EUROPEAN
COMMISSION

Brussels, 24.6.2014
SWD(2014) 193 final

COMMISSION STAFF WORKING DOCUMENT

Background Analysis per beneficiary

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 2013

{COM(2014) 372 final}

List of Abbreviations

CEFTA	Central European Free Trade Agreement
CPI	Consumer Price Index
DCFTA	Deep and Comprehensive Free Trade Area
EC	European Community
ECF	Extended Credit Facility
EFF	Extended Fund Facility
EU	European Union
EUR	Euro
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GSP	Generalised System of Preferences
IMF	International Monetary Fund
LFA	Loan Facility Agreement
MFA	Macro-Financial Assistance
MoU	Memorandum of Understanding
PFM	Public Finance Management
PPP	Public Private Partnership
SBA	Stand-By Arrangement
SDR	Special Drawing Rights
USD	Dollar of the United States of America
VAT	Value Added Tax
WTO	World Trade Organisation

TABLE OF CONTENTS

INTRODUCTION

This working document is published in parallel with the Report from the Commission to the European Parliament and the Council on the implementation of macro-financial assistance (MFA) to third countries in 2013. It provides economic and financial information regarding the situation of countries having benefitted from MFA in 2013, as well as more detailed information on the implementation of MFA operations in those countries. Statistical data on the different macro-financial assistance decisions adopted since 1990, by date and by regions, are included in annexes. Total amounts of MFA commitments and payments over the period 2003-2013, by year and by region, are also provided.

BACKGROUND ANALYSIS OF BENEFICIARIES OF MACRO-FINANCIAL ASSISTANCE

1. BOSNIA AND HERZEGOVINA

1.1. Executive summary

Following a drop in economic activity in 2012 (-0.9% GDP growth), the economy of Bosnia and Herzegovina started to recover in 2013 with an estimated real GDP growth of 1.5%. Strong export-led growth coupled with stagnating imports led to a narrowing of external imbalances. Thus, the current account deficit reached an estimated 6.7% of GDP in 2013, down from some 9.7% of GDP the year before. Budget planning and fiscal coordination have improved, but the composition of spending remains a concern. The 24-month Stand-By Arrangement (SBA) programme with the IMF of about EUR 400 million remains on track despite the temporary interruption in the operations of the Federation's Ministry of Finance as of end-December 2013, which deterred the timely disbursement of the sixth tranche of EUR 48 million. In January 2014, a nine-month extension (until June 2015) as well as an increase of the programme by some EUR 300 million were granted, to address elevated financing needs in late 2014.

The EU MFA to Bosnia and Herzegovina (a loan facility of up to EUR 100 million, Council Decision 2009/891/EC of 30 November 2009) was initially set to expire in November 2012. Until then, no disbursement under this assistance had been made, since the IMF programme had turned into a non-disbursing one, and one of the two policy conditions attached to the disbursement of the first tranche was not fulfilled. However, following the agreement of a new SBA with the IMF and the authorities' steps towards improving public finance sustainability, the European Commission extended the availability period by one additional year, until 7 November 2013. The disbursement of the first instalment of the MFA of EUR 50 million took place on 19 February 2013, while the second tranche was disbursed on 26 September 2013.

1.2. Macroeconomic performance

After entering negative territory in 2012 (-0.9% GDP growth), economic growth gained some momentum during 2013 and is set to have reached 1.5%, being positively affected by the recovery of the main trading partners of Bosnia and Herzegovina. However, the export-led resumption of economic growth masked the stagnation of private consumption alongside a tepid growth of investment. The already high and rising unemployment along with stagnant employment levels continued to have negative repercussions on domestic demand in spite of increasing wages. Industrial production increased by 6.6% in 2013, driven by the expansion of exports, after contracting by 5.3% in 2012. The economic recovery did not translate into improvements on the labour market: the level of employment stagnated at some 45% and the registered unemployment rate only marginally edged down to 44.5%, partly as a result of continued labour shedding in the private sector, notably in construction.

As regards the current account deficit, after its considerable widening in 2011 and 2012, when it reached 9.7% of GDP, it decreased to 6.7% of GDP in 2013. This narrowing was mainly driven by a lower trade deficit (30.5% of GDP) and to a lesser extent by a higher surplus of the services balance. Moreover, the development of the net factor income balance (+14.6%) exerted a positive impact, while the current transfer balance has turned into deficit (- 1.8%). On the financing side, net FDI inflows decreased to 2.1% of GDP in 2012, but increased slightly to some 2.6% of GDP in the four quarters to September

2013, thus still insufficient to cover the current account deficit. Official foreign exchange reserves experienced a substantial increase by 8.6% in 2013, covering around six months of imports.

Following a downward trend in the first half of the year, inflation turned negative in August 2013 (-0.3%), for the first time since November 2009. The downward adjustment was triggered by sluggish domestic demand and declining food, transport and energy prices. Thus, annual inflation in 2013 remained in negative territory and amounted to -0.1%. The monetary policy of the Central Bank of Bosnia and Herzegovina continued to be conducted under a currency board arrangement, with the euro as the anchor currency, enjoying a high level of confidence and credibility.

The fiscal position mildly improved in the first three quarters of 2013. The consolidated budget posted a slightly higher surplus of 0.7% of GDP over the period, compared to the same period in 2012[1]. Consolidated revenue decreased marginally by 0.2% year-on year in January-September 2013, mainly because higher social security contributions were offset by a decrease in grants and other non-tax revenue (down by 4.6%), while collection of tax revenue and social contributions was marginally lower. Consolidated expenditures posted a decrease of 1.1%. The wage bill of the government and the subsidies fell by 1.5% and 12.3%, respectively, while social spending stagnated. The composition of public spending remains a concern: current expenditures represented a very high 95.2% of total expenditures in the first three quarters of 2013, while capital spending remains very low and even decreased by 0.6% from the previous year.

1.3. Structural reforms

After the pace of structural reforms slowed down in 2011 and 2012, partly because of the lengthy government formation after the October 2010 general elections, some reform measures have been implemented since early 2013 in order to strengthen public finance management, leading to improved budget planning and fiscal coordination. Moreover, the State and the Entities adopted their 2014 budgets before the expiration of the previous budget year, thus confirming the continuing practice since 2012 of stronger reliability of public finances and the planning and decision-making of economic agents. The Global Framework for Fiscal Policies 2014-2016 by the Fiscal Council was adopted with some delay in September 2013, still enabling the timely preparation of the 2014 budget. However, the quality of public finances remained low with a high share of current expenditures, at the expense of growth enhancing capital expenditures.

Private sector development continues to be hampered by an unfavourable business environment. Bosnia and Herzegovina lags behind its peers, as notably indicated by its ranking in the World Bank Doing Business report. Starting a business, enforcing contracts, access to financing and political instability are considered to be among the most problematic factors for doing business in the country. Furthermore, a dysfunctional labour market and the low quality of human capital remain key concerns.

In the World Bank's 2014 Doing Business Report, Bosnia and Herzegovina ranks 131st in terms of ease of doing business (down from 130th in the previous year), out of 185 countries covered, lagging well behind its regional peers. Main obstacles relate to construction permits, starting a business and enforcing contracts. At the same time, in the Global Competitiveness Report of the World Economic Forum, Bosnia and Herzegovina ranks 91st (dropping 3 places in a year) among 144 countries. Access to financing, and

1 Quarterly data do not include fiscal data from the cantonal levels, thus, overestimating to some extent the fiscal balance.

political instability are indicated as the most problematic factors for doing business in the country.

1.4. Implementation of macro-financial assistance

In November 2009, the Council approved a MFA of up to EUR 100 million in the form of loans[2]. The assistance aimed at alleviating the impact the economic crisis had on Bosnia and Herzegovina's stressed budgetary and external position and at contributing to fill the remainder of the external and budgetary financing gap identified in the IMF programme. The European Commission agreed on the economic policy conditions with the Bosnian authorities in a MoU that was signed in November 2010. The disbursement was conditional upon a satisfactory track record in the implementation of the SBA with the IMF, as well as upon a positive evaluation by the European Commission of progress made with respect to a number of structural reforms. The specific policy conditions stressed public finance management issues, statistics and budgetary procedures. The detailed financial terms of the assistance were spelled out in a Loan Agreement which was signed in November 2010 and ratified by the Bosnia and Herzegovina's Presidency in August 2011.

The availability of the MFA was initially to expire on 7 November 2012. By then, no disbursement had been made as key conditions were not met. In fact, the IMF programme had turned de facto into a non-disbursing one since October 2010. Moreover, one of the two policy conditions attached to the disbursement of the first MFA tranche – the approval of the Global Framework of Fiscal Policies by the Fiscal Council of Bosnia and Herzegovina - was not fulfilled.

In October 2012 the European Commission adopted a decision[3] to extend the availability period of the EU macro-financial assistance to Bosnia and Herzegovina by one additional year, until 7 November 2013. This extension was motivated by the authorities' previous steps towards improving public finance sustainability, the adoption of a new SBA by the IMF Board on 26 September 2012, as well as the difficult budget and balance of payments situation of the country.

Following the receipt of a compliance report on the fulfilment of the structural reform criteria related to the first instalment in November 2012 and of a request for funds in January 2013, the European Commission disbursed the first tranche of EUR 50 million on 19 February 2013. The second and last tranche of equal amount was disbursed on 26 September 2013 on the back of the IMF programme remaining on track and satisfactory compliance with the policy conditions laid down in the MoU.

[2] Council Decision 2009/891/EC of 30 November 2009 providing macro-financial assistance to Bosnia and Herzegovina (OJ L 320, 5.12.2009).

[3] Commission Decision 2012/674/EU of 29 October 2012.

SUMMARY STATUS OF ECONOMIC REFORM
BOSNIA AND HERZEGOVINA (BIH)

1. Price liberalisation

Most prices are liberalised even though a number of administered prices remain, for example for utilities, including electricity and gas.

2. Trade liberalisation

BiH started WTO accession negotiations in 1999. In July 2008, the Stabilisation and Association Agreement with the EU was signed and the Interim Agreement entered into force. BiH is part of the CEFTA agreement.

3. Exchange rate regime

In 1997, the Central Bank of Bosnia and Herzegovina established a currency board with the Deutsche Mark as the anchor currency which has functioned smoothly since. With the introduction of the euro, the Bosnian Convertible Mark was pegged at 1.95583 to the euro, exchange rate which has remained unchanged since.

4. Foreign direct investment

Net FDI reached a peak in 2007 (when the telecommunications company of Republika Srpska was privatised). Since the outbreak of the crisis in 2008, FDI inflows hover around 2% of GDP and reached some 1.9% of GDP in 2013. FDI has been mainly related to a few sectors (e.g. energy, banking) and some privatisation transactions, as green-field investment is still hampered by a difficult business environment.

5. Monetary policy

The Central Bank of Bosnia and Herzegovina is responsible for operating the currency board arrangement, which limits the scope of monetary policy basically to adjustments of minimum reserve requirements.

6. Public finances

The quality of public finances in Bosnia and Herzegovina remains low. The ratio of general government expenditure to GDP continuously increased in recent years from 39% in 2005 to 41.7% in 2012. Moreover, expenditures remain concentrated in current expenditures, in particular wages and social benefits, and are only slowly shifted towards growth-enhancing areas. The fiscal balance of the general government was positive until 2007, but the general government has been posting fiscal deficits since 2008, although some fiscal consolidation was evident in the last couple of years. The bulk of public expenditures is spent at entity level, while the federal government accounts for about 9% of consolidated expenditures.

7. Privatisation and enterprise restructuring

Progress in privatisation and enterprise restructuring has remained limited, especially in the Federation despite annually recurring plans to restart privatisation.

8. Financial sector reform

The financial sector is dominated by banks. Overall, the sector remains sound and stable; however, the continuing deterioration of the loans portfolio along with constantly decreasing profitability of the banking sector poses a downward risk over the last couple of years.

2. GEORGIA

2.1. Executive summary

Georgia's economic growth slowed down from 6.2% in 2012 to 3.2% in 2013 due to political tensions, worsening global environment and government under-spending. Continuing the deflationary trends from 2012, consumer prices fell on average by 0.5%. The fiscal deficit increased slightly to 1.3 % of GDP in 2013. On the external side, the situation has somewhat improved but imbalances still persist. The current account decreased to 6.1% of GDP and the level of external debt is estimated to reach 81.8% of GDP at year-end. In the last quarter of 2013, economic activity picked-up. This positive trend continued in early 2014 (growth in January and February was 8% and 5.4% year-on-year respectively), underpinned by both foreign and domestic demand. In an attempt to make economic growth more inclusive, the government initiated a series of reforms in the social sector in 2013. It redirected part of its spending from capital to social expenditures and started establishing the universal healthcare system. It also began to increase pensions, social assistance allowances and education spending.

Following a successful implementation of an IMF arrangement in 2008-2011, the authorities agreed on a follow-up programme. The agreement, which was approved in April 2012 and successfully concluded in April 2014, foresaw potential support of SDR 250 million (EUR 294 million). However, the authorities treated the programme as precautionary, not drawing the funds available,. Negotiations are ongoing on a successor arrangement with the IMF.

In August 2013, the European Parliament and the Council adopted a decision for a MFA programme to Georgia for a total of EUR 46 million, to be provided equally in loans and grants. The adoption of this decision, which had been proposed by the Commission in January 2011, was delayed by a procedural disagreement between the two co-legislators but finally took place in August 2013. Since no disbursements have been carried out under the IMF programme that expired in April 2014, negotiations to finalize the MoU have been put on hold However, should the Georgian authorities agree with the IMF on a successor programme entailing the use of the Fund's resources, negotiations on the MoU could be reactivated and MFA funds subsequently disbursed

2.2. Macroeconomic performance

Georgia's economy remarkably recovered after the 2009 recession, recording an annual average growth of 6.5% in 2010-2012. In the second half of 2012, the Georgian economy started to slow down due to post-election uncertainties, a weak external environment and lower government spending, which depressed domestic demand and led to a sharp contraction in construction activity, one of the vital sectors of the economy. Nevertheless, after a slow start of the year, the economy gradually recovered in 2013. GDP growth reached 3.2% for the whole year, after picking-up at 6.9% in the last quarter. This strong economic rebound continued into 2014, with growth reaching 8% and 5.4% year-on-year in January and February, respectively.

Consumer prices fell by 0.5% on average in 2013. The deflation reflected subdued domestic demand, declining food and administered energy prices as well as a lagged effect of the appreciation of the nominal exchange rate, which contributed to the decrease of the imported inflation. In response, the National Bank of Georgia loosened the monetary policy stance and reduced the key policy rate to a record-low 3.75% in August 2013. This contributed to a 16% expansion of banks' loan portfolio in 2013, excluding exchange rate effects. In combination with the recovery in economic activity, this led to the resurgence of moderate inflationary pressures, with inflation reaching 3.5% year-on-year in March 2014. In February, the National Bank reacted by increasing the refinancing rate to 4%, which is a first increase since February 2011.

In 2013, the fiscal deficit reached 1.3% of GDP. Lower revenues were partly offset by lower government spending caused by procedural delays in public infrastructure projects. At the same time, expenditures for social outlays were increased by about 3% of GDP. The government remained committed to fiscal consolidation.

Although the current account deficit fell to 6.1% of GDP at the end of 2013, from 11.7% of GDP in 2012, Georgia's external vulnerabilities still remain the main risks to the economy. The improvement in the current account reflects weaker import demand due to economic slowdown, combined with the resumption of exports to Russia, successful tourist season and growing workers' remittances. Financing of the external deficit was mostly ensured by debt, and the level of external debt is estimated to have reached 81.8% of GDP at the end of 2013. International reserves stayed almost unchanged throughout 2012 and 2013, reaching USD 2.9 billion at year-end 2013 (around 3.4 months of next year's imports). Elevated external risks are somewhat mitigated by continued access to donors' assistance as well as the ongoing IMF programme.

Following the completion of an IMF arrangement that ran from 2008 to 2011, the authorities agreed with the IMF on a follow-up programme with the objective of (i) guarding against risks stemming from the unsettled global enviroment and high external debt payments, and (ii) supporting the successful completion of the adjustment process following the 2008-2009 crisis. A new 24-month programme, in the form of a Stand-By Arrangement and a concessional Stand-By Credit Facility, was approved in April 2012. Under the agreement, Georgia could have borrowed up to SDR 250 million (EUR 294 million) over the programme period, evenly distributed between the two instruments. However, the authorities decided to treat the agreement as precautionary and did not borrow from it. The IMF programme expired in April 2014 and the Georgian authorities are negotiating a successor programme with the IMF, .

2.3. Structural reforms

Georgia has implemented a series of important structural reforms and has substantially improved its business environment in the past few years. In 2013, Georgia climbed yet another position in the World Bank's Doing Business 2014 survey, now ranking 8th out of 189 countries. It is considered one of the best countries to start a business, register property and deal with construction permits. Nevertheless, there is room for improvement in areas such as access to finance, protection of property rights, access to electricity and resolution of insolvency. With regards to trade, Georgia initialled in November 2013 an Association Agreement (AA) with the EU, which foresees the establishment of a Deep and Comprehensive Free Trade Area (DCFTA). The AA is expected to be signed in 2014.

However, the benefits of economic growth and structural reforms have not yet reached the wider population. The unemployment rate remains high at about 15% and the labour market continues to show some significant weaknesses. A revised Labour Code, which aims at better balancing the interests of employers and employees, was adopted by the Parliament in June 2013. Poverty rates stayed high, in particular in the rural parts of the country, where subsistence farming is predominant. Inequality is among the highest in the region, with a GINI coefficient above 0.4. In an effort to make economic growth more inclusive, the government redirected part of the public spending from capital to social expenditures in 2013. It started with the establishment of the universal healthcare system in March 2013. The government has also begun to increase pensions, social assistance allowances and education spending.

In early 2014, the government released its draft socio-economic development strategy ("Georgia 2020"), which outlines social and economic development priorities and targets over the period 2014-2020. Measures aim at supporting sustainable and inclusive growth, employment and competitiveness. The government is also planning to establish the "Entrepreneurship Development Agency" to support SMEs and start-up businesses, as well as the Competition Agency (in April 2014), following the adoption of competition law (draft law was submitted to the Parliament in March). Also, in order to encourage domestic and international investment, a USD 6 billion private "Co-investment Fund" was established in September 2013.

As regards financial stability, in order to mitigate the risk associated with the high level of dollarization, the central bank adopted in June 2013 a number of measures aimed at discouraging non-resident deposits and reducing the level of dollarization of the financial sector.

2.4. Implementation of macro-financial assistance

The EU pledged up to EUR 500 million of support for Georgia's economic recovery at a International Donor Conference in Brussels in October 2008, in the aftermath of the military conflict with Russia. The pledge included two potential MFA operations, amounting to EUR 46 million each. The first part was successfully implemented in 2009-2010. In January 2011, the Commission made a proposal for a second MFA programme of EUR 46 million, to be provided evenly in grants and loans. However, the adoption of this decision was delayed by disagreements between the two co-legislators (European Parliament and Council) over the procedure to be used for the adoption of the Memorandum of Understanding (MoU), which lays down the economic policy measures to be undertaken by the country benefiting from the MFA. The decision was finally adopted in August 2013 by the European Parliament and the Council, following a formal conciliation process[4]. The Georgian authorities have not used the IMF programme that expired in April 2014. As a result, negotiations for finalising the MoU have been put on hold and no MFA disbursement has been carried out. However, should the Georgian authorities agree with the IMF on a successor arrangement entailing the use of the Fund's resources, negotiations on the MoU could be reactivated and MFA funds subsequently disbursed.

[4] Decision No 778/2013/EU of the European Parliament and of the Council of 12 August 2013 providing further macro-financial assistance to Georgia (OJ L 218, 14.8.2013).

SUMMARY STATUS OF ECONOMIC REFORM - GEORGIA
1. Price liberalisation Prices are largely free.
2. Trade regime Georgia has a liberal trade policy. Import tariffs have been abolished on around 85% of products. There are no quantitative restrictions on imports or exports. Since July 2005 Georgia has benefited from the EU Generalised System of Preferences (GSP), the GSP+. In November 2013, the EU and Georgia initialed the AA (including the DFTA) which is expected to be signed in 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 conformity with Article VIII of the IMF's Articles of Agreement.
4. Foreign direct investment Adequate overall legislation. Unlimited repatriation of capital and profits.
5. Monetary policy The main monetary policy objective of the National Bank of Georgia is price stability. The Bank is currently applying an inflation-targeting regime. The price growth target is set at 6% for 2012-14, 5% for 2015 and will afterwards gradually be reduced to 3%. The effectiveness of the monetary policy is significantly constrained by the high level of dollarization of the economy, as the FX deposits to non-bank sector's share in total deposits stood at 60% at the end of 2013, a slight decrease from 64% a year earlier.
6. Public finances and taxation The public finance management system is essentially sound and transparent, although further reforms are still needed in areas such as internal financial control and audit. New legislation limiting the budget deficit to 3% of GDP, public debt to 60% of GDP and public spending to 30% of GDP came into force in January 2014.
7. Privatisation and enterprise restructuring Most state-owned enterprises have been privatised. Privatisation receipts are expected to have declined to 0.6% of GDP in 2013 from an estimated 1% in 2012.
8. Financial Sector There were 21 banks at end-2013, including 20 foreign-controlled banks and two branches of non-resident banks. The share of non-performing loans decreased by 1/5 year-on-year to 7.5% at end-2013. The capital adequacy ratio increased slightly from 17% at the end of 2012 to 17.2% at the end of 2013. The net profit of the banking sector at the end of 2013 was three times bigger than in 2012, resulting in an increase of the return on assets to 2.6% (from 1% in 2012) and the return of equity to 14.9% (from 5.8% in 2012). Credit and deposits rose by 21% and 26% respectively year-on-year, after rising by 13% in 2012.

3. JORDAN

3.1. Executive summary

Despite its exposure to heightened regional instability and to a number of exogenous shocks, the Jordanian economy continued to expand in 2013, albeit at a slow pace. Real GDP growth reached 3.3%, compared with 2.7% in 2012 and inflation was contained at low levels allowing a more accommodative monetary policy stance in early 2014. External sector indicators improved on the back of substantial current and capital inflows, notably from Gulf Cooperation Council (GCC) countries. However, public finances performed worse than expected, broadly reflecting the fiscal burden of the gas supply problems and the cost of the Syrian refugees' crisis. Progress with structural reforms has been mixed with the adoption of a revised income tax law being significantly delayed.

Macroeconomic stability was underpinned by a 36-month, USD 2 billion Stand-By Arrangement (SBA) agreed with the IMF in August 2012. The programme with the IMF has broadly remained on track, although several reviews were completed with delays. Delays with the implementation of a number of measures prevented the IMF staff from concluding its third review, which was combined with the fourth review undertaken during a mission conducted in March 2014.

Following an official request for MFA in December 2012, the Commission adopted on 29 April 2013 a proposal for a decision providing MFA of up to EUR 180 million to Jordan in the form of a medium-term loan. The decision[5] was adopted by the Parliament and the Council on 11 December 2013. The negotiations on the Memorandum of Understanding listing the economic policy measures to be undertaken by the Jordanian authorities and the Loan Facility Agreement related to this MFA operation were concluded in early 2014, and the two documents were signed on 18 March 2014. The MFA to Jordan is meant to complement the funds provided by the IMF under the SBA and is envisaged to be released in two instalments during 2014.

3.2. Macroeconomic performance

During the last three years, Jordan has been severely affected by a number of exogenous shocks, notably the escalating Syrian refugee crisis and the persistent gas supply problems in the Egyptian pipeline. Combined with higher international energy prices and the weak global environment, these factors have put pressure on the fiscal and external accounts of the country. Despite this adverse background, the Jordanian economy kept expanding in 2013, with a GDP growth estimated at 3.3%. A similar growth rate is expected for 2014, reflecting higher public investments and domestic consumption, as well as a recovery in exports.

Consumer price inflation subsided to 3% at the end of 2013 from 6.5% the year before, despite some upward pressure from the adjustment in energy tariffs and consumption by Syrian refugees. In light of this, the Central Bank of Jordan lowered its key interest rate by 25 basis points in mid-January 2014 (to 4.25%).

Despite courageous fiscal consolidation measures taken by the government during 2013, the central government deficit, including grants but also the transfer to the loss-making state-owned electric power company NEPCO, climbed to 14.6% of GDP in 2013 from 8.9% the prior year, substantially overshooting the initially forecast level of 9.1% of GDP. Persistent gas supply problems, weak income tax performance, increased debt

[5] Decision No 1351/2013/EU of the European Parliament and of the Council of 11 December 2013 providing macro-financial assistance to the Hashemite Kingdom of Jordan (OJ L 341, 18.12.2013).

repayments of public utilities and the fiscal impact of the refugee crisis were the main factors behind this deterioration. As a result of increased borrowing, public debt climbed to 87.7% of GDP by the end of 2013.

Lower energy imports and higher current transfers contributed to the improvement of the current account balance, which recorded a deficit of 11.1% of GDP in 2013, down from 17.3% of GDP the year before. International reserves more than doubled in 2013, reaching USD 12.4 billion by the end of the year (more than 5 months of prospective imports), a comfortable level according to the IMF. This reflected higher grant receipts, the issuance of international bonds with US Treasury guarantees and a strong trend of de-dollarization.

3.3. Structural reforms

Assisted by the IMF financial arrangement, the authorities continued to implement an ambitious structural reform agenda aimed at correcting macroeconomic imbalances and at contributing to more inclusive and sustainable growth. Reforms broadly focused on the improvement of the investment and trade framework, the reinforcement of social security and the restructuring of the energy sector, including through the elimination of fuel subdidies and the introduction of a system of cash transfers to compensate the affected households. Also, legislation entailing a significant reform of the income tax regime has been submitted to parliament.

Fiscal consolidation at the level of the central government, as well as efforts to reduce the operating loss of the national electricity company (NEPCO), continued throughout 2013 in line with the IMF programme. The reform of energy subsidies has progressed swiftly. Following the virtual elimination of fuel prices in November 2012, electricity tariff adjustments took place in August 2013 and January 2014, as part of the authorities' medium-term energy strategy to bring NEPCO to cost recovery by 2017. Electricity price increases were implemented in a targeted manner, exempting poor and middle-class consumers. Despite these welcome reform efforts, slippages have been reported in several areas. The adoption of the revised income tax law – scheduled for September 2013− has been postponed to 2014. Taxpayers' filing compliance improved significantly in 2013, but fell short of the targets set by the IMF programme. Albeit with a delay, the authorities proceeded in 2013 with the licensing of the first credit bureau and with the establishment of a quarterly reporting system for arrears.

The above-mentioned energy strategy was announced in October 2013. Following the adoption in April 2012 of the new Law on Renewable Energy and Energy Efficiency, the government adopted on 16 June 2013 a National Energy Efficiency Action Plan, which benefited from technical assistance from the EU. The government further prepared by-laws to help implement this law, including a by-law on energy efficiency and on renewable energy pricing that could pave the way for new private sector investments. The signing in July 2013 of a leasing agreement for a floating storage and re-gasification unit is another welcome development, which could facilitate the establishment of a Liquefied Natural Gas (LNG) terminal, thus reducing dependency on unreliable supplies of gas from Egypt.

As regards reforms in the area of social security, progress has been mixed. The Social Security Law enabling the establishment of a maternity and unemployment fund was adopted in January 2014, a welcome development as it makes the pension systems more sustainable over the long-term. It also makes the creation of the unemployment and maternity fund permanent. Furthermore, the authorities established in early 2013 a cash transfer system to compensate the most vulnerable population for the fuel price subsidy reform of 2012. Although this initiative lacked sufficient targeting (with more than 80%

of the total population being compensated), it represents a welcome development as it allows the elimination of a very costly fuel subsidy system (implying significant net savings for the budget) and is a step towards the strengthening of the relatively weak social safety net in Jordan. With financial support from the World-Bank-led Deauville Partnership Transition Fund, the authorities have progressed with the establishment of a national unified registry, which combines different databases and helps to classify households by a number of income and wealth indicators. This registry should eventually allow the authorities to improve the targeting of their social assistance programmes (including the programme set up to compensate for the removal of fuel subsidies).

In the area of investment, the government has made steps towards the implementation of the new Law on Public Private Partnerships (PPPs) that aims to align the regulatory framework with international best practices. An important development towards the improvement of the institutional and regulatory framework for investment was Jordan's adherence in 2013 to the OECD's Declaration on International Investment and Multinational Enterprises. However, progress with implementing the OECD recommendations, including through the adoption of the new Investment Law and of a series of relevant by-laws, has been slow. The new Investment law, which aims at simplifying the institutional framework for investment, streamlining investment incentives and facilitating access by foreign investors, was initially submitted to Parliament in September 2012, but was withdrawn and resubmitted in June 2013, following an inter-ministerial dispute on the issue of tax incentives. This law has not yet been adopted by the Parliament and some of its objectives can only be attained through amendments of relevant by-laws.

In 2013, Jordan made further progress in the preparation of a Deep Comprehensive Free Trade Area (DCFTA) with the EU, and a sustainability impact assessment will be carried out in 2014. Jordan already has a Free Trade Agreement with the EU. Jordan has made further progress in the preparation of an Agreement on Conformity Assessment and Acceptance of industrial products (ACAA) that would enable some Jordanian products (electrical products, toys, gas appliances and pressure equipment) to enter the EU market without additional technical controls. Nevertheless, negotiations are still to be launched.

In order to maintain a high growth rate in an unfavourable external environment, the authorities should build on the sustained pace of structural reforms and pursue an even more ambitious agenda to further improve the business environment and enhance competitiveness.

3.4. Implementation of macro-financial assistance

Following an official request for MFA in December 2012, the Commission adopted on 29 April 2013 a proposal for a decision providing MFA of up to EUR 180 million to Jordan in the form of a medium-term loan. The decision[6] was adopted by the Parliament and the Council on 11 December 2013. The Memorandum of Understanding listing the economic policy measures to be undertaken by the Jordanian authorities and the Loan Facility Agreement were signed on 18 March 2014. This assistance is meant to complement the funds provided by the IMF under the SBA and is envisaged to be disbursed in 2014 in two tranches, of EUR 100 million and EUR 80 million respectively. The disbursement of the first tranche will be conditional on the IMF programme being on track, whereas the disbursement of the second tranche will be also subject to the fulfilment of a set of agreed upon policy conditions. The MFA conditions aim to support

[6] Decision No 1351/2013/EU of the European Parliament and of the Council of 11 December 2013 on providing macro-financial assistance to the Hashemite Kingdom of Jordan (OJ L 341, 18.12.2013).

reforms in the areas of public finance management and taxation, social security, labour markets, investment and trade framework, and the energy sector.

As part of the preparations for this MFA operation, an operational assessment mission took place in Amman in April 2013 to assess the reliability of the country's financial and administrative circuits. The assessment covered the PFM areas of budget preparation, coverage and classification; budget execution; public internal financial control; external audit and Supreme Audit Institution; public procurement (central level); cash and public debt management; central bank of Jordan; and overall implementation of PFM reforms.

The assessment concluded that the PFM framework in Jordan is reasonably sound. However, a number of weaknesses remain, including in relation to the legislative framework. One area of with scope for improvement is that of budget planning and execution, where, despite the recent introduction of the Treasury Single Account (TSA), performance could be further enhanced. There is also a need to strengthen internal control in line ministries, including through increased training and staffing. In terms of debt management, the current medium-term strategy provides a strong foundation for the management of external and domestic debt. The operational assessment also stressed the need to review the Central Bank law.

Summary Status of Economic Reform - Jordan
1. Price liberalisation Prices are largely free but there are oligopolistic conditions in several economic sectors. Electricity tariffs and prices for some basic foodstuffs are still subjected to administrative controls.
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. Jordan is also one of the EU's partners countries, which could benefit from an agreement on a Deep Comprehensive Free Trade Area (DCFTA). Jordan is a member of both the Great Arabic Free Trade Area (GAFTA) and the Agadir Agreement and has also concluded FTAs with the US, Turkey, Syria, the European Free Trade Association (EFTA), and Singapore.
3. Exchange rate regime Since October 1995, Jordan has adopted the pegged exchange rate system, whereby the Jordanian Dinar is pegged to the U.S Dollar.
4. Foreign direct investment Despite Jordan's adherence to the OECD's Declaration on International Investment and Multinational Enterprises in 2013, a number of restrictions on foreign investment remain, notably in the sectors of telecommunications, transport, wholesale trade and retail, and construction. Jordan's overall scoring under the OECD's FDI Regulatory Restrictiveness Index is significantly higher than the average of countries having signed the declaration. There is a need to clarify, unify and improve the investment institutional framework, including through legislative amendments.
5. Monetary policy The mission of the Central Bank of Jordan is to ensure monetary and financial stability by (i) maintaining price stability, (ii) protecting the value of the Jordanian Dinar, and (iii) contributing to an attractive investment environment and a sound macroeconomic environment through an interest rate structure consistent with the level of economic activity in the country.
6. Public Finances and Taxation A draft Income Tax Law aimed to boost tax collections while increasing the progressivity of taxation has been submitted to Parliament, although its adoption has been delayed. Efforts to improve tax administration, including through the modernisation of the tax management system, have continued. A revised Audit Bureau law (which awaits approval by Parliament) represents another positive step in the area of PFM.
7. Privatisation and enterprise restructuring Privatization in Jordan started in 1986 in the aftermath of an economic crisis and has significantly progressed since. Direct state ownership nevertheless remains significant in the mining sector and in public utilities. 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 overall 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 limits the development of the domestic capital markets. At the same time, the adoption of an Islamic (Sukuk) Financing Law in 2012 marks a welcome change in the Jordanian financing industry and should enhance domestic liquidity.

4. THE KYRGYZ REPUBLIC

4.1. Executive summary

After a decline in GDP of 0.9% in 2012 due to a 40% contraction in gold production because of geological issues at Kumtor, the largest gold mine in the country, the economy rebounded in 2013. GDP growth is estimated to have reached 7.8% in 2013, driven by a rebound in gold production (and despite a 25% decline in the gold price in 2013) and a strong performance in the non-gold sector. Inflation remained under control in 2013, at an estimated 7.0%. The Government of the Kyrgyz Republic managed to slightly out-perform fiscal targets for 2013 with a fiscal deficit of 5.2% of GDP, thanks to stronger than expected growth and large imports, which led to better performance in VAT and income taxes. The current account deficit is also expected to narrow to 10.4% in 2013, helped by the recovery in gold output and lower food and fuel prices. External public debt slightly decreased to an estimated 44.6% of GDP by year-end 2013. The level of gross reserves declined to 3.3 months of imports from 3.7 one year before, as a result of increased imports. The Kyrgyz Republic is broadly on track with the ongoing IMF programme (Extended Credit Facility of USD 102.3 million, three year programme running from June 2011 until June 2014).

In the wake of ethnic and political violence which resulted in a sharp drop in economic activity and a sizable external financing gap, the EU pledged to support the recovery of the Kyrgyz Republic at an international donor conference in Bishkek in July 2010. This led to the adoption by the Commission of a proposal for a decision to provide to the Kyrgyz Republic MFA of up to EUR 30 million (EUR 15 million in loans and EUR 15 million in grants) on 20 December 2011. This exceptional MFA operation, i.e. outside the normal geographical scope of the MFA instrument, was justified by the strength of the pro-democratic political and economic reform momentum in the country and by its position in a region of economic and political importance for the EU. In parallel, the IMF agreed with the Kyrgyz authorities in June 2011 on a three-year programme supported by an ECF arrangement of USD 102.3 million. The adoption of the MFA decision finally took place in October 2013, after being delayed for two years by a procedural disagreement between the two co-legislators (see Section 4.4). Should the ongoing discussions on MFA documents be successful, both tranches could possibly be disbursed in 2014. However, the fact that the current IMF programme is expiring in June 2014 is increasing the risk that disbursement will not take place as planned

4.2. Macroeconomic performance

After a decline in GDP of 0.9% in 2012 due to a 40% contraction in gold production because of geological issues at Kumtor, the largest gold mine in the country, the economy rebounded in 2013. GDP growth is estimated to have reached 7.8% in 2013, driven by a rebound in gold production (and despite a 25% decline in the gold price in 2013) and a strong performance in the non-gold sector – in particular in the transport, retail trade and construction sectors. As a result of the continuously tight monetary policy conducted by the National Bank of the Kyrgyz Republic (NBKR), inflation remained under control in 2013 at an estimated 7.0%, slightly below the 7.5% recorded in 2012.

The Government of the Kyrgyz Republic managed to slightly out-perform fiscal targets for 2013 with a fiscal deficit estimated at 5.2% of GDP, thanks to stronger than expected growth and large imports, which led to better performance in VAT and income taxes. Besides, non-tax revenues from profits of state-owned enterprises were also stronger than expected.

The current account deficit is also estimated to have narrowed to 10.4% of GDP in 2013 from 15.3% the year before, helped by the recovery in gold output (partly mitigated by decreasing gold production) and lower food and fuel prices. External public debt slightly decreased from 46.8% of GDP at year-end 2012 to an estimated 44.6% of GDP at year-end 2013. The level of gross reserves declined to an estimated 3.3 months of imports at year-end 2013 from 3.7 one year before, as a result of increased imports.

In the banking sector, credit to the private sector increased by an estimated 36% year-on-year at end-September 2013. As a result of the strong credit expansion, capital adequacy and liquidity ratios have declined, but remain comfortable. The non-performing loans continued to fall, partly because of high credit growth, and represented 5.9% of total loans in June 2013.

As regards the outlook for 2014, GDP growth, even though strong, is projected to decrease to 6.5% in 2014, as a consequence of the economic slowdown in Russia and the ensuing lower remittances (remittances account for about 30% of GDP, and 95% of them are from Russia) and, to a lesser degree, lower trade revenues (exports to Russia account for about 13% of total exports). Besides, the Kyrgyz economy remains vulnerable to uncertainty on the gold production created by the ongoing Kyrgyz authorities' dispute with Centerra on Kumtor, the largest gold mine in the country. The current account deficit is expected to widen to 15.7% of GDP in 2014, as a result of significant imports of equipment necessary for large public and private infrastructure projects (construction of a hydro-power dam, a thermal power plant, a north-south highway and a gas pipeline from Turkmenistan to China), which are largely expected to be financed through concessional loans for public investment programs and FDI.

The financing gap of the Kyrgyz Republic (estimated at USD 130.7 million) was covered in 2013 by budget support from the EU, the World Bank and others, and IMF ECF disbursements. As regards 2014, the financing gap is forecast to reach USD 139.3 million. Some recurring funding from the US will be discontinued with the closure in June 2014 of the Manas logistical airbase used by the US for its operations in Afghanistan (USD 120 million yearly rent for the airbase, plus about USD 60 million of associated services).

The Kyrgyz Republic is broadly on track with the ongoing IMF programme (Extended Credit Facility of USD 102.3 million, three year programme running from June 2011 until June 2014). The programme is foreseen to be completed successfully in June 2014.

4.3. Structural reforms

Political uncertainty arose from the breakup of the coalition government in August 2012. However, the new government quickly endorsed the ongoing essential structural reforms, continuing the Kyrgyz authorities' efforts to improve the business climate to become one of the most advanced countries in Central Asia in terms of economic reforms. The 2013 World Bank Doing Business report ranked the Kyrgyz Republic at the 68th place out of 189 with regard to the ease of doing business (an improvement of two places from the ranking of 2012), while the regional average of Eastern Europe and Central Asia stood at 71. However, the Kyrgyz Republic still faces serious structural weaknesses, in particular in the areas of cross border trading, taxes' collection, access to the reliable and affordable electricity and insolvency resolution. Further efforts are also necessary to fight corruption.

The political events of 2010 hindered progress in public finance management (PFM) reforms, but this situation has been reversed. One of the main weaknesses in PFM is the system of external audit, an area which requires longer term support in the form of capacity building. The Law on the Chamber of Accounts (supreme audit institution) is broadly adequate but the capacity of this institution needs to be developed. The Commission is considering providing technical assistance in this area. The Kyrgyz government is also finalizing a "Procurement Law", which aims at strengthening public procurement practices, another source of concern. A significant PFM improvement in 2013 was the fact that the tax policy unit was transferred back to the Ministry of Finance, which ensures that all strategic fiscal policy matters are under the responsibility of the same Ministry.

Kyrgyzstan is a member of the WTO and is a very open economy, with a trade-to-GDP ratio of about 140%. The bulk of its exports goes to Russia (about 13% of its exports in 2012) and other CIS countries (39% of exports), and in particular Kazakhstan and Uzbekistan. As regards imports, the largest trading partners are Russia (about 33% of total imports in 2012, of which 40% is fuel) and China (22% of total imports). In October 2011, Kyrgyzstan applied for membership of a trilateral customs union (CU) between Russia, Kazakstan and Belarus. The main benefits Kyrgyzstan could obtain from entering this CU, apart from possible foreign policy considerations, are to preserve the supply of oil and gas from Russia and Kazakhstan at favourable prices and to limit the risk of disruptions in trade flows with those important trading partners. Joigning the CU would however entail a number of significant costs. First, it could jeopardize the Kyrgyz relationship with the WTO, since the CU has a relatively high Common External Tariff (CET). What is more, a high CET would diminish Kyrgyzstan's ability to import and re-export inexpensive Chinese goods (the Kyrgyz Republic is the main re-exporter of Chinese goods to CIS countries), restricting the important transit trade with China, which provides employment to thousands of people in Kyrgyzstan.

The banking system was severely affected by the crisis. In April 2010, seven banks were put under temporary administration. Subsequently, two banks were released from temporary administration, four were placed under conservatorship and the biggest one - Asia Universal Bank - was nationalised and separated into a "bad bank" and a "good bank" (called Zalkar Bank). After several failed attempts, the Kyrgyz authorities finally managed to privatise the Zalkar Bank in late 2013. The banking crisis also revealed deficiencies in the resolution powers of the NBKR, and its exposure to interference by the government and the courts. Consequently, banking regulations are being amended and upgraded to a Banking Code (submitted to the Kyrgyz parliament in September 2013), to strengthen the NBKR's supervision, early intervention and resolution powers and to guarantee its independence. Overall, the domestic financial sector remains underdeveloped, governance remains weak, lending interest rates are high and a significant part of loans and deposits are denominated in foreign currency.

4.4. Implementation of macro-financial assistance

The sharp drop in economic growth and the worsening of the external position in 2010, which were caused by the above described external shocks and internal political and ethnic conflicts, led to a sizable external financing gap. In an international donor conference in July 2010, the EU pledged to support the country's recovery. In June 2011, the IMF agreed with the Kyrgyz authorities on a three-year programme to be supported by an ECF of USD 102.3 million. The Kyrgyz government requested MFA support from the EU in October 2010, asking for a grant in the order of EUR 30 million to cover part of the external financing gap. On 20 December 2011, the Commission submitted to the European Parliament and to the Council a proposal for a decision to provide MFA to the Kyrgyz Republic, consisting for EUR 15 million of loans and for EUR 15 million of grants. Besides covering part of the external financing gap, this exceptional MFA operation, i.e. outside the normal geographical scope of the MFA instrument, was justified by the strength of the pro-democratic political and economic reform momentum in the country and by its position in a region of economic and political importance for the EU.

In order to ensure that the Kyrgyz public finance management system provided sufficient safeguards for the provision of MFA, the Commission undertook an Operational Assessment (OA) of the Kyrgyz financial circuits and procedures in June 2012. The OA mission concluded that, despite weaknesses in internal and external audit and the need for further improvements in several other areas, the Public Finance Management system in the Kyrgyz Republic was sufficiently solid to provide reasonable assurance about the use of MFA funds.

However, the adoption of the MFA decision was delayed by a disagreement between the two co-legislators (European Parliament and Council) over the procedure to be used for the adoption of the Memorandum of Understanding (MoU), which lays down the economic policy measures to be undertaken by the country benefiting from the MFA. A compromise solution was finally found in the context of the negotiations on the MFA Framework Regulation and the conciliation procedure for the MFA decision for Georgia, and the decision providing MFA to the Kyrgyz Republic was finally adopted on 22 October 2013[7].

The Commission is now finalizing with the Kyrgyz authorities the MFA-related documents (MoU, Loan Facility Agreement and Grant Agreement). This process took longer than usual as certain legal issues had to be addressed. The disbursement of MFA funds will be conditional on the satisfactory implementation of the MoU conditions. These conditions are expected to focus on PFM reforms, as well as measures in the banking sector, in the investment and business environment and on trade policy.

Subject to an agreement with the Kyrgyz authorities on the MFA-related documents (MoU, Loan Facility Agreement, Grant Agreement), MFA funds could be disbursed in 2014. However, the fact that the current IMF programme is expiring in June 2014 is increasing the risk that disbursement will not take place as planned.

[7] Decision No 1025/2013/EU of the European Parliament and of the Council of 22 October 2013 providing macro-financial assistance to the Kyrgyz Republic (OJ L 283, 25.10.2013).

SUMMARY STATUS OF ECONOMIC REFORM - KYRGYZ REPUBLIC
1. **Price liberalisation** Most prices are liberalised while administered prices are maintained for some utilities.
2. **Trade liberalisation** The Kyrgyz Republic is a member of the WTO since 1998 and is a very open economy, with a trade-to-GDP ratio of about 140%. The bulk of its non-gold exports goes to Kazakhstan and Russia – which are members of a trilateral customs union (CU), that also includes Belarus. In April 2011, the Kyrgyz Republic applied for membership of this CU. However, entering the CU may clash with some of the Kyrgyz Republic's WTO commitments, since the CU currently has a relatively higher Common External Tariff (CET).
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 in case of substantial pressures or shocks, while aiming at maintaining a competitive exchange rate. The NBKR will continue to refrain from intervening in the foreign exchange market, except in case of excessive volatility (which happened once in 2013).
4. **Foreign direct investment** FDI and other private capital inflows were negatively affected by the global recession, but started to recover in 2010. They are expected to significantly increase over the period 2014-2017, as a result of large infrastructure projects foreseen to be mostly financed through concessional loans for public investment programs and FDI.
5. **Monetary policy** The main objective of the NBKR is to guarantee price stability, while maintaining the purchasing power of the national currency. The NBKR continued to maintain a tight monetary policy stance in 2013, in order to keep a single-digit inflation.
6. **Public finances** The IMF programme assumes additional efforts of fiscal consolidation for the rest of the programme period, with the fiscal deficit targeted to further decline to 4.1% of GDP in 2014. Revenues are expected to benefit from improved tax collection and administration, while public sector reforms are foreseen to result in lower expenditures..
7. **Privatisation and enterprise restructuring** The political change in 2010 led to the reversal of some privatisation deals in the energy and telecommunication sectors, made under the previous regime, due to allegations of nepotism and corruption. In 2011, government initiated privatisation in telecommunication and banking sectors. In the banking sector, after several failed attempts, the Kyrgyz authorities finally managed to privatise the large Zalkar Bank in late 2013.
8. **Financial sector reform** The banking crisis in 2010 revealed deficiencies in the resolution powers and degree of independence of the NBKR. Consequently, banking regulations have been amended and upgraded to a Banking Code (submitted to the Parliament in September 2013), which strengthen the NBKR’s early intervention and resolution powers.

5. TUNISIA

5.1. Executive summary

The Tunisian economy has been negatively affected by the domestic unrest that followed the 2011 revolution, regional instability (notably the war in Libya), and a weak international environment, particularly in the euro area, with which Tunisia maintains strong trade and financial links. The economy experienced a recession in 2011 and, despite the moderate economic recovery witnessed in 2012, when tourism and FDI rebounded and economic activity picked up, the macroeconomic situation has worsened in 2013 and remains very vulnerable. In particular, the fiscal and balance of payments situations have deteriorated quite markedly, generating important financing needs. A number of structural reforms would need to be addressed by the authorities, particularly in the financial sector, tax reform, reduction of the subsidies' bill and the introduction of social safety nets, all of which are proceeding slower than anticipated

Against this background, the Tunisian authorities reached in mid-April 2013 an agreement with the International Monetary Fund (IMF) on a 24-month Stand-By Arrangement (SBA) in the amount of USD 1.75 billion, which was approved by the IMF Board on June 2013. In this context, the Tunisian government requested MFA from the EU in the amount of EUR 500 million in August 2013. In response, on 5 December the Commission adopted a proposal for a decision granting a MFA to Tunisia for up to EUR 250 million, in the form of a loan to be disbursed in three tranches during 2014 and the first half of 2015. After discussions in the Parliament and Council, the amount was increased to EUR 300 million and the decision was adopted by the co-legislators in May 2014.

5.2. Macroeconomic performance

In 2013, the continuation of the political crisis and governmental stalemate through the end of the year, combined with a bad cereal harvest and weak external demand, had a strong impact on real GDP growth, which is expected to be limited to 2.6%, against an initial IMF programme projection of 4%. While inflation has remained relatively stable compared to 2012, finishing 2013 at 6%, end-year inflationary pressures (particularly in food and beverages) and the weakening of the currency led the central bank to increase its reference interest rate by 50 bps to 4.5% on 25 December 2013.

The latest estimates pointed towards a fiscal deficit of 8.8% of GDP in 2013, much higher than the 7.3% originally estimated under the IMF programme. However, the deferral of payments worth up to 3% of GDP and significant under-implementation of the capital expenditure budget allowed the government to reduce the deficit to 6.2% of GDP, based on estimates produced by the IMF in the context of the 1st and 2nd programme reviews (published in February 2014). The budget for 2014, approved by the parliament on 30 December 2013, aims at reducing the deficit to 6.9% of GDP. However, it is based on relatively optimistic assumptions for GDP. Besides, some of the planned measures whose impact was reflected in the budget (notably the introduction of a tax on motor vehicles) have been subsequently scrapped under the pressure of some affected social groups.

The general government debt increased moderately to 45% of GDP in 2013. It is projected to increase markedly to 51.7% of GDP by the end of 2014 and to peak at 54.1% of GDP in 2016, before reversing the trend. Debt service remains at a manageable 6.5% of total budget expenditures, or 1.9% of GDP.

On the external side, at about 8.2% of GDP, the current account deficit is estimated to have significantly exceeded the amount initially projected by the IMF for 2013 (7.5% of

GDP), mainly due to the widening of the trade deficit as exports were restrained by sluggish demand in the EU, which takes almost 70% of Tunisia's exports. In addition, tourism and worker remittances remained weaker than expected (1.7% and 4.1% year on year growth, respectively). Regarding net foreign direct investment (FDI), following a 68% decrease after the 2011 revolution, it picked up in 2012 to reach USD 1.7 billion, 35% above 2010 levels, before dropping in 2013 by 42% (to USD 1 billion) mainly due to the domestic political turmoil.

All this was combined with a substantial shortfall in external official financing in 2013. The cancellation of the USD 500 million loan initially envisaged by the African Development Bank (due to its concerns over exposure to the Northern African region) and the postponement of the planned issuance of USD 1 billion in Sukuk bonds must be added to the decision of the IMF to delay the USD 500 million disbursement related to the 1st and 2nd reviews of the IMF programme, and the decision by the World Bank to delay the disbursement of their USD 250 million Development Policy Loan. On the other hand, Qatar provided in December 2013 official financing of USD 500 million as balance of payments' support in the form of a deposit at the Tunisian central bank. Against this backdrop, authorities reduced their stock of government deposits at the central bank from about 6% of GDP at end-2012 to an estimated 2.3% of GDP by end-2013.

In this context, reserves are estimated to have ended 2013 close to USD 6.8 billion, at barely 3 months of imports, which compares to an initial target of USD 9.0 billion under the IMF programme, and the Tunisian Dinar (TND) has depreciated by around 10% against the euro in 2013, despite the central bank's efforts to contain the slide.

Moreover, a substantial portion of the residual external financing gap for 2014 and 2015 remains to be covered (even taking into account the fact that some disbursements are being shifted from 2013 to 2014), and the identified sources of financing or their precise size remain to be confirmed (i.e.: issuance of Sukuk bonds, Samurai and US bond guarantees).

5.3. Structural reforms

The 2011 crisis had a negative impact on a number of key banks, notably the public ones, (more exposed to the hard-hit tourism sector), which suffered a deterioration in the quality of their asset portfolio. In response, the central bank relaxed its regulatory requirements to allow banks to reschedule loans for companies affected by the recession and injected large amount of liquidity in the banking system. As a result, most banks became heavily dependent on central bank’s refinancing. A key objective of the IMF programme is to address these vulnerabilities in the banking sector. The reforms are however facing delays, and there are discrepancies regarding the extent of the recapitalisation needs. The financial, social and institutional audits of the three major public banks (BNA, BH, and STB) have been significantly delayed and are now expected to be finalised in March 2014. These three banks account for about 40% of total banking system assets, are hampered by weak lending practices and governance problems, and were severely impacted by the economic distress that followed the revolution. The strategic decision on what to do with these banks has also been postponed until after the audits are finalised.

Preparations for the creation of an Asset Management Company (AMC) to take over banks' non-performing loans (NPLs), particularly from the tourist sector, are on-going, but additional discussions are needed and the IMF is considering including it as a structural benchmark. Out of 21 commercial banks, 15 are significantly exposed to the tourism sector, with one main state-owned bank (STB) being by far the largest holder of NPLs in this sector. The importance of NPLs to the tourist sector results from a period of over-lending and over-construction that was followed by the exhaustion of a model based on low-cost, tourist operator stays, as well as from the negative effect of political instability and insecurity (including occasional terrorist attacks on tourist resorts) on the sector. The AMC would purchase the bad loans from the banks at a significant discount in exchange for government-guaranteed bonds redeemable at the end of the AMC life-span (estimated at 8-10 years).

Progress with the reform of the strongly regressive price subsidy system has also been limited, as it follows a gradual, piece-meal approach and lacks for now a clear plan to create a parallel compensatory safety net structure. The IMF programme structural benchmarks related to this crucial reform have not been met yet, in particular the introduction of compensatory social safety nets, which has now been delayed to end-March 2014. The Deauville Partnership Transition Fund has approved in October 2013 a USD 4.7 million project to help Tunisia develop a unified registry system of potential beneficiaries, which is essential to be able to put in place a targeted cash transfer programme to compensate poor households for the elimination of energy subsidies.

The reform of the tax system has advanced in some areas, but a comprehensive overhaul has been postponed to 2014. In line with the new investment code approved by Cabinet in November 2013, a major tax reform is the reduction of the onshore corporate tax from 30% to 25%, as well as the increase of the offshore tax to 10% from 0%, with the objective of reducing the current disparity in the tax treatment of the two sectors. The reform of the income tax, which aims at reducing the number of tax exemptions and the system's generally regressive nature, has so far been limited. Among the reform measures the authorities have already introduced in the 2014 Budget Law are; an increase in the minimum threshold under the personal income tax from 2.500 TND to 5.000 TND; a 2-year surcharge tax of 1% on incomes exceeding 20.000 TND; the taxation of dividends under the personal income tax; a temporary tax on high-end vehicles (which was later dropped in January 2014 amid social protests) and a sharp limit on tax transactions to curb corruption and tax evasion. Participatory working groups have been set up since June 2013 with a view to developing a comprehensive revision of the tax system in 2014, but not to be implemented before 2015.

Other economic reforms are slowly progressing with donor support. A new Investment Code has been submitted to Parliament following a participatory consultation approach. Nevertheless, the Code does address important imbalances in the current sectorial dichotomy of the economy and helps to lay the ground for additional reforms. A decree reforming public procurement procedures was proposed in November 2013 (but has been delayed for approval until April 2014), as was another one addressing the governance of State-owned banks. While both seem to go in the right direction, they fall short of proposing a comprehensive set of reforms, following rather a gradual incremental approach. A new Competition Law and a Bankruptcy Law are also being prepared.

5.4. Implementation of macro-financial assistance

Following the adoption by the Commission on 5 December 2013 of a proposal for a decision granting MFA to Tunisia of EUR 250 million, the co-legislators have decided, in agreement with the Commission, to amend the Commission's proposal to increase the assistance to EUR 300 million. The decision was approved in May 2014.

In parallel, DG ECFIN staff has launched negotiations (February 2014) with the Tunisian authorities on the Memorandum of Understanding, which lays down the economic policy conditions to the disbursement of the second and third tranches of MFA funds. These negotiations are expected to conclude shortly after the signature of the decision.

SUMMARY 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 July 1995. Tariff dismantling under the Agreement was completed in 2008.
3. Exchange rate regime The CBT changed its exchange rate policy operational framework in 2012 to make the rate more flexible. However, the Tunisia Dinar is not fully convertible as there are limitations for convertibility for capital account transactions.
4. Foreign direct investment Since 1972, FDI has benefited from the introduction of an offshore regime, offering incentives to exporting enterprises. This regime was reinforced by the promulgation of the Investment Incentives Code. This approach has, however, shown its limitations over the last decade, as the favourable treatment accorded to the offshore sector has come at the expense of other sectors subject to much heavier restrictions in 1993.
5. Monetary policy The Central Bank of Tunisia's (CBT) mandate is to ensure price stability and inflation. It is an independent institution although since the revolution the new Government has prioritised a review of legislation and regulations to strengthen its independence and good governance. It acts as regulator and supervisor of the financial sector; both functions are being currently strengthened under the IMF programme, and thanks to EU and World Bank support.
6. Public finances and taxation Central government expenditure made up nearly 29.5% of GDP in 2013. Nearly 42% of this was expenditure on wages and salaries. Transfers and subsidies represented around 7% of GDP, of which the bulk are energy subsidies totalling 4.7% of GDP. The remainder is composed of food (1.8% of GDP) and transport subsidies (0.4% of GDP). Both the subsidy system and the current complex and regressive tax system are undergoing a reform overhaul as part of the ongoing IMF programme which should be detailed and approved throughout 2014.
7. Privatisation and enterprise restructuring Following the 2011 revolution, privatisation has grinded to a halt as it is mainly associated with questionable practices and processes of the ancient regime. A process of repossession and sale of assets belonging to the previous ruling elite continues underway.
8. Financial sector The country's three public banks represent 40% of total banking system assets, and they are hampered by weak lending practices, governance issues and an excessive exposure to a tourism sector that has been severely impacted since the revolution. All this has increased vulnerabilities in the sector. An IMF/World Bank Financial System Stability Assessment carried out in 2012 alerted that the banking system had recapitalisation needs of around 2% of GDP, although authorities are confident the needs are barely half that figure and have therefore taken limited remedial action. Under the IMF programme, a number of structural benchmarks address a gradual reform process to improve the overall quality and stability of the larger financial sector.

6. UKRAINE

6.1. Executive summary

Ukraine is suffering from serious macroeconomic imbalances and the on-going political turmoil is increasing the risks to the economy. After five consecutive quarters of decline, real GDP grew by 3.3% year-on-year in the last quarter of 2013, leading to a flat growth for the year. Inflation entered a negative territory, at -0.2% in 2013 and the fiscal deficit increased to 6.5% of GDP. While the overall public debt level looked manageable by international standards (41% of GDP in 2013), Ukraine faced a peak of debt repayments in 2013 and was faced with the challenge of rolling over its debt at sustainable interest rates, until the authorities received USD 3 billion in financial support from Russia in December. The current account continued to deteriorate to an estimated deficit of 9.25% of GDP on account of decreased exports. Official reserves declined to only 2 months of next year's imports by end-February 2014, as a result of the large current account deficit, pressure on the hryvnia and significant debt repayments in the last quarter of 2013. In the first months of 2014, the economic situation deteriorated further as a result of the acute political crisis. GDP is estimated to have contracted by 3%-4% year-on-year in January and February 2014 and inflation picked up due to a significant hryvnia depreciation.

In July 2010, against the backdrop of a persistent external financing gap and in order to support the economic reform process in the country, the European Parliament and the Council adopted a decision providing MFA of up to EUR 500 million to Ukraine, in the form of loans. In combination with the EUR 110 million still available from the MFA decision adopted in 2002, this created an MFA package of up to EUR 610 million in loans, to be disbursed in three tranches. This programme was not implemented in 2013 as one of the key conditions – an IMF arrangement being in place – was not met. Indeed, after the expiration of the previous USD 15.4 billion SBA in December 2012, the Ukrainian authorities failed to negotiate a successor IMF programme. However, the preparation for the implementation of the MFA continued in 2013. The Memorandum of Understanding (MoU) laying down the policy conditions for the disbursement of the assistance and the Loan Agreement (LA) were signed in March 2013. In March 2014 they were also ratified by the Ukrainian Parliament.

In light of the political developments of early 2014 and the further deterioration of Ukraine's balance-of-payments situation, a new MFA operation for Ukraine was approved by the Council under the urgency procedure (article 213 TFEU) in April 2014. The new programme consists of a loan of up to EUR 1 billion. Its disbursement is conditional on an IMF arrangement being in place and on the implementation of a number of policy conditions agreed upon in a Memorandum of Understanding that was negotiated with the Ukrainian authorities in April and is foreseen to be signed and ratified by the Ukrainian parliament in May. The IMF Board approved a 24-month Stand-By Arrangement for Ukraine in April 2014 of up to USD 17 billion, essentially allowing to start disbursing both the 2002/2010 MFA operation and the 2014 MFA operation.

6.2. Macroeconomic performance

GDP growth in Ukraine decelerated to 0% in 2013 after a marginal increase of 0.2% in 2012. The slowdown was mainly a result of a bad harvest, declining steel exports and delayed domestic reforms. Following five consecutive quarters of decline, real GDP grew by 3.3% year-on-year in the last quarter of 2013. However, the on-going political turmoil is derailing the apparent incipient recovery. Due to serious political and security tensions, growth slowed down markedly in early 2014, to an estimated -3% to -4% year-on-year in January and February.

Inflation remained low throughout 2013. After declining significantly from 8.0% in 2011 to only 0.6% in 2012, it stayed almost flat (-0.2%) in 2013, held down by decreasing food prices and the tight monetary policy run by the central bank in an attempt to limit pressures on the exchange rate. This trend was reversed in early 2014, when inflation picked up at the beginning of the year as a result of hryvnia depreciation. Price dynamics in 2014 will depend on possible increases in gas tariffs, related to IMF programme conditionality, and on whether the national bank's focus will shift to inflation targeting in the medium term.

The fiscal situation deteriorated further in 2013. The general government deficit, including the operational deficit of the state-owned natural gas importer Naftogaz, was equal to 6.5% of GDP in 2013 resulting from generous energy subsidies (7% of GDP) and the economic slowdown. Naftogas' deficit reached about 2% of GDP in 2013, and will continue to remain at similarly high levels until the government implements gas price increases. The public debt ratio has increased significantly in recent years, to approximately 41% of GDP at the end of 2013 from only 12% of GDP in 2007.

The current account also continued to deteriorate in 2013 to an estimated deficit of over 9% of GDP (compared to 8.1% of GDP in 2012), as a result of decreased exports due to weak external demand and impaired competitiveness. Ukraine deliberately counteracted this trend by lowering gas imports and by introducing car import duties. Net FDI is estimated to have dropped further from 5.0% of GDP in 2012 to 2.6% of GDP in 2013 due to the unfavourable business environment and political uncertainty. External debt is estimated to have remained elevated at 76.7% of GDP in 2013. Official reserves declined by 16% to USD 20.4 billion in the course of 2013, as a result of the large current account deficit, pressure on the hryvnia and significant debt repayments in the last quarter of 2013. This negative trend continued in 2014 when reserves dropped further to only USD 15.5 billion at end-February (about 2 months of next year's import cover). The hryvnia depreciated by 25% in February 2014 compared to the official exchange rate, in spite of the capital control measures introduced by the central bank. The banking sector remains stable and solvent at the moment, but further significant devaluation of the hryvnia could impose a great risk to its stability due to portfolio and capital base deterioration.

6.3. Structural reforms

Ukraine's achievements in the implementation of structural reforms remained below expectations in 2013. Despite the ambitious President's Reform Programme for 2010-2014 and the "Programme to Accelerate Economic Develeopment" 2013-2014, the investment climate deteriorated further. These challenges are reflected in Ukraine's low ratings, by regional comparison, in a number of comparative studies, including the Transparency International Corruption Perceptions Index (144^{th} out of 177), the Economic Freedom Index (Heritage Foundation, 155^{th} out of 178) and the Press Freedom Index (Reporters Without Borders, 127^{th} out of 180). While Ukraine improved markedly in World Bank's "Doing Business 2014" report (jump from 137^{th} in 2013 to 112^{th} place in 2014), mainly in the areas of dealing with construction permits and registering property, it sank nine places in the global competitivness index (from 73^{rd} in 2013 to 84^{th} place in 2014) as the business climate continued to suffer from red tape, corruption and a poor legislative environment.

In the area of public finance management, the progress has not been satisfactory. Positively, a reworked Public Finance Management Strategy and an accompanying Action Plan were approved in October 2013 and the procedure for a constitutional amendment expanding the remit of the Accounting Chamber of Ukraine (ACU) to audit the revenue side of the budget was initiated. However, the implementation of the new public procurement law adopted in July 2010 has been unsatisfactory – in the past two years, the framework for public procurement became even less transparent, as the number of exemptions from the public procurement law further increased. More work also needs to be done to create an effective system of public internal financial control and to improve the budgeting system.

As regards the fight against corruption, a national anticorruption strategy was adopted in 2011. However, anti-corruption legislation is still not in line with European and international standards, and Ukraine continues to lack an independent anti-corruption body. Regarding the tax policy, in August 2013, Ukraine amended the Tax Code Law to allow the government to reintroduce the use of promissory notes to make VAT refund payments. This intention was confirmed in December 2013 when the 2014 Budget Law was submitted to the parliament including provisions for issuing promissory notes for this purpose. This decision runs contrary to the conditionality of the MoU associated with the EUR 610 million MFA operation.

Progress in reforming the energy sector was also insufficient in 2013. Ukraine's energy sector is dominated by large state-owned operators, most notably oil and gas monopolist Naftogaz. This entails significant problems of governance and transparency, with grave repercussions for the state budget and the economy as a whole due to heavy government spending on subsidies (7% of GDP) and the non-market pricing policies of Naftogaz (selling natural gas to households and utilities at prices which are significantly below cost-recovery levels). Gas tariff reform will be a major challenge in 2014.

Although, prima facie, the banking sector is still considered stable and solvent at the time of writing this report, it is vulnerable to a further deterioration of the political and economic situation in the country. In the first two months of 2014, the deposit base fell by some 10%. Non-performing loans (NPLs) were high at 13% of total gross loans at the end of 2013 and are posing a great risk to the financial system, also in light of the recent hryvnia depreciation. Other challenges weighing on the banking system are the weak legal framework, the high level of fragmentation (180 banks), the lack of stable long-term funding, and the high exposure of banks to the volatile real estate/construction and retail sectors. Regarding banking supervision, despite recent improvements, significant weaknesses persist. Although the national bank is regularly conducting stress tests, there is a need to do a more thorough asset quality review and introduce International Financial Reporting Standards.

In 2011, Ukraine concluded the negotiations with the EU on an Association Agreement, including a Deep and Comprehensive Free Trade Area (DCFTA). The Agreement was initialled in 2012 and was expected to be signed at the November 2013 Eastern Partnership Vilnius Summit. However, shortly before the Summit preparations for signature were suspended by the government. Following the change of government in February 2014, Ukraine and the EU signed the political part of the Association Agreement on 21 March 2014. The remaining part of the Agreement, and notably the economic part (including the DCFTA), is foreseen to be signed separately, after the presidential elections scheduled on 25 May 2014. In order to support the Ukrainian economy the EU is unilaterally applying autonomous trade measures since April 2014. These measures, which grant to Ukraine the same benefits as the DFCTA, notably by giving to Ukraine preferential access to the EU market, will expire, at the latest, on 1 November 2014.

6.4. Implementation of macro-financial assistance

In July 2010, against the backdrop of a persistent external financing gap and in order to support the economic reform process in the country, the European Parliament and the Council adopted a decision providing MFA of up to EUR 500 million to Ukraine[8]. In combination with the EUR 110 million still available from the Council decision adopted in 2002[9], this translated into an MFA package of up to EUR 610 million in loans, to be disbursed in three tranches. The Memorandum of Understanding (MoU) laying down the policy conditions for the disbursement of the assistance and the Loan Agreement (LA) were signed in March 2013 after lengthy negotiations. The two documents were eventually ratified by the Ukrainian Parliament in March 2014.

However, the programme could not be implemented in 2013 and in the first months of 2014 as one of the key conditions for it – an IMF arrangement being in place – was not met after the expiration of the previous USD 15.4 billion SBA in December 2012 (which was not fully implemented).

In addition to the existence of a disbursing IMF programme, the release of the assistance, notably of the second and third tranches, of EUR 260 million and 250 million respectively, are subject to the fulfilment of a number of policy conditions laid down in the MoU, which fall into four thematic areas: public finance management (PFM); trade and taxation; energy; and financial sector reform.

Within the broad area of PFM, the focus is on internal and external financial control, the fight against corruption, as well as public procurement and external audit. In particular, the Ukraine's Accounting Chamber (ACU) should be given the authority to audit government revenue, including local governments, extra-budgetary funds and state-owned enterprises.

The issue of the substantial arrears accumulated on VAT refunds is closely related to PFM. The MoU stipulates that these arrears, which hurt the affected exporters and contribute to weaken the overall investment climate, should be eliminated, while improvements in tax administration should prevent a recurrence of the problem in the future. The MoU conditions also commit the Ukrainian authorities to clearing any arrears on VAT refunds either in cash or by netting them out against obligations of the tax payers, thus avoiding their unorthodox clearance through the issuance of VAT bonds, as was done in 2010.

As noted, the energy sector reform was stalled in 2013. The MoU refers to Ukraine's commitment to fully implement the EU Directive 2004/55, which foresees the unbundling of the production, transport and delivery segments of the gas sector. Although progress on unbundeling has been uneven, the EU and the World Bank are in close contact with the Ukrainian authorities regarding the reform of Naftogaz, Ukraine's oil and gas monopolist. Moreover, the MoU contains conditions related to the payment discipline of utility consumers and the targetting of subsidies in the energy sector, neither of which has seen any progress so far.

In light of the political developments of early 2014 and of the deterioration of Ukraine's balance-of-payments situation, a proposal for a new MFA operation in favour of Ukraine, of up to EUR 1 billion in loans was approved by the Council in April 2014[10]. The new

---

8 Decision No 646/2010/EU of the European Parliament and of the Council providing macro-financial assistance to Ukraine (OJ L 179, 14.7.2010).

9 Council Decision 2002/639/EC of 12 July 2002 providing supplementary macro-financial assistance to Ukraine (OJ L 209, 6.8.2002).

10 Council Decision No 2014/215/EU of 14 April 2014 providing macro-financial assistance to to Ukraine (OJ L 111, 14.4.2014).

programme consists of a loan of up to EUR 1 billion to be disbursed in two tranches of EUR 500 million each. The first tranche is conditional only on an IMF arrangement being in place, while the second tranche depends on the implementation of a number of policy conditions agreed upon in a Memorandum of Understanding that was negotiated with the Ukrainian authorities in April and is foreseen to be signed and ratified by the Ukrainian parliament in May. The conditionality of this second MFA programme relate to the same four sectors as those linked to the 2002/2010 MFA programme, namely public finance management (PFM); trade and taxation; energy; and financial sector reform.

The IMF Board approved a 24-month Stand-By Arrangement for Ukraine in April 2014 of up to USD 17 billion, essentially unlocking the first tranches of both the 2002/2010 MFA operation and the 2014 MFA operation. Disbursements are pending.

SUMMARY STATUS OF ECONOMIC REFORM - UKRAINE
1. **Price liberalisation** Most prices are free, but regulated prices prevail for some utilities, notably gas, and in some other areas, including agricultural products and medicines (so called socially-sensitive goods).
2. **Trade liberalisation** Ukraine joined the WTO in May 2008. However, export duties and quotas for individual products remain in force, and often create an uneven playing field and opportunities for rent-seeking, notably in the agricultural sector. Technical and administrative barriers to trade remain an obstacle for importers. Negotiations on a Association Agreement (AA), including a Deep and Comprehensive Free Trade Area (DCFTA) with the EU were concluded in 2011.The political part of the AA was signed in March while the remaining chapters, including provisions on the DCFTA are foreseen to be signed after the presidential elections. The EU is unilaterally applying autonomous trade measures since April 2014, which give the same benefits to Ukraine as the DFCTA and which will expire, at the latest, on 1 November 2014.
3. **Exchange rate regime** In 2013 the National Bank of Ukraine (NBU) sustained the de-facto peg of the hryvnia against the US dollar, maintaining an exchange rate close to UAH 8 per USD throughout 2013. In February 2014, the NBU suspended the peg and the hryvnia depreciated significantly (more than 20% in February 2014). In agreement with the IMF, the NBU is now pursuing a policy of non-intervention, except in the case of significant exchange rate movements.
4. **Foreign direct investment** FDI-related flows are largely liberalised. Some sectors, however, remain closed to foreign ownership, i.e. the gas transmission system and the agricultural land market.
5. **Monetary policy** The National Bank of Ukraine is responsible for controlling the domestic money supply. In order to stabilize the exchange rate, the NBU implemented a tight monetary policy throughout 2013.
6. **Public finances** General government expenditure made up an estimated 51% of GDP in 2013. Nearly three-quarters of Ukraine's government expenditure go towards wages and social transfers. Domestic gas prices for households and utilities are kept at an artificially low level of about 20-30% of cost recovery level, which results in a higher fiscal deficit. Ukraine still needs to implement key reforms in the public finance management sector, including in the areas of public procurement, public internal financial control, external audit and VAT refunds.
7. **Privatisation and enterprise restructuring** State-owned companies, which are insufficiently controlled and not subject to external audit by the Supreme Audit Institution, continue to dominate certain sectors, in particular utilities.
8. **Financial sector reform** At the end of 2013, 180 banks were operating in Ukraine, including 19 foreign-owned banks. Consolidation and recapitalisation of the banking sector remain key priorities for Ukraine. The amount of non-performing loans remains high (13% of total gross loans at the end of 2013).

ANNEXES

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

Status of effective disbursements as of end-December 2013 (in millions of €)

Country	Authorisations: Date of Decision	Authorisations: Reference of Decision	Authorisations: Maximum amount	Disbursements: Dates of disbursements	Disbursements: Amounts of disbursements	Disbursements: Totals disbursed	Undisbursed
Hungary I (Loan)	22.02.90	90/83/EC	**870**	Apr. 1990 Feb. 1991	350 260	**610**	**260 (expired)**
Czech and Slovak Federal Republic	25.02.91	91/106/EC	**375**	Mar. 1991 Mar. 1992	185 190	**375**	
Hungary II (Loan)	24.06.91	91/310/EC	**180**	Aug. 1991 Jan. 1993	100 80	**180**	
Bulgaria I (Loan)	24.06.91	91/311/EC	**290**	Aug. 1991 Mar. 1992	150 140	**290**	
Romania I (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 I (Loan)	23.09.91	91/510/EC	**400**	Jan. 1992 Aug. 1994	250 150	**400**	
Albania I (Grant)	28.09.92	92/482/EC	**70**	Dec. 1992 Aug. 1993	35 35	**70**	
Bulgaria II (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 (expired)**
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 II (Loan)	27.11.92	92/551/EC	**80**	Feb. 1993	80	**80**	
Moldova I (Loan)	13.06.94	94/346/EC	**45**	Dec. 1994 Aug. 1995	25 20	**45**	
Romania III (Loan)	20.06.94	94/369/EC	**125**	Nov. 1995 Sep. 1997 Dec. 1997	55 40 30	**125**	
Albania II (Grant)	28.11.94	94/773/EC	**35**	June 1995 Oct. 1996	15 20	**35**	

Algeria II (Loan)	22.12.94	94/938/EC	**200**	Nov. 1995	100	**100**	**100** **(cancelled)**
Slovakia (Loan)	22.12.94	94/939/EC	**130**	July 1996			**130** **(cancelled)**
Ukraine I (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** **(cancelled)**
Ukraine II (Loan)	23.10.95	95/442/EC	**200**	Aug. 1996 Oct. 1996 Sep. 1997	50 50 100	**200**	
Moldova II (Loan)	25.03.96	96/242/EC	**15**	Dec. 1996	15	**15**	
Former Yugoslav Republic of Macedonia I (Loan)	22.07.97	97/471/EC	**40**	Sep. 1997 Feb. 1998	25 15	**40**	
Bulgaria III (Loan)	22.07.97	97/472/EC	**250**	Feb. 1998 Dec. 1998	125 125	**250**	
Armenia, Georgia and Tajikistan[2] (Loans and grants) Agreed amounts with the recipent countires:	17.11.97 modified by 28.3.00	97/787/EC 00/244/EC	**375** **(328)**			**294,5**	**80,5**
Armenia (Loan and grant)			**(58)**	Dec. 1998 (loan) Dec. 1998 (grant) Dec. 1999 (grant) Feb. 2002 (grant) Dec. 2002 (grant) June 2004 (grant) Dec. 2005 (grant)	28 8 4 5,5 5,5 5,5 1,5	**(58)**	
Georgia (Loan and grant)			**(175)**	Jul. 1998 (loan) Aug. 1998 (grant) Sep. 1999 (grant) Dec. 2001 (grant) Dec. 2004 (grant)	110 10 9 6 6,5	**(141,5)**	**(33,5)**

Tajikistan (Loan and grant)			**(95)**	Mar. 2001 (loan) Mar. 2001 (grant) Dec. 2001 (grant) Feb. 2003 (grant) May. 2005 (grant) Oct. 2007 (grant)	60 7 7 7 7 7	**(95)**	
Ukraine III (Loan)	15.10.98 12.07.02	98/592/EC 02/639/EC	**150**	July 1999	58	**58**	**92** **(cancelled)**
Albania III (Loan)	22.04.99	99/282/EC	**20**				**20**
Bosnia I[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 IV (Loan)	08.11.99	99/731/EC	**100**	Dec. 1999 Sep. 2000	40 60	**100**	
Former Yugoslav Republic of Macedonia II[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 IV (Loan)	08.11.99	99/732/EC	**200**	June 2000 July 2003	100 50	**150**	**50**
Kosovo I[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 III (Loan)	10.07.00 19.12.02	00/452/EC 02/1006/EC	**15**				**15** **(cancelled)**
Kosovo II[3] (Grant)	27.06.01	01/511/EC	**30**	Sep. 2001 Dec. 2002	15 15	**30**	
Serbia and Montenegro I[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 IV (Loan) Modification of Decision 98/592/EC	12.07.02	02/639/EC	**110**				**110 (ongoing)**
Serbia and Montenegro II[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 II[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 IV (Grant)	19.12.02	02/1006/EC	**15**				**15 (cancelled)**
Serbia and Montenegro II[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 IV[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 II[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 II[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 II (Grant)	24.01.06	06/41/EC	**33,5**	August 2006 (grant) Dec. 2006 (grant)	11 11	**22**	**11,5 (expired)**
Kosovo (Grant)	30.11.06	06/880/EC	**50**	Sept. 2010 (grant)	30	**30**	**20 (expired)**
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 (expired)**
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 (expired)**
Ukraine (Loan)	29.06.10	338/2010/EU	**500**				**500 (ongoing)**
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**				**46 (ongoing)**
Kyrgyz Republic (Loan and grant)	22.10.13	1025/2013/EU	**30**				**30 (ongoing)**
Jordan (Loan)	11.12.13	1351/2013/EU	**180**				**180 (ongoing)**
TOTAL			**7696**			**5741**	**1955**

[1] Assistance to Israel includes a loan principal amount of € 160 million and grants of € 27.5 million in the form of interest subsidie

[2] Exceptional financial assistance, which includes a ceiling of € 245 million for the loans and a ceiling of € 130 million for the gra
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 - COMMUNITY MACRO-FINANCIAL AND EXCEPTIONAL FINANCIAL ASSISTANCE TO THIRD COUNTRIES BY REGION

Status of effective disbursements as of end-December 2013 (in millions of €)

Country	Date of Decision	Reference of Decision	Maximum amount	Dates of disbursements	Amounts of disbursements	Totals	Undisbursed
	Authorisations			**Disbursements**			
A. EU Accession countries							
Baltics (Loans) of which : **Estonia** **Latvia** **Lithuania**	23.11.92	92/542/EC	**220** **(40)** **(80)** **(100)**	 March 1993 March 1993 July 1993 Aug. 1995	 20 40 50 25	**135** **(20)** **(40)** **(75)**	**85** **(cancelled)** **(20)** **(40)** **(25)**
Bulgaria I (Loan)	24.06.91	91/311/EC	**290**	Aug. 1991 March 1992	150 140	**290**	
Bulgaria II (Loan)	19.10.92	92/511/EC	**110**	Dec. 1994 Aug. 1996	70 40	**110**	
Bulgaria III (Loan)	22.07.97	97/472/EC	**250**	Feb. 1998 Dec. 1998	125 125	**250**	
Bulgaria IV (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 I (Structural adjustment loan)	22.02.90	90/83/EC	**870**	Apr. 1990 Feb. 1991	350 260	**610**	**260** **(cancelled)**
Hungary II (loan)	24.06.91	91/310/EC	**180**	Aug. 1991 Jan. 1993	100 80	**180**	
Romania I (Loan)	22.07.91	91/384/EC	**375**	Jan. 1992 Apr. 1992	190 185	**375**	
Romania II (Loan)	27.11.92	92/551/EC	**80**	Feb. 1993	80	**80**	
Romania III (Loan)	20.06.94	94/369/EC	**125**	Nov. 1995 Sep. 1997 Dec. 1997	55 40 30	**125**	
Romania IV (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** **(cancelled)**
TOTAL A			**3305**			**2780**	**525**

B. Western Balkans

Albania I (Grant)	28.09.92	92/482/EC	**70**	Dec. 1992 Aug. 1993	35 35	**70**	
Albania II (Grant)	28.11.94	94/773/EC	**35**	June 1995 Oct. 1996	15 20	**35**	
Albania III (Loan)	22.04.99	99/282/EC	**20**				**20** **(cancelled)**
Bosnia I[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 I (Loan)	22.07.97	97/471/EC	**40**	Sep. 1997 Feb. 1998	25 15	**40**	
Former Yugoslav Republic of Macedonia II[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 I[3] (Grant)	19.02.00	00/140/EC	**35**	March 2000 Aug. 2000	20 15	**35**	
Kosovo II[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 I[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 II[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 II[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 IV[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** **(expired)**
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** **(expired)**
TOTAL B			**1388**			**1203**	**185**
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	30	**30**	**25** **(cancelled)**
Moldova I (Loan)	13.06.94	94/346/EC	**45**	Dec. 1994 Aug. 1995	25 20	**45**	
Moldova II (Loan)	25.03.96	96/242/EC	**15**	Dec. 1996	15	**15**	
Moldova III (Loan)	10.07.00 19.12.02	00/452/EC 02/1006 EC	**15**				**15** **(cancelled)**
Moldova IV (Grant)	19.12.02	02/1006/EC	**15**				**15** **(cancelled)**

Ukraine I (Loan)	22.12.94	94/940/EC	**85**	Dec. 1995	85	**85**	
Ukraine II (Loan)	23.10.95	95/442/EC	**200**	Aug. 1996 Oct. 1996 Sep. 1997	50 50 100	**200**	
Ukraine III (Loan)	15.10.98	98/592/EC	**150**	July 1999	58	**58**	**92** **(cancelled)**
Ukraine IV (Loan) Modification of decision 98/592/EC	12.07.02	02/639/EC	**110**				**110** **(ongoing)**
Georgia II	21.01.06	06/41/EC	**33,5**	Aug. 2006 Dec 2006	11 11	**22**	**11,5** **(expired)**
Moldova	16.04.07	07/259/EC	**45**	Oct. 2007 June 2008 Dec. 2008	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	**100**	
Ukraine (Loan)	29.06.10	388/10//EU	**500**				**500** **(ongoing)**
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**				**46** **(ongoing)**
Kyrgyz Republic (Loan and grant)	22.10.13	1025/2013/EU	**30**				**30** **(ongoing)**
TOTAL C			**1955,5**			**1030,5**	**925,0**
D. Mediterranean countries							
Israel[11] (Structural adjustment soft loan)	22.07.91	91/408/EC	**187,5**	March 1992	187,5	**187,5**	
Algeria I (Loan)	23.09.91	91/510/EC	**400**	Jan. 1992 Aug. 1994	250 150	**400**	
Algeria II (Loan)	22.12.94	94/938/EC	**200**	Nov. 1995	100	**100**	**100** **(cancelled)**
Lebanon[12]	10.12.07	07/860/EC	**80**	Dec. 2008 June 2009	15 25	**40**	**40** **(expired)**
Jordan (Loan)	11.12.13	1351/2013/EU	**180**				**180** **(ongoing)**
TOTAL D			**867,5**			**727,5**	**320**
TOTAL A+B+C+D			**7516**			**5741**	**1955**

TOTAL D	**867,5**	**727,5**	**320**
TOTAL A+B+C+D	**7516**	**5741**	**1955**

[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 over 2003-2013 (in EUR million)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
By region												
Western Balkans	70	25		50			300					445
Newly Independent States (NIS)				33,5	45		146	590			76	890,5
Mediterranean					80						180	260
Total amounts authorised	**70**	**25**	**0**	**83,5**	**125**	**0**	**446**	**590**	**0**	**0**	**256**	**1.595,5**
Loans	25	9		0	50	0	365	500			218	1.167
Grants	45	16		83,5	75	0	81	90			38	428,5

Chart 2A: MFA amounts authorised by year over 2003-2013 (in EUR million)

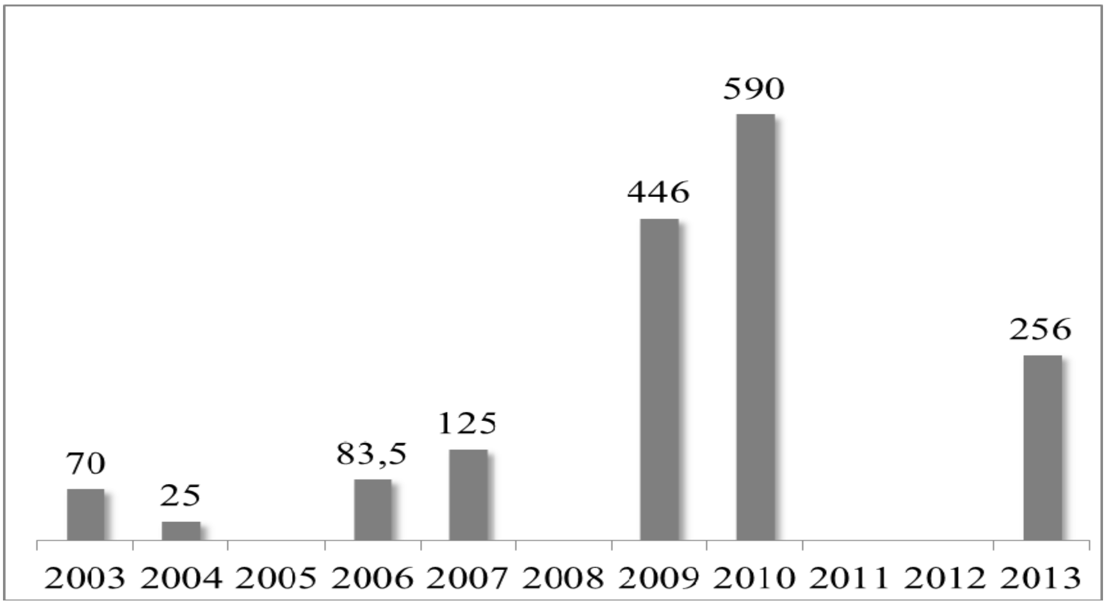
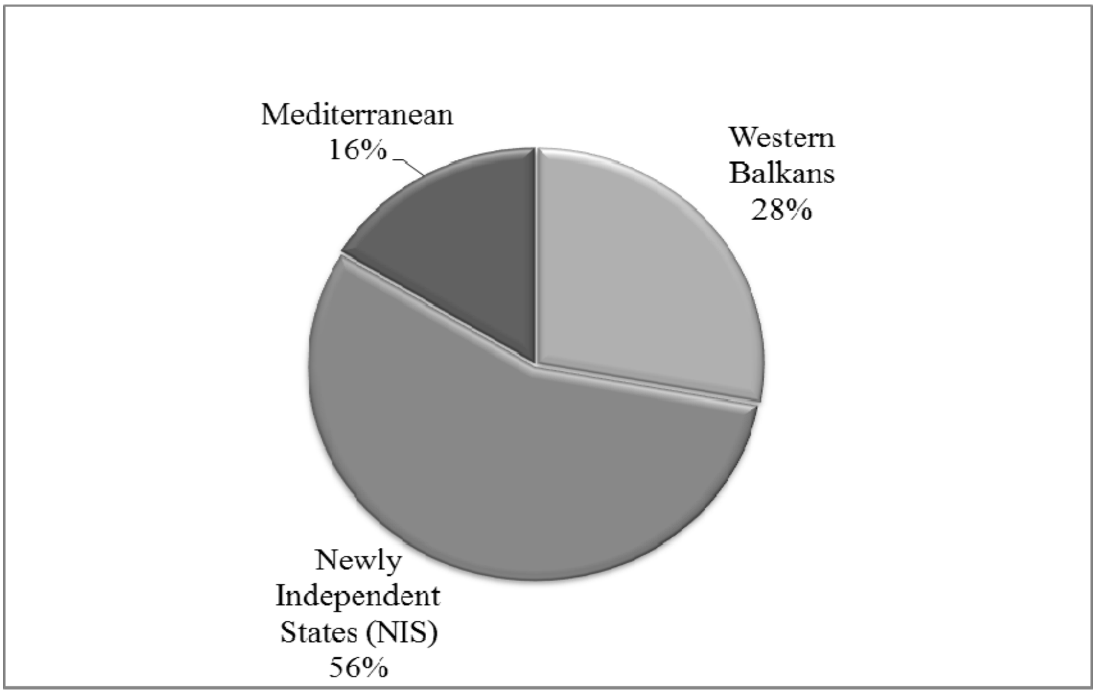


Chart 2B: MFA amounts authorised by regions over 2003-2013



Annex 3: MFA amounts disbursed by year over 2003-2013 (EUR million)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
By region												
Central European Candidate Countrie:	50											50
Western Balkans	146	20	58	32				30	100		100	486
Newly Independent States (NIS)	7	12	8,5	29	20	25	15,3	70,7	81	69		337,5
Mediterranean						15	25					40
Total amounts disbursed	**203**	**32**	**66,5**	**61**	**20**	**40**	**40,3**	**100,7**	**181**	**69**	**100**	**913,5**
Loans	118	10	15	19	0	0	25	0	126	39	100	452
Grants	85	22	51,5	42	20	40	15,3	100,7	55	30,0		462

Chart 3A: MFA amounts disbursed by year over 2003-2013 (in EUR million)

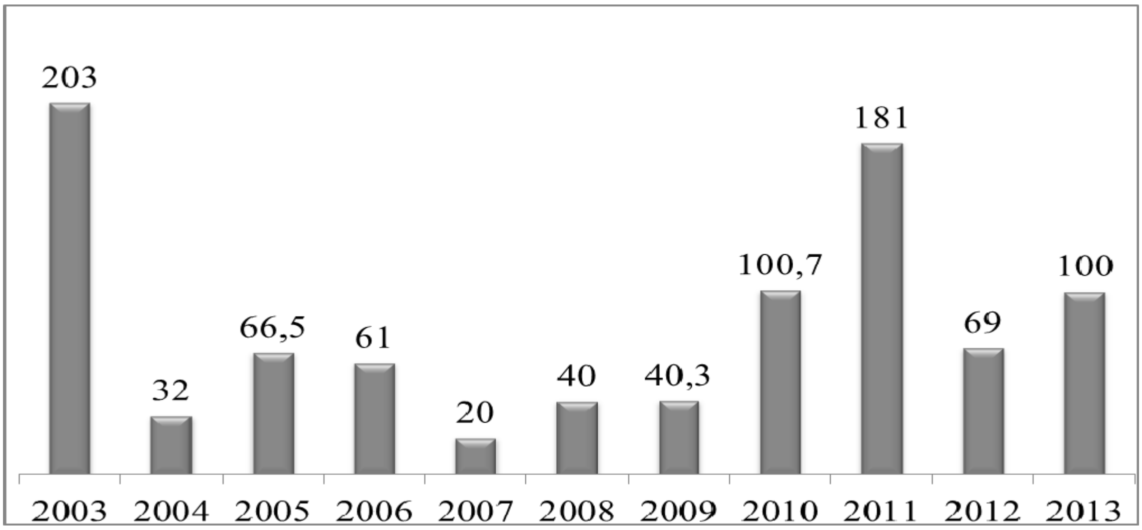


Chart 3B: MFA amounts disbursed by regions over 2003-2013