

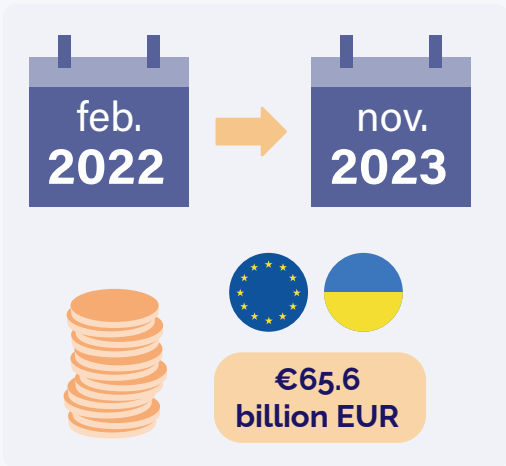
NOTRE EUROPE
Jacques Delors Institute
Penser l'Europe • Thinking Europe • Europa denken

The Ukraine Facility



The Ukraine Facility is a new EU dedicated financing instrument proposed by the Commission to provide coherent, flexible and predictable support to Ukraine for the period 2024-2027

1 How much support has been given to Ukraine until now?



Since the start of the war in February 2022 until November 2023 the EU and its Member States have committed up to 65.6 billion EUR to address the needs of the Ukrainian government and its population¹.

There has been a sort of 'division of labour'

EU : financial and humanitarian support

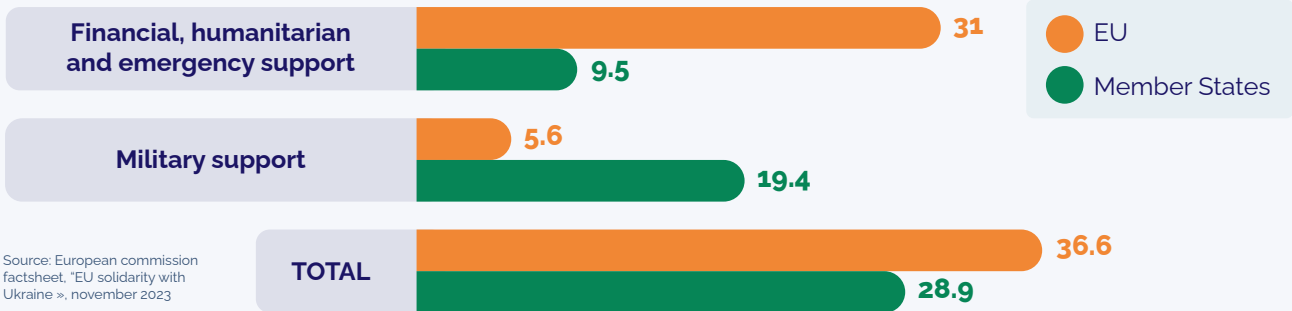


Member States: military support



¹. This does not include EU support provided to Member States to welcome and accommodate Ukrainian refugees.

EU and Member States support to Ukraine, 2022-2023, in bn EUR



Source: European commission factsheet, "EU solidarity with Ukraine », november 2023

Zoom into the EU-level support to Ukraine, 2022-2023



Humanitarian and emergency aid*

Support to cover the urgent needs of internally displaced population and repair damaged vital infrastructure

5.8 billion EUR

*Includes:



3.4 billion EUR

support from different headings of the EU budget



2.4 billion EUR

of loans from the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD) guaranteed by the EU budget



Financial support

(Macro-Economic Financial Assistance - MFA- loans)

Direct budget support to the Ukrainian government to ensure its financial viability and guarantee its capacity to provide basic services.

25.2 billion EUR



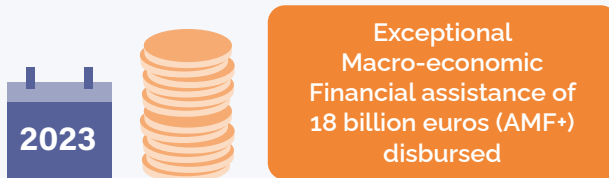
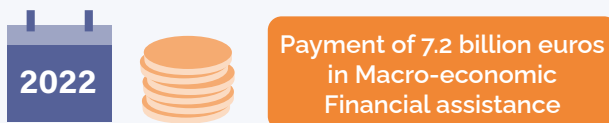
Military support

(European Peace Facility)

In-kind provision of weapons and military equipment or financial contributions explicitly aimed at supporting military expenditure.

5.2 billion EUR

The largest EU's support has been in form of Macro-economic Financial Assistance loans (MFA loans) to Ukraine



To finance these loans, the Commission borrows money from the international markets and lends this money to the Ukrainian government, using the EU budget as guarantee.

The loans are provided with very generous terms:

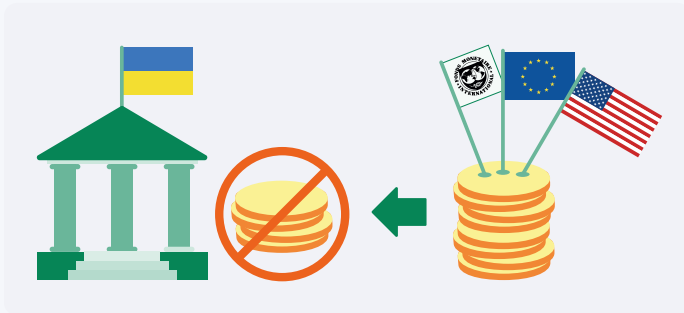
- long maturities (up to 35 years)
- repayment of the principal will not start before 2033

Furthermore, the Ukraine government can request a EU subsidy to cover the interest payments.



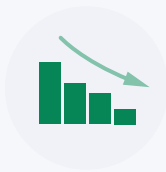
2

A persistent ukrainian government's fiscal gap



Being in war, the Ukrainian government is not able to raise enough tax revenue from domestic sources to cover its spending needs. During 2022 and 2023 the EU, the US and the IMF have covered the Ukrainian government's financial needs with various packages of 'soft' loans and grants.

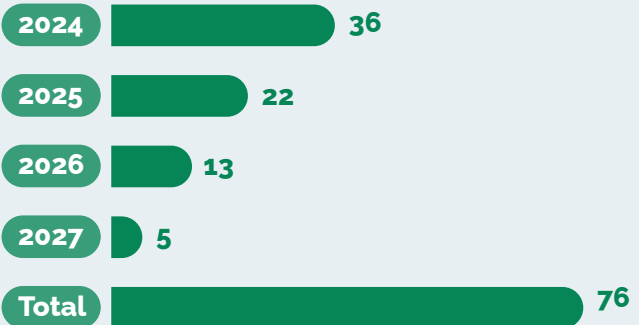
However, until the war is over the Ukrainian government will continue to suffer from a fiscal gap.



According to IMF estimates



Ukrainian government's estimated financing gap , 2024-2027, billion EUR



Source: International Monetary Fund, Staff Country Report Volume 2023 Issue 132- Ukraine, March 2023

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The massive costs of reconstruction and recovery

feb. 2022 → fév. 2023

Ukraine will need support to help rebuild and modernize all damaged infrastructure and boost growth after the war.

2023 → 2033

Total damage to buildings and infrastructure during the first year of war

126 billion EUR



The longer the war the higher the costs of reparation.

Total cost of reconstruction and recovery between 2023-2033 (following a 'build back better' approach)

383 billion EUR



Besides, to build back better (and greener) will mean to spend more money than a quick and simple rebuild requires.

To coordinate this long-term support, EU countries alongside with other G7 countries have agreed to create a "Multi-agency Donor Coordination Platform".



Committee co-chaired by

SENIOR OFFICIALS FROM THE UKRAINIAN GOVERNMENT

SENIOR OFFICIALS FROM THE US GOVERNMENT

SENIOR OFFICIALS FROM THE EUROPEAN COMMISSION

International financial institutions attend the meetings as "active participants".



4

The Ukraine facility: connecting short and long-term needs



Cover the Ukrainian government's short-term financing needs

Support Ukraine's reforms on the way towards EU accession

Support the recovery and reconstruction

Indicative maximum amount of support proposed by the Commission **50 billion EUR**

Structured in three pillars, devoted to

- PILLAR 1** provide direct budget support to the Ukrainian government conditioned to reforms
- PILLAR 2** catalyze private investment
- PILLAR 3** provide technical assistance to public authorities and civil society to prepare for EU accession



Ukraine Facility – three pillars

PILLAR 1

Ukraine Plan



Financial support in form of grants and loans to the Ukrainian government

The Ukrainian government shall prepare a 'Ukraine plan' for recovery and reconstruction. Disbursement of EU funds conditioned to the fulfilment of milestones and targets related to investments and reforms.



39 billion EUR — 6 billion grants — 33 billion loans

PILLAR 2

Ukraine investment framework



An EU budget guarantee to de-risk operations of public development banks (BEI, EBRD,...) in Ukraine, allowing these financing institutions to extend support to the Ukrainian private sector and crowd in new private investors for reconstruction and recovery.



8 billion EUR
guarantee expected to mobilise **17.8 billion EUR** in investments

PILLAR 3

Technical assistance



Assistance and capacity building programmes for national, regional, municipal government and civil society to adopt EU legislative acquis and prepare for EU accession

Pillar III also covering subsidies for interest payments of loans under Pillar 1.

3 billion EUR, of which

about 2 billion to cover borrowing costs

about 1 billion to support pre-accession reforms and civil society

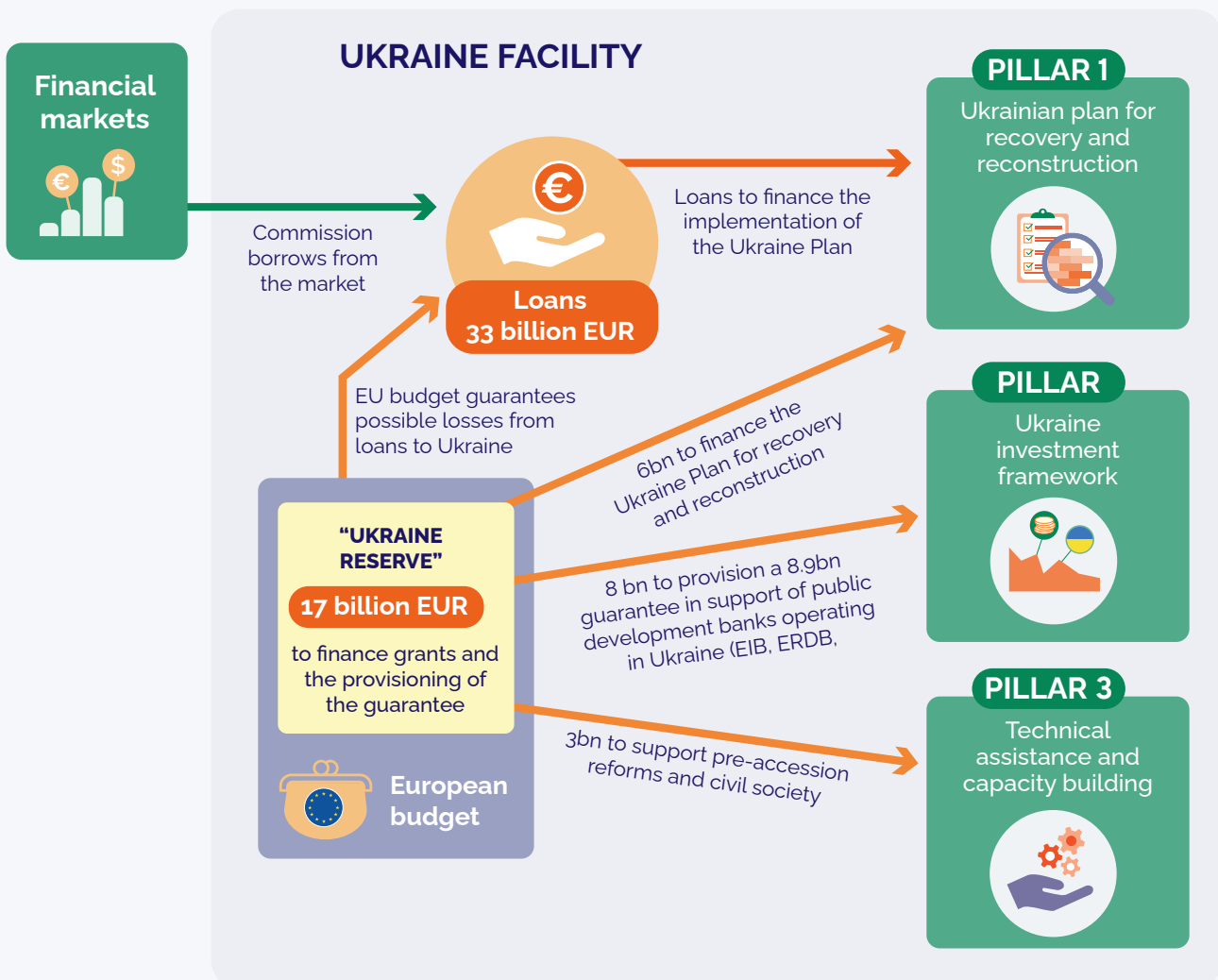


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Financing the Ukraine facility

The Ukraine facility, as proposed by the Commission, shall provide up to 50bn of support to Ukraine but only one third (17 billion) is directly financed by the EU budget. The remaining two thirds (33bn) is in form of loans. As MFA loans, these are financed by borrowing money from the international markets, using the EU budget as guarantee.

The grant part (17 bn) is financed through a new "Ukraine reserve" over and above the MFF ceilings. Placing this 'reserve' out of the MFF ceilings provides more flexibility to determine the annual amounts needed every year, something that is necessary given the high uncertainty surrounding the situation in Ukraine.



6

Timeline for the implementation according to the draft regulation

