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Subject:	Presidency issues note - Economic and financial impact of the Russian aggression against Ukraine

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Presidency Issues Note

Economic and financial impact of the Russian aggression against Ukraine

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Confronted with the Russian aggression, the European Union and its Member States have shown unwavering solidarity with Ukraine and its people by mobilising support in the form of macro-financial assistance, budget support, emergency assistance and humanitarian aid. On 18 May the Commission issued a communication, *Ukraine relief and reconstruction*, which sets out the Union's response to Ukraine's immediate financing gap, as well as a longer-term post-war reconstruction framework.

Regarding long-term reconstruction, the EU will lead a major international financial effort to rebuild a free and democratic Ukraine, in cooperation with partners such as the G7 and international financial institutions and in close coordination with Ukraine itself. New tools described in the communication as *Ukraine reconstruction platform* and *RebuildUkraine Facility* could help Ukraine to emerge stronger and more resilient from the devastation of the Russian invasion.

The European Council on 23 and 24 June condemned the Russian aggression, granted the status of candidate country to Ukraine and to the Republic of Moldova and called on all countries to align with the six packages of EU sanctions. The European Council also took note of the planned proposal to grant Ukraine new exceptional macro-financial assistance and called on the Commission to swiftly present its proposals on EU support for the reconstruction of Ukraine.

On 1 July, the Commission proposed a new EUR 1 billion macro-financial assistance (MFA) operation for Ukraine as the first part of the exceptional MFA package of up to EUR 9 billion announced in the Commission's communication of 18 May 2022. This proposal is part of the extraordinary effort by the EU to help Ukraine to address its immediate financial needs. It will be additional to the support already provided by the EU, including a EUR 1.2 billion emergency MFA loan paid out in the first half of this year. Taken together, the two strands of the programme would bring the total MFA support to Ukraine since the beginning of the war to EUR 2.2 billion. Overall MFA support could reach up to EUR 10 billion once the full package of the exceptional MFA to Ukraine becomes operational. Under the current proposal, MFA funds will be made available to Ukraine in the form of long-term loans on favourable terms. The new EUR 1 billion MFA will be backed for 70 % of its value by amounts set aside from the EU budget. The new MFA was examined by the Financial Counsellors Working Party on 5 July 2022. Financial Counsellors gave broad support to the proposal, including preference for a swift adoption. The Presidency foresees that the European Parliament will adopt its position at first reading and that the final text will be adopted by ECOFIN Council on 12 July.

Support for Ukraine and its post-war recovery is one of the political priorities of the Czech Presidency. The Presidency therefore stands ready to contribute to the swift adoption of this part of the MFA and to work on subsequent proposals. The Czech Presidency plans to return to these issues during the informal ECOFIN in Prague on 9 and 10 September.

Against this background, the Presidency invites ministers to exchange views on the future role and involvement of the ECOFIN Council as well as on the crucial tasks to be carried out in the context of our support to Ukraine.

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Questions for discussion:

- *Taking into account the ongoing Russian aggression against Ukraine and its economic and financial consequences, how do you perceive the role of the ECOFIN Council? What, in your view, are the most crucial issues to address? Do you agree that the EU should be a key player in the post-war reconstruction of Ukraine?*
- *What are your views on possible ways forward regarding the addressing of the financial needs of Ukraine in both the short and the long term? In particular, taking into account the limits of the EU budget, what are your views on the sources from which the remaining part of the MFA, i.e. up to EUR 7.8 billion, could be financed?*
- *What form(s) of further financial assistance (grants, loans, combination of both) would you deem appropriate?*

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