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REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

on the implementation of macro-financial assistance to third countries in 2024

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REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

on the implementation of macro-financial assistance to third countries in 2024 [1]

1. INTRODUCTION

Macro-financial assistance (MFA) is an EU financial instrument [2] provided to partner countries experiencing a balance of payments crisis. Since its inception in 1990, MFA has helped to improve macroeconomic and financial stability in countries neighbouring or geographically close to the EU while encouraging structural reforms. Its provision is conditional on a non-precautionary credit arrangement agreed with the International Monetary Fund (IMF)[3]. It seeks to relieve the partner country of the immediate pressure to address the underlying problems causing the stress in the balance of payments. This allows it to increase its fiscal space, improve its debt sustainability and focus on driving necessary reforms. By smoothening the macroeconomic adjustment path, MFA operations can have positive economic and social impacts so that the country has more time and scope to address the root causes of its balance-of-payments crisis.

MFA most often takes the form of loans funded through EU bonds. Since January 2023, the MFA funding approach has changed from a back-to-back [4] approach to a unified structure, where bond issuances are decoupled from specific disbursements. Instead, the Commission now issues single branded EU bonds and channels the proceeds to a central funding pool, which in turn finances multiple EU policy programmes (including the MFA). In some cases, MFA may consist entirely of loans, while in other cases it may be a combination of loans and grants.

MFA is released in instalments and only if all the economic policy conditions tied to these instalments, as agreed with the partner country, are fulfilled. There is also a political precondition for granting MFA that requires compliance with democratic mechanisms (including a multi- party parliamentary system and observing the rule of law, and respect for human rights). MFA also thus complements regular EU cooperation assistance and contributes to achieving the wider goals of preserving stability and promoting prosperity and EU values beyond its borders. This is supported by the findings of several independent evaluations of completed MFA operations [5] as well as the recent meta-evaluation of the last decade of operations [6].

In 2024, which was a year of heightened challenges amid fast-evolving geopolitical developments, the MFA continued to demonstrate its ability to swiftly and effectively react

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[1] This report is based on information available up to March 2025.
[2] The legal basis for MFA to third countries other than developing countries is Article 212 of the Treaty on the Functioning of the European Union (TFEU). Article 213 TFEU may be used as a legal basis when the third country requires urgent financial assistance.
[3] An exception from this precondition was made in the setting up of the exceptional support MFA+ support provided to Ukraine following Russia's full-scale invasion in February 2022.
[4] In duly justified cases (e.g. small amount, strong beneficiary preference for specific loan structure), the back-to-back approach where the Commission issues bonds and transfers the proceeds directly to the beneficiary country can apply (e.g. loans disbursements to Moldova in July and December 2024).
[5] All evaluations are available on the Commission's website: https://ec.europa.eu/info/evaluation-reports-economic-and-financial-affairs-policies-and-spending-activities_en.
[6] SWD (2023) 0016, Commission Staff Working Document, Evaluation of macro-financial assistance to third countries (meta-evaluation of operations for 2010-2020).

to exceptional circumstances, while also maintaining its core mission of promoting stability. The MFA provided in the context of the G7's Extraordinary Revenue Acceleration (ERA) loan initiative for Ukraine – prompted by Russia's continuing war of aggression – reaffirmed the Union's commitment to translate solidarity into tangible support for Ukraine, while also assisting other partners dealing with the war's economic repercussions. Escalating hostilities in the Middle East have also prompted the Union to provide MFA to key players in the region.

The 2024 report has been prepared in line with the Commission's information obligations as laid down in the relevant legal acts. It is accompanied by a Commission staff working document, which provides a more detailed analysis of the implementation of individual MFA operations.

2. MACRO-FINANCIAL ASSISTANCE OPERATIONS IN 2024

In 2024, amid Russia's intensifying aggression against Ukraine and the country's continuing financing needs, the Union adopted a new exceptional MFA package for Ukraine under the G7 ERA loan initiative. Following the disbursement of EUR 18 billion in 2023 under the MFA+ programme, the Ukraine Facility became the Union's primary budgetary support instrument for Ukraine in 2024, providing EUR 16.5 billion of budgetary assistance. Nevertheless, as a result of Russia's ongoing aggression, Ukraine's financing needs remained at exceptionally high levels in 2024. This prompted the G7's leaders to pledge in mid-2024 EUR 45 billion in ERA loans that are to be repaid using extraordinary revenues generated from immobilised Russian sovereign assets. The EU built on this pledge by adopting Regulation (EU) 2024/2773 establishing the Ukraine Loan Cooperation Mechanism (ULCM) and providing exceptional MFA to Ukraine, worth up to EUR 18.1 billion in highly concessional terms to alleviate pressures on Ukraine's public finances to the extent possible. The loans have 45-year maturity and a 10-year grace period. The repayment will depend primarily on the extraordinary revenues linked to immobilised Russian sovereign assets. Following the release of the MFA in December 2024, disbursements are scheduled throughout 2025.

In 2024, the Union also disbursed the final tranches of its amended MFA to Moldova, which was designed to help address the effects of the energy crisis that started in October 2021 and to counter the spillovers from Russia's ongoing aggression against Ukraine. Meanwhile, half of the EUR 100 million MFA agreed for North Macedonia was successfully disbursed, supporting the country amid tight global financial conditions, rising energy prices and unexpected state-owned electricity losses. The second and last tranche of the MFA is available until 2026 but appears unlikely to be drawn due to a lack of progress in implementing policy conditions.

In March 2024, recognising Egypt's critical financial situation and its important stabilising role in the region, the Commission proposed EUR 5 billion in MFA, including a EUR 1 billion urgent short-term operation that was disbursed in December 2024, contingent on economic reforms and human rights benchmarks. The proposal for the remaining EUR 4 billion remains under consideration by the European Parliament and the

Council, along with the Commission's MFA proposal for Jordan, which is expected to be adopted in Q2 25.

The implementation status of MFA operations in 2024 (by region)

2.1 *Eastern Partnership*

- **Moldova**

Moldova has been recovering from the energy crisis in 2021. Its economic recovery began in 2023 and strengthened in 2024, with GDP growth of 2.6%. Stronger private consumption thanks to low inflation and rising real wages have, together with recovering investment, offset weak export growth. Real wages continued to increase while looser monetary policy has conditions have supported consumer lending and investment. The current account deficit increased in 2024 after a sharp decline in 2023, driven by a larger trade deficit caused by declining goods exports and stable imports. Rising services exports, led by the ICT sector, partially offset the decline in goods exports. Remittances continued to fall to 11.4% of GDP in Q2 2024, while FDI inflows as a share of GDP declined during the first three quarters of 2024. The budget deficit in 2024 narrowed to 3.9% of GDP in 2024 on account of stronger revenue collection, lower capital expenditure and the improved targeting of support measures to mitigate the impact of high energy prices on households. In 2024, the government remained reform-oriented and committed to macroeconomic stability but downside risks (particularly in relation to the energy situation) remained high. EU accession negotiations were officially launched in 2024 and a referendum saw a narrow majority in favour of the proposed constitutional changes with a view to joining the EU.

Moldova was hit hard by the energy crisis in 2021. Following a request by Moldova on 19 November 2021, the Commission adopted a proposal for MFA of EUR 150 million (EUR 120 million in medium-term loans and a EUR 30 million grant). The Parliament and the Council adopted a decision to this effect on 6 April 2022 (Decision (EU) 2022/563). The Memorandum of Understanding (MoU), the loan facility agreement and the grant agreement relating to this MFA were signed on 22 June 2022 and ratified by the Moldovan Parliament on 14 July 2022.

In response to the increasing direct and indirect impact of Russia's war of aggression on Ukraine on Moldova's economy, the Commission adopted a proposal on 24 January 2023 to increase the ongoing MFA by EUR 145 million. Up to EUR 100 million of this was in the form of loans and EUR 45 million in grants. The European Parliament and the Council adopted a decision to this effect on 14 June 2023 (Decision (EU) 2023/1165). This decision increased the overall support provided through this MFA to EUR 295 million (including EUR 75 million in grants). The additional financial assistance under the MFA came as part of a larger EU support package to Moldova, which the President of the Commission announced in November 2022, and which also contained EUR 105 million of budget support.

The MFA was released in five instalments, in accordance with the amended MoU that entered into force on 5 September 2023. The first instalment of EUR 50 million (including EUR 15 million in grants) was released on 1 August 2022. The second instalment of EUR 50 million (EUR 10 million in grants) was released on 22 March 2023. The third instalment (i.e. the first 'additional instalment' from the additional MFA) was released on 25 October 2023 (EUR 50 million in loans) and 27 October 2023 (EUR 22.5 million in grants). The fourth instalment (i.e. the second 'additional instalment' from the amended MFA) was released on 18 July 2024 (EUR 50 million in loans and EUR 22.5 million in grants). The fifth and final instalment was released on 17 December (EUR 45 million in loans) and 18 December 2024 (EUR 5 million in grants).

The disbursement of the MFA was subject to a positive track record under the IMF's Extended Credit Facility / Extended Fund Facility (ECF/EFF) for Moldova, which was adopted in December 2021 and further increased in May 2022. After the increase, the Fund's programme amounts to USD 815 million. In December 2023, the IMF Executive Board also approved an arrangement for Moldova under the Resilience and Sustainability Facility (for an amount equivalent to USD 173 million), to support Moldova's efforts to strengthen resilience against climate shocks, support energy sector reforms, enhance domestic financial sector preparedness and mobilise sustainable finance. Following the abrupt dismissal of the Governor of the National Bank of Moldova (NBM) in December 2023, discussions have taken place on the importance of good governance and the independence of the Central Bank. This led to a number of measures that allowed the IMF to successfully conclude the fifth review under the ECF/EFF arrangements and the first review under the RSF on 28 June 2024. On 17 December 2024, the IMF completed the sixth review under the ECF/EFF arrangements and the second review under RSF with Moldova, allowing a disbursement of USD 162.6 million. The IMF programme is expected to include two more reviews and run until October 2025.

- **Ukraine**

Amid the severe destruction caused to human and physical capital since Russia's full-scale invasion in 2022, Ukraine's economy has shown remarkable resilience. GDP grew by 5.3% in 2023 and is projected to have grown by 3.5% in 2024, although some slowdown in growth was observed in the second half of 2024. The recovery has been supported by the reopening of export routes (particularly through the Black Sea and the Danube) and strong international financial assistance (including from the EU's exceptional MFA in 2023 and the Ukraine Facility's implementation, starting in 2024). Inflation, which had declined significantly in 2023, accelerated in late 2024 due to rising electricity costs following intensified attacks on energy infrastructure and due to strong wage growth amid labour shortages. The National Bank of Ukraine tightened monetary policy in response, raising the policy rate to 14.5% in January 2025. The current account deficit widened to 7.6% of GDP in 2024, mainly due to a reduction in international grants, while the trade deficit remained stable as increased imports for defence and reconstruction offset export gains. Despite the challenging environment, the banking sector remains stable and profitable, with decreasing non-performing loan ratios and sufficient capital buffers. Public finances remain under pressure, with a fiscal deficit of 19.1% of GDP in 2024 that was largely driven by high defence and reconstruction expenditures. Tax measures are expected to strengthen revenues in 2025, but the fiscal gap remains substantial. Looking ahead, growth prospects are clouded by uncertainty related to (energy) infrastructure destruction, labour shortages and the future course of the war. In this context, sustained international support remains crucial for Ukraine's economic stability and ability to face Russia's war of aggression.

Following the disbursement of EUR 18 billion under the MFA+ programme in 2023, the Ukraine Facility became the Union's primary budgetary support instrument in 2024, providing EUR 16.5 billion in assistance under Pillar I. Nevertheless, Russia's escalating and continuing aggression further increased the financing needs for 2024 and beyond. A residual financing gap emerged despite the support provided through the Ukraine Facility and contributions from other partners. In response, G7 leaders made a commitment at their June 2024 summit in Apulia, Italy, to provide Ukraine with EUR 45 billion in ERA loans that would be repaid using future extraordinary revenues generated from immobilised Russian sovereign assets held in the Union and other relevant jurisdictions.

Building on this commitment, the Commission submitted a proposal on 20 September 2024 for a regulation of the European Parliament and of the Council establishing a Ukraine Loan Cooperation Mechanism and providing exceptional MFA to Ukraine. The European Parliament and the Council adopted this proposal on 24 October 2024 as Regulation (EU) 2024/2773 (the ULCM Regulation), which entered into force on 29 October 2024. On the basis of the confirmed contributions by G7 partners following the G7 finance ministers meeting of 25 October 2024 in Washington DC, the Union confirmed an MFA loan of EUR 18.1 billion to Ukraine that was to be released via a single instalment. The Decision authorising the release of the sole instalment was adopted on 18 December 2024 by the European Commission, and the first disbursement to Ukraine for an amount of EUR 3 billion took place on 10 January 2025. Subsequent disbursements will follow throughout 2025.

Given the exceptional circumstances, this MFA features highly concessional terms. Ukraine remains formally liable for repaying the ERA loans, but the repayments are intended to be financed through the extraordinary revenues generated from the immobilised Russian assets. Ukraine is therefore not expected to use its own resources to directly repay the loans. Repayments will instead be managed via the ULCM, so that Ukraine can front-load the benefits of these extraordinary revenues while minimising the impact on its public finances. Furthermore, if the extraordinary revenues prove insufficient to repay the MFA loan, the highly concessional 45-year maturity and 10-year grace period before principal repayments begin will provide ample room to ensure the stabilisation of Ukraine's macro-fiscal situation. This financing arrangement not only reduces the immediate strain on Ukraine's public finances but also ensures that debt service flows will remain manageable when they begin in the 2030s, significantly mitigating the risks to financial stability during the recovery period. The inflow of revenues to the ULCM depends on the continuing immobilisation of these assets, which is subject to the renewal of sanctions every six months. The Council adopted the most recent renewal on 27 January 2025. The renewal of the sanctions requires unanimity in the Council.

As with previous MFA programmes, the disbursement of this exceptional EUR 18.1 billion MFA loan was conditional on the fulfilment of policy commitments set out in the MoU between the Union and Ukraine. The MoU, which was endorsed by the Member States Committee on MFA on 7 November 2024, entered into force on 4 December 2024. The successful implementation of the policy conditions consistent with a selection of those underpinning the Ukraine Plan (covering key reform areas such as macro-financial stability, state-owned enterprises, public administration, the rule of law and defence) enabled the release of the sole instalment of the MFA loan on 18 December 2024.

2.2 Southern Neighbourhood

- **Egypt**

An increasingly volatile situation in Palestine has had repercussions for the region, including Egypt. Starting in 2024, however, economic sentiment in Egypt has significantly improved following the unification of the fragmented exchange rate regime in March 2024, supported by large financing commitments by international partners. Real GDP grew by 2.4% during the last fiscal year (FY, July-June 2023/24) (down from 3.8% during

FY22/23) and reached 3.5% year-on-year during the Q3 2024. Unemployment remained broadly stable, reaching 6.7% in September 2024 (up from 7.0% in 2024). Consumer price inflation remained high at 24.1% in December 2024, but this was lower than the temporary peak of 35.7% in February 2024. Between February and December, official reserves increased from USD 35.3 billion to USD 47.1 billion (covering around 10 months of imports). This was due to sequential allocations from the landmark Ras El-Hekma deal, a USD 35 billion investment from a United Arab Emirates sovereign fund into a real estate project on Egypt's north coast. The fiscal deficit in FY23/24 also benefited from the one-off proceeds from the Ras El-Hekma, narrowing to 3.6% of GDP in FY23/24 (compared with -6.2% of GDP during the previous FY). The primary balance improved markedly during the same period. The IMF estimates that public debt fell to 90.9% of GDP by the end of FY23/24 (down from 95.9% the FY before) as some of the revenue from the Ras El-Hekma investment deal was used for debt reduction. The current account deficit worsened to 5.5% of GDP in FY23/24 (compared with a 1.2% of GDP deficit the FY before). The unification of exchange rates and the confidence boost from international support since March has supported exports and tourism, but the drag on the current account from the Red Sea disruptions has been protracted and will probably ease only gradually.

On the 17 of March 2024, the EU and Egypt agreed to deepen their relationship and develop a strategic and comprehensive partnership for shared prosperity, stability and security, covering specific areas of cooperation. Underpinning the partnership is a financial package of up to EUR 7.4 billion consisting of short- and longer-term support for the necessary macro-fiscal and socio-economic reform agenda. Given Egypt's difficult economic and financial situation and its role as an important stabilising factor in an increasingly volatile region, the Commission proposed on 15 March 2024 to support Egypt with two MFA operations of up to EUR 5 billion taken together in highly concessional long-term loans. The MFA package was divided into (i) a proposal for a short-term MFA operation of EUR 1 billion (exceptionally based on Article 213 TFEU[7]) to allow full disbursement in a single instalment in 2024 in view of Egypt's urgent financing needs (and the European Parliament's recess ahead of the elections in the summer of 2024); and (ii) a proposal for a regular MFA operation of up to EUR 4 billion (based on Article 212 TFEU). The Council adopted the short-term MFA on 12 April 2024 (Decision (EU) 2024/1144) . The European Parliament and the Council are currently considering the proposal for the regular MFA.

The MFA package was proposed in conjunction with an augmented IMF EFF, based on a staff-level agreement reached on 6 March 2024 that was then adopted by the IMF Executive Board on 29 March 2024. The programme, which was first adopted in December 2022, was increased from USD 3 billion to USD 8 billion and provides a strong anchor for further progress on economic reforms. The IMF and Egypt reached a staff-level agreement on the fourth review on 24 December 2024.

The short-term MFA was underpinned by an MoU. The MoU stipulated the disbursement of the support in a single instalment and contained a set of agreed economic policy reforms to improve macroeconomic stability and resilience, enhance the business environment and competitiveness, and advance the green transition. In line with the MoU, the disbursement of the support was subject to: (i) the implementation of the agreed economic policy reforms; (ii) the implementation of concrete and credible steps towards respecting effective democratic mechanisms (including a multi-party parliamentary system) and the rule of law, and guaranteeing respect for human rights; and (iii) an on-track disbursing IMF programme. The overall implementation assessment was positive. The MFA Release

[7] Article 213 TFEU is applicable in cases where urgent financial assistance is needed and requiring only adoption by the Council.

Decision was adopted on 18 December 2024 and the single instalment was fully disbursed on 27 December 2024.

2.3 Western Balkans

- **North Macedonia**

The post-COVID-19 recovery of the economy remains slow. Real output increased by 2.8% in 2024. Growth was driven by investment and by public consumption, with the latter partly reflecting a strong rise in public sector wages. Supported by increasing real incomes, household consumption growth picked up, too. The external balance made a negative contribution to growth as demand from key export markets was weak. Inflation, which had moderated earlier in the year, rose again as of September to a year-on-year average of 3.5%, down from 9.4% in 2023. This late-in-the-year increase was mainly driven by rising prices of food, alcohol and tobacco, despite government-imposed price caps on basic goods. While the decline in energy prices took the current account balance into a small surplus at the end of 2023, it slipped back into deficit in 2024 (-2.3%), on the back of a deterioration in the merchandise trade deficit and a lower secondary income surplus. The primary income deficit also widened.

On 6 February 2023, the Commission adopted a proposal to provide MFA to North Macedonia for an amount of up to EUR 100 million in loans, to be disbursed in two equal instalments. Decision of the European Parliament and of the Council was adopted on 12 July 2023 (Decision (EU) 2023/1461) and the MoU was signed with the North Macedonian authorities in January 2024. The MoU contains 20 policy conditions (8 of which relate to the first disbursement) in the following areas: public finance; business environment; education and labour market; energy; and judiciary, good governance and the fight against corruption. The Commission confirmed that all the conditions for the first instalment had been met and decided on 22 April 2024 to release the corresponding EUR 50 million disbursement.

The MFA is contingent on a positive track record regarding the ongoing IMF programme. On 22 November 2022 and following the authorities' request and a staff-level agreement, the IMF Board adopted a 24-month arrangement under the precautionary and liquidity line. In January 2024, the IMF completed the first review of the programme. However, the IMF precautionary and liquidity line expired in November 2024 without the second review taking place, which means that one essential precondition for disbursing the second and final instalment from the MFA is currently not fulfilled.

The first half of the MFA was successfully disbursed, but the second and final tranche of the MFA appears unlikely to be drawn. The new government has not made progress in implementing the policy conditions attached to the final instalment of EUR 50 million, which include ensuring parliamentary adoption of several laws, including secondary legislation to the energy efficiency law and implementing legislation for the new law on anti-money laundering. In addition, North Macedonia has recently contracted two bilateral loans of EUR 500 million each at a favourable interest rate from the Hungarian state-owned Eximbank, which alleviates external financing needs. Under these circumstances, the disbursement of the second MFA tranche is rather unlikely. The availability period of the MFA ends in August 2026.

3. ENSURING THE PROPER USE OF MFA FUNDS: OPERATIONAL ASSESSMENTS, *EX POST* EVALUATIONS

3.1 Operational assessments

In line with the requirements of Regulation (EU, Euratom) 2024/2509 (the Financial Regulation), the Commission carries out operational assessments with the help of external consultants to obtain reasonable assurances on the functioning of administrative procedures and financial circuits in beneficiary countries.

Operational assessments focus on public financial management (PFM) systems (particularly how finance ministries and central banks are organised and what procedures they implement) and – more specifically – on how the accounts receiving EU financial assistance are managed. Special attention is also paid to the functioning, independence and work programmes of external audit institutions, and how effective their checks are. Public procurement procedures at central level are also examined.

A 2020 operational assessment for Moldova, conducted ahead of the COVID-19 operation, highlighted significant progress in PFM systems and financial circuits since the last review in 2015. It concluded that Moldova's financial procedures are suitable for a subsequent MFA programme. The latest operational assessment of Ukraine's administrative and financial circuits was conducted in 2022, preceding the exceptional MFA support and the MFA+. It was the third of such assessments undertaken in Ukraine, albeit conducted remotely due to wartime conditions. Overall, it concluded that considerable progress had been made in strengthening public financial management systems and other financial circuits since the last exercise in 2018. It also highlighted the ongoing commitment of the Ukrainian authorities to continuous improvement. The assessment emphasised prioritising public financial management reforms in key areas and recommended further action once security improves, given the significant reconstruction efforts ahead. The Ukraine Facility includes strong audit and control measures, including the creation of an independent audit board tasked with assessing the effectiveness of Ukraine's management and control systems and conducting regular on-the-ground audits.

In 2023, an operational assessment of North Macedonia was conducted for the new MFA operation. External consultants found the country's financial circuits and procedures satisfactory and deemed its public financial management system generally sound, noting significant recent progress.

Two operational assessments were conducted in 2024 in preparation for the new MFA operations in Egypt and Jordan, with the first part of the MFA of the former fully implemented in 2024 and the remainder expected to be adopted by co-legislators in 2025 alongside that of Jordan. The operational assessment for Egypt was the second since 2013 and part of it was conducted remotely due to security clearance delays. Egyptian authorities have made significant progress, including introducing new legislation governing public financial management and banking operations. Egypt's public financial management framework and financial circuits were considered to be adequate for the MFA programme – provided that reform momentum continues. The operational assessment for Jordan was the second since 2020 and confirmed progress in improving PFM systems and enhancing the efficiency of public funds. However, challenges remain, including limited independence and transparency of the Audit Bureau; underutilisation of the Procurement Complaints Review Committee; and an underdeveloped secondary market for government securities. Despite these issues, the assessment concluded that Jordan's financial systems provide a strong foundation for the MFA programme. The findings of the operational assessments for Jordan and Egypt will be considered when developing the economic policy conditionality for both MFAs.

3.2 Evaluations

In line with the Financial Regulation and the corresponding MFA decisions, the Commission conducts evaluations [8] after the completion of MFA operations to assess their impact. The two main objectives of these evaluations are to analyse the impact of a MFA on the beneficiary country's economy, especially on the sustainability of its external position, and to assess the added value of Union's action.

In 2024, the Commission concluded the joint *ex post* evaluation of the operations for the Eastern Partnership countries of Moldova, Georgia and Ukraine (2017-2020). The external report and accompanying staff working document were published in January 2025. For all three countries, the study concluded that operations had a positive impact on debt sustainability and the macroeconomic situation. This was particularly significant for Ukraine, given the larger scale of the operation and its more challenging macroeconomic situation. Overall, the evaluation concluded that the three operations were successful in fostering a positive change in several key reform areas and that they were consistent with the overall EU policy framework, aligning with authorities' reform agendas and other donors' programmes.

In 2024, the Commission launched the *ex post* evaluation on COVID-19 MFA operations to 10 partner countries (2020-2022), to be published alongside the accompanying staff working document in 2025. The evaluation study will assess the EUR 3 billion MFA package provided in 2020 to partners across the Eastern Neighbourhood, Western Balkans, and Southern Neighbourhood regions to mitigate the economic impact of the COVID-19 pandemic.

4. General developments related to the MFA instrument

4.1 Functioning of the MFA instrument

The 2013 Joint Declaration of the European Parliament and of the Council on MFA [9] frames the assistance as being of a macroeconomic and financial nature and clearly states that its aim is 'to restore a sustainable external finance situation for eligible countries and territories facing external financing difficulties'. For the MFA to be successful as an emergency instrument, it is therefore important to mobilise it effectively and in a timely manner. Decision-making involving the ordinary legislative procedure has often been identified as time-consuming, which is a major shortcoming for a crisis instrument that is meant to respond quickly to a balance of payments crisis [10].

However, in exceptional circumstances linked to the COVID-19 crisis and Russia's war of aggression against Ukraine, the relevant MFA packages benefited from a very rapid adoption that was made possible because all institutions made full use of the procedural flexibilities at their disposal. In these cases, the European Parliament and the Council agreed on the use of existing urgency procedures that made it possible for the corresponding assistance to be adopted within a month of the Commission submitting its proposals. The European Parliament invoked a specific clause (Rule 163) in its Rules of Procedure so that it could adopt the proposal directly in its plenary, thus skipping the usual International Trade (INTA) Committee stage.

[8] All evaluations are available on the Commission's website: https://ec.europa.eu/info/evaluation-reports-economic-and-financial-affairs-policies-and-spending-activities_en.

[9] Joint Declaration by the European Parliament and the Council adopted together with the Decision providing further macro-financial assistance to Georgia (Decision No 778/2013/EU of 12 August 2013). Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013D0778&from=EN.

[10] A meta-evaluation of the last decade of operations was held in 2023 – SWD(2023) 0016, Commission staff working document, Evaluation of macro-financial assistance to third countries (meta-evaluation of operations for 2010-2020).

The Rules of Procedure of both the European Parliament and the Council provide an urgent procedure necessary for swift adoption in exceptional situations, but the standard procedure takes significantly more time. This was shown in the case of the recent Commission proposal for the MFA to Jordan, which was proposed in April 2024 but is not expected to be adopted before Q2 25. This long delay is partly due to the European Parliament elections in June 2024 and the subsequent need to reconstitute its committees. In the case of Egypt, the urgent need to be able to provide a first part of the support as soon as the second half of 2024 prompted the Commission to exceptionally decide in March 2024 to propose a first urgent but short-term MFA operation to help Egypt on the basis of Article 213 TFEU (applicable in cases where urgent financial assistance is needed and requiring only adoption by the Council). The Commission recognising that this was not an ideal approach, however, and therefore proposed to provide the bulk of the MFA support for Egypt via a second and more medium-term MFA operation that is following the normal procedures under Article 212 TFEU (involving both co-legislators rather than just the Council). In this context, it is important to note that the simplified procedure [11] for the adoption of a European Parliament decision has been amended. In contrast to the urgent procedure, the simplified procedure does not require a request from the President to treat the proposal as urgent and it streamlines the adoption process by requiring fewer steps for approval than the standard procedure. This procedure has not yet been used for ongoing MFAs but could fit well with the emergency nature of the MFA and is a welcome step towards potentially increasing the effectiveness of regular operations.

The exceptional ERA MFA for Ukraine was once again conducted without an explicit link to an IMF programme (even if Ukraine is benefiting from a satisfactory disbursing EFF). In addition, it benefited from provisioning through the EU budget's headroom, as for the MFA+. It was granted on highly concessional terms, featuring a 45-year maturity and a 10-year grace period. Repayments, including interest and any other costs related to the loan, are covered by the extraordinary revenues arising from the immobilised Russian central bank assets, thus minimising the impact on Ukraine's public finances.

The ongoing preparations for the next multiannual financial framework (MFF) are an opportunity to draw lessons from recent experiences with MFA. This could feed reflection on the future of the MFA with the European Parliament and the Council.

4.2 MFA in the 2021-2027 multiannual financial framework

The current MFF period has been characterised by an unusual degree of stress on many economies, stemming from the implications of the COVID-19 pandemic across the globe. Moreover, the EU's partner countries continue to be vulnerable due to structural weaknesses in their own economies. The region also remains exposed to high geopolitical uncertainty and continues to experience economic instability that is further exacerbated by Russia's war of aggression against Ukraine and, most recently, by the escalating conflict in the Middle East. Given the continued challenging global outlook, the need for the EU to be able to provide MFA is likely to remain high in the years to come although it is, by the very nature of a crisis instrument, impossible to predict its scope. It is therefore

[11] Under the simplified procedure (Rule 52 of the Rules of Procedure of the European Parliament), the chair of the EP committee may propose that the proposal be approved without amendment. Unless members or a political group or groups reaching at least the medium threshold in the committee object, the proposed procedure is considered approved. Alternatively, the Chair may propose the setting of a deadline for tabling amendments without a draft report having first been drawn up. Unless members or a political group or groups reaching at least the medium threshold in the committee object, the proposed procedure is considered approved.

important to make sure that sufficient budgetary resources remain available for the MFA instrument in last years of the current MFF.

MFA loans are guaranteed by the External Action Guarantee under Regulation (EU) 2021/947 (the "NDICI_GE Regulation") at a provisioning rate of 9%, as was the case under previous MFFs [12]. The total budget initially earmarked for the provisioning of MFA loans was fixed at around EUR 1 billion, which translates into a volume of loans of EUR 11 billion. Since the beginning of the current MFF in 2021 and in the context of the EU's sizeable support to Ukraine via MFA in 2022, around two thirds of the earmarked provisioning had already been used by the end of 2023. In this context and following the extraordinary European Council of 1 February 2024 on the MFF mid-term revision, around EUR 225 million of provisioning liabilities related to the exceptional MFA operation of EUR 5 billion to Ukraine disbursed in 2022 were transferred to the Ukraine Facility. Combined with reinforcements of the budget for the provisioning of MFA loans, this has allowed the mobilisation of sufficient resources to fund the adopted short-term MFA to Egypt of up to EUR 1 billion. This reinforcement of the budget under NDICI would allow funding of a regular MFA operation for Egypt of up to EUR 4 billion should it be adopted by the co-legislators, while leaving some room for other MFA operations until the end of 2027 (see Section 5 below).

5. LOOKING AHEAD – MFA OPERATIONS AND BUDGETARY SITUATION IN 2025

Considering the non-programmable and crisis-driven nature of MFA, it is difficult to provide an accurate prediction for future operations for the remainder of the current MFF. This section therefore focuses on operations already approved in 2025 and also points to potential operations, highlighting the fast-evolving geopolitical developments.

The ongoing Middle East conflict has heightened economic uncertainty and severely impacted the countries in the region. Operations are already planned for Egypt and Jordan, which have suffered from declines in tourism and trade exposing both countries' structural weaknesses. Egypt's reliance on volatile external financing and excessive state control has intensified balance of payments pressure. In Jordan, the conflict added to other recent external shocks, which have worsened budget deficits and structural issues, driving high public debt and financing needs. Other countries in the region are also deeply affected.

On 8 October 2023, the Jordanian authorities asked for an MFA operation of EUR 700 million (MFA IV). In response, on 8 April 2024, the Commission proposed a new MFA package of up to EUR 500 million. This proposal was developed following a careful assessment of Jordan's external financing needs and its capacity to cover these needs, both in line with the principles of fair burden-sharing among donors in close coordination with the IMF and in line with the new Extended Fund Facility for Jordan for USD 1.2 billion for 2024-2027. In January 2025, Jordan submitted a request for the new MFA of EUR 1 billion (i.e. an increase of EUR 500 million to the MFA as proposed by the Commission), amid continued regional uncertainty, further implications for its fiscal and economic outlook, and the need to protect the momentum of its reform agenda. The co-legislators' adoption of the MFA IV operation (amounting to EUR 500 million) is expected in Q2 2025, with three disbursements expected between 2025 and 2027. On 29 January 2025, President von der Leyen announced that the Commission would put

[12] Regulation (EU) 2021/947 (the NDICI-Global Europe instrument) was adopted and entered into force in June 2021. The Regulation plays an important role in the budgetary set-up of MFA, but the MFA instrument as such remains separate from NDICI-Global Europe and specific MFA operations continue to be activated, as needed, by separate ad hoc decisions.

forward an additional MFA proposal of EUR 500 million, which is expected for spring 2025.

The co-legislators are currently considering the second leg of EUR 5 billion MFA to Egypt –the bulk of the MFA package of up to EUR 4 billion for 2025-2027. This MFA would support Egypt amid external shocks, notably Russia's continued war of aggression against Ukraine and spillovers from the escalations in the Middle East. Resulting portfolio outflows and falling foreign currency receipts from lower tourism and Suez Canal revenues have contributed to a significant widening of the external financing gap, with continued downside risks due to the complex geopolitical situation. The adoption of the decision is currently expected in the second quarter of 2025.

In November 2022, Tunisia requested an MFA of EUR 1.2 billion to support its financing needs in the context of the worsened global environment and high international commodity prices. This followed the staff-level agreement reached with the IMF in October 2022 for a new extended fund facility (four years, USD 1.9 billion). However, the IMF Board has not yet adopted the programme because prior actions have not yet been implemented by Tunisia, notably regarding fuel subsidy reform. Buoyant tourism and steady remittances have temporarily eased the external financing pressure on Tunisia. Subject to a careful assessment of MFA preconditions and Tunisia's external financing needs, the Commission stands ready to prepare a proposal for a new MFA once the IMF programme is in place. This was also confirmed as part of the comprehensive partnership between the EU and Tunisia agreed in July 2023. It was noted that this would require substantial and forceful implementation of additional reforms.

In April 2022, Lebanon reached a staff-level agreement with the IMF (four years, USD 3 billion) but has made only limited progress on its long list of prior actions. Its GDP has since continued to shrink, many public institutions have stopped functioning and the currency has dramatically lost value, leading to broad-based dollarisation of the Lebanese economy. In January 2025, the Lebanese Parliament elected a president, and a new prime minister was appointed a few days later, ending more than five years of political deadlock and creating the conditions for a new push for reforms. In February 2025, the new government expressed its intention to re-engage with the IMF for a new programme, underscoring a potential positive step in addressing the economic crisis through international assistance and comprehensive reforms. The Commission stands ready to support a comprehensive reform agenda with an MFA operation once the preconditions (including an updated on-track disbursing IMF programme) are fulfilled.

Similarly, sudden shifts in the political landscape in Syria in December 2024 resolved long-standing political deadlock with the ousting of Assad's regime. With a new government, which is still in its infancy and where many parameters are still unclear (e.g. the human rights situation), there is at least a theoretical possibility that meaningful engagement by the EU, potentially complemented by an MFA, could follow in the future.

In the Eastern Neighbourhood and Western Balkans, economic developments continue to be shaped by Russia's war of aggression against Ukraine, driving trade shifts and financial disruptions. Beyond Ukraine, the war has strained households and businesses, fuelling inflation and increasing financing needs across countries in both regions. Ukraine and Moldova remain reliant on substantial international aid, with the EU playing a key role. The EU's EUR 50 billion Ukraine Facility (2024-2027), along with the recently approved ERA MFA, supports Ukraine's resilience. Moldova's Growth Plan (EUR 1.9 billion, 2025-2027) aims to boost market access and income convergence. The Reform and Growth Facility for the Western Balkans will provide up to EUR 6 billion (2024-2027) in grants and loans, supporting an acceleration in these countries' reform efforts.

The Commission stands ready to consider any other forthcoming requests for MFA and will, if appropriate, propose new and/or follow-up MFA operations to eligible partners.

Table 1 provides an overview of commitments and payments of MFA grants and the disbursement of MFA loans for 2022, 2023, 2024 and (tentatively) 2025.

Table 1: Commitments and payments for MFA grants and disbursements of MFA loans 2022-2025 (EUR) [13]

	2022	2023	2024	2025
Commitment appropriations for grants in the budget	30 114 460	45 423 330	57 367 177	59 267 773
Operational assessments, *ex post* evaluations	114 460	350 000	619 440	700 000
Other possible MFA operations	30 000 000	45 073 330	56 747 737	58 567 773
Commitments, total	30 114 460	45 423 330	57 367 177	59 267 773
Payment appropriations for grants in the budget	20 868 187	39 880 000	57 367 177	59 267 773
Operational assessments, *ex post* evaluations	-	329 765	749 270	700 000
MFA Moldova (EU 2022/563) completed	15 000 000	10 000 000	5 000 000	-
MFA Moldova (top-up) (EU 2023/1165) completed	-	22 500 000	22 500 000	-
Other possible MFA operations	-	-	-	58 567 773
Payments, total	15 000 000	32 829 765	23 249 270	59 267 773
Unused allocations for grants payments	5 868 187	7 050 235	34 117 907	-
Disbursements of MFA loans	-		-	-
MFA Jordan III (completed)	-	200 000 000	-	-
MFA Moldova (completed)	35 000 000	40 000 000	45 000 000	-
Emergency MFA Ukraine (completed)	1 200 000 000	-	-	-
Exceptional MFA Ukraine (completed)	6 000 000 000	-	-	-
MFA Moldova top-up (completed)	-	50 000 000	50 000 000	-
MFA+ Ukraine (completed)	-	18 000 000 000	-	-
MFA North Macedonia	-	-	50 000 000	-
Short-term MFA Egypt (completed)	-	-	1 000 000 000	-
MFA ERA Ukraine	-	-	-	18 116 000 000
MFA Jordan (in preparation) *	-	-	-	300 000 000
MFA Egypt (in preparation) *	-	-	-	1 333 000 000
Disbursements of MFA loans, total	**7 235 000 000**	**18 090 000 000**	**1 145 000 000**	**19 749 000 000**
COVID-19 MFA operations: completed				
MFA Tunisia (completed)	300 000 000	-	-	-
Disbursements of COVID-19 MFA loans, total	**300 000 000**	-	-	-
Disbursements of all MFA loans, total	**7 535 000 000**	**18 090 000 000**	**1 145 000 000**	**19 749 000 000**

* For Jordan and Egypt, the amounts of loans to be disbursed in 2025 are very tentative, because the MFA operations are currently under preparation and have not yet been adopted by the co-legislators.

[13] This table does not take into account any proposal for new MFA operations after December 2024.