

EU creates Ukraine Assistance Fund in European Peace Facility, commits €5 billion for military assistance with more to come.



Josep Borrell, the EU's High Representative for Foreign Affairs & Security Policy, discussing yesterday's Council decision to create a new Ukraine Assistance Fund.

Yesterday, the EU's Foreign Affairs Council, chaired by Josep Borrell, the High Representative for Foreign Affairs & Security Policy, agreed to establish a new Ukraine Assistance Fund within its existing European Peace Facility (EPF) and provide it with €5 billion to be used for military assistance for Ukraine. The EPF is a seven-year €12 billion off-budget instrument that was created in March 2021 to support EU actions related to its Common Foreign and Security Policy – specifically, actions designed to prevent conflicts, build peace, and strengthen international security. In February 2022, days after President Putin began Russia's "special military operation" in Ukraine, the EU provided Ukraine €4.5 billion in military assistance through the EPF. In October 2022, it created the European Union Military Assistance Mission in support of Ukraine (EUMAM Ukraine) within the EPF and last May it provided Ukraine with €1 billion for ammunition. The EPF was replenished with €2 billion last March and another €3.5 billion last July. But with its funds nearly depleted, last July Borrell called for the creation of a new four-year €20 billion fund within the EPF that would provide Ukraine up to €5 billion a year for weapons, ammunition, and military assistance.

In November, the EU defense ministers considered the proposal. But after the Hungarian minister opposed it and some of the other ministers expressed concerns about the amount involved, the ministers tabled the proposal. Nevertheless, they did at least underscore the need for the EU to fulfill its commitment last May to deliver one million rounds of ammunition to Ukraine. And a few days later, they

agreed to provide Ukraine an additional €200 million in EPF assistance for military training.

Having been tabled by the defense ministers in November, the proposal wasn't on the agenda of the European Council's December meeting for a vote. Nevertheless, in their Conclusions from that meeting, the EU leaders said, "The EU and its Member States will continue to address Ukraine's pressing military and defense needs. In particular, the European Council insists on the importance of timely, predictable, and sustainable military support for Ukraine, notably through the European Peace Facility and the EU Military Assistance Mission, as well as through direct bilateral assistance by Member States... The European Council invites the Council to intensify work on the reform of the European Peace Facility and the further increase of its financing, building on the proposal of the High Representative.... It invites the High Representative and Member States to take work forward in the Council. The European Council will remain seized of the matter."

The European Council met again on Feb. 1, after which the leaders reaffirmed in their conclusions the EU's "unwavering commitment to continue to provide strong political, financial, economic, humanitarian, military and diplomatic support to Ukraine and its people for as long as it takes. The European Council reiterates the determination of the EU and Member States to continue providing timely, predictable, and sustainable military support to Ukraine, notably through the European Peace Facility (EPF) and the EU Military Assistance Mission, as well as through direct bilateral assistance by Member States, in line with Ukraine's needs. It will keep the issue under review. The European Council reviewed work in the Council on military support for Ukraine under the European Peace Facility and the proposed increase of its overall financial ceiling. It invites the Council to reach agreement by early March 2024 to amend Council Decision (CFSP) 2021/509 [which established the EPF] on the basis of the proposal of the High Representative for a Ukraine Assistance Fund and the proposed key modalities, taking into account suggestions by the Member States."

Last week, at a meeting in Brussels, the ambassadors of the 27 EU member states agreed, after a dispute between some of the member states that had gone on for several months, to amend the 2021 Council decision by creating within the EPF a new Ukraine Assistance Fund and, through it, provide Ukraine with €5 billion for military assistance. The EPF provides reimbursements to member states which provide military assistance to other countries. France in particular had insisted that such reimbursements be used to purchase replacement equipment from European producers while some of the other member states argued that might make it more difficult to get weapons to Ukraine quickly. Germany, which is by far the EU's largest supplier of military assistance to Ukraine, meanwhile had insisted that such donations be taken into account in determining how much the member states should contribute to the EPF. Eventually, a compromise was found that would allow some flexibility on "buy European" rules when "buying European" would delay getting needed equipment to Ukraine and would take into account a portion

of the bilateral aid when calculating the contributions of the member states to the EPF. A further complication involved Hungary's refusal to allow payouts from the EPF that would finance military assistance for Ukraine. Under the agreement reached last Wednesday, Hungary's contributions will be used to fund military assistance to other countries rather than to Ukraine.

Yesterday's Council meeting formally approved the creation of a new Ukraine Assistance Fund within the EPF and increased the financial ceiling of the EPF by €5 billion. The newly established Fund will allow the EU to support the evolving needs of the Ukrainian Armed Forces with both lethal and non-lethal military equipment and training and enable the EU to deliver more and better operational support to Ukraine, including through increased joint procurement. After yesterday's decision, the financial ceiling of the EPF for the period 2021-27 will be more than €17 billion. After the meeting, Borrell said, "The EU is living up to its commitments. The Ukraine Assistance Fund turns our words into action. With the fund, we will continue to support Ukraine defend itself from Russia's war of aggression with whatever it takes and for as long as we need to."

The leaders of the EU member states will meet again on Thursday and Friday and will undoubtedly welcome the decision of the Council of Ministers to amend the 2021 Council decision establishing the EPF, create a new Ukraine Assistance Fund, and provide an additional €5 billion for military assistance for Ukraine. Perhaps they will also endorse Burrell's initial proposal that the new Fund receive €5 billion in each of the next three years as well. But the leaders are likely to hesitate in regard to another proposal Borrell put forward yesterday prior to the Council meeting – that the EU take 90 percent of the revenues earned on Russian financial assets frozen in Europe and transfer those funds to the EPF, with the remaining 10 percent going into the EU budget. Roughly 70 percent of all Russian central bank securities and cash that's frozen in the West, equivalent to roughly €190 billion, is held in Euroclear, the Belgian central securities depository. One senior EU official has estimated the frozen Russian assets are likely to generate €15-20 billion in after-tax profits until 2027. Some EU leaders reportedly like the idea of taking the revenues generated by those frozen assets but others are understandably worried about the possible consequences; after all, as Borrell said, "If we do that, well, the Russians will not be very happy. The amount of money – three billion per year – is not even extraordinary. But it is not negligible." The leaders will discuss the proposal and some will no doubt be reluctant to endorse it. But there is an undeniable logic behind it: After all, why should Russia, which began the war and continues it, not be required to pay for the weapons and ammunition Ukraine needs to defend itself?

David R. Cameron
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