



Information note

Luxembourg, 22 November 2022

EU auditors issue Opinion on a package of proposals including a new borrowing strategy linked to financial aid to Ukraine

In early November, the European Commission proposed amendments to the EU's Financial Regulation to diversify the EU's borrowing operations. In parallel, it has also made proposals to provide urgent financial help to Ukraine. These proposals will be discussed by the European Parliament at its plenary session on 23 November 2022. The law stipulates that the European Court of Auditors must be consulted in advance on any proposals which affect the EU budget.

The auditors draw attention to some aspects of the Commission's proposed amendments to the Financial Regulation. They see the advantages of establishing a diversified funding strategy as the baseline method for all borrowing operations. This diversified approach mirrors what is currently implemented for borrowing under the EU's COVID recovery package NextGenerationEU. Instead of the 'back-to-back funding' required by the current EU financial rules, the new approach is similar to the one used by sovereign states, which are able to temporarily hold borrowed amounts on a bank account and use short-term debt instruments such as EU bills and credit lines. This would give the Commission more flexibility to choose the best available borrowing option. Nevertheless, the auditors note that the revised legislation does not provide any details as regards arrangements they consider necessary, such as a governance framework and risk management procedures.

As part of an exceptional fast-track procedure, the Commission has also proposed to mobilise loans to Ukraine with a value of up to €18 billion, with maturities of up to 35 years, repayable no earlier than 10 years from now. The guarantee for these loans would be the EU budget 'headroom', which is the difference between the own resources ceiling and the own resources actually used to finance the EU budget. This headroom currently represents a buffer for the EU to cover additional financial outflows. If the EU budget headroom covered the risk of defaulted repayments of loans to Ukraine, it would mean that the related risks could potentially have an impact on future budgets and payment needs, the auditors warn. Currently, the auditors observe, there are no plans to increase the size of the headroom accordingly.

Background information

Today's Opinion is available on the [ECA website](#) in English; other EU languages will follow shortly. Recently, the ECA has also contributed to legislative negotiations on the EU's Financial Regulation with an [Opinion on its recasting](#) and one on [fines, penalties and other sanctions](#).

The purpose of this press release is to convey the main messages of the European Court of Auditors' opinion. The full opinion is available at eca.europa.eu.

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