EUROPEAN
COMMISSION

Brussels, 18.11.2026
COM(2026) 636 final

2026/0363 (COD)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on the establishment of the Instrument for Coordinated Support to Ukraine for 2027 and amending Regulations (EU) 2024/792 and (EU) 2024/2773

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[1]. In light of the escalating Russian aggression, it is necessary to act swiftly to ensure Ukraine has access to the resources it urgently needs. This proposal is designed to ensure the establishment of a new instrument to address those urgent needs, by providing Union assistance to Ukraine in the form of a loan to be repaid by reparations due by Russia.

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 2027 are set to surpass existing projections by the International Monetary Fund (IMF), whose first review of the IMF Programme underlines that risks and uncertainty remain exceptionally high. The IMF's ability to continue this programme is contingent upon receiving sufficient financing assurances from partners, including the Union.

Ukraine's recently assessed financing strategy for 2027, based on the draft 2027 State budget that was developed in cooperation with the IMF, projects defence and security expenditure of EUR 150.1 billion, supported by EUR 21.1 billion of in-kind military assistance and EUR 31.7 billion from the Ukraine Support Loan. Given the negative impact of the war on Ukraine's economy, that strategy projects that, in addition to the necessary in-kind assistance, EUR 40.9 billion of international military aid is needed. Ukraine's economy is already vulnerable due to damage to key infrastructure, labour shortages, and the ongoing displacement and mobilisation of people. It is further at risk of additional negative shocks due to increasing attacks that may lead to increased expenditure needs and reduced tax revenues. Swift financial assistance is vital to help Ukraine maintain essential state functions, ensure macroeconomic stability, rehabilitate critical energy infrastructures, and invest into its

[1] European Council Conclusions, 16 October 2026; EUCO 14/26.

Defence Technological and Industrial Base. These needs come on top of significant requirements for medium-term recovery and reconstruction.

In its conclusions of 27 June 2024, 17 October 2024, 19 December 2024 and 23 October 2025, the European Council has stated that, subject to Union law, Russia's assets should remain immobilised until Russia ceases its war of aggression against Ukraine and compensates it for the damage caused by this war. Additionally, Council Regulation (EU) 2025/2600[2] temporarily prohibits the transfer of assets or reserves of the Central Bank of Russia until Russia ceases its war of aggression against Ukraine, Russia provides reparations to Ukraine to the extent necessary to allow for reconstruction without adverse economic or financial consequences for the Union, and Russia's actions in the context of its war of aggression against Ukraine have objectively ceased to pose a serious risk of severe difficulties to the economy of the Union and its Member States.

Against this background, it is proposed to establish a new support instrument for Ukraine of up to EUR 45 billion in loans guaranteed by the EU budget headroom, which Ukraine would only repay once it receives reparations from Russia (the 'Instrument for Coordinated Support to Ukraine'). In order for the Union to work with like-minded partners in the implementation of the Instrument for Coordinated Support to Ukraine to address Ukraine's financing needs, it is further proposed to (a) amend Regulation (EU) 2024/2773[3], which, *inter alia*, established the Ukraine Loan Cooperation Mechanism to facilitate the implementation of the G7 'Extraordinary Revenue Acceleration Loans for Ukraine' initiative, to support G7 members in providing new loans to Ukraine ('second-generation ERA loans') and (b) amend Regulation (EU) 2024/792 establishing the Ukraine Facility[4] to enable certain third-countries to provide financial guarantees to the Union to allow the mobilisation of up to EUR 5 billion in additional loans.

An Instrument for Coordinated Support to Ukraine

Ukraine's debt to GDP ratio has drastically expanded since the start of the war, jumping from less than 50% of GDP at end 2021 to 90% of GDP in 2026 (more than 135% of GDP including ERA loans and Ukraine Support Loan financing). Given the significant destruction that the war has had on productivity and the on-going drag that the war has on growth dynamics, the significant financing needs of Ukraine are not possible to be addressed by Ukraine taking on further debt.

At the same time, Member State's finances are still recovering from a succession of crises during the last decade, including the significant expenses generated by Russia's war in Ukraine and Russia's hybrid campaign against the Union. The mobilisation of additional significant resources by Member States to be able to finance Ukraine would constitute an important economic challenge.

In this context of difficult debt dynamics of Ukraine due to the on-going Russian aggression and the challenges associated with Member States finances, including as of Russia's actions,

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2 Council Regulation (EU) 2025/2600 of 12 December 2025 on emergency measures addressing the serious economic difficulties caused by Russia's actions in the context of the war of aggression against Ukraine (OJ L, 2025/2600, 13.12.2025, ELI: http://data.europa.eu/eli/reg/2025/2600/oj).

3 Regulation (EU) 2024/2773 of the European Parliament and of the Council of 24 October 2024 establishing the Ukraine Loan Cooperation Mechanism and providing exceptional macro-financial assistance to Ukraine (OJ L, 2024/2773, 28.10.2024, ELI: http://data.europa.eu/eli/reg/2024/2773/oj).

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).

it is appropriate to develop an innovative solution that is not expected to place a financial burden on either Ukraine or Member States.

In line with the International Law Commission's Draft Articles on the Responsibility of States for Internationally Wrongful Acts (ARSIWA)[5] and customary international law, Russia – as the responsible state – is under an obligation to make full reparation for the injury caused by its war of aggression against Ukraine. In particular, Articles 30 – 32 of ARSIWA provide that "*The State responsible for the internationally wrongful act is under an obligation: (a) to cease that act, if it is continuing; [...]; "The responsible State is under an obligation to make full reparation for the injury caused by the internationally wrongful act." "Injury includes any damage, whether material or moral, caused by the internationally wrongful act of a State.*"

In the context of this legal obligation on Russia to make reparations for the damage that it has caused through its illegal war of aggression, it is appropriate for the Union to provide the Instrument for Coordinated Support to Ukraine as a limited recourse loan that will become due and payable when Ukraine receives from Russia cash or non-monetary assets as war reparations, indemnities or any financial settlement from Russia, other than territory.

Use of funds

Given Ukraine's financing needs and the considerable uncertainty on the future of the war, it is critical that the Instrument for Coordinated Support to Ukraine is designed in a flexible manner that is reactive to the situation. There should be flexibility to use the money towards the most pressing financing needs, whether driven by the current war situation or also to support reconstruction should peace prevail.

This proposal provides for a Instrument for Coordinated Support to Ukraine that will be delivered in a predictable, continuous, orderly, flexible and timely manner with a view to supporting Ukraine in covering its financing and defence needs in 2027, in particular those resulting from Russia's war of aggression. Specifically, the Instrument for Coordinated Support to Ukraine should provide financial and economic assistance to Ukraine and ease its external financing constraints, whether driven by war or by reconstruction, and support Ukraine's defence industrial capacities through economic, financial and technical cooperation.

To provide financial and economic assistance to Ukraine and ease its external financing constraints, the 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. Under both instruments, disbursements will be linked to preconditions and policy conditions. For macro-financial assistance, those conditions would be set out in a memorandum of understanding (MoU) between the Commission and Ukraine including conditions to strengthen revenue mobilisation, tackle root causes of corruption, improving the sustainability and quality of public expenditure and enhance the efficiency, transparency and accountability of the public finance management systems. For the Ukraine Facility, the Ukraine Plan should be updated to reflect these additional amounts, including measures to strengthen the rule of law and the fight against corruption, measures to accelerate Ukraine's accession to the Union and, where necessary, measures to strengthen defence industrial cooperation and the integration of Ukraine's defense industrial capacities into the European Defence Technological and Industrial Base. Regulation (EU) 2024/792 establishing the Ukraine Facility should therefore be amended

[5] Articles on Responsibility of States for Internationally Wrongful Acts, 2001, International Law Commission.

accordingly in order to allow for the budget assistance stemming from the Instrument for Coordinated Support to Ukraine to be utilised through the Ukraine Facility.

To support Ukraine's defence industrial capacities through economic, financial and technical cooperation, the proposal provides for assistance that aims at enabling Ukraine to carry out urgent and major public investments in support of the Ukrainian defence industry and its integration into the European defence industry in response to and following the current crisis situation. In order to urgently reinforce the Ukrainian defence industrial base in an efficient and autonomous manner, eligibility criteria should be structured in a manner that directs the activities, expenditures and measures to support Ukraine's defence industrial capacities towards the reconstruction, recovery and modernisation of the Ukrainian Defence Technological and Industrial Base, taking into account its gradual future integration into the European Defence Technological and Industrial Base. Furthermore, in order to allow Ukraine to use the financial and economic assistance in the way that is the most adapted to the circumstances, it is appropriate to allow it to employ the funds to support Ukraine's defence industrial capacities by different implementation methods that reflect the diversity of the needs.

Amendment to Regulation (EU) 2024/2773

The G7 Leaders, in their Communiqué adopted on 14 June 2024 in Apulia, reaffirmed their unwavering support for Ukraine and their strong commitment to helping Ukraine meet its urgent short-term financing needs, as well as to supporting its long-term recovery and reconstruction priorities. To that end, G7 Leaders agreed on 25 October 2024 on the 'Extraordinary Revenue Acceleration Loans for Ukraine' ('ERA Loans') initiative, in order to make available approximately USD 50 billion in additional funding for Ukraine's military, budget and reconstruction needs. That financing is being serviced and repaid by flows of extraordinary revenues stemming from the immobilisation of Russian sovereign assets held in the Union and other relevant jurisdictions.

Regulation (EU) 2024/2773 established the Ukraine Loan Cooperation Mechanism and provided exceptional macro-financial assistance to Ukraine. That Ukraine Loan Cooperation Mechanism collects and distributes extraordinary revenues stemming from the immobilisation of Russian sovereign assets held in the Union to support Ukraine in repaying ERA Loans, but currently does not provide for what will happen to inflows into that Mechanism once all initial ERA Loans are repaid.

To that end, Regulation (EU) 2024/2773 should be amended to support G7 members in providing new loans to Ukraine ('second-generation ERA loans'). Such new loans would be repaid from future flows of extraordinary revenues stemming from the immobilisation of Russian sovereign assets held in the Union and other relevant jurisdictions once the initially supported loans have been repaid.

Amendment to Regulation (EU) 2024/792

To further address Ukraine's financing needs, and to ensure maximum coordination and consistency across international partners and donors, Regulation (EU) 2024/792 should be amended to enable third countries of high credit quality to provide irrevocable, unconditional and on-demand financial guarantees to the Union. These guarantees would allow the mobilisation of up to EUR 5 billion in additional loans to Ukraine under Pillar I of the Ukraine Facility, while limiting the risk for the Union budget. The Ukraine Plan should be amended to reflect such additional budget assistance.

The guarantees should provide the Union with financial safeguards for this additional budget assistance. To that end, Regulation (EU) 2024/792 should be amended to establish provisioning for the additional loans. Considering the high credit quality of the third countries that provide guarantees, the provisioning is supported by an appropriate contribution from the guaranteeing third country.

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

The support under the Instrument for Coordinated Support to Ukraine will be consistent with and complementary to the support provided through Regulation (EU) 2026/467[6], Regulation (EU) 2024/792, Regulation (EU) 2021/947[7], Regulation (EC) No 1257/96[8], Regulation (EC) No 2024/2773 and Regulation (EU) 2025/1106[9], and is in line with the respective objectives, intervention logic and rules of these instruments.

In particular, the Instrument for Coordinated Support to Ukraine comes in addition and is complementary to the support provided by the EU under the Ukraine Support Loan and the Ukraine Facility. Specific attention is paid to the consistency and mutual reinforcement of the Instrument for Coordinated Support to Ukraine and the implementation of defence policies, provided under the SAFE Regulation and Regulation (EU) 2025/2643[10] ('EDIP Regulation').

- **Consistency with other Union Policies**

The support under the Instrument for Coordinated Support to Ukraine 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 the Instrument for Coordinated Support to Ukraine, which will in turn be consistent with and supporting the implementation of the Ukraine Facility – will also contribute to Ukraine's accession process.

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6 Regulation (EU) 2026/467 of the European Parliament and of the Council of 24 February 2026 implementing enhanced cooperation on the establishment of the Ukraine Support Loan for 2026 and 2027 (OJ L, 2026/467, 26.2.2026, ELI: http://data.europa.eu/eli/reg/2026/467/oj).

7 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).

8 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).

9 Council Regulation (EU) 2025/1106 of 27 May 2025 establishing the Security Action for Europe (SAFE) through the Reinforcement of the European Defence Industry Instrument (OJ L, 2025/1106, 28.5.2025, ELI: http://data.europa.eu/eli/reg/2025/1106/oj).

10 Regulation (EU) 2025/2643 of the European Parliament and of the Council of 16 December 2025 establishing the European Defence Industry Programme and a framework of measures to ensure the timely availability and supply of defence products ('EDIP Regulation') (Text with EEA relevance) (OJ L, 2025/2643, 29.12.2025, ELI: http://data.europa.eu/eli/reg/2025/2643/oj).

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

• Legal basis

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, including those linked to supporting Ukraine's defence industrial capacities.

• 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 2027, based on the elevated funding needs and best estimates of Ukraine's defence needs submitted by the national authorities, 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 addditional needs that have been identified, including the need to provide budget support to Ukraine, and the need to carry out urgent and major public investments in support of the Ukrainian Defence Technological and Industrial Base and its integration into the European Defence Technological and Industrial Base. The proposal respects the limits of possible Union intervention under the Treaties.

• Choice of the instrument

A Regulation of the European Parliament and of the Council is the appropriate instrument as it provides directly applicable rules for the implementation of the Instrument for Coordinated Support to Ukraine.

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

• Ex-post evaluations/fitness checks of existing legislation

The proposal follows a series of macro-financial assistance operations provided to Ukraine since 2015. Past ex-post evaluations of previous macro-financial assistance operations to Ukraine have shown that in general they were highly relevant in terms of their objectives, financial envelope and policy conditions. In particular, macro-financial assistance operations proved crucial to support Ukraine in addressing its balance-of-payment problems and implementing key structural reforms to stabilise the economy and enhance the sustainability of its external position. They allowed for fiscal savings and financial benefits and acted as a catalyst for additional financial support and investor confidence. The conditionality attached

to the macro-financial assistance operations was found complementary to the related IMF programmes. It created a politically reinforcing effect that contributed to the mobilisation of the Ukrainian authorities around essential reforms, especially in structural policy areas that are less covered by other international donor programmes.

- **Stakeholder consultations**

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 2027, a formal stakeholder consultation could not be conducted. This approach aims to address the emerging and escalating defence and budgetary demands resulting from Russia's war of aggression. These needs encompass efforts related to recovery and reconstruction. The European Union will ensure adequate communication and visibility regarding the objectives and actions implemented under the scope of the Instrument for Coordinated Support to Ukraine, both within Ukraine, across the Union, and internationally.

- **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, including the Ukraine Facility since 2024 and the Ukraine Support Loan since 2026.

The Commission based this proposal on a careful analysis, also building on inputs from international financial institutions and other competent international institutions, of the defence needs and broader macro-economic situation of Ukraine. 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**

As for previous proposals designed to provide urgent assistance to a country at war, no impact assessment is carried out. The ex-ante assessment of needs proposed to be covered by the Instrument for Coordinated Support to Ukraine, *inter alia*, draws upon recent data from the IMF and Ukrainian authorities. The support under the Instrument for Coordinated Support to Ukraine builds on the lessons learned and achievements of recent support initiatives, such as the G7 ERA Loans initiative and the Ukraine Support Loan.

- **Regulatory fitness and simplification**

The proposal is not linked to regulatory fitness and simplification.

- **Fundamental rights**

A precondition for granting support under the Instrument for Coordinated Support to Ukraine 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 the Instrument for Coordinated Support to Ukraine is considered to be met at present. Concurrently, the continuous adherence to this precondition will be further ensured by specific conditions before disbursements. A similar precondition for support is applicable to the implementation of the Ukraine Plan and the Ukraine Support Loan.

4. BUDGETARY IMPLICATIONS

The Instrument for Coordinated Support to Ukraine will take the form of a limited recourse loan to Ukraine of up to EUR 45 billion to be repaid by reparations due by Russia. The loan will be based on EU borrowing on the capital markets backed by the EU budget headroom. With a view to providing support to Ukraine on highly concessional basis, the Union may decide to provide a subsidy for the costs in respect of funds borrowed in capital markets for this loan to Ukraine. These costs are expected to start being invoiced as of the next multiannual financial framework, starting in 2028, and should be financed over and above the MFF ceilings through a dedicated special instrument.

Details on the budgetary implications are provided in the Legislative Financial Statement attached to this proposal.

5. OTHER ELEMENTS

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

The Instrument for Coordinated Support to Ukraine will be for a maximum amount of EUR 45 billion.

To receive financial and economic assistance under the Instrument for Coordinated Support to Ukraine, Ukraine will submit to the Commission a duly justified request for funds, which may be submitted by Ukraine to the Commission, in principle, six times a year.

Furthermore, the Commission will submit to the European Parliament and to the Council a report on the implementation of the Instrument for Coordinated Support to Ukraine Regulation in the preceding year, which will include an evaluation of that implementation. Additionally, by 30 June 2029, the Commission will submit to the European Parliament and to the Council an evaluation report, assessing the results and efficiency of the Instrument for Coordinated Support to Ukraine provided under the Instrument for Coordinated Support to Ukraine Regulation and the extent to which it has contributed to the aims of the assistance.

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**

Chapter I of the Regulation concerns its general provisions.

Article 1 provides the subject matter of the Regulation, which is the establishment of the Instrument for Coordinated Support to Ukraine.

Article 2 defines the general and specific objectives of the Instrument for Coordinated Support to Ukraine, which are to provide financial and economic assistance to Ukraine in a predictable, continuous manner, through supporting Ukraine's macro-financial stability and defence industrial capacities.

Article 3 provides the definitions applicable under the Regulation.

Article 4 sets the available assistance under the Instrument for Coordinated Support to Ukraine.

Article 5 prescribes the preconditions for assistance under the Instrument for Coordinated Support to Ukraine.

Article 6 provides for the close cooperation between the Commission, Ukraine, Member States, relevant international bodies and donors to Ukraine to ensure a coherent and consistent approach to address Ukraine's financial and economic assistance needs.

Chapter II of the Regulation concerns the Macro-Financial Assistance.

Article 7 provides for the purpose of macro-financial assistance, notably to contribute to covering Ukraine's financing gap as identified in a positively assessed Ukrainian Financing Strategy.

Article 8 sets out that the Commission shall agree with Ukraine on the policy conditions to which the support is to be linked, which shall be described in a memorandum of understanding.

Chapter III of the Regulation concerns assistance to support Ukraine's Defence Industrial Capacities.

Article 9 provides for the purpose of the assistance to support Ukraine's defence industrial capacities, notably to carry out urgent and major public investments in support of the Ukrainian defence industry and its integration into the European defence industry.

Article 10 defines the eligibility conditions for the activities, expenditures and measures to support Ukraine's defence industrial capacities.

Article 11 requires Ukraine to produce a schedule for each activity, expenditure or measure related to a defence product or other product for defence purposes for which it intends to request assistance.

Article 12 prescribes the establishment of the Ukraine's Defence Industrial Capacities Expert Group.

Article 13 provides for the opening of special accounts for the sole purpose of the management of the financial and economic assistance received by Ukraine to support its defence industrial capacities.

Article 14 sets out the monitoring requirements for the assistance provided to support Ukraine's defence industrial capacities.

Article 15 defines the conditions for the modification of an existing framework agreement or contract for defence products.

Article 16 allows for Member States, for the sole purpose of the Regulation, to request an economic operator on its territory, to prioritise certain order of defence products.

Chapter IV of the Regulation concerns the financing and implementation of the Instrument for Coordinated Support to Ukraine.

Article 17 stipulates that the detailed financial terms of the Instrument for Coordinated Support to Ukraine shall be laid down in the Instrument for Coordinated Support to Ukraine Agreement and sets out certain mandatory requirements.

Article 18 sets out that in order for Ukraine to receive financial and economic assistance, it shall submit to the Commission a duly justified request for funds.

Article 19 provides for a borrowing cost subsidy for the Instrument for Coordinated Support to Ukraine.

Article 20 prescribes the requirements on the Commission for making a decision to release an instalment under the Instrument for Coordinated Support to Ukraine.

Article 21 empowers the Commission to borrow the necessary funds, on behalf of the Union, to finance the Instrument for Coordinated Support to Ukraine.

Article 22 lays out the rules on classified information and sensitive information.

Chapter V concerns final provisions.

Article 23 empowers the Commission to adopt delegated acts, subject to conditions.

Article 24 regulates the governance through committee procedures.

Article 25 provides for a Instrument for Coordinated Support to Ukraine dialogue, which foresees to enhance communication between the Union institutions, in particular the European Parliament, the Council and the Commission.

Article 26 prescribes the provision of information to the European Parliament and to the Council.

Article 27 provides for the necessary amendments to Regulation (EU) 2024/792.

Article 28 provides for the necessary amendments to Regulation (EU) 2024/2773.

Article 29 regulates the entry into force.

2026/0363 (COD)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on the establishment of the Instrument for Coordinated Support to Ukraine for 2027 and amending Regulations (EU) 2024/792 and (EU) 2024/2773

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 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 'special military operation' in Ukraine, and Russia's armed forces began an unprovoked and unjustified war of aggression against Ukraine. That 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 Charter, which is a peremptory rule of international law, and of the other principles of the United Nations 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 from Member States.

(3) Decision (EU) 2022/313[11], Decision (EU) 2022/1201[12], Decision (EU) 2022/1628[13] and Regulation (EU) 2022/2463[14] of the European Parliament and the Council

[11] Decision (EU) 2022/313 of the European Parliament and of the Council of 24 February 2022 providing macro-financial assistance to Ukraine (OJ L 55, 28.2.2022, p. 4, ELI: http://data.europa.eu/eli/dec/2022/313/oj).

[12] Decision (EU) 2022/1201 of the European Parliament and of the Council of 12 July 2022 providing exceptional macro-financial assistance to Ukraine (OJ L 186, 13.7.2022, p. 1, ELI: http://data.europa.eu/eli/dec/2022/1201/oj).

[13] Decision (EU) 2022/1628 of the European Parliament and of the Council of 20 September 2022 providing exceptional macro-financial assistance to Ukraine, reinforcing the common provisioning fund by guarantees by Member States and by specific provisioning for some financial liabilities related to Ukraine guaranteed under Decision No 466/2014/EU, and amending Decision (EU) 2022/1201 (OJ L 245, 22.9.2022, p. 1, ELI: http://data.europa.eu/eli/dec/2022/1628/oj).

collectively made available EUR 25 200 000 000 of macro-financial assistance to Ukraine throughout 2022 and 2023. That support constituted a major contributing factor to Ukraine's macroeconomic and financial resilience at a critical time.

(4) Regulation (EU) 2024/792 of the European Parliament and of the Council[15] 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 (the 'Ukraine Facility'). Over the period from 2024 to 2027, the Ukraine Facility helps to address Ukraine's financing needs and contributes to its recovery, reconstruction and modernisation needs, while at the same time supporting Ukraine's reform effort as part of its path towards accession to the Union.

(5) Regulation (EU) 2024/2773 of the European Parliament and the Council[16] established the Ukraine Loan Cooperation Mechanism and provided exceptional macro-financial assistance to Ukraine. That assistance was the Union's contribution as part of the G7 'Extraordinary Revenue Acceleration Loans for Ukraine' ('ERA Loans') initiative, which collectively assisted in addressing Ukraine's financing gap for 2025.

(6) Regulation (EU) 2026/467 of the European Parliament and of the Council[17] established the Ukraine Support Loan to provide financial and economic assistance to Ukraine in a predictable, continuous, orderly, flexible and timely manner with a view to supporting Ukraine in covering its financing needs resulting particularly from Russia's war of aggression against Ukraine and Russia's non-payment of reparations due (the 'Ukraine Support Loan'). Over 2026 and 2027, the Ukraine Support Loan provides up to EUR 90 000 000 000 to support macro-financial stability via the easing of Ukraine's external and internal financing constraints and to support Ukraine's defence industrial capacities through economic, financial and technical cooperation.

(7) Russia's war of aggression against Ukraine has caused tremendous damage in Ukraine, with estimated recovery and reconstruction costs of EUR 530 000 000 000 as of 31 December 2025. Moreover, Ukraine has lost access to international financial markets and experienced a significant drop in public revenue, while public expenditure has increased substantially. Against that background, it can be envisaged that Ukraine will have substantive funding needs in the coming years.

(8) On 26 February 2026, the International Monetary Fund (IMF) approved a new programme for Ukraine to cover additional financing needs from 2026 to 2029. The IMF's ability to continue the new programme is contingent upon receiving sufficient financing assurances from other partners, including the Union.

(9) Despite ongoing international efforts to broker a peaceful resolution to the conflict, the prolongation of Russia's war of aggression against Ukraine has resulted in significant

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14 Regulation (EU) 2022/2463 of the European Parliament and of the Council of 14 December 2022 establishing an instrument for providing support to Ukraine for 2023 (macro-financial assistance +) (OJ L 322, 16.12.2022, p. 1, ELI: http://data.europa.eu/eli/reg/2022/2463/oj).

15 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).

16 Regulation (EU) 2024/2773 of the European Parliament and of the Council of 24 October 2024 establishing the Ukraine Loan Cooperation Mechanism and providing exceptional macro-financial assistance to Ukraine (OJ L, 2024/2773, 28.10.2024, ELI: http://data.europa.eu/eli/reg/2024/2773/oj).

17 Regulation (EU) 2026/467 of the European Parliament and of the Council of 24 February 2026 implementing enhanced cooperation on the establishment of the Ukraine Support Loan for 2026 and 2027 (OJ L, 2026/467, 26.2.2026, ELI: http://data.europa.eu/eli/reg/2026/467/oj).

damage to Ukraine's critical defence, civilian and energy infrastructure, necessitating the mobilisation of substantial additional resources to address Ukraine's immediate financing needs.

(10) Russia's war of aggression against Ukraine represents a strategic geopolitical threat to the Union as a whole and requires Member States to stand strong and united. It is therefore essential for Union support to be deployed rapidly and to be able to adapt flexibly for immediate relief and short-term rehabilitation on the way to future reconstruction.

(11) In line with the Articles on the Responsibility of States for Internationally Wrongful Acts, adopted in 2001 by the United Nations' International Law Commission at its fifty-third session, and taken note of by the United Nations General Assembly in Resolution 56/83, and customary international law, Russia – as the responsible state – is under an obligation to make full reparation for the injury caused by its war of aggression against Ukraine.

(12) Council Decision (CFSP) 2022/335[18] and Council Regulation (EU) 2022/334[19] prohibit transactions related to the management of reserves as well as of assets of the Central Bank of Russia, including transactions with any legal person, entity or body acting on behalf of, or at the direction of, the Central Bank of Russia. In its conclusions of 27 June 2024, 17 October 2024 and 19 December 2024, the European Council has stated that, subject to Union law, Russia's assets should remain immobilised until Russia ceases its war of aggression against Ukraine and compensates it for the damage caused by that war.

(13) In addition, Council Regulation (EU) 2025/2600[20] prohibits the transfer of assets or reserves of the Central Bank of Russia on a temporary basis until Russia ceases its war of aggression against Ukraine, Russia provides reparations to Ukraine to the extent necessary to allow for reconstruction without adverse economic or financial consequences for the Union and Russia's actions in the context of its war of aggression against Ukraine have objectively ceased to pose a serious risk of severe difficulties to the economy of the Union and its Member States.

(14) In its conclusions of 19 June 2026 and 16 October 2026, the European Council stated that the Union will continue to provide, in coordination with like-minded partners and allies, comprehensive political, financial, economic, humanitarian, military and diplomatic support to Ukraine and its people. Furthermore, in those conclusions of 16 October 2026, the European Council stated that it remains committed to addressing Ukraine's pressing financing needs, together with international partners.

(15) Given the financing position of Ukraine, the critical need for Ukraine to have the resources to counter Russia's aggression and, where possible, to reconstruct, it is appropriate that the Union provide additional support to address Ukraine's urgent

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18 Council Decision (CFSP) 2022/335 of 28 February 2022 amending Decision 2014/512/CFSP concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine (OJ L 57, 28.2.2022, p. 4, ELI: http://data.europa.eu/eli/dec/2022/335/oj).

19 Council Regulation (EU) 2022/334 of 28 February 2022 amending Council Regulation (EU) No 833/2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine (OJ L 57, 28.2.2022, p. 1, ELI: http://data.europa.eu/eli/reg/2022/334/oj).

20 Council Regulation (EU) 2025/2600 of 12 December 2025 on emergency measures addressing the serious economic difficulties caused by Russia's actions in the context of the war of aggression against Ukraine (OJ L, 2025/2600, 13.12.2025, ELI: http://data.europa.eu/eli/reg/2025/2600/oj).

financing requirements and facilitate the implementation of the IMF programme. To that end, it is appropriate to establish an instrument for providing Union support to Ukraine in 2027 in the form of a loan to be repaid by reparations due by Russia (the 'Instrument for Coordinated Support to Ukraine').

(16) The Instrument for Coordinated Support to Ukraine should provide financial assistance to Ukraine in a predictable, continuous, orderly, flexible and timely manner with a view to supporting Ukraine in covering its financing and defence needs, in particular those resulting from Russia's war of aggression against Ukraine. Specifically, the Instrument for Coordinated Support to Ukraine should support macro-financial stability in Ukraine and ease its external financing and support Ukraine's defence industrial capacities through economic, financial and technical cooperation, thereby contributing to providing Ukraine a qualitative military edge.

(17) The Instrument for Coordinated Support to Ukraine should, subject to conditions, provide support to Ukraine in the form of a loan of up to EUR 45 000 000 000. In view of the principle of sound financial management, the Instrument for Coordinated Support to Ukraine should be made available by the Commission to Ukraine in instalments, which may be disbursed in one or more tranches.

(18) The support to Ukraine under the Instrument for Coordinated Support to Ukraine should be made available under the precondition that Ukraine continues 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 those of persons belonging to minorities. Upholding and respecting the rule of law should include the fight against corruption.

(19) Given the significant scale of Ukraine's needs for both budget assistance and assistance for defence industrial capacities, as well as the constraints that some external partners have on the provision of their support, it is appropriate to establish an indicative allocation of the Instrument for Coordinated Support to Ukraine between those two financing needs. Whilst ensuring that Ukraine's financing needs as calculated by the IMF for 2027 are fully addressed, that distribution should be indicative in order to reflect changing circumstances that may have an impact on Ukraine's financing needs and to ensure that those needs continue to be addressed in a predictable, continuous, orderly, flexible and timely manner.

(20) Financial and economic assistance in the form of budget assistance should be made available with a view to supporting Ukraine in covering its financing needs. The financial and economic assistance under this Regulation should provide important input into Ukraine's post-war economic recovery, long-term growth and prosperity all of which will have an important role to play in a future peace agreement. To ensure flexibility in addressing those needs, it is appropriate to use multiple means of delivery, where support should be able to be provided through macro-financial assistance and through a loan to be implemented pursuant to Chapter III of Regulation (EU) 2024/792.

(21) The Ukraine Facility is a medium-term instrument that has the objective to support Ukraine's recovery and reconstruction, gradual integration into the internal market, as well as, *inter alia*, 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 (the '*acquis*') with a view to future Union membership, thereby contributing to mutual stability, security, peace, prosperity and sustainability. It is therefore appropriate to provide for amounts

stemming from the Instrument for Coordinated Support to Ukraine to be utilised through the Ukraine Facility. Regulation (EU) 2024/792 should therefore be amended accordingly. Chapter III of Regulation (EU) 2024/792 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. The Ukraine Plan should be updated to reflect that additional budget assistance, including measures to strengthen the rule of law and the fight against corruption, measures to accelerate Ukraine's accession to the Union and, where necessary, measures to strengthen defence industrial cooperation and the integration of Ukraine's defense industrial capacities into the European Defence Technological and Industrial Base.

(22) Macro-financial assistance should be linked to policy conditions to be set out in a Memorandum of Understanding (MoU). The MoU should include robust and ambitious reform commitments by Ukraine, including those to strengthen revenue mobilisation to support Ukraine's financing needs and tackle the root causes of corruption in public finances, including via improving the sustainability and quality of public expenditure and enhancing the efficiency, transparency and accountability of the public finance management systems. It should be possible for such macro-financial assistance to be used by Ukraine to assist in the financing of compensation, as a form of reparation, to those individuals who have suffered damage from the illegal actions of Russia, including through the Claims Commission for Ukraine established under the auspices of the Council of Europe. In view of the principle of sound financial management and to facilitate the Ukrainian authorities' liquidity management and ensure predictability, there should, in principle, be a maximum of four instalments of that macro-financial assistance.

(23) In order to ensure uniform conditions for the implementation of this Regulation, and for reasons of efficiency, the Commission should be empowered to negotiate conditions for the macro-financial assistance with the Ukrainian authorities under the supervision of the committee of representatives of the Member States (the 'committee') in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council[21]. Considering the potentially significant impact of assistance, it is appropriate that the examination procedure as specified in Regulation (EU) No 182/2011 be used. Taking into consideration the amount of the Instrument for Coordinated Support to Ukraine, the examination procedure should apply to the adoption of the MoU and to any reduction or cancellation of the Instrument for Coordinated Support to Ukraine.

(24) The Instrument for Coordinated Support to Ukraine should provide financial and economic assistance to Ukraine as a country at war, the financial stability of which is intrinsically linked to and depends on its ability to defend itself against Russia's aggression. That justifies a specific amount of the financial and economic assistance to Ukraine being used to increase Ukraine's capacity to cope with budgetary needs in relation to the capacity of Ukraine to strengthen its defence and military capabilities, thereby contributing to providing Ukraine with a qualitative military edge. That financial and economic assistance should aim to enable Ukraine to carry out urgent and major public investments in support of the Ukrainian defence industry and to

[21] Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by the Member States of the Commission's exercise of implementing powers (OJ L 55, 28.2.2011, p. 13, ELI: http://data.europa.eu/eli/reg/2011/182/oj).

facilitate its integration into the European defence industry in response to and following the current crisis situation. That financial and economic assistance should contribute, in particular, to the reconstruction, recovery and modernisation of the Ukrainian Defence Technological and Industrial Base, with a view to increasing its defence industrial readiness, taking into account its gradual future integration into the European Defence Technological and Industrial Base as well as the objectives and measures included in the Letter of Intent on a strategic defence industrial partnership between the European Commission and Ukraine of 15 July 2026 and through support for the timely availability of defence products and other products for defence purposes, through cooperation between the Union and Ukraine.

(25) Financial and economic assistance to support Ukraine's defence industrial capacities should be made available for activities, expenditures and measures related to defence products or other products for defence purposes that meet certain eligibility criteria. In order to urgently reinforce the Ukrainian Defence Technological and Industrial Base in an efficient and autonomous manner, those eligibility criteria should be structured in a manner that directs the activities, expenditures and measures to support Ukraine's defence industrial capacities towards the reconstruction, recovery and modernisation of the Ukrainian Defence Technological and Industrial Base, taking into account its gradual future integration into the European Defence Technological and Industrial Base. In that context, when examining whether manufacturers are controlled by third countries or third-country entities, control should be understood as the ability to exercise a decisive influence over a legal entity, directly or indirectly, through one or more intermediate legal entities.

(26) In order to allow Ukraine to use the financial and economic assistance in a way that is the most adapted to the circumstances, it is appropriate to allow it to employ the funds to support Ukraine's defence industrial capacities by different implementation methods that reflect the diversity of the needs. The funds may also contribute to the Ukraine Support Instrument established by Regulation (EU) 2025/2643 of the European Parliament and of the Council[22], the Ukraine Investment Framework established by Regulation (EU) 2024/792 for dual-use goods or other Union programmes. Moreover, the funds should allow Ukraine to engage in a massive intervention in the demand for defence products in order to create suitable conditions to incentivise massive investments in the ramp up of the production capacity and in the development of new products. For that purpose, Ukraine should be allowed to use the funds to launch massive procurements of defence products made from the Ukrainian Defence Technological and Industrial Base and the European Defence Technological and Industrial Base via procurements under the Security Action for Europe Instrument (the 'SAFE instrument') established by Council Regulation (EU) 2025/1106[23] or, subject to validations, under other implementation methods.

(27) For certain defence products whose underlying technologies are not widely available in the Union and which may be difficult to substitute at a large scale, such as air and

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22 Regulation (EU) 2025/2643 of the European Parliament and of the Council of 16 December 2025 establishing the European Defence Industry Programme and a framework of measures to ensure the timely availability and supply of defence products ('EDIP Regulation') (OJ L, 2025/2643, 29.12.2025, ELI: http://data.europa.eu/eli/reg/2025/2643/oj).

23 Council Regulation (EU) 2025/1106 of 27 May 2025 establishing the Security Action for Europe (SAFE) through the Reinforcement of the European Defence Industry Instrument (OJ L, 2025/1106, 28.5.2025, ELI: http://data.europa.eu/eli/reg/2025/1106/oj).

missile defence systems and strategic enablers, additional conditions should be required in order to ensure that Ukraine's armed forces have freedom related to those products without limitations imposed by third countries. Therefore, for such defence products, the manufacturer should have the ability to decide, without any restriction being imposed by third countries or third-country entities, on the definition, adaptation or evolution of the design of the defence products procured, including the legal authority to substitute or remove those components that are subject to restrictions imposed by third countries or by third-country entities.

(28) To ensure the smooth implementation of this Regulation in conjunction with the SAFE instrument, it is appropriate to apply similar eligibility conditions. The SAFE instrument supports the procurement of defence products as identified in Regulation (EU) 2025/1106. The list of products being part of Categories 1 and 2 has been agreed by the Council, and that list has proven to be comprehensive enough to allow support for the procurement of products needed by Member States, including air platforms. Given the constantly evolving situation on the battlefield, it is essential to avoid that the existence of a list of products that can be supported constrains Ukraine in getting the assistance it needs. Taking into account the fact that Ukraine is a country at war whose capacity to defend its territory might depend on the availability of a given product in the very short term, Ukraine should be allowed to procure products which do not comply with those eligibility conditions where either no equivalent product is available by procurement or where there is an urgent need for the delivery of a product. That may include but is not limited to air and missile defence systems, including interceptors, and fighter aircraft ammunition and spare parts and deep-strike capabilities. For any derogation, the time for delivery of the product should be commensurate with the urgency of the situation and Ukraine's immediate operational needs. To that end, Ukraine should provide to the Commission the information reasonably available to it to demonstrate that a derogation is necessary, because whilst the war is ongoing, and Ukraine's needs are as such urgent, Ukraine should not be required to undertake extensive market research. In order to ensure uniform conditions for the implementation of this Regulation, and for reasons of efficiency, the Commission should be empowered to examine such requests for derogations under the supervision of the committee in accordance with Regulation (EU) No 182/2011. Considering the potentially significant impact of the assistance, it is appropriate that the examination procedure as specified in Regulation (EU) No 182/2011 be used. Due to the exceptional situation caused by Russia's war of aggression against Ukraine and the necessity for the timely availability of defence products, it is appropriate that the duly justified case referred to in Article 3(3) of Regulation (EU) No 182/2011 be invoked to allow for an opinion of the committee within a time limit which the chair of the committee may lay down according to the urgency of the matter. Where necessary, the written procedure referred to in Article 3(5) of that Regulation should be used.

(29) To allow third countries to contribute to the assistance to Ukraine while at the same time safeguarding the Union's and Member States' security and defence interests and taking into account the existing agreements under the SAFE instrument, it is appropriate to provide for the possibility to extend the eligibility criteria to third countries other than Ukraine and EEA EFTA States that do not contravene the security and defence interests of the Union and its Member States, provided that those third countries have concluded an agreement with the Union in accordance with Article 17 of Regulation (EU) 2025/1106 or, where they have not concluded such an agreement, provided that such countries have entered into a Security and Defence Partnership with the Union, are providing significant financial and military support to Ukraine, and are

providing a fair and proportionate financial contribution, respecting the principle that any agreement with a third country must be based on a balance of rights and obligations and a third country should not have the same rights nor enjoy the same benefits as a Member State. Such a possibility, therefore, should be limited to specific defence products taking into account the immediate operational needs of Ukraine, focusing, in particular, on air and missile defence systems, ammunition and missiles, drones and related anti-drone systems, artillery systems, including deep precision strike capabilities, strategic enablers such as, but not limited to, strategic airlift, air-to-air refuelling, C4ISTAR systems as well as space assets and services.

(30) As regards third countries that have concluded an agreement with the Union in accordance with Article 17 of Regulation (EU) 2025/1106, the Commission should be empowered to adopt delegated acts in accordance with Article 290 of the Treaty on the Functioning of the European Union (TFEU) to supplement this Regulation. It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level, and that those consultations be conducted in accordance with the principles laid down in the Interinstitutional Agreement of 13 April 2016 on Better Law-Making[24]. In particular, to ensure equal participation in the preparation of delegated acts, the European Parliament and the Council receive all documents at the same time as Member States' experts, and their experts systematically have access to meetings of Commission expert groups dealing with the preparation of delegated acts.

(31) In view of the importance of the financial effects of the measures imposed and to ensure the consistency between the different areas of Union external action, implementing powers should be conferred on the Council which should act on the basis of a Commission proposal regarding the possibility to extend the eligibility rules to third countries that have not concluded an agreement with the Union in accordance with Article 17 of Regulation (EU) 2025/1106. The Council should act by means of an implementing decision, which it should endeavour to adopt without undue delay. That implementing decision should determine, in respect of each third country, which defence products are to be made accessible to Ukraine, taking into account the amount of the financial contribution made by the third country in question and the degree of financial and military support to Ukraine.

(32) This Regulation is without prejudice to applicable international law prohibiting the use, development or production of certain defence products and technologies.

(33) The implementation of the assistance to support Ukraine's defence industrial capacities should be carried out in line with the principles of sound financial management ensuring the protection of the financial interests of the Union as set out in Article 223(4) of Regulation (EU, Euratom) 2024/2509 of the European Parliament and the Council[25]. Detailed requirements in this respect might be entered into in an arrangement to be signed between the Commission and Ukraine. Furthermore, for the management of the financial and economic assistance received to support Ukraine's defence industrial capacities, Ukraine should open accounts via which to manage that assistance, and the Commission should be able to monitor those accounts.

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24 OJ L 123, 12.5.2016, p. 1, ELI: http://data.europa.eu/eli/agree_interinstit/2016/512/oj.

25 Regulation (EU, Euratom) 2024/2509 of the European Parliament and of the Council of 23 September 2024 on the financial rules applicable to the general budget of the Union (OJ L, 2024/2509, 26.9.2024, ELI: http://data.europa.eu/eli/reg/2024/2509/oj).

(34) To support the implementation of assistance to support Ukraine's defence industrial capacities, the Commission should establish the Ukraine's Defence Industrial Capacities Expert Group. That Expert Group should advise the Commission on matters related to the assistance to support Ukraine's defence industrial capacities.

(35) The Commission should monitor the implementation of assistance to support Ukraine's defence industrial capacities, including particularly the delivery of products. To that end, various monitoring arrangements should be established to reflect the different methods of implementation. Should the Commission be notified by Ukraine of the non-implementation of a contract or agreement or become aware of the non-delivery of products or the non-use of funds in the accounts in which the assistance is managed, the Commission should engage with Ukraine to repurpose those funds in accordance with this Regulation, including where necessary after the availability period for the loan.

(36) Directive 2009/81/EC of the European Parliament and of the Council[26] concerns, amongst other things, the establishment of an appropriate legislative framework on the coordination of procurement procedures for the award of contracts to meet the security requirements of Member States and the obligations arising from the TFEU. To achieve that aim, Directive 2009/81/EC caters, in particular, for addressing crisis situations, particularly by providing specific provisions applicable in cases of urgency resulting from a crisis, such as shortening periods for the receipt of tenders and the possibility to use the negotiated procedure without prior publication of a contract notice. However, in certain cases of urgency, those rules might be insufficient, especially where the urgency resulting from the crisis can be addressed only by having Ukraine and at least one Member State engaging in a common procurement. In those cases, often the only solution that ensures the security interests of those countries is to open an existing framework agreement or contract of a Member State to contracting authorities of Ukraine, even where Ukraine was not originally party to it and even though that possibility had not been provided for in the original framework agreement or contract. As those possibilities are not foreseen in Directive 2009/81/EC at the time of the entry into force of this Regulation, this Regulation provides for the possibility to complement or derogate from that Directive in the current crisis situation stemming from Russia's war of aggression against Ukraine, provided that the agreement of the undertaking which concluded the framework agreement or contract is obtained. With respect to additional quantities for Ukraine, Ukrainian contracting authorities should enjoy the same conditions as the original contracting authority that concluded the original framework agreement or contract. In addition, appropriate transparency measures should be taken to ensure that all potentially interested parties are informed.

(37) The SAFE instrument provides financial assistance to Member States, enabling them to carry out urgent and major public investments in support of the European defence industry in response to the crisis situation resulting from the stark deterioration in the Union's security context. With that instrument, the Union started to support Member States so that they can place orders rapidly, incentivising the defence industrial sector to invest, in the very short term, in the strengthening of production capacities in order

[26] Directive 2009/81/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of procedures for the award of certain works contracts, supply contracts and service contracts by contracting authorities or entities in the fields of defence and security, and amending Directives 2004/17/EC and 2004/18/EC (OJ L 216, 20.8.2009, p. 76, ELI: http://data.europa.eu/eli/dir/2009/81/oj).

to be able to serve Member States' needs by 2030. In addition, this Regulation should support the placement of Ukrainian orders with the European Defence Technological and Industrial Base in order to support the cooperation between the European Defence Technological and Industrial Base and the Ukrainian Defence Technological and Industrial Base. Such an exceptionally high demand for a wide range of defence products carries an imminent risk of a severe negative impact on the proper functioning of the internal market. In order to address that risk and in view of the objective of this Regulation, taking into account the specific situation of Ukraine, prioritisation measures at Union level that aim to ensure the availability of the defence products concerned could prove to be indispensable in ensuring the proper functioning of the internal market for defence products and its supply chains. In that respect, the Commission should be able to use, upon a request of a Member State, priority-rated requests for facilitating the supply of defence products to meet the objective of this Regulation.

(38) Priority-rated requests should consist of requests by the Commission, upon an initiative of a Member State, to relevant economic operators established in the Union to accept or to prioritise orders of crisis-relevant products. Only to be used when necessary and proportionate for the purpose of ensuring that defence supply chains can operate normally, those priority-rated requests should be aimed at supporting Ukraine which faces severe difficulties either in the placing of an order or in the execution of a contract for the supply of defence products. Economic operators should have the possibility to refuse to be subject to a priority-rated request. A priority-rated request should be taken based on objective, factual, measurable and substantiated data. It should have regard for the legitimate interests of the undertakings and the cost and effort required for any change in production sequence. When accepted, the obligation to perform the priority-rated request should take precedence over performance obligations under private or public law. In light of the importance of ensuring the supply of defence products, which are indispensable to the correct functioning of the internal market and its supply chains, compliance with the obligation to perform a priority-rated request should not entail liability to third parties for damages that might result from any breach of contractual obligations governed by the law of a Member State, to the extent that the breach of contractual obligations was necessary for compliance with the mandated prioritisation. Where the economic operator has expressly accepted a priority-rated request and the Commission has adopted an implementing act following such an acceptance, the economic operator should comply with all the conditions of that implementing act. Non-compliance by the economic operator with the conditions laid down in the implementing act should result in a loss of the benefit of a waiver of contractual liability. Where the non-compliance is intentional or attributable to gross negligence, the Commission should be able to impose on the economic operator concerned a fine, subject to the proportionality principle.

(39) Given that specific amounts should be made available for budget assistance and assistance to support Ukraine's defence industrial capacities, coherence and complementarity should be ensured in their respective implementation.

(40) This Regulation should apply without prejudice to the specific character of the security and defence policy of certain Member States.

(41) The Instrument for Coordinated Support to Ukraine Agreement to be concluded between the Commission and the Ukrainian authorities should contain provisions aligned with the rights, responsibilities and obligations provided for in the Framework

Agreement under the Ukraine Facility referred to in Article 9 of Regulation (EU) 2024/792 signed between the Union and Ukraine that entered into force on 20 June 2024. Those provisions will ensure that the Union's financial interests linked to the Instrument for Coordinated Support to Ukraine are protected efficiently, providing the appropriate measures relating to the prevention of, and fight against, fraud, corruption and any other irregularities linked to the assistance. The Instrument for Coordinated Support to Ukraine Agreement will also, in accordance with Regulation (EU, Euratom) 2024/2509, grant the necessary rights and access to the Commission, OLAF, the Court of Auditors and, where applicable, the EPPO, including from third parties involved in the implementation of Union funds during and after the availability period of the Instrument for Coordinated Support to Ukraine. 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.

(42) Given Ukraine's difficult situation caused by Russia's war of aggression against it and in order to support Ukraine in its long-term stability path, it is appropriate for the Union to provide the Instrument for Coordinated Support to Ukraine as a limited recourse loan that is to become due and payable when Ukraine receives cash or non-monetary assets as war reparations, indemnities or any financial settlement, other than territory, from Russia.

(43) The release of funds under the Instrument for Coordinated Support to Ukraine should be contingent on the positive assessment by the Commission of a request for funds submitted by Ukraine. For the macro-financial assistance, the assessment of the conditions should be without prejudice to the assessment of the fulfilment of conditions under other Union programmes and instruments. For the assistance to support Ukraine's defence industrial capacities, the release of funds should be linked to contracts or agreements for activities, expenditures and measures to support Ukraine's defence industrial capacities related to defence products or other products for defence purposes.

(44) This Regulation should lay down appropriate provisions for the financing of the Instrument for Coordinated Support to Ukraine.

(45) In the context of Ukraine's financing needs, it is appropriate to organise the financial assistance under the diversified funding strategy provided for in Article 224 of Regulation (EU, Euratom) 2024/2509.

(46) The Instrument for Coordinated Support to Ukraine should be repaid by Ukraine once reparations from Russia are received, and the Union reserves its right to make use of the Russian assets immobilised in the Union to repay the loan, in full accordance with Union and international law.

(47) By way of derogation from Article 31(3) of Regulation (EU) 2021/947 of the European Parliament and of the Council[27], the financial liability from loans under this Regulation should not be supported by the External Action Guarantee, established by that Regulation. Support in the form of loans under this Regulation should constitute

[27] 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 (OJ L 209, 14.6.2021, p. 1, ELI: http://data.europa.eu/eli/reg/2021/947/oj).

financial assistance within the meaning of Article 223(1) of Regulation (EU, Euratom) 2024/2509. In considering the financial risks and the presence of guarantees, no provisioning should be constituted for the support in the form of loans under this Regulation, to be guaranteed over and above the ceilings, and, by way of derogation from Article 214(1) of Regulation (EU, Euratom) 2024/2509, no provisioning rate should be set.

(48) Given the situation of Ukraine, caused by Russia's war of aggression against Ukraine and to support it on its long-term stability path, it is appropriate to derogate from Article 223(4), point (e), of Regulation (EU, Euratom) 2024/2509 in order to allow the Union the possibility to provide a borrowing costs subsidy to cover the costs that would otherwise be borne by Ukraine. Those costs comprise debt service costs (cost of funding and cost of liquidity management) and related administrative costs. The borrowing costs subsidy to be granted is deemed appropriate to ensure the effectiveness of the support under the Instrument for Coordinated Support to Ukraine within the meaning of Article 223(1) of Regulation (EU, Euratom) 2024/2509, particularly to avoid adding pressure on Ukraine's public finances.

(49) Union support to Ukraine under this Regulation should be managed by the Commission.

(50) The assistance to Ukraine under the Instrument for Coordinated Support to Ukraine should be additional and complementary to the Union support provided under the Ukraine Facility. The Commission should, wherever possible, seek to minimise the administrative and reporting burden on Ukraine.

(51) In the context of Russia's war of aggression, which is grossly violating international law and the principles of the UN Charter and undermining European and global security and stability, it is appropriate for the Union to continue working with others in the international community that provide support to Ukraine. In addition to ensuring coordination and complementarity of support, it is appropriate for the Union to work with like-minded partners in the implementation of the Instrument for Coordinated Support to Ukraine to address Ukraine's financing needs. To that end, the Union should further develop its possibilities to work with third countries.

(52) As a first possibility, Regulation (EU) 2024/2773, which, *inter alia*, established the Ukraine Loan Cooperation Mechanism to facilitate the implementation of the G7 'Extraordinary Revenue Acceleration Loans for Ukraine' ('ERA loans') initiative, should be amended to support G7 members in providing new loans to Ukraine ('second-generation ERA loans'). Such new loans would be repaid from future flows of extraordinary revenues stemming from the immobilisation of Russian sovereign assets held in the Union and other relevant jurisdictions once the initially supported loans have been repaid.

(53) Support under the Ukraine Loan Cooperation Mechanism should be available to cover the repayment of the second-generation ERA loans, as well as the Ukraine Support Loan and the Instrument for Coordinated Support to Ukraine. Once an initially supported loan has been repaid, the allocation of support under the Ukraine Loan Cooperation Mechanism should be adjusted to include any eligible second-generation ERA loan from that same lender. Until such time as eligible second-generation ERA loans replace the MFA Loan or eligible bilateral loans in the allocation of support, they should not be considered in the allocation.

(54) In order to ensure that second-generation ERA loans provided by bilateral lenders can swiftly and efficiently be supported by the Mechanism, the Commission should assess, and where relevant approve for support, the second-generation ERA loans to be provided by bilateral lenders. Where second-generation ERA loan agreements are in draft form or have not yet entered into force, the Commission should monitor their entry into force. In order to ensure a timely disbursement of second-generation ERA loans to Ukraine, second-generation ERA loan agreements should enter into force by 30 June 2028.

(55) As a second possibility, to further address Ukraine's financing needs and to ensure maximum coordination and consistency across international partners and donors, it is appropriate to enable third countries of high credit quality, that is to say benefitting from the highest possible rating (AAA or equivalent) from at least two Credit Rating Agencies registered in the European Union in accordance with Regulation (EC) 1060/2009[28] at the moment of entry into force of this Regulation, to provide irrevocable, unconditional and on demand financial guarantees to the Union to allow the mobilisation of up to EUR 5 billion in additional loans under Pillar I of the Ukraine Facility while limiting the risk for the Union budget.

(56) These guarantees should provide the Union with financial safeguards for these additional loans to Ukraine. It is appropriate to establish provisioning for these guarantees in the Common Provisioning Fund. Taking into account the high credit quality of those countries, it is appropriate to derogate from Article 214(2) of the Financial Regulation, which would require coverage of losses under the loan supported by those guarantees by global provisioning established in advance to cover the net expected losses and, in addition, an adequate safety buffer. Instead, the provisioning should be supported by an appropriate contribution by the guaranteeing third country, equal to the equivalent of the annual exposures of the Union budget to the reimbursement by Ukraine of the principal, interests and any amount on the loan guaranteed by the third country. The third country should also commit to provide a contribution to cover the borrowing costs subsidy when awarded by the Union to Ukraine. In view of the availability of provisioning and to facilitate invoicing, it should be possible to derogate from Article 111(2) of Regulation (EU, Euratom) 2024/2509 and adopt the legal commitment for the coverage of such borrowing costs without prior making of the budgetary commitment.

(57) The Ukraine Plan should be amended to reflect such additional budget assistance, stemming from contributions by third countries in the form of guarantees and in the form of contributions to the provisioning.

(58) Regulation (EU) 2024/792 provides that the final qualitative and quantitative steps under the Ukraine Plan are to be completed no later than 31 December 2027. It also provides that, where the conditions for payment are not fulfilled in accordance with the indicative timetable, the corresponding amounts may be withheld and subsequently disbursed during the next payment window and up to 12 months after the original deadline, provided that those conditions are fulfilled. In that context, it is appropriate, for amounts made accessible pursuant to this Regulation to extend the loan availability period until 30 June 2028 to ensure that the provisions of Regulation (EU) 2024/792

[28] Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (Text with EEA relevance) (OJ L 302, 17.11.2009, p.1 ELI: http://data.europa.eu/eli/reg/2009/1060/oj).

on the rules on payments, withholding and reduction of non-repayable financial support and loans can apply to those amounts and that Ukraine can exercise its right in respect of those amounts.

(59) The Commission should duly take into account Council Decision 2010/427/EU[29] and the role of the European External Action Service, where appropriate.

(60) The competent committee of the European Parliament should be able to invite the Commission to discuss in the Instrument for Coordinated Support to Ukraine dialogue matters that concern the implementation of this Regulation. The Commission should take into account elements arising from the views expressed through the Instrument for Coordinated Support to Ukraine dialogue, including resolutions of the European Parliament, if provided.

(61) In order to ensure that the European Parliament and the Council are able to follow the implementation of this Regulation, the Commission should regularly inform them of developments relating to Union assistance to Ukraine under this Regulation and provide them with the relevant documents.

(62) In order to ensure the continued effectiveness of the arrangements established by this Regulation, the Commission should regularly review their adequacy and report to the European Parliament and to the Council thereon, thereby guaranteeing transparency and accountability.

(63) In order to ensure uniform conditions for the implementation of this Regulation, implementing powers should be conferred on the Commission. Those powers should be exercised in accordance with Regulation (EU) No 182/2011.

(64) Since the objective of this Regulation, namely to provide financial and economic assistance to Ukraine for 2027 in a predictable, continuous, orderly and timely manner with a view to supporting Ukraine in covering its financing needs resulting from Russia's war of aggression against Ukraine, cannot be sufficiently achieved by the Member States but can rather, by reason of its scale and effects, be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 TEU. In accordance with the principle of proportionality as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve those objective.

(65) In view of the urgency entailed by the exceptional circumstances caused by Russia's unprovoked and unjustified war of aggression against Ukraine, 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 TEU, to the TFEU and to the Treaty establishing the European Atomic Energy Community.

(66) In light of the situation in Ukraine, this Regulation 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,

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[29] Council Decision 2010/427/EU of 26 July 2010 establishing the organisation and functioning of the European External Action Service (OJ L 201, 3.8.2010, p. 30, ELI: http://data.europa.eu/eli/dec/2010/427/oj).

HAVE ADOPTED THIS REGULATION:

CHAPTER I
GENERAL PROVISIONS

Article 1
Subject matter

1. This Regulation establishes an instrument for providing Union assistance to Ukraine for 2027 in the form of a loan to be repaid by reparations due by Russia (the 'Instrument for Coordinated Support to Ukraine').

2. It lays down the objective of the Instrument for Coordinated Support to Ukraine, its financing, the forms of Union funding under it and the rules for providing such funding.

Article 2
Objectives of the Instrument for Coordinated Support to Ukraine

1. The general objective of the Instrument for Coordinated Support to Ukraine shall be to provide financial and economic assistance to Ukraine in a predictable, continuous, orderly, flexible and timely manner with a view to supporting Ukraine in covering its financing needs resulting particularly from Russia's war of aggression against Ukraine and Russia's non-payment of reparations due.

2. To achieve the general objective referred to in paragraph 1, the specific objectives of the Instrument for Coordinated Support to Ukraine shall be:

   a. to support macro-financial stability via the easing of Ukraine's external and internal financing constraints; and

   b. to support Ukraine's defence industrial capacities through economic, financial and technical cooperation.

Article 3
Definitions

For the purposes of this Regulation the following definitions apply:

(1) 'defence product' means goods, services and works that fall within the scope of Directive 2009/81/EC, as set out in Article 2 thereof;

(2) 'EEA EFTA State' means a Member of the European Free Trade Association which is a member of the European Economic Area;

(3) 'ERA Loans' means eligible bilateral loans and the Union's macro-financial assistance loan pursuant to Regulation (EU) 2024/2773;

(4) ‘other products for defence purposes’ means any good, service and work other than those falling within the scope of Directive 2009/81/EC, as set out in Article 2 thereof, which are necessary for or aimed at defence purposes.

Article 4

Available assistance under the Instrument for Coordinated Support to Ukraine

1. The Instrument for Coordinated Support to Ukraine shall be for a maximum amount of EUR 45 000 000 000. That amount shall be made available to Ukraine in accordance with the following indicative allocation:

   a. EUR 10 000 000 000 for budget assistance in the form of a loan to be implemented pursuant to Chapter III of Regulation (EU) 2024/792;

   b. EUR 10 000 000 000 for macro-financial assistance granted for the purpose set out in Chapter II this Regulation;

   c. EUR 25 000 000 000 to support Ukraine’s defence industrial capacities in accordance with Chapter III of this Regulation.

2. The Instrument for Coordinated Support to Ukraine shall be available until 30 June 2028. It shall be made available by the Commission in instalments, which may be disbursed to Ukraine in one or more tranches. The disbursement of all such tranches shall take place by 31 December 2028.

3. If the financing needs of Ukraine decrease fundamentally during the period of availability of the Instrument for Coordinated Support to Ukraine, including in the event of a settlement by Russia of Ukraine’s war damages, the Commission, acting in accordance with the examination procedure referred to in Article 24(3), may reduce the undisbursed amount of the Instrument for Coordinated Support to Ukraine or cancel it.

4. If the financing needs of Ukraine change during the period of availability of the Instrument for Coordinated Support to Ukraine and a need to reallocate amounts between budget assistance in the form of a loan to be implemented under the Ukraine Facility pursuant to Chapter III of Regulation (EU) 2024/792, macro-financial assistance in accordance with Chapter II of this Regulation, and support to Ukraine’s defence industrial capacities in accordance with Chapter III of this Regulation materialises, the Commission, acting in accordance with the examination procedure referred to in Article 24(3), may deviate from the indicative allocation in paragraph 1 by up to 20% of each

amount, whilst respecting the maximum amount of the Instrument for Coordinated Support to Ukraine.

Article 5

Preconditions for assistance under the Instrument for Coordinated Support to Ukraine

A precondition for granting the assistance under the Instrument for Coordinated Support to Ukraine shall be that Ukraine continue 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 persons belonging to minorities. Upholding and respecting the rule of law shall include the fight against corruption.

The Commission and the European External Action Service (EEAS) shall monitor the fulfilment of the precondition set out in paragraph 1 of this Article, in particular before the release of funds referred to in Article 20. Furthermore, that monitoring shall take into account the relevant recommendations of international bodies, such as the Council of Europe and its Venice Commission. The Commission shall inform the European Parliament and the Council of its monitoring.

Article 6

Complementarity and coordination

1. In the implementation of the Instrument for Coordinated Support to Ukraine, the Commission shall act in close cooperation with Ukraine, Member States, relevant international bodies and donors to Ukraine, particularly through the Ukraine Donor Platform and the Ukraine Defence Contact Group, to ensure a coherent and consistent approach from those supporting Ukraine to address Ukraine's financial and economic assistance needs. In doing so, the Commission shall draw on the expertise of the EEAS.
2. Articles 5, 10, 11 and 12 and Article 20(1), point (b), of this Regulation shall apply in accordance with Decision 2010/427/EU.

CHAPTER II

BUDGET ASSISTANCE IN THE FORM OF MACRO-FINANCIAL ASSISTANCE

Article 7

Purpose

1. The macro-financial assistance shall contribute to covering Ukraine's financing gap for 2027.

2. The release of the macro-financial assistance shall be managed by the Commission on the basis of its assessment of the precondition set out in Article 5(1) and of the satisfactory fulfilment of the policy conditions included in the Memorandum of Understanding referred to in Article 8.

Article 8

Memorandum of Understanding

1. In respect of the amounts of macro-financial assistance as referred to in Article 4(1) point (b), the Commission shall agree with Ukraine on policy conditions to which the macro-financial assistance is to be linked. Those policy conditions shall be set out in a Memorandum of Understanding (MoU).

2. The policy conditions shall include robust and ambitious reform commitments, including those that aim, in particular, to strengthen revenue mobilisation to support Ukraine's financing needs and to tackle the root causes of corruption in public finances, including via improving the sustainability and quality of public expenditure and enhancing the efficiency, transparency and accountability of the public finance management systems. Where relevant, those commitments shall be consistent with any programme that Ukraine has with the IMF whilst going further where appropriate. Progress in attaining the commitments shall be regularly monitored by the Commission.

3. The Commission shall approve the signature of the MoU, and of amendments to the MoU, by means of implementing acts. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 24(3).

CHAPTER III

ASSISTANCE TO SUPPORT UKRAINE'S DEFENCE INDUSTRIAL CAPACITIES

Article 9

Purpose

1. The assistance to support Ukraine's defence industrial capacities shall aim to enable Ukraine to carry out urgent and major public investments in support of the Ukrainian defence industry and its integration into the European defence industry in response to and following the current crisis situation. That assistance shall contribute, in particular, to the reconstruction, recovery and modernisation of the Ukrainian Defence Technological and Industrial Base, with a view to increasing its defence industrial readiness, taking into account its gradual future integration into the European Defence Technological and Industrial Base and through support for the timely availability of defence products and other products for defence purposes, through cooperation between the Union and Ukraine.

2. The activities, expenditures and measures to support Ukraine's defence industrial capacities shall be related to defence products or other products for defence purposes and shall aim to:

   a. speed up the adjustment of the Ukrainian defence industry to structural changes, including through the creation and ramp-up of its manufacturing capacities as well as related supporting activities;

   b. improve the timely availability of defence products or other products for defence purposes for Ukraine, including through the reduction of their delivery lead time, reservation of manufacturing slots or stockpiling of defence products or other products for defence purposes, intermediate products or raw materials; or

   c. enhance cross-border cooperation between the European Defence Technological and Industrial Base and the Ukrainian Defence Technological and Industrial Base, taking into account the defence industrial reinforcement and defence procurement needs of Ukraine, allowing for interchangeability of defence products or other products for defence purposes manufactured by the Ukrainian defence industry and the European defence industry.

Article 10

Eligibility

1. The activities, expenditures and measures to support Ukraine's defence industrial capacities related to defence products and other products for defence purposes shall be eligible for assistance provided that they comply with the eligibility conditions set out in this Article.

2. Defence products shall belong to one of the following categories:

   a. category one: ammunition and missiles; artillery systems, including deep precision strike capabilities; ground combat capabilities and their support systems, including soldier equipment and infantry weapons; small drones (NATO class 1) and related anti-drone systems; critical infrastructure protection; cyber; and military mobility including counter-mobility;

   b. category two: air and missile defence systems; maritime surface and underwater capabilities; drones other than small drones (NATO classes 2 and 3) and related anti-drone systems; strategic enablers such as, but not limited to, strategic airlift, air-to-air refuelling, C4ISTAR systems as well as space assets and services; space assets protection; artificial intelligence and electronic warfare.

3. The activities, expenditures and measures to support Ukraine's defence industrial capacities related to defence products or other products for defence purposes shall not contravene the security and defence interests of the Union and its Member States as established in the framework of the common foreign and security policy (CFSP) pursuant to Title V of the TEU, including respect for the principle of good neighbourly relations, or the objectives set out in Article 2 of this Regulation.

4. Defence products shall be produced in compliance with the following conditions:

   a. manufacturers and subcontractors involved in the production of the defence products shall be established and have their executive management structures in the Union, in an EEA EFTA State or in Ukraine. They shall not be subject to control by a third country which is not an EEA EFTA State or Ukraine or by another third-country entity which is not established in the Union, in an EEA EFTA State or in Ukraine;

b. by way of derogation from point (a), in order to take into account industrial cooperation with non-EU partners, defence products that involve a subcontractor involved in the production which is allocated between 15 % and 35 % of the value of the contract, and that is not established or does not have its executive management structures in the Union, in an EEA EFTA State or in Ukraine, shall be eligible provided that at least one of the following conditions are met:

   i. a direct contractual relationship related to the defence product has been established between the manufacturer and that subcontractor prior to 28 May 2025; or

   ii. the manufacturer commits to studying, within two years, the feasibility of replacing the input provided by that subcontractor with an alternative, restriction-free input originating in the Union, in an EEA EFTA State or in Ukraine, and meeting technical and time requirements;

c. by way of derogation from point (a) of this paragraph, defence products involving manufacturers or subcontractors established in the Union and controlled by another third country which is not an EEA EFTA State or Ukraine or by another third-country entity which is not established in the Union, in an EEA EFTA State or in Ukraine shall be eligible if that manufacturer or subcontractor has been subject to screening within the meaning of Regulation (EU) 2019/452 of the European Parliament and of the Council ([30]) and, where necessary, to appropriate mitigation measures, or if that manufacturer or subcontractor provides guarantees in accordance with point (d) of this paragraph, verified by the Member State in which it is established;

d. the guarantees referred to in point (c) of this paragraph shall provide assurances that the involvement of the manufacturer or subcontractor in the production of the defence product does not contravene the security and defence interests of the Union and its Member States as established in the framework of the CFSP pursuant to Title V of the TEU. Those guarantees shall in particular substantiate that, for the purposes of activities, expenditures and measures, measures are in place to ensure that:

[30] Regulation (EU) 2019/452 of the European Parliament and of the Council of 19 March 2019 establishing a framework for the screening of foreign direct investments into the Union (OJ L 79 I, 21.3.2019, p. 1, ELI: http://data.europa.eu/eli/reg/2019/452/oj).

i. control over the manufacturer or subcontractor is not exercised in a manner that restrains or restricts its ability to carry out the activities, expenditures and measures supported; and

ii. access by a non-associated third country or by a non-associated third-country entity to classified or sensitive information relating to the defence product produced is prevented and the employees or other persons involved in the production of the defence product have national security clearance issued by a Member State, where appropriate, in accordance with national laws and regulations;

e. the infrastructure, facilities, assets and resources of the manufacturers and subcontractors involved in the production of the defence products shall be located in the territory of a Member State, an EEA EFTA State or Ukraine. Where manufacturers or subcontractors involved in the production of the defence products have no readily available alternatives or relevant infrastructure, facilities, assets and resources in the territory of a Member State, an EEA EFTA State or Ukraine, they may use their infrastructure, facilities, assets and resources which are located or held outside those territories, provided that such use does not contravene the security and defence interests of the Union and its Member States;

f. manufacturers and subcontractors involved in the production of the defence products may be considered to fulfil the eligibility conditions referred to in this paragraph where they have fulfilled equivalent conditions under Regulations (EU) 2018/1092 ([31]), (EU) 2021/697 ([32]), (EU) 2023/1525 ([33]), or (EU) 2023/2418 ([34]) of the European Parliament and of the Council or under Regulation (EU) 2025/1106

[31] Regulation (EU) 2018/1092 of the European Parliament and of the Council of 18 July 2018 establishing the European Defence Industrial Development Programme aiming at supporting the competitiveness and innovation capacity of the Union's defence industry (OJ L 200, 7.8.2018, p. 30, ELI: http://data.europa.eu/eli/reg/2018/1092/oj).

[32] Regulation (EU) 2021/697 of the European Parliament and of the Council of 29 April 2021 establishing the European Defence Fund and repealing Regulation (EU) 2018/1092 (OJ L 170, 12.5.2021, p. 149, ELI: http://data.europa.eu/eli/reg/2021/697/oj).

[33] Regulation (EU) 2023/1525 of the European Parliament and of the Council of 20 July 2023 on supporting ammunition production (ASAP) (OJ L 185, 24.7.2023, p. 7, ELI: http://data.europa.eu/eli/reg/2023/1525/oj).

[34] Regulation (EU) 2023/2418 of the European Parliament and of the Council of 18 October 2023 on establishing an instrument for the reinforcement of the European defence industry through common procurement (EDIRPA) (OJ L, 2023/2418, 26.10.2023, ELI: http://data.europa.eu/eli/reg/2023/2418/oj).

and provided that no subsequent changes call into question the fulfilment of those conditions;

g. the cost of components originating outside the Union, EEA EFTA States and Ukraine shall not be higher than 35 % of the estimated cost of the components of the defence product. No component shall be sourced from a third country that contravenes the security and defence interests of the Union and its Member States;

h. for defence products related to category two as referred to in paragraph 2, point (b), of this Article, manufacturers shall have the ability to decide, without restrictions imposed by third countries or by third-country entities, on the definition, adaptation and evolution of the design of the defence product procured, including the legal authority to substitute or remove components that are subject to restrictions imposed by third countries or by third-country entities.

For the purposes of the first subparagraph of this paragraph, 'subcontractors involved in the production of the defence products' means any legal entity which provides critical inputs that possess unique attributes essential for the functioning of the defence product, which is allocated at least 15 % of the value of the contract, and which needs access to classified information for the performance of the contract.

5. By way of derogation from paragraphs 2 and 4 and in full respect of paragraph 3, where there is an urgent need for the delivery of a given defence product stemming from Russia's war of aggression against Ukraine, the procurement of a defence product which does not comply with one or more of the conditions set out in paragraphs 2 and 4 shall be eligible for financial assistance under this Chapter provided that:

a. there is no equivalent product that responds to that urgent need which complies with the conditions set out in paragraphs 2 and 4 or it is not available at the required scale and whose delivery lead time is commensurate with the urgency of the situation and Ukraine's immediate operational needs; or

b. the delivery lead time for such defence product is significantly shorter than for a defence product which would comply with the conditions set out in paragraphs 2 and 4 of this Article, even if that defence product was subject to a priority-rated request as referred to in Article 16.

In such a case, Ukraine shall provide the information reasonably available to it demonstrating that the conditions for the application of this derogation are met. That

information shall be checked by the Commission after consultation with the Expert Group referred to in Article 12 without undue delay.

The procurement of defence products from manufacturers established in third countries other than EEA EFTA States and Ukraine shall be made only where there are no other alternatives available in the Union, EEA EFTA States and Ukraine under the conditions set out in the first subparagraph, points (a) and (b). In the context of the first subparagraph, points (a) and (b), that information shall include a legal commitment on compliance with the delivery lead time.

The Commission shall approve the derogations referred to in this paragraph by means of implementing acts, acting in accordance with the examination procedure referred to in Article 24(3).

6. Where applicable, Member States shall ensure that the procurement procedures and contracts for other products for defence purposes resulting from procurements receiving support under the Instrument for Coordinated Support to Ukraine contain appropriate eligibility conditions to protect the security and defence interests of the Union and its Member States.

7. By way of derogation from paragraph 4, contributions in accordance with paragraph 8, point (e), shall be utilised in line with the eligibility conditions of the Union programme concerned.

8. Activities, expenditures and measures related to defence products or other products for defence purposes shall be implemented in accordance with one of the following methods of implementation:

   a. procurements by Ukraine, subject to the procurement and delivery being validated by the Commission or Member States. Ukraine shall be responsible for such procurements in accordance with Ukrainian law, where validations by the Commission or Member States shall include, on a sample basis, checks on contractual documentation, invoices and delivery certificates, physical inspections to suppliers and physical verification of deliveries;

   b. procurements by Ukraine that are a common procurement in accordance with Regulation (EU) 2025/1106;

   c. agreements between Ukraine and Member States or the European Defence Agency (EDA);

d. procurement agreements between Ukraine and international or intergovernmental organisations; or

e. contributions by Ukraine to the Ukraine Support Instrument established by Regulation (EU) 2025/2643, the Ukraine Investment Framework established by Regulation (EU) 2024/792 for dual-use goods or other Union programmes.

Activities, expenditures and measures related to other products for defence purposes may also be implemented by procurements by Ukraine for procurements below EUR 7 000 000, provided that sound financial management and the protection of the financial interest of the Union are ensured.

9. Contracts entered into by Ukraine relating to procurements, agreements or contributions referred to in paragraph 8 shall be eligible if signed after [*Date of adoption of the Commission proposal*] provided that they comply with this Article.

10. The Commission is empowered to adopt delegated acts in accordance with Article 23 to supplement this Regulation by extending eligibility to third countries other than EEA EFTA States and Ukraine that do not contravene the security and defence interests of the Union and its Member States, provided that those third countries have concluded an agreement with the Union in accordance with Article 17 of Regulation (EU) 2025/1106. Each delegated act shall specify, for each of the third countries concerned, to which of the defence products this provision shall apply. Upon entry into force of a delegated act, the third country shall be considered to be included among the EEA EFTA States and Ukraine for the purpose of Article 10(4) as regards those defence products.

11. Notwithstanding paragraph 10, the Council, acting on a proposal from the Commission, may adopt an implementing act to determine that a third country other than EEA EFTA States and Ukraine that does not contravene the security and defence interests of the Union and its Member States and that has not concluded an agreement with the Union in accordance with Article 17 of Regulation (EU) 2025/1106, fulfils the following cumulative conditions:

a. the third country has committed to provide a fair and proportionate financial contribution to the costs arising from borrowing, commensurate with the value of contracts awarded to entities established in that third country. Such contribution shall take the form of cash to the borrowing costs subsidy on the basis of a contribution agreement between the third country and the Union. It shall constitute

external assigned revenue in accordance with Article 21(2), point (e), of Regulation (EU, Euratom) 2024/2509;

b. the third country has entered into a Security and Defence Partnership with the Union; and

c. the third country is providing financial and military support to Ukraine in a significant manner.

The Council implementing act shall specify, for each of the third countries concerned, to which defence products this provision is to apply, taking into account the conditions of this paragraph.

Upon entry into force of the Council implementing act, the third country shall be considered to be included among the EEA EFTA States and Ukraine for the purpose of Article 10(4) as regards those defence products.

The Council, acting by qualified majority, may amend the Commission's proposal and adopt the amended text by means of an implementing decision.

Article 11

Product schedules

1. In respect of the amounts of assistance to support Ukraine's defence industrial capacities as referred to in Article 4(1), point (c), Ukraine shall draw up a schedule for each activity, expenditure or measure related to a defence product or other product for defence purposes for which it intends to request assistance. That schedule shall set out:

   a. a description of the defence product or other product for defence purposes; and

   b. information on compliance with Article 10.

2. Ukraine shall consult the schedule with the Commission with a view to ensuring compliance with Article 10 and the achievement of the objectives of the Regulation, in particular enhancing cooperation between the European Defence Technological and Industrial Base and the Ukrainian Defence Technological and Industrial Base. Should Ukraine not identify a method of implementation in accordance with Article 10(8) or should the Commission consider that an alternative method of implementation is more economical, efficient or effective, the Commission may propose a method of implementation to Ukraine. When proposing to Ukraine the most appropriate method of

implementation, the Commission shall take into consideration the timeliness of delivery of the relevant defence product or other product for defence purposes, activity, expenditure or measure, further enhancement of cooperation between the European Defence Technological and Industrial Base and the Ukrainian Defence Technological and Industrial Base, the prices available, the past experience with that method of implementation and, where warranted, past experience with manufacturers under that method of implementation. In determining whether an alternative method of implementation is more economical or when considering the prices available, the Commission shall take into consideration any co-financing that is to be provided by Member States.

3. In the context of the consultation referred to in paragraph 2, the Commission may also propose alternative activities, expenditures and measures that would enable to further enhance cooperation between the European Defence Technological and Industrial Base and the Ukrainian Defence Technological and Industrial Base.

4. By derogation from paragraph 1 of this Article, Ukraine shall not be required to draw up a schedule for implementation in accordance with Article 10(8), first subparagraph, point (e).

Article 12

Ukraine's Defence Industrial Capacities Expert Group

1. To support the implementation of assistance to support Ukraine's defence industrial capacities, the Commission shall establish Ukraine's Defence Industrial Capacities Expert Group.

2. In addition to representatives of the Commission, the EEAS and the EDA, Ukraine's Defence Industrial Capacities Expert Group shall include representatives of Member States and the EEA EFTA States. Third countries referred to in Article 10(10) shall be permitted to nominate representatives. Ukraine shall be invited to the meetings of Ukraine's Defence Industrial Capacities Expert Group as appropriate.

3. Ukraine's Defence Industrial Capacities Expert Group shall provide advice, expertise and support on the defence products and other products for defence purposes, on the method of implementation, on the derogations under Article 10(5) and on the product schedules, including on the compliance with Article 10(3).

Article 13

Administration of the assistance to support Ukraine's defence industrial capacities

Ukraine shall open one or more special accounts for the sole purpose of the management of the financial and economic assistance received to support Ukraine's defence industrial capacities. The following rules shall apply in relation to those accounts:

a. all payments of the contracts or agreements that are requested for assistance to support Ukraine's defence industrial capacities shall be paid from those accounts;

b. the Commission shall be granted monitoring rights of those accounts;

c. Ukraine shall provide the Commission with a monthly report, to be submitted within 10 working days of the end of each month, containing the following information:

   i. the date and amount of each payment made from the accounts during the preceding month;

   ii. the name of the recipient of each payment;

   iii. a description of the purpose of each payment and how it relates to the contracts or agreements submitted in requests for funds;

   iv. any other information as may be reasonably requested by the Commission.

Article 14

Monitoring of implementation

1. The Commission shall monitor the implementation of assistance to support Ukraine's defence industrial capacities, including particularly the delivery of products, in accordance with this Article.

2. For procurements by Ukraine in accordance with Article 10(8), first subparagraph, point (a), that are validated by the Commission, the Commission shall utilise the validation process therein.

3. For procurements by Ukraine in accordance with Article 10(8), first subparagraph, point (a), that are validated by Member States, the Member State shall monitor the implementation of the procurement and the delivery in accordance with that provision and report to the Commission.

4. For procurements by Ukraine in accordance with Article 10(8), first subparagraph, point (b), the Member States that are part of such a common procurement shall monitor the implementation of the procurement and the delivery and report to the Commission.

5. For agreements between Ukraine and Member States in accordance with Article 10(8), first subparagraph, point (c), the Member State shall monitor the implementation of the agreement and the delivery and report to the Commission.

6. For agreements between Ukraine and the EDA in accordance with Article 10(8), first subparagraph, point (c), the EDA shall monitor the implementation of the agreement and the delivery and report to the Commission.

7. For procurement agreements between Ukraine and international or intergovernmental organisations in accordance with Article 10(8), first subparagraph, point (d), Ukraine shall include in such procurement agreements obligations on the respective international or intergovernmental organisations to monitor the implementation of the procurement and the delivery and to report to the Commission.

8. Paragraphs 1 to 7 of this Article shall not apply to procurements by Ukraine in accordance with Article 10(8) regarding activities, expenditures and measures related to other products for defence purposes below EUR 7 000 000. However, Ukraine shall regularly report to the Commission on how it monitors the implementation of these procurements and delivery. The Commission shall undertake risk-based controls.

9. Should the Commission be notified by Ukraine of the non-implementation of a contract or agreement in accordance with Article 17(2), point (g), or become aware of the non-delivery of products under this Article or the non-use of funds in the accounts referred to in Article 13, the Commission shall engage with Ukraine to repurpose those funds in accordance with this Regulation.

Article 15

Modification of framework agreements or contracts

1. Where activities, expenditures and measures related to defence products are implemented through the methods referred to in Article 10(8), first subparagraph, point (b) or point (c), within the Union, the rules provided for in paragraphs 2 to 4 of this Article shall apply to an existing framework agreement or contract that has as its object the purchase of defence products, which is used in that implementation method, and which does not

provide for the possibility to substantially amend it. When applying paragraphs 2 and 3 of this Article, the contracting authority that concluded the framework agreement or contract shall obtain the prior agreement of the undertaking with which it has concluded that framework agreement or contract.

2. A contracting authority of a Member State may modify an existing framework agreement or contract for defence products, where that framework agreement or contract has been concluded with an undertaking complying with criteria equivalent to those laid down in Article 10(4) and (5) of this Regulation, in order to add Ukraine as a party to that framework agreement or contract.

3. By way of derogation from Article 29(2), third subparagraph, of Directive 2009/81/EC, a contracting authority of a Member State may make substantial amendments to the quantities set out in a framework agreement or contract, with an estimated value above the thresholds laid down in Article 8 of Directive 2009/81/EC, where that framework agreement or contract has been concluded with an undertaking that complies with criteria equivalent to those laid down in Article 10(4) and (5) of this Regulation, and insofar as the modification is strictly necessary for the application of paragraph 2 of this Article.

4. For the purpose of calculating the value referred to in paragraph 3, the updated value shall be the reference point when the contract includes an indexation clause.

5. A contracting authority which has modified a framework agreement or contract in the cases referred to in paragraph 2 or paragraph 3 of this Article shall publish a notice to that effect in the Official Journal of the European Union in accordance with Article 32 of Directive 2009/81/EC.

6. In the cases referred to in paragraphs 2 and 3, the principle of equal rights and obligations shall apply between the contracting authorities which are party to the framework agreement or contract, in particular regarding the cost of additional quantities procured.

Article 16

Voluntary prioritisation of defence products

1. For the sole purpose of this Regulation and where Ukraine is confronted with severe difficulties in the placing or in the execution of a contract for the supply of defence products that are urgently needed and meet the eligibility requirements set out in Article

10(4) or (5), an economic operator together with the Member State on the territory of which its production site is located may jointly submit a request to the Commission to issue a prioritisation measure to prioritise a certain order of such products manufactured by that economic operator.

2. The joint request referred to in paragraph 1 shall include the following elements:

   a. the initial request from Ukraine;

   b. the list of products to be subject to the prioritisation measure, their specifications and the quantities in which they are to be supplied;

   c. the time limits within which the delivery of the defence products is to be completed;

   d. evidence that the economic operator cannot meet the request from Ukraine referred to in point (a) without a prioritisation measure; and

   e. an indication of a fair and reasonable price at which the prioritisation measure could be placed as well as elements substantiating that price.

3. Upon receipt of a request as referred to in paragraph 1, the Commission shall assess that request without undue delay.

4. The Commission shall base the assessment referred to in paragraph 3 on objective, factual, measurable and substantiated data, with the aim of determining whether such prioritisation is indispensable in order to address the severe difficulties referred to in paragraph 1.

5. Where the assessment referred to in paragraph 3 concludes that the prioritisation is indispensable, the Commission shall, by means of an implementing act, adopt a prioritisation measure setting out:

   a. the legal basis of the priority-rated request to be complied with by the economic operator;

   b. the list of products subject to the priority-rated request, their specifications and the quantities in which they are to be supplied;

   c. the time limits within which the priority-rated request is to be completed;

   d. the beneficiaries of the priority-rated request;

   e. the scope of contractual obligations over which the priority-rated request shall have precedence;

f. the waiver of contractual liability under the conditions laid down in paragraph 7; and

g. the penalties provided for in paragraphs 12 to 18 for non-compliance with the obligations stemming from that implementing act.

The implementing act referred to in the first subparagraph of this paragraph shall be adopted in accordance with the examination procedure referred to in Article 24(3).

6. The prioritisation measure referred to in paragraph 5 shall:

a. be placed at a fair and reasonable price, adequately taking into account the economic operator's opportunity costs when fulfilling the prioritisation measure as compared to existing contractual obligations; and

b. take precedence over any contractual obligations under private or public law related to the defence products subject to the prioritisation measure, under the conditions laid down in the implementing act referred to in paragraph 5.

7. The economic operator subject to a prioritisation measure pursuant to paragraph 5 shall not be liable for any breach of contractual obligation that is governed by the law of a Member State, provided that:

a. the breach of contractual obligation is strictly necessary for compliance with the required prioritisation;

b. the implementing act referred to in paragraph 5 has been complied with; and

c. the request referred to in paragraph 1 did not have the sole purpose of unduly avoiding a prior performance obligation under private or public law.

8. The economic operator subject to a prioritisation measure may request the Commission to amend the implementing act referred to in paragraph 5 where it considers it to be duly justified based on one of the following grounds:

a. the economic operator is unable to perform the prioritisation measure on account of insufficient production capability or production capacity, even under preferential treatment of the request;

b. completion of the prioritisation measure would place an unreasonable economic burden on, and entail particular hardship for, the economic operator.

9. The economic operator shall provide all relevant and substantiated information to allow the Commission to assess the merits of the request for amendment referred to in paragraph 8.

10. Based on the examination of the reasons and evidence provided by the economic operator, the Commission may, after consultation and prior agreement of the Member State on the territory of which the relevant production site of the economic operator concerned is located, amend its implementing act to release, partially or in totality, the economic operator concerned from its obligations under this Article.

11. Where an economic operator, after having expressly accepted to prioritise the orders requested by the Commission, intentionally or through gross negligence does not comply with the obligation to prioritise those orders, it shall be subject to fines set out in paragraphs 12 to 18, except where:

    a. the economic operator is unable to perform the priority-rated request on account of insufficient production capability or production capacity, or on technical grounds; or

    b. performance or completion of the request would place an unreasonable economic burden on, and entail particular hardship for, the economic operator, including substantial risks relating to business continuity.

    The revenue from the fines shall constitute external assigned revenue within the meaning of Article 21(5) of Regulation (EU, Euratom) 2024/2509 to an external assistance programme under which Ukraine is eligible.

12. Where it deems it to be necessary and proportionate, the Commission may, by means of implementing acts, impose on the economic operators fines not exceeding EUR 300 000 where the economic operator, intentionally or through gross negligence, does not comply with the obligation to perform the priority-rated request pursuant to this Article.

    The implementing acts referred to in the first subparagraph of this paragraph shall be adopted in accordance with the examination procedure referred to in Article 24(3).

13. Before taking a decision pursuant to paragraph 12, the Commission shall provide an opportunity for the economic operator concerned to be heard in accordance with paragraph 15. The Commission shall take into account any duly reasoned justification presented by the economic operator for the purpose of determining whether fines are deemed necessary and proportionate.

14. In fixing the amount of the fine, the Commission shall take into consideration the nature, gravity and duration of the infringement, including whether the economic operator has partially complied with the priority-rated order or the priority-rated request.

15. Before taking a decision pursuant to paragraph 12, the Commission shall ensure that the economic operators concerned have been given the opportunity to submit observations on:

    a. the preliminary findings of the Commission, including any matter in relation to which the Commission has raised objections;

    b. the measures that the Commission may intend to take in view of the preliminary findings pursuant to point (a) of this paragraph.

16. The economic operators concerned may submit to the Commission their observations on the Commission's preliminary findings within a time limit which shall be fixed by the Commission in its preliminary findings, and which may not be less than 14 working days.

17. The Commission shall base its imposition of fines only on objections on which the economic operators concerned have been able to comment.

18. Where the Commission has informed the economic operators concerned of its preliminary findings as referred to in paragraph 15, it shall give access, if so requested, to the Commission's file under the terms of a negotiated disclosure, subject to the legitimate interest of economic operators in the protection of their business secrets, or in order to preserve business secrets or other confidential information of any person. The right of access to the file shall not extend to confidential information and internal documents of the Commission or the authorities of the Member States, in particular to correspondence between the Commission and the authorities of the Member States. This paragraph shall not prevent the Commission from disclosing and using information necessary to prove an infringement.

19. This Article is without prejudice to the rights of the Member States to protect their essential security interests in accordance with Article 346(1), point (b), TFEU.

CHAPTER IV
FINANCING AND IMPLEMENTATION

Article 17

Instrument for Coordinated Support to Ukraine Agreement

1. The detailed financial terms of the Instrument for Coordinated Support to Ukraine shall be laid down in the Instrument for Coordinated Support to Ukraine Agreement.

2. In addition to the elements laid down in Article 223(4) of Regulation (EU, Euratom) 2024/2509, the Instrument for Coordinated Support to Ukraine Agreement shall require that:

   a. the Instrument for Coordinated Support to Ukraine is to be a limited recourse loan that becomes due and payable upon the occurrence of a repayment trigger as defined in subparagraph (j);

   b. Ukraine provides the Union with a security interest over its claim on Russia for reparations as security for the Instrument for Coordinated Support to Ukraine. The value of that security interest shall at any given time be equal to the value of disbursed funds under the Instrument for Coordinated Support to Ukraine;

   c. the rights, responsibilities and obligation provided for in the Framework Agreement under the Ukraine Facility referred to in Article 9 of Regulation (EU) 2024/792 apply to the Instrument for Coordinated Support to Ukraine Agreement and the funds therein;

   d. the amount of assistance referred to in Article 4(1), point (a), of this Regulation is to be implemented in accordance with Chapter III of Regulation (EU) 2024/792, with the exception of rules on the duration and repayment of the loan, including the borrowing costs subsidy, as referred to in Article 19, which are to be governed by this Regulation;

   e. Ukraine utilises the same management and control systems as proposed in the Ukraine Plan established under Regulation (EU) 2024/792, including beyond the availability period referred to in Article 6(2) of that Regulation;

   f. the Commission has the right to monitor activities, expenditures and measures under Chapter III of this Regulation that are carried out by the Ukrainian authorities, along the whole project cycle;

g. Ukraine is to immediately notify the Commission should a draft contract or agreement financed through the Instrument for Coordinated Support to Ukraine not be implemented;

h. Ukraine continues to respect the precondition set out in Article 5(1);

i. Ukraine does not reverse any measure taken under any other current or previous instruments of support provided by the Union or IMF concerning anti-corruption;

j. Ukraine is to be liable for the repayment of the principal of the Instrument for Coordinated Support to Ukraine within 30 days, if any of the following conditions are fulfilled, each constituting a repayment trigger for the purposes of this Regulation:

   i. the receipt of cash by Ukraine for war reparations, indemnities or any financial settlement from Russia, up to the amount of such settlement;

   ii. 90 days from the receipt of non-monetary assets by Ukraine for war reparations, indemnities or any financial settlement from Russia, except territory, up to the amount of such settlement which is to be determined by an independent valuation. Upon request of Ukraine, the Commission may grant an extension of this timeframe if strictly warranted;

   iii. that Ukraine is in breach of point (h); or

   iv. it has been established that, in relation to the management of the Instrument for Coordinated Support to Ukraine, Ukraine has engaged in any act of fraud, corruption or any other illegal activity detrimental to the financial interests of the Union.

k. Ukraine is liable to repay the Instrument for Coordinated Support to Ukraine:

   i. where the conditions set out in point (j)(i) and (ii) are fulfilled, for an amount of the monetary value of the war reparations, indemnities or any financial settlement from Russia equal to the proportion of the Instrument for Coordinated Support to Ukraine outstanding against the sum of the value of the Instrument for Coordinated Support to Ukraine outstanding, the value of the loan provided for in Regulation (EU) 2026/467 outstanding, any outstanding reparations loans provided by G7 members, any outstanding liabilities under

ERA Loans and any outstanding liabilities under loans approved by the Commission in accordance with Article 6a of Regulation (EU) 2024/2773;

ii. where the condition set out in point (j)(iii) is fulfilled, for the total outstanding amount of the Instrument for Coordinated Support to Ukraine;

iii. where the condition set out in point (j)(iv) is fulfilled, for the value of fraud, corruption or any other illegal activity detrimental to the financial interests of the Union.

l. any amounts of the Instrument for Coordinated Support to Ukraine not covered by the liability referred to in point (k) are to remain in place until future repayment trigger events occur;

m. in the case of payments or recoveries, Ukraine is to indicate the relevant payments from the Instrument for Coordinated Support to Ukraine that are being repaid or recovered;

n. the Union has the right to make use of Russian assets immobilised in the Union to repay the loan, in full accordance with Union and international law;

o. amounts made available for the Instrument for Coordinated Support to Ukraine pursuant to Regulation (EU) 2024/2773 shall be utilised to reduce the principal of the loan;

p. Ukraine is to ensure that the procurement procedures and contracts for other products for defence purpose resulting from procurement receiving support under the Instrument for Coordinated Support to Ukraine contain appropriate eligibility conditions to protect the security and defence interests of the Union and its Member States;

q. for assistance to support Ukraine's defence industrial capacities, Ukraine shall not submit the same activities, expenditures and measures under different Union support programmes.

The Instrument for Coordinated Support to Ukraine Agreement shall also include any other requirements needed for the implementation of the Instrument for Coordinated Support to Ukraine, including those necessary to implement Article 14 of this Regulation.

3. Non-compliance with the terms of the Instrument for Coordinated Support to Ukraine Agreement shall constitute a ground for the Commission to suspend or cancel, in full or in part, the release of the instalment or tranches. Non-compliance with repayment terms of the Instrument for Coordinated Support to Ukraine Agreement shall additionally constitute a ground for the total or part of the outstanding amount of the Instrument for Coordinated Support to Ukraine to become due and payable.

4. The Instrument for Coordinated Support to Ukraine Agreement shall be made available, upon request, simultaneously to the European Parliament and to the Council.

Article 18

Request for funds

1. To receive financial and economic assistance, Ukraine shall submit to the Commission a duly justified request for funds. Such a request for funds may be submitted by Ukraine to the Commission, in principle, six times per year.

2. For budget assistance in the form of a loan to be implemented pursuant to Chapter III of Regulation (EU) 2024/792, the request for funds shall be submitted in accordance with Chapter III of Regulation (EU) 2024/792.

3. For macro-financial assistance in accordance with Chapter II of this Regulation, the request for funds shall be accompanied by a report in accordance with the provisions of the MoU.

4. For assistance to support Ukraine's defence industrial capacities in accordance with Chapter III of this Regulation:

   a. the request for funds may cover multiple products. For each covered product, the request for funds shall contain a contract or agreement in compliance with Article 10 and a schedule in accordance with Article 11. Such contracts or agreements may be signed or in a finalised draft form;

   b. if the request for funds requests funding for an amount greater than 20 % of the amount of assistance to support Ukraine's defence industrial capacities as referred to in Article 4(1), point (c), Ukraine shall provide a detailed justification, including on the impact for future requests for funds under that implementing decision.

Article 19

Borrowing costs subsidy

1. By way of derogation from Article 223(4), point (e), of Regulation (EU, Euratom) 2024/2509 and subject to available resources, the Union may bear the costs arising from the borrowing for a loan to Ukraine that would otherwise be borne by Ukraine ('borrowing costs subsidy'). Those costs comprise service costs (cost of funding, cost of liquidity management, and cost of service for administrative overheads related to the borrowing and lending).
2. Ukraine may request the borrowing costs subsidy each year. The Commission may award the borrowing costs subsidy for an amount not exceeding the limits of the appropriations made available in the context of the budgetary procedure.

Article 20

Decision on the release of assistance

1. The Commission shall decide on the release of assistance subject to its assessment of the following requirements:
   a. for macro-financial assistance:
      i. compliance with the precondition set out in Article 5(1);
      ii. the satisfactory fulfilment of the policy conditions set out in the MoU; and
      iii. compliance with the Instrument for Coordinated Support to Ukraine Agreement referred to in Article 17;
   b. for assistance to support Ukraine's defence industrial capacities:
      i. compliance with the precondition set out in Article 5(1);
      ii. confirmation that the contracts or agreements are for products in compliance with Article 10 and that the Commission does not object to the methods of implementation;

iii. confirmation that Ukraine broadly respects the qualitative and quantitative steps contained in the Annex to Council Implementing Decision (EU) 2024/1447 ([35]) and any amendments thereto;

iv. compliance with the obligations referred to in Article 13 and the Instrument for Coordinated Support to Ukraine Agreement referred to in Article 17; and

v. to the extent necessary, the adequacy of the detailed justification of Ukraine, taking into account the situation in Ukraine and the committed and expected external financing available.

For budget assistance in the form of a loan to be implemented pursuant to Chapter III of Regulation (EU) 2024/792, the release of assistance shall be implemented in accordance with Chapter III of Regulation (EU) 2024/792.

2. Subject to compliance with the allocation referred to in Article 4(1), where the Commission makes a positive assessment of the request for funds, it shall adopt, without undue delay, a decision authorising the disbursement of the Instrument for Coordinated Support to Ukraine. For assistance to support Ukraine's defence industrial capacities, that amount to be disbursed shall not exceed the value of the contracts or agreements included in the request for funds.

3. The Commission may proceed with the decision referred to in paragraph 2 for paragraph 1, points (a) and (b), collectively or individually.

4. Where the Commission has sufficient information to partially positively assess the request for funds and is seeking further justification from Ukraine on the remaining part, the Commission may proceed with a partial positive assessment of the request for funds and withhold the release of the remaining part of the instalment until such further justification is provided.

5. Where the Commission gives a negative assessment to the request for funds, it shall, without undue delay, inform Ukraine, giving reasons for its assessment. A negative assessment shall not prevent Ukraine from submitting a new request for funds.

[35] Regulation (EU) 2023/2418 of the European Parliament and of the Council of 18 October 2023 on establishing an instrument for the reinforcement of the European defence industry through common procurement (EDIRPA) (OJ L, 2023/2418, 26.10.2023, ELI: http://data.europa.eu/eli/reg/2023/2418/oj).

Article 21

Financing of the Instrument for Coordinated Support to Ukraine

1. In order to finance the assistance under the Instrument for Coordinated Support to Ukraine, the Commission shall be empowered, on behalf of the Union, to borrow the necessary funds on the capital markets or from financial institutions under the diversified funding strategy referred to in Article 224 of Regulation (EU, Euratom) 2024/2509.

2. The borrowing and lending operations for the Instrument for Coordinated Support to Ukraine shall be carried out in euro.

3. By way of derogation from Article 31(3), second sentence, of Regulation (EU) 2021/947, the financial assistance provided to Ukraine under the Instrument for Coordinated Support to Ukraine shall not be supported by the External Action Guarantee. No provisioning for the Instrument for Coordinated Support to Ukraine shall be constituted and, by way of derogation from Article 214(1) of Regulation (EU, Euratom) 2024/2509, no provisioning rate shall be set.

Article 22

Application of the rules on classified information and sensitive information

1. Classified information that is created, handled, stored, exchanged or shared under this Regulation shall be protected in accordance with, as applicable:

   a. the security rules set out in Commission Decision (EU, Euratom) 2015/444[36];

   b. the Agreement between the Member States of the European Union, meeting within the Council, regarding the protection of classified information exchanged in the interests of the Union; or

   c. the applicable security agreements and its implementing arrangements, between the Union and Ukraine.

2. The Commission shall use a secured exchange system in order to facilitate the exchange of classified information and sensitive information between the Commission and Ukraine and, where appropriate, with the Member States.

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36 Commission Decision (EU, Euratom) 2015/444 of 13 March 2015 on the security rules for protecting EU classified information (OJ L 72, 17.3.2015, p. 53, ELI: http://data.europa.eu/eli/dec/2015/444/oj).

3. The Commission shall have access to information, including classified information, necessary for the tasks assigned to it under this Regulation, in particular for the purpose of verifying the conditions for disbursement of payments and carrying out the checks, reviews, audits, investigations, reports as well as the controls and audits, as referred to in Article 17.

4. Information received as a result of the application of this Regulation shall be used only for the purpose for which it was requested.

5. The Commission and Member States shall ensure the protection of trade and business secrets and other sensitive information acquired and generated in application of this Regulation in accordance with Union law and respective national law.

CHAPTER V
FINAL PROVISIONS

Article 23

Exercise of the delegation

1. The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in this Article.

2. The power to adopt delegated acts referred to in Article 10(10) shall be conferred on the Commission for an indeterminate period of time from [*SEVEN DAYS AFTER THE ENTRY INTO FORCE OF THIS REGULATION*].

3. The delegation of power referred to in Article 10(10) may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the power specified in that decision. It shall take effect on the day following the publication of the decision in the *Official Journal of the European Union* or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.

4. Before adopting a delegated act, the Commission shall consult experts designated by each Member State in accordance with the principles laid down in the Interinstitutional Agreement of 13 April 2016 on Better Law-Making.

5. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.

6. A delegated act adopted pursuant to Article 10(10) shall enter into force only if no objection has been expressed either by the European Parliament or by the Council within a period of two months of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by two months at the initiative of the European Parliament or of the Council.

Article 24

Committee procedure

1. The Commission shall be assisted by a committee of representatives of the Member States. That committee shall be a committee within the meaning of Regulation (EU) No 182/2011.

2. The EDA shall be invited to provide its views and expertise to the committee as an observer. The EEAS shall also be invited to assist in the work of the committee.

3. Where reference is made to this paragraph, Article 5 of Regulation (EU) No 182/2011 shall apply.

Article 25

Instrument for Coordinated Support to Ukraine dialogue

1. 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.

2. The European Parliament may express its views in resolutions as regards the Instrument for Coordinated Support to Ukraine.

3. The Commission shall take into account any elements arising from the views expressed through the Instrument for Coordinated Support to Ukraine dialogue, including resolutions from the European Parliament if provided.

Article 26

Information to the European Parliament and to the Council

1. The Commission shall regularly review the management and implementation of the loan and shall inform the European Parliament and the Council of developments regarding the implementation of this Regulation, including Article 4(3), Article 4(4), Article 8(3), Article 17(3) and Article 20(2), and shall provide the European Parliament and the Council with the relevant documents without undue delay. Information transmitted by the Commission to the Council in the context of this Regulation or its implementation shall simultaneously be made available to the European Parliament, subject to confidentiality arrangements if necessary.

2. By 30 December 2028, the Commission shall submit to the European Parliament and to the Council a report on the implementation of this Regulation, including an evaluation of that implementation. That report shall:

   a. examine progress made in implementing the Instrument for Coordinated Support to Ukraine;

   b. provide information on the monitoring referred to in Article 14; and

   c. assess the economic situation and prospects of Ukraine, as well as progress made in implementing the policy conditions referred to in Article 8(1).

3. By 30 December 2029, the Commission shall submit to the European Parliament and to the Council an evaluation report, assessing the results and efficiency of the Instrument for Coordinated Support to Ukraine provided under this Regulation and the extent to which it has contributed to the aims of the assistance.

Article 27

Amendments to Regulation (EU) 2024/792

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

1. Article 6 is amended as follows:

   a. in paragraph 2 the following subparagraph is added:

‘Additional financial support pursuant to Chapter III in the form of a loan benefitting from a financial guarantee pursuant to Article 7(4) shall be progressively available for an amount of up to EUR 5 billion for the period from 1 January 2024 to 30 June 2028, as guarantees by

third countries referred to in Article 8a enter into force in accordance with Article 7(6) and after the amount referred to in Article 8a(1), point (e), has been in full received by the Commission, while never exceeding the principal amounts covered by those guarantee agreements.';

b. paragraph 3 is replaced by the following:

'3. The sum of the resources made available pursuant to paragraph 1 and to the first subparagraph of paragraph 2 shall not exceed EUR 50 000 000 000 for the period 2024 to 2027.'

c. in paragraph 4, the second subparagraph is replaced by the following:

'Amounts made accessible pursuant to Article 4(1) of Regulation (EU) 2026/467 (*1) and Article 4(1) of Regulation (EU) [*Instrument for Coordinated Support to Ukraine Regulation*](*2) shall be implemented as additional financial support pursuant to Chapter III of this Regulation in the form of loans. Those amounts shall be in addition to the amounts referred to in paragraphs 2 and 3 of this Article. Amounts made accessible pursuant to Article 4(1) of Regulation (EU) [*Instrument for Coordinated Support to Ukraine*] shall be available until 30 June 2028;'

(*1) Regulation (EU) 2026/467 of the European Parliament and of the Council of 24 February 2026 implementing enhanced cooperation on the establishment of the Ukraine Support Loan for 2026 and 2027 (OJ L, 2026/467, 26.2.2026, ELI: http://data.europa.eu/eli/reg/2026/467/oj).

(*2) Regulation (EU)… of the European Parliament and of the Council of… on … OJ…'

2. In Article 7, the following paragraphs are added:

'4. Subject to paragraph 6 of this Article, third countries being provided the highest possible rating from two or more Credit Rating Agencies registered in the European Union in accordance with Regulation (EC) 1060/2009, on the date of entry into force of this Regulation which are listed in the Annex to this Regulation, may provide guarantees in respect of the loan amount referred to in the second subparagraph of Article 6(2). Such guarantees shall cover in full the principal, interest and any other amounts, including recovery costs, due by Ukraine until all liabilities from those loan amounts have been repaid and any amounts related to the loan amounts covered by the guarantors.

5. Where contributions from third countries are made in accordance with paragraph 4 of this Article, they shall be provided in the form of irrevocable, unconditional and on demand

guarantees by way of a guarantee agreement concluded with the Commission in accordance with Article 8a.

6. The guarantees shall become effective in respect of each third country as of the date of entry into force of the guarantee agreement, referred to in Article 8a, between the Commission and the third country concerned.

7. Where additional loans amounts are available to Ukraine pursuant to second subparagraph of Article 6(2) and where amounts are made accessible pursuant to Article 4(1) of Regulation (EU) 2026/467 and Article 4(1) of Regulation (EU) [*Instrument for Coordinated Support to Ukraine*], the Ukraine Plan shall be amended in accordance with Article 20 to reflect those additional amounts. Those amounts may be linked to qualitative and quantitative steps already included in the Ukraine Plan.

8. Each amount paid to the Commission as a result of a guarantee call on a guarantee provided under paragraph 4 of this Article and pursuant to Article 8a(1), points (e) and (f), shall constitute external assigned revenue in accordance with Article 21(2), point (e) of Regulation (EU, Euratom) 2024/2509 and shall be used, respectively, for the repayment of financial liabilities arising from the loan subject of the relevant financial guarantee, for the provisioning and for the borrowing costs subsidy in respect of the loan referred to in the second subparagraph of Article 6(2).';

3. The following Article 8a is added:

'Article 8a – Guarantee agreements

1. The Commission shall conclude a guarantee agreement with each third country (guarantor) that provides a financial guarantee referred to in Article 7(4). That agreement shall set out the rules governing the financial guarantee, including:

(a) the obligation to honour guarantee calls made by the Commission in respect of the principal, interest and other amounts in respect of the relevant loan;

(b) the application of the guarantee to any non-payment by Ukraine, including where the repayment schedule is changed or a non-payment is expected;

(c) the obligation of the guarantor to remain liable to honour a call even in the event of failure to honour a previous call;

(d) the reimbursement to the guarantor of amounts subsequently recovered from Ukraine and attributable to previous guarantee calls;

(e) the obligation of the guarantor to pay to the Union provisioning corresponding to the estimated annual repayment of principal, interest and other amounts outstanding without undue delay after the entry into force of the guarantee agreement and that any outstanding part of that amount shall only be repaid by the Union to the third country after all liabilities and costs from the loan referred to in the second subparagraph of Article 6(2) have been repaid;

(f) if the Union awards, at its sole discretion, the borrowing costs subsidy pursuant to Article 23, the guarantor shall provide contribution fully covering such costs in respect of the loan amounts referred to in the second subparagraph of Article 6(2) that are covered by its guarantee, without having the right to reimbursement and recovery of such amounts pursuant to point (d) of this paragraph;

(g) other payment conditions.

2. The Commission shall inform the European Parliament and the Council simultaneously and without delay of the guarantee agreements concluded.';

4. In Article 19, paragraph 2 point (f) is replaced by the following:

'(f) the indicative time limit, which shall expire no later than 31 December 2027, by which the final qualitative and quantitative steps for both investment projects and reforms must be completed, without prejudice to Article 26;';

5. Article 22 is amended as follows:

a. in paragraph 2, the second subparagraph is replaced by the following:

'Upon adoption of the Council implementing decision referred to in Article 19(1) of this Regulation in respect of the amounts referred to in second subparagraph of Article 6(4) of this Regulation, the Commission shall enter into an amendment or addendum to the loan agreement with Ukraine referred to in the first subparagraph of this paragraph with the purpose of ensuring the implementation of the amounts pursuant to Chapter III of this Regulation, with the exception of rules on the duration and repayment of the loan, including borrowing cost subsidy, which shall be governed by Regulation (EU) 2026/467 and Regulation (EU) [*Instrument for Coordinated Support to Ukraine Regulation*] for the respective amounts.';

b. paragraph 4 is replaced by the following:

‘4. In respect of the loan amount referred to in the first subparagraph of Article 6(2) of this Regulation, no provisioning shall be constituted and by way of derogation from Article 214(1) of Regulation (EU, Euratom) 2024/2509, no provisioning rate as a percentage shall be set.

In respect of the loan amount referred to in the second subparagraph of Article 6(2) of this Regulation, by derogation from Article 214(2) of Regulation (EU, Euratom) 2024/2509, provisioning corresponding to the estimated annual repayment of principal, interest and other amounts outstanding shall be kept in the Common Provisioning Fund. Such provisioning shall be constituted from the contribution referred to in Article 8a(1), point (e), and shall solely be used in respect of that loan.’;

c. paragraph 6 is added:

‘6. For loans benefiting from a financial guarantee provided pursuant to Article 7(4), the Commission shall conclude a separate loan agreement with Ukraine or enter into an amendment or addendum to the loan agreement with Ukraine referred to in the first subparagraph of paragraph 2 with the purpose of ensuring the implementation of the amounts pursuant to Chapter III of this Regulation. In the case of such an amendment or addendum, the additional amount shall be made available to Ukraine subject to the entry into force of the guarantee agreements referred to in Article 8a, and subject to limits set out in Article 6(2).’;

6. In Article 23, paragraph 1 is replaced by the following:

‘1. By way of derogation from Article 223(4) of Regulation (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) 2026/467 and Article 4(1) of Regulation (EU) [*Instrument for Coordinated Support to Ukraine Regulation*]. For the period from 1 January 2024 to 31 December 2027, the borrowing costs subsidy shall be covered under Chapter V of this Regulation.

By derogation from Article 111(2) of Regulation (EU, Euratom) 2024/2509, the legal commitment for the coverage of borrowing costs of the loan amounts referred to in the second subparagraph of Article 6(2) may be taken without prior making of the budgetary commitment, provided that the amounts of provisioning paid pursuant to Article 8a(e) are sufficient to cover those costs.’.

7. The following Annex is added:

‘ANNEX

Third countries eligible to provide guarantees pursuant to Article 7(4):

- Australia
- Canada
- Liechtenstein
- Norway
- Singapore
- Switzerland’

Article 28

Amendments to Regulation (EU) 2024/2773

Regulation (EU) 2024/2773 is amended as follows:

1. Article 2 is amended as follows:

(a) the following points are inserted:

‘(3a) ‘eligible second-generation ERA loan’ means a second-generation ERA loan approved as eligible under the Mechanism by the Commission, the Ukraine Support Loan and the Instrument for Coordinated Support to Ukraine;

(3b) ‘Instrument for Coordinated Support to Ukraine’ means the loan provided by the Union to Ukraine pursuant to Regulation (EU) [*Instrument for Coordinated Support to Ukraine Regulation*];

(3c) ‘second-generation ERA loan’ means a loan given directly or indirectly by a third country as a bilateral lender to the benefit of Ukraine, where that bilateral lender had previously provided an eligible bilateral loan under the auspices of the G7 ‘Extraordinary Revenue Acceleration Loans for Ukraine’ initiative;

(b) the following point is added:

(7) ‘Ukraine Support Loan’ means the loan provided by the Union to Ukraine pursuant to Regulation (EU) 2026/467.’;

2. Article 3 is replaced by the following:

‘*Article 3*

Purpose

The purpose of the Mechanism shall be to provide Ukraine with non-repayable financial support with a view to assisting Ukraine to repay the MFA Loan, eligible bilateral loans and eligible second-generation ERA loans. To achieve that purpose, the Mechanism shall receive resources and disburse them on a regular basis to Ukraine to cover the principal, interest and any other related costs of the MFA Loan and eligible bilateral loans and the principal of eligible second-generation ERA loans. In its operations, the Mechanism shall ensure equal access both for bilateral lenders and for the Union.';

3. Article 5 is replaced by the following:

'Article 5

Available support

1. The non-repayable financial support under the Mechanism shall be available under the conditions set out in Articles 6, 6a, 7 and 8 to assist Ukraine to repay:

   a. the principal, interest and any other related costs of:

      i. the MFA Loan; and

      ii. eligible bilateral loans.

   b. the principal of eligible second-generation ERA loans.

2. The non-repayable financial support under the Mechanism shall be allocated to assist Ukraine to repay the MFA Loan and eligible bilateral loans referred to in paragraph 1 in proportion to the principal of each loan expressed in euro against the sum of the principal of the MFA Loan and all eligible bilateral loans expressed in euro.

   That allocation shall be adjusted:

   a. once the MFA Loan has been fully repaid by Ukraine, including interest and any other related costs, where the non-repayable financial support under the Mechanism shall be allocated to assist Ukraine to repay the Ukraine Support Loan and Instrument for Coordinated Support to Ukraine, jointly replacing the MFA Loan in the allocation. For the purposes of the allocation, the principal of the MFA loan shall continue to determine the share which shall be allocated for the repayment of Ukraine Support Loan and Instrument for Coordinated Support to Ukraine jointly; and

b. once an eligible bilateral loan has been fully repaid by Ukraine, including interest and any other related costs, where the non-repayable financial support under the Mechanism shall be allocated to assist Ukraine to repay any eligible second-generation ERA loan, replacing the eligible bilateral loan provided by the same bilateral lender in the allocation. For the purposes of the allocation, the principal of the eligible bilateral loan provided by the same bilateral lender as set out in the Commission implementing decision referred to in Article 6(5), point (b), shall continue to determine the share which shall be allocated for the repayment of eligible second-generation ERA loan.

Once the MFA Loan or an eligible bilateral loan has been fully repaid by Ukraine, including interest and any other related costs, and, where relevant, any eligible second generation ERA loan as a replacement thereof in the allocation in accordance with this paragraph has been fully repaid, its allocation shall be redistributed so that any future resources under the Mechanism are allocated to remaining loans. For this purpose, the shares in the allocation to be redistributed shall be determined using the principal amount of the:

a. MFA loan and eligible bilateral loans until all such loans are fully repaid;

b. eligible second-generation ERA loans after the MFA loan and all eligible bilateral loans have been fully repaid.

3. The Commission shall adopt a decision establishing the allocation provided for in paragraph 2 of this Article between the MFA Loan and eligible bilateral loans. The Commission shall use the principal of each eligible bilateral loan expressed in euro as referred to in Article 6(5), point (b). The Commission shall without delay amend that decision to include each bilateral loan upon the entry into force of that loan. The Commission may amend that decision to proportionally reduce the allocation to a bilateral loan should that bilateral loan not be fully disbursed by 31 December 2027 and shall amend that decision if the allocation is adjusted in accordance with paragraph 2.

4. The overall amount of the principal of the MFA Loan and eligible bilateral loans referred to in paragraph 1 shall not exceed EUR 45 billion.

5. The non-repayable financial support under the Mechanism shall be carried out in euro.

6. All payments shall be subject to the availability of the resources referred to in Article 4(1).

7. The Union shall not assume any liability for the repayment of eligible bilateral loans or eligible second-generation ERA loans approved as eligible under the Mechanism by the Commission.';

4. the following Article 6a is inserted:

'Article 6a

Commission implementing decision on the eligibility of the second-generation ERA loans

1. If Ukraine wishes to request support under the Mechanism to assist it to repay a second-generation ERA loan, it shall submit the text of the relevant bilateral loan agreement to the Commission.

2. The Commission shall without delay assess the eligibility of second-generation ERA loans under the Mechanism in accordance with the following criteria:

   a. the second-generation ERA loan is a loan that is concessional towards Ukraine to a degree materially similar to the Instrument for Coordinated Support to Ukraine;

   b. the second-generation ERA loan is of an amount that ensures fair burden sharing between the Union and the bilateral lender;

   c. the counterparty to the second-generation ERA loan had previously provided an eligible bilateral loan acting under the auspices of the G7 'Extraordinary Revenue Acceleration Loans for Ukraine' initiative; and

   d. the second-generation ERA loan is to be fully disbursed to the benefit of Ukraine before 31 December 2028; such disbursements may be linked to the completion of policy conditions.

   For the purposes of the assessment, the Commission may seek additional information from Ukraine.

3. A suspensive condition in a second-generation ERA loan agreement that provides that such agreement does not enter into force before the approval by the Commission of the eligibility of the second-generation ERA loan shall not prevent a positive assessment by the Commission of the second-generation ERA loan.

4. The Commission shall approve the eligibility of a second-generation ERA loan by means of an implementing decision.

5. The Commission implementing decision referred to in paragraph 4 of this Article shall set out:

   a. the bilateral lender;

   b. the principal of the second-generation ERA loan expressed in euro; to the extent necessary, the principal of the second-generation ERA loan shall also be expressed in the currency of the respective second-generation ERA loan;

   c. the justification for the positive assessment of the second-generation ERA loan.

6. The Commission may repeal the implementing decision referred to in paragraph 4 of this Article if the relevant second-generation ERA loan agreement does not enter into force by 30 June 2028.

7. In the case of a negative assessment of the second-generation ERA loan, the Commission shall communicate that assessment to Ukraine, giving reasons for its assessment.';

5. In Article 7, paragraph 2 is replaced by the following:

'2. The ULCM Agreement shall contain in particular the following elements:

   a. the obligation of Ukraine to use the non-repayable financial support under the Mechanism for the repayment of the principal, interest and any other related costs of the MFA Loan or eligible bilateral loans and the principal of the eligible second-generation ERA loans;

   b. the bank account details of all bilateral lenders to which payments of the non-repayable financial support under the Mechanism related to their respective bilateral loans and second-generation ERA loans shall be made by the Commission;

   c. for payments of the non-repayable financial support under the Mechanism related to the MFA Loan, Ukraine Support Loan and Instrument for Coordinated Support to Ukraine, provisions ensuring that the Union shall use those amounts to directly repay those loans;

   d. dedicated provisions reflecting Article 5(7) and ensuring that the Union shall not be held liable for any damage caused by Ukraine or by any third parties in the implementation of eligible bilateral loans or eligible second-generation ERA loans, including as a consequence of the implementation of the Mechanism, and specifically where the amounts referred to in Article 4(1) vary over time or cease;

e. the obligation of Ukraine to obtain from the bilateral lenders and provide, without delay, the Commission with proof of:

i. the entry into force of each bilateral loan agreement and second-generation ERA agreement; and

ii. the discharge of each repayment obligation, including, to the extent necessary, the applicable conversion rate used;

f. the obligation of Ukraine to agree with each bilateral lender that any amounts provided by Ukraine to a bilateral lender to repay the bilateral loan that do not immediately discharge repayment obligations, shall remain available until such time as the repayment obligations fall due, with any interest accrued on that amount also available to be used to discharge obligations under the bilateral loan agreement;

g. the obligation of Ukraine to accompany each payment request with:

i. details of the remaining amounts due under each bilateral loan agreement and second-generation ERA loan agreement; and

ii. details of the amounts that are available to discharge repayment obligations referred to in point (f);

h. an express authorisation for bilateral lenders to exceptionally make a request for payment pursuant to Article 8(6), provided that the information referred to in point (g) of this paragraph is submitted by the bilateral lenders; and

i. any other requirements needed for the implementation of the Mechanism.';

6. in Article 8, paragraphs 1, 2 and 3 are replaced by the following:

'1. Ukraine may submit to the Commission twice a year a request for non-repayable financial support under the Mechanism in respect of the MFA Loan, eligible bilateral loans and eligible second-generation ERA loans.';

'2. The Commission shall assess Ukraine's request for non-repayable financial support under the Mechanism on the basis of the following requirements:

(a) compliance with the precondition set out in Article 11(1), which shall only be applicable as regards the MFA Loan, Ukraine Support Loan and Instrument for Coordinated Support to Ukraine;

(b) confirmation that the total value of disbursements in respect of the MFA Loan or each eligible bilateral loan, together with any interest accrued thereon, or eligible second-generation ERA loan, does not exceed the total amount due to that bilateral lender; and

(c) compliance with the obligations of the ULCM Agreement.';

'3. Subject to the availability of the resources referred to in Article 4(1), where the Commission makes a positive assessment of the request for non-repayable financial support under the Mechanism, it shall adopt without undue delay a decision authorising the disbursement of the non-repayable financial support under the Mechanism, including the amount disbursed to support the repayment of each loan covered by the Mechanism. The amount disbursed under the Mechanism shall equal the amount of resources available on the basis of Article 4(1). That amount disbursed shall be allocated in accordance with the Commission decision referred to in Article 5(3).';

7. Article 17 is amended as follows:

a. paragraph 1 is replaced by the following:

'1. The Commission shall inform the European Parliament and the Council of developments regarding the implementation of this Regulation, including Article 5(3), Article 6(4) and (8), Article 6a(4) and (8), Article 7(1), Article 8(3) and (5), Article 11(2) and (5), Article 13(2) and Article 15(1), disbursements under the Mechanism and the MFA Loan, and shall provide those institutions with the relevant documents in due time. That information shall be provided in accordance with the interinstitutional arrangements agreed under the Ukraine Facility, including the Ukraine Facility Dialogue.';

b. in paragraph 2, the second subparagraph is replaced by the following:

'Where appropriate, in particular after the MFA Loan, all eligible bilateral loan agreements and all eligible second-generation ERA loan agreements have expired, the Commission shall include in the report referred to in the first subparagraph a review of the adequacy of the arrangements contained in this Regulation.'.

Article 29

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 the Member States in accordance with the Treaties.

Done at Brussels,

For the European Parliament	*For the Council*
The President	*The President*

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1. 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 the establishment of the Instrument for Coordinated Support to Ukraine for 2027 and amending Regulations (EU) 2024/792 and (EU) 2024/2773.

1.2. Policy area(s) concerned

Economic and Financial Affairs as well as support to the Defence Industry.

1.3. Objective(s)

1.3.1. General objective(s)

To establish the Instrument for Coordinated Support to Ukraine and make available to Ukraine financial and economic assistance with a view to supporting Ukraine in covering its financing needs for 2027 notably resulting from Russia's war of aggression and Russia's non-payment of reparations due. The Instrument for Coordinated Support to Ukraine shall provide financial and economic assistance to Ukraine in a predictable, continuous, orderly, flexible and timely manner. Furthermore, to work with like-minded partners in the implementation of the Instrument for Coordinated Support to Ukraine to address Ukraine's financing needs.

1.3.2. Specific objective(s)

To support macro-financial stability in Ukraine by easing its external and internal financing constraints, and to support Ukraine's defence industrial capacities through economic, financial and technical cooperation.

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 2027 in response to and following the worsening needs. The Instrument for Coordinated Support to Ukraine is expected to help support Ukraine's budgetary and defence needs for the immediate future. The amendments to the Ukraine Loan Cooperation Mechanism are expected to support Ukraine in the repayment of the loan provided under this Regulation and other eligible second-generation ERA loans. The amendments to the Ukraine Facility are expected to result in an addition EUR 5 billion of support to Ukraine.

1.3.4. Indicators of performance

Specify the indicators for monitoring progress and achievements.

The authorities of Ukraine will be required to regularly report on the implementation of previously granted assistance under the Instrument for Coordinated Support to Ukraine. The Commission services will remain in close contact with the Ukraine Donor Platform to benefit from insights from ongoing activities of the respective donors.

As regards the objective on easing financing constraints, the authorities of Ukraine will be required to provide a report on the compliance with the agreed policy conditions ahead of the disbursement of the instalment of the macro-financial assistance. The Commission services will continue to monitor public finance

management, following the operational assessment of the financial circuits and administrative procedures in Ukraine, which was delivered in March 2026.

An annual report on the implementation of this Regulation to the European Parliament and Council is foreseen. An ex-post evaluation of the Instrument for Coordinated Support to Ukraine 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 action[37]

¨ 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

For the implementation of the Instrument for Coordinated Support to Ukraine, the Commission will enter into a Instrument for Coordinated Support to Ukraine Agreement with Ukraine detailing the financial terms of the Instrument for Coordinated Support to Ukraine.

Once the Instrument for Coordinated Support to Ukraine Agreement is in place, for budget assistance, a memorandum of understanding (MoU) must be agreed between the Commission and the authorities of Ukraine for macro-financial assistance and the Ukraine Plan updated under the Ukraine Facility. Disbursements will then be conditional upon relevant conditions for both budget assistance and assistance to support Ukraine's defence industrial capacities.

The Instrument for Coordinated Support to Ukraine will be managed by the Commission. 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. The Commission and the Ukrainian authorities would agree on the MoU setting out reporting requirements.

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 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

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

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 and defence 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 and to support Ukraine's defence industrial capacities - within an appropriate framework for reporting requirements.

1.5.3. Lessons learned from similar experiences in the past

Previous macro-financial assistance operations to Ukraine are subject to ex-post evaluation. Past ex-post evaluations of previous macro-financial assistance operations to Ukraine have shown that in general they were highly relevant in terms of its objectives, budget and policy objectives. They proved crucial to support Ukraine in addressing its balance-of-payment problems and implementing key structural reforms to stabilise the economy and enhance the sustainability of its external position. They allowed for fiscal savings and financial benefits, as well as acted as a catalyst for additional financial support and investor confidence.

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

The resources for the Instrument for Coordinated Support to Ukraine will be financed by borrowing under the diversified funding strategy referred to in Article 224 of Regulation (EU, Euratom) 2024/2509. In considering the financial risks and the budgetary coverage, no provisioning should be constituted for the support in the form of loans under this Regulation, to be guaranteed over and above the ceilings, and, by way of derogation from Article 214(1) of Regulation (EU, Euratom) 2024/2509, no provisioning rate should be set.

With a view to providing support to Ukraine on a highly concessional basis, the Union may decide to provide a subsidy for the costs in respect of the funds borrowed in capital markets for loans to Ukraine. These costs include debt service costs (cost of funding and costs of issuing and managing liquidity) and the associated administrative costs. These costs are expected to start being invoiced as of the next multiannual financial framework, starting in 2028, and should be financed over and above the MFF ceilings through a dedicated special instrument.

The amendments to the Ukraine Facility are expected to result in up to EUR 5 billion of additional support to Ukraine in the form of loans. The third countries provisioning, which shall be kept in the Common Provisioning Fund, and the contribution to cover the borrowing cost subsidy, in case the Union awards it, shall constitute external assigned revenue.

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

By using loans, this operation increases the effectiveness of the EU budget through the leverage effect and provides for the best cost-efficient option. The Commission would be empowered to borrow funds from capital markets on behalf of both the European Union and Euratom using the guarantee of the EU budget. The aim is to

obtain funds from the market at the best available rates due to the Union's top credit status.

Further pressure on a strained EU budget due to provisioning requirements and complex arrangements, involving a multitude of ad hoc national guarantees, should be avoided. Therefore, the loan would be guaranteed over and above the MFF ceilings. A unified and efficient system to secure the best borrowing conditions and extend market access for loan support has major advantages in the current market context.

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

☒ **limited duration**

– ☒ financial impact for 2027 for commitment appropriations and from 2027 to 2028 for payment appropriations.

In addition, the Union may decide to provide a subsidy for the costs in respect of the funds borrowed in capital markets for this loan to Ukraine. These costs are expected to start being invoiced as of the next multiannual financial framework, starting in 2028, and should be financed over and above the MFF ceilings through a dedicated special instrument.

☐ **unlimited duration**

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, Euratom) 2024/2509 apply.

The monitoring of the action by the Commission services will take place based on the implementation of previously granted assistance under the Instrument for Coordinated Support to Ukraine.

Furthermore, the monitoring of the action will take into consideration the specific measures to be agreed with the Ukrainian authorities in the MoU. The Commission will verify the fulfilment of the policy conditions set out in the MoU. The Commission will inform the European Parliament and the Council about the results of that verification.

Finally, the monitoring of the action will take into consideration the engagement with the Ukrainian authorities, including the respective requests for funds and the information contained therein, regarding the assistance to support Ukraine's defence industrial capacities.

In order to ensure that the European Parliament and the Council are able to follow the implementation of this Regulation, the Commission should regularly inform them of developments relating to Union assistance to Ukraine under this Regulation and provide them with the relevant documents.

The Commission should regularly review the adequacy of such reporting and monitoring requirements and report to the European Parliament and to the Council thereon, thereby guaranteeing transparency and accountability.

No later than 30 June 2029, the Commission will submit to the European Parliament and to the Council an ex-post evaluation report, assessing the results and efficiency of the Instrument for Coordinated Support to Ukraine provided under this Regulation and the extent to which it has contributed to the aims of the assistance.

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. The financial support under the Instrument for Coordinated Support to Ukraine will be made available by the Commission. The release of funds can be organised swiftly to start in the course of 2027 and be completed in 2028 at the latest.

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

The Commission shall have access to information, including classified information, strictly necessary for the tasks assigned to it under this Regulation, in particular for the purpose of verifying the conditions for disbursement of payments and carrying out the checks, reviews, audits, investigations, reports as well as the controls and audits, as referred to in Article 17.

To protect the Union's financial interests linked to the Instrument for Coordinated Support to Ukraine, the Instrument for Coordinated Support to Ukraine Agreement to be concluded between the Commission and the Ukrainian authorities should contain provisions aligned with the rights, responsibilities and obligations provided for in the framework agreement under the Ukraine Facility. Ukraine will utilise the same management and control systems as proposed in the Ukraine Plan established under Regulation (EU) 2024/792.

Ukraine will be required to provide monthly reports providing information covering all payments. It will open special accounts for the sole purpose of the management of the financial and economic assistance received to support Ukraine's defence industrial capacities. All payments of the contracts or agreements that are requested for assistance to support Ukraine's defence industrial capacities will be paid from these accounts. The Commission will be granted monitoring rights of these accounts.

Additionally, if it has been established that Ukraine has engaged in acts of fraud, corruption or other illegal activity with respect to the management of the Instrument for Coordinated Support to Ukraine, to the detriment of the Union's financial interests, the Union can demand early repayment of the Instrument for Coordinated Support to Ukraine.

In order to address the risks related to information confidentiality, classified information that is created, handled, stored, exchanged or shared under this Regulation should be protected in accordance with the security rules set out in Commission Decision (EU, Euratom) 2015/444, the Agreement between the Member States of the European Union, meeting within the Council, regarding the protection of classified information exchanged in the interests of the European Union or the applicable security agreements and its implementing arrangements, between the Union and Ukraine, as appropriate. The Commission should use a secured exchange system in order to facilitate the exchange of classified information and sensitive information between the Commission and Ukraine and, where appropriate, with the Member States.

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)

The control systems in place have ensured an effective error rate for the macro-financial assistance type of payments so far of 0%. There are no known cases of fraud, corruption or illegal activity. Operations have a clear intervention logic, one that allows the Commission to evaluate their impact. The controls enable the confirmation of assurance and of attainment of policy objectives and priorities.

Measures to prevent fraud and irregularities

The Instrument for Coordinated Support to Ukraine Agreement to be concluded between the Commission and the Ukrainian authorities will require that Ukraine utilises the same management and control systems as proposed in the Ukraine Plan established under Regulation (EU) 2024/792 that entered into force on 20 June 2024 to ensure that the Union's financial interests linked to the Instrument for Coordinated Support to Ukraine are protected efficiently, providing the appropriate measures relating to the prevention of, and fight against, fraud, corruption and any other irregularities linked to the assistance. It will also, 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 Instrument for Coordinated Support to Ukraine. 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.[38]	from EFTA countries [39]	from candidate countries and potential candidates [40]	From other third countries	other assigned revenue
2.2	Support expenditure for borrowing and debt management activities of the European Union	Non-diff.	NO	NO	NO	NO

- New budget lines requested

In order of multiannual financial framework headings and budget lines.

Over and above MFF ceilings	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
O	Instrument for Coordinated Support to Ukraine	Diff.	NO	NO	NO	YES
O	Debt service cost of Instrument for Coordinated Support to Ukraine	Diff.	NO	NO	NO	YES

38 Diff. = Differentiated appropriations / Non-diff. = Non-differentiated appropriations.
39 EFTA: European Free Trade Association.
40 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 **2024**	Year **2025**	Year **2026**	Year **2027**	**TOTAL MFF 2021-2027**
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							
16 01 06 03 Support expenditure for the Ukraine Facility		(3)				**0.138**	**0.138**
TOTAL appropriations for DG <…….>	Commitments	=1a+1b+3	**0.000**	**0.000**		**0.138**	**0.138**
	Payments	=2a+2b+3	**0.000**	**0.000**		**0.138**	**0.138**
			Year **2024**	Year **2025**	Year **2026**	Year **2027**	**TOTAL MFF 2021-2027**
TOTAL operational appropriations	Commitments	(4)					**0.000**
	Payments	(5)					**0.000**

TOTAL appropriations of an administrative nature financed from the envelope for specific programmes		(6)	0.000	0.000		0.138	**0.138**
TOTAL appropriations under HEADING <….>	Commitments	=4+6	**0.000**	**0.000**		**0.138**	**0.138**
of the multiannual financial framework	Payments	=5+6	**0.000**	**0.000**		**0.138**	**0.138**

			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	0.138	**0.138**
TOTAL appropriations Under Heading 1 to 6	Commitments	=4+6	**0.000**	**0.000**	**0.000**	**0.138**	**0.138**
of the multiannual financial framework (Reference amount)	Payments	=5+6	**0.000**	**0.000**	**0.000**	**0.138**	**0.138**

Heading of multiannual financial framework	**7**	‘Administrative expenditure’

		Year **2024**	Year **2025**	Year **2026**	Year **2027**	**TOTAL MFF 2021-2027**
• Human resources		0.000	0.000		5.466	5.466
• Other administrative expenditure		0.000	0.000			
TOTAL	Appropriations	**0.000**	**0.000**		5.466	5.466

TOTAL appropriations under HEADING 7 of the multiannual financial framework	(Total commitments = Total payments)	**0.000**	**0.000**		5.466	5.466

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**	5.604	5.604
of the multiannual financial framework	Payments	**0.000**	**0.000**	**0.000**	5.604	5.604

3.2.1.2. Appropriations from external assigned revenues

EUR million (to three decimal places)

Heading of multiannual financial framework	Number	

DG: <…….>			Year **2024**	Year **2025**	Year **2026**	Year **2027**	**TOTAL MFF 2021-2027**
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**	**0.000**
	Payments	=2a+2b+3	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
			Year	Year	Year	Year	**TOTAL MFF**

			2024	2025	2026	2027	2021-2027
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	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	Commitments	=4+6	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
of the multiannual financial framework (Reference amount)	Payments	=5+6	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

Heading of multiannual financial framework	**7**	'Administrative expenditure'

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**

TOTAL appropriations under HEADING 7 of the multiannual financial framework	(Total commitments = Total payments)	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

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 Section1.6)						**TOTAL**	
	OUTPUTS																	
	Type[41]	Average cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	Total No	Total cost
SPECIFIC OBJECTIVE No 1[42]…																		
- Output																		
- Output																		
- Output																		
Subtotal for specific objective No 1																		
SPECIFIC OBJECTIVE No 2 ...																		
- Output																		
Subtotal for specific objective No 2																		
TOTALS																		

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

42 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 2024	Year 2025	Year 2026	Year 2027	TOTAL 2021 - 2027
HEADING 7					
Human resources	0.000	0.000	0.000	5.466	5.466
Other administrative expenditure	0.000	0.000			
Subtotal HEADING 7	**0.000**	**0.000**		5.466	5.466
Outside HEADING 7					
Human resources	0.000	0.000	0.000	0.138	0.138
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**	0.138	0.138
TOTAL	**0.000**	**0.000**		5.604	5.604

3.2.3.2. Appropriations from external assigned revenues

EXTERNAL ASSIGNED REVENUES	Year 2024	Year 2025	Year 2026	Year 2027	TOTAL 2021 - 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 2024	Year 2025	Year 2026	Year 2027	TOTAL 2021 - 2027
HEADING 7					
Human resources	0.000	0.000	0.000	5.466	5.466
Other administrative expenditure	0.000	0.000	0.000	0.000	**0.000**
Subtotal HEADING 7	**0.000**	**0.000**	**0.000**	5.466	5.466
Outside HEADING 7					
Human resources	0.000	0.000	0.000	0.138	0.138

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**	0.138	0.138
TOTAL	**0.000**	**0.000**	**0.000**	5.604	5.604

The appropriations required for human resources and other expenditure of an administrative nature will be met by redeployment within Heading 7, within the allocation which may be granted to the managing DGs under the annual allocation procedure and in the light of budgetary constraints, with the exception of the costs for the 10 SNEs to be deployed on the ground, for which additional budgetary resources will be requested to the budgetary authority.

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**	**15**
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 (20 03 17 OLAF in Delegations)		0	0	0	1
• 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	0
	- in EU Delegations	0	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 (20 03 17 OLAF END in Delegations) - Heading 7		0	0	0	10
Other budget lines (16 01 06 03) - Outside Heading 7		0	0	0	1
TOTAL		**0**	**0**	**0**	**27**

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	0
	- in EU Delegations	0	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 Commission currently operates under stable staffing and budgetary envelopes principles. Additional workload and costs, including under operational programmes, would require redeployment within existing resources, including agencies where relevant, without prejudging staffing and funding decisions under the next MFF. However, given the need for effective reinforcement of OLAF's investigative capacity in relation to Ukraine and the lack of possibility to apply redeployment for the 10 Seconded National Experts which will be deployed on the ground, the 10 FTEs will be requested above stable staffing.

3.2.4.3. Total requirements of human resources

TOTAL VOTED APPROPRIATIONS + 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		**15**
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 (20 03 17)		0	0	0	1
• 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	0
	- in EU Delegations	0	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 (20 03 17) - Heading 7		0	0	0	10
Other budget lines (16 01 06 03) - Outside Heading 7		0	0	0	1
TOTAL		**0**	**0**	**0**	**27**

16 posts (15 posts within the Commission establishment plan and 1 post within the OLAF establishment plan) and 1 FTE will come from redeployments from the limited Commission redeployment pool. The posts will be financed from Heading 7, while the external staff would be

financed from the UA Facility administrative support expenditure. Additionally, a team of 10 Seconded National Experts, financed by additional allocations from Heading 7, will be deployed on the ground to ensure the EU budget is well protected by strengthening OLAF's anti-fraud capacity in UA in the most cost-effective option.

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	16 posts (15 posts within the Commission establishment plan and 1 post within the OLAF establishment plan)		N/A	
External staff (CA, SNEs, INT)	1 Local Agent	10 SNEs		

Description of tasks to be carried out by:

Officials and temporary staff	**16 officials and temporary staff** to work on: • Borrowing and budgetary sustainability: handling of additional borrowing volumes; strengthened relations and communication with market operators; oversight of budget exposures to Ukraine and overall assessment of budgetary sustainability including of the headroom; management of windfall revenues from immobilised frozen assets; management of the Common Provisioning Fund – in relation to third country guarantees; legal drafting and preparation of guarantee agreements with third countries, including calibration of the contribution to the provisioning of the Common Provisioning Fund; preparation of contribution agreements from third countries to the instrument. • Implementation of the loan: increased funds that would be used for macro-financial assistance; implementation of the new instrument work in parallel to the Ukraine Support Loan; assessing the eligibility of requests against UASL Regulation (in particular Art. 13) and UASL Loan Agreement with very short deadlines; physical inspections to suppliers (production lines) and physical verification of deliveries on a sample basis; monitoring of financial transactions to confirm that payments are made only to pre-approved contractors (in Product Schedules) for validated contracts (under request for payments). • Accounting: analyse and determine the accounting treatment for these specific loans under the international accounting standards and ensure robust documentation of these loans for accounting and audit

	purposes. Present the accounting approach and annual reports to external auditors. • Annual budget follow-up: manage impact of the borrowing cost for the budget with annual and multiannual point of view. • Audit: adequate protection of the financial interests of the Union, in particular a system audit is necessary to understand whether the systems and process that the Defence Procurement Agency and UA Ministry of Defence have put in place to implement UASL are adequate to ensure sound financial management and compliance with Regulation and Loan Agreement. • Anti-Fraud: OLAF Liaison Officer to strengthen anti-fraud capacity in Ukraine.
External staff	**1 FTE (Local Agent)** for direct support to the OLAF Liaison Officer. **10 SNEs** will be deployed on the ground to strengthen OLAF's anti-fraud capacity in Ukraine.

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 **2024**	Year **2025**	Year **2026**	Year **2027**	**TOTAL MFF 2021 - 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[43]			
		Year **2024**	Year **2025**	Year **2026**	Year **2027**
Budget line					

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

[43] 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.

digital public services for natural or legal persons inside the Union. Nonetheless, digital elements are supportive for the Instrument for Coordinated Support to Ukraine 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 (Chapter IV and in particular Article 22)

Description: transmission of reports, statements or supporting documents electronically 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 – Administration of defence-industrial capability support (Chapter III, in particular Article 13)

Description: Beneficiary authorities must transmit digital documentation demonstrating progress on supported defence-industrial capabilities, following Commission standard templates enabling automated verification.

Stakeholders: Beneficiary authorities; Commission services.

Processes: Monitoring of the implementation and validation of procurements in accordance with the Regulation.

R3 – Exchange with the European Parliament and the Council, including audit-relevant information (in particular Chapter V Articles 25 and 26)

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–R3, the data includes financial figures, disbursement documentation, defence-industrial capability data, 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–R2).

Recipients: Commission services; European Parliament and Council for reporting (R3).

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 (R1-3), 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.

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–R3.

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 R3. For defence-industrial capability reporting (R2), the Commission may, at service level, provide guidance and clarification on the digital templates and secure exchange procedures to ensure readiness and consistent use by the involved parties.