EUROPEAN UNION

THE EUROPEAN PARLIAMENT | **THE COUNCIL**

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REGULATION
OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
ESTABLISHING THE UKRAINE LOAN COOPERATION MECHANISM
AND PROVIDING EXCEPTIONAL MACRO-FINANCIAL ASSISTANCE TO UKRAINE

REGULATION (EU) 2024/…
OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

of 24 October 2024

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

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 212 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Acting in accordance with the ordinary legislative procedure[1],

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[1] Position of the European Parliament of 22 October 2024 (not yet published in the Official Journal) and decision of the Council of 23 October 2024.

Whereas:

(1) Since the beginning 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 combines support from the Union budget, including exceptional macro-financial assistance and support from the European Investment Bank and the European Bank for Reconstruction and Development, fully or partially guaranteed by the Union budget, as well as further financial support by Member States.

(2) The provision by the Union of macro-financial assistance of up to EUR 18 billion under Regulation (EU) 2022/2463 of the European Parliament and of the Council[2] was considered an appropriate response to Ukraine's financing gap for 2023 and helped to mobilise significant financing from other donors and international financial institutions. It constituted a major contributing factor to Ukraine's macroeconomic and financial resilience at a critical time.

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[2] Regulation (EU) 2022/2463 of the European Parliament and of the Council of 14 December 2022 establishing an instrument for providing support to Ukraine for 2023 (macro-financial assistance +) (OJ L 322, 16.12.2022, p. 1).

(3) On 29 February 2024, Regulation (EU) 2024/792 of the European Parliament and of the Council[3] established the Ukraine Facility as an exceptional medium-term instrument that brings together the bilateral support provided by the Union to Ukraine, ensuring coordination and efficiency (the 'Ukraine Facility'). Over the period 2024 to 2027, the Ukraine Facility helps address Ukraine's financing needs and contributes to its recovery, reconstruction and modernisation needs, while at the same time supporting Ukraine's reforms effort as part of its path towards accession to the Union. The Ukraine Facility has put into action the Union's unwavering commitment to providing continued financial support to Ukraine and its people.

(4) Russia's war of aggression against Ukraine has caused tremendous damage in Ukraine, with estimated recovery and reconstruction costs of USD 486 billion as of 31 December 2023. Moreover, Ukraine has lost access to international financial markets and experienced a significant drop in public revenue, while public expenditure has increased substantially. Against that background, substantive funding needs for the coming years can be foreseen.

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[3] Regulation (EU) 2024/792 of the European Parliament and of the Council of 29 February 2024 establishing the Ukraine Facility (OJ L, 2024/792, 29.2.2024, ELI: http://data.europa.eu/eli/reg/2024/792/oj).

(5) On 30 March 2023, the International Monetary Fund (IMF) agreed with Ukraine a USD 15,6 billion four-year programme under the Extended Fund Facility (EFF) to sustain economic and financial stability at a time of exceptionally high uncertainty, restore debt sustainability, and promote reforms that support Ukraine's recovery in the post-war period. The IMF programme, together with financing assurances from the G7 Leaders, the Union and other donors, is designed to address Ukraine's balance-of-payments financing needs and restore medium-term external viability. To date, Ukraine has successfully completed four programme reviews under the EFF, thus underscoring the Ukrainian authorities' steadfast commitment to conducting reforms and prudent policy-making. The baseline total financing gap over the IMF programme period is estimated by the IMF at USD 121,9 billion.

(6) In view of the exceptionally elevated uncertainty surrounding the outlook regarding the situation in Ukraine, on the occasion of the fourth programme review under the EFF, the IMF presented an updated downside scenario which factors in the economic shock resulting from a more intense war running into 2025. As a consequence of the adverse impact on economic sentiment, migration, increasing pressure on energy supply, impairment of export capacities, and in particular defence spending, the total financing gap under that downside scenario would risk increasing to USD 140,7 billion over the IMF programme period. Given the continued intensity of the war, and the damage to Ukraine's critical civilian infrastructure from increased large-scale attacks by Russia, Ukraine needs to mobilise significant additional resources for its budgetary and long-term recovery and reconstruction priorities. As a result and given that a residual financing gap remains over and above the resources already provided by the Union, other donors and international financial institutions, including the IMF, the Union should continue to provide an appropriate response.

(7) The G7 Leaders, in their Communiqué adopted on 14 June 2024 in Apulia, reaffirmed their unwavering support for Ukraine and their strong commitment to helping Ukraine meet its urgent short-term financing needs, as well as to supporting its long-term recovery and reconstruction priorities. To that end, G7 Leaders announced the launch of the 'Extraordinary Revenue Acceleration Loans for Ukraine' initiative, in order to make available approximately USD 50 billion in additional funding for Ukraine's military, budget and reconstruction needs by the end of 2024. G7 Leaders announced their intention to provide financing that will be serviced and repaid by future flows of extraordinary revenues stemming from the immobilisation of Russian sovereign assets held in the Union and other relevant jurisdictions.

(8) In its conclusions of 27 June 2024, the European Council invited the Commission, the High Representative and the Council to take work forward, while addressing all relevant legal and financial aspects, in order to provide additional funding for Ukraine by the end of the year in the form of loans serviced and repaid by future flows of the extraordinary revenues together with G7 partners as discussed by G7 Leaders, to support Ukraine's current and future military, budget and reconstruction needs. The European Council also stated that, subject to Union law, Russia's assets should remain immobilised until Russia ceases its war of aggression against Ukraine and compensates it for the damage caused by this war.

(9) In the context of Russia's continued war of aggression against Ukraine, it is necessary to ensure that Ukraine is provided with sufficient and continuous financial support. To that end, a Ukraine Loan Cooperation Mechanism (the 'Mechanism') should be established to provide Ukraine with non-repayable financial support with a view to assisting the country to repay loans provided to support it. The 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. Furthermore, in order for the Union to directly help Ukraine meet its financing needs, the Union should provide exceptional macro-financial assistance to Ukraine in the form of a loan (the 'MFA Loan') to be supported by the Mechanism.

(10) On 21 May 2024, the Council adopted Decision (CFSP) 2024/1470[4], which amended Council Decision 2014/512/CFSP[5]. Decision (CFSP) 2024/1470 states, in recital 28, that the restrictive measures linked to the prohibition of transactions related to the management of the assets and reserves of the Central Bank of Russia should remain in place until Russia ceases its war of aggression against Ukraine and compensates Ukraine for the damage caused by this war.

(11) On 21 May 2024, the Council adopted Regulation (EU) 2024/1469[6], which amended Council Regulation (EU) No 833/2014[7]. Regulation (EU) 2024/1469 gives effect to certain measures provided for in Decision (CFSP) 2024/1470. Those measures comprise the rules on how the net profits ensuing from the unexpected and extraordinary revenues accruing to central securities depositories as a result of the implementation of the prohibition laid down in Article 1a(4) of Decision 2014/512/CFSP and in Article 5a(4) of Regulation (EU) No 833/2014 are to be directed to support Ukraine, including through Union programmes which are financed from the Union budget, consistent with applicable contractual obligations, and in accordance with Union and international law, in coordination with partners. In particular, central securities depositories holding assets and reserves of the Central Bank of Russia with a total value exceeding EUR 1 million are to make a financial contribution to the Union equivalent to 99,7 % of the net profits stemming from the immobilisation of Russian sovereign assets and accumulating since 15 February 2024.

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4 Council Decision (CFSP) 2024/1470 of 21 May 2024 amending Decision 2014/512/CFSP concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine (OJ L, 2024/1470, 22.5.2024, ELI: http://data.europa.eu/eli/dec/2024/1470/oj).

5 Council Decision 2014/512/CFSP of 31 July 2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine (OJ L 229, 31.7.2014, p. 13).

6 Council Regulation (EU) 2024/1469 of 21 May 2024 amending Regulation (EU) No 833/2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine (OJ L, 2024/1469, 22.5.2024, p. 1, ELI: https://eur-lex.europa.eu/eli/reg/2024/1469/oj).

7 Council Regulation (EU) No 833/2014 of 31 July 2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine (OJ L 229, 31.7.2014, p. 1).

(12) The financial contribution from the central securities depositories to the Union should be due as long as the restrictive measures linked to the prohibition of transactions related to the management of the assets and reserves of the Central Bank of Russia are in place, and should remain in place until Russia ceases its war of aggression against Ukraine and compensates Ukraine for the damage caused by that war.

(13) On … [date of adoption of this Regulation], the Council adjusted to 95 % the percentage of the amounts of the financial contribution due by central securities depositories to be used to support Ukraine through Union programmes set out in Decision 2014/512/CFSP. On the same date, the Council adjusted the allocation of the amounts of the financial contribution paid to the Union budget as external assigned revenue, set out in Annex XLI to Regulation (EU) No 833/2014, and allocated 100 % of that contribution to the Mechanism. The Union has therefore taken the necessary steps to ensure the continued use of the financial contribution for the Mechanism.

(14) It should be possible to support the Mechanism by providing extraordinary revenues stemming from the immobilisation of Russian sovereign assets held in relevant jurisdictions other than the Union. To that end, it should be possible for third countries or other sources to contribute to the Mechanism. Additionally, it should be possible for Member States to contribute on a voluntary basis towards the Mechanism, in particular from revenues that accrue to the Member State concerned from the immobilisation of Russian sovereign assets. Such contributions should constitute external assigned revenue in accordance with Article 21(2), points (a), (d) and (e), of Regulation (EU, Euratom) 2024/2509 of the European Parliament and of the Council[8] (the 'Financial Regulation'). Furthermore, it should be possible for third countries to directly use extraordinary revenues stemming from the immobilisation of Russian sovereign assets within their jurisdiction to reduce the repayment needs of any respective bilateral loan provided to Ukraine, thereby supporting the Mechanism by reducing the total level of support that would be required for that loan.

(15) Support under the Mechanism should be available to cover the overall amount of principal, interest and any other related costs of the MFA Loan taken by Ukraine through the signature of an agreement relating to the MFA Loan (the 'MFA Loan Agreement'), as well as through bilateral loan agreements with bilateral lenders acting under the auspices of the G7 'Extraordinary Revenue Acceleration Loans for Ukraine' initiative as set out in the G7 Leaders' Communiqué adopted on 14 June 2024 in Apulia.

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[8] Regulation (EU, Euratom) 2024/2509 of the European Parliament and of the Council of 23 September 2024 on the financial rules applicable to the general budget of the Union (OJ L, 2024/2509, 26.9.2024, ELI: http://data.europa.eu/eli/reg/2024/2509/oj).

(16) Support under the Mechanism should be available and provided in a manner that ensures equal access both for bilateral lenders and for the Union. The provision of bilateral loans through an intermediary should not preclude the eligibility of such loans for the purposes of this Regulation. Non-repayable financial support should be allocated to Ukraine to repay the MFA Loan and eligible bilateral loans in proportion to the principal of the respective loan against the sum of the principal of the MFA Loan and all eligible bilateral loans. That allocation should be readjusted once the respective loans, including interest and any other related costs, have been fully repaid by Ukraine, in such a way that any future resources are allocated to remaining loans in proportion to the principal of the MFA Loan or eligible bilateral loan against the sum of the principal of all remaining loans. The principal of each loan should be considered as the initial principal committed in the respective loan documentation and not take into consideration other factors, such as repayments, additional financing or any capitalised amounts.

(17) In order to ensure that bilateral loans provided by bilateral lenders can swiftly and efficiently be supported by the Mechanism, the Commission should assess, and where relevant approve for support, the bilateral loans to be provided by bilateral lenders acting under the auspices of the G7 'Extraordinary Revenue Acceleration Loans for Ukraine' initiative. Where such bilateral loan agreements are in draft form or have not yet entered into force, the Commission should monitor their entry into force. In order to ensure a timely disbursement of bilateral loans to Ukraine, bilateral loan agreements should be submitted to the Commission by 1 June 2025 and should enter into force by 30 June 2025.

(18) The release of support under the Mechanism should be contingent on the conclusion of an agreement between the Commission and Ukraine on the detailed provisions for the implementation of the Mechanism, and on the positive assessment by the Commission of a request for non-repayable financial support submitted by Ukraine. Ukraine should provide the Commission with the necessary information to ensure that the Mechanism supports bilateral loans up to the total amount due to the bilateral lender concerned. Exceptionally, and for duly justified reasons, the Commission could also assess requests for payments from bilateral lenders.

(19) In addition to the support under the Mechanism, an MFA Loan should be provided 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 should be available before the end of 2024.

(20) The MFA Loan should provide support in the form of a loan of up to EUR 35 billion. In order to cater for the potential requests for support of bilateral loans under the Mechanism whilst ensuring the sound financial management of Union support available under this Regulation, the amount of the MFA Loan should be adjusted taking into account bilateral loans to Ukraine approved as eligible under the Mechanism, together with the principal amount indicated in stated intentions of third countries communicated to the Commission under the auspices of the G7 'Extraordinary Revenue Acceleration Loans for Ukraine' initiative. That adjustment should take place where the total amount of all loans for which support under this Regulation has been sought exceeds EUR 45 billion.

(21) The support to Ukraine under the MFA Loan should be additional and complementary to the Union support provided under the Ukraine Facility. The Commission should, wherever possible, seek to minimise the administrative and reporting burden on Ukraine.

(22) The support to Ukraine under the MFA Loan should be made available under the precondition that Ukraine continue 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. That precondition should also apply to requests for disbursement from the Mechanism as they pertain to the MFA Loan. The same precondition applies to the support provided under the Ukraine Facility and the Commission should conduct its assessment together for the two instruments.

(23) The Commission should duly take into account Council Decision 2010/427/EU[9] and the role of the European External Action Service, where appropriate.

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9 Council Decision 2010/427/EU of 26 July 2010 establishing the organisation and functioning of the European External Action Service (OJ L 201, 3.8.2010, p. 30).

(24) The MFA Loan should be linked to policy conditions to be set out in a memorandum of understanding between the Commission and Ukraine (the MoU). Those conditions should be consistent with the qualitative and quantitative steps contained in the Annex to Council Implementing Decision (EU) 2024/1447[10], and with any amendments thereto made by the time the MoU is adopted. Additionally, the MoU should include a commitment by Ukraine to promote cooperation with the Union on the recovery, reconstruction and modernisation of Ukraine's defence industry, in line with the objectives of Union programmes aiming at the recovery, reconstruction and modernisation of the Ukraine Defence Technological and Industrial Base and other relevant Union programmes. The necessary steps should also be taken to ensure coordination and complementarity of the bilateral loans, including the MFA Loan, with the other donors. In that regard, the Ukraine Donor Platform should be used as an already established forum for such exchange.

(25) In order to ensure uniform conditions for the implementation of this Regulation, and for reasons of efficiency, the Commission should be empowered to negotiate such conditions with the Ukrainian authorities under the supervision of the committee of representatives of the Member States in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council[11]. Considering the potentially significant impact of assistance, it is appropriate that the examination procedure as specified in Regulation (EU) No 182/2011 be used. Considering the amount of the MFA Loan to Ukraine, the examination procedure should apply to the adoption of the MoU, and to any reduction or cancellation of the MFA Loan.

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10 Council Implementing Decision (EU) 2024/1447 of 14 May 2024 on the approval of the assessment of the Ukraine Plan (OJ L, 2024/1447, 24.5.2024, ELI: http://data.europa.eu/eli/dec_impl/2024/1447/oj).

11 Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by the Member States of the Commission's exercise of implementing powers (OJ L 55, 28.2.2011, p. 13).

(26) The release of the single instalment under the MFA Loan should be contingent on the positive assessment by the Commission of a request for funds submitted by Ukraine. The assessment of the policy conditions set out in the MoU should be without prejudice to the assessment of the fulfilment of aligned conditions under other Union programmes and instruments.

(27) In view of the principle of sound financial management, and to facilitate the Ukrainian authorities' liquidity management and ensure predictability, the Commission should ensure that tranches of the MFA Loan are disbursed throughout the course of 2024 and 2025, avoiding to the extent possible significant deviations of disbursed amounts from quarter-to-quarter. The disbursement of those tranches should, where appropriate, be aligned with the timing of disbursements of loan or non-repayable financial support under Pillar I of the Ukraine Facility. Furthermore, it is appropriate to provide for the possibility to reassess the funding needs of Ukraine and to reduce or cancel the support under the MFA Loan if those needs decrease fundamentally during the period of the availability of the support under the MFA Loan as compared to the initial projections.

(28) The MFA Loan Agreement to be concluded between the Commission and the Ukrainian authorities should contain provisions aligned with the rights, responsibilities and obligations provided for in the framework agreement under the Ukraine Facility referred to in Article 9 of Regulation (EU) 2024/792 signed between the Union and Ukraine that entered into force on 20 June 2024. That will ensure that the Union's financial interests linked to the MFA Loan are protected efficiently, providing the appropriate measures relating to the prevention of, and fight against, fraud, corruption and any other irregularities linked to the assistance. It will also, in accordance with the Financial Regulation, grant the necessary rights and access to the Commission, the European Anti-Fraud Office (OLAF), the European Court of Auditors and, where applicable, the European Public Prosecutor's Office, including from third parties involved in the implementation of Union funds during and after the availability period of the MFA Loan. Ukraine should also report irregularities in relation to the use of the funds to the Commission, in line with the procedures provided for in the framework agreement under the Ukraine Facility.

(29) In the context of Ukraine's financing needs, it is appropriate to organise the financial assistance under the diversified funding strategy provided for in Article 224 of the Financial Regulation and established as a single funding method therein, which is expected to enhance the liquidity of Union bonds and the attractiveness and cost-effectiveness of Union issuance.

(30) By way of derogation from Article 31(3), second sentence, of Regulation (EU) 2021/947 of the European Parliament and of the Council[12], the financial liability from the MFA Loan should not be supported by the External Action Guarantee established by Regulation (EU) 2021/947. Support from the MFA Loan should constitute financial assistance within the meaning of Article 223(1) of the Financial Regulation. Given that the financial assistance of the MFA Loan is available in 2024 and is authorised in accordance with Article 223(1) of the Financial Regulation, it is appropriate that the guarantee for the MFA Loan to Ukraine be mobilised over and above the multiannual financial framework (MFF) ceilings and up to the limits of the ceilings referred to in Article 3(1) and (2) of Council Decision (EU, Euratom) 2020/2053[13] in accordance with Article 2(3) of Council Regulation (EU, Euratom) 2020/2093[14]. When considering the financial risks and the budgetary coverage, no provisioning should be constituted for the support from the MFA Loan, to be guaranteed over and above the MFF ceilings, and, by way of derogation from Article 214(1) of the Financial Regulation, no provisioning rate should be set.

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[12] Regulation (EU) 2021/947 of the European Parliament and of the Council of 9 June 2021 establishing the Neighbourhood, Development and International Cooperation Instrument – Global Europe, amending and repealing Decision No 466/2014/EU of the European Parliament and of the Council and repealing Regulation (EU) 2017/1601 of the European Parliament and of the Council and Council Regulation (EC, Euratom) No 480/2009 (OJ L 209, 14.6.2021, p. 1).

[13] Council Decision (EU, Euratom) 2020/2053 of 14 December 2020 on the system of own resources of the European Union and repealing Decision 2014/335/EU, Euratom (OJ L 424, 15.12.2020, p. 1).

[14] Council Regulation (EU, Euratom) 2020/2093 of 17 December 2020 laying down the multiannual financial framework for the years 2021 to 2027 (OJ L 433 I, 22.12.2020, p. 11).

(31) Given the difficult situation of Ukraine caused by Russia's war of aggression and in order to support Ukraine on its long-term stability path, it is appropriate for the Union to provide the MFA Loan to Ukraine on highly concessional terms with a sufficiently long duration to accommodate the capacities of the guarantee over and above the MFF ceilings.

(32) Union support to Ukraine under this Regulation should be managed by the Commission.

(33) In order to ensure that the European Parliament and the Council are able to follow the implementation of this Regulation, the Commission should regularly inform them of developments relating to Union support to Ukraine under this Regulation and provide them with the relevant documents.

(34) In order to ensure the continued effectiveness of the arrangements established by this Regulation, the Commission should regularly review their adequacy and report to the European Parliament and to the Council thereon, thereby guaranteeing transparency and accountability.

(35) In order to ensure uniform conditions for the implementation of this Regulation, implementing powers should be conferred on the Commission. Those powers should be exercised in accordance with Regulation (EU) No 182/2011.

(36) Since the objectives of this Regulation, namely to provide support to Ukraine to cover its financing needs, in particular by providing concessional short-term and long-term relief in the form of the MFA Loan and of non-repayable financial support under the Mechanism, cannot be sufficiently achieved by the Member States but can rather, by reasons of their scale and effect, be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve those objectives.

(37) In view of the urgency entailed by the exceptional circumstances caused by Russia's unprovoked and unjustified war of aggression, it is considered to be appropriate to invoke the exception to the eight-week period provided for in Article 4 of Protocol No 1 on the role of national Parliaments in the European Union, annexed to the Treaty on European Union, to the Treaty on the Functioning of the European Union and to the Treaty establishing the European Atomic Energy Community.

(38) In light of the situation in Ukraine, this Regulation should enter into force as a matter of urgency on the day following that of its publication in the *Official Journal of the European Union*,

HAVE ADOPTED THIS REGULATION:

Chapter I
General provisions

Article 1

Subject matter

This Regulation establishes the Ukraine Loan Cooperation Mechanism (the ‘Mechanism’) and makes available to Ukraine exceptional macro-financial assistance in the form of a loan (the ‘MFA Loan’) with a view to supporting Ukraine in covering its financing needs.

Article 2

Definitions

For the purposes of this Regulation, the following definitions apply:

(1) ‘Union support’ means the MFA Loan and non-repayable financial support available under the Mechanism;

(2) ‘bilateral loan’ means a loan given directly or indirectly by a third country as a bilateral lender to the benefit of Ukraine;

(3) ‘eligible bilateral loan’ means a bilateral loan approved as eligible under the Mechanism by the Commission;

(4) ‘MFA Loan’ means the exceptional financial support made available by the Union to Ukraine in the form of a loan under Chapter III;

(5) ‘MFA Loan Agreement’ means the loan agreement signed by the Commission, on behalf of the Union, and Ukraine under Chapter III;

(6) ‘other related costs’ means any costs or fees due under the MFA Loan and the respective bilateral loan.

Chapter II

Ukraine Loan Cooperation Mechanism

Article 3

Purpose

The purpose of the Mechanism shall be 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 that purpose, the Mechanism shall receive resources and disburse them on a regular basis to Ukraine to cover the principal, interest and any other related costs of the MFA Loan and eligible bilateral loans. In its operations, the Mechanism shall ensure equal access both for bilateral lenders and for the Union.

Article 4

Financing

1. The Mechanism shall be endowed with resources made available by:

   (a) amounts transferred in accordance with Annex XLI to Regulation (EU) No 833/2014, which shall constitute external assigned revenue in accordance with Article 21(5) of the Financial Regulation; and

   (b) amounts received as financial contributions from Member States, third countries or other sources; such contributions shall constitute external assigned revenue in accordance with Article 21(2), points (a), (d) and (e), respectively, of the Financial Regulation.

2. For all contributions referred to in paragraph 1, point (b), of this Article a contribution agreement shall be concluded between the Commission, on behalf of the Union, and the contributor. The contribution agreement shall contain, in particular, provisions concerning the payment conditions. The Commission shall inform the European Parliament and the Council simultaneously and without delay of the concluded contribution agreements.

Article 5

Available support

1. The non-repayable financial support under the Mechanism shall be available under the conditions set out in Articles 6, 7 and 8 to assist Ukraine to repay the principal, interest and any other related costs of:

   (a) the MFA Loan; and

   (b) eligible bilateral loans.

2. The non-repayable financial support under the Mechanism shall be allocated to assist Ukraine to repay the MFA Loan and eligible bilateral loans referred to in paragraph 1 in proportion to the principal of each loan expressed in euro against the sum of the principal of the MFA Loan and all eligible bilateral loans expressed in euro. Once the MFA Loan or an eligible bilateral loan has been fully repaid by Ukraine, including interest and any other related costs, such allocation shall be adjusted so that any future resources under the Mechanism are allocated to remaining loans in proportion to the principal of each loan expressed in euro against the sum of the principal of all remaining loans expressed in euro.

3. The Commission shall adopt a decision establishing the allocation provided for in paragraph 2 of this Article between the MFA Loan and eligible bilateral loans. The Commission shall use the principal of each eligible bilateral loan expressed in euro as referred to in Article 6(5), point (b). The Commission shall without delay amend that decision to include each bilateral loan upon the entry into force of that loan. The Commission may amend that decision to proportionally reduce the allocation to a bilateral loan should that bilateral loan not be fully disbursed by 31 December 2027.

4. The overall amount of the principal of the MFA Loan and eligible bilateral loans referred to in paragraph 1 shall not exceed EUR 45 billion.

5. The non-repayable financial support under the Mechanism shall be carried out in euro.

6. All payments shall be subject to the availability of the resources referred to in Article 4(1).

7. The Union shall not assume any liability for the repayment of eligible bilateral loans.

Article 6

Commission implementing decision on the eligibility of the bilateral loans

1. If Ukraine wishes to request support under the Mechanism to assist it to repay a bilateral loan, it shall submit the text of the relevant bilateral loan agreement to the Commission by 1 June 2025.

2. The Commission shall without delay assess the eligibility of bilateral loans under the Mechanism in accordance with the following criteria:

(a) the bilateral loan agreement was not signed before 20 September 2024;

(b) the counterparty to the bilateral loan is acting under the auspices of the G7 ‘Extraordinary Revenue Acceleration Loans for Ukraine’ initiative; and

(c) the bilateral loan is to be fully disbursed to the benefit of Ukraine before 31 December 2027; such disbursements may be linked to the completion of policy conditions.

For the purposes of the assessment, the Commission may seek additional information from Ukraine.

3. A suspensive condition in a bilateral loan agreement that provides that such agreement does not enter into force before the approval by the Commission of the eligibility of the bilateral loan or before the entry into force of the agreement for the implementation of the Mechanism referred to in Article 7 shall not prevent a positive assessment by the Commission of the bilateral loan.

4. The Commission shall approve the eligibility of a bilateral loan by means of an implementing decision.

5. The Commission implementing decision referred to in paragraph 4 of this Article shall set out:

(a) the bilateral lender;

(b) the principal of the bilateral loan expressed in euro; to the extent necessary, the principal of the bilateral loan shall also be expressed in the currency of the respective bilateral loan, where the conversion rate for the bilateral loan to euro shall be the daily euro exchange rate published in the C series of the *Official Journal of the European Union* on 20 September 2024; and

(c) the justification for the positive assessment of the bilateral loan.

6. The sum of the principals of all bilateral loans approved by the Commission in accordance with this Article and the MFA Loan shall not exceed the amount laid down in Article 5(4).

7. The Commission may repeal the implementing decision referred to in paragraph 4 of this Article if the relevant bilateral loan agreement does not enter into force by 30 June 2025.

8. In the case of a negative assessment of the bilateral loan, the Commission shall communicate that assessment to Ukraine, giving reasons for its assessment.

Article 7

Agreement for the implementation of the Mechanism

1. Non-repayable financial support under the Mechanism referred to in Article 5 shall only be granted to Ukraine after the Commission has concluded an agreement for the implementation of the Ukraine Loan Cooperation Mechanism with Ukraine (the 'ULCM Agreement').

2. The ULCM Agreement shall contain in particular the following elements:

   (a) the obligation of Ukraine to use the non-repayable financial support under the Mechanism for the repayment of the principal, interest and any other related costs of the MFA Loan or eligible bilateral loans;

   (b) the bank account details of all bilateral lenders to which payments of the non-repayable financial support under the Mechanism related to their respective bilateral loans shall be made by the Commission;

   (c) for payments of the non-repayable financial support under the Mechanism related to the MFA Loan, provisions ensuring that the Union shall use those amounts to directly repay the MFA Loan;

   (d) dedicated provisions reflecting Article 5(7) and ensuring that the Union shall not be held liable for any damage caused by Ukraine or by any third parties in the implementation of eligible bilateral loans, including as a consequence of the implementation of the Mechanism, and specifically where the amounts referred to in Article 4(1) vary over time or cease;

(e) the obligation of Ukraine to obtain from the bilateral lenders and provide, without delay, the Commission with proof of:

   (i) the entry into force of each bilateral loan agreement; and

   (ii) the discharge of each repayment obligation, including, to the extent necessary, the applicable conversion rate used;

(f) the obligation of Ukraine to agree with each bilateral lender that any amounts provided by Ukraine to a bilateral lender to repay the bilateral loan that do not immediately discharge repayment obligations, shall remain available until such time as the repayment obligations fall due, with any interest accrued on that amount also available to be used to discharge obligations under the bilateral loan agreement;

(g) the obligation of Ukraine to accompany each payment request with:

   (i) details of the remaining amounts due under each bilateral loan agreement; and

   (ii) details of the amounts that are available to discharge repayment obligations referred to in point (f);

(h) an express authorisation for bilateral lenders to exceptionally make a request for payment pursuant to Article 8(6), provided that the information referred to in point (g) of this paragraph is submitted by the bilateral lenders; and

(i) any other requirements needed for the implementation of the Mechanism.

3. To the extent necessary, the ULCM Agreement shall be amended following the entry into force of any Commission implementing decision adopted pursuant to Article 6(4).

Article 8

Disbursement of the non-repayable financial support

1. Ukraine may submit to the Commission twice a year a request for non-repayable financial support under the Mechanism in respect of the MFA Loan and eligible bilateral loans.

2. The Commission shall assess Ukraine's request for non-repayable financial support under the Mechanism on the basis of the following requirements:

   (a) compliance with the precondition set out in Article 11(1), which shall only be applicable as regards the MFA Loan;

   (b) confirmation that the total value of disbursements in respect of the MFA Loan or each eligible bilateral loan, together with any interest accrued thereon, does not exceed the total amount due to that bilateral lender; and

   (c) compliance with the obligations of the ULCM Agreement.

3. Subject to the availability of the resources referred to in Article 4(1), where the Commission makes a positive assessment of the request for non-repayable financial support under the Mechanism, it shall adopt without undue delay a decision authorising the disbursement of the non-repayable financial support under the Mechanism, including the amount disbursed to support the repayment of each eligible bilateral loan and the amount made available to support the repayment of the MFA Loan. The amount disbursed under the Mechanism shall equal the amount of resources available on the basis of Article 4(1). That amount disbursed shall be allocated in accordance with the Commission decision referred to in Article 5(3).

4. In the event that the amount made available to Ukraine to support the repayment of the MFA Loan is higher than the amount due for repayment under the MFA Loan, the excess amount may be used for early repayment of the MFA Loan in accordance with Article 15(2), point (e), or may be retained by the Union for the exclusive purpose of supporting the repayment of the MFA Loan in the future. Any interest accrued thereon shall also be available to support that purpose.

5. Where the Commission gives a negative assessment to the request for non-repayable financial support under the Mechanism, it shall, without delay, inform Ukraine, giving reasons for its assessment.

6. Without prejudice to paragraphs 1 and 2 of this Article, the Commission may for duly justified reasons exceptionally assess requests for payment submitted by the bilateral lenders, in particular where the Commission has taken a decision in accordance with Article 11(5) or where Ukraine is not in compliance with its obligations under the ULCM Agreement.

Chapter III

Macro-financial assistance

Article 9

Availability of the Union's exceptional macro-financial assistance

1. The Union shall make available to Ukraine exceptional macro-financial assistance, with a view to supporting Ukraine in covering its financing needs. The Union's exceptional macro-financial assistance shall be provided to Ukraine in the form of a loan (the 'MFA Loan'). The MFA Loan shall contribute to covering Ukraine's financing gap as identified in cooperation with international financial institutions.

2. The release of the MFA Loan shall be managed by the Commission on the basis of its assessment of the precondition referred to in Article 11(1) and of the implementation of the policy conditions included in the memorandum of understanding referred to in Article 12(1).

3. The MFA Loan shall be available until 31 December 2024. It shall be made available by the Commission in one instalment, which may be disbursed in one or more tranches. The disbursement of all such tranches shall take place by 31 December 2025.

Article 10
Amount

1. The MFA Loan shall be for a maximum amount of EUR 35 billion. However, where, at the moment of the adoption of the Commission decision on the release of the instalment referred to in Article 13, the sum of that maximum amount and of the principal amount of eligible bilateral loans already approved by the Commission in accordance with Article 6, and of the principal amount indicated in stated intentions of third countries communicated to the Commission under the auspices of the G7 'Extraordinary Revenue Acceleration Loans for Ukraine' initiative, exceed EUR 45 billion, the maximum amount of the MFA Loan shall be reduced by the value of the excess.

2. If the financing needs of Ukraine decrease fundamentally during the period of availability of the MFA Loan, including in the event of a settlement by Russia of Ukraine's war damages, the Commission, acting in accordance with the examination procedure referred to in Article 16(2), may reduce the amount of the MFA Loan or cancel it.

3. The MFA Loan shall have a maximum duration of 45 years.

Article 11

Precondition for support

1. A precondition for granting the MFA Loan shall be that Ukraine continue 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 the rights of persons belonging to minorities.

2. The Commission services and the European External Action Service shall monitor the fulfilment of the precondition set out in paragraph 1, in particular before the instalment is released and tranches are disbursed, taking, as appropriate, duly into account the Commission's regular enlargement report. The Commission shall take into account the relevant recommendations of international bodies, such as the Council of Europe and its Venice Commission, in that process. The Commission shall inform the Council of the fulfilment of the precondition set out in paragraph 1 before the instalment is released and before tranches are disbursed to Ukraine.

3. Paragraphs 1 and 2 of this Article shall apply in accordance with Decision 2010/427/EU.

4. The assessment referred to in paragraph 2 of this Article shall be conducted together with the assessment provided for in Article 5(2) of Regulation (EU) 2024/792.

5. Where the Commission finds that the precondition set out in paragraph 1 of this Article has not been met or is no longer met, it shall suspend disbursements of the MFA Loan and the release of non-repayable support under the Mechanism referred to in Article 8 as it pertains to the MFA Loan.

Article 12

Memorandum of Understanding

1. The Commission shall agree with Ukraine on policy conditions to which the MFA Loan is to be linked. Those policy conditions shall be set out in a memorandum of understanding (MoU).

2. The policy conditions in the MoU shall be consistent with the qualitative and quantitative steps contained in the Annex to Implementing Decision (EU) 2024/1447 and any amendments thereto. The policy conditions in the MoU shall additionally include a commitment to promote cooperation with the Union on the recovery, reconstruction and modernisation of Ukraine's defence industry, in line with the objectives of Union programmes aiming at the recovery, reconstruction and modernisation of the Ukraine Defence Technological and Industrial Base and other relevant Union programmes.

3. The Commission shall approve the signature of the MoU and of its amendments by means of implementing acts. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 16(2).

Article 13

Decision on release

1. Ukraine shall submit a request for funds ahead of the release of the instalment, accompanied by a report in accordance with the provisions of the MoU.

2. The Commission shall decide on the release of the instalment subject to its assessment of the following requirements:

(a) compliance with the precondition set out in Article 11(1); and

(b) the satisfactory fulfilment of the policy conditions set out in the MoU.

3. The disbursement of tranches may be aligned with the timing of disbursements of a loan or non-repayable financial support under Pillar I of the Ukraine Facility in accordance with Regulation (EU) 2024/792.

Article 14

Borrowing and lending operations

1. In order to finance the MFA Loan, the Commission shall be empowered, on behalf of the Union, to borrow the necessary funds on the capital markets or from financial institutions in accordance with Article 224 of the Financial Regulation.

2. By way of derogation from Article 31(3), second sentence, of Regulation (EU) 2021/947, the financial assistance provided to Ukraine under the MFA Loan shall not be supported by the External Action Guarantee. No provisioning for the MFA Loan shall be constituted and, by way of derogation from Article 214(1) of the Financial Regulation, no provisioning rate as a percentage of the amount referred to in Article 10 of this Regulation shall be set.

3. Amounts suspended in accordance with Article 11(5) of this Regulation shall be available, to the extent necessary, to support the repayment of Union borrowing operations. The use of such resources in that manner shall not release Ukraine from its liability to repay the MFA Loan in accordance with the terms of the MFA Loan Agreement.

Article 15

MFA Loan Agreement

1. The detailed financial terms of the MFA Loan shall be laid down in the MFA Loan Agreement.

2. In addition to the elements laid down in Article 223(4) of the Financial Regulation, the MFA Loan Agreement shall require that:

   (a) the rights, responsibilities and obligations provided for in the framework agreement under the Ukraine Facility referred to in Article 9 of Regulation (EU) 2024/792 apply to the MFA Loan Agreement and the funds therein;

   (b) Ukraine utilise the same management and control systems as proposed in the Ukraine Plan established under Regulation (EU) 2024/792;

   (c) it be ensured that the Union is entitled to early repayment of the MFA Loan where it has been established that, in relation to the management of the MFA Loan, Ukraine has engaged in any act of fraud or corruption or any other illegal activity detrimental to the financial interests of the Union;

(d) Ukraine continue to respect the precondition set out in Article 11(1);

(e) the excess amount referred to in Article 8(4) may be used in full or in part for the early repayment of the MFA Loan at the initiative of the Commission or, subject to the approval of the Commission, upon request of Ukraine; and

(f) detailed arrangements for repayment be defined, based on a waterfall structure where:

  (i) non-repayable support under the Mechanism made available for the MFA Loan authorised in accordance with Article 8 is used to directly repay the MFA Loan;

  (ii) if no or only partial non-repayable support under the Mechanism is provided for reasons of insufficient amounts, amounts retained by the Union in accordance with Article 8(4) shall be used to directly repay the MFA Loan;

  (iii) if the amounts referred to in points (i) and (ii) are insufficient, in the event of an agreement being reached to provide Ukraine with war reparations or any equivalent financial settlement of war damages, Ukraine shall use such resources for the servicing of the MFA Loan; and

  (iv) if the amounts referred to in points (i), (ii) and (iii) are insufficient, Ukraine shall remain liable for any remaining amount due under the MFA Loan.

3. Non-compliance with the terms of the MFA Loan Agreement shall constitute a ground for the Commission to suspend or cancel the release of the instalment or tranches or, where warranted, to demand early repayment of the MFA Loan.

4. The MFA Loan Agreement shall be made available, upon request, simultaneously to the European Parliament and to the Council.

Article 16

Committee procedure

1. The Commission shall be assisted by a committee. That committee shall be a committee within the meaning of Regulation (EU) No 182/2011.

2. Where reference is made to this paragraph, Article 5 of Regulation (EU) No 182/2011 shall apply.

Chapter IV
Final provisions

Article 17

Information to the European Parliament and to the Council

1. The Commission shall inform the European Parliament and the Council of developments regarding the implementation of this Regulation, including disbursements under the Mechanism and the MFA Loan, and shall provide those institutions with the relevant documents in due time. That information shall be provided in accordance with the interinstitutional arrangements agreed under the Ukraine Facility, including the Ukraine Facility Dialogue.

2. By 30 June of each year, the Commission shall submit to the European Parliament and to the Council a report on the implementation of this Regulation in the preceding year, including an evaluation of that implementation. That report shall:

   (a) examine progress made in implementing the MFA Loan; and

   (b) assess the economic situation and prospects of Ukraine, as well as progress made in implementing the policy conditions referred to in Article 12(1).

   Where appropriate, in particular after the MFA Loan and all eligible bilateral loan agreements have expired, the Commission shall include in the report referred to in the first subparagraph a review of the adequacy of the arrangements contained in this Regulation.

3. By 31 December 2027, the Commission shall submit to the European Parliament and to the Council an *ex post* evaluation report, assessing the results and efficiency of the completed MFA Loan provided under this Regulation and the extent to which it has contributed to the aims of the assistance.

Article 18

Entry into force

This Regulation shall enter into force on the day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Strasbourg,

For the European Parliament	*For the Council*
The President	*The President*