

Exceptional macro-financial assistance to Ukraine; reinforcement of the Common Provisioning Fund

2022/0281(COD) - 15/09/2022 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 534 votes in favour, 30 against and 26 abstentions a legislative resolution on the proposal for a decision of the European Parliament and of the Council providing exceptional macro-financial assistance to Ukraine, reinforcing the Common Provisioning Fund by guarantees by the Member States and by specific provisioning for some financial liabilities related to Ukraine guaranteed under Decision No 466/2014/EU, and amending Decision (EU) 2022/1201.

The European Parliament adopted its position at first reading in accordance with the ordinary legislative procedure, taking over the Commission proposal.

Exceptional macro-financial assistance from the Union

The proposal aims at allowing the EU to provide Ukraine with an additional exceptional **macro-financial assistance (MFA) of EUR 5 billion in the form of highly concessional loans** with a view to supporting Ukraine's macro-financial stability. The funds for this exceptional MFA will be borrowed on the capital markets and then lent to Ukraine. This assistance will **complement the EUR 1 billion** exceptional MFA granted to Ukraine under Decision (EU) 2022/1201.

Russia's unprovoked and unjustified war of aggression against Ukraine since 24 February 2022 has caused Ukraine a loss of market access and a drastic drop in public revenues, while public expenditure to address the humanitarian situation and to maintain the continuity of State services has increased markedly. In that very uncertain and volatile situation, the best estimates of Ukraine's funding needs by the International Monetary Fund (IMF) point to an extraordinary financing gap of around USD 39 billion in 2022.

A precondition for granting the Union's exceptional macro-financial assistance should be that Ukraine respect effective democratic mechanisms, including a multi-party parliamentary system, and the rule of law, and guarantee respect for human rights. The ongoing war, and in particular the current state of martial law, should not encroach on those principles, despite the concentration of power in the executive branch.

The Union's exceptional macro-financial assistance should be linked to stringent reporting requirements and policy conditions, to be set out in a **memorandum of understanding** (the 'MoU'). Those stringent reporting requirements should aim, under the current war circumstances, to ensure that the funds are used in an efficient, transparent and accountable manner. The policy conditions should aim to strengthen the immediate resilience of Ukraine and its longer-term debt sustainability, thereby reducing risks linked to the repayment of its outstanding and future financial obligations.

The proposal sets out the Commission's reporting requirements to the European Parliament and the Council during the implementation of the exceptional MFA to Ukraine and provides details on the evaluation of the implementation of the exceptional MFA.

Strengthening of the common provisioning fund

To protect the EU budget, the two exceptional MFA loans of an overall amount of up to EUR 6 billion to Ukraine should benefit from a **70%** coverage composed by paid-in provisioning of **9%** and callable guarantees from Member States of **61%**. The required paid-in provisioning (at a rate of 9% of the External Action Guarantee) will be earmarked under Regulation (EU) 2021/947 (Neighbourhood, Development and International Cooperation Instrument – Global Europe (NDICI-GE)), for a total amount of **EUR 540 million**.

The overall coverage would thus benefit from a first loss protection with paid-in provisioning of 9% of the EUR 6 billion, followed by **complementary guarantees by Member States covering exposures up to EUR 3.66 billion**, or 61% of the EUR 6 billion of MFA loans and in line with the applicable legislation, any residual amounts would be covered by the Union budget as a contingent liability.

The proposal provides details of the guarantee agreements that the Commission will conclude with the Member States.

By 30 June each year, the Commission will send to the European Parliament and the Council, as part of its annual report, an assessment of the implementation of MFA in the preceding year, including an evaluation of that implementation.