts authorised by year, 2005-2015 (EUR million)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
By region												**0.0**
Western Balkans		50.0			300.0							**350.0**
Newly Independent States (NIS)		33.5	45.0		146.0	590.0			76.0	1 000.0	1 800.0	**3 690.5**
Mediterranean			80.0						180.0	300.0		**560.0**
Total amounts authorised	**0.0**	**83.5**	**125.0**	**0.0**	**446.0**	**590.0**	**0.0**	**0.0**	**256.0**	**1 300.0**	**1 800.0**	**4 600.5**
Loans		0.0	50.0	0.0	365.0	500.0			218.0	1 300.0	1 800.0	**4 233.0**
Grants		83.5	75.0	0.0	81.0	90.0			38.0			**367.5**

Chart 2A: MFA amounts authorised by year, 2005-2015 (EUR million)

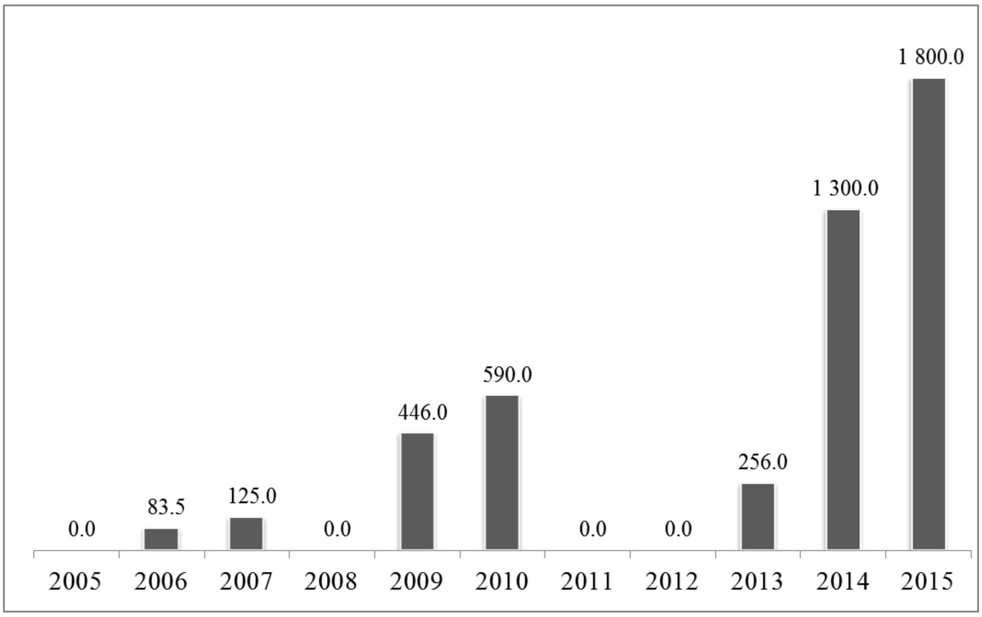
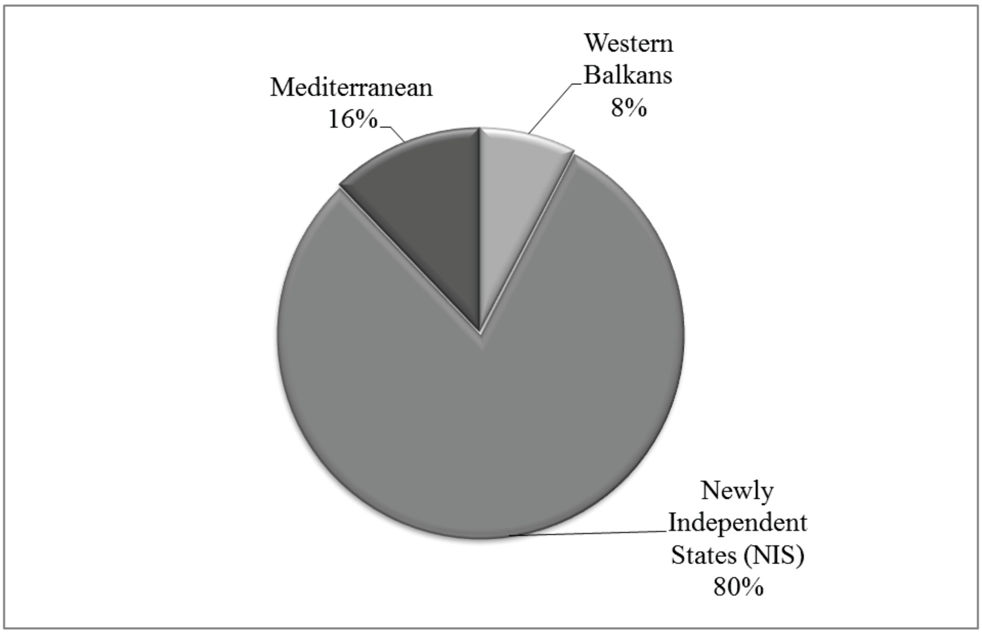


Chart 2B: MFA amounts authorised by region, 2005-2015 (%)



Annex 3: MFA amounts disbursed by year, 2005-2015 (EUR million)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
By region												
Western Balkans	58.0	32.0				30.0	100.0		100.0			320.0
Newly Independent States (NIS)	8.5	29.0	20.0	25.0	15.3	70.7	81.0	69.0		1 360.0	888.0	318.5
Mediterranean				15.0	25.0						380.0	40.0
Total amounts disbursed	**66.5**	**61.0**	**20.0**	**40.0**	**40.3**	**100.7**	**181.0**	**69.0**	**100.0**	**1 360.0**	**1 268.0**	**2 038.5**
Loans	15.0	19.0	0.0	0.0	25.0	0.0	126.0	39.0	100.0	1 360.0	1 245.0	2 929.0
Grants	51.5	42.0	20.0	40.0	15.3	100.7	55.0	30.0			23.0	377.5

Chart 3A: MFA amounts disbursed by year, 2005-2015 (EUR million)

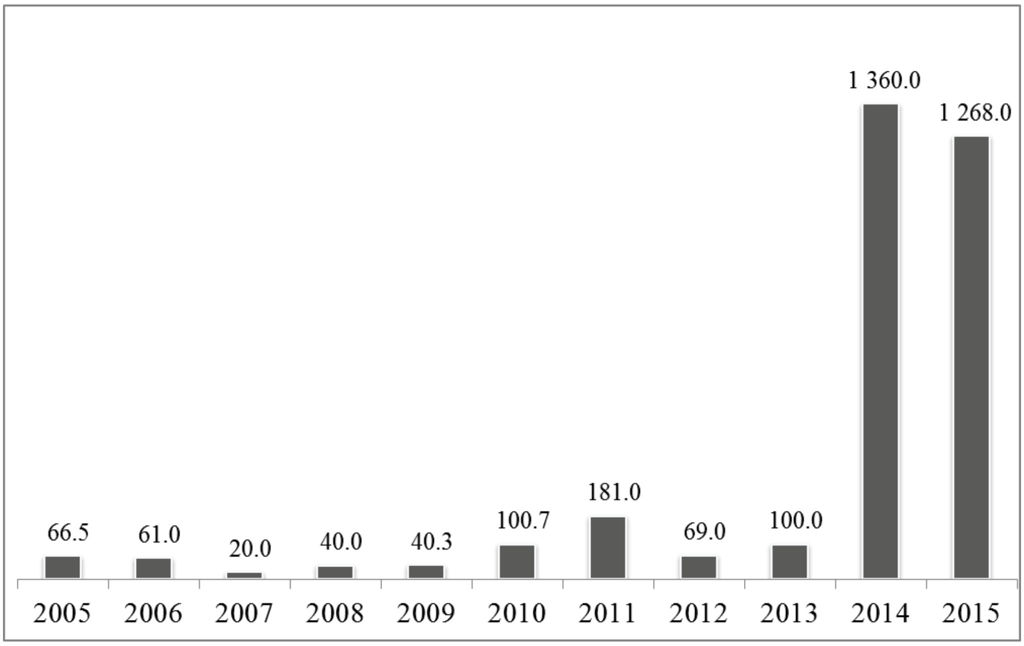


Chart 3B: MFA amounts disbursed by region, 2005-2015 (%)