

# Procedure file

Basic information	
COD - Ordinary legislative procedure (ex-codecision procedure) Decision <a href="#">2022/0213(COD)</a>	Procedure completed
Exceptional macro-financial assistance to Ukraine Amended by <a href="#">2022/0281(COD)</a>	
Subject 6.20.07 Macro-financial assistance to third countries	
Geographical area Ukraine	
Legislative priorities <a href="#">EU support to Ukraine</a>	

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	<b>INTA</b> <a href="#">International Trade</a>		
Council of the European Union			

Key events			
30/06/2022	Decision by committee, without report		
01/07/2022	Legislative proposal published	<a href="#">COM(2022)0450</a>	Summary
04/07/2022	Committee referral announced in Parliament, 1st reading		
07/07/2022	Decision by Parliament, 1st reading	<a href="#">T9-0296/2022</a>	Summary
12/07/2022	Act adopted by Council after Parliament's 1st reading		
12/07/2022	Final act signed		
13/07/2022	Final act published in Official Journal		

Technical information	
Procedure reference	2022/0213(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Decision
	Amended by <a href="#">2022/0281(COD)</a>
Legal basis	Rules of Procedure EP 163; Treaty on the Functioning of the EU TFEU 212
Stage reached in procedure	Procedure completed
Committee dossier	INTA/9/09510

Documentation gateway					
Legislative proposal		<a href="#">COM(2022)0450</a>	01/07/2022	EC	Summary
Text adopted by Parliament, 1st reading/single reading		<a href="#">T9-0296/2022</a>	07/07/2022	EP	Summary
Draft final act		00043/2022/LEX	12/07/2022	CSL	
Final act					
<a href="#">Decision 2022/1201</a> <a href="#">OJ L 186 13.07.2022, p. 0001</a>					

## Exceptional macro-financial assistance to Ukraine

**PURPOSE:** to provide EUR 1 billion exceptional macro-financial assistance (MFA) to Ukraine with a view to supporting, in particular, its economic resilience and stability.

**PROPOSED ACT:** Decision 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 spring 2014, Ukraine embarked on an ambitious reform programme with the aim of stabilising its economy and improving the livelihoods of its citizens. The fight against corruption as well as constitutional, electoral and judicial reforms are among the top priorities on the agenda.

The implementation of those reforms was supported by six consecutive macro-financial assistance programmes, under which Ukraine has received assistance in the form of loans for a total of EUR 6.2 billion. The latest emergency macro-financial assistance, which was made available in the context of mounting tensions at the border with Russia pursuant to Decision (EU) 2022/313 of the European Parliament and of the Council provided EUR 1.2 billion in loans to Ukraine, disbursed in two instalments of EUR 600 million in March and May 2022.

The economic situation of Ukraine has deteriorated dramatically following Russias war of aggression. Ukraines GDP is unofficially estimated to have decreased by 35-40% in March-April year-on-year. Inflation increased to 18.0% year-on-year in May. Russias war of aggression triggered sizable funding needs for the Ukrainian budget that reflect into a substantial external funding gap. The resulting overall balance-of-payments funding gap is estimated by the authorities and the IMF to reach around USD 39 billion for the whole of 2022.

In order to make a contribution toward financing the remaining estimated funding gap of Ukraine for the whole of 2022 of about USD 10 billion, the Commission intends to present a proposal for an exceptional MFA operation of up to EUR 9 billion to Ukraine. This proposal for additional MFA of up to EUR 1 billion constitutes the first part of the exceptional MFA aims to provide swift financial support in a situation of acute funding needs and to ensure the continued functioning of the most critical functions of the Ukrainian state.

**CONTENT:** in order to address the immediate and most urgent funding needs of Ukraine, as a first step, the Commission is submitting to the European Parliament and the Council this proposal for a decision to provide additional MFA of up to EUR 1 billion to Ukraine, in the form of a highly concessional long-term loan.

Together with the emergency MFA of EUR 1.2 billion disbursed earlier this year, the total macro-financial support from the EU to Ukraine since the start of the war would reach EUR 2.2 billion. This additional MFA, of up to EUR 1 billion, is seen as the first part and the Commission intends to come forward with a proposal for the second part of the exceptional MFA as soon as feasible.

The provision of further support to Ukraine in the form of a highly concessional long-term loan, at this juncture, can assist the Ukrainian authorities in overcoming significant funding challenges arising from the conduct and impact of the Russian war of aggression.

A precondition for granting the Unions macro-financial assistance should be that Ukraine respects effective democratic mechanisms, including a multi-party parliamentary system, and the rule of law, and guarantees respect for human rights. The Commission services and the European External Action Service should work closely together throughout the life cycle of the Unions macro-financial assistance, in particular before disbursements are made, also taking into account the circumstances on the ground and the consequences of the application of martial law.

The Commission should agree with Ukraine on clearly defined reporting requirements to which the Unions macro-financial assistance is to be linked. The reporting requirements should be set out in a Memorandum of Understanding. The reporting requirements should ensure, in particular, the efficiency, transparency and accountability of the use of the Unions macro-financial assistance. The Commission should regularly monitor the implementation of these reporting requirements. The financial arrangements for MFA should be laid down in a loan agreement to be concluded between the Commission and Ukraine.

**BUDGETARY IMPLICATIONS:** the funds for this additional MFA to Ukraine of up to EUR 1 billion should be borrowed on the capital markets and then lent to Ukraine. The elevated provisioning at a rate of 70%, that is needed to reflect the higher risks associated with this loan should be applied, which deviates from Regulation (EU) 2021/947.

The relevant provisions should be earmarked under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe), for a total amount of EUR 700 million.

## Exceptional macro-financial assistance to Ukraine

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The European Parliament adopted by 522 votes to 17, with 25 abstentions, a legislative resolution on the proposal for a decision of the European Parliament and of the Council providing exceptional macro-financial assistance (MFA) to Ukraine.

The European Parliament adopted its position at first reading under the ordinary legislative procedure by taking the Commission's proposal.

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 expenditures to address the humanitarian situation and to maintain the continuity of State services have increased markedly.

The present proposal for MFA to Ukraine follows Decision (EU) 2022/313 providing a EUR 1.2 billion MFA to Ukraine in the form of loans, fully disbursed in two tranches in March and May 2022. In order to address Ukraine's immediate and most pressing financing needs, the proposed decision aims at providing Ukraine with an additional MFA of up to EUR 1 billion in the form of a highly concessional long-term loan to support Ukraine's macro-financial stability and strengthen the country's resilience.

This additional MFA, which is the first step in the implementation of the planned exceptional MFA of up to EUR 9 billion, is considered, under the current exceptional circumstances, as an appropriate short-term response to Ukraine's most pressing immediate financing needs and to the considerable risks to the country's macro-financial stability.

The proposed EUR 1 billion disbursement should be supported by provisions available in the EU budget for the external action guarantee established under the Neighbourhood, Development and International Cooperation Instrument - Global Europe (NDICI-GE). In view of recent developments in Ukraine, the provisioning rate of 9% usually applied to countries facing a balance of payments crisis is not adequate in this case. The present proposal provides for a coverage rate of 70%, through provisions in the EU budget.

A precondition for granting the Union's 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 Commission and the European External Action Service should monitor compliance with this condition throughout the duration of the MFA, also taking into account the circumstances in Ukraine and the consequences of the application of martial law.

The Commission should agree with Ukraine on clearly defined reporting requirements to which the Union's macro-financial assistance is to be linked. The reporting requirements should be set out in a Memorandum of Understanding. The reporting requirements should ensure, in particular, that the Union's macro-financial assistance is used in an efficient, transparent and accountable manner. The Commission should regularly monitor the implementation of those reporting requirements. The detailed financial terms of the Union's macro-financial assistance should be laid down in a loan agreement to be concluded between the Commission and Ukraine.

By 30 June each year at the latest, the Commission should submit to the European Parliament and the Council, as part of its annual report, an evaluation of the implementation of this Decision in the previous year, including an assessment of such implementation. No later than two years after the end of the period of availability, the Commission should send the European Parliament and the Council an ex-post evaluation report.