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**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL**

**on the progress towards achieving the objectives of the Regulation (EU) 2024/792 of the European Parliament and of the Council of 29 February 2024 establishing the Ukraine Facility**

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## 1. Introduction

The **Ukraine Facility** (the Facility), established by Regulation (EU) 2024/792, is a key instrument of the European Union's strategy to address the scale and complexity of challenges facing Ukraine in the wake of Russia's continued war of aggression. Pooling the EU's budget support to Ukraine into a single support mechanism, the Facility aims to provide EUR 50 billion in coherent, predictable and flexible financing for Ukraine in 2024-2027. The main objectives of the Facility include supporting Ukraine's financing needs and reconstruction, mobilising investments and promoting reforms needed to become a member of the EU.

The Facility represents a profound commitment by the EU to strengthen Ukraine's resilience and capacity to withstand external threats, foster its recovery and facilitate its path towards sustainable development and EU membership. The Facility is also a strategic investment in a strong, economically viable Ukraine, which is crucial for the EU's stability and for countering the destabilising influence of Russia.

The Facility is an **instrument that includes three main pillars.**

- **Pillar I:** the Ukraine Plan sets out Ukraine's vision for its recovery, reconstruction and modernisation, and the reforms planned as part of its EU accession process from 2024-2027. Under the plan, up to **EUR 38.3 billion** in loans and grants are to be made available to Ukraine once it has met the conditions agreed between the EU and Ukraine.

- **Pillar II:** the Ukraine Investment Framework (UIF) supports public investments, private sector direct operations and intermediated equity operations. It enables EU-based private companies to play a central role in investing in the reconstruction of Ukraine's infrastructure, energy sector and key industries. These investments will help Ukraine to rebuild a modern and resilient economy while generating economic benefits for EU businesses.

- **Pillar III:** the third pillar focuses on providing technical assistance and support measures to facilitate Ukraine's alignment with EU laws and regulations. This includes capacity-building initiatives (including civil society and organisations, local and regional authorities) and assistance to Ukraine in implementing reforms necessary for EU membership.

One year into implementing the Facility, **this report assesses in detail progress made on each of the three pillars.** It reports on the progress in reaching the targets included in the Ukraine Facility Regulation and provides examples of key achievements. It also describes the management and control system set up by Ukraine, and the measures to ensure the protection of the EU's financial interests as well as the first Ukraine Facility Dialogue held with the European Parliament.

The Facility, despite being still at an early stage of its implementation, has already demonstrated its ability to deliver crucial support for Ukraine while promoting the reforms and investments which will contribute to Ukraine's recovery, reconstruction and modernisation. It remains the main tool through which the EU can provide medium-term support to the country and contribute to the mutually reinforcing economic reconstruction and alignment with the EU. The successful implementation during 2024 confirms the commitment of the EU and Ukraine to this path.

In its first year of implementation, the Facility has mobilised EUR 19.6 billion in EU support to Ukraine, of which EUR 16.1 billion under the Ukraine Plan. The Facility has also contributed to one of the largest foreign investments in Ukraine since its independence, which aims to modernise and expand Ukraine's telecom infrastructure.

The implementation of the **Ukraine Investment Framework** is also proceeding at a remarkable speed. The Commission announced the signature of EUR 1.4 billion contributions in EU guarantees and grants with partner financial institutions, which have a potential to unlock EUR 6 billion in investments in reconstruction and modernisation areas such as energy and municipal infrastructure. Several operations have already materialised in Ukraine since the conclusion of these agreements. Under **Pillar III**, the Technical Cooperation Facility for Ukraine 2024 was established and implemented smoothly.

## 2. State of play on the implementation of the Facility

### *2.a. Pillar I – Ukraine Plan*

The Ukraine Plan, under the first pillar of the Facility, sets out the **reform and investment strategy for the country in 2024-2027**. The Plan outlines the government's vision for reconstruction, modernisation and the reforms, in the sectors with the largest growth potential, as part of its EU accession process. The Plan was developed by the Government of Ukraine, following consultation with Ukraine's Parliament, the Verkhovna Rada, and Ukrainian civil society, and submitted to the Commission on 20 March 2024. Following a positive assessment by the Commission[1], the Council adopted an implementing decision on 14 May 2024[2].

The Plan addresses improvements in public administration with an emphasis on good governance, the green transition, adherence to the rule of law and the fight against corruption and fraud. The reforms proposed under the plan cover 15 areas including energy, agriculture, transport, the green and digital transition, human capital, as well as state-owned enterprises, the business environment, public finances, and decentralisation.

**Figure 1: Chapters of the Ukraine Plan**


The Council Implementing Decision on the approval of the Commission's positive assessment of the Ukraine Plan set out a timetable with conditions (i.e. qualitative and quantitative

[1] COM(2024) 172 final.
[2] Council Implementing Decision (EU) 2024/1447.

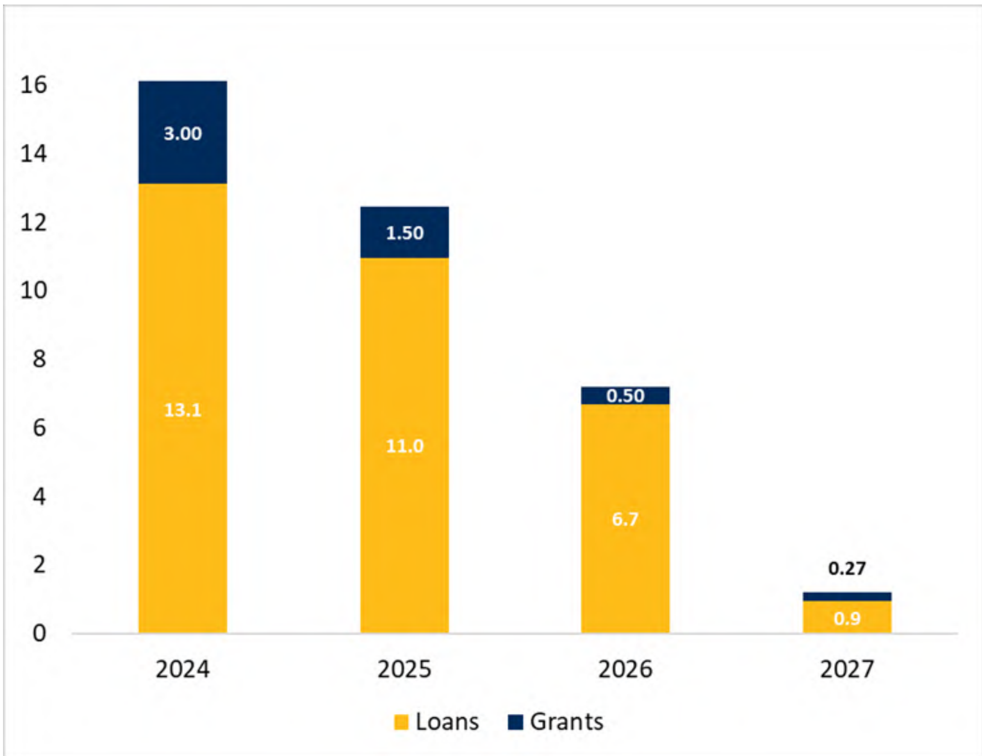
indicators) to be met by Ukraine for each quarter, until Q4 2027. These conditions reflect progress made on the investments and reforms proposed by Ukraine in the Plan.

The Commission assessed that **reforms and investments in the Ukraine Plan have a significant potential to boost growth, sustain macroeconomic stability, improve the fiscal situation and reinforce Ukraine's EU accession path**. When the Plan was assessed in April 2024, it was estimated that Ukraine's GDP would increase by 6.2% by 2027 and by 14.2% by 2040, if all proposed reforms and investments were fully implemented. The implementation of the Plan could also lead to a debt reduction of about 10 percentage points of GDP by 2033 compared to an alternative scenario without the Facility.

Up to **EUR 38.3 billion** in loans and grants are allocated under Pillar I of the Facility (as set out in Figure 2 below) to help Ukraine close the fiscal gap and to support the implementation of the reforms and investments.

All payments under the Facility are conditional on Ukraine continuing to uphold and respect effective democratic mechanisms, including a multi-party parliamentary system and the rule of law, and to guarantee respect for human rights, including the rights of people belonging to minorities.

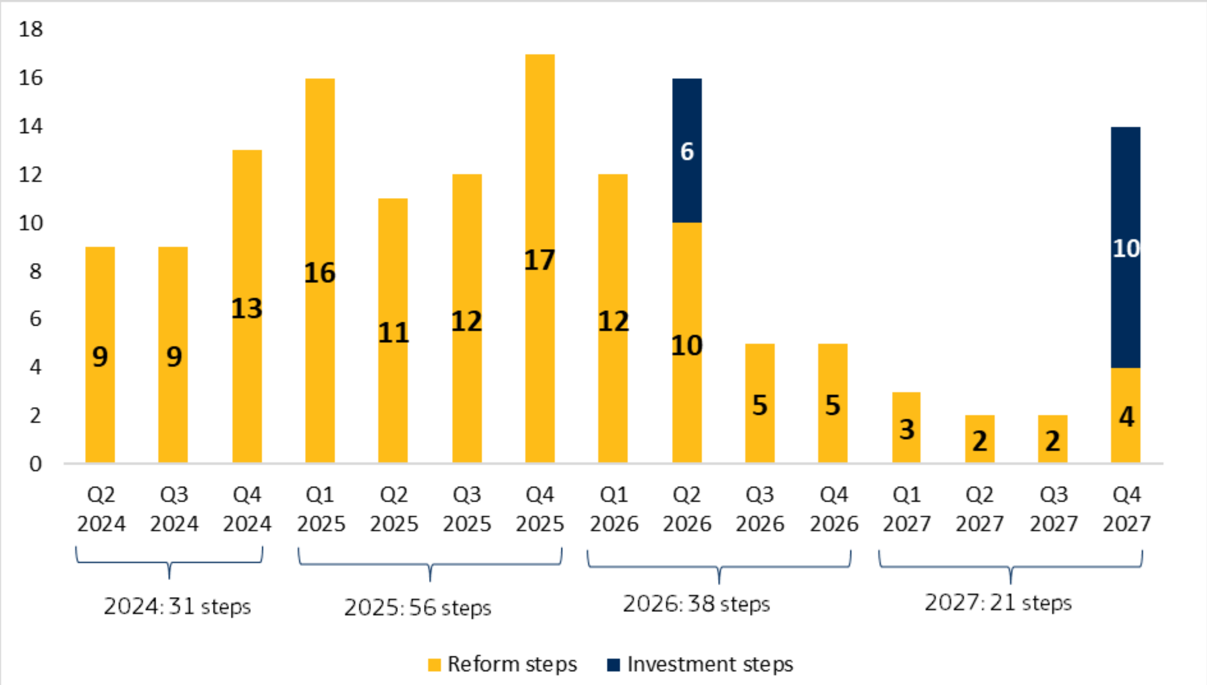
**Figure 2: Pillar I of the Ukraine Facility – Indicative commitments by year in EUR billion**




**Payments under Pillar I of the Facility**

The Ukraine Plan identifies 69 reforms and 10 investments steps, or indicators, broken down into 146 qualitative and quantitative steps (the division of reforms per year are illustrated in Figure 3). In the light of Ukraine's macroeconomic situation and debt sustainability, the Ukraine Plan financing is frontloaded in the first and second year of implementation. This frontloading is also reflected in the number of reforms to be completed.

**Figure 3: Payment Profile: Reforms & Investments over time**




On 20 March 2024, the Commission disbursed the first EUR 4.5 billion in exceptional bridge financing to provide much needed liquidity to Ukraine. A second EUR 1.5 billion instalment in exceptional bridge financing was disbursed on 24 April. This followed the Commission's positive assessment that the policy conditions set out in a Memorandum of Understanding (MoU) signed by Ukraine and the Commission on 13 March have been met. The Commission also gave a positive assessment on the precondition to uphold effective democratic mechanisms having been met. The bridge financing covered five policy conditions agreed in the MoU, and also included in the Ukraine Plan as submitted by Ukraine to the Commission.

1. Establish a Selection Commission on Conducting Competition to the High Council of Justice Service of Disciplinary Inspectors.
2. Adopt an Action Plan addressing the risks identified in the National Risk Assessment.
3. Adopt a National Revenue Strategy for 2024-2030.
4. Adopt procedures for the allocation of state budget for the creation of industrial parks.
5. Implement automatic data transfer between the State Land Cadastre and the State Register of Property Rights on Real Estate.

On 27 June, the Commission disbursed EUR 1.9 billion in **pre-financing**, which corresponded to 7% of the loan support that Ukraine was eligible to receive, to support the implementation of the Plan. For the pre-financing to be disbursed, a Framework Agreement was ratified by the Verkhovna Rada on 6 June and signed by the President of Ukraine on 19 June, and a loan agreement was signed on 24 June.

Following the payment request by Ukraine on 9 July and a positive assessment by the Commission on 18 July, as well as the approval by the Council on 6 August, the **first Ukraine Plan payment of nearly EUR 4.2 billion** was disbursed on 13 August. Of the total amount, EUR 1.5 billion was provided in the form of non-repayable financial support and over EUR 2.6 billion was disbursed in the form of loans. The Commission assessed that the government had satisfactorily met the nine reform indicators or steps linked to the first regular payment in the plan[3].

These **nine steps** were implemented in Q2 2024:

**Public Financial Management**

1. The adoption of the plan for the digitalisation of the State Customs Service.
2. The approval of the Budget Declaration for 2025-2027.
3. The adoption of the Action plan for the implementation of the Roadmap for reforming public investment management.

**Fight against corruption and money laundering**

4. The appointment of a new head of the National Agency on Corruption Prevention.

**Management of public assets and business environment**

5. The entry into force of the legislation to improve corporate governance standards of state-owned enterprises, taking into account international standards.
6. The entry into force of the law revising the legal basis of the Economic Security Bureau of Ukraine.

**Energy and agri-food sector**

7. The adoption of the Integrated National Energy and Climate Plan.
8. The Adoption of the Strategy for thermal modernisation of buildings until 2050.
9. The Action Plan and the adoption of the strategic document on Mine Action for the period up to 2033.

Following the Commission's positive assessment[4] of Ukraine's 10 October payment request, and the approval of the Council, a Council Implementing Decision was adopted. This allowed for the disbursement of the **second Ukraine Plan payment of nearly EUR 4.1 billion** on 18 December. Of this total, EUR 1.5 billion was provided in the form of non-repayable financial support and over EUR 2.5 billion was issued in the form of loans.

The Commission's positive assessment was the result of Ukraine meeting the required nine **steps** by Q3 2024.

**Fight against corruption and money laundering**

1. The increase in manpower of the Specialized Anti-Corruption Prosecutor's Office (SAPO).
2. The amendment of the Criminal Code and the Criminal Procedure Code.
3. The adoption of the Action Plan for the implementation of the Asset Recovery Strategy for 2023-2027.

**Human capital**

4. The adoption of the Demographic Strategy of Ukraine for the Period up to 2040.

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[3] COM(2024) 321 final.
[4] COM(2024) 544 final.

**Business environment and regional policies**

5. The adoption of the Action Plan on Deregulation and Improvement of the Business Climate.
6. The amendment of the State Strategy for Regional Development for 2021-2027.

**Energy sector and environment**

7. The entry into force of the secondary legislation of the Regulation on Wholesale Energy Market Integrity and Transparency law.
8. The entry into force of the legislation on prevention, reduction, and control of industrial pollution.
9. The development of a Concept Note defining the scope of derogations from the Environmental Impact Assessment and Strategic Environmental Assessment rules.

### *2.a.i. Recipients of funds under the Ukraine Plan*

Article 27 of the Ukraine Facility Regulation provides that Ukraine must publish up-to-date **data on persons and entities**, including contractors, receiving amounts of funding exceeding the equivalent of EUR 100 000 cumulatively over the period of four years for the implementation of reforms and investments specified in the Ukraine Plan.

Ukraine is required to publish this information in a machine-readable format on a webpage, in order of total funds received, having due regard to confidentiality and security, in particular the protection of personal data. In case of legal persons, this information includes the full legal name and VAT or tax identification number, or another unique identifier established at national level.

In case of natural persons, the first and last name or names of the recipient are published. Moreover, to ensure the protection of the EU's financial interests in line with Article 35 of Ukraine Facility Regulation, Ukraine is also required to ensure the collection of, and access to, adequate data on persons and entities receiving funding, including beneficial ownership information. This is in compliance with EU data protection principles and with applicable data protection rules. Notably, this requirement also includes information about relevant (sub)contractors and their beneficial owners.

Ukraine has been actively progressing with the work on transparency, implementing data collection requirements into the national legal framework and engaging all relevant authorities to ensure comprehensive data collection on final recipients. Ukraine is carrying out work to prepare this information in a consolidated database. A list of final recipients receiving over EUR 100 000 has been published on the webpage of the Ministry of Economy of Ukraine[5].

Ukraine is required to comply with Article 11 of the Ukraine Facility Regulation on the eligibility of persons and entities and the origin of supply and materials when conducting public procurement under the Facility. These requirements are integrated into the Framework Agreement between the EU and Ukraine on Specific Arrangements for the Implementation of the Union Funding under the Ukraine Facility. In line with these requirements, for the investments under Pillar I, Ukraine is establishing a system of monitoring and control to ensure the requirements are followed and to record and report any procurement making use of the exemptions under Article 11 of the Ukraine Facility Regulation. In 2024, the Commission did not need to assess any matters regarding public procurement.

[5] https://me.gov.ua/view/d9c13c33-a438-406f-8daf-3145852df99a

### *2.b. Pillar II – Ukraine Investment Framework*

The Ukraine Investment Framework (UIF) is the EU's flagship tool to drive Ukraine's recovery, reconstruction and modernisation. Backed by **EUR 9.3 billion,** including **EUR 7.8 billion in guarantees** and **EUR 1.5 billion in blending**, it aims to unlock up **to EUR 40 billion in investment**, placing the EU at the centre stage of the international efforts to rebuild Ukraine.

**EU guarantees** play a critical role in derisking both public and private investments, which is essential for the **successful recovery** of Ukraine. By mitigating financial risks, these guarantees encourage greater involvement from private sector investors, financial institutions, and development partners, all of which are necessary to rebuild Ukraine's economy and infrastructure in the wake of the war.

Similarly, **EU blending mechanisms** combine **grants with non-grant resources**, such as **loans**, **equity**, and **guarantees** from financial institutions, as well as **commercial loans** and **investments**. This innovative approach leverages public funds to unlock additional private sector investment, creating a far-reaching **development impact**. By using blending, the EU maximises the value of every euro spent, enabling larger, more impactful projects that directly contribute to Ukraine's recovery and long-term resilience.

The **Ukraine Investment Framework** is at the heart of this effort, specifically designed to help **rebuild Ukraine's critical infrastructure and to kick-start its economy**. Key sectors such as **energy**, **industry, schools**, **hospitals**, and **municipal services** are the primary focus, aiming to create a more resilient, sustainable, and modern Ukraine. Furthermore, the UIF also addresses the needs of **small businesses**, **war-affected populations**, and **vulnerable groups**, ensuring that the most affected communities are not left behind.

As of **31 December 2024**, three years into Russia's war of aggression against Ukraine, an updated **joint Rapid Damage and Needs Assessment (RDNA4)** estimates that the total cost of Ukraine's **reconstruction and recovery** will amount to **EUR 506 billion** over the next decade. This comprehensive assessment underscores the enormous scale of the challenge Ukraine faces in rebuilding its economy, infrastructure, and institutions.

In this context, the **Ukraine Investment Framework** is essential for bridging the significant **financing gap** for Ukraine's reconstruction. It provides a structured, coordinated mechanism to channel financial resources into the **most urgent priority areas** identified by the **Ukraine Plan**. The UIF's targeted support ensures that Ukraine has the necessary resources to address critical needs while paving the way for long-term recovery and growth.

The UIF is also a key driver of private investment in Ukraine's reconstruction. By offering **de-risking tools, war risk coverage, and mobilising private equity,** it creates new financing opportunities for both Ukrainian and EU businesses.

Pillar II is closely interlinked with Ukraine's reform and accession path. The investments in Ukraine's economy and infrastructure enabled by the UIF also accelerate its integration into the EU Single Market, **integrating Ukraine into trans-European infrastructure in energy and transport, EU value chains and transposing EU standards and business practices**. By anchoring Ukraine's economy with the EU's, the UIF is a strategic engine for advancing the EU's geopolitical and economic standing.

The UIF serves also as a unique **coordination platform for Ukraine's recovery architecture**. It brings together the Government of Ukraine, EU Member States, and major financial institutions such as the European Investment Bank (EIB), the European Bank for

Reconstruction and Development (EBRD), the World Bank, Member State Development Financial Institutions, etc. to align and deliver a joint operational response to the Ukraine's recovery and reconstruction needs.

The UIF has been **set up in record time**. Following the entry into force of the Ukraine Facility Regulation in March 2024, the first Steering Board of the UIF met in April 2024 and endorsed the first set of investment programmes. In June 2024 at the Ukraine Recovery Conference (URC) in Berlin, the Commission announced the signature of the first investment programmes under the UIF amounting to **EUR 1.4 billion** in new guarantee and grant agreements to support Ukraine's recovery and reconstruction.

These agreements, signed with several implementing partners, such as the EBRD, EIB, International Finance Corporation (IFC), Kreditanstalt für Wiederaufbau (KfW) and Bank Gospodarstwa Krajowego (BGK), consist of **EUR 1 billion of EU loan guarantees** and **EUR 400 million in grants**. They benefit private companies, including small and medium-sized enterprises, municipalities and Ukrainian state-owned enterprises. The operations support priority sectors such as energy, transport, municipal infrastructure, access to finance and war-affected enterprises; and aim to unlock **EUR 6 billion in investments.**

Thanks to the Ukraine Investment Framework guarantees, which were instrumental in mitigating the investment risks, many operations have already materialised in Ukraine in 2024.

- One of the **largest foreign investments in Ukraine since its independence**. The acquisition of two telecom operators (Lifecell and Datagroup Volia) by a French investor, creating a leading integrated operator with a robust investment plan for telecommunication infrastructure and improvement of digital connectivity. This transaction was co-financed by the International Finance Corporation, backed by a guarantee from the Ukraine Investment Framework.
- A **landmark greenfield investment in renewable energies**, co-financing construction of a new wind farm in the Volyn region with a capacity of 147 MW, co-financed by the EBRD and IFC with an EU-backed guarantee.
- A critical lending to the City of Kyiv was unlocked by the UIF guarantee, enabling emergency liquidity support to the municipal district heating to ensure **uninterrupted provision of heat over the winter 2024/2025,** by guaranteeing a loan provided by the EBRD.
- A new EBRD loan to Nova Poshta unlocked by the UIF guarantee to finance the expansion and modernisation of its **network of parcel terminals and branches** hand in hand with measures with a strong social impact, **building over 600 bomb shelters**, running programmes to create **job opportunities for war-veterans and vulnerable women.**

Building on this momentum, in September 2024 a new round of **UIF calls for proposals for public investments, private sector direct operations and intermediated equity operations** was launched with an indicative allocation of **EUR 2.75 billion**. The call will remain open for at least a year with intermediate deadlines applying.

Actions under **Pillar II** have been implemented in compliance with the sourcing and procurement principles set out in **Article 11 of Regulation (EU) 2024/792.** Top-up guarantee agreements and blending operations have been signed in June 2024 and deployed as urgent measures to address the immediate reconstruction and rehabilitation needs, in particular in the energy sector.

### *2.c. Pillar III*

Pillar III focuses on providing **technical assistance and support measures to facilitate Ukraine's alignment with EU laws and regulations**. It funds technical cooperation activities implemented over several years, such as capacity-building initiatives, including social partners, civil society organisations, as well as local and regional authorities, and assistance to Ukraine in implementing the reforms necessary for EU accession and to ensure the effective utilisation of financial assistance.

Pillar III also finances the **interest rate subsidies for the costs of loans** provided under Pillar I of the Facility and under previous macro-financial assistance. Moreover, it finances the **functioning of the Ukraine Facility Audit Board** and supports other initiatives aimed at responding to Russian aggression against Ukraine, including the enforcement of international law in relation to crimes committed by Russia on the territory of Ukraine.

In 2024, the first Annual Work Programme under Pillar III of the Facility was adopted, **mobilising more than EUR 488 million**.

#### *2.c.i Implementation of the Technical Cooperation Facility*

The Action 'Technical Cooperation Facility for Ukraine 2024 (TCF 2024)' with a committed budget of approximately EUR 248 million is designed to facilitate Ukraine's progressive alignment with the EU *acquis* with a view to future EU membership and to support the implementation of the Ukraine Plan. At the same time, it reinforces Ukraine's resilience and capacity to respond to the devastating impacts by Russia's war of aggression against Ukraine.

As a flexible and responsive tool, TCF 2024 delivers **tailor-made assistance**, adapting to Ukraine's evolving needs. It also supports **strategic communication**, **public diplomacy**, and **engagement with civil society and cultural actors**, all essential for reinforcing **positive EU visibility** in Ukraine.

In November 2024, the TCF 2024 budget was increased by **EUR 105 million**, thanks to **EUR 103 million** in profits from immobilised Russian assets and an additional **EUR 2 million** contribution from **Denmark**. This amendment significantly strengthened the Facility's capacity to support priorities such as the **restoration of critical energy infrastructure**.

Implementation of TCF 2024 is well underway, with over **EUR 136 million,** more than 50% of the total budget, already contracted in 2024. These funds are focused on key priorities: **energy resilience**, **decentralisation**, and **support for Ukraine's EU accession process**.

- In the **energy sector**, the EU is contributing to Ukraine's energy resilience through support to the **Ukraine Energy Support Fund**, managed by the **Energy Community Secretariat**. This fund facilitates the delivery of emergency equipment and essential supplies to stabilise Ukraine's energy system.
- On **decentralisation reform**, the next phase of the **Team Europe flagship initiative 'U-LEAD with Europe,'** co-financed by **Germany and Denmark,** is advancing. Its mission is to support transparent, accountable governance at local and regional levels, directly contributing to Ukraine's reconstruction.
- To further support **EU accession efforts**, the newly launched **Team Europe Initiative 'Ukraine2EU – EU Integration Support Programme for Ukraine'** (co-funded by **Denmark and Lithuania**) is enhancing the capacities of key Ukrainian institutions.

This includes support for the **Ukrainian Parliament**, the **translation of the EU *acquis***, strategic communication, and coordination of the overall accession process.

Actions under **Pillar III** have been implemented in compliance with the sourcing and procurement principles set out in **Article 11 of Regulation (EU) 2024/792**, with priority given to eligible countries. Derogations have been applied in line with legal provisions, notably to address urgent needs for critical energy equipment, compatibility requirements with Ukraine's existing systems, and crisis conditions on the ground.

*2.c.ii Contribution to accountability mechanisms and financing of the Audit Board*

Russia's war of aggression against Ukraine has led to widespread death, suffering and destruction across the entire country. On 14 November 2022, the United Nations General Assembly adopted a resolution recognising the need for the establishment of an international mechanism for reparation for damage, loss or injury arising from Russia's internationally wrongful acts against Ukraine. The EU has led international efforts to hold Russia accountable, joining the **Register of Damage** Caused by the Aggression of the Russian Federation against Ukraine in May 2023 and becoming a full Participant in July 2024. Currently, 43 states and the EU are part of the Register.

In 2024, the EU contributed about **EUR 846 000** to the Enlarged Partial Agreement (EPA) on the Register of Damage Caused by the Aggression of the Russian Federation against Ukraine, thereby ensuring the EU's compliance with its financial obligations as a member of the EPA.

The Register records eligible claims for damage, loss or injury caused to all natural and legal persons concerned as well as the State of Ukraine, operating as a secure digital platform to collect and process evidence. It is set to become part of a future Claims Commission, which will assess claims and determine compensation. This initiative is a key step in ensuring Russia takes full responsibility for its actions.

A total of 44 claims forms are planned to cover various types of damages, including property destruction, personal harm, and forced displacement. By the end of 2024, the Register had received over 13 000 claims and recorded 832 decisions on residential property destruction, with an average claim of EUR 54 000. Work continues on expanding the claims process.

The **Ukraine Facility Audit Board** was established in June 2024 through a Commission Implementing Decision, which also established its term (to 30 June 2028) and defined its mission, composition, appointment of members and Chair, its Secretariat and tasks. About **EUR 11 million** was provided under the Ukraine Facility to support this action.

The Audit Board's primary task is to monitor the transparent and effective use of up to EUR 50 billion in EU financial assistance to Ukraine between 2024 and 2027. In particular, its mission is to assess if Ukraine's public sector management and control systems are ensuring that EU funds are used in accordance with the principle of sound financial management, such as effectiveness, economy, efficiency, and transparency, while preventing fraud, corruption, conflicts of interest, and other irregularities.

The Audit Board is based in Brussels with a dedicated Secretariat in Kyiv. Through a call for expression of interest, three independent audit board members were selected in 2024, all EU citizens with significant experience in auditing and anti-fraud measures.

*2.c.iiii. Borrowing cost and legacy costs*

In June 2024, a financing decision was adopted to cover the annual legacy costs linked to the loans under the EU exceptional macro-financial assistance provided in 2022 ('MFA1' and

'MFA2') and to contribute to the provisioning paid into the common provisioning fund in relation to such loans, with a total amount of more than EUR 227 million.

The EU's exceptional macro-financial assistance of EUR 6 billion disbursed in August 2022 (MFA1) and between October and December 2022 (MFA2) provided swift and urgent support to the Ukrainian budget. The EU may bear interest by granting an interest rate subsidy in respect of such loans.

In February 2024, Ukraine submitted the formal request to receive an interest rate subsidy for the charges due in 2024. The requirements underpinning the release of the instalments under the EU's exceptional macro-financial assistance were considered to have been met in 2022.

## 3. Progress in implementing the Facility

### *3.a. Progress on the targets under the Ukraine Facility Regulation*

The Ukraine Facility Regulation sets out three strategic targets focused on small and medium-sized enterprises (SMEs), the green transition, and municipalities–three dimensions that are essential for Ukraine's recovery, reconstruction, and long-term modernisation.

#### *3.a.i Support to Small and Medium-sized Enterprises (Article 28(6))*

SMEs are the backbone of Ukraine's economy and play a critical role in driving economic resilience, innovation, and job creation. Recognising this, the Ukraine Facility Regulation requires that at least 15% of EU guarantees support micro, small, and medium-sized enterprises (MSMEs), including start-ups.

In 2024, the EU made significant progress toward this objective. Two agreements were signed, securing up to EUR 290 million in EU guarantee coverage specifically targeting lending to MSMEs. In addition, EUR 20 million was mobilised through blending contributions. These initiatives are designed to unlock financing for small businesses and support war-affected companies, ensuring they can continue operating and contributing to the economy.

Building on this momentum, the EU will launch a tailored call for proposals in 2025 to provide further targeted support to SMEs, channelled through banks and financial intermediaries. This effort will prioritise access to finance for small businesses and help reinforce Ukraine's private sector during this critical phase of reconstruction.

#### *3.a.ii Advancing the Green Transition (Article 28(9))*

The Facility is aligned with the objectives of the European Green Deal and supports Ukraine's shift to a climate-neutral, climate-resilient and environmentally sustainable economy. Pillar I of the Facility is expected to comply with the principles of "do no significant harm", to the extent possible in a context of war or post-war recovery and reconstruction. At least 20% of investments made under the Ukraine Plan and the Ukraine Investment Framework are expected to contribute to climate change mitigation and adaptation, biodiversity environmental protection including biodiversity conservation, and the broader green transition.

Under the Ukraine Plan, at least 80% of investments in transport infrastructure and at least 60% in energy infrastructure are expected to support green objectives. Most green transition-related investments under Pillar I are scheduled for implementation by Q4 2027. The overall assessment on whether the green transition target has been met will be carried out as part of the final payment request due by the end of 2027.

In addition, the first operations under Pillar II – contracted in mid-2024 – are also expected to contribute significantly. These include Ukraine Investment Framework operations focused on the rehabilitation and upgrading of essential services such as water and electricity infrastructure.

#### *3.a.iii Municipalities (Article 16(4))*

An amount equivalent to at least 20% of non-repayable support under Pillar I must be allocated to the needs of sub-national authorities. This will be assessed on the basis of the Treasury reports justifying that at least this amount has been allocated in the national budget for such needs, in line with a methodology to be prepared by Ukraine and agreed with the Commission. The first assessment of this requirement will take place as part of the ninth payment request under the Ukraine Plan, expected after Q2 2026, which will determine whether an amount of at least 5% has been allocated. In the final payment request of the Ukraine Plan, due by the end of Q4 2027, the full target will be assessed.

### *3.b. Contribution to Ukraine's accession process*

The Facility ties financial support to Ukraine to an ambitious growth reform agenda aimed at facilitating structural transformation while supporting Ukraine's path towards joining the EU. The Ukraine Plan is at the heart of the Facility promoting Ukraine's economic recovery, reconstruction and modernisation while simultaneously fostering alignment with the EU *acquis*.

To ensure meaningful progress, specific steps have been identified in the Plan, many of which are closely linked to the EU *acquis* in key priority areas. These steps encompass a range of essential measures to bring Ukraine closer to the EU *acquis* in the short term, including the adoption of legislation which advances implementation of the *acquis*, the implementation of EU recommendations, and the adoption of EU standards across various sectors. While the successful implementation of the Ukraine Plan supports Ukraine's alignment with the EU's regulatory framework, the fulfilment of reforms under the Facility remains separate from and is without prejudice to the assessment of alignment to the EU *acquis* under the ongoing accession process.

Specifically, in the two instalments assessed in 2024, a total of **four steps** (around 22% of the total) that also contribute to alignment to the EU *acquis* have been completed (see *Table 1* below). The sectors involved include decentralisation, energy, and the environment.

*Table 1: Steps of the Ukraine Plan referencing the EU acquis completed in 2024*

| Sequential number | Reform | Name of the step | Instalment |
|---|---|---|---|
| **9.5** | Reform 3.<br>Development and implementation of regional policy | Adoption of resolutions to amend the State Strategy for Regional Development for 2021-2027 | Q3 2024 |

| Sequential number | Reform | Name of the step | Instalment |
|---|---|---|---|
| **10.8** | Reform 3.<br>Electricity market reform | Entry into force of the secondary legislation on the Regulation on Wholesale Energy Market Integrity and Transparency (REMIT) law | Q3 2024 |
| **15.1** | Reform 1.<br>Prevention, reduction and control of industrial pollution | Entry into force of the legislation on prevention, reduction, and control of industrial pollution with partial application of provisions | Q3 2024 |
| **15.10** | Reform 5. Environmental Impact Assessment (EIA) and Strategic Environmental Assessment (SEA) | Development of a concept note defining the scope of deviations from the Environmental Impact Assessment (EIA) and Strategic Environmental Assessment (SEA) rules | Q3 2024 |

### *3.c. Contribution to Ukraine's fiscal stability through budget support*

Russia's full-scale invasion has had a disruptive impact on the Ukrainian economy, which contracted by nearly 30% in 2022. Both inflation and unemployment increased significantly. The general government deficit reached almost 20% of GDP in 2023 due to high spending on defence. Having lost access to international financial markets, Ukraine relies heavily on foreign assistance. The International Monetary Fund has estimated the cumulative general government financing gap up to 2027 at EUR 143 billion.

In this context, the Ukraine Plan provides direct budget support in the form of non-repayable support and highly concessional loans. The total financial support under Pillar I amounts to EUR 38.3 billion. The funds have been frontloaded in the first and second years of the Ukraine Plans' implementation.

Direct budget support is helping Ukraine **maintain government functions and deliver essential public services**, crucial during a period of growing but insufficient domestic revenue. This support ensures the payment of public salaries, pensions, and the continuation of services like education and healthcare, while also helping maintain macro-financial stability by reducing the need for excessive domestic borrowing.

The Ukraine Plan includes **measures to strengthen fiscal management**, such as restoring annual budget reviews and improving public spending effectiveness. It also focuses on boosting revenue mobilisation and public debt management for long-term financial sustainability. In addition, the interest rate subsidy on loans from the EU's exceptional macro-financial assistance in 2022 helps Ukraine maintain stability by relieving it of accrued interest payments for that year.

### *3.d. Support to strengthening gender equality*

The implementation of the Facility is guided by the principles of gender equality and women empowerment (GEWE), as specified in the Regulation. However, its deployment is too recent to report on concrete examples of results for GEWE.

The Ukraine Plan recalls the principles of inclusivity, gender equality and social cohesion as important cross-cutting areas to be borne in mind. It also highlights issues linked to human capital and business environment. In order to meet the steps set out in the Plan, in 2024, Ukraine adopted the new demographic development strategy up to 2040. The new law on improving the corporate governance of state-owned enterprises, and the national mine action strategy up to 2033 also include measures that encourage gender equality.

The Ukraine Investment Framework is implemented through partnerships with financial institutions aligned with international and EU commitments to GEWE. Support to GEWE is also part of the strategic orientations of the UIF.

Under Pillar III, project-based assistance is channelled through a single action called Technical Cooperation Facility (TCF). The TCF implements projects which will integrate objectives to strengthen GEWE in line with gender mainstreaming.

### *3.e. Highlights*

Despite its early stage of implementation, the Facility has already accomplished significant results in many areas.

- **Increased capacity to fight corruption:** as part of the reforms under the Ukraine Plan, Ukraine has increased the staff of the Specialized Anti-Corruption Prosecutor's Office (SAPO), as well as amended the Criminal Code and the Criminal Procedure Code to increase the efficiency of fighting corruption. In particular, the legal framework of plea bargaining was significantly improved.
- **Improvement of corporate governance standards**: Ukraine has adopted under the Ukraine Plan a law to improve corporate governance standards in state-owned enterprises (SOEs), bringing them closer to international standards. The new law establishes exclusive powers of the SOEs' supervisory boards to appoint and dismiss CEOs, and to approve strategic investment and financial plans of SOEs. It requires that most supervisory board members be independent, and it introduces an annual evaluation procedure for supervisory boards.
- **Economic security and fight against tax evasion:** Ukraine has adopted the legislation necessary to reform the Economic Security Bureau of Ukraine. The new law represents a solid stepping stone for transforming the Bureau into a supervisory authority that will be more effective in combating tax evasion and economic crime. It introduces open and merit-based procedures for recruitment, including for a new Head who will be chosen by a commission of six members, half of whom will be international experts. The law will also help ensure the integrity and adequate professional competencies of staff.
- **Energy and climate:** Ukraine has adopted its first Framework Climate Law, including an objective to reach climate-neutrality by 2050, and its National Energy and Climate Plan, coordinating and planning energy and climate policies by 2030, with specific targets including a significant reduction of greenhouse gas emissions and an increased share of renewable energy.

- **Improved regulatory environment:** Ukraine has adopted an Action Plan to ease the burden on businesses by reviewing and removing overlapping regulations, deregulating economic activities and digitising administrative procedures.
- **Budget support:** the regular disbursements linked to the full implementation of reforms under the Plan was vital for Ukraine as it helped sustain essential government functions, including paying salaries and providing public services like education and healthcare, amid severe revenue shortfalls. It also supported macro-financial stability by limiting the need for domestic borrowing and laid the groundwork for long-term fiscal sustainability through improved public finance management.
- **Investments:** the Ukraine Investment Framework contributed to one of the largest foreign investments in Ukraine since its independence, the acquisition of two telecom operators (Lifecell and Datagroup Volia) by French and Ukrainian investors. The operation, supported by the International Finance Corporation and the European Bank for Reconstruction and Development, created a leading integrated operator in Ukraine with a robust investment plan for telecommunication infrastructure and improvement of digital connectivity. The investment aims to modernise and expand Ukraine's telecom infrastructure, enhancing network resilience and connectivity across the country, including in liberated territories. As a result, mobile connection for over 10 million people in Ukraine will be restored, modernised and improved and four million homes will be equipped with faster internet.

## 4. Controls in the implementation of the Facility

Ukraine's public sector internal control system provides effective monitoring and financial oversight, meeting EU standards for transparency and accountability. The governance structure includes the National Coordinator at the Ministry of Economy overseeing implementation, while the Ministry of Finance and the State Audit Service check compliance through audits. The Accounting Chamber supports parliamentary oversight.

An initial audit for the Commission was conducted in December 2024. Despite resource constraints, Ukraine's experience in managing international financial aid facilitates adequate administrative capacity. The Ukraine Plan also includes reforms to improve public financial management, prevent fraud, and reduce risks of double funding. These efforts are backed by the EU-Ukraine Framework Agreement, which outlines mechanisms for financial supervision, fraud prevention, and legal safeguards to protect the EU's financial interests.

### *4.a. Protection of the EU's financial interests*

In implementing the Facility, the Commission and Ukraine are taking appropriate measures to protect the EU's financial interests. The Commission's control framework comprises two layers (i) ensuring the legality and regularity of quarterly disbursements to Ukraine under Pillar I of the Facility; and (ii) protecting the EU's financial interests. To ensure legality and regularity, the Commission conducts comprehensive preliminary controls before any positive assessment of a payment request submitted by Ukraine. The Commission's positive assessment takes into account the following:

- an assessment of the precondition set out in Article 5(1) of the Ukraine Facility Regulation that Ukraine continues to uphold and respect effective democratic mechanisms and respect for human rights, taking into account relevant recommendations of international bodies, such as the Council of Europe and its Venice Commission;

- an analysis of the satisfactory fulfilment of the qualitative and quantitative steps in each payment request based on verification documents provided by Ukraine in line with the Framework Agreement between the Commission and Ukraine.

Following the disbursements, the Commission will also carry out risk-based audits on the implementation of the Ukraine Plan steps to obtain additional assurance of the veracity of the information provided by Ukraine. Before giving the positive assessment of the Ukraine Plan, the Commission also assessed that the arrangements proposed by Ukraine are expected to effectively ensure an adequate level of protection of the EU's financial interests.

### *4.b. Ukraine's public sector internal control system*

Ukraine's public sector internal control system provides effective financial oversight, aligning with EU standards for transparency and accountability. The National Coordinator at the Ministry of Economy oversees implementation, while the Ministry of Finance, supported by the State Audit Service, conducts audits and financial checks.

In December 2024, an initial systems audit for the Commission identified areas for improvement, with recommendations issued in early 205. These will be implemented under the oversight of the Ukraine Facility Audit Board. Despite resource constraints, Ukraine's experience in managing international financial aid ensures adequate administrative capacity.

The Ukraine Plan mandates reforms in public financial management and investment transparency to strengthen audit systems and prevent fraud. A Framework Agreement with the EU, complemented by Financing and Loan Agreements, sets legally binding measures for fund management, fraud prevention, and financial safeguards, ensuring accountability in the use of EU support.

## 5. Communication and dialogues

### *Ukraine Facility Dialogue with the European Parliament*

Under Article 37 of the Ukraine Facility Regulation, the Commission holds a dialogue with the European Parliament at least every four months to review progress on all three pillars of the Facility.

The first dialogue took place in December 2024 with the Budget and Foreign Affairs Committees, covering key issues such as sustaining support beyond 2027, mobilising private sector investments, and ensuring financial safeguards. The Commission remains committed to ongoing dialogues to keep the Parliament informed on progress, challenges, and implementation efforts.

## 6. Conclusions

In its first year of implementation, the Facility has already started to deliver on its objectives. Having mobilised EUR 19.6 billion in 2024, of which EUR 16.1 billion disbursed directly to the Ukrainian budget, it has played a decisive role as one of the main stabilising factors for

Ukraine and tools available to the EU to support its recovery, reconstruction and modernisation.

The support provided to the state budget under Pillar I of the Facility, the Ukraine Plan, has been **critical for maintaining Ukraine's macro-financial stability**. All the reform steps set out in the Ukraine Plan in 2024 have been met, laying the groundwork for Ukraine's long-term recovery, accelerating the steps towards enlargement, and helping to bring Ukraine's institutions in line with EU standards. It promoted important reforms ranging from fight against corruption to business environment to green transition and environmental protection.

It will now be important to keep up the pace of implementation of the reforms and investments in the Ukraine Plan. If implemented, they are expected to significantly contribute to enhance growth, sustain macroeconomic stability, improve the fiscal situation and reinforce Ukraine's EU accession path.

Pillar II of the Facility, the Ukraine Investment Framework, plays a key role in **mobilising the necessary investments for the reconstruction**, including under the angle of green reconstruction. Its implementation is advancing at a record speed, with programmes for EUR 1.4 billion already announced for signature and calls launched in the first year of implementation. Operations have already begun to materialise, in particular to support urgent needs in areas such as energy, heating services and new investments in greenfield renewables. The UIF also serves the EU strategic interests by providing economic opportunities for EU-based businesses to invest, create trade opportunities, and promote growth across the continent.

Under Pillar III, the Facility provides **crucial technical assistance to Ukraine** to support its progressive alignment to the EU *acquis* with a view to future membership, as well as the implementation of the Ukraine Plan. In addition, project-based assistance, including through urgent repairs of energy infrastructure, strengthened the country's resilience and capacity to respond to the impacts generated by Russia's war of aggression against Ukraine. Pillar III also subsidised the interest rate charges due to Ukraine in 2024 in relation to loans from previous instruments, thus creating fiscal space in the state budget.

The implementation of the Facility takes place within **a strong monitoring and control framework**, built to ensure that the EU's financial interests are duly protected. In addition to strengthening Ukraine's public sector internal control system, this also includes the functioning of the Audit Board, which assists the Commission by assessing Ukraine's public sector management and control systems and providing recommendations.

In 2024, the Facility has underpinned the EU's support for Ukraine, demonstrating its commitment to support Ukraine and its people for as long as it takes. It was a central component of the financial assistance provided, while at the same time promoting its reform effort. In 2025, it will continue to do so by entering in the full implementation phase, and continuing to ensure support for Ukraine's recovery, reconstruction and modernisation.