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PROPOSAL

From: Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director

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To: Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union

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Subject: Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Regulation (EU) 2024/792 establishing the Ukraine Facility

Delegations will find attached document COM(2026) 22 final.

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EUROPEAN
COMMISSION

Brussels, 14.1.2026
COM(2026) 22 final

2026/0010 (COD)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
amending Regulation (EU) 2024/792 establishing the Ukraine Facility

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• Reasons for and objectives of the proposal

The EU is steadfast in its support to Ukraine, whose future lies within the EU. The EU supports Ukraine's independence, sovereignty and territorial integrity within its internationally recognised borders and is unwavering in its commitment to provide political, financial, economic, humanitarian, military and diplomatic support. In light of the escalating Russian aggression, it is necessary to act swiftly to ensure Ukraine has access to the resources it urgently needs.

The large-scale invasion by Russia of Ukraine, which began on 24 February 2022, has had a profoundly damaging impact on the country and its citizens. Despite diplomatic efforts by the US and Europe to achieve a peaceful resolution, and Ukraine's readiness to engage in dialogue to end the war, Russia has intensified its attacks on Ukraine, deliberately targeting civilians and critical infrastructures. This escalation has further exacerbated the humanitarian crisis, caused immense suffering for the Ukrainian people and raised the colossal human and financial cost of this unprovoked and unjustified military aggression. Russia's illegal war of aggression is a blatant violation of the territorial integrity, sovereignty and independence of Ukraine, as well as a violation of the prohibition on the use of force enshrined in Article 2(4) of the United Nations (UN) Charter, which is a peremptory rule of international law, and of the other principles of the UN Charter. The unwavering determination and courage shown by Ukrainians in defending their homeland is a testament to their strength and warrants deep admiration and appreciation.

However, Russia's intensified aggression has increased Ukraine's financing needs and calls for urgent investment in the Ukrainian Defence Technological and Industrial Base. It is now clear that additional sources of funding both from the EU and the international community are necessary. Ukraine's financing needs for 2026 and 2027 are set to surpass existing projections by the International Monetary Fund (IMF), whose eighth review of the IMF Programme underlines that risks and uncertainty remain exceptionally high, with the existing programme having limited scope to absorb any new shocks, including from a more prolonged and intense war. On 9 September 2025, Ukraine has submitted an official request for a new IMF programme to cover additional financing needs from 2026 to 2029. The IMF's ability to proceed with this programme is contingent upon receiving sufficient financing assurances from partners, including the Union.

In their summit statement of 8 December 2025, G7 Finance Ministers agreed to continue to work together to develop a wide range of financing options to support Ukraine, including potentially using the full value of Russian assets immobilised in G7 jurisdictions until reparations are paid for by Russia, to end the war and ensure a just and lasting peace in Ukraine, consistent with G7 legal frameworks.

In that context, on 18 December 2025, the European Council has agreed to provide a loan to Ukraine of EUR 90 billion for the years 2026-2027 based on EU borrowing on the capital markets backed by the EU budget headroom. Given Ukraine's financing needs and the considerable uncertainty on the future of the war, it is critical that the Ukraine Support Loan is designed in a flexible manner that is reactive to the situation. There should be flexibility to

use the money towards most pressing financing needs, whether driven by the current war situation or also to support reconstruction should peace prevail.

The financial and economic assistance available under the Ukraine Support Loan will be made accessible to Ukraine in line with its financing needs. To that end, Ukraine will submit a Ukrainian Financing Strategy on Ukraine's financing needs and sources. Upon assessment of the Commission, the Council would approve that assessment and determine the amount of assistance to be made accessible to Ukraine to assist in the implementation of the Ukrainian Financing Strategy.

To provide budget assistance to Ukraine and ease its external financing constraints, the [Ukraine Support Loan] proposal creates multiple options via which the funds can be channelled to support Ukraine, where support would be able to be provided through macro-financial assistance and through the Ukraine Facility - specifically Pillar I of the Facility and the Ukraine Plan. This present proposal establishes the amendments to the Ukraine Facility Regulation required to allow this support to be channeled via Pillar I of the Ukraine Facility. The Ukraine Plan will be updated to reflect these additional amounts, including measures to strengthen the rule of law and the fight against corruption.

- Consistency with existing policy provisions in the policy area**

The support under this proposal is consistent with and complementary to the support provided through Regulation (EU) 2024/792¹, Regulation (EU) 2021/947², Regulation (EC) No 1257/96³, and [UKRAINE SUPPORT LOAN REGULATION].

- Consistency with other Union policies**

The support under this initiative is consistent with the application of restrictive measures (sanctions) against Russia and complementary to the European Peace Facility.

Furthermore, the candidate status granted by the European Council on 23 June 2022 and the decision of the 14-15 December 2023 European Council to open accession negotiations with Ukraine anchors Ukraine firmly on its European path. For this reason, the whole EU response in support of Ukraine's resilience and recovery – including through these amendments to the operation of the Ukraine Facility – will also contribute to the early phase of Ukraine's pre-accession process.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

- Legal basis**

¹ Regulation (EU) 2024/792 of the European Parliament and of the Council of 29 February 2024 establishing the Ukraine Facility (OJ L, 2024/792, 29.2.2024, ELI: <http://data.europa.eu/eli/reg/2024/792/oj>).

² 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 of the European Parliament and of the Council and repealing Regulation (EU) 2017/1601 of the European Parliament and of the Council and Council Regulation (EC, Euratom) No 480/2009 (Text with EEA relevance) (OJ L 209, 14.6.2021, p. 1, ELI: <http://data.europa.eu/eli/reg/2021/947/2021-06-14>)

³ Council Regulation (EC) No 1257/96 of 20 June 1996 concerning humanitarian aid (OJ L 163, 2.7.1996, p. 1, ELI: <http://data.europa.eu/eli/reg/1996/1257/2019-07-26>).

Article 212 TFEU is an appropriate legal basis for financial assistance programmes granted by the Union for third countries, which are not developing countries.

- **Subsidiarity (for non-exclusive competence)**

The subsidiarity principle is respected as the need for a common response in providing support to Ukraine on adequate scale cannot be sufficiently achieved by the Member States alone and, by reasons of its scale and effect, can be better achieved by the EU. The main reasons are the fiscal capacity and budgetary constraints faced at the national level and the need for strong donor coordination in order to maximise the scale and effectiveness of the support, while limiting the burden on the administrative capacity of Ukrainian authorities, which is very stretched in the current circumstances. The EU is in a unique position to deliver external assistance to Ukraine to provide support in covering urgent budgetary needs in a predictable, continuous, orderly and timely manner.

- **Proportionality**

The continued unprovoked and unjustified military aggression by Russia requires granting additional financial assistance to Ukraine in line with the objectives and modalities described under this proposal.

The proposed financial support to Ukraine is considered adequate in size for 2026 and 2027, based on the elevated funding needs as assessed by the IMF and the expectations that other donors will continue to support Ukraine in 2026 and 2027, while taking into account the high uncertainty of the war circumstances. Such support does not go beyond what is necessary for the sought purpose to provide structured support to Ukraine and its related financing.

The proposal is proportionate to the scale and gravity of the deficiencies that have been identified, including the need to provide budget support to Ukraine and the need for Ukraine to implement structural reforms on its path to EU accession, also addressing those issues identified in the 2025 enlargement report. The proposal respects the limits of possible Union intervention under the Treaties.

- **Choice of the instrument**

To channel budgetary support made available under the [Ukraine Support Loan] through the Ukraine Facility, it is necessary and appropriate to amend the Ukraine Facility Regulation via an amending regulation.

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

- **Ex-post evaluations/fitness checks of existing legislation**

According to Article 40 of the Ukraine Facility Regulation, the Commission will provide to the European Parliament and the Council an independent interim evaluation report on the implementation of the Facility by 31 December 2026, and an independent *ex post* evaluation report by 31 December 2031.

- **Stakeholder consultations**

The proposal follows up on the European Council conclusions of 18 December 2025 where the European Council agreed to provide a loan to Ukraine of EUR 90 billion for the years 2026-2027 based on EU borrowing on the capital markets backed by the EU budget headroom. In the preparation of this proposal, the Commission services have consulted with international financial institutions and other bilateral (including Member States and G7

members) and multilateral donors. The Commission is also in regular contact with the Ukrainian authorities.

Due to the urgency of preparing the proposal for timely adoption by the co-legislators and ensuring its operational status by early 2026, a formal stakeholder consultation could not be conducted. This approach aims to address the emerging and escalating defence and budgetary needs resulting from Russia's war of aggression.

The EU will continue to ensure appropriate communication and visibility around the objectives and the actions delivered within the scope of this Facility, in Ukraine, within the Union, and beyond.

- **Collection and use of expertise**

The proposal builds on decades long experience with macro-financial assistance, as well as on experience with the Union's external action support. This includes discussions on a regular basis of the latest projections of Ukraine's funding needs within international fora, such as the G7 and the IMF, as well as continuous direct contact with the Ukrainian authorities.

- **Impact assessment**

Due to the urgent nature of the proposal, which is designed to provide urgent assistance to a country at war, no impact assessment could be carried out. The ex-ante assessment of needs proposed to be covered by the additional support to the Ukraine Facility draw upon recent data from the IMF and Ukrainian authorities.

- **Regulatory fitness and simplification**

The proposal is not linked to regulatory fitness and simplification.

- **Fundamental rights**

A precondition for granting support under the Ukraine Support Loan is that Ukraine continues to uphold and respect effective democratic mechanisms and its institutions, including a multi-party parliamentary system, and the rule of law, and to guarantee respect for human rights, including those of persons belonging to minorities. Upholding and respecting the rule of law should include the fight against corruption.

The reform-commitment and political will by the Ukrainian authorities is a positive sign, in particular as evidenced by the European Council granting candidate status to Ukraine in June 2022 and the European Council decision of December 2023 to open accession negotiations with Ukraine, by the renewed successful completion of the structural policy conditionality attached to the recent macro-financial assistance operations to Ukraine and the continuing implementation of the Ukraine Plan. On 14 May 2025, Ukraine adopted roadmaps on (among others) the rule of law, public administration reform and on the functioning of democratic institutions. Bilateral screening meetings were completed in September 2025. Since the Russian aggression, the Ukrainian authorities have shown an impressive degree of resilience and have remained committed to pursue these reforms in a transparent manner and working towards EU standards and in line with the country's path towards EU integration.

In view of this, the precondition for this additional support under the Facility is considered to be met at present. Concurrently, the continuous adherence to this precondition will be further ensured by specific conditions relating to the Commission's assessment of future Ukrainian Financing Strategies and before disbursements.

4. BUDGETARY IMPLICATIONS

The proposal is compatible with the ceilings of the 2021-2027 multiannual financial framework and ceilings of the own resource decisions.

The [Ukraine Support Loan] to Ukraine will take the form of a limited recourse loan to Ukraine of up to EUR 90 billion to be repaid by reparations due by Russia. The borrowing costs associated with the Ukraine Support Loan will be covered by a borrowing cost subsidy pursuant to the [Ukraine Support Loan Regulation].

Further details on the budgetary implications are provided in the Legislative Financial Statement attached to the [UKRAINE SUPPORT LOAN PROPOSAL].

5. OTHER ELEMENTS

- Implementation plans and monitoring, evaluation and reporting arrangements**

Specific provisions on the prevention of fraud and other irregularities, consistent with the Financial Regulation, are applicable, in line with the Framework Agreement concluded under the Ukraine Facility. Additionally, the management and control systems as proposed under the Ukraine Plan established under Regulation (EU) 2024/792 of the European Parliament and of the Council of 29 February 2024 establishing the Ukraine Facility will be applied.

The Commission will provide the European Parliament, the Council and the Committee referred to in Article 39 of the Regulation (EU) 2024/792 with an annual assessment of the implementation of funds provided under the Facility.

Finally, in order to enhance the dialogue between the Union institutions, in particular the European Parliament, the Council and the Commission, and to ensure greater transparency and accountability, the competent committee of the European Parliament may invite the Commission to discuss the implementation of this Regulation.

- Detailed explanation of the specific provisions of the proposal**

The proposal provides for targeted amendments to Regulation (EU) 2024/792 to allow for providing financial and economic assistance to Ukraine in a predictable, continuous manner.

For this purpose, the proposal:

- Sets the modalities for amounts made accessible pursuant to the [Ukraine Support Loan Regulation] to be implemented as additional financial support pursuant to Chapter III of the Ukraine Facility in the form of loans, including that borrowing costs associated with the Ukraine Support Loan will be covered by a borrowing cost subsidy pursuant to the [Ukraine Support Loan Regulation].
- Regulates the entry into force.

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**amending Regulation (EU) 2024/792 establishing the Ukraine Facility**

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 212 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) On 24 February 2022, the President of the Russian Federation announced a military operation in Ukraine, and Russia's armed forces began an unprovoked and unjustified military aggression against Ukraine. This illegal war of aggression is a blatant violation of the territorial integrity, sovereignty and independence of Ukraine, as well as a violation of the prohibition on the use of force enshrined in Article 2(4) of the United Nations (UN) Charter, which is a peremptory rule of international law, and of the other principles of the UN Charter.
- (2) Since the beginning of Russia's unprovoked and unjustified war of aggression against Ukraine, the Union, its Member States and European financial institutions have mobilised unprecedented support for Ukraine's economic, social, financial and defence resilience. That support combines support from the Union budget, including exceptional macro-financial assistance and support from the European Investment Bank and the European Bank for Reconstruction and Development, fully or partially guaranteed by the Union budget, as well as further financial support by Member States.
- (3) On 29 February 2024, Regulation (EU) 2024/792 of the European Parliament and of the Council⁴ established the Ukraine Facility as an exceptional medium-term instrument that brings together the bilateral support provided by the Union to Ukraine, ensuring coordination and efficiency. Over the period 2024 to 2027, the Ukraine Facility helps address Ukraine's financing needs and contributes to its recovery, reconstruction and modernisation needs, while at the same time supporting Ukraine's reforms effort as part of its path towards accession to the Union.
- (4) On XX, Regulation of the European Parliament and of the Council implementing enhanced cooperation on the establishment of the Ukraine Support Loan to Ukraine for 2026 and 2027 was adopted, making possible support to Ukraine for 2026 and

⁴ Regulation (EU) 2024/792 of the European Parliament and of the Council of 29 February 2024 establishing the Ukraine Facility (OJ L, 2024/792, 29.2.2024, ELI: <http://data.europa.eu/eli/reg/2024/792/oj>).

2027]⁵ in the form of a Ukraine Support Loan to be repaid by reparations due by Russia.

- (5) To access the Ukraine Support Loan under [*Ukraine Support Loan Regulation 212 TFEU*], Ukraine is to submit a Ukrainian Financing Strategy on its financing needs and sources, the assessment of which is to be approved by the Council by means of an implementing decision on the basis of a Commission proposal. That implementing decision is to determine the amount of assistance to be made accessible to Ukraine to assist in the implementation of the Ukrainian Financing Strategy, including the amount for budget assistance and the amount for supporting Ukraine's deference industrial capacities.
- (6) Chapter III of Regulation (EU) 2024/792 (Pillar I of the Ukraine Facility: Ukraine Plan) provides for financing to Ukraine upon satisfactory fulfilment of the conditions laid down in the Ukraine Plan, which sets out the reform and investment agenda of Ukraine. As an exceptional medium-term single instrument that brings together bilateral support provided by the Union to Ukraine, ensuring coordination and efficiency, that has, as objectives, to help maintaining the macro-financial stability of the country, contributing to the peaceful recovery, reconstruction, restoration and modernisation of the country, further strengthening the rule of law, democracy, respect for human rights and fundamental freedoms, supporting the integration of Ukraine in the internal market, as well as, among others, the adoption and implementation of the political, institutional, legal, administrative, social and economic reforms required to align to Union values and to progressively align to Union rules, standards, policies and practices ('*acquis*') with a view to future Union membership, thereby contributing to mutual stability, security, peace, prosperity and sustainability, it is appropriate to provide that budget assistance stemming from the [Ukraine Support Loan] to be utilised through the Ukraine Facility. The Ukraine Plan should be updated to reflect such additional budget assistance, including measures to strengthen the rule of law and the fight against corruption.
- (7) Regulation (EU) 2024/792 should therefore be amended accordingly.
- (8) In view of the urgency entailed by the exceptional circumstances caused by Russia's unprovoked and unjustified war of aggression and of recent geopolitical events, it is considered to be appropriate to invoke the exception to the eight-week period provided for in Article 4 of Protocol No 1 on the role of national Parliaments in the European Union, annexed to the Treaty on European Union, to the Treaty on the Functioning of the European Union and to the Treaty establishing the European Atomic Energy Community.
- (9) In the light of the situation in Ukraine and in order to allow for the prompt application of the measures provided for in this Regulation, it should enter into force as a matter of urgency on the day following that of its publication in the *Official Journal of the European Union*,

⁵ Regulation ... of the European Parliament and of the Council of... implementing enhanced cooperation on the establishment of the Ukraine Support Loan to Ukraine for 2026 and 2027 (OJ..., ELI: ...

HAVE ADOPTED THIS REGULATION:

Article 1
Amendments to Regulation (EU) 2024/792

Regulation (EU) 2024/792 is amended as follows:

(1) In Article 6, paragraph 4 is replaced by the following:

‘4. Amounts made accessible pursuant to Article 4(1) of Regulation (EU) [*Ukraine Support Loan Regulation 212 TFEU*] shall be implemented as additional financial support pursuant to Chapter III in the form of loans and shall be in addition to the amounts referred to in paragraphs 2 and 3’.

(2) in Article 22(2) the following subparagraph is added :

‘Upon adoption of the Council implementing decision referred to in Article 19(1) in respect of the amounts referred in second subparagraph of Article 6(4), the Commission shall enter into an amendment or addendum to a loan agreement with Ukraine referred to in the first subparagraph with the purpose of ensuring the implementation of the amounts pursuant to Chapter III, with the exception of rules on the duration and repayment of the loan, including borrowing cost subsidy, which shall be governed by the rules of Regulation (EU) [*Ukraine Support Loan Regulation 212 TFEU*]*.

*Regulation (EU)... of the European Parliament and of the Council of... on ... OJ...’

(3) in Article 23, paragraph 1 is replaced by the following:

‘1. By way of derogation from Article 223(4) of Regulation (EU, Euratom) (EU, Euratom) 2024/2509 and subject to available resources, the Facility may bear the cost of funding, cost of liquidity management, and cost of service for administrative overheads related to the borrowing and lending ('borrowing costs subsidy'), except for costs related to early repayment of the loan and except for amounts made accessible pursuant to Article 4(1) of Regulation (EU) [*Ukraine Support Loan Regulation 212 TFEU*]. For the period from 1 January 2024 to 31 December 2027, the borrowing costs subsidy shall be covered under Chapter V.’

Article 2
Entry into force

This Regulation shall enter into force on the day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the European Parliament
The President

For the Council
The President

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FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

Proposal for a Regulation of the European Parliament and of the Council on amending Regulation (EU) 2024/792 of the European Parliament and of the Council of 29 February 2024 establishing the Ukraine Facility.

1.2. Policy area(s) concerned

EU relation with the rest of the world, economic and financial support.

1.3. Objective(s)

1.3.1. General objective(s)

To make available to Ukraine financial and economic assistance pursuant to the Ukraine Support Loan Regulation with a view to supporting Ukraine in covering its financing needs for 2026 and 2027 notably resulting from Russia's war of aggression

1.3.2. Specific objective(s)

To support macro-financial stability in Ukraine by providing loans under Chapter III of the Ukraine Facility.

1.3.3. Expected result(s) and impact

Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.

Ukraine will be provided with sufficient and continuous financial support for 2026 and 2027 in response to and following the current crisis situation.

1.3.4. Indicators of performance

Specify the indicators for monitoring progress and achievements.

The authorities of Ukraine are required to regularly report on the implementation of the Ukraine Plan.

As regards the objective on easing financing constraints, The Commission services will continue to monitor public finance management, following the operational assessment of the financial circuits and administrative procedures in Ukraine.

An annual report on the implementation of this Regulation to the European Parliament and Council is foreseen. An ex-post evaluation of the Regulation will be carried out by the Commission.

1.4. The proposal/initiative relates to:

- a new action
- a new action following a pilot project / preparatory action⁶
- the extension of an existing action
- a merger or redirection of one or more actions towards another/a new action

1.5. Grounds for the proposal/initiative

1.5.1. Requirement(s) to be met in the short or long term including a detailed timeline for roll-out of the implementation of the initiative

Specific provisions on the prevention of fraud and other irregularities, consistent with the Financial Regulation, are applicable, including the relevant provisions on ensuring the Union's financial interest as laid down in the Framework Agreement under Regulation (EU) 2024/792.

1.5.2. Added value of EU involvement (it may result from different factors, e.g. coordination gains, legal certainty, greater effectiveness or complementarities). For the purposes of this section 'added value of EU involvement' is the value resulting

⁶

As referred to in Article 58(2), point (a) or (b) of the Financial Regulation.

from EU action, that is additional to the value that would have been otherwise created by Member States alone.

Reasons for action at EU level (ex-ante): This proposal responds to the need for a common response in providing support to Ukraine on an adequate scale, which cannot be sufficiently achieved by the Member States alone and can be better achieved by the EU. The main reasons are the fiscal capacity and budgetary constraints faced at the national level and the need for strong coordination in order to maximise the scale and effectiveness of the support, while limiting the burden on the administrative capacity of Ukrainian authorities, which is very stretched in the current circumstances.

The initiative is part of the EU's objective to provide support to Ukraine and reinforces actions by the Union for economic support, as well as the Union's initiatives to coordinate multilateral actions.

Expected generated EU added value (ex-post): The expected EU added value, notably in comparison to other EU instruments, is to swiftly support macro-financial stability via easing Ukraine's external and internal financing constraints - within an appropriate framework for reporting requirements.

1.5.3. Lessons learned from similar experiences in the past

While the Facility is to a large extent an unprecedented instrument designed to respond to a specific situation faced by a country at war, which is a neighbouring country of the Union as well as being a candidate for membership of the Union, the proposal builds on the experience of past and current support provided to Ukraine and other third countries, as well as on the lessons learned from the Recovery and Resilience Facility, which was established in 2020, while accounting for the specific circumstances of Ukraine being a country at war.

The mid-term evaluation of the Facility is underway, with the results due to be presented in 2026.

1.5.4. Compatibility with the multiannual financial framework and possible synergies with other appropriate instruments

The proposal is compatible with the ceilings of the 2021-2027 multiannual financial framework. Details of the compatibility of the Ukraine Support Loan can be found in the [UKRAINE SUPPORT LOAN PROPOSAL DOCUMENT]

1.5.5. Assessment of the different available financing options, including scope for redeployment

On 18 December the European Council agreed a EUR 90 billion to Ukraine to meet its financing needs over 2026-2027. This will be the main instrument for the EU to provide financial support to Ukraine to cover its critical needs.

1.6. Duration of the proposal/initiative and of its financial impact

limited duration

- in effect from 01/12/2025 to 31/12/2027
 - financial impact from YYYY to YYYY for commitment appropriations and from YYYY to YYYY for payment appropriations.

unlimited duration

- Implementation with a start-up period from YYYY to YYYY,
- followed by full-scale operation.

1.7. Method(s) of budget implementation planned

Direct management by the Commission

- by its departments, including by its staff in the Union delegations;
- by the executive agencies

Shared management with the Member States

Indirect management by entrusting budget implementation tasks to:

- third countries or the bodies they have designated
- international organisations and their agencies (to be specified)
- the European Investment Bank and the European Investment Fund
- bodies referred to in Articles 70 and 71 of the Financial Regulation
- public law bodies
- bodies governed by private law with a public service mission to the extent that they are provided with adequate financial guarantees
- bodies governed by the private law of a Member State that are entrusted with the implementation of a public-private partnership and that are provided with adequate financial guarantees
- bodies or persons entrusted with the implementation of specific actions in the common foreign and security policy pursuant to Title V of the Treaty on European Union, and identified in the relevant basic act
- bodies established in a Member State, governed by the private law of a Member State or Union law and eligible to be entrusted, in accordance with sector-specific rules, with the implementation of Union funds or budgetary guarantees, to the extent that such bodies are controlled by public law bodies or by bodies governed by private law with a public service mission, and are provided with adequate financial guarantees in the form of joint and several liability by the controlling bodies or equivalent financial guarantees and which may be, for each action, limited to the maximum amount of the Union support.

Comments

N/A

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

The monitoring and reporting obligations under Regulation (EU) 2024/792 apply.

The Commission will report annually to the European Parliament, the Council, and the Committee referred to in Article 39 on the implementation of funds provided under the Facility. The Commission will also carry out an ex-post evaluation of the Regulation.

2.2. Management and control system(s)

2.2.1. *Justification of the budget implementation method(s), the funding implementation mechanism(s), the payment modalities and the control strategy proposed*

The actions to be financed under this proposal will be implemented under direct management by the Commission.

2.2.2. *Information concerning the risks identified and the internal control system(s) set up to mitigate them*

To protect the Union's financial interests, Ukraine will utilise the management and control systems as proposed in the Ukraine Plan established under Regulation (EU) 2024/792.

2.2.3. *Estimation and justification of the cost-effectiveness of the controls (ratio between the control costs and the value of the related funds managed), and assessment of the expected levels of risk of error (at payment & at closure)*

Financial contribution will be provided to Ukraine in the form of financing not linked to cost referred to in point (a) of Article 125(1) of the Financial Regulation.

2.3. Measures to prevent fraud and irregularities

Ukraine will, in accordance with the Financial Regulation, grant the necessary rights and access to the Commission, the European Anti-Fraud Office (OLAF), the European Court of Auditors and, where applicable, the European Public Prosecutor's Office, including from third parties involved in the implementation of Union funds during and after the availability period of the Guaranteed Loan. Ukraine should also report irregularities in relation to the use of the funds to the Commission, in line with the procedures provided for in the framework agreement under the Ukraine Facility.

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

- Existing budget lines

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number	Diff./Non-diff. ⁷	from EFTA countries ⁸	from candidate countries and potential candidates ⁹	From other third countries	other assigned revenue
	[XX.YY.YY.YY]	Diff./Non-diff.	YES/NO	YES/NO	YES/NO	YES/NO
	[XX.YY.YY.YY]	Diff./Non-diff.	YES/NO	YES/NO	YES/NO	YES/NO
	[XX.YY.YY.YY]	Diff./Non-diff.	YES/NO	YES/NO	YES/NO	YES/NO

- New budget lines requested

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number	Diff./Non-diff.	from EFTA countries	from candidate countries and potential candidates	from other third countries	other assigned revenue
	[XX.YY.YY.YY]	Diff./Non-diff.	YES/NO	YES/NO	YES/NO	YES/NO
	[XX.YY.YY.YY]	Diff./Non-diff.	YES/NO	YES/NO	YES/NO	YES/NO
	[XX.YY.YY.YY]	Diff./Non-diff.	YES/NO	YES/NO	YES/NO	YES/NO

⁷ Diff. = Differentiated appropriations / Non-diff. = Non-differentiated appropriations.

⁸ EFTA: European Free Trade Association.

⁹ Candidate countries and, where applicable, potential candidates from the Western Balkans.

3.2. Estimated financial impact of the proposal on appropriations

3.2.1. Summary of estimated impact on operational appropriations

- The proposal/initiative does not require the use of operational appropriations
- The proposal/initiative requires the use of operational appropriations, as explained below

3.2.1.1. Appropriations from voted budget

EUR million (to three decimal places)

Heading of multiannual financial framework	Number					
DG: <.....>		Year	Year	Year	Year	TOTAL MFF 2021-2027
		2024	2025	2026	2027	
Operational appropriations						
Budget line	Commitments	(1a)				0.000
	Payments	(2a)				0.000
Budget line	Commitments	(1b)				0.000
	Payments	(2b)				0.000
Appropriations of an administrative nature financed from the envelope of specific programmes						
Budget line		(3)				0.000
TOTAL appropriations for DG <.....>	Commitments	=1a+1b+3	0.000	0.000	0.000	0.000
	Payments	=2a+2b+3	0.000	0.000	0.000	0.000

			Year	Year	Year	Year	TOTAL MFF 2021-2027
			2024	2025	2026	2027	
TOTAL operational appropriations	Commitments	(4)	0.000	0.000	0.000	0.000	0.000
	Payments	(5)	0.000	0.000	0.000	0.000	0.000
TOTAL appropriations of an administrative nature financed from the envelope for specific programmes		(6)	0.000	0.000	0.000	0.000	0.000
TOTAL appropriations under HEADING <....> of the multiannual financial framework	Commitments	=4+6	0.000	0.000	0.000	0.000	0.000
	Payments	=5+6	0.000	0.000	0.000	0.000	0.000

			Year 2024	Year 2025	Year 2026	Year 2027	TOTAL MFF 2021-2027
• TOTAL operational appropriations (all operational headings)	Commitments	(4)	0.000	0.000	0.000	0.000	0.000
	Payments	(5)	0.000	0.000	0.000	0.000	0.000
• TOTAL appropriations of an administrative nature financed from the envelope for specific programmes (all operational headings)		(6)	0.000	0.000	0.000	0.000	0.000
TOTAL appropriations Under Heading 1 to 6 of the multiannual financial framework (Reference amount)	Commitments	=4+6	0.000	0.000	0.000	0.000	0.000
	Payments	=5+6	0.000	0.000	0.000	0.000	0.000

Heading of multiannual financial framework	7	'Administrative expenditure'
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DG: <.....>		Year 2024	Year 2025	Year 2026	Year 2027	TOTAL MFF 2021- 2027
• Human resources		0.000	0.000	0.000	0.000	0.000
• Other administrative expenditure		0.000	0.000	0.000	0.000	0.000
TOTAL DG <.....>	Appropriations	0.000	0.000	0.000	0.000	0.000

DG: <.....>		Year 2024	Year 2025	Year 2026	Year 2027	TOTAL MFF 2021- 2027
• Human resources		0.000	0.000	0.000	0.000	0.000
• Other administrative expenditure		0.000	0.000	0.000	0.000	0.000
TOTAL DG <.....>	Appropriations	0.000	0.000	0.000	0.000	0.000

TOTAL appropriations under HEADING 7 of the multiannual financial framework	(Total commitments = Total payments)	0.000	0.000	0.000	0.000	0.000
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EUR million (to three decimal places)

		Year 2024	Year 2025	Year 2026	Year 2027	TOTAL MFF 2021-2027
TOTAL appropriations under HEADINGS 1 to 7	Commitments	0.000	0.000	0.000	0.000	0.000
of the multiannual financial framework	Payments	0.000	0.000	0.000	0.000	0.000

3.2.1.2. Appropriations from external assigned revenues

EUR million (to three decimal places)

Heading of multiannual financial framework	Number					
--------------------------------------------	--------	--	--	--	--	--

DG: <.....>		Year	Year	Year	Year	TOTAL MFF 2021-2027
		2024	2025	2026	2027	
Operational appropriations						
Budget line	Commitments	(1a)				0.000
	Payments	(2a)				0.000
Budget line	Commitments	(1b)				0.000
	Payments	(2b)				0.000
Appropriations of an administrative nature financed from the envelope of specific programmes						
Budget line		(3)				0.000
TOTAL appropriations for DG <.....>		Commitments	=1a+1b+3	0.000	0.000	0.000
		Payments	=2a+2b+3	0.000	0.000	0.000

		Year	Year	Year	Year	TOTAL MFF 2021-2027
		2024	2025	2026	2027	

TOTAL	operational	appropriations	Commitments	(4)	0.000	0.000	0.000	0.000	0.000		
			Payments	(5)	0.000	0.000	0.000	0.000	0.000		
TOTAL appropriations of an administrative nature financed from the envelope for specific programmes				(6)	0.000	0.000	0.000	0.000	0.000		
TOTAL appropriations under HEADING <....> of the multiannual financial framework			Commitments	=4+6	0.000	0.000	0.000	0.000	0.000		
			Payments	=5+6	0.000	0.000	0.000	0.000	0.000		

				Year	Year	Year	Year	TOTAL MFF 2021-2027			
				2024	2025	2026	2027				
TOTAL	operational	appropriations	Commitments	(4)	0.000	0.000	0.000	0.000	0.000		
			Payments	(5)	0.000	0.000	0.000	0.000	0.000		
TOTAL appropriations of an administrative nature financed from the envelope for specific programmes				(6)	0.000	0.000	0.000	0.000	0.000		
TOTAL appropriations under HEADING <....> of the multiannual financial framework			Commitments	=4+6	0.000	0.000	0.000	0.000	0.000		
			Payments	=5+6	0.000	0.000	0.000	0.000	0.000		
				Year 2024	Year 2025	Year 2026	Year 2027	TOTAL MFF 2021-2027			

• TOTAL operational appropriations (all operational headings)	Commitments	(4)	0.000	0.000	0.000	0.000	0.000
	Payments	(5)	0.000	0.000	0.000	0.000	0.000
• TOTAL appropriations of an administrative nature financed from the envelope for specific programmes (all operational headings)		(6)	0.000	0.000	0.000	0.000	0.000
TOTAL appropriations under Headings 1 to 6 of the multiannual financial framework (Reference amount)	Commitments	=4+6	0.000	0.000	0.000	0.000	0.000
	Payments	=5+6	0.000	0.000	0.000	0.000	0.000

Heading of multiannual financial framework	7	‘Administrative expenditure’
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EUR million (to three decimal places)

DG: <.....>		Year 2024	Year 2025	Year 2026	Year 2027	TOTAL MFF 2021- 2027
• Human resources		0.000	0.000	0.000	0.000	0.000
• Other administrative expenditure		0.000	0.000	0.000	0.000	0.000
TOTAL DG <.....>	Appropriations	0.000	0.000	0.000	0.000	0.000

DG: <.....>		Year 2024	Year 2025	Year 2026	Year 2027	TOTAL MFF 2021- 2027
• Human resources		0.000	0.000	0.000	0.000	0.000
• Other administrative expenditure		0.000	0.000	0.000	0.000	0.000
TOTAL DG <.....>	Appropriations	0.000	0.000	0.000	0.000	0.000

TOTAL appropriations under HEADING 7 of the multiannual financial framework	(Total commitments = Total payments)	0.000	0.000	0.000	0.000	0.000
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EUR million (to three decimal places)

		Year 2024	Year 2025	Year 2026	Year 2027	TOTAL MFF 2021-2027
TOTAL appropriations under HEADINGS 1 to 7	Commitments	0.000	0.000	0.000	0.000	0.000
of the multiannual financial framework	Payments	0.000	0.000	0.000	0.000	0.000

3.2.2. *Estimated output funded from operational appropriations (not to be completed for decentralised agencies)*

Commitment appropriations in EUR million (to three decimal places)

Indicate objectives and outputs ↓			Year 2024	Year 2025	Year 2026	Year 2027	Enter as many years as necessary to show the duration of the impact (see Section 1.6)				TOTAL			
	OUTPUTS													
	Type ¹⁰	Average cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	Total No	Total cost
SPECIFIC OBJECTIVE No 1 ¹¹ ...														
- Output														
- Output														
- Output														
Subtotal for specific objective No 1														
SPECIFIC OBJECTIVE No 2 ...														
- Output														
Subtotal for specific objective No 2														
TOTALS														

¹⁰ Outputs are products and services to be supplied (e.g. number of student exchanges financed, number of km of roads built, etc.).

¹¹ As described in Section 1.3.2. 'Specific objective(s)'

3.2.3. *Summary of estimated impact on administrative appropriations*

- The proposal/initiative does not require the use of appropriations of an administrative nature
- The proposal/initiative requires the use of appropriations of an administrative nature, as explained below

3.2.3.1. *Appropriations from voted budget*

VOTED APPROPRIATIONS	Year	Year	Year	Year	TOTAL 2021 - 2027
	2024	2025	2026	2027	
HEADING 7					
Human resources	0.000	0.000	0.000	0.000	0.000
Other administrative expenditure	0.000	0.000	0.000	0.000	0.000
Subtotal HEADING 7	0.000	0.000	0.000	0.000	0.000
Outside HEADING 7					
Human resources	0.000	0.000	0.000	0.000	0.000
Other expenditure of an administrative nature	0.000	0.000	0.000	0.000	0.000
Subtotal outside HEADING 7	0.000	0.000	0.000	0.000	0.000
TOTAL	0.000	0.000	0.000	0.000	0.000

3.2.3.2. *Appropriations from external assigned revenues*

EXTERNAL ASSIGNED REVENUES	Year	Year	Year	Year	TOTAL 2021 - 2027
	2024	2025	2026	2027	
HEADING 7					
Human resources	0.000	0.000	0.000	0.000	0.000
Other administrative expenditure	0.000	0.000	0.000	0.000	0.000
Subtotal HEADING 7	0.000	0.000	0.000	0.000	0.000
Outside HEADING 7					
Human resources	0.000	0.000	0.000	0.000	0.000
Other expenditure of an administrative nature	0.000	0.000	0.000	0.000	0.000
Subtotal outside HEADING 7	0.000	0.000	0.000	0.000	0.000
TOTAL	0.000	0.000	0.000	0.000	0.000

3.2.3.3. *Total appropriations*

TOTAL VOTED APPROPRIATIONS + EXTERNAL ASSIGNED REVENUES	Year	Year	Year	Year	TOTAL 2021 - 2027
	2024	2025	2026	2027	
HEADING 7					
Human resources	0.000	0.000	0.000	0.000	0.000
Other administrative expenditure	0.000	0.000	0.000	0.000	0.000
Subtotal HEADING 7	0.000	0.000	0.000	0.000	0.000
Outside HEADING 7					
Human resources	0.000	0.000	0.000	0.000	0.000

Other expenditure of an administrative nature	0.000	0.000	0.000	0.000	0.000
Subtotal outside HEADING 7	0.000	0.000	0.000	0.000	0.000
TOTAL	0.000	0.000	0.000	0.000	0.000

The appropriations required for human resources and other expenditure of an administrative nature will be met by appropriations from the DG that are already assigned to management of the action and/or have been redeployed within the DG, together, if necessary, with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

3.2.4. *Estimated requirements of human resources*

- The proposal/initiative does not require the use of human resources
- The proposal/initiative requires the use of human resources, as explained below

3.2.4.1. *Financed from voted budget*

Estimate to be expressed in full-time equivalent units (FTEs)

VOTED APPROPRIATIONS	Year 2024	Year 2025	Year 2026	Year 2027
• Establishment plan posts (officials and temporary staff)				
20 01 02 01 (Headquarters and Commission's Representation Offices)	0	0	0	0
20 01 02 03 (EU Delegations)	0	0	0	0
01 01 01 01 (Indirect research)	0	0	0	0
01 01 01 11 (Direct research)	0	0	0	0
Other budget lines (specify)	0	0	0	0
• External staff (inFTEs)				
20 02 01 (AC, END from the 'global envelope')	0	0	0	0
20 02 03 (AC, AL, END and JPD in the EU Delegations)	0	0	0	0
Admin. Support line [XX.01.YY.YY]	- at Headquarters	0	0	0
	- in EU Delegations	0	0	0
01 01 01 02 (AC, END - Indirect research)	0	0	0	0
01 01 01 12 (AC, END - Direct research)	0	0	0	0
Other budget lines (specify) - Heading 7	0	0	0	0
Other budget lines (specify) - Outside Heading 7	0	0	0	0
TOTAL	0	0	0	0

3.2.4.2. *Financed from external assigned revenues*

EXTERNAL ASSIGNED REVENUES	Year 2024	Year 2025	Year 2026	Year 2027
• Establishment plan posts (officials and temporary staff)				
20 01 02 01 (Headquarters and Commission's Representation Offices)	0	0	0	0
20 01 02 03 (EU Delegations)	0	0	0	0
01 01 01 01 (Indirect research)	0	0	0	0
01 01 01 11 (Direct research)	0	0	0	0

Other budget lines (specify)	0	0	0	0
• External staff (in full time equivalent units)				
20 02 01 (AC, END from the 'global envelope')	0	0	0	0
20 02 03 (AC, AL, END and JPD in the EU Delegations)	0	0	0	0
Admin. Support line [XX.01.YY.YY]	- at Headquarters	0	0	0
	- in EU Delegations	0	0	0
01 01 01 02 (AC, END - Indirect research)	0	0	0	0
01 01 01 12 (AC, END - Direct research)	0	0	0	0
Other budget lines (specify) - Heading 7	0	0	0	0
Other budget lines (specify) - Outside Heading 7	0	0	0	0
TOTAL	0	0	0	0

3.2.4.3. Total requirements of human resources

TOTAL VOTED APPROPRIATIONS + EXTERNAL ASSIGNED REVENUES	Year	Year	Year	Year
	2024	2025	2026	2027
• Establishment plan posts (officials and temporary staff)				
20 01 02 01 (Headquarters and Commission's Representation Offices)	0	0	0	0
20 01 02 03 (EU Delegations)	0	0	0	0
01 01 01 01 (Indirect research)	0	0	0	0
01 01 01 11 (Direct research)	0	0	0	0
Other budget lines (specify)	0	0	0	0
• External staff (in full time equivalent units)				
20 02 01 (AC, END from the 'global envelope')	0	0	0	0
20 02 03 (AC, AL, END and JPD in the EU Delegations)	0	0	0	0
Admin. Support line [XX.01.YY.YY]	- at Headquarters	0	0	0
	- in EU Delegations	0	0	0
01 01 01 02 (AC, END - Indirect research)	0	0	0	0
01 01 01 12 (AC, END - Direct research)	0	0	0	0
Other budget lines (specify) - Heading 7	0	0	0	0
Other budget lines (specify) - Outside Heading 7	0	0	0	0
TOTAL	0	0	0	0

The staff required to implement the proposal (in FTEs):

	To be covered by current staff available in the Commission services	Exceptional additional staff*		
		To be financed under Heading 7 or Research	To be financed from BA line	To be financed from fees
Establishment plan posts			N/A	

External staff (CA, SNEs, INT)				
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Description of tasks to be carried out by:

Officials and temporary staff	
External staff	

3.2.5. *Overview of estimated impact on digital technology-related investments*

Compulsory: the best estimate of the digital technology-related investments entailed by the proposal/initiative should be included in the table below.

Exceptionally, when required for the implementation of the proposal/initiative, the appropriations under Heading 7 should be presented in the designated line.

The appropriations under Headings 1-6 should be reflected as “Policy IT expenditure on operational programmes”. This expenditure refers to the operational budget to be used to re-use/ buy/ develop IT platforms/ tools directly linked to the implementation of the initiative and their associated investments (e.g. licences, studies, data storage etc). The information provided in this table should be consistent with details presented under Section 4 “Digital dimensions”.

TOTAL Digital and IT appropriations	Year	Year	Year	Year	TOTAL MFF 2021 - 2027
	2024	2025	2026	2027	
HEADING 7					
IT expenditure (corporate)	0.000	0.000	0.000	0.000	0.000
Subtotal HEADING 7	0.000	0.000	0.000	0.000	0.000
Outside HEADING 7					
Policy IT expenditure on operational programmes	0.000	0.000	0.000	0.000	0.000
Subtotal outside HEADING 7	0.000	0.000	0.000	0.000	0.000
TOTAL	0.000	0.000	0.000	0.000	0.000

3.2.6. *Compatibility with the current multiannual financial framework*

The proposal/initiative:

- can be fully financed through redeployment within the relevant heading of the multiannual financial framework (MFF)
- requires use of the unallocated margin under the relevant heading of the MFF and/or use of the special instruments as defined in the MFF Regulation
- requires a revision of the MFF

3.2.7. *Third-party contributions*

The proposal/initiative:

- does not provide for co-financing by third parties

- provides for the co-financing by third parties estimated below:

Appropriations in EUR million (to three decimal places)

	Year 2024	Year 2025	Year 2026	Year 2027	Total
Specify the co-financing body					
TOTAL appropriations co-financed					

3.3. Estimated impact on revenue

- The proposal/initiative has no financial impact on revenue.
- The proposal/initiative has the following financial impact:
 - on own resources
 - on other revenue
 - please indicate, if the revenue is assigned to expenditure lines

EUR million (to three decimal places)

Budget revenue line:	Appropriations available for the current financial year	Impact of the proposal/initiative ¹²			
		Year 2024	Year 2025	Year 2026	Year 2027
Article					

For assigned revenue, specify the budget expenditure line(s) affected.

Other remarks (e.g. method/formula used for calculating the impact on revenue or any other information).

4. DIGITAL DIMENSIONS

4.1. Requirements of digital relevance

The initiative provides support to a third country and does not establish new EU-level digital public services for natural or legal persons inside the Union. Nonetheless, digital elements are supportive for the Ukraine Support Loan where financial assistance management, defence industrial capability support, and loan initiatives require information exchange, verification, storage and also provision of information to the Council and European Parliament where applicable.

R1 – Digital processes for financing and implementation.

Description: transmission of reports, statements or supporting documents electronically

¹² As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 20% for collection costs.

using secure channels and Commission systems for workflows such as requests, verification, implementing decision or disbursements.

Stakeholders: Commission services and Council; beneficiary authorities, and EEAS for monitoring the preconditions defined in Article 5.

Processes: Reporting, monitoring, financial management, information exchange.

R2 – Exchange with the European Parliament and the Council, including audit-relevant information (in particular Articles 37 and 39)

Description: The Commission must provide the European Parliament and Council with reports and sensitive information through secure systems, where necessary.

Stakeholders: Commission services; European Parliament; Council; beneficiary authorities (upstream).

Processes: Reporting; audit information exchange; transmission of classified/sensitive documents.

4.2. Data

For R1 and R2, the data includes financial figures, disbursement documentation, and other information (including potentially sensitive/classified material).

Data exchanges are purpose-bound, minimal, interoperable and carried out through existing secure EU systems, avoiding duplicate data collection, aligning with the European Data Strategy.

Existing Commission datasets and reporting channels will get reused and the aim is that data already submitted for disbursement or monitoring is not requested again, in-line with the once-only principle.

Providers: Beneficiary authorities (R1).

Recipients: Commission services; European Parliament and Council for reporting (R2).

Triggers: Reporting cycles, disbursement requests, guarantee notifications, audit requirements.

Frequency: Periodic (e.g. monthly, or as otherwise defined in the Regulation), and ad hoc for financial or audit needs.

4.3. Digital solutions

Concerning all relevant requirements of digital relevance (R1, R2), the Commission shall use a secured exchange system and data templates in order to facilitate the exchange of classified information and sensitive information between the Commission and Ukraine and, where appropriate, with the Member States or third countries.

Responsibility: Commission services and beneficiary authorities or Member States or third countries, where appropriate.

AI: No AI functionality is mandated.

Compliance: All systems shall comply with the EU cybersecurity framework, eIDAS, data-protection rules, and Commission rules on handling classified information.

Reusability: All digital solutions build on existing Commission infrastructure.

4.4. *Interoperability assessment*

The Regulation requires secure exchange of classified/sensitive information, access by the Commission to all necessary data for obligations laid down in the Regulation, including verification, and protection of data. All obligations are planned to be met using existing Commission secure systems without interoperability gaps. This supports R1 and R2.

4.5. *Measures to support digital implementation*

As the Commission already provides assistance to the beneficiary country under existing financial and operational support frameworks, no additional digital implementation measures are required for R1 and R2.