



Fact Sheet: Support for the Sovereignty, Integrity, Democracy, and Economic Stability of Ukraine Act of 2014 (S. 2124)

The bipartisan Support for the Sovereignty, Integrity, Democracy, and Economic Stability of Ukraine Act would authorize assistance to Ukraine to help it recover from an economic downturn and withstand recent Russian aggression. This legislation would authorize essential loan guarantees and aid to Ukraine. It would also provide broad authority for the President to sanction individuals in Ukraine and Russia who are responsible for violence and serious human rights abuses, as well as those who contributed to corruption in Ukraine. The bill also includes needed reforms to the International Monetary Fund (IMF) that will allow the IMF to enhance its support for Ukraine and address similar crises that may arise in the future.

Loan Guarantees

The Support for the Sovereignty, Integrity, Democracy, and Economic Stability of Ukraine Act would authorize \$1 billion in loan guarantees for Ukraine.

- Ukraine's economy is struggling and the current political crisis is exacerbating its economic troubles. Since the start of the crisis in November 2013, Ukraine's currency has fallen and tax receipts have dropped dramatically. Without assistance, the Ukrainian government will soon be bankrupt and unable to meet its pension and government salary obligations, which could further destabilize the nation. [CRS, [3/11/14](#)]
- The \$1 billion in loan guarantees authorized in this legislation would provide Ukraine with desperately needed assistance to strengthen its economy. This assistance would allow Ukraine to continue providing services and rebuff any further Russian aggression.
- [HERE](#) you can access information on past U.S. assistance to Ukraine.

Recovery of Assets

This legislative package would assist the Ukrainian government's efforts to identify, secure and recover assets stolen by former Prime Minister Viktor Yanukovich, his family, or other corrupt Ukrainian government officials.

- It is suspected that the former prime minister and those surrounding him laundered money using foreign shell companies, trusts, and foundations to conceal ownership of assets and cloak any movements of the assets across borders. [The Economist, [3/5/14](#); The Wall Street Journal, [2/28/14](#)]

- Provisions in the legislation would authorize U.S. government agencies to coordinate with bilateral and multilateral entities on any asset recovery and investigative efforts undertaken to find and return stolen assets.

Democracy, Civil Society, Government, and Technical Assistance

The Support for the Sovereignty, Integrity, Democracy, and Economic Stability of Ukraine Act would authorize \$50 million in FY 2015 for democracy, governance, and civil society assistance.

- These funds would be used to bolster democratic governance, transparency, accountability, rule of law, and anti-corruption efforts in Ukraine.
- They would support the new Ukrainian government's preparation for upcoming elections to ensure that they are free and fair and monitored by domestic and international monitoring bodies.
- The funds would help strengthen democratic institutions and political and civil organizations in Ukraine, including organizations working to enhance the economic and political empowerment of women and those working to prevent and address violence against women and girls in Ukraine.
- The assistance would also be used to support political and economic reform initiatives, diversify Ukraine's energy supply, and foster free and unfettered access to independent media.

Enhanced Security Cooperation

The legislation would authorize \$100 million in FY 2015 through FY 2017 for enhanced security cooperation with Ukraine and other Central and Eastern European countries.

- This funding would be used to bolster security cooperation and relationships among Central and Eastern European countries, as well as between the United States, the European Union, and Central and Eastern European countries.
- The legislation also would authorize the United States to provide security assistance, including defense articles and defense services, as well as military training to Ukraine and other Central and Eastern European nations.

Sanctions

The Support for the Sovereignty, Integrity, Democracy, and Economic Stability of Ukraine Act would authorize sanctions against Ukrainian and Russian individuals.

- Mandates sanctions against persons, including Russians and Ukrainians, who are responsible for violence and serious human rights abuses or for significant acts intended to undermine the peace, security, sovereignty, or territorial integrity of the Ukraine, including acts of economic extortion.

- Mandates sanctions against any Russian official that the President determines is responsible for acts of significant corruption in Ukraine
- Authorizes the President to impose sanctions of any Russian official that the President determines is responsible for significant acts of corruption in the Russian Federation or any individual who materially assists, sponsors, or provides support for such corruption. Individuals who are sanctioned would be subject to U.S. asset freezes and visa restrictions.

IMF Reform

This legislation also includes provisions that would reform the IMF’s quota and governance structure and therefore increase the amount of funding available for Ukraine.

- In 2010, in the wake of the global financial crisis, the U.S. spearheaded an international effort to change the IMF’s quota and governance structure to increase the representation of emerging and developing countries. For the changes to go into effect, three-fifths of IMF members, representing 85% of the Fund’s voting power, must formally accept the package. As the IMF’s largest stakeholder with 16.75% of the total voting power, the changes cannot be implemented without U.S. approval, which first requires U.S. Congressional approval. [Treasury, [3/14/14](#); CRS, [3/11/14](#)]
- The U.S. quota would increase by approximately \$63 billion to \$130 billion and would preserve the U.S. veto and Executive Board seat. However, the net U.S. financial commitment is unchanged because the quota increase is fully offset by an equal reduction of the U.S. participation in the New Arrangements to Borrow (NAB), a supplemental fund created in the wake of the financial crisis. [Treasury, [3/14/14](#); CRS, [3/11/14](#)]

Table I. IMF Members with Largest Quota and Voting Shares
(as of March 21, 2013)

Member	Quota share (percentage)	Voting share (percentage)
United States	17.69	16.75
Japan	6.56	6.23
Germany	6.12	5.81
France	4.51	4.29
United Kingdom	4.51	4.29
China	4.00	3.81
Italy	3.31	3.16
Saudi Arabia	2.93	2.80
Canada	2.67	2.56
Russia	2.50	2.39

[CRS, [3/21/13](#); IMF, [3/19/14](#)]

Table A-1. Top IMF Shareholders: Current and Proposed

	Current Largest IMF Quota Shareholders		Proposed Largest IMF Quota Shareholders		Largest Economies	
	Country	IMF Quota Share	Country	IMF Quota Share	Country	% of 2011 Global GDP
1	United States	17.69%	United States	17.40%	United States	21.57%
2	Japan	6.56	Japan	6.46	China	10.44
3	Germany	6.12	China	6.39	Japan	8.39
4	France	4.51	Germany	5.58	Germany	5.16
5	UK	4.51	France	4.23	France	3.97
6	China	4.00	UK	4.23	Brazil	3.57
7	Italy	3.31	Italy	3.16	UK	3.48
8	Saudi Arabia	2.93	India	2.75	Italy	3.15
9	Canada	2.67	Russia	2.71	Russia	2.65
10	Russia	2.50	Brazil	2.32	India	2.61
11	India	2.44	Canada	2.31	Canada	2.49
12	Netherlands	2.17	Saudi Arabia	2.10	Australia	2.13
13	Belgium	1.93	Spain	2.00	Spain	2.12
14	Brazil	1.79	Mexico	1.87	Mexico	1.65
15	Spain	1.69	Netherlands	1.83	South Korea	1.60
16	Mexico	1.52	Korea	1.80	Indonesia	1.21
17	Switzerland	1.45	Australia	1.38	Netherlands	1.20
18	South Korea	1.41	Belgium	1.34	Turkey	1.11
19	Australia	1.36	Switzerland	1.21	Switzerland	0.95
20	Venezuela	1.12	Turkey	0.98	Saudi Arabia	0.85

[CRS, [3/11/14](#)]

Additional Points on IMF Reform

- The IMF is leading the effort to stabilize Ukraine’s fragile economy, an essential task if there is to be any chance of reaching a peaceful political solution to the standoff with Russia.
- Congressional ratification of the 2010 IMF reforms would increase IMF emergency funding to Ukraine by up to 60%, and provide an additional \$6 billion for longer-term support, setting an important marker for other donors such as the EU and World Bank.
- The IMF is strengthened at no cost to U.S. finances or influence. The United States retains its Executive Board seat and sole veto power at no net cost, since the \$63 billion increase in U.S. quota is fully offset by an equivalent decrease to a separate emergency facility. Other countries, however, put in new money, thus increasing IMF lending power.

- We fully pay for the \$315 million budget impact of the bill, with real cuts and from funds that were underperforming or no longer needed. Given that the IMF helps to stabilize countries, often precluding future need for military action, the relatively minor cost will pay back many times over. [CBO, [3/12/14](#)]
- Support for the IMF is not a partisan issue. Presidents Reagan, Clinton, and both Presidents Bush backed legislation to increase IMF resources; Reagan called the IMF “the linchpin of the international financial system.”

Offsets

Approving the IMF reform package would authorize shifting \$63 billion U.S. dollars that are currently in an existing IMF crisis management account called New Arrangements to Borrow (NAB) into another IMF account; the Congressional Budget Office (CBO) estimates that move would cost \$315 million. This legislation would fully offset the \$315 million by tapping into unobligated balances from previous years. [CBO, [3/12/14](#)]

- \$157.5 million would be rescinded from the Department of Defense’s procurement accounts.
- \$157.5 million would be rescinded from the State Department’s accounts for international development and security assistance and the Export-Import Bank’s subsidy appropriation. [CQ, [3/13/14](#)]

Annual Report on The Russian Federation’s Military and Security Developments

The Support for the Sovereignty, Integrity, Democracy, and Economic Stability of Ukraine Act would authorize an annual report on Russian military and security developments.

- A similar provision was included in the FY 2014 National Defense Authorization Act requiring such a report only in 2014. The provision in this legislation would require that same report in the years 2015 through 2020. [[FY14 NDAA](#)]