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## THE EU'S JOINT BORROWING MECHANISMS AND DEBT-FINANCED SUPPORT TO UKRAINE SINCE 2022

<https://doi.org/10.65936/ykycgd>

 0009-0001-7227-9974

### SUMMARY

- Since 2022, the European Union has mobilised a financial scale and set of instruments for supporting Ukraine that clearly goes beyond its earlier, narrowly construed practice of back-to-back on-lending: the backbone of the response has been EU-level funding raised through joint bond issuance, combined with a range of guaranteed structures and burden-sharing arrangements.
- The current approach to financing Ukraine did not emerge “out of nowhere”; it builds on precedents established through post-2010 crisis management (EFSF/ESM), the COVID-era response (SURE), and NextGenerationEU. Together, these experiences legitimised—politically and legally—and operationally prepared the EU for regular, large-scale market borrowing.
- In 2022, the emergency MFA packages provided flexible, crisis-response financing. In 2023, MFA+ shifted to a predictable “monthly disbursement” model for day-to-day budget support, characterised by exceptionally long maturities and the EU’s assumption of the interest burden.
- For 2024–2027, the Ukraine Facility moves from short-term stabilisation toward a medium-term framework centred on reforms and investment. Organised around three pillars, it combines budget support/macro-financial assistance, reconstruction and investment incentives, and accession-preparation support, while linking disbursements to milestones and performance indicators.
- Across these instruments, a shared political-economy logic is risk and burden sharing: the EU’s credit standing and unified issuer presence lower funding costs, while risks are rendered manageable through a mix of budgetary backing, Member State contributions, and buffer mechanisms.
- Interest relief—through interest-rate subsidies or de facto interest-free lending (especially in 2022–2023 and in subsequent packages)—functions as a “hidden” grant component. Technically the support remains a loan, but part of the financing burden is shifted onto Member States, materially easing Ukraine’s immediate fiscal constraints.
- Managing internal political cleavage has made differentiated participation increasingly salient. Where unanimity cannot be secured, enhanced cooperation (EU24) can institutionalise opt-outs from guarantees and interest burdens for non-participants, albeit at the cost of reputational damage and diminished influence.
- Overall, EU financing for Ukraine is simultaneously an emergency lifeline and an evolution in European integration. In the short run, outcomes hinge on continuity of disbursements and the credibility of conditionality; in the medium term, on the repayment and refinancing trajectory (notably in the 2030s); and in the long run, on the viability of new own resources and the durability of the political coalition underpinning joint borrowing—factors that will determine whether common debt becomes a stable and sustainable European policy instrument.



Since Russia's 2022 invasion, the European Union has provided Ukraine with financial support on an unprecedented scale. Whereas the EU budget could not previously borrow (with expenditures and revenues balanced each year), the COVID-19 crisis and the war in Ukraine made it necessary to develop common EU borrowing mechanisms. As a result, the EU now issues large volumes of common bonds to channel resources to its Member States and to third countries. This analysis examines the EU's loan-based support architecture, with particular attention to joint borrowing techniques, risk- and burden-sharing arrangements, and the position of Member States that do not participate in specific support schemes. The study also covers the transformation of EU borrowing practice through the Stability Mechanism, NextGenerationEU, SURE and SAFE initiatives; the current instruments supporting Ukraine (Macro-Financial Assistance, MFA; and the Ukraine Facility proposed/established for the 2024+ period); the types and operational logic of joint borrowing structures; modalities of risk and interest-cost sharing; the situation and risks of non-participating countries; and the detailed design of disbursement and repayment arrangements.

## **1. The emergence of EU borrowing practice: the European Stability Mechanism, NextGenerationEU, SURE, SAFE**

The EU Treaties (Article 310 TFEU) require that the Union's budget must not run a deficit, i.e. "revenue and expenditure shown in the budget shall be in balance." Accordingly, for decades the EU could borrow only for very limited purposes—primarily to on-lend to Member States or third countries—but never to finance its own budgetary expenditure.

The EU's borrowing practice began to institutionalise gradually after 2010, well before the financial support provided to Ukraine. To address the sovereign debt crisis, the European Stability Mechanism (ESM) was created; to mitigate the post-pandemic economic shock, NextGenerationEU and SURE (Support to mitigate Unemployment Risks in an Emergency) were introduced; and in the field of defence-industrial cooperation, the SAFE initiative (Security Action for Europe) reinforced the emerging set of loan and guarantee mechanisms.

### **1.1 European Stability Mechanism – addressing the consequences of the sovereign debt crisis**

Following the 2008 banking and sovereign debt crisis, the EU established its first major lending mechanism. The temporary European Financial Stability Facility (EFSF), followed by the permanent European Stability Mechanism (ESM), aimed to safeguard the financial stability of euro area Member States and provide assistance in crisis situations, including by mitigating external shocks that materialised asymmetrically across countries. The ESM is an international financial institution established on an intergovernmental basis and capitalised jointly by participating states, with EUR 80 billion in paid-in capital and EUR 620 billion in callable capital. The ESM provides a total guarantee framework of EUR 700 billion, enabling the provision of up to EUR 500 billion in loans on favourable terms (European Stability Mechanism, 2020). The ESM and its predecessor, the EFSF, disbursed a total of EUR 295 billion in loans to five Member States between 2010 and 2013 during crisis management operations (European Stability Mechanism, 2020). The core logic of the instrument is that the ESM stabilises countries in distress through concessional lending financed by the ESM's own bond issuance, underpinned by Member States' capital contributions and guarantees. It should be noted that participation in the ESM is limited to euro area countries; accordingly, risk-bearing is also confined to those members.



## 1.2 SURE and NextGenerationEU – addressing the consequences of the pandemic

For the first time in EU history, 2020 saw genuinely large-scale borrowing at Union level, through the SURE programme, launched in response to the COVID-19 crisis. SURE aimed to provide up to EUR 100 billion in low-cost loans to Member States to finance job-retention schemes (European Commission, 2020; Council of the European Union, 2020). The Commission issued bonds on behalf of the EU and on-lent the proceeds to Member States in need. Repayment responsibility lay with beneficiary Member States, while an innovative Member State guarantee system provided credit protection. Under the programme, all Member States voluntarily provided guarantees, calculated on a GNI basis, totalling approximately EUR 25 billion—about 25% of the overall lending envelope (European Commission, 2020; Council of the European Union, 2020). These guarantees were irrevocable, unconditional and payable on demand commitments from Member States to the Commission (European Commission, 2020; Council of the European Union, 2020). Consequently, markets assessed SURE bonds as very low risk (AAA), allowing the Commission to secure funding on highly favourable terms and pass these on to Member States. SURE operated successfully between 2020 and 2022: 19 Member States received a total of EUR 98.4 billion in loans, supporting the preservation of millions of jobs (European Commission, 2020; Council of the European Union, 2020). The SURE model was fundamentally based on Member State guarantees, meaning risk-sharing was clearly delimited: if a beneficiary country were unable to repay, the Commission could draw on the joint guarantee pool, with each Member State contributing up to the amount of its committed guarantee.

Also in 2020, in response to the pandemic, the NextGenerationEU (NGEU) package fundamentally reshaped the EU's borrowing practice. Under NGEU, the EU was authorised to issue roughly EUR 750 billion in common debt to finance Member States' recovery and resilience programmes (RRF), the green and digital transitions, and other EU initiatives. This was the first time the EU used common borrowing not only to finance loans, but also to fund non-repayable grants—openly departing from the earlier practice whereby EU borrowing could not be used to finance direct budgetary expenditure (Leino-Sandberg, 2020). The legal basis was created through a new Own Resources Decision. Member States unanimously agreed to a temporary increase in the EU budget's own-resources ceiling, providing the budgetary backing needed to repay the debt from 2028 onwards. From 2021, the Commission began issuing EU bonds regularly on capital markets, then allocated the proceeds partly as grants to Member States (e.g. through the RRF) and partly as low-cost loans (some Member States also made use of the RRF loan component). From 2028, the principal and interest costs of the jointly issued debt are to be serviced from the EU budget, expected to rely on a combination of new own resources (e.g. carbon border adjustment revenues, digital levies, etc.) and Member State contributions.

The establishment of NGEU set a precedent in the functioning of the EU budget. The new structure demonstrated that, through joint borrowing and collective budgetary backing by Member States, the EU can deploy new financial techniques within the framework of the Treaties (Leino-Sandberg, 2020). This model later served as a reference point for Ukraine support programmes as well, where the use of common bond issuance likewise came to the fore.

## 1.3 SAFE – financing common defence-industrial cooperation

In parallel with the war in Ukraine, the EU has, from 2024–2025 onwards, increasingly moved towards solutions that rely on joint borrowing to finance defence-industrial cooperation. This new financing architecture is embodied in the SAFE (Security Action for Europe) instrument. SAFE does not provide direct budgetary transfers; instead, it offers favourable loans to Member States for defence investments, financed



through EU-level market funding, with a particular focus on joint procurement and scaling up European industrial capacity (Council of the EU, 2025). The instrument opens an envelope of up to EUR 150 billion in loans. The Commission raises funds on capital markets on behalf of the EU and on-lends them to participating Member States (European Commission, 2025; Council of the EU, 2025). SAFE's key innovation is that access to financing is linked to collaborative defence-industrial procurement: as a general rule, supported projects must be based on joint procurement by at least two Member States, or on cooperation that aggregates demand across several countries and thereby generates larger industrial capacity requirements (Council of the EU, 2025). SAFE both reduces costs arising from Europe's fragmented procurement structure and provides stable, predictable demand for the European defence industry (EPRS, 2025).

The underlying logic is that, amid divergent national funding costs and credit risks, the EU's common credit standing generates a financing advantage—particularly for countries facing higher market borrowing costs (EPRS, 2025). SAFE, however, is not “free money”: Member States must repay the loans (Council of the EU, 2025). A central element of SAFE's industrial-policy approach is the enforcement of the “European preference” principle: a share of the value of financed products and components must be tied to the EU/EEA industrial base, and ceilings are set on procurement from third countries (Council of the EU, 2025). SAFE therefore aims to ensure that joint borrowing does not merely finance imports, but steers expenditure towards capacity-building, security of supply and technological autonomy (EPRS, 2025).

SAFE's financing logic links common debt issuance to a clearly delineated integrative quid pro quo: in exchange for more favourable financing conditions, it requires tighter policy coordination and the consistent implementation of common industrial-policy priorities (Council of the EU, 2025). Loans may target several predefined areas of defence capability (for example, ammunition and missile production capacity, air defence, drones and counter-drone capabilities, mobility, cyber and electronic capabilities), i.e. they explicitly aim to close the “capability gap” (the mismatch between committed tasks and the military capabilities and assets actually available) (Council of the EU, 2025; EPRS, 2025). Institutionally, SAFE follows the post-2020 crisis-management pattern by strengthening the Commission's central role in fundraising and implementation (European Commission, 2025; EPRS, 2025).

The creation of SAFE implies that joint borrowing is no longer limited to macroeconomic stabilisation and recovery objectives, but can also serve security and industrial-development goals (EPRS, 2025). In this sense, SAFE represents another step in EU financial governance: the EU is using common bond issuance to finance “European public goods”—in this case, collective defence and defence-industrial capacity (European Commission, 2025). This is relevant for analysing Ukraine support loan mechanisms because, although SAFE operates in a different policy domain, it raises the same financial-constitutional question: how joint borrowing can be justified and organised within Treaty and budgetary constraints, and how risk and responsibility are distributed among Member States (European Commission, 2025; EPRS, 2025).

Finally, SAFE is also instructive in terms of internal political cleavages: the more joint borrowing shifts towards systemic geopolitical objectives, the more disputes emerge over common participation, burden-sharing, and industrial policy preferences. These issues recur in the debates on financing Ukraine as well (EPRS, 2025).

The common feature of these instruments (ESM, SURE, NGEU, SAFE) is that they go beyond the earlier boundaries of EU financial integration. While the ESM is an international organisation separate from the EU, SURE—and even more so NGEU—were implemented within the EU's institutional framework. The experience accumulated through creating and operating these solutions prepared the ground for the EU's extraordinary scale and nature of financial assistance to Ukraine from 2022 onwards. Ukraine-focused solutions combined elements of earlier models (budgetary backing, Member State guarantees, mixed loan-grant packages).



## 1.4 EU borrowing practice

The operational centre of EU borrowing is the European Commission: it acts as issuer on behalf of the EU and is responsible for the funding strategy, scheduling, and the execution of market operations. Following the acceleration of issuance from 2021 onwards, the EU has progressively built the core institutions of “sovereign-like” debt management: a single issuance calendar, standardised instruments, a primary dealer network, and market tools to support liquidity. In practice, the EU uses two main types of securities: medium- and long-term bonds known as EU-Bonds (typically with benchmark maturities between 3 and 30 years), and short-term Treasury bills known as EU-Bills (typically with maturities of 3, 6, and 12 months) (European Commission, 2025a). Issuance techniques mirror Member States’ public debt management practice and rely on two channels: auctions and syndicated transactions. The Commission publishes semi-annual funding plans setting out the intended volumes and an indicative timetable (European Commission, 2025a).

The unified funding approach, which has become more prominent since 2023, is intended to ensure that the EU does not access markets in a fragmented, programme-by-programme manner, but instead raises funds within a single, integrated issuance framework and then allocates proceeds internally across different policy programmes. The core logic of this approach is a central funding “pool.” The Commission channels the revenues from bond and bill issuance into a central funding portfolio (a central funding envelope) and makes disbursements for NextGenerationEU, Ukraine support programmes, and other EU bond-financed instruments from that pool (European Commission, 2025b). This arrangement reduces funding costs and improves market liquidity: investors can anchor to a larger, more unified EU reference yield curve supported by regular issuance, while the Commission can manage daily cash flows more flexibly.

In the following sections, we provide a detailed review of the macro-financial assistance programmes extended to Ukraine and the newly proposed Ukraine Facility, including their funding techniques and risk-sharing mechanisms.

## 2. Macro-financial assistance to Ukraine, 2022–2023: MFA and MFA+

### 2.1 The MFA programme

Since 1990, the European Union has used the Macro-Financial Assistance (MFA) instrument primarily to support macroeconomic stabilisation in partner countries in its neighbourhood. MFA typically consists of earmarked loans provided on favourable terms to countries facing serious balance-of-payments difficulties and already operating under an International Monetary Fund-supported financial adjustment programme. The purpose of MFA programmes is to facilitate external stabilisation and support economic reforms, and they are always conditional (linked to the implementation of macroeconomic and structural adjustment measures).

Under MFA programmes, the European Commission borrows on international capital markets at low interest rates thanks to the EU’s strong credit rating, and then on-lends the funds to the beneficiary country on the same terms (so-called back-to-back lending). Repayment is the responsibility of the partner country. However, the EU has established an external guarantee buffer to cover the risk of potential non-payment. Within the 2021–2027 multiannual financial framework, the system known as the External Action Guarantee (EAG) continues to operate. Under this mechanism, the EU sets aside budgetary coverage in advance—typically equivalent to around 9% of the total outstanding MFA loan exposure—thereby providing a first line of defence against losses arising from a beneficiary’s potential default.



As a result, the EU budget is only partially and ex ante exposed to credit risk (a provisioning buffer), while the residual risk would ultimately fall on the common budget if losses exceed the available guarantee resources.

Russia's invasion pushed Ukraine into an immediate financial crisis. The war sharply reduced government revenues while expenditures surged (defence, humanitarian needs). The EU sought to provide assistance already in the first half of 2022: in March and May it disbursed a total of €1.2 billion in exceptional MFA loans to Ukraine as emergency support, followed by a further €5 billion by September and an additional €2.5 billion in December. These were the so-called emergency MFA packages (European Commission, 2022; Council of the European Union, 2022). In total, Ukraine received €7.2 billion in MFA loans from the EU in 2022 (European Commission, 2022; Council of the European Union, 2022).

Given the wartime context, these loans were offered on particularly favourable terms, including long maturities and, in some cases, interest-rate support. The European Commission stated that the EU budget would cover the interest costs of these loans in order to relieve pressure on Ukraine's budget (European Commission, 2022). This represented a significant departure from standard MFA practice, under which the beneficiary normally pays the interest as well. Under the extraordinary circumstances of war, the EU therefore provided direct support by paying the interest itself (effectively converting part of the loan's cost into a subsidy component). Disbursement under the 2022 MFA programmes took place with IMF involvement and under conditionality—for example, Ukraine had to commit to certain basic macroeconomic stabilisation measures and institutional reforms in return.

## 2.2 The MFA+ programme

By the end of 2022, it had become clear that in 2023 the Ukrainian state would face a persistent, month-by-month financing gap of several billion euros in its budget. This would have directly threatened the continuity of core state functions—public-sector wages, pension and social payments, and essential public services. Without reliable external financing, the gap could only have been bridged through exceptional monetary financing, entailing serious inflationary and financial-stability risks, or else through the partial shutdown of public services. To avoid this outcome, in November 2022 the European Commission proposed an unprecedented €18 billion macro-financial assistance package for 2023 (the so-called MFA+ programme) (European Commission, 2022; Council of the European Union, 2022).

The central idea was that the EU would support Ukraine through regular, predictable monthly transfers—on average around €1.5 billion per month—thereby contributing to the stable functioning of Ukraine's budget (European Commission, 2022; Council of the European Union, 2022) (European Council, 2025). In 2023, the MFA+ package was implemented entirely in the form of loans, but on exceptionally concessional terms: loans with a maximum maturity of 35 years, meaning that the first repayments would begin only in 2033 and could extend as far as 2058 (European Commission, 2022; Council of the European Union, 2022). In addition, a 10-year grace period was provided, so that Ukraine would not have to repay any principal during the first decade. Even more importantly, Ukraine did not pay the interest on these loans at all; instead, the EU covered the interest cost—Member States made separate contributions to the EU budget specifically to finance this interest compensation (European Commission, 2022; Council of the European Union, 2022). In practice, Ukraine thus received long-term financing without interest burdens, which can be interpreted as a form of support.

From the EU's perspective, the financing of the €18 billion MFA+ programme once again relied on the mechanism of common borrowing. The European Commission applied the so-called unified funding model developed under NextGenerationEU, raising funds through a central EU bond issuance programme and



disbursing them flexibly for different purposes (European Commission, 2022; Council of the European Union, 2022).

In 2023, the Commission covered the amounts required for MFA+ disbursements from the central funding envelope financed by EU bond issuance. Given the unusually high risk—most notably the possibility that a war-affected country might be unable to repay—the EU’s Member States provided credit protection through a common budgetary guarantee. The full €18 billion loan amount was “fully covered” by the Member States’ contingent commitment to make additional contributions to the EU budget if needed, in a manner similar to how SURE or the earlier European Financial Stabilisation Mechanism (EFSM) operated (European Commission, 2022; Council of the European Union, 2022). This essentially meant that all 27 Member States undertook that, should Ukraine fail to repay the loan in the future, they would fill any resulting shortfall in the EU budget by increasing their national contributions—thereby ensuring that investors (bondholders) would be repaid in full. The Commission also emphasised that MFA+ bonds enjoy the same credit quality as any other EU issuance, since they are fully backed by the EU budget (and, through it, the Member States) (European Commission, 2022; Council of the European Union, 2022). In practice, this amounts to a form of joint and undivided responsibility by the Member States: rather than guaranteeing only their individual shares (as in the ESM), they collectively stand behind the full amount.

It is also important that, for the €18 billion MFA+ programme, all 27 Member States ultimately contributed both to the guarantee arrangement and to the interest-compensation funding, so in 2023 there was no material risk that any Member State would prevent the programme’s adoption or implementation. Although Hungary signalled reservations at the end of 2022 regarding the broader Ukraine support package, the MFA+ package was ultimately adopted unanimously, likely alongside other negotiating trade-offs (European Council, 2025) (European Council, 2025).

The 2023 MFA+ programme played a decisive role in ensuring that Ukraine’s state functions remained financeable during the war. Monthly EU loan disbursements of €1.5 billion—complemented by support from other donors (e.g., the United States and international financial institutions)—enabled the Ukrainian government to pay public employees, pensions, social benefits, and to maintain essential public services even under wartime conditions (European Council, 2025). The EU also developed conditionality linked to the programme: disbursements were tied to certain reforms and transparency requirements, such as strengthening Ukraine’s anti-corruption institutions and advancing rule-of-law improvements (European Commission, 2022; Council of the European Union, 2022). These conditions partially overlapped with the requirements of Ukraine’s EU accession path, meaning that financial assistance also became an incentive for integration-related reforms.

Overall, the full €18 billion under MFA+ was disbursed during 2023 (with the final tranche transferred in December 2023), thereby establishing a stable and predictable financing framework for the year (European Commission, 2020; Council of the European Union, 2020). Based on this experience, by the end of 2023 it became clear that a similar multi-year mechanism would be needed from 2024 onwards—leading to the concept of the Ukraine Facility, which, however, encountered political challenges within EU decision-making.

### **2.3 Ukraine Facility 2024–2027: draft of the comprehensive financing framework**

The Ukraine Facility is a new, targeted financing instrument proposed by the Commission in mid-2023 for the period 2024–2027. According to the EU’s framing, the programme is intended to provide a coherent, flexible, and predictable framework for Ukraine’s medium-term support, combining budgetary aid,



investment support, and the technical assistance required for EU accession (European Parliament, 2024; Regulation (EU) 2024/792). Politically, the instrument is meant to signal that the EU remains committed to Ukraine over the longer term—not merely as crisis management, but also as a foundation for the country’s reconstruction and EU integration.

The Ukraine Facility was established by Regulation (EU) 2024/792, which structured implementation into three pillars (European Parliament, 2024; Regulation (EU) 2024/792):

- **Pillar I: Macro-financial assistance and budget support** – direct financial support to Ukraine, partly in the form of loans and partly as non-repayable grants.
- **Pillar II: Reconstruction and investment framework** – financing of investment projects in Ukraine (economic and infrastructure reconstruction), likely using guarantees and blended finance instruments, with the involvement of the European Investment Bank and other international financial institutions.
- **Pillar III: Support for preparation for EU accession** – technical assistance, expert support, and institution-building to bring Ukraine closer to adopting the EU acquis.

A central element of the programme is the so-called **Ukraine Plan**, drafted by the Ukrainian government, which sets out reform priorities and investment needs for 2024–2027 (European Parliament, 2024; Regulation (EU) 2024/792). The European Commission assessed this plan, and the Council approved it in May 2024, establishing clear milestones and indicators for the use of support (European Parliament, 2024; Regulation (EU) 2024/792). The system resembles the approach used under the RRF: decisions on further disbursements are taken on the basis of quarterly assessments, depending on whether Ukraine has delivered on the agreed reform steps (e.g., anti-corruption measures, judicial reform, improvements in economic regulation, etc.) (European Parliament, 2024; Regulation (EU) 2024/792). In this way, the EU seeks to ensure that funding does not merely “keep the Ukrainian state afloat” but also advances the country’s modernisation and the alignment of its laws with the EU framework.

The proposed size of the Ukraine Facility is up to €50 billion (for 2024–2027) (European Commission, 2023), with roughly two-thirds in loans and one-third in grants (Institut Jacques Delors, 2024). Under Pillar I, €33 billion in concessional loans and €5.27 billion in non-repayable grants were envisaged to support the Ukrainian state budget directly (European Parliament, 2024; Regulation (EU) 2024/792). The remainder would be allocated to Pillars II and III (e.g., investment guarantees, technical assistance), and a reserve could also be created for unforeseen needs. It is important to note that the €50 billion figure represents the upper bound of the political agreement; actual disbursements also depend on Ukraine’s needs and compliance with conditions.

In terms of its financing structure, the instrument is a mixed construction: the loan component is based on joint EU bond issuance, while the grant component is financed from direct budgetary resources. For the loan component, the Commission raises funds on capital markets on behalf of the EU and on-lends them to Ukraine. Risk coverage is provided by the EU budget’s headroom under the own-resources ceiling and the related budgetary guarantee mechanisms; in other words, the debtor is the Union in its own name, and creditworthiness is underpinned by the EU budget.

1. **Loan component (€33 billion).** The Commission again issues common EU bonds on the capital markets—i.e., it raises the funds through joint borrowing (European Parliament, 2024; Regulation (EU) 2024/792). The loans are guaranteed by the EU budget’s “headroom” under the own-resources ceiling, similarly to NGEU (Council of the European Union, 2024; European Council, 2025). In practical terms,



this means Member States collectively stand behind repayment: the resources needed to repay the bonds will come either from Ukraine's repayments or, if those are insufficient, from the EU budget (i.e., from Member State contributions). The amendment of the Own Resources Decision (2023) made it possible for additional contributions beyond the multiannual framework to be made to secure the Ukraine Facility loans, thereby creating a common risk-sharing framework.

2. **Grant component (€5.27 billion).** This is financed directly from the EU budget through a newly created dedicated budgetary envelope called the Ukraine Reserve (European Parliament, 2024; Regulation (EU) 2024/792). It was established outside the ceilings of the multiannual financial framework to ensure targeted and rapidly mobilisable resources in extraordinary situations. Member States agreed to contribute to replenishing the reserve on a GNI-proportional basis between 2024 and 2027—effectively an additional contribution to the common budget specifically for Ukraine-related support objectives. The Netherlands, for example, contributes roughly €250 million per year, corresponding to a 5.9% share of the grant fund (Government of the Netherlands, 2024).
3. **Investment pillar and EU guarantees.** This pillar is expected to rely partly on EU guarantees: the EU provides a guarantee framework for loans by the European Investment Bank and other partners, which also requires resources (likely a dedicated portion within the €50 billion envelope). A comparable mechanism exists under EFSD+ (European Fund for Sustainable Development Plus) within the 2021–2027 NDICI programme, where EU guarantees expand the volume of development lending. The precise details for this pillar were still being refined, but the core idea is to provide EU “insurance-like” guarantees for investment projects, thereby incentivising private-sector participation as well.

Although political negotiations progressed slowly, in early 2024, as an interim solution, the Commission disbursed two tranches totalling €6 billion in “bridge loans” to Ukraine charged to the Ukraine Facility, even before it formally entered into force (European Parliament, 2024; Regulation (EU) 2024/792). In March and April, €3 billion each was transferred to cover elevated financing needs at the start of the year. In addition, in June 2024 nearly €1.9 billion in pre-financing was transferred upon the entry into force of the Ukraine Plan (European Parliament, 2024; Regulation (EU) 2024/792). Thus, in the first half of 2024, Ukraine received €7.9 billion in loans (European Parliament, 2024; Regulation (EU) 2024/792). The quarterly system began in the second half of 2024. Disbursements were projected at approximately €16 billion in 2024, €12.5 billion in 2025, €7.2 billion in 2026, €1.2 billion in 2027, and an additional €1.3 billion in early 2028 (European Parliament, 2024; Regulation (EU) 2024/792).

Most support is front-loaded in time and concentrated in the first two years. The logic is that financing needs are expected to be greatest during this period, while planning assumes that in later years the war may end and other financiers (such as the United States or reconstruction funds) may partially take over burden-sharing.

Disbursements are tied to strict conditions. For example, the condition for the €6 billion “bridge loan” in the first quarter of 2024 was the successful implementation of the IMF programme and the completion of certain anti-corruption steps, which Ukraine did fulfil.

Adoption of the Ukraine Facility within the EU was not smooth. Because the proposal involved amending the 2021–2027 Multiannual Financial Framework (MFF) and mobilising new resources, it required unanimous support in the Council. In the second half of 2023, decision-making encountered resistance from some Member States: Hungary, in particular, openly opposed earmarking such a significant amount for



Ukraine (European Council, 2025). Slovakia's new government that took office in 2023 (led by Robert Fico) was also sceptical about further EU support for Ukraine. In the Czech case, the role of former prime minister Andrej Babiš created difficulties (although Petr Fiala's government remained in power in 2024, reservations were also raised on the Czech side in political consultations) (European Council, 2025). As a result, by the end of 2023 no consensus had been reached on the full financing package. The EU ultimately bridged the situation through decisions taken in several steps. In the absence of full consensus, the instalments for 2024–2025 were financed from existing frameworks and interim solutions, while support for 2026–2027 is to be implemented through an alternative mechanism. This latter solution is discussed in the next section, as it is closely linked to the issue of “opting-out” Member States.

### **3. Types of common borrowing constructions and their comparison**

In the above examples, the EU applied several innovative financial constructions whose common feature is that the Union borrows jointly (at EU level) and shares the associated burdens and risks among Member States in one form or another. The following sections review the main types—budget-backed models, models based on Member State guarantees, and models featuring a guarantee framework/provisioning fund.

#### **3.1 Budget-backed joint borrowing**

In this model, the EU uses its own budget—or the future revenue ceiling of that budget—as collateral for borrowing. This includes, for example, the EFSM (European Financial Stabilisation Mechanism) and NextGenerationEU. EFSM was created in 2010 with a maximum envelope of €60 billion in order to allow the EU to borrow on the strength of its budgetary headroom and lend to Member States in difficulty (Ireland and Portugal received EFSM loans in 2011). Under EFSM, the security was provided by the fact that there remained around €60 billion of headroom under the EU's own-resources ceiling; that is, if the borrower did not pay, the EU would repay bondholders from budget contributions collected from the other Member States. NextGenerationEU and the proposed Ukraine Facility follow a similar logic. The Commission issues bonds, and they are repaid from future revenues of the EU budget. Here, risk-sharing is fully communal in character.

The debt is incurred in the name of the EU; therefore, each Member State is implicitly involved through the common budget. In practice, this means that if a beneficiary (whether a Member State or a third country) does not pay, the entire EU budget bears the burden—ultimately shared through Member States' GNI-based contributions. The advantage of the construction is that it is simple, uniform, and creates strong market confidence, as it is backed by the creditworthiness of the Union as a whole. Its drawback is that it is politically “sensitive,” because some countries may interpret it as a “debt union,” in which they collectively become responsible for others.

#### **3.2 Joint borrowing based on Member State guarantees**

Under Member State guarantee-based joint borrowing, the EU raises funds jointly but Member States provide separate guarantees for potential losses. The template is the SURE programme: the Commission issued bonds worth €100 billion, but first collected Member States' guarantee commitments amounting to €25 billion (European Commission, 2020; Council of the European Union, 2020). These guarantees were proportional to Member States' economic weight, but legally they did not cover the full amount, only a portion (i.e., not a joint-and-several guarantee, but a split “several” guarantee). Thus, if a beneficiary Member State had failed



to repay, the Commission would have drawn on other Member States' guarantees, but only up to each Member State's pre-specified ceiling.

A similar principle applied to the 2010 EFSF, where euro area countries provided guarantees for the bonds of the common rescue fund up to the amount of their respective shares (European Stability Mechanism, 2020). The advantage of the Member State guarantee model is that it can be more politically acceptable to countries wary of open-ended joint liabilities, since each party is responsible only up to its own share. However, in order for markets to treat the guarantees as close to full-value security, over-guaranteeing is typically required (as in SURE, where a 25% buffer was provided for a 100% lending envelope). A potential drawback is that it is somewhat more complex and slower (guarantee agreements must also be approved separately by each Member State, as seen under SURE), and it may occur that not all Member States participate (if participation is voluntary). Nevertheless, in SURE all Member States ultimately signed the guarantee agreement, because political pressure for solidarity was strong.

### **3.3 Use of a guarantee framework and provisioning buffer**

This model is a type of combination under which the EU establishes a central guarantee or coverage fund, into which a certain amount is paid in advance; the fund covers a defined portion of potential losses. Such a solution operates in EU external lending (MFA, EFSD+): for example, in macro-financial assistance programmes, an advance provisioning buffer of roughly 9% is typically set aside from the EU budget. If the partner country fails to pay, bonds are serviced from this fund for a time. If the fund is exhausted, the general budgetary responsibility of Member States follows. The same logic applies to the guarantee fund for the European Investment Bank's external lending and to the new EFSD+ guarantee fund: these maintain a defined callable capital or cash reserve, enabling the EU to take on credit risk up to a multiple of the amounts held.

This arrangement effectively creates a risk buffer. By funding the reserve, Member States assume a limited, ex ante-defined loss exposure, but beyond the agreed threshold their responsibility is not automatic. The advantage is that the budgetary impact is regulated and built in ex ante (for example, it is not necessary to guarantee the full loan amount at once; only the expected loss component needs to be provisioned). The drawback is that, in the eyes of rating agencies and investors, this is a weaker guarantee than full coverage or a full sovereign guarantee; therefore, it tends to work at smaller scale or at higher borrowing costs.

The table below summarises, with examples, the main features of the different joint borrowing constructions.

**Table 1.**  
Key characteristics of the EU's common borrowing constructions

| Type of construction                                              | Example programmes                                                          | Participating countries                                                                | Form of guarantee                                                                                                                                                                                                               | Who bears the interest burden                                                                                                                                                                                   | Risk-sharing and liability                                                                                                                                                                                                                                                                                                           |
|-------------------------------------------------------------------|-----------------------------------------------------------------------------|----------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Budget-backed common borrowing</b>                             | EFSM (2010), NextGenerationEU (2020),                                       | All EU Member States (automatically, within the EU framework)                          | The “headroom” under the EU budget’s own-resources ceiling serves as collateral; the EU incurs the debt in its own name.                                                                                                        | Preferential market rates; interest is typically paid either by the beneficiary or by the EU budget (depending on the specific decision). In the case of NGEU grants, the EU pays the interest.                 | The entire community shares responsibility: if the beneficiary does not pay, the EU budget (i.e., the Member States in proportion to their GNI-based contributions) services the debt. There is no individual national cap—this is genuine common debt.                                                                              |
| <b>Common borrowing based on Member State guarantees</b>          | SURE (2020), EFSF (2010)                                                    | Generally all Member States, but on a voluntary basis (under SURE all 27 participated) | Each Member State assumes an obligation under a separate guarantee agreement for a proportional share of the borrowing (in line with GNI). The aggregated guarantee envelope is typically a percentage of the loan (SURE: 25%). | Very low market rates; the beneficiary Member State pays interest and principal to the Commission, which uses this to repay investors. (No interest margin; the EU passes funds through on a non-profit basis.) | Partially shared liability: if a Member State does not repay, the Commission calls on the other States’ guarantees, but each is liable only up to its pre-committed amount. There is no unlimited joint liability—only a fixed, pre-defined exposure.                                                                                |
| <b>Borrowing backed by a guarantee fund / provisioning buffer</b> | MFA (traditional, e.g., pre-2018 MFAs), EFSD+ guarantee framework (2021–27) | All EU Member States (via the common EU budget)                                        | The EU budget pre-allocates a defined percentage / reserve (around 9% under MFA) to cover potential losses.                                                                                                                     | Preferential (EU AAA) rates. The beneficiary usually pays interest, unless the EU subsidises it (Ukraine: in 2022–23 the EU also paid the interest).                                                            | First-loss coverage comes from the pre-funded reserve (common funds). If losses exceed this buffer, Member States (via the EU budget) would ultimately bear the remainder. Limited common risk-taking upfront; beyond that, further coverage depends on subsequent decisions.                                                        |
| <b>Capitalised common institution (membership-based)</b>          | ESM (2012–), EIB (partly similar logic)                                     | Shareholder countries only (ESM: 19 euro area members)                                 | Participants provide paid-in capital (ESM: EUR 80 bn) and subscribe additional callable capital (ESM: EUR 620 bn). The institution borrows against this capital structure.                                                      | Very low rates, with concessional lending to beneficiaries; the beneficiary repays interest and principal to the institution, which repays investors.                                                           | Participating countries are liable proportionally for the institution. In the ESM, losses are covered first by the EUR 80 bn paid-in capital; if insufficient, additional resources are called from members. Non-participating Member States are unaffected—they do not bear the risk, but they also have no say in decision-making. |

**Sources:** own compilation based on EU documents, e.g. Leino-Sandberg (2020) (Leino-Sandberg, 2020); European Commission (2022) (European Commission, 2022; Council of the European Union, 2022); ESM factsheet (2020) (European Stability Mechanism, 2020); European Commission SURE overview (European Commission, 2020; Council of the European Union, 2020); CGD analysis (Pleek & Gavass, 2023).



The table shows that, in the case of support for Ukraine, several models have been combined. For the 2023 MFA+, a hybrid of the Member State guarantee model and the budget-backed model was implemented (a common-budget guarantee for the full amount, but with Member States' individual commitments also present in the background in a SURE-like manner). Under the Ukraine Facility, the loan component is closer to the budget-backed approach (in a NextGenerationEU-like fashion), while the grant component relies on direct budgetary contributions. Taken together, this illustrates that the EU balances political and financial considerations in a pragmatic way. Wherever possible, it uses a genuinely collective mechanism, but it also incorporates safeguards and limits outside the pure “community” logic in order to remain acceptable to Member States.

### 3.4 Sharing of risk and interest costs across the different constructions

A key question in common borrowing is who bears the burdens of repayment and interest, and how risks are allocated in the event of non-payment.

Under normal circumstances, when the EU provides a loan to a Member State or a third country, it passes the interest cost on to the borrower. This was the case, for example, under SURE: the EU could raise funding at yields around 0%, and it on-lent the funds at essentially the same rate to Member States, which paid the interest (still far lower than what they would likely have faced if they had borrowed individually). Similarly, MFA programmes typically require the beneficiary country to pay the interest.

In Ukraine's case, however, extraordinary decisions were taken: in 2022 and 2023 the EU undertook to cover the interest, effectively providing an interest-free loan. This was implemented through additional contributions by Member States to the EU budget for this purpose (European Commission, 2022; Council of the European Union, 2022). For example, the Dutch government set aside roughly EUR 165 million for 2024–27 to cover interest costs related to loans to Ukraine (Government of the Netherlands, 2024), corresponding to an approximately 5.9% GNI-based share of the overall interest-compensation pool. This arrangement ensures that, until 2027, Ukraine does not have to pay any interest to the EU. After 2028, the issue will be reassessed—Ukraine may still be exempt, or the fund built from earlier contributions may continue to cover the costs.

In the case of NextGenerationEU, there is an interesting duality. The interest and debt service of the RRF grant component is borne collectively by the EU (currently, NGEU bond interest is paid from the annual EU budget), whereas for the RRF loan component the borrowing Member State pays the interest (though, because the EU is an AAA borrower, this is still cheaper than most Member States would obtain on their own). Thus, even within EU-level instruments, practice is mixed: the allocation of interest costs varies depending on whether the support takes the form of grants or loans.

With common borrowing, the question always arises: what happens if the ultimate debtor (whether a Member State or a third country) cannot repay. Fortunately, such a case has not yet occurred in EU practice (even during the 2010–2013 Greek financial crisis, EU loans were ultimately restructured, and formal insolvency vis-à-vis the EU was not declared).

The EU tightly regulates non-payment risk through the design of each lending construction.

Under the budget-backed model, Member States assume an effectively unlimited commitment to service the debt through the common budget. This is the fullest form of solidarity, but it is politically sensitive because it can resemble a “blank cheque.” This is one reason it has been used only in exceptional circumstances and with broad consensus, as in NGEU.



Under the Member State guarantee model, liability is limited and proportional: each Member State knows in advance its maximum exposure (e.g. under SURE, its GNI-key share amounting to a defined number of millions of euros). If a problem occurs, the Member State would have to pay up to that predefined ceiling into the common pool, but not beyond. If that were still insufficient, then, in principle, investors would bear the residual loss. In practice this has never happened, and it is likely that an additional political decision would be taken to prevent such an outcome if guarantees were exhausted.

Under a guarantee fund/provisioning buffer, the first tranche of losses is borne by the fund (which is “common money” funded proportionally by all). If the fund is depleted, it becomes a political question whether Member States will replenish it. In the MFA context, if a beneficiary country were to default, the approximately 9% provisioning fund could cover payments for some years. This window would allow time to find a political solution, such as debt rescheduling or mobilising additional EU resources.

### 3.5 Managing the risk of Ukraine’s potential insolvency

Given the scale of destruction caused by the war, Ukraine’s potential insolvency is a non-negligible risk; accordingly, the EU has built several safeguards into its lending arrangements:

**Long grace period:** As noted above, MFA+ loans are not repayable for ten years. For the new €90 billion loan package planned for 2026–27, it has been explicitly stipulated that Ukraine will begin repayment only after it has received war reparations from Russia (European Council, 2025). In other words, as long as there is no Russian compensation, the EU will not demand repayment—this can be understood as a *de facto* conditional debt write-off, since it is entirely possible that such reparations will not materialise (for years). This provides substantial relief for Ukraine and also carries the political message that the aggressor should ultimately pay. At the same time, it naturally increases the EU’s exposure: if Russia never pays, the EU itself will have to write down or finance this amount.

**The prospect of a reparations fund:** In 2023–2024, it was repeatedly suggested that frozen Russian central bank reserves and oligarch assets in the West could be used to finance Ukraine’s reconstruction or to repay EU-provided loans. At one point, the European Commission proposed establishing a “reparations fund” that would draw on roughly €200 billion in frozen Russian assets (European Council, 2025). However, there are legal and political obstacles (for example, Belgium—where Euroclear holds the central bank assets—demanded strong safeguards in case Russia introduced retaliatory measures or initiated litigation) (European Council, 2025). Member states did not endorse this solution at the December 2025 EU summit, but the intention has remained. The European Council’s conclusions state that the EU reserves the right to use frozen Russian assets in the future to service the repayment of the loans issued (European Council, 2025). In doing so, the EU signalled that, where possible, it will seek to shift the burden of losses onto Russia.

**Interest-cost relief:** Ukraine currently pays no interest on EU loans, which in itself requires risk-sharing, since the interest due to investors is covered by the member states. For example, the €90 billion package for 2026–27 was announced as an interest-free loan (European Council, 2025), meaning that the EU (the participating members) will cover the full interest costs until Russia’s compensation reimburses them. Thus, even if Ukraine repays nothing for a prolonged period, there is no repayment risk *vis-à-vis* investors, because the EU fully stands behind the payments.



These arrangements clearly demonstrate that the EU has deliberately assumed a large share of Ukraine's financing risk, thereby easing the burden on the war-affected country. In practice, the transfer of risk and costs operates through solidarity mechanisms among member states—meaning that, ultimately, European taxpayers (especially in larger and wealthier countries) bear the potential losses in exchange for keeping Ukraine afloat and enabling it to resist Russian aggression. This can also be interpreted as a strategic investment aimed at strengthening Europe's long-term stability and security.

Naturally, this does not imply that the risks will necessarily materialise. If peace is restored in Ukraine and economic growth resumes, Ukraine may be able to repay in full in the future. EU history contains many instances in which crisis lending was ultimately repaid; for example, in the case of ESM/EFSF loans, member states gradually returned to market financing and repaid their debts (as in Ireland and Portugal). It is also possible, however, that a political decision will be taken to convert part of the loans into grants (e.g., via debt relief), especially if Russian assets can be mobilised for this purpose. The system of risk- and burden-sharing is therefore dynamic: developments in the war, the geopolitical environment, and the EU's internal political dynamics will all shape what share of the costs of the support provided today will ultimately be borne by the member states.

### 3.6 Member States opting out of the support mechanism and the obligations falling on participating states

In connection with the EU's joint borrowing operations aimed at assisting Ukraine, differences of opinion among the member states surfaced during 2022–2025. While all member states ultimately participated in the 2023 MFA+ package, when planning post-2024 support several governments openly signalled that they did not wish to continue down the path of common indebtedness for Ukraine's sake. Specifically, Hungary, Slovakia, and Czechia have opted out of certain new elements or have indicated an intention to opt out (European Council, 2025). It is important to stress that, as a matter of EU law, until mid-2024 the Ukraine Facility Regulation was binding on all three countries (as it was adopted in the Council by qualified majority, meaning it applied to them even in the event of a vote against or abstention). However, under the political agreement reached at the end of 2025, the new €90 billion EU loan programme for 2026–2027—widely regarded as a continuation of the Ukraine Facility—will be implemented in a way that formalises the opt-out of these three countries.

In the conclusions of its December 2025 meeting, the European Council recorded that the 2026–27 loan will be provided under the framework of **Enhanced Cooperation** (European Council, 2025). Enhanced Cooperation is a procedure provided for in the EU Treaties that allows at least nine member states to pursue deeper cooperation in a given area where full agreement among all member states is lacking. In the present case, 24 member states intended to participate in the joint loan, while three did not. As a result, the Council act providing the legal basis for the new loan was approved only by the participating 24 states, and it imposes no financial obligations on the non-participating states (Council of the European Union, 2024; European Council, 2025). The text explicitly provides that “any mobilisation of Union budget resources as a guarantee for this loan shall not affect the financial obligations of Czechia, Hungary and Slovakia” (Council of the European Union, 2024; European Council, 2025). In practical terms, this means that if, in the future, member state contributions had to be increased to ensure repayment, no share can be allocated to these three states; their gross national income (GNI) is disregarded when apportioning the burden. Put differently, they are excluded from the guarantee, so any loss or additional burden would be borne by the remaining 24 member states.



The member states supporting the joint financing have undertaken four key commitments.

First, they provide a national “counter-guarantee” or budgetary backing for the joint loan. In the 2026–27 arrangement, this occurs implicitly through their acceptance that, if Ukraine does not repay, they will cover their share via increased EU contributions. This mirrors the logic of NextGenerationEU, in the sense that repayment is anchored in future EU own resources—ultimately financed by the participating members.

Second, within the interest-free loan design, participating countries cover their respective share of the interest costs through their own contributions. Given their large GNI-based shares, Germany and France, for example, would contribute to interest expenditures on the order of billions of euros.

Third, they assume political responsibility for the programme’s success: because they finance the arrangement, they also gain greater influence over the conditions attached to disbursements and the monitoring of implementation. The non-participants cannot formally obstruct decision-making related to this loan, enabling participating states to adjust the programme more smoothly in line with their preferences.

Fourth, participating member states can publicly underscore that they stand with Ukraine and are making material sacrifices for a common cause—generating solidarity and reputational capital. This carries prestige both within and beyond the EU. Poland or the Baltic states are illustrative: for them, supporting Ukraine is framed as existential, and they can also benefit politically from positioning themselves at the forefront of the collective European effort.

Member states opting out of implementation do not provide a national counter-guarantee; thus, if repayment ultimately did not occur, their budgets would not incur a direct loss (Council of the European Union, 2024; European Council, 2025). These states do not make additional contributions to cover interest costs, and they may also distance themselves politically by arguing that they are not party to this debt issuance.

At the same time, opting out entails forfeiting certain advantages. These states will have no say over the operational details of implementation, since they are not formally seated at the decision-making table. In the eyes of other member states, refusing solidarity may contribute to isolation; already in 2022–23 there were instances in which influence diminished in certain decision processes. In the longer run, if Ukraine is successfully rebuilt and joins the EU, they may be less able to rely on moral or political goodwill, compromises, or reciprocal understanding from Ukraine. Those bearing a greater share of the burden in today’s arrangements (such as Germany, France, Italy, Poland, the Baltic states, and the Nordics) are also likely to be better positioned in reconstruction efforts (contracts, investments). Moreover, even if non-participants are not directly liable for the loan, a Ukrainian default—or worse, Ukraine’s collapse—would also harm them indirectly (e.g., through increased refugee pressures and the costs of managing regional instability). In other words, short-term domestic political gains can conceal significant longer-term economic risks under adverse scenarios (higher spending on border management and humanitarian assistance).

Legally and financially, the opt-out is limited to the specific programme. Irrespective of opting out, Hungary may still benefit from other EU support instruments and remains obliged to pay its regular budgetary contribution. Opting out therefore does not constitute a wholesale withdrawal from EU solidarity mechanisms; rather, it is a symbolic gesture combined with concrete risk avoidance. However, the design of the support also creates a precedent. In 2025, it occurred for the first time that enhanced cooperation was used to bypass certain member states in the context of EU financial support (European Council, 2025). This raises the possibility that, if some states persistently block common decisions—whether on joint debt or other integration steps—others may be willing to proceed without them on a more durable basis. Over time, this points toward a two-speed (or multi-speed) EU, which could entail a loss of political influence for non-participating states.



In sum, participating states assume the full financial and political burdens of joint borrowing, whereas non-participants seek to avoid them. In the short run, this may yield financial relief and domestic political room for manoeuvre, but over the longer term it may weaken their position within the EU and lead them to miss out on potential benefits. The next section addresses these risks in greater detail.

### 3.7 Disbursement and repayment arrangements in EU support for Ukraine

Let us review how disbursements are executed in practice and how loan repayment is structured under these programmes.

Under the 2022 and 2023 MFA programmes, the EU transferred support to Ukraine in tranches, typically on a monthly or quarterly basis. In 2023, MFA+ explicitly предусмoтped monthly transfers of approximately €1.5 billion (European Commission, 2022; Council of the European Union, 2022). These disbursements were consistently preceded by the European Commission's assessment of whether Ukraine had met specific preconditions (so-called policy conditionality). In 2023, for example, payments were tied to Ukraine's cooperation with the IMF under the new standby arrangement and to demonstrable progress in anti-corruption efforts and rule-of-law reforms (European Commission, 2022; Council of the European Union, 2022).

The Commission reported quarterly on compliance with these conditions, and the next tranche was released only following a positive assessment. A similar mechanism applies under the Ukraine Facility: the "Ukraine Plan" contains 69 reform indicators and 16 investment indicators broken down by quarter (European Parliament, 2024; Regulation (EU) 2024/792). At the end of each quarter, the Commission verifies progress (e.g., whether specific laws have been adopted, whether an anti-corruption agency is functioning, and so forth) and, on that basis, proposes the disbursement to the Council (European Parliament, 2024; Regulation (EU) 2024/792). The Council then adopts the disbursement decision by qualified majority, after which the Commission transfers the due amount. This system ensures that the funding is not a "blank cheque", but is released gradually in line with reform implementation, thereby incentivising Ukraine's leadership to honour its commitments. The conditionality is not primarily oriented toward the "standard" macroeconomic austerity paradigm—traditional adjustment cannot reasonably be expected in the middle of a war—but rather toward institutional and legal reforms that, over the longer term, support Ukraine's recovery and EU integration.

As a rule, the EU transfers the funds directly to an account of Ukraine's Ministry of Finance, from which the resources enter the state budget and finance items such as social expenditures and public-sector wages. The EU monitors these flows through embedded audit and reporting requirements. In May 2024, for instance, the EU and Ukraine signed a framework agreement in relation to the Ukraine Facility that regulates the modalities of monitoring, control, and reporting (European Parliament, 2024; Regulation (EU) 2024/792). This is intended to mitigate the risk of misallocation or non-intended use.

Repayment of the loans approved to date has been deliberately pushed far into the future. The final maturity for repaying the €18 billion MFA+ package is 2058, and there is no principal repayment at all before 2033 (European Commission, 2022; Council of the European Union, 2022). Repayment of the €33 billion loan component for 2024–27 will similarly be long-dated (although precise publicly available scheduling data are not yet available; in practice, the maturities of the underlying bond issuances will likely be decisive). For the new €90 billion package planned for 2026–27, it was explicitly stated that repayment becomes due only after war reparations are received (European Council, 2025), i.e., repayment is conditional. Compared to conventional loan terms, these conditions are exceptionally lenient and are designed to prevent an unbearable debt overhang for Ukraine after the war. Ukraine's public debt is in any event already largely owed to international institutions (IMF, World Bank), the EU, the United States, and other bilateral creditors, many of



whom have provided extended grace periods and moratoria. With private bondholders, Ukraine agreed a debt-service standstill in 2022 through 2024, which is likely to be extended. Ukraine is therefore already undergoing a broader debt restructuring, within which EU loans rank among the most concessional instruments.

It is also useful to note the EU's own debt-management practice. The Commission issues common bonds with a range of maturities—for example, it has issued 5-, 10-, 15-, and even 30-year instruments under SURE and NGEU. By maintaining a spectrum of maturities, the EU supports liquidity and manages annual refinancing needs more smoothly (Bruegel, 2023). In the case of Ukraine-related lending, it is likely that the Commission will issue a larger number of smaller bond lines. When an EU bond reaches maturity, the Commission repays investors. The funding source is either (i) repayments received from the ultimate borrower, or (ii) if those are not available, refinancing through the issuance of new bonds (rollover). In the latter case, the EU effectively extends the debt. As long as market confidence in the Union remains robust, this can be done without friction. Thus, if in 2033 Ukraine were formally expected to begin repayment but remained unable to pay and had not received Russian reparations, the Commission could simply issue a new bond to redeem the maturing one; any gap would be absorbed by the EU budget (this could be limited to an interest differential if market rates had shifted, or be negligible if yields were similar). In this way, the EU can, in practice, buy time until Ukraine's solvency improves. This could, in principle, evolve into a debt spiral; however, the previously discussed mechanisms are intended to mitigate that risk (the possible mobilisation of Russian assets, and—ultimately—member state contributions).

If Ukraine were unable to repay the loans at all—an enormous burden even in GDP terms, given that by 2023 Ukraine's GDP was approximately €150 billion while EU support over 2022–25 approaches that magnitude—then the EU would face two broad options: either write down the debt (effectively converting it into a grant that member states collectively absorb as a loss), or reschedule it over an even longer horizon (waiting, for example, for reparations to provide a repayment source). Current political statements point toward the latter: postponing repayment until Russia pays (European Council, 2025). This would imply that the debt remains on the EU's books for an indeterminate period without being actively collected from Ukraine. Formally, the arrangement would not be labelled debt forgiveness (so as not to create a general incentive for non-payment), but functionally it would resemble grant-like support.

After 2023, both disbursement and repayment mechanisms have continued to evolve.

On the disbursement side:

- In 2022–23, MFA disbursements were structured as emergency assistance, paid in one-off tranches linked to certain milestones (existence of an IMF programme, basic financial stabilisation).
- MFA+ in 2023 operated as a stable monthly transfer model, with a relatively light conditionality framework (precisely to secure predictability and continuity).
- From 2024, the Ukraine Facility introduced a quarterly, conditional disbursement model with stricter reform requirements, moving closer to the conditionality logic familiar from cohesion policy or the RRF.

On the repayment side:

- The common feature across instruments is the very long maturity and the significant deferral of principal repayment, while interest costs are, at least temporarily, borne by the EU. In the short run, Ukraine thus primarily receives gross financing without corresponding repayment cash outflows.
- This approach can be sustained for a period, but not indefinitely. At some point in the mid-2030s, the accumulated stock of debt will raise the question of how it should ultimately be treated.

Table 2  
EU support disbursed to—and planned for—Ukraine since 2022

| Period                  | 2022, completed                                                                                                                                                                                     | 2023, completed*                                                                                        | 2024–2027                                                                                                                                                                                          | 2026–2027                                                                                                                                          |
|-------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|
| Instrument              | Exceptional Macro-Financial Assistance (MFA)                                                                                                                                                        | MFA+ (2023 Macro-Financial Assistance)                                                                  | (Ukraine Facility**                                                                                                                                                                                | New EU loan package ***                                                                                                                            |
| EU disbursement         | EUR 7.2 billion in exceptional MFA loans disbursed                                                                                                                                                  | EUR 18 billion                                                                                          | EUR 50 billion (EUR 17 billion in grants and EUR 33 billion in loans)                                                                                                                              | EUR 90 billion in loans                                                                                                                            |
| Structure               | The Commission raises funds through EU bond issuance; risk management is supported by EU budgetary guarantees/arrangements. Risk coverage is mixed (EU budget and Member State guarantee elements). | The Commission raises funds under the unified funding approach and disburses to Ukraine from that pool. | For the loan component, the Commission uses EU-level market funding (bond issuance); the framework is set out in a regulation.                                                                     | Political guidance set out in European Council conclusions. The detailed legal/financial parameters are to be specified in subsequent legislation. |
| Interest burden         | Interest costs are covered by the EU budget.                                                                                                                                                        | Interest costs are covered by the EU budget.                                                            | The precise allocation of the interest burden and any interest subsidy are reflected in the implementing funding operations; the regulation sets the headline envelope figures (loan/grant split). | Not uniformly specified at the level of the conclusions.                                                                                           |
| Maturity / grace period | Not uniform; depends on individual issuances (the programme is aligned to multiple bond lines; official summaries do not set a single “average” maturity).                                          | Maximum maturity 35 years, with a 10-year grace period.                                                 | No single fixed figure: the loan maturities typically follow the Commission’s issuance profile; the framework regulation primarily defines volumes and implementation logic.                       | Not uniformly specified at the level of the conclusions.                                                                                           |

Notes:

\* The 2023 MFA+ is the item where the interest-rate and maturity parameters are set out in the most “textbook” manner: 35 years, a 10-year grace period, and interest costs borne on the EU side.

\*\* In the case of the Ukraine Facility (Regulation (EU) 2024/792), the regulation fixes the overall envelope and the loan/grant split (EUR 17 billion + EUR 33 billion = EUR 50 billion), whereas the interest and maturity profile is typically determined through the Commission’s funding operations, its issuance programme, and the specific loan terms.

\*\*\* The EUR 90 billion mentioned for 2026–2027 is currently at the level of a political commitment/conclusions. Detailed financial parameters (interest rate, maturity, guarantee structure) require separate legal acts and implementing documentation.

References:

- Decision (EU) 2022/1628: „ Decision (EU) 2022/1628 providing exceptional macro-financial assistance to Ukraine” ([ESO](#)).
- European Commission: „2023 Macro-Financial Assistance+ (MFA+) to Ukraine” ([European Commission](#))
- Regulation (EU) 2024/792 – Ukraine Facility ([EUR-Lex](#))
- [European Council Conclusions](#), 18 December 2025

The full exposure of the EUR 90 billion programme can be illustrated by allocating it across the EU24 countries according to a GNI-based distribution key. If the entire envelope is in fact disbursed, the respective shares also indicate the order of magnitude in which each Member State would bear the programme's financing burden and—depending on the specific design—its interest-compensation costs. At an average interest rate of 3%, total annual interest costs would be approximately EUR 2.7 billion; at 2% they would be around EUR 1.8 billion; and at 4% about EUR 3.6 billion. The figures in the table below are rounded; therefore, the total may show a marginal deviation (EUR 0.01 billion).

Table 3

**EU24 – EUR 90 billion loan programme: principal exposure and annual interest costs**

| Country (EU24) | Share  | Maximum principal exposure (EUR bn) | Annual interest at 2% (EUR bn) | Annual interest at 3% (EUR bn) | Annual interest at 4% (EUR bn) |
|----------------|--------|-------------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Germany        | 25,0%  | 22,48                               | 0,450                          | 0,674                          | 0,899                          |
| France         | 16,6%  | 14,95                               | 0,299                          | 0,448                          | 0,598                          |
| Italy          | 12,5%  | 11,21                               | 0,224                          | 0,336                          | 0,448                          |
| Spain          | 9,5%   | 8,54                                | 0,171                          | 0,256                          | 0,342                          |
| Netherlands    | 6,1%   | 5,50                                | 0,110                          | 0,165                          | 0,220                          |
| Poland         | 4,6%   | 4,16                                | 0,083                          | 0,125                          | 0,166                          |
| Belgium        | 3,6%   | 3,26                                | 0,065                          | 0,098                          | 0,130                          |
| Sweden         | 3,6%   | 3,20                                | 0,064                          | 0,096                          | 0,128                          |
| Austria        | 3,1%   | 2,78                                | 0,056                          | 0,083                          | 0,111                          |
| Ireland        | 3,1%   | 2,78                                | 0,056                          | 0,083                          | 0,111                          |
| Denmark        | 2,4%   | 2,14                                | 0,043                          | 0,064                          | 0,086                          |
| Romania        | 2,1%   | 1,87                                | 0,037                          | 0,056                          | 0,075                          |
| Finland        | 1,8%   | 1,60                                | 0,032                          | 0,048                          | 0,064                          |
| Portugal       | 1,6%   | 1,44                                | 0,029                          | 0,043                          | 0,058                          |
| Greece         | 1,4%   | 1,28                                | 0,026                          | 0,038                          | 0,051                          |
| Bulgaria       | 0,6%   | 0,51                                | 0,010                          | 0,015                          | 0,020                          |
| Luxembourg     | 0,5%   | 0,45                                | 0,009                          | 0,013                          | 0,018                          |
| Croatia        | 0,5%   | 0,43                                | 0,009                          | 0,013                          | 0,017                          |
| Lithuania      | 0,4%   | 0,40                                | 0,008                          | 0,012                          | 0,016                          |
| Slovenia       | 0,4%   | 0,35                                | 0,007                          | 0,011                          | 0,014                          |
| Estonia        | 0,2%   | 0,21                                | 0,004                          | 0,006                          | 0,008                          |
| Esztország     | 0,2%   | 0,21                                | 0,004                          | 0,006                          | 0,008                          |
| Cyprus         | 0,2%   | 0,16                                | 0,003                          | 0,005                          | 0,006                          |
| Malta          | 0,1%   | 0,10                                | 0,002                          | 0,003                          | 0,004                          |
| Total (EU24)   | 100,0% | 90                                  | 1,800                          | 2,700                          | 3,600                          |

**Source:** own calculations based on the GNI-based own-resources key published by the European Commission (European Commission, 2025, EUR-Lex).



## Conclusion

Since 2022, the European Union has taken unprecedented steps to support Ukraine financially, crossing traditional red lines in the domain of common borrowing. The war compelled the Union to act rapidly and to mobilise substantial resources: it has deployed tens of billions of euros in loans and grants, thereby sustaining the functioning of the Ukrainian state in the most difficult period. At the same time, these measures have deepened the EU's financial integration—building on the path paved by SURE and NextGenerationEU, the EU now behaves in practice as a quasi-sovereign borrower in international capital markets.

The innovative combination of distinct lending architectures (budget-based guarantees, Member State guarantees, and guarantee funds) demonstrates the EU's capacity to adapt flexibly to crisis conditions. A form of “two-speed solidarity” has also emerged: the overwhelming majority of Member States are willing to share risks and burdens in pursuit of a common geopolitical objective, while a smaller number—primarily for domestic political reasons—opt out of these collective efforts. The use of enhanced cooperation for the EUR 90 billion Ukraine loan package is precedent-setting, signalling that the EU can maintain its capacity to act even in the absence of full consensus. (European Council, 2025).

Risk-sharing arrangements—interest compensation, long maturities, and conditional repayment—reflect Ukraine's extraordinary circumstances and, in effect, shift part of the war's financial burden onto the EU. This can be interpreted as a strategic investment in Europe's security and in the defence of the European normative order. At the same time, it constitutes a serious stress test for the Union: the repayment of common debt, the creation of new own resources, and the preservation of internal cohesion are challenges that will become more acute in the coming years. Critiques associated with joint borrowing (e.g., “debt union” narratives and moral hazard concerns) remain present, yet crisis dynamics have so far pushed decision-makers towards deeper integration.

The EU's lending practice towards Ukraine is closely intertwined with the country's EU integration perspective. These programmes are not merely financial lifelines; they also function as reform frameworks. If Ukraine uses the assistance effectively—stabilising its economy, delivering reforms, and strengthening rule-of-law institutions—then these loans can indeed become investments in a future prosperous, EU-member Ukraine. In that scenario, the EU—and particularly the Member States that currently assume greater risk—may benefit over the long term through an enlarged integrated market, a strengthened security posture on its eastern border, and the political success of democratic norms over military aggression. If, however, the trajectory proves less favourable, the EU will still have demonstrated its capacity to act and to deploy its financial power to support a candidate and partner country—thus seeking, in line with its historical responsibility, to avert a humanitarian and economic catastrophe in Europe's immediate neighbourhood.

The coming years will ultimately determine how successful this EU lending strategy has been. Even now, the magnitude is clear: between 2022 and 2025 the EU and its Member States mobilised more than EUR 50 billion in financial support for Ukraine, with additional tens of billions expected. (Institut Jacques Delors, 2024; European Parliament, 2024; Regulation (EU) 2024/792). This solidarity is without precedent and illustrates that the EU is not merely an economic union; in times of crisis it can also operate as a political union. Behind the technicalities of common borrowing lies a political commitment to a European future that includes a peaceful, stable, and European-oriented Ukraine—and a willingness among EU Member States to bear material costs in pursuit of that objective.



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