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REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

on contingent liabilities arising from budgetary guarantees and financial assistance and the sustainability of those contingent liabilities

Situation at 31 December 2024

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1. Introduction

This report is issued in accordance with the requirements of Article 256 of the Financial Regulation[1] and should be read in conjunction with:

- the consolidated annual accounts of the European Union (financial year 2024)[2];
- working document XI, which accompanies the draft EU budget for the financial year 2026[3] and which provides detailed information on EU budgetary guarantees and provisioned financial assistance loans (Article 41(5) Report)[4]; and
- the long-term forecast report on future inflows and outflows of the EU budget (2026-2034), which takes into consideration planned budget expenditures[5].

The first objective of this report is to provide an overview of the amount and composition of contingent liabilities – both **provisioned**[6] and **headroom-backed**[7] contingent liabilities - borne by the EU budget as of 31 December 2024[8]. Contingent liabilities are potential financial liabilities that stem from existing binding commitments or previous contractural occurrences[9]. Whether or not these contingent liabilities result in actual calls on the EU budget, and the size of any such calls, will depend on future events that cannot be predicted with certainty.

At the end-2024, the EU budget was exposed to contingent liabilities amounting to aproximately EUR 300 billion relating to **loans** (EUR 255 billion at the end of 2023). Of this EUR 300 billion, EUR 252 billion was from loans granted to Member States. The remaining EUR 48 billion was for loans to non-EU countries (with EUR 42.4 billion of the EUR 48 billion comprised of loans to Ukraine), Of the EUR 42.4 billion in loans to Ukraine, EUR 31.1 billion was backed by the headroom. The EU budget was also exposed to contingent liabilities related to **budgetary guarantees** amounting to approximately EUR 110 billion (EUR 108 billion at the end of 2023). These budgetary guarantees were provided in the context of the European Fund for Strategic Investments (EFSI)[10], InvestEU[11], the External Lending Mandate (ELM)[12], the European Fund for Sustainable Development

1 Regulation (EU, Euratom) 2024/2509 of the European Parliament and of the Council of 23 September 2024 on the financial rules applicable to the general budget of the Union (recast) (OJ L, 2024/2509, 26.9.2024).
2 COM(2025) 359 of 25.6.2025
3 COM(2025) 300 of 4.6.2025.
4 Working document XI on the implementation of budgetary guarantees, the Common Provisioning Fund and the assessment of the sustainability of the contingent liabilities arising from budgetary guarantees and financial assistance pursuant to Article 41(5) of the Financial Regulation.
5 COM(2024) 573 final of 16.7.2025.
6 In this document the term *provisioning* is used in the meaning of the Financial Regulation and in particular Article 214 thereof. As laid down by Article 214(2), the provisioning rate needs to cover net expected losses plus an adequate safety buffer for unexpected losses. In other circumstances provisioning (e.g. in an accounting context), the term might have a different meaning.
7 'Headroom-backed' means that the guarantee for related contingent liabilities is given by the EU budget headroom. In practice, should the related contingent liabilities materialise, potential additional amounts may be called from Member States over and above MFF ceilings and up to the Own Resource ceiling to cater for it.
8 This set cut-off date aligns with the consolidated accounts of the EU and the objective of the report to assess the sustainability of incurred contingent liabilities borne by the EU budget. No forecasts are made for contingent liabilities arising beyond this date as they will depend on needs, market conditions and liquidity availabilities.
9 A separate source of contingent liabilities is represented by the 'legal risks'. These are not covered by the present report.
10 Regulation (EU) 2015/1017 of the European Parliament and of the Council of 25 June 2015 on the European Fund for Strategic Investments, the European Investment Advisory Hub and the European Investment Project Portal and amending Regulations (EU) No 1291/2013 and (EU) No 1316/2013 (OJ L 169, 1.7.2015, p. 1).
11 Regulation (EU) 2021/523 of the European Parliament and of the Council establishing the InvestEU Programme and amending Regulation (EU) 2015/1017 (OJ L 107, 26.3.2021, p. 30).
12 An overview of the relevant legislative acts and corresponding guarantee agreements between the Commission and the European Investment Bank is available in the Definitive Adoption (EU, Euratom) 2021/417 of the European Union's general budget for the financial year 2021 (Section III – Commission, Remarks for Item 14 20 03 02 of the statement of expenditure 'External Action Guarantee for NDICI, EINS, IPA III and MFA') (OJ L 93, 17.3.2021, p. 959).

(EFSD)[13], the EFSD+[14], and the Ukraine Investment Framework (UIF), which is the budgetary guarantee to support investment in Ukraine set up under the Ukraine Facility Regulation[15].

Total contingent liabilities - comprising both budgetary guarantees and loans - rose to EUR 410 billion in 2024, up from EUR 363 billion in 2023, representing an increase of 13%. This rate of increase is broadly in line with the rate of increase observed in 2023 (+16%) and lower than the rate of increase observed in 2022 (40%). The bulk of this increase comes from additional loan disbursements to Member States under the Recovery and Resilience Facility (RRF)[16] and from financial assistance to Ukraine under the Ukraine Facility.

Secondly, this report also presents an assessment of the long-term sustainability of contingent liabilities based on qualitative and quantitative factors, including stress-testing. This sustainability assessment is performed by comparing contingent liabilities with:

- the market value of existing provisions held in the respective compartments of the Common Provisioning Fund (CPF)[17] set up by the Commission for **provisioned contingent liabilities**, i.e. liabilities arising from budgetary guarantees and financial assistance to non-EU countries;
- the limits of the own resources ceilings and the available headroom for **headroom-backed contingent liabilities.**

The main conclusion of the end-2024 sustainability analysis is that the EU budget has sufficient resources to cope with the potential materialisation of contingent liabilities incurred as of 31 December 2024. There are three main reasons for this conclusion, which are set out in the bullet points below.

- For contingent liabilities arising from budgetary guarantees and financial assistance to non-EU countries, the provisioning available at the end of 2024 is adequate considering the requirements of the respective legal frameworks[18].
- The EU's financial capacity under the existing legal framework for 2026 and 2027 (i.e. the Own Resources Decision (ORD)[19] and the 2021-2027 Multiannual Financial Framework (MFF) Regulation[20]) and as of 2028 the proposed new ORD and MFF Regulation 2028-2034[21] is sufficient to to cover all headroom-backed contingent liabilities arising from debt issued under i) the RRF, SURE and other loans to Member States, ii) the Ukraine macro-financial assistance plus (MFA+) instrument and iii) the Ukraine Facility, even under extreme adverse circumstances. In other words, the headroom is well-resourced to ensure the robustness of the EU financial system and its creditworthiness, even under an extreme

13 Regulation (EU) 2017/1601 of the European Parliament and of the Council of 26 September 2017 establishing the European Fund for Sustainable Development (EFSD), the EFSD Guarantee and the EFSD Guarantee Fund (OJ L 249, 27.9.2017, p. 1).

14 The EFSD+ was established by the Neighbourhood, Development and International Cooperation Instrument (NDICI) – Global Europe Regulation. Regulation (EU) 2021/947 of the European Parliament and of the Council of 9 June 2021 establishing the Neighbourhood, Development and International Cooperation Instrument – Global Europe, amending and repealing Decision No 466/2014/EU and repealing Regulation (EU) 2017/1601 and Council Regulation (EC, Euratom) No 480/2009 (OJ L 209, 14.6.2021, p. 1).

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

16 Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility (OJ L 57, 18.2.2021, p. 17).

17 For details on the CPF see the Report from the Commission to the European Parliament and the Council on the Common Provisioning Fund in 2024 (COM(2025) 400 final of 6.6.2025) and the accompanying Staff Working Document (SWD(2025) 100 final of 6.6.2025).

18 See Section 3 of the Article 41(5) Report.

19 Council Decision (EU, Euratom) 2020/2053 of 14 December 2020 on the system of own resources of the European Union and repealing Decision 2014/335/EU, Euratom (OJ L 424, 15.12.2020, p. 1).

20 Council Regulation (EU, Euratom) 2020/2093 laying down the multiannual financial framework for the years 2021 to 2027 (OJ L 433 I, 22.12.2020, p. 11).

21 Proposal for a Council Regulation laying down the multiannual financial framework for the years 2028 to 2034 (COM(2025)571 final); Proposal for a Council Decision on the system of own resources of the European Union and repealing Decision (EU, Euratom) 2020/2053 (COM(2025)574 final).

negative scenario that combines adverse impacts in economic conditions, revenue and expenditure.[22]

The risks arising from contingent liabilities are managed and monitored through a general cross-Commission framework including extensive measures and safeguards which the Commission can use to protect the EU budget from potential losses stemming from contingent liabilities[23]. A central role in that framework has been played by the Steering Committee on Contingent Liabilities[24]. This framework was strengthened at the beginning of 2025 through the Commission Decision (EU, Euratom) 2025/369[25], which expanded the role of the Chief Risk Officer (CRO). Operating independently from the Commission DGs responsible for financial operations, the CRO provides a critical and dedicated financial risk oversight function in respect of all financial operations, namely:

- borrowing, debt, and the related liquidity management;
- lending operations and budgetary guarantees;
- asset management, including the management of the provisions of the Common Provisioning Fund which represent the reserves set aside to meet calls on EU budgetary guarantees[26].

Box 1: The 2028-2034 MFF

The purpose of this report is to assess the sustainability of the contingent liabilities borne by the EU budget. Whereas the provisioned budgetary guarantees and loans are tested against the market value of the provisions held in the CPF, headroom backed contingent liabilities borne by the EU budget are assessed in a forward-looking partly by looking at the projected evolution of MFF payments and the own resources ceiling. For the years 2028-2034, the assessment therefore includes the proposed own resources ceiling at 1.75% of EU gross national income (GNI) and the projected expenditures related to the proposal for the 2028-2034 MFF, as set out in the long-term forecast report on future inflows and outflows of the EU budget (COM(2025)573). The resulting headroom projection constitutes the baseline against which the contingent liabilities borne by the budget at end-2024 are evaluated.

The Commission presented its proposal for the next MFF on 16 July 2025. The proposal includes greater use of financial instruments, budgetary guarantees and loans backed by the EU budget to: i) increase leverage; ii), allow the EU budget to play a stronger role in de-risking private investment; and iii) unlock financing by institutional investors.

On the side of budgetary guarantees and financial instruments, the proposal includes one EU budgetary guarantee for internal policies, provided for in the basic act for the European Competitiveness Fund (ECF) and one for external policies (with a subceiling for Ukraine), established in the basic act for Global Europe (GE). Other programmes in internal and external policies may also use the guarantees provided for in the ECF and the GE.

The ECF and GE have been endowed with a maximum budgetary guarantee amount of EUR 70 billion and EUR 143 billion respectively (the latter including EUR 48 billion for budgetary guarantees for Ukraine financed through the Ukraine reserve). The different programmes may

22 If there is no agreement on the legislative proposals for 2028-2034, the current own resources ceiling of 1.4% of EU GNI will continue to apply and in accordance with the provisions of Article 312(4) TFEU, the 'ceilings and other provisions corresponding to the last year of financial framework shall be extended'. In such a scenario, thehe sustainability of the headroom under the permanent own resources ceilign will be assured albeit with a smaller policy expenditure capacity than proposed and than in the current MFF, taking into account NGEU repayment.

23 See paragraphs 3.2 and 4.2 of the report from the Commission to the European Parliament and the Council on financial instruments, budgetary guarantees, financial assistance and contingent liabilities - situation at 31 December 2020 (COM(2021) 676 final of 5.11.2021).

24 The Steering Committee on Contingent Liabilities (SCCL) met five times in 2024.

25 Commission Decision (EU, Euratom) 2025/369 of 21 February 2025 establishing the role of the Chief Risk Officer overseeing the financial risks arising from the Union's financial operations (OJ L, 2025/369, 25.2.2025).

26 Report from the Commission to the European Parliament and the Council on the common provisioning fund in 2024 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52025DC0400

gradually use the entire capacity. The GE maximum amount will also cover loans to non-EU countries (e.g. macro-financial assistance, policy-based loans and Euratom).

The Commission's long-term budget proposal also includes the further use of loans to Member States and to Ukraine backed by the EU budget's headroom.

In the case of Ukraine, the proposed Ukraine Reserve of EUR 100 billion will be implemented in the form of loans and grants, with the loans to be financed by borrowing and backed by the headroom as in the case of, for example, the Ukraine Facility. The actual split between loans and grants will be decided depending on needs.

The Commission also proposes the greater use of loans to Member States, as part of the National and Regional Partnership Plans' 'Catalyst Europe' programme. Catalyst Europe would provide up to EUR 150 billion in loans financed by borrowing and backed by the headroom to support reforms and investments.

Finally, the Commission has also proposed a new extraordinary and temporary mechanism to respond to the consequences of severe crises, severe hardship or serious threats of hardship affecting the EU or its Member States. This tool will provide loans to Member States backed by EU borrowing solely for the period of the upcoming long-term budget should a severe crisis occur and upon decision of the Council, after obtaining the consent of the European Parliament. The borrowing would be guaranteed by a specific, additional compartment under the own resources ceiling equal to 0.25% of EU GNI which will have the sole purpose of backing these loans, should the mechanism be activated.

The sustainability of future contingent liabilities related to the implementation of both new instruments proposed under the next MFF, and other instruments adopted or implemented in 2025 (i.e. the Ukraine Loan Cooperation Mechanism and the Security Action for Europe loans) depend on the actual take up of loan support and will be assessed in future editions. The sustainability of the extraordinary mechanism to respond to severe crises will only be assessed if and when actual financial assistance is provided under this ceiling.

2. Analysis of the different sources of contingent liabilities

2.1 Budgetary guarantees

These are guarantees provided to different implementing partners under the mandates for ELM, EFSI, EFSD, InvestEU, EFSD+ and UIF (Ukraine Investment Facility[27]). Under all these instruments, the EU provides guarantees to implementing partners[28] to cover a share of potential losses and costs[29] resulting from their financing and investment operations (i.e. debt or equity operations).

The six guarantee programmes have a different geographical focus, which influences the risks they bear. The EFSI and InvestEU help to overcome investment gaps within the European Union. The ELM, EFSD and EFSD+ form part of the European Union's external policies and support financing and investment in non-EU countries (with the ELM and EFSD+ Investment Window 1 mainly focusing on sovereign counterparts, while the EFSD and EFSD+ Open Architecture and Investment Window 4 mainly targets private operations). The UIF aims to support recovery and

27 Regulation (EU) 2024/792 of the European Parliament and of the Council of 29 February 2024 establishing the Ukraine Facility https://eur-lex.europa.eu/eli/reg/2024/792/oj/eng

28 In 2024, the EU provided budgetary support in the form of guarantees to the EIB Group and to other financial institutions (including EBRD and National Promotional Banks) under the different existing guarantee programmes.

29 In some cases, the guarantee can also cover additional items such as funding costs and other fees.

reconstruction investments in Ukraine undertaken by the Ukrainian authorities, private sector companies, municipalities, state-owned enterprises or other actors.

Table 1: State of play of budgetary guarantees (as at 31 December 2024) (EUR million)(*)

	Max. available guarantee signed with implementing partners	Available guarantee related to operations signed by implementing partners with final recipients	Available guarantee related to operations signed by implementing partners and disbursed to final recipients
EFSI	25 373	22 998	21 033
EFSD	759	667	521
ELM	25 772	25 772	19 184
InvestEU	27 042	11 769	3 468
UIF	790	172	132
EFSD+	30 173	11 228	1 341
Total	**109 909**	**72 606**	**45 678**

(*) The guarantee signed with counterparts represents the amount of the guarantee granted to the implementing partner through the signature of the guarantee agreement. The guarantee related to operations signed by counterparts includes amounts of the guarantee in all operations signed by the counterparts with the final recipients/financial intermediaries. The guarantee related to operations signed and disbursed includes the amounts of operations disbursed from the counterpart to the final recipient/the financial intermediaries.

a) Budgetary guarantees to support investment outside the EU

The **ELM** is the oldest EU budgetary guarantee. It enables the European Investment Bank (EIB) to undertake financing operations in riskier environments outside the EU in areas such as the development of socio-economic infrastructure.

In 2017, the **EFSD** guarantee was put in place to support investments and improve access to finance - primarily in Africa and the 'neighbourhood' countries bordering the EU - and help those countries meet the UN Sustainable Development Goals.

Building on the experience of both the ELM and the EFSD, the **EFSD+** was set-up for the 2021-2027 MFF period as an integrated financial package providing financing capacity to sub-Saharan Africa, Asia, the Pacific region, Latin America, the Caribbean and the neighbourhood and enlargement countries. Support under the EFSD+ is directed to investment that contributes to: (i) reducing socio-economic inequalities; (ii) sustainable and inclusive growth; (iii) climate change adaptation and mitigation; (iv) environmental protection and management; and (v) job creation.

The **UIF** is designed to provide financing to priorities identified in the Ukraine Plan[30]. The UIF is part of the Ukraine Facility Regulation (UFR), the objective of which is to: i) attract public and private investments for the recovery and reconstruction of Ukraine; and ii) support Ukraine's path towards EU accession[31].

30 https://enlargement.ec.europa.eu/proposal-council-implementing-decision-approval-assessment-ukraine-plan_en
31 https://enlargement.ec.europa.eu/news/commission-endorses-ukraine-plan-paving-way-regular-payments-under-ukraine-facility-2024-04-15_en

b) Budgetary guarantees to support investment within the EU

In 2015, the **EFSI** was launched to remedy the problem of prolonged subdued private investment in the EU following the financial crisis. It takes the form of a maximum EUR 26 billion budgetary guarantee from the EU budget to the EIB Group, which is supplemented by an allocation from the EIB's own resources of EUR 7.5 billion.

Launched under the 2021-2027 MFF, the **InvestEU** programme aims to ensure an additional boost to investments fostering economic recovery, resilience, green growth and employment in the EU over the 2021-2027 period. It seeks to achieve this goal by mobilising public and private financing sources, to provide long-term funding and support to companies and projects in line with the EU's priorities in the current challenging economic and social context.

c) Comparative analysis of budgetary guarantees

The six budgetary guarantee programmes vary in respect of several features, including their different stages of implementation. While the ELM (established in 1977) has a long track record, the EFSI and EFSD constitution periods ended only in 2022 and 2024 respectively. At the same time, the investment phase of InvestEU, the EFSD+ and the UIF has started more recently. These different stages of implementation for the six budgetary guarantee programmes are reflected in the table above. For the ELM and EFSI, the figures show that almost the maximum amount of the guarantees have been pledged to implementing partners and the latter have committed to support operations up to these full amounts. Newer budgetary guarantees such as the EFSD+, InvestEU and UIF, by contrast, are at a much earlier stage in their ramp-up.

The new budgetary guarantees such as InvestEU, the EFSD+ and the UIF have built on the experience of older guarantees and have similar features. However, InvestEU, the EFSD+ and the UIF all have more implementing partners ('open architecture') and a broader variety of products.

2.2 Provisioned loans for financial assistance to non-EU countries

The contingent liabilities under this heading arise from financial assistance provided in the form of **Macro-Financial Assistance programme** (MFA)[32] loans and **Euratom** loans to non-EU countries[33]. Loans granted to Ukraine under the MFA+ programme and the Ukraine Facility, amounting to EUR 31.1 billion at the end of 2024, are backed by the headroom and will be discussed in Section 2.3.

Financial support to non-EU countries in the form of bilateral loans from the EU has been granted mainly under the MFA programme, which targets non-EU countries experiencing a balance-of-payments crisis. In 2024, new MFA loans amounting to EUR 1.15 billion were disbursed[34].

In the Western Balkans Investment Framework (WBIF), arrangements to provide loans of up to EUR 4 billion to six enlargement candidate countries were put in place in 2024 with disbursement of the first instalments to commence in 2025. A separate loan facility has also been set up for Moldova (EUR 1.5 billion) – disbursement also set to commence in 2025. In addition to MFA loans

32 The legal basis for MFA to non-EU countries other than developing countries is Article 212 of the Treaty on the Functioning of the European Union (TFEU). Article 213 TFEU may be used as a legal basis when a third country requires urgent financial assistance.

33 The Euratom loan facility helps both Member States and non-EU countries finance investments in nuclear power stations and in industrial installations in the nuclear fuel cycle. See Council Decision 77/270/Euratom of 29 March 1977 empowering the Commission to issue Euratom loans for the purpose of contributing to the financing of nuclear power stations (OJ L 88, 6.4.1977, p. 9) as amended and supplemented.

34 These include EUR 1 billion to Egypt, EUR 95 million to Moldova and EUR 50 million to North Macedonia. For more details, including the outstanding amount per individual beneficiary, see the report from the Commission to the European Parliament and the Council on the implementation of macro-financial assistance to non-EU countries in 2024 COM(2025) 330 final of 23.6.2025 and the accompanying SWD(2025) 166 final of 23.6.2025.

to non-EU country sovereigns, EUR 300 million in Euratom loans, which were provided to the Ukrainian nuclear energy programme are still outstanding as at 31 December 2024.

Table 2: Outstanding amounts in respect of loans to non-EU countries* (as at 31 December 2024)
(EUR million)

	Outstanding loans	Accrued interests	Total
MFA(*)	15 738	118	**15 856**
Euratom	300	1	**301**
Total	**16 038**	**119**	**16 157**

(*) Excluding Ukraine MFA+ loans and Ukraine Facility loans (backed by the headroom).

Traditionally, loans to non-EU countries have been funded through 'back-to-back' borrowing operations, i.e. each loan has been funded with a corresponding EU bond that fully matches the EU loan in terms of its maturity, interest rate and repayment schedule. As of January 2023, a difference approach - the unified funding approach - has been established as the general borrowing method for EU bonds[35]. Under the unified funding approach, the Commission collects all issuance proceeds in a centralised funding pool and then internally allocates them to the different policy programmes. Investors in EU bonds are exposed to the EU's low credit risk and not to the credit risk of the ultimate beneficiary country. The liability for the EU is contingent because the beneficiary country is contractually obliged to provide the revenue flow to repay the EU bonds. As long as the loan beneficiary is not in default, no outflow of EU resources is necessary to settle the EU debt.

As contingency against the eventuality that the beneficiary country does not repay interest or principal on the loan received, the EU budget sets aside provisions for these loans. Traditionally and in line with existing legislation, 9% of the value of the loans is held as provisions for MFA or Euratom loans to non-EU countries in dedicated compartments in the CPF. The levels of provisioning against these loans are discussed further in Section 3.2.

The repayment amounts reported in Table 3 are therefore to be seen as the maximum foreseeable amounts that could be called against provisions in the years 2025-2030.

Table 3: Yearly repayment schedule of outstanding provisioned loans to non-EU countries (principal + interest) under the existing programmes for the years 2025-2030 (as at 31 December 2024)
(EUR million)

Year	Euratom	MFA	All programmes
2025	1	162	**163**
2026	1	410	**411**
2027	51	442	**493**
2028	51	441	**492**
2029	0	1 185	**1 185**
2030	100	308	**408**
Total	**204**	**2 948**	**3 152**

35 Regulation (EU, Euratom) 2022/2434 of the European Parliament and of the Council of 6 December 2022 amending Regulation (EU, Euratom) 2018/1046 as regards the establishment of a diversified funding strategy as a general borrowing method.

2.3 Headroom-backed loans

The contingent liabilities under this heading arise from **loans to Member States** (i.e. loans under Balance of Payments (BoP) Facility[36], European Financial Stabilisation Mechanism (EFSM) loans[37], Euratom Facility loans, loans under SURE[38] and loans under the RRF which are provided to support investments and reforms). In addition, **loans to Ukraine** granted in 2023 and 2024 (EUR 18 billion in MFA+ loans to Ukraine and EUR 13.1 billion in loans granted under the Ukraine Facility) are also backed by the budgetary headroom under the own resources ceiling.

Contingent liabilities stemming from loans to Member States and from recent loans to Ukraine are not provisioned *ex ante*. Instead, they are back-stopped by the possibility of calling on additional 'own resources' from Member States under the EU's budgetary framework (up to the limits of the own resources ceiling, i.e. using the 'headroom' of the budget).

This means that, if a beneficiary did not honour its obligations towards the EU, the EU would be entitled – as a last resort and only after having exhausted all other possibilities to find solutions within the existing multiannual financial framework – to call on the Member States to cover the amount in question. Such calls for funds would be made over and above the MFF ceilings, but in full compliance with the own resources ceilings.

More recent loans (RRF loans and loans under the Ukraine MFA+ Instrument and the Ukraine Facility) are financed through the unified funding approach, where loans to beneficiaries are granted with long durations, typically an extended period where principal is not repaid followed by a lengthy period with small annual principal reamortisation[39].

In 2024 the Commission, acting on behalf of the EU, operated four programmes under which it granted loans to Member States. No new loans were disbursed under the first three programmes in 2024. Details of these four programmes are set out in the bullet points below.

- The **BoP Facility** was created in 2002 to help EU countries outside the euro area that experience - or run the risk of experiencing - balance of payments difficulties.
- The **EFSM** was put in place in 2010 to provide financial support to Member States experiencing - or threatened by - severe financial difficulties caused by exceptional events beyond their control.
- The **SURE** programme was agreed in June 2020 to help finance sudden and severe increases in national public expenditure related to national short-time work schemes and similar measures in response to the COVID-19 crisis. As this emergency instrument was put in place before the 2020 increase in the own resources ceiling[40] and headroom entered into effect, all Member States have agreed to provide irrevocable, unconditional and on-demand guarantees

36 Council Regulation (EC) No 332/2002 of 18 February 2002 establishing a facility providing medium-term financial assistance for Member States' balances of payments (OJ L 53, 23.2.2002, p. 1).

37 Council Regulation (EU) No 407/2010 of 11 May 2010 establishing a European financial stabilisation mechanism (OJ L 118, 12.5.2010, p. 1). Council Regulation (EU) 2015/1360 of 4 August 2015 amending Regulation (EU) No 407/2010 establishing a European financial stabilisation mechanism (OJ L 210, 7.8.2015, p. 1).

38 Council Regulation (EU) No 2020/672 of 19 May 2020 on the establishment of a European instrument for temporary support to mitigate unemployment risks in an emergency (SURE) following the COVID-19 outbreak (OJ L 159, 20.5.2020, p. 1).

39 At the end of 2022, the diversified funding strategy was established as the baseline method for the implementation of all borrowing operations including MFAs. It makes it possible to fully delink a specific disbursement of loans to a Member State or a non-EU country from the issuance of specific EU bonds. Under NGEU the Commission also borrows on the markets to finance non-repayable support (including RRF grants). The repayment of these borrowing operations is covered through the appropriations of the future annual budgets, within the ceilings of the MFFs, and therefore does not constitute a contingent liability for the EU. Nevertheless, the NGEU borrowing-to-lend activities (i.e. to fund RRF loans) do give rise to new contingent liabilities and are addressed in this report.

40 Council Decision (EU, Euratom) 2020/2053 of 14 December 2020 on the system of own resources of the European Union and repealing Decision 2014/335/EU.

for 25% of the maximum amount of financial assistance[41] . Each Member State contributes to the overall amount of the guarantee proportionate to its relative share in the total GNI of the EU (based on the 2020 EU budget).

- The **RRF** is the central pillar of the NextGenerationEU (NGEU) programme (2020)[42] and is a temporary instrument to support reforms and investments in Member States with the ultimate goal of facilitating recovery from the COVID-19 pandemic while supporting the green and digital transitions. Under the EU recovery instrument, the Commission borrows funds which the RRF then uses to finance Member States' reforms and investments. The financing can be either a loan (repayable support) or a grant (non-repayable support). Only RRF loans (as opposed to RRF grants) give rise to contingent liabilities, and therefore only RRF loans are considered for the purposes of this report.

At the end of 2024, the EU budget had incurred contingent liabilities from two programmes in support of Ukraine which were booked against the headroom. The first of these programmes is **MFA+**, for which outstanding amounts reached EUR 18 billion at end-2023 with no new additional loans disbursed in 2024. The second of these programmes is, the **Ukraine Facility** (EUR 13.1 billion outstanding at the end of 2024). Interest costs under both programmes are subsidised in the period to end-2027 to increase the concessionality of those loans, with different arrangements. Member States cover the interest costs of MFA+ loans through external assigned revenue through the EU budget, while the EU budget covers the interest rate costs on Ukraine Facility loans.

Table 4: Disbursed loans backed by EU budgetary headroom (as at 31 December 2024) (EUR million)

	Disbursed loans	Accrued interests	Total
BoP Facility	200	1	**201**
EFSM	42 000	380	**42 380**
SURE	98 355	104	**98 459**
RRF (loans)	108 686	1 434	**110 120**
MFA +	18 000	273	**18 273**
Ukraine Facility	13 112	205	**13 317**
Total	**280 353**	**2 397**	**282 750**

Between end-2023 and end-2024, the most significant increase was in the RRF loans, which rose from EUR 79.6 billion to EUR 110.1 billion — an increase of EUR 30.5 billion since end-2023 (+38.3%). Overall, the total outstanding amounts increased from EUR 239.7 billion at end-2023 to EUR 282.8 billion at end-2024, representing an increase of EUR 43.0 billion (+17.9%).

Table 5 below presents the amounts of total yearly repayments (principal plus interest) due by all the beneficiaries of the EU loans granted in the context of: i) the financial assistance to Member States, and ii) financial assistance to Ukraine under the MFA+ and Ukraine Facility instruments.

41 In addition to the guarantee provided by all Member States, there are a number of safeguards laid down in the SURE Regulation to mitigate the risk from SURE contingent liabilities. These include a concentration limit on the three largest loans of 60% of the maximum amount granted under SURE, a maximum annual exposure of 10% (i.e. payments due each year may not exceed EUR 10 billion), and the possibility for the Commission to roll over its borrowings if necessary.

42 Council Regulation (EU) 2020/2094 establishing a European Union Recovery Instrument to support the recovery in the aftermath of the COVID-19 crisis (OJ L 433 I, 22.12.2020, p. 23).

For each of the years under consideration, these amounts provide an indicator of the theoretical maximum outflow to be covered by the EU budget in relation to the contingent liabilities arising from financial assistance to Member States and Ukraine at the end of 2024.

Over the time horizon of the next MFF (until 2034), principal and interest repayments by loan beneficiaries (i.e. excluding RRF loans) relevant for the permanent ceiling amount to EUR 9.2 billion on average each year. Principal and interest repayments by loan beneficiaries backed by the NGEU ceiling (i.e. RRF loans) are on average EUR 2.8 billion a year over the period 2025-2034.

Table 5: Yearly repayment schedule of outstanding headroom-backed loans (capital + interest) under the existing programmes for the years 2025-2030 (as at 31 December 2024) (EUR million)

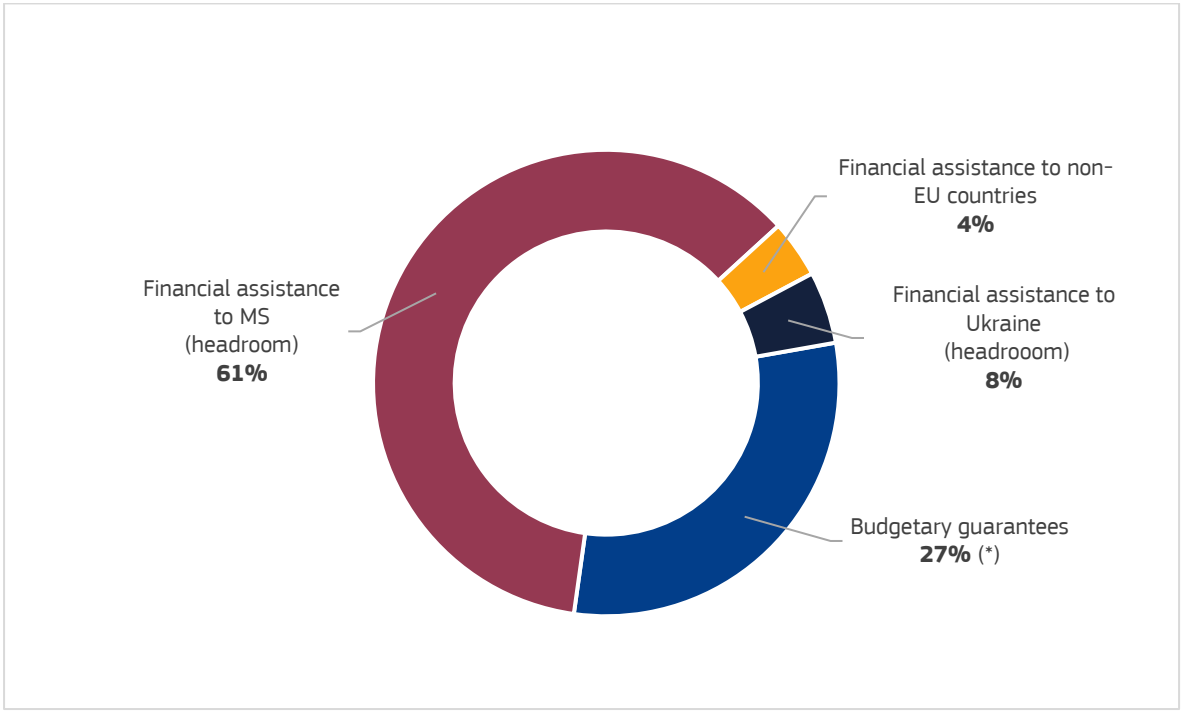
Year	BoP	EFSM	SURE	RRF loans (*)	MFA+ (**)	Ukraine Facility(***)	All programmes
2025	206	306	8 217	2 215	570	320	11 834
2026	0	6 913	8 327	2 216	570	391	18 417
2027	0	3 587	327	2 216	570	391	7 091
2028	0	4 612	10 327	2 219	571	392	18 121
2029	0	1 790	8 464	2 218	571	391	13 434
2030	0	371	10 327	2 216	570	391	13 875
Total	**206**	**17 579**	**45 989**	**13 300**	**3 423**	**2 277**	**82 772**

(*) Interest for RRF loans under the NGEU programme is calculated on a rolling basis according to a specific methodology (see Commission implementing decision C(2022)9701 final of 19.12.2022). The annual interest charge for these loans presented above is therefore an estimate based on current funding conditions.
(**) In accordance with Article 17 of Regulation (EU) 2022/2463, each year, upon Ukraine's request, the EU may grant an interest rate subsidy to cover interest costs related to MFA+ loans.
(***) In accordance with Article 23 of Regulation (EU) 2024/792 Ukraine may request each year an interest rate subsidy to cover interest costs related to the loans granted under the Ukraine Facility.

2.4 Overview of contingent liabilities at the end of 2024

At the end of 2024, the EU budget was exposed to contingent liabilities for a total amount of EUR 410 billion, which can be broken down into: i) over **EUR 300 billion** relating to loans granted to Member States and non-EU countries; and ii) **EUR 110 billion** relating to guarantees provided through the EFSI, InvestEU, ELM, EFSD, EFSD+, and the UIF. The largest set of exposures for the EU budget originates from loan programmes to Member States.

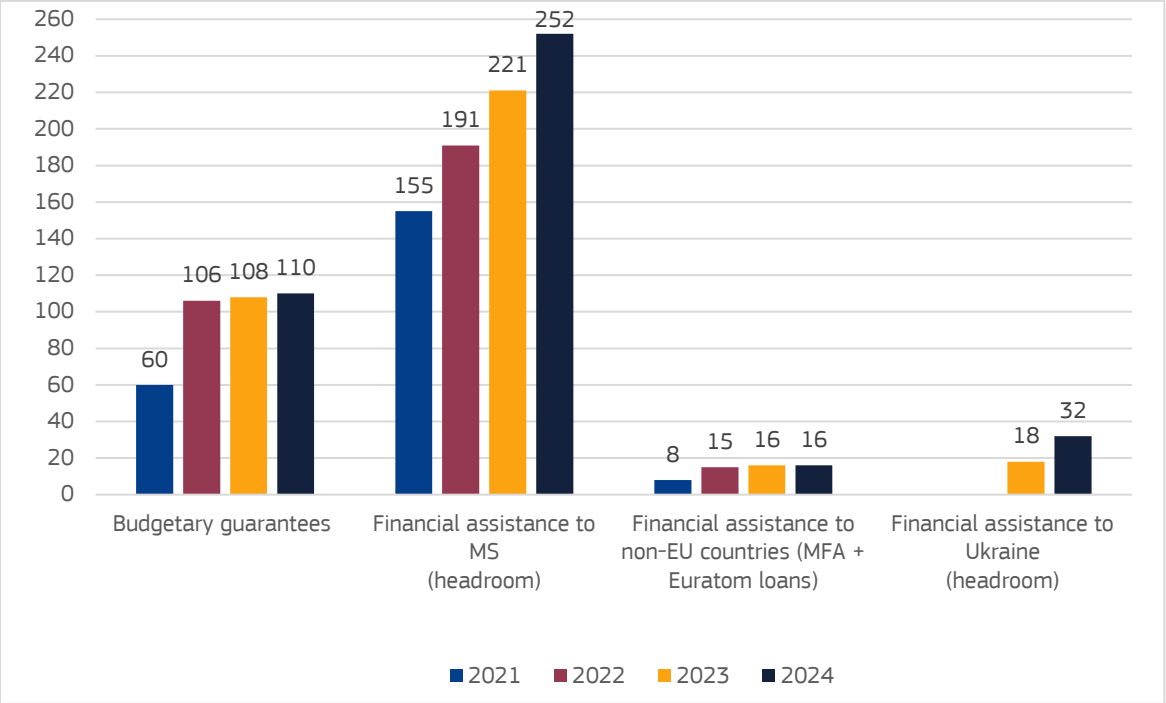
Figure 1: Breakdown of contingent liabilities by source (as at 31 December 2024)



(*) Based on the total amount of 'Max. available guarantee signed with impl. partners' (see Table 1).

The increasing importance of budgetary guarantees and financial assistance programmes for the implementation of EU policies can be seen in the constant upward trend in the period 2021-2024. The increase recorded in 2024 (+13% compared with the previous year) is in line with the increase registered between year-end 2022 and year-end 2023, +16%). This compares with the marked 40% increase seen between year-end 2021 and year-end 2022, starting from a lower base.

Figure 2: Breakdown of outstanding contingent liabilities by source in the period 2021-2024 (EUR billion)



The bulk of the 2024 increase is accounted for by the additional loan disbursements under the RRF and the financial assistance to Ukraine. Contingent liabilities stemming from the budgetary guarantee programmes remained largely stable in 2024. The increase in liabilities arising from the budgetary guarantee programmes due to the start of the implementation phase for the InvestEU, EFSD+ and UIF was almost entirely compensated by the decline in the ELM, EFSI and EFSD exposures due to maturing or cancelled exposures.

EU contingent liabilities have increased further in 2025 in relation to:

(i) additional support to non-EU countries (in particular support to Ukraine under the Ukraine Facility and 'Extraordinary Revenue Acceleration' (ERA) MFA loan[43]);

(ii) additional disbursements of RRF loans to Member States;

(iii) further progress in the implementation of the budgetary guarantee programmes (InvestEU, EFSD+ and the UIF); and

(iv) implementation of the newly approved MFA programmes to Egypt[44] and Jordan[45], together with the implementation of the Western Balkans Investment Framework (WBIF)[46] and Moldova Facility[47].

Disbursement of the loans to Member States under the Security Action for Europe (SAFE) programme will commence in early 2026[48].

43 Regulation (EU) 2024/2773 of the European Parliament and of the Council of 24 October 2024 establishing the Ukraine Loan Cooperation Mechanism and providing exceptional macro-financial assistance to Ukraine.
44 Decision (EU) 2025/1267 of the European Parliament and of the Council of 24 June 2025 providing macro-financial assistance to the Arab Republic of Egypt.
45 Decision (EU) 2025/793 of the European Parliament and of the Council of 14 April 2025 providing macro-financial assistance to the Hashemite Kingdom of Jordan.
46 Regulation (EU) 2024/1449 of the European Parliament and of the Council of 14 May 2024 on establishing the Reform and Growth Facility for the Western Balkans.
47 Regulation (EU) 2025/535 of the European Parliament and of the Council of 18 March 2025 establishing the Reform and Growth Facility for the Republic of Moldova.
48 Council Regulation (EU) 2025/1106 of 27 May 2025 establishing the Security Action for Europe (SAFE) through the Reinforcement of the European Defence Industry Instrument.

3. Assessing the sustainability of EU contingent liabilities

3.1 Assessment framework

Without prejudice to the assessment of provisioning of certain financial liabilities over their entire lifetime that is required when liabilities are incurred, Article 213(3) of the Financial Regulation stipulates that '*contingent liabilities arising from budgetary guarantees or financial assistance borne by the budget shall be deemed sustainable if their forecast multiannual evolution is compatible with the limits set by the regulation laying down the MFF provided for in Article 312(2) TFEU and the ceiling on annual payment appropriations set out in Article 3(1) of Decision (EU, Euratom) 2020/2053.*' (i.e. the MFF ceilings and the own resources ceiling).

This means that the resources that the EU is able to draw on in a single year under the current MFF and own resources ceiling should be enough to finance the expenditures arising under the MFF as well as any arising contingent liabilities.

In particular, payments relating to **provisioned contingent liabilities** for budgetary guarantees and financial assistance to non-EU countries must be financed from the laid down provisions and any further provisioning payments planned under the MFF. Section 3.2 of this report presents an assessment of the adequacy of the available provisions to meet the expected and unexpected payments arising from budgetary guarantees and financial assistance to non-EU countries for the liabilities as they stood at the end of 2024.

Payments related to materialising contingent liabilities resulting from **headroom-backed financial assistance** to Member States and to Ukraine can be financed by calling on additional own resources up to the ceiling laid down by the ORD as a last resort after other means to cover those payments or re-schedule the related liabilities. The headroom (i.e. difference between the own resources ceiling and the own resources necessary to finance the EU budget expenditures) represents the EU's financial capacity to cover additional outflows relating to the materialisation of contingent liabilities arising from headroom-backed financial assistance[49]. The results of the assessment of the sustainability of headroom-backed contingent liabilities existing at the end of 2024 are presented in Section 3.3 below. The 2020 ORD temporarily increases the own resources ceiling (by up to an additional 0.6% of GNI until 2058) to cater for the liabilities incurred during the implementation of the NGEU, including headroom-backed contingent liabilities arising from RRF loans to Member States.

3.2 Assessment of the sustainability of the provisioned contingent liabilities

a) Provisioning available at end of 2024

Contingent liabilities arising from budgetary guarantees and from financial assistance to non-EU countries are provisioned for in the EU budget based on a conservative assessment of the lifetime expected losses for each instrument plus an additional safety buffer (to cater for unexpected losses). The provisions protecting the EU budget against losses that may arise from budgetary guarantees and financial assistance to non-EU countries are held in the CPF.

As at 31 December 2024, the market value of net assets in the CPF amounted to EUR 23.2 billion, up from EUR 18.8 billion at the end of 2023[50]. For the remaining years of this MFF, the Commission will build up additional provisions to the CPF (in particular provisions related to InvestEU, the EFSD+ and the Ukraine Guarantee), which will lead to further increases in the size of the CPF.

49 The assessment framework for this set of contingent liabilities was described in detail in the 2021 issue of this report i.e. COM(2021) 676 final of 5.11.2021.

50 In 2024, the CPF received EUR 3.6 billion of net contributions from the EU budget or contributed by participating Member States and countries in the European Free Trade Area (EFTA).

As per the Asset Management Guidelines, the CPF maintains a liquid diversified portfolio, primarily investing in highly-rated debt instruments, such as bonds issued by governments, supra-nationals, state agencies and corporates with the aim of delivering capital preservation over its investment horizon. The CPF portfolio at year-end was well diversified across the different asset classes in the eligible fixed income universe, including some limited exposure to non-euro denominated securities, equity exchange-traded funds (ETFs) and cash or cash equivalents.

In 2024 the CPF achieved an annual return of +3.57%, exceeding its portfolio benchmark (+3.31%)[51].

While the funds held in the CPF are managed in accordance with a single investment policy and using a common infrastructure, the provisions are earmarked as belonging to the programme (or Member State) that is the source of the budgetary provisioning.

On 31 December 2024, the CPF was composed of 18 compartments (15 of which were fully operational and contained funds), including the compartments for all the on-going guarantee programmes and the Guarantee Fund for External Action (GFEA) compartment (that covers legacy ELM, Euratom and MFA loans) and those for the post 2020 MFA and Euratom loans. Of the 18 compartments, 11 related to EU exposures and 7 were Member State compartments under InvestEU where the contributing Member States own the provisions and are solely responsible for the associated contingent liabilities.

The provisions for the MFA and Euratom loans are spread over a number of different CPF compartments:

- the legacy exposures (EUR 7.3 billion of MFA loans and EUR 300 million of Euratom loans) are part of the GFEA compartment;
- the new MFA loans (EUR 2.7 billion) committed after 2020, including the 2022 1.2 billion emergency MFA loan to Ukraine, are in the post-2020 MFA compartment;
- the exceptional MFA loans to Ukraine of EUR 6 billion (exceptional MFA I and MFA II) are in a separate compartment given that these loans benefit from supplementary coverage of risks (i.e. for this exceptional MFA loans package to Ukraine, a coverage rate of 70% is required: 9% paid-in provisioning from the EU budget and 61% of callable guarantees from Member States).

51 For additional information see the Report from the Commission to the European Parliament and the Council on the Common Provisioning Fund in 2024.

Table 6: CPF compartments (as at 31 December 2024)

Compartment	Market value in EUR
Compartments opened in 2021	
EFSI	8 880 303 796
GFEA[52]	3 225 691 236
EFSD	761 545 053
InvestEU[53]	5 530 142 834
Compartments opened in 2022	
EFSD+	2 942 175 755
Post-2020 MFA	128 662 218
Exceptional MFA Ukraine[54]	240 575 443
Post-2020 Euratom loans	-
Repurposed ELM loans Ukraine	-
InvestEU Guarantee Romania	187 974 119
InvestEU Guarantee Czechia	44 099 187
InvestEU Guarantee Finland	30 657 774
InvestEU Guarantee Greece	252 204 112
InvestEU Blending Operations	667 045 123
Compartments opened in 2023	
InvestEU Guarantee Bulgaria	79 674 706
InvestEU Guarantee Malta	7 939 418
Compartments opened in 2024	
Ukraine Guarantee	201 878 310
InvestEU Guarantee Spain	-
TOTAL	**23 180 569 085**

b) Assessment of sustainability of budgetary guarantees

As explained in Section 2.1, EU budgetary guarantees differ substantially in terms of the policy objectives, risk sharing structures and risk profile of the underlying operations. This can in turn lead to a different provisioning rate for different programmes, based on a lifetime value-at-risk (VaR)[55] which ensures appropriate coverage of potential losses at a certain (predefined) confidence level. The analysis carried out as part of the latest report on Article 41(5) of the Financial

52 Guarantee Fund for external actions (GFEA), holding the provisions for the External Lending Mandate (ELM), legacy MFA and Euratom programmes.

53 EU Compartment.

54 Under Decision (EU) 2022/12018 and Decision (EU) 2022/1628 providing exceptional macro-financial assistance to Ukraine.

55 The VaR can be defined as the portfolio loss level which, statistically, over a certain time horizon, will not be exceeded with a certain confidence level. The respective confidence levels for internal programmes (EFSI, InvestEU) and external programmes (EFSD, EFSD+) are 95% and 90% respectively and take into account factors such as the different policy objectives and the respective frameworks.

Regulation confirms that the available provisioning amounts for the relevant CPF compartments are in line with the requirements of the respective regulations. For the EFSI and EFSD programmes, surplus provisioning was identified.

The following conclusions can be drawn from the available data on lifetime net losses on 31 December 2024 concerning the budgetary guarantees in place on that date:

- The **EFSI** is a budgetary guarantee fully constituted for which the eligible period for signatures elapsed at the end of 2022. Therefore, the Commission must carry out the surplus/replenishment assessment required under Article 216(4) of the Financial Regulation. The Commission concluded this year that the EFSI target provisioning rate of 35% is still appropriate (i.e. the risk assessment based on the Value at Risk (VaR) analysis with a confidence level of 95% suggested a required provisioning rate of 34% (up from 31% in the previous year)). Current provisioning held against EFSI exposures (38.7%) exceeds the target provisioning rate of 35%. It is legally laid down that this excess EFSI provisioning of EUR 853 million can be used to finance the provisioning cost of the EU guarantee under InvestEU and the remaining part will finance the Public Sector Loan Facility.
- The **EFSD** is also fully constituted as of the end of 2024. Risk analysis shows that at this juncture the target provisioning rate of 50% is still appropriate. Compared with the relevant benchmark[56], there is excess provisioning of EUR 321.4 million, and based on the target provisioning rate the surplus is EUR 405 million.
- The **GFEA**, which holds the provisioning for pre-2021 MFA loans, Euratom loan, and the ELM, currently has a de facto provisioning rate of 9.96% (without considering the ELM repurposed loans to Ukraine), which compares with a target provisioning rate laid down in the GFEA Regulation of 9%. For ELM repurposed loans to Ukraine, the Commission considers that a provisioning rate of 70% is still appropriate.
- **InvestEU**, the **EFSD+** and the **UIF** are still in the ramp-up phase which means that the underlying portfolios and provisioning are not yet fully constituted. Therefore, it is too early to draw conclusions about the adequacy of the provisioning rates for these guarantees.

c) Assessment of sustainability of provisioned loans to non-EU countries

The composition of the outstanding MFA loan portfolio to non-EU countries comprises loans to a diversified set of: (i) EU candidate and potential candidate countries; (ii) countries and territories covered by the European Neighbourhood Policy; and (iii) other non-EU countries that play a determining role in regional stability and which are of strategic importance for the EU, and are politically, economically, and geographically close to the EU.

The considerations set out in the three bullet points below support the continued suitability of the overall 9% target provisioning rate for MFA loans:

- the economic standing of the MFA beneficiaries, taking into account factors such as GDP per capita, the relative maturity of the economy, proximity to the EU economy, etc;
- the MFA programmes' direct link to and contingency on an existing disbursing IMF programme, and a satisfactory track record on its implementation, which should ensure the financial viability of the non-EU country and, thus, the eventual repayment of the Union funds;
- an assessment of the economic situation of the MFA beneficiaries and the recent macroeconomic developments in partner countries.

On liquidity risk, it should also be borne in mind that the current structure of MFA loans, maturities and repayments from beneficiaries are well spread out over current and subsequent MFFs (as

56 Value at Risk with a 90% confidence level.

reported in consolidated EU annual accounts[57]) thereby reducing the magnitude of the EU budget's exposure even in the event of a repayment delay or a default. Additionally, the liquidity in the CPF acts as a buffer, ensuring that sufficient liquidity is available to handle potential financial disruptions.

Box 2: EU contingent liabilities arising from financial support to Ukraine – Main developments in 2024-2025

Since Russia's invasion of Ukraine in 2022, the EU has consistently provided strong political, economic, military, financial and humanitarian support to Ukraine. The full set of direct and indirect financial exposures to Ukraine under existing programmes at 30 June 2025 are presented in Table 7 below.

The main vehicle for delivering financial support to Ukraine for the period 2024-2027 is the **Ukraine Facility**, with an overall capacity of up to EUR 50 billion for 2024-2027[58].

In 2024, the EU committed to provide a further MFA loan of EUR 18.1 billion in the context of the **G7's 'Extraordinary Revenue Acceleration (ERA) Loans for Ukraine Initiative'**[59]. The loan, to be fully disbursed over the course of 2025, will be repaid with proceeds from immobilised Russian State assets in the EU through the **Ukraine Loan Cooperation Mechanism ('ULCM')**[60] administered by the European Commission. The revenues from the immobilised assets will also cover the interest rate costs of these loans.

Ukraine Facility loans (EUR 33 billion for 2024-2027) and the Extraordinary Revenue Acceleration (ERA) MFA loan (EUR 18.1 billion for 2024-2027) are provided with high concessionality, given the interest subsidisation and the long repayment period of 35 years and 45 years respectively, including a 10-year grace period. This reduces the annual burden on Ukraine's public finances while also minimising the risks for the EU budget. Loans for a total amount of EUR 16.2 billion were outstanding under the Ukraine Facility at the end of June 2025 while EUR 7 billion was disbursed in the first half of 2025 under the ERA MFA loan.

Budgetary cover for contingent liabilities arising from loans to Ukraine since 2023 has been provided by the budgetary headroom (discussed in the next section). The loans granted to Ukraine in late 2022 (EUR 6 billion MFA and EUR 1.59 billion in repurposed loans under the ELM) are subject to a budgetary coverage of 70%[61].

In compliance with Article 13 of the MFA Decision (EU) 2022/1628, the Commission reviewed the adequacy of the 70% provisioning rate at the end of June 2025 in the context of the report on Article 41(5) of the Financial Regulation. Following this review, the Commission concluded that for the period under examination there were no sufficient new lasting and meaningful elements which would justify changing the provisioning rate of 70%. The most recent

57 https://commission.europa.eu/publications/consolidated-annual-accounts-european-union-financial-year-2024_en

58 See Box 1 in the 2024 Report for details.

59 In June and October 2024, the G7 announced an agreement to launch the *'Extraordinary Revenue Acceleration (ERA) Loans for Ukraine' initiative*' ('*ERA Loans for Ukraine Initiative*'), by which the G7 members agreed to provide to Ukraine loans of up to EUR 45 billion (approximately USD 50 billion) against non-repayable financial support out of the Ukraine Loan Cooperation Mechanism ('ULCM'). The funding leg of the initiative consists of individual bilateral loans from each of the US, the UK, Canada and Japan and an exceptional macro-financial assistance loan facility provided by the European Union. The ERA Loans for Ukraine Initiative has been designed so that these loans can be repaid without recourse to Ukraine, with funds for servicing and repaying the loans to be derived from the ULCM. The ULCM, administered by the European Commission, will itself be funded from extraordinary net profits generated by central securities depositaries in the European Union and (possibly) other G7 countries on Russian Central Bank assets and reserves which were immobilised in the international clearing systems shortly after Russia launched its illegal war of aggression.

60 Regulation(EU) 2024/2773 of the European Parliament and of the Council of 24 October 2024 establishing the Ukraine Loan Cooperation Mechanism and providing exceptional macro-financial assistance to Ukraine.

61 For the repurposed ELM loans the coverage will take the form of paid-in provisioning funded by the EU budget. The same effect is achieved for the exceptional MFA by supplementing the paid-in provisioning rate at the level of 9% with guarantees from Member States to cover a second loss piece of up to 61% of the loan exposures.

developments, including the outcomes of the eighth IMF review of the Extended Arrangement under the Extended Fund Facility (EFF) programme for Ukraine, confirm that the 70% provisioning rate for post-war exposures to the country is still appropriate[62].

Table 7: Outstanding direct and indirect exposures to Ukraine (capital) under the existing programmes (as at 30 June 2025) (EUR million)

Direct exposures	Outstanding amount	Budgetary coverage
Legacy MFA	3 810	9%
Legacy Euratom loans	300	9%
Emergency MFA	1 200	9%
Exceptional MFA I + II	6 000	9% (+61% MS guarantees)
MFA+	18 000	Headroom
Ukraine Facility – Pillar I	13 200	Headroom
ERA MFA loan	7 000	Headroom
Total	**49 510**	
Indirect exposures		
ELM loans disbursed before February 2022	1 708	9%
EIB first package under ELM	668	9%
EIB second package under ELM	1 338	70%
EFSD+ IW1	103	70%
Ukraine Guarantee	1 489	70%
Total	**5 306**	

3.3 Assessment of the sustainability of the headroom-backed contingent liabilities

The EU budget's capacity to cater for a situation where the exposure in respect of headroom-backed contingent liabilities materialises is assessed by applying the framework referred to in paragraph 3.1 above.

For liabilities that are covered by the permanent own resources ceiling, the annual assessment takes into account the outstanding exposures as of 31 December 2024. As explained in Box 1, this includes contingent liabilities related to current state of borrowing and lending under: the EFSM; the Balance of Payments Facility; the SURE programme; MFA+ to Ukraine; and the Ukraine Facility. More recent contingent liabilities such as those resulting from the ERA MFA loan and the SAFE Facility will be assessed in future annual assessments[63].

For NGEU liabilities, in 2021-2027 MFF, the own resources ceiling has been increased by 0.6% of EU GNI exclusively to guarantee these issuances. This ensures that the EU has the means to repay interest and principal on debt issued to fund NGEU non-reimbursable support (RRF grants) and repayable support (RRF loans) to Member States. As interest costs and the repayment of grants

62 See https://www.imf.org/en/Publications/CR/Issues/2025/06/30/Ukraine-Eighth-Review-Under-the-Extended-Arrangement-Under-the-Extended-Fund-Facility-568152

63 Proposal for a Council Regulation laying down the multiannual financial framework for the years 2028 to 2034 (COM(2025)571 final); Proposal for a Council Decision on the system of own resources of the European Union and repealing Decision (EU, Euratom) 2020/2053 (COM(2025)574 final).

are included in future annual budget programming, only the RRF loans represent contingent liabilities to the budget. In addition, to apply a conservative approach, maturing bonds that are planned to be rolled over are also considered in the stress tests.

The first step is to draw up a central scenario (baseline) that corresponds to the expected evolution of EU spending and financial capacity in the coming years. To this end, this report takes as a basis the published draft budget for 2026[64] and the long-term forecast of future inflows and outflows of the EU budget[65], which forecasts the revenue and expenditure stemming from the 2021-2027 MFF, NextGenerationEU and the next MFF and ORD as per the Commission's proposal.

In this central scenario, the permanent own resources ceiling is thus set at 1.4% of EU GNI in 2026 and 2027, and 1.75% of EU GNI as of 2028[66]. For NextGenerationEU, the central scenario assumes repayment starting in 2028 with a fixed annual amount of EUR 24 billion, in line with the Commission's MFF proposal.

This scenario provides a baseline headroom projection against which the sustainability of contingent liabilities incurred at 31 December 2024 is assessed as per Article 256 of the Financial Regulation. More recent borrowing and lending operations will be covered in future annual reporting.

Under this baseline scenario, and excluding the current budget year 2025, the headroom available for covering existing and new contingent liabilities in 2026-2034 is on average around **EUR 128.5 billion** per year in respect of the margin under the permanent own resources ceiling and around **EUR 111.4 billion** per year for the temporary ceiling of 0.6% of EU GNI. This baseline scenario thus assumes that no contingent liability materialises.

Additional stress tests assess the sustainability of existing contingent liabilities under extreme scenarios in 2026-2034. With the unified funding approach, the contigent liabilities related to borrowing under different programmes are reported in an integrated manner, irrespective of whether they relate to an expenditure risk (planned bond roll-overs for NGEU grants) or revenue risk (planned bond roll-overs for loans to Member States under NGEU or to Ukraine under the MFA+ and the Ukraine Facility). For that reason the stress-testing on revenue and on expenditure is combined into a common test, compared with previous editions of the report. The stress-testing comprises three types of stress test, each of which are set out in the paragraphs below.

1) **Stress test on the economy.** In the central scenario, EU GNI follows the projections for real growth and inflation set out in the Commission Spring 2025 European Economic Forecast[67]. For the stress test, the projected nominal growth rates are lower than the baseline by one percentage point for each year of the reporting period[68].

   This reduces the nominal value of the own resources ceiling and therefore the available headroom by **EUR 18.6 billion** on average per year for the 'unbudgeted' amounts (headroom) under the permanent own resources ceiling and by **EUR 6.5 billion** under the temporary ceiling for the NGEU over the period 2026-2034.

2) **Stress test on the expenditure and revenue side of the budget.** Under this scenario MFF expenditure is projected at its theoretical maximum (i.e. the maximum possible ceilings for the MFF payments and all individual special instruments, including the Ukraine Reserve). It is important to underline that: (i) this does not reflect a bottom-up forecast and is unrelated

64 Including Amending Letter 1/2026 (COM(2025)851).
65 COM (2025) 573 final.
66 The Commission proposal for the future own resources decision also includes the possibility for a temporary increase in the own resources ceiling of an additional 0.25% of EU GNI if the 'crisis mechanism' is activated. However, unless and until the mechanism is activated during the next MFF, this provision does not impact the assessment presented here.
67 European Commission, European Economic Forecast, Spring 2025. Institutional Paper 318, May 2025. Spring 2025 Economic Forecast: Moderate growth amid global economic uncertainty - European Commission.
68 This is similar to the stress test on the 'adverse r-g scenario' performed in the Commission's Debt Sustainability Monitor: 2024. European Economy Institutional Paper 306, March 2025.

to any current expectations as to the evolution of EU payments; and (ii) on the expenditure side of the budget, any decision to increase spending (within the MFF ceilings) requires a proposal by the Commission and the approval of the European Parliament and the Council as budgetary authority.

For NGEU financing costs, this scenario assumes that the cost overrun compared with the technical update of the financial programming in 2027 is for 50% of the overrun to be covered by other budgetary availabilities and other 50% to be covered by the EURI instrument.

This extreme scenario also assesses whether the available headroom would be sufficient if all headroom-backed contingent liabilities were to materialise at the same time. In practical terms, this would mean that all countries benefiting from financial assistance programmes (mostly Member States) would simultaneously fail to honour their repayments when they are due. For programmes financed by the unified funding approach (both NGEU and the relevant MFF programmes), the assumption in this stress test is that all interest costs are borne by the budget and all issuances maturing in a given year are repaid. Planned debt roll-overs are thus not considered in this hypothetical situation.

Note that this is an extremely unlikely scenario, which does not take into account all the measures that the Commission can take to avoid such a situation (e.g. debt rescheduling and active cash management).

This stress test shows that the headroom is sufficient in the scenario where expenditure reaches the theoretical maximum, and all beneficiaries default on their loan. The resulting headroom under the permanent own resources ceiling would be **EUR 101.7 billion** on average over the period 2026-2034, i.e. **EUR 26.7 billion** less than in the baseline.

The headroom under the temporary own resources ceiling of 0.6% of EU GNI that guarantees NGEU issuances would be reduced by **EUR 43.0 billion** per year on average, to a level of **EUR 68.4 billion on average** over the period 2026-2034.

3) **A combined stress test on economic conditions, revenue and expenditure.** This is an extreme scenario that combines the unfavourable scenarios described in the two tests above. It would reduce the headroom under the permanent ceiling to **EUR 83.1 billion** on average over the period 2026-2034 and for the temporary ceiling to **EUR 62.0 billion**. These amounts appear to constitute a large safety buffer for the EU's financial capacity to cover its liabilities (stemming from both non-NGEU and NGEU operations).

The detailed results for the baseline and stress test scenarios are provided in the annex and summarised in Figures 3 and 4 below.

Figure 3: Own resources ceiling and own resources needs under a baseline and combined sensitivity tests for the permanent ceiling.

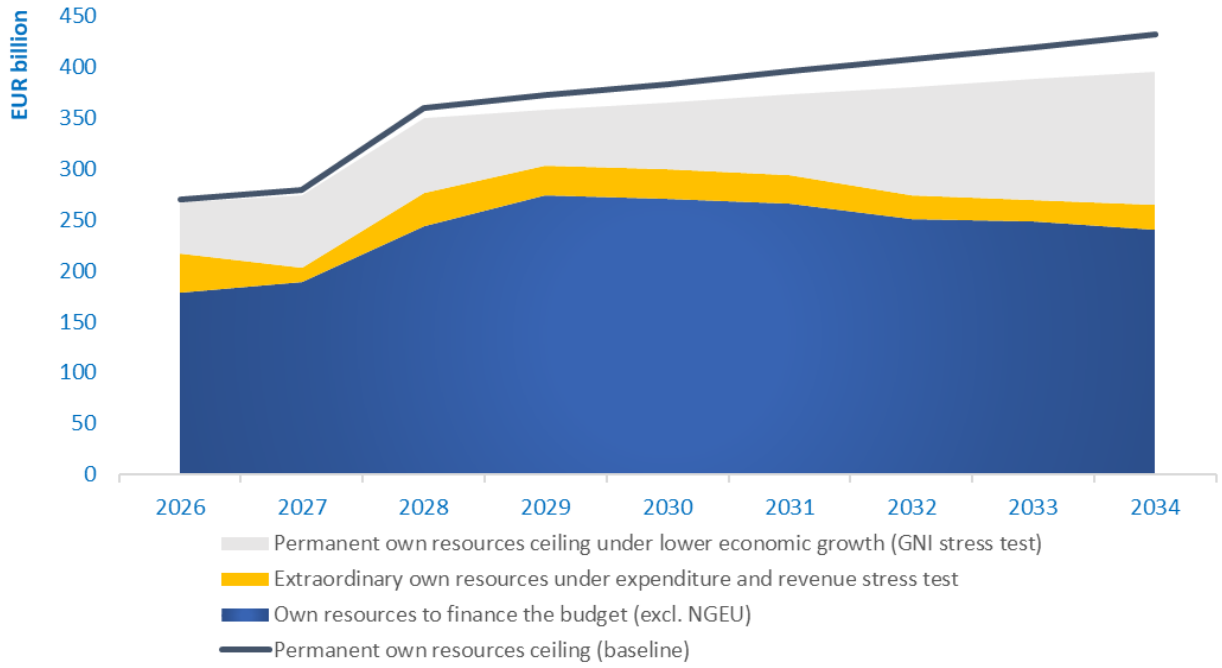
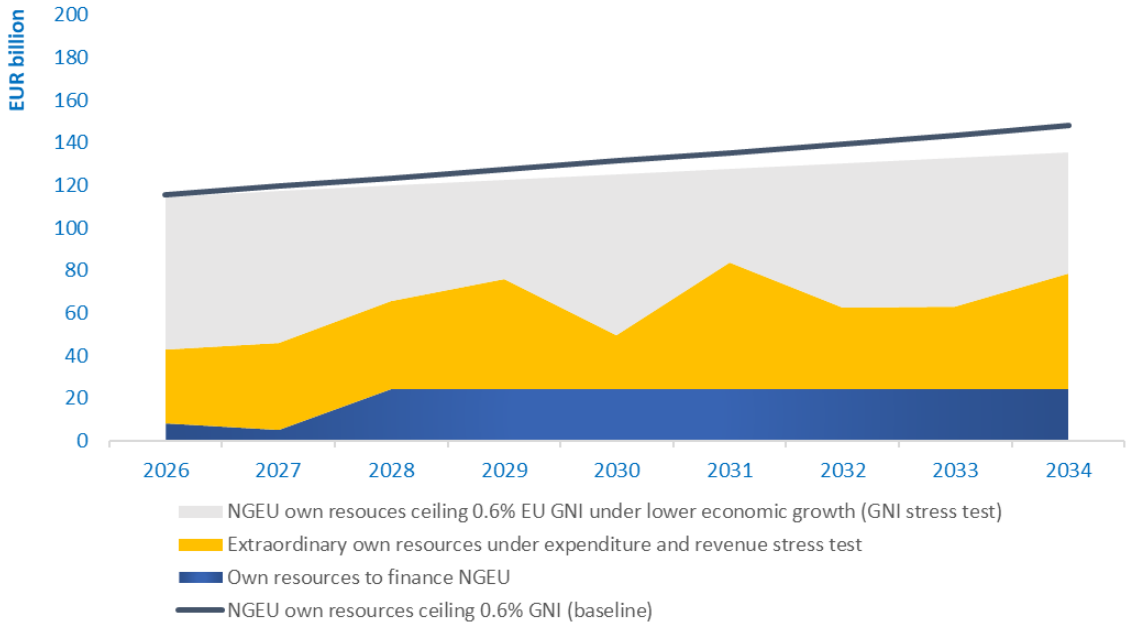


Figure 4: Own resources ceiling and own resources needs under a baseline and combined sensitivity tests for the temporary NGEU ceiling.



4. Conclusions

At the end of 2024, the EU budget supported EUR 410 billion in contingent liabilities, spread over **EUR 300 billion** in contingent liabilities arising from loans granted to Member States and non-EU countries. Of this, EUR 252 billion relates to loans to Member States and EUR 48 billion to loans to non-Member States. In addition, a further **EUR 110 billion** in contingent liabilities arose from investment guarantees provided under the ELM, EFSI, EFSD, InvestEU, EFSD+ and UIF programmes.

Taking into account the multiple safeguards provided in the EU framework for the monitoring and management of the risks linked to both provisioned and headroom-backed contingent liabilities and the sustainability assessment presented in this report, three main conclusions can be drawn. These conclusions are set out in the three bullet points below.

- Risks arising from provisioned instruments (i.e. budgetary guarantees and financial assistance to non-EU countries) are carefully managed and adequately provisioned. This assessment takes into account: (i) data on past defaults and expected losses; (ii) the measures that are in place to ensure that losses do not exceed predefined tolerance levels; and (iii) the budgetary provisions that are available to cover potential payments.
- The EU's financial capacity under the existing and proposed legal framework (i.e. the existing ORD and the MFF Regulation and the proposed MFF Regulation and ORD as of 2028) is largely sufficient to cater for the materialisation of losses that may arise in respect of headroom-backed loans between now and the end of 2034.
- The headroom is well-resourced to ensure the robustness of the EU's financial system and its credit worthiness even under an extreme negative scenario that combines adverse impacts in respect of the economic conditions, revenue and expenditure. In such an adverse scenario, the remaining headroom under the permanent own resources ceiling would amount to **EUR 83.1 billion** on average per year over the 2026-2034 period and to **EUR 62.0 billion** on average per year under the temporary NGEU ceiling of 0.6% of EU GNI over the same period. These amounts represent a safety buffer against further negative economic shocks, potential new needs and future contingent liabilities for both non-NGEU and NGEU operations. This result is based on - and underlines the importance of - an increase of the own resources ceiling to 1.75%, as proposed by the Commission in the context of its MFF 2028-2034 package.

5. Annexes:

Sustainability and headroom in respect of the permanent own resources ceiling (EUR billion, current prices)

		2026	2027	2028	2029	2030	2031	2032	2033	2034
Baseline										
Own resources ceiling (% of GNI)		1.40	1.40	1.75	1.75	1.75	1.75	1.75	1.75	1.75
Own resources ceiling (EUR bn)	a	269.6	278.7	359.7	371.5	383.1	394.8	406.8	419.0	431.5
Own resources to finance the budget (excl. NGEU)	b	178.8	188.2	243.0	273.8	270.2	265.9	250.5	247.8	240.4
Headroom under permanent ceiling	a-b	90.8	90.5	116.7	97.7	112.9	128.9	156.3	171.2	191.2
Stress tests										
1) Stress test on the economy										
Own resources ceiling	a	267.0	273.3	349.4	357.3	364.9	372.5	380.0	387.6	395.3
Own resources to finance the budget (excl. NGEU)	b	178.8	188.2	243.0	273.8	270.2	265.9	250.5	247.8	240.4
Headroom	a-b	88.2	85.1	106.4	83.6	94.7	106.5	129.5	139.8	154.9
2) Stress test on expenditure and revenue										
Own resources ceiling	a	269.6	278.7	359.7	371.5	383.1	394.8	406.8	419.0	431.5
Own resources to finance the budget (excl. NGEU)	b	178.8	188.2	243.0	273.8	270.2	265.9	250.5	247.8	240.4
Additional own resources (up to MFF ceiling maximum and special instruments' maximum) (*)	c	20.8	7.1	16.6	17.1	17.0	16.9	16.6	16.6	16.7
Extraordinary own resources to cover non-NGEU contingent liabilities (**)	d	17.2	7.1	16.4	11.8	12.2	11.1	6.4	5.2	7.8
Headroom	a-b-c-d	52.8	76.2	83.8	68.8	83.7	100.9	133.3	149.4	166.6
3) Combined adverse shock										
Own resources ceiling	a	267.0	273.3	349.4	357.3	364.9	372.5	380.0	387.6	395.3
Own resources to finance the budget (excl. NGEU)	b	178.8	188.2	243.0	273.8	270.2	265.9	250.5	247.8	240.4
Additional own resources (up to MFF ceiling maximum, and special instruments' maximum)	c	20.8	7.1	16.6	17.1	17.0	16.9	16.6	16.6	16.7
Extraordinary own resources to cover non-NGEU contingent liabilities	d	17.2	7.1	16.4	11.8	12.2	11.1	6.4	5.2	7.8
Headroom	a-b-c-d	50.2	70.9	73.5	54.7	65.5	78.5	106.5	118.0	130.4

(*) Expenditure is projected at the theoretical maximum for: 1) the MFF payment ceiling in 2026-2027 as set out in the most recent technical adjustment and future adjustments up to their potential maximum in any single year; and 2) the annual ceilings of the thematic special instruments (the Flexibility Instrument, the European Globalisation Adjustment Fund, Solidarity and Emergency Aid Reserve, and the Ukraine Reserve). As of 2028, this includes full mobilisation of the Flexibility Instrument and Ukraine Reserve in the form of grants.

(**) This includes borrowing for loan support through the EFSM, SURE, MFA+, and the Ukraine Facility. The risk assessment of the SURE Instrument takes into account the specific counter-guarantee provided by all Member States for 25% of the maximum amount of financial assistance.

Sustainability and headroom in respect of the temporary NGEU own resources ceiling (EUR billion, current prices)

		2026	2027	2028	2029	2030	2031	2032	2033	2034
Baseline										
Own resources ceiling (0.6% GNI)	a	115.6	119.4	123.3	127.4	131.3	135.4	139.5	143.7	147.9
Own resources to finance NGEU(*)	b	8.0	5.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Headroom	a-b	107.5	114.4	99.3	103.4	107.3	111.4	115.5	119.7	123.9
Stress tests										
1) Stress test on the economy										
Own resources ceiling (0.6% GNI)	a	114.4	117.1	119.8	122.5	125.1	127.7	130.3	132.9	135.5
Own resources to finance NGEU	b	8.0	5.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Headroom	a-b	106.4	112.2	95.8	98.5	101.1	103.7	106.3	108.9	111.5
2) Stress test on expenditure and revenue										
Own resources ceiling (0.6% GNI)	a	115.6	119.4	123.3	127.4	131.3	135.4	139.5	143.7	147.9
Own resources to finance NGEU	b	8.0	5.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Additional extraordinary own resources for NGEU (cost overrun, contingent liabilities)	c	35.0	41.0	41.5	52.0	25.7	59.5	38.4	39.1	54.4
Headroom	a-b-c	72.5	73.5	57.8	51.3	81.6	51.9	77.0	80.5	69.5
3) Combined adverse shock										
Own resources ceiling (0.6% GNI)	a	114.4	117.1	119.8	122.5	125.1	127.7	130.3	132.9	135.5
Own resources to finance NGEU	b	8.0	5.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
Additional extraordinary own resources for NGEU (cost overrun, contingent liabilities)	c	35.0	41.0	41.5	52.0	25.7	59.5	38.4	39.1	54.4
Headroom	a-b-c	71.4	71.2	54.3	46.5	75.4	44.2	67.9	69.8	57.1

(*) For 2026 the amount reflects the commitments appropriations in the draft budget 2026. For 2027 the amount corresponds to the financial programming of the EURI budget line. The amounts for 2028 and 2029 are based on the Commission proposal for the next MFF as included in the long-term report on inflows and outflows of the budget (COM(2024) 573 final).