Council of the European Union

Brussels, 27 May 2025
(OR. en)

9444/25
ADD 1

Interinstitutional File:
2025/0125 (NLE)

CCG 18

PROPOSAL

From:	Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director
date of receipt:	26 May 2025
To:	Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union
No. Cion doc.:	COM(2025) 252 annex
Subject:	ANNEX to the Proposal for a COUNCIL DECISION establishing the position to be adopted on the Union's behalf in the written procedure by the Participants to the Arrangement on Officially Supported Export Credits in relation to the common line to grant tied aid eligibility to Ukraine

Delegations will find attached document COM(2025) 252 annex.

Encl.: COM(2025) 252 annex

EUROPEAN
COMMISSION

Brussels, 26.5.2025
COM(2025) 252 final

ANNEX

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to the

Proposal for a Council Decision

establishing the position to be adopted on the Union's behalf in the written procedure by the Participants to the Arrangement on Officially Supported Export Credits in relation to the common line to grant tied aid eligibility to Ukraine

ANNEX

DRAFT COMMON LINE

1. Reference Number: TBD
2. Name of Destination Country: Ukraine
3. Name of buyer/borrower : N/A
4. Description of transaction: N/A
5. Terms and conditions

In accordance with all other articles of the arrangement

6. Common Line proposal

Accepting Ukraine as eligible to receive tied aid, independently from the criteria set out in article 32 of the Arrangement.

The measure will come into effect immediately and remain in force for two years after coming into effect.

Transactions within the scope of the arrangement may benefit from the official support under the terms and conditions of this common line provided that:

- The application for tied aid request was received by the end of the validity period of this common line at the latest, and
- The date of the final commitment is within 18 months following the end of the validity period of this common line

7. Tender/bid period: N/A
8. Nationality and names on known bidders: N/A
9. Other Information

In accordance with Article 32 of the Arrangement, tied aid shall not be provided to countries whose GNI per capita, according to the World Bank data, is above the upper limit for lower middle-income countries. A country will be reclassified for the purposes of the Arrangement's tied aid eligibility only after its World Bank category has been unchanged for two consecutive years. The World Bank's country income classifications are updated each year on 1 July, based on their GNI per capita (Atlas method) of the previous calendar year.

On 1 July 2024 Ukraine has been, on the basis of 2023 data, classified by the World Bank for the first time as an upper-middle income country (4.950 USD GNI per capita whereas threshold for upper-middle income countries was set at 4.516 USD[1]). If this classification is upheld by the World Bank on 1 July 2025, Ukraine will automatically be reclassified, for the purposes of the Arrangement by the OECD Secretariat, as a tied aid ineligible country.

The World Bank stated in July 2024 that Ukraine's upward change in classification resulted from the resumption of GDP growth (driven by construction activity (24.6%), reflecting a sizable increase in investment spending supporting Ukraine's reconstruction effort in the wake of ongoing destruction), decline in population (fallen more than 15%) and price increases of domestically produced goods and services. Given the forecasted Ukraine's GDP growth in 2024 and continued

[1] In 2023 Ukraine's GNI per capita increased by 26%. In 2022 Ukraine's GNI per capita was well below the threshold for upper-middle income countries (3.930 USD whereas threshold for upper-middle income countries was set at 4.466 USD).

decline in population vis a vis pre-war figures it seems possible that Ukraine will maintain its upper-middle income classification.

The EU considers that the provisions of the Article 32 of the Arrangement regarding the methodology to determine country eligibility status are not adequate to the specific situation of Ukraine.

Ukraine's inflated GNI per capita and its upgraded World Bank's income classification should not result in reclassification of Ukraine for the purposes of the Arrangement as a tied aid ineligible country as it would not serve the main reason for prohibition of tied aid in upper-middle income countries, i.e. to avoid trade distortions and to encourage export financing on standard Arrangement terms rather than on tied aid terms. Ukraine is still significantly impaired by the crisis, and the upgraded World Bank income classification doesn't reflect a major real increase in Ukraine's economy, to the extent that standard trade should be promoted rather than aid. On the contrary, it is crucial for Participants that all possible external sources remain available to finance the rebuilding of Ukraine, for a limited time during the reconstruction time.

Moreover, the EU would like to stress that the decision not to follow the World Bank country classification in determining tied aid eligibility status would not constitute a precedent for the Participants. In 1991 the Participants decided that the former Eastern Bloc countries would not be eligible to receive tied aid, irrespective of their World Bank country classification. This provision (the so-called "soft ban") existed in the Arrangement until 2012.

It is also worth noting that the World Bank is currently conducting the review of their methodology for country income classification.

Finally, the EU highlights that the adoption of this common line should not constitute an "automatically applicable" precedent for future cases, aimed at addressing an extraordinary geopolitical and economic context, that should be handled with the same level of consideration and analysis.