Instrument for providing support to Ukraine for 2023 (macro-financial assistance +)

2022/0371(COD) - 09/11/2022 - Legislative proposal

PURPOSE: to establish an Instrument for providing support to Ukraine for 2023 (macro-financial assistance +).

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: in a Team Europe approach, the EU, its Member States and European financial institutions have since the beginning of Russia's war of aggression mobilised EUR 19.7 billion for Ukraine's economic, social and financial resilience. This combines the support from the Union budget (EUR 12.4 billion), including macro-financial assistance, support from the European Investment Bank and the European Bank for Reconstruction and Development, fully or partially guaranteed by the EU budget, as well as further financial support by Member States (EUR 7.3 billion).

The Union's macro-financial assistance to Ukraine in 2022 has been generous and effective.

Yet, so far assistance has been provided on an ad-hoc basis, covering a few months at a time. It has required significant provisioning from the EU budget and national guarantees. Therefore, a more structural and efficient approach to the Union's support to Ukraine in 2023 should be considered.

The coming months will be decisive to agree on additional support. This short-term support will require a coordinated international effort and close cooperation among international partners. Due to Russia's ongoing war, the short-term funding needs of Ukraine for 2023 are expected to be significant. The Ukrainian authorities and the International Monetary Fund (IMF) estimate that there will be a continuous financing gap of between EUR 3 and 4 billion per month in 2023.

CONTENT: the Commission proposes to create an instrument to provide support to Ukraine (macrofinancial assistance +) for 2023 which will help alleviate Ukraine's short-term financing needs in 2023, given the current exceptional circumstances.

Support programme

The instrument will provide short-term financial relief in the form of **highly concessional loans in a predictable, continuous, orderly and timely manner**, financing immediate needs, rehabilitation of critical infrastructure and initial support towards sustainable post-war reconstruction, with a view to supporting Ukraine on its path towards European integration.

Support under the instrument will require Ukraine to further enhance rule of law, good governance, anti-fraud and anti-corruption measures. Therefore, while taking into account the evolution on the ground, financial support should be framed by **policy conditions**, increasingly geared towards strengthening Ukraine's institutions and preparing the ground for a successful reconstruction effort as well as supporting Ukraine's efforts on its European path.

Financing

An overall envelope of up to **EUR 18 billion** in loans will be provided for a period of 12 months, corresponding to EUR 1.5 billion on average per month. This amount comes on top of the assistance provided via existing instruments.

Additional amounts stemming from **specific voluntary contributions from Member States** (as external assigned revenue) would be used for the following purposes:

- support to loans' interest costs no target volume can be set in advance as these costs will depend on the actual interest on the loans;
- non-repayable support for activities covered by the Memorandum of Understanding of the Instrument or;
- to be channelled to the Neighbourhood, Development and International Cooperation Instrument Global Europe (NDICI) and/or Humanitarian Aid for activities benefitting Ukraine.

Moreover, **third countries and parties** may make available extra resources as external assigned revenue to contribute to the Memorandum of Understanding of the Instrument or to be channelled to NDICI and/or Humanitarian Aid for activities benefitting Ukraine.

The Commission intends to grant the loans under the Instrument with long maturities (with a maximum duration of 35 years) and **with no repayment of principal before 2033**. Disbursements can be organised flexibly and swiftly in response to the needs of the Ukrainian authorities in the course of the year 2023.