



Council of the
European Union

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LEGISLATIVE ACTS AND OTHER INSTRUMENTS

Subject: COUNCIL DECISION establishing the position to be adopted on behalf of the European Union in the written procedure by the Participants to the Arrangement on Officially Supported Export Credits as regards the Common Line extending Ukraine's eligibility for tied aid

DRAFT
COMMON LINE

The EU can propose the following Common Line to the Participants:

1. Reference number: TBD
2. Name of destination country: Ukraine
3. Name of buyer/borrower: N/A
4. Description of transaction: N/A
5. Terms and conditions

In accordance with all other articles of the Arrangement.

6. Common Line proposal

Accepting Ukraine as eligible to receive tied aid, with a minimum concessionality of 35 %, as an exception to the criteria set out in Article 32 of the Arrangement.

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

Transactions within the scope of the Arrangement may benefit from the official support under the terms and conditions of this Common Line provided that:

- The application for tied aid was received by the end of the validity period of this Common Line at the latest, and
 - The date of the final commitment is within the 18 months following the end of the validity period of this Common Line
7. Tender/bid period: N/A
 8. Nationality and names of known bidders: N/A
 9. Other information

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

On 1 July 2024 Ukraine was, on the basis of 2023 data, classified by the World Bank for the first time as an upper-middle income country (4.950 USD GNI per capita whereas threshold for upper-middle income countries was set at 4.516 USD¹). As this classification was upheld by the World Bank on 1 July 2025, Ukraine will automatically be reclassified, for the purposes of the Arrangement by the OECD Secretariat, as a tied aid ineligible country.

In this context, the provisions of Article 32 of the Arrangement regarding the methodology to determine country eligibility status are not adequate to reflect the specific situation of Ukraine.

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

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

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

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

Finally, the adoption of this Common Line should not constitute an ‘automatically applicable’ precedent for future cases, aimed at addressing an extraordinary geopolitical and economic context, that should be handled with the same level of consideration and analysis.
