

Establishing the Ukraine Loan Cooperation Mechanism and providing exceptional macro-financial assistance to Ukraine

2024/0234(COD) - 20/09/2024 - Legislative proposal

PURPOSE: to establish the Ukraine Loan Cooperation Mechanism and provide exceptional macro-financial assistance to Ukraine.

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: since the start of Russia's unprovoked and unjustified war of aggression against Ukraine on 24 February 2022, the Union, its Member States and European financial institutions have mobilised unprecedented support for Ukraine's economic, social and financial resilience. That support amounting to EUR 118 billion, combines support from the Union budget, including exceptional macro-financial assistance and support from the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD), fully or partially guaranteed by the Union budget, as well as further financial support by Member States.

However, Russia's intensified aggression has increased Ukraine's financing needs. Therefore, it is clear that additional sources of funding both from the EU and the international community will be needed.

CONTENT: against this background, the Commission is proposing to establish a **Ukraine Loan Cooperation Mechanism** which will support G7 partners and the Union in issuing loans of up to **EUR 45 billion** to Ukraine. As part of the EU contribution to these loans, the European Commission is also proposing an **exceptional macro-financial assistance (MFA)** loan worth up to **EUR 35 billion**.

Ukraine loan cooperation mechanism

To ensure that Ukraine is provided with sufficient and continuous financial support, a Ukraine loan cooperation mechanism should be established to provide Ukraine with non-repayable financial support to assist it in repaying loans provided by G7 partners.

The loan cooperation mechanism should receive resources, including from future flows of the extraordinary profits stemming from **Russia's immobilised assets**, and disburse those resources on a regular basis to Ukraine to cover the principal, interest and any other related costs of loans.

The purpose of the mechanism is to provide Ukraine with non-repayable financial support with a view to assisting Ukraine to repay the MFA Loan and eligible bilateral loans. To achieve this purpose, the Mechanism will receive resources and disburse them on a regular basis to Ukraine to cover the principal, interest and any other related costs of the macro-financial assistance loan and eligible bilateral loans.

For the purposes of implementing the mechanism, the Commission will enter into an agreement with Ukraine setting out the conditions and obligations to receive and use the non-repayable financial support.

Exceptional Macro-Financial Assistance (MFA)

In addition to the support under the Ukraine Loan Cooperation Mechanism, the Commission is proposing an exceptional MFA loan of up to **EUR 35 billion** to support macro-financial stability in Ukraine, and to ease Ukraine's external financing constraints, in particular with a view to covering the country's financing needs. Given the urgent nature of those financing needs, the MFA loan will be available in 2024. It will be made available by the Commission in one instalment, which may be disbursed in one or more tranches. The disbursement of all such tranches will take place by 31 December 2025 at the latest.

The support to Ukraine will be made available under the precondition that Ukraine continues to uphold and **respect effective democratic mechanisms**, including a multi-party parliamentary system and the rule of law, and to guarantee respect for human rights, including those of persons belonging to minorities.