



Ukraine: Commission proposes to set up a dedicated Facility to support Ukraine's recovery, reconstruction and modernisation

Brussels, 20 June 2023

In light of the devastating consequences of Russia's war of aggression for Ukraine's people, economy, and infrastructure, and given the enormous scale and complexity of the recovery and reconstruction challenge, the European Commission is proposing to establish a dedicated financing instrument that will provide coherent, predictable as well as flexible support for the period 2024-2027 to Ukraine, adapted to the unprecedented challenges of supporting a country at war. The Facility underscores the EU's steadfast commitment to supporting Ukraine in the face of Russia's ongoing war of aggression and on its path towards EU membership.

Ursula von der Leyen, President of the European Commission, said: *"Ukraine is bravely fighting Russia's invasion and needs our stable financial support to face the tremendous costs this entails. The EU has promised to stand by its side as long as it takes and we are true to our word. Today we are proposing to foresee up to €50 billion from 2024 to 2027 to help Ukraine resist the aggression and rebuild a modern, prosperous country. Ukrainians are resolutely striving towards Europe. And our Union is supporting this brave nation in its effort."*

The new **Ukraine Facility** will support Ukraine's efforts to sustain macro-financial stability, promote recovery as well as modernise the country whilst implementing key reforms on its EU accession track. It will support the transition towards a green, digital and inclusive economy that is progressively aligned with EU rules and standards.

The Facility is organised around three pillars:

- **Pillar I – financial support to the State in the form of grants and loans.** This will ensure stable and predictable funding, supporting the sustainability of Ukraine's finances, while providing a solid framework for the protection of the EU budget. To access this support, the Government of Ukraine will need to prepare a Plan for the recovery, reconstruction and modernisation of the country and detail the reforms and investments it intends to undertake as part of its EU accession process. Funds under this Pillar of the Facility will be provided based on the implementation of the Plan, which will be underpinned by a set of conditions and a timeline for disbursements agreed with the EU. Significant emphasis will be placed on public administration reform, good governance, the rule of law, anti-corruption and sound financial management.
- **Pillar II – a specific Ukraine Investment Framework** designed to attract and mobilise public and private investments for Ukraine's recovery and reconstruction, in support of the Plan's implementation. It will complement all existing instruments supporting Ukraine, such as blending and guarantees, with the possibility of scaling up when conditions allow for it.
- **Pillar III – technical assistance and other supporting measures**, including mobilisation of expertise on reforms, support to municipalities, civil society, and other forms of bilateral assistance normally available for pre-accession countries under the Instrument for Pre-Accession (IPA), also supporting the objectives of the Ukraine Plan. Under this pillar, it will also be possible to support other initiatives aimed at responding to the Russian aggression against Ukraine, including to enforce international law in relation with crimes committed by Russia on the territory of Ukraine. Interest rate subsidies for the cost of loans will also be covered under this pillar.

The foreseen **overall amount of the Facility is up to €50 billion** for the period 2024 to 2027 for both grants and loans. Grants will be mobilised through a new special instrument, proposed in the context of the Multiannual Financial Framework (MFF) mid-term review. The loans will be guaranteed through the headroom, similar to the current financing under the Macro Financial Assistance 'Plus' (MFA+). The headroom is the difference between the own resources ceiling (i.e. the maximum amount of resources that the Commission can ask Member States to contribute in a given year) and the funds that the Commission actually needs to cover the expenses foreseen by the budget. The Facility also opens the possibility to use contributions from other donors as well as revenue

generated by frozen and immobilised Russian assets as a contribution to Ukraine's recovery and reconstruction. Work is ongoing on the possible use of Russian assets for Ukraine's recovery and reconstruction.

The Facility and its implementation will be equipped with a robust framework for transparency, audit and control, to ensure the protection of EU financial interests. First, the audit and control systems of the Ukrainian State are to be substantially enhanced as part of the reforms under the Plan. Second, the Commission will be able to carry out checks on projects in relation with the implementation of the Plan at any moment of the project cycle. Third a dedicated independent Audit Board will assist the Commission by regularly reporting on the implementation of the funds spent to achieve the objectives of the Facility, and by issuing recommendations to Ukraine.

Next steps

It is now for the European Parliament and the Council to examine the proposal, in the framework of the MFF mid-term review package. Once adopted, Ukraine will be invited to submit its Plan, laying out the reforms and investments it intends to undertake. Following its assessment of the Plan, the Commission will make a proposal to the Council to adopt the Plan and set the conditions to be fulfilled by Ukraine to access support under the Facility.

Background

The European Union has demonstrated unprecedented unity in condemning Russia's actions and in providing support to Ukraine. So far, the EU, its Member States and European Financial Institutions have together provided wide-ranging support to Ukraine and its people, amounting to over €70 billion as of May 2023. This includes support to EU Member States that have provided temporary protection for around 4 million Ukrainian refugees since the start of the war. Together, this reflects the steadfast resolve of the Union to help Ukraine for as long as it takes.

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IP/23/3355

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Ursula von der Leyen, President of the European Commission

This new instrument to finance Ukraine's recovery and reconstruction sends a strong political signal that the EU will support Ukraine until its victory in this war - and beyond, as it prepares for EU accession. By providing stable and predictable financing in a structured and coordinated way, it will maintain Ukraine's macro-financial stability, cover its short-term recovery needs, start the reconstruction process and help to attract much-needed private investment into the country. It also opens the door to using Russian assets to finance the rebuilding of Ukraine and make Russia pay for the massive damage that it has caused
Valdis Dombrovskis, Executive Vice-President for an Economy that Works for People

Today the Commission is proposing to take EU solidarity with the Ukrainian people to a new level. We want to offer steady and predictable financing to Ukraine for the next four years, to support its economic stability, its recovery and reconstruction, and to facilitate the investments and reforms that will smooth its path towards EU accession. Together we will ensure that Ukraine can look beyond these dark times of Russian war towards a brighter, European future.
Paolo Gentiloni, Commissioner for Economy

The EU stands with Ukraine in its resolve to rebuild the country and on its EU path. Given the huge destruction of the war and the complexity of the challenges ahead, we want to support the country's short-term recovery needs and medium-term reconstruction and modernization through the Ukraine Facility. All these processes will be closely linked to the reforms needed to align with EU rules and standards. Our assistance will help Ukraine to strengthen its public administration, good governance, the rule of law, and sound financial management. It is important to establish efficient and effective management and control systems as well as develop rigorous anti-corruption and anti-fraud measures.

Olivér Várhelyi, Commissioner for Neighbourhood and Enlargement

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