

ANNEX

to the

Commission Implementing Decision on the Financing of the legacy costs linked to the loans under the Union's exceptional macro-financial assistance provided to Ukraine in 2022

Work programme of pillar III under the Ukraine Facility for 2024 – Part I

This document constitutes the annual work programme (Part I) in the sense of Article 110(2) of the Financial Regulation. It contains the action to be financed and the budget breakdown for 2024 as follows:

1. AMOUNT

Total estimated cost: EUR 227 867 032,11

Total amount of EU budget contribution EUR 227 867 032,11

2. LEGAL BASIS

Regulation (EU) 2024/792 of the European Parliament and of the Council of 29 February 2024 establishing the Ukraine Facility.

Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012.

3. BUDGET LINE

BGUE-B2024 16.06 03 02 – Borrowing costs subsidy: EUR 195 333 904,11

BGUE-B2024 16.06 03 03 – Provisioning of the Common Provisioning Fund - Legacy: EUR 32 533 128,00

4. BENEFICIAR(Y)/(IES) OF THE ACTION

The action shall be carried out for the benefit of Ukraine.

5. OBJECTIVES PURSUED

The aim of this decision is twofold:

- allow for the Union to bear the interest charges due by Ukraine in 2024 in relation to the Union's exceptional macro-financial assistance of 2022
- ensure that the required level of paid-in provisioning will be contributed to the Common Provisioning Fund

As part of the response to Russia ongoing unprovoked and unjustified war of aggression against Ukraine, the Union's exceptional macro-financial assistance provided swift and urgent support to the Ukrainian budget in 2022. Two decisions were adopted to this aim: Decision (EU) 2022/1201 of July 2022 (up to EUR 1 billion) and Decision (EU) 2022/1628 of September 2022 (up to EUR 5 billion).

By derogation from Article 220(5), point (e), of the Financial Regulation, the Union may bear interests by granting an interest rate subsidy in respect of the loans under both Decisions. Ukraine may request the interest rate subsidy by the Union by the end of March of each year. In January 2024, Ukraine submitted such request for the charges due in the year 2024.

A provisioning rate of 70% applies for this exceptional macro-financial assistance, of which 9% of paid-in provisioning is to be held in the Common Provisioning Fund.

For the years 2024-2027, support under pillar III of the Ukraine Facility will cover, among other things, the legacy costs linked to the loans under the Union's exceptional macro-financial assistance of 2022. The legacy costs consist of the interest rate subsidy and the paid-in provisioning for financial assistance that was not yet committed by the end of 2023.

6. METHOD OF IMPLEMENTATION

Direct implementation by Commission.

The interest rate subsidy should be granted as an instrument deemed appropriate to ensure the effectiveness of the support within the meaning of Article 220(1) of the Financial Regulation. By derogation from Article 220.5(e), it should be borne by the Union budget at least during the period of the multiannual financial framework 2021–2027.

All transactions related to the subsidy will be handled by Commission services (DG NEAR and DG BUDG), with no transfer of funds to Ukraine.

7. EXPECTED RESULTS

- The timely payment of interest charges on behalf of Ukraine;
- The constitution of an appropriate level of provisioning paid into the Common Provisioning Fund.