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From: LAITENBERGER Johannes (EC)
Sent: 06 March 2014 10:51
To: WINKLER Markus
Subject: FW: Letter from President Barroso ahead of the meeting of Heads of State and Government, 6 March 2014
Attachments: Ares(2014)586832 Duly signed letter from PDT Barroso.pdf; Support package for Ukraine.pdf

Lieber Herr Winkler,

zur Information von Herrn Präsidenten Schulz darf ich Ihnen eine Kopie des Briefes und seiner Anlage übersenden, die Präsident Barroso an die Staats- und Regierungschefs der EU-Mitgliedstaaten gerichtet hat.

Mit guten Grüßen,

Johannes Laitenberger

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José Manuel Barroso
President of the European Commission

Brussels, 05/03/2014

Dear colleagues,

We are witnessing a dramatic period in the history of the European continent. Events in Ukraine represent a setback for Europe's peace, stability and indivisibility and are a cause of serious concern for us all.

I welcome Herman's initiative to convene an extraordinary European Council to enable us to have a broad political and strategic discussion amongst leaders on how best to respond to the current situation. The most immediate priority is to find a peaceful solution to the current crisis in full respect of international law, which should encompass a Russian withdrawal of its armed forces to the areas of their permanent stationing.

Another important dimension of our response will be the short term support to help stabilise the economic and financial situation in Ukraine. The European Union has always respected Ukraine's sovereign choices and I firmly believe that, if it is to stand a chance to succeed, any rapid assistance or modernisation programme needs to be owned and developed in close cooperation with Ukraine. This is why it is important for the new Ukrainian government to remain committed, inclusive and reform oriented.

It is with this in mind that the Commission has put together a package of immediate short and medium term measures offering trade, technical, economic, and financial assistance to Ukraine and its people.

These measures combined could bring an overall support of at least 11 billion euros over the next couple of years from the EU budget and EU based international financial institutions, in addition to the significant funding being prepared by the IMF and World Bank. It also includes a proposal on how to engage with these institutions and external partners, and on how best to cooperate and coordinate to address current and future challenges by proposing the setting up of a donor co-ordination platform.

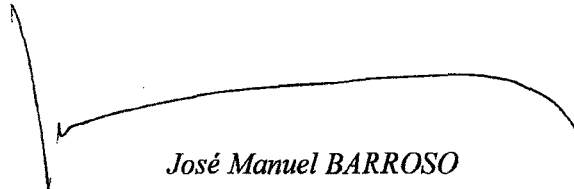
The detail of these measures can be found in the paper annexed to this letter and I look forward to explaining them further this Thursday and working with you all to rapidly take these proposals forward.

To the Heads of State and Government, and the President of the European Council

In the current circumstances it is more important than ever that the EU acts as one on all levels, not just politically but also financially and on other areas of co-operation. For example, if we are to fast track autonomous trade preferences, we need the full support of the Council and the Parliament. We are also looking to what you, the Member States, can do and how we, the EU collectively, can leverage that support, also with others, to significantly improve the impact of our collective action. It is clear that we need to involve our international partners and financial institutions in this exercise.

The EU needs to demonstrate resolve in bringing together all elements for a comprehensive response to the present crisis in order to open what I am confident can be a new era for all Ukrainians.

Yours faithfully,



José Manuel BARROSO

Annex: Commission support package to Ukraine

SUPPORT PACKAGE FOR UKRAINE

This paper sets out the main concrete measures that the Commission is proposing for the short and medium term to help stabilise the economic and financial situation in Ukraine, assist with the transition, encourage political and economic reforms and support inclusive development for the benefit of all Ukrainians. These measures combined could bring overall support of at least **€11 billion** over the coming years from the EU budget and EU based international financial institutions (IFIs) in addition to the significant funding being provided by the IMF and World Bank.

This engagement constitutes both a response to help stabilise the country as well as to support the reform programme and further enhance ownership by the Ukrainian authorities. While some of these measures can be carried out quickly, others will require further planning and preparation. For many of them, the urgent and active support of the Council and Parliament are necessary.

Underpinning this approach is the ambition to help Ukraine fulfil the aspirations which have been clearly demonstrated by citizens and civil society in recent weeks in the unprecedented events in Kiev and throughout the country.

Highlights:

- €3 billion from the EU budget in the coming years, €1.6 billion in macro financial assistance loans (MFA) and an assistance package of grants of €1.4 billion;
- Up to €8 billion from the European Investment Bank and the European Bank for Reconstruction and Development;
- Potential €3.5 billion leveraged through the Neighbourhood Investment Facility;
- Setting up of a donor coordination platform;
- Provisional application of the Deep and Comprehensive Free Trade Area when Association Agreement is signed and, if need be, by autonomous frontloading of trade measures;
- Organisation of a High Level Investment Forum/Task Force;
- Modernisation of the Ukraine Gas Transit System and work on reverse flows, notably via Slovakia;
- Acceleration of Visa Liberalisation Action Plan within the established framework; Offer of a Mobility Partnership;
- Technical assistance on a number of areas from constitutional to judicial reform and preparation of elections.

All these measures should be seen as the Commission's contribution to a European and international effort at providing a sustainable way out of Ukraine's difficult economic situation and to support its economic and political transition. The action of Member States in complementing and reinforcing what the Commission can mobilise on its own is crucial. The participation of partner countries as well as of the international financial institutions, notably the IMF, the EIB, the EBRD and the World Bank, is essential to leverage what we can all offer, increase the visibility of our collective action and improve its impact. All elements and instruments need to be pulled together to ensure an effective and coherent European Union and international response.

As far as existing programmes are concerned, the Commission is currently funding a number of on-going sector budget support and technical assistance programmes which will provide input to the new Government in key areas such as economic development, public financial management and justice. This represents approximately **€400 million**.

In addition, the NIF will be mobilised in favour of bankable investment projects in Ukraine. Experience with the implementation of the NIF in the East over the past programming period has shown that, for an amount of **€200-250 million of grants** foreseen for Ukraine **for blending**, one could expect a leverage effect that would generate loans of **up to €3.5 billion**. The participation of International Financing Institutions (IFIs) will be crucial to allow this leveraging and to exploit its full potential.

Within the NIF framework, the Commission is now working on the possibility of setting up a dedicated window to support the implementation of the AA/DCFTA for the relevant countries. This would allow our partners to have access to a guaranteed and dedicated envelope to support investment in sectors crucial for modernisation and the adoption of EU standards (in areas such as environment and energy). We are also looking at using this facility to further leverage the investment opportunities in the private sector.

The Instrument contributing to Stability and Peace (IcSP), formerly the Instrument for Stability, could be deployed to target urgent actions, for example, on police reform and electoral support. **Up to €20 million** could be mobilised quickly if appropriate actions are identified and **a further €15 million** could be added from the CFSP budget to support measures in relation to security sector reform.

Finally, Ukraine is the most important country for the EU for operations in the area of nuclear safety and security. Currently, projects are being implemented under the Instrument for Nuclear Safety Cooperation for a total amount of **€50 million**, in the field of nuclear waste management and social projects in the affected area around the Chernobyl exclusion zone. In addition, a further envelope of **€36.5 million** can be contracted in the very short term for actions in this field. The programming period for the new financial period is on-going, which will allow the EU efforts in this area to be further stepped up.

The Commission reiterates its readiness to establish an **EU Trust Fund** should Member States support such an initiative. This would create a vehicle that would allow Member States to make substantial further financial contributions and would increase the visibility of the EU, including its Member States, and contribute to an effective, swift and coordinated disbursement of funds.

The **European Investment Bank (EIB)** is the EU's own policy-driven bank and already has a project pipeline in Ukraine of up to **€1.5 billion for the next three years**. The EIB could significantly scale this up, without diverting from other regions,

TRADE AND INVESTMENT:

While economic and financial assistance are essential, trade and investment are also key instruments in helping secure long term sustainability for Ukraine. All Ukrainians stand to benefit enormously from the ambitious DCFTA trade deal with the EU. For example, Ukrainian exporters will save almost half a billion euros annually due to reduced EU import duties; Ukrainian agriculture will benefit from cuts in duties on agricultural and processed agricultural products of almost €400 million. The different levels of economic development of the EU and Ukraine are reflected by the asymmetrical nature of the Agreement. It is designed to provide Ukraine with favourable treatment, for example, through the faster and broader opening of the EU market by the front loading of tariff dismantlement granted by the EU combined with a longer period for similar measures on the Ukrainian side.

The Commission stands ready to react quickly to ensure the rapid provisional application of the AA/DCFTA once a decision on its signature has been made.

In the meantime, the Commission is ready to offer the early application of those provisions of the agreement related to the imports of goods (i.e. the reduction of tariffs and opening of tariff rate quotas) by proposing a draft Council/Parliament Regulation on such so called 'autonomous trade measures'. These transitional trade measures, unilateral in nature from the EU side, would allow Ukraine to benefit substantially from many of the advantages offered by the Agreement already now, that is to say, in the period until it could be signed and provisionally applied. However, the rapid implementation of such support measures would require a clear commitment by the Council and the EP to fast track the approval process.

As part of the effort to mobilise all of its assets and instruments in support of Ukraine at this exceptional time, the High Representative and the Commission are also ready to convene a High level Investment Forum/Task Force to explore investment and co-operation possibilities in Ukraine. This should bring together a wide range of private and public economic actors, Ukrainian and EU and IFIs together with the host country to maximise their collective impact and ensure a sustainable, democratic and prosperous future for the people of Ukraine. Such an event would also provide an opportunity to help Ukraine to maximise the benefits of autonomous trade measures and the AA/DCFTA.

ENERGY AND TRANSPORT:

Energy and energy security, and affordable prices, are essential for the stability and security of Ukraine. The EU will work with the new government in Ukraine, including through budget support, to ensure long term diversification of supplies and to make sure that the Ukrainian gas transmission system continues to be an essential transit route for gas supplies to the Europe. As such, the Commission will continue to work with the government in Ukraine to modernise its gas transmission system in co-operation with the EIB, EBRD and World Bank, as gas sector reforms in line with the

In the meantime, a Visa Facilitation Agreement (VFA) is in operation between the EU and Ukraine and the Commission encourages Member States to fully exploit its potential. It gives Member States the possibility of choosing from a series of measures, including waiving visa fees for certain categories of citizens. In addition, the Visa Code gives the Member States additional options to waive the visa fees for further categories, such as, for example, children.

In addition, the Commission is willing, subject to the agreement of Member States, to offer Ukraine a Mobility Partnership promoting people-to-people contacts and legal migration options, and offering a framework for cooperation and practical support to the Ukrainian authorities going beyond the visa liberalisation process. Such a Mobility Partnership could be established very quickly should there be an interest on the Ukraine side to do so.

PEOPLE TO PEOPLE LINKS AND EDUCATION:

Under the new Erasmus+ programme, the EU will offer more opportunities for student mobility, academic cooperation and youth exchanges. The Erasmus programme will support short-term student mobility in both directions to obtain credits in a host institution, which are then recognised by the home institution. It is estimated that more than 4,000 young Ukrainians will benefit from university exchanges under Erasmus+, and more than 7,000 will take part in youth projects and exchanges.

Staff mobility for training and teaching will also be promoted. Ukrainian students and universities will be able to participate in high-level joint Master degrees offered by consortia of European universities. Capacity building measures will be offered to universities, to modernise curricula, teaching practices, upgrade facilities and improve governance. Erasmus + will also fund youth mobility through youth exchanges, European Voluntary Service and mobility of youth workers.

Ukraine will continue to take part in eTwinning for schools, with 101 schools and 280 teachers already registered since the official launch in March 2013. Researchers will be able to apply for doctoral or post-doctoral fellowships of other research grants available under the Marie Skłodowska Curie actions.

ADDITIONAL ACTIONS:

More broadly, the Commission remains committed to helping Ukraine build institutions which serve the interests of the state and the people by promoting good governance, rule of law and fighting corruption, etc. Making these institutions fit for purpose is not just an end in itself, but also a means to securing the country's medium and long term development, both socially and economically. Support for sustainable economic and political transition will also require grants providing technical expertise in many of the areas outlined in this paper.

ANNEX
SUPPORT TO UKRAINE: INDICATIVE ASSISTANCE PACKAGE

Source	Indicative amounts/ranges (in € million)
I. EUROPEAN COMMISSION (2014-2020)	
<i>I.1. Overall development assistance (grants)</i>	1,565
Bilateral envelope, where:	
=> Annual Action Programme (AAP) for 2014	140-200
=> AAPs (average) - for 2015-2020	780
=> Umbrella programme ("more for more") for 2015-2020	240-300
Neighbourhood Investment Facility	200-250
Instrument contributing to Stability and Peace (IcSP)	20
CFSP	15
<i>I.2. Macro financial assistance (loans)</i>	1,610
II. EUROPEAN FINANCIAL INSTITUTIONS	
EIB	up to 3,000
EBRD	5000
GRAND TOTAL	€11,175

<i>p.m : previous programming period</i>	
AAP for 2013 (committed)	199
AAPs for 2011-2012 (on-going)	201
Instrument for Nuclear Safety Cooperation	
(i) on-going	50
(ii) committed	36.5
TOTAL	€ 486.5