



Financing Ukraine's recovery and reconstruction through the 2028–2034 Multiannual Financial Framework

KEY FINDINGS

Ukraine needs continuous budget support under both war and peace (ceasefire) scenarios. As long as the war continues, the dominant need will be for military and financial aid to enable defence and the provision of basic public goods by the government. While the war is ongoing, conducting a large-scale reconstruction would not be rational. Only repairs to energy, transport, and social infrastructure are needed. When the war stops, ongoing support for the state budget will be still needed for some time. However, the recovery and reconstruction become feasible.

Our estimate of the need for public funding for ten years of post-war recovery and reconstruction amounts to EUR 196.5 billion, or EUR 19.7 billion annually. With our assumption as regards private sector participation in the recovery and reconstruction process, this is the lowest amount required. Obviously, the longer the war continues, the amount of damage and thus recovery and reconstruction needs will increase.

It is impossible to predict whether the war will end before or after 2028. Therefore, the 2028–2034 MFF must be prepared for both scenarios. The draft MFF legislation is flexible enough in this respect. However, the proposed budget allocations (EUR 88.9 billion for 2028–2034, or EUR 13.5 billion annually, both in 2025 prices) are insufficient given the key role of EU aid in supporting Ukraine. This assessment stands even if we assume the lowest possible level of public support based on aid reaching only government-controlled territories, leaving more ambitious reconstruction goals for a more distant future and assuming a dominant share of private investment (domestic and foreign) in many sectors.

It should also be noted that the proposed allocation is also smaller than the EU aid delivered in 2022–2025 and declared for 2026–2027. It does not consider all consequences of a reduction in US aid under the second Trump administration and the limited role of other official donors. Finally, the dominant role of lending ignores the current high level of Ukraine's sovereign debt, which exceeds 100% of GDP. Grants should play a greater role.

The conditions attached to EU aid should stimulate not only EU accession-related reforms and responsible macroeconomic policies but also a radical improvement in the business and investment climate in Ukraine, which requires far-reaching reforms in public administration, law-enforcement bodies and the judiciary.



Introduction

This briefing analyses financing for Ukraine's post-war recovery and reconstruction through the Multiannual Financial Framework (MFF) for 2028–2034 and from other sources.

In the next section, we present our assumptions regarding Ukraine's future aid needs, including post-war recovery and reconstruction and sources of its financing. Then we estimate war damages and recovery and reconstruction needs in the regions remaining under the control of the Ukrainian authorities based on the Rapid Damage and Needs Assessment (RDNA5)¹. We then provide a summary of the aid offered to Ukraine so far, its sectoral structure, donors, financing forms, and the portion spent on reconstruction and repairs. The subsequent sections discuss the potential EU, including the MFF for 2028–2034, and non-EU sources of financing Ukraine's post-war recovery and reconstruction, the obstacles to the mobilisation of sufficient resources, and ways of overcoming them. We will also discuss the management of reconstruction aid and reform conditionality attached to it. The final section presents a summary of policy conclusions and recommendations.

Assumptions on Ukraine's future aid needs and ways of financing them

Any assessment of Ukraine's future aid needs depends on assumptions on the expected length of the war and potential timing of the peace or ceasefire agreement, post-war financial aid needs, aid absorption capacity, the purpose of recovery and reconstruction aid, and sources and forms of aid financing.

When can full-scale reconstruction start?

The most important assumption concerns the ongoing war scenario. As long as the war continues, large-scale reconstruction does not make sense. It would mean the waste of aid resources. Instead, Ukraine will need an increasing inflow of EU military and humanitarian aid, as well as balance-of-payments (BoP) and budget support (to replace the disappearing aid from the United States). So far, reconstruction during the war has been limited to repairing and maintaining basic capacities in energy, transportation, communication, defence and a few other sectors.²

Despite the US-sponsored peace initiatives, the prospects of ending the war look rather distant, at least at the time of writing. Given the 2028–2034 MFF timeframe, there is still a chance that the war may stop before it enters into force, although it is highly uncertain.

What kind of international aid will Ukraine need after the war?

International aid will not only go to recovery and reconstruction needs in post-war Ukraine. Even if the war stops, the Russian threat may not disappear. It will depend on the character of the peace or ceasefire agreement and any international security guarantees provided to Ukraine. In other words, external military aid to Ukraine will have to be continued, although perhaps on a smaller scale than during the active war.

Regardless of when exactly the war stops, the Ukrainian economy will be devastated and badly weakened, with limited capacity to generate enough revenue to finance day-to-day budget expenditure, including for basic public services. The budget will face significant pressure driven by needs, such as accommodation of internally displaced persons (IDPs), returning war refugees and demobilised military personnel, care for war invalids and veterans, clearing minefields, etc. Therefore, we assume Ukraine will need a continuous flow of BoP and budget support, at least during a transitory period of three to five years after the end of the active war, until the government's

¹ [Ukraine - Fifth Rapid Damage and Needs Assessment \(RDNA5\): February 2022 - December 2025](#), the World Bank, the Government of Ukraine, the European Union, the United Nations, 23 February 2026

² *Ibid.*

revenue capacity is rebuilt. This means that not all international aid can be targeted to post-war recovery and reconstruction.

Post-war reconstruction's territory, population and aid absorption capacity

We assume that a post-war recovery and reconstruction process will be conducted on the territory under the control of the Ukrainian government in April 2026, with a population of circa 32 million. Based on the available empirical research³, we predict that only a part of the Ukrainian refugees who escaped the war to Europe and other destinations will be interested in returning to their homeland.

The country's aid absorption capacity is another factor that will determine the speed of the recovery and reconstruction process. This includes the administrative capacity inside Ukraine to manage the recovery and reconstruction process and aid allocation effectively, and production capacity (including availability of the labour force) to provide the required goods and services. The large aid inflows also have macroeconomic implications; for example, they create appreciation pressures on the domestic currency.⁴ The comparative research of 27 post-conflict economies in the 1990s conducted by Paul Collier and Anke Hoeffler⁵ suggests that the effective aid absorption capacity had an upper limit of around 7.5% of GDP in purchasing power parity terms, or around 20% in prevailing exchange rates. Based on this historical experience, we assume an upper absorption limit of 20% (in the current exchange rate) for Ukraine, which would amount to USD 42 billion or EUR 37.2 billion in 2025 (at the average USD/EUR exchange rate of 0.8862 for 2025).

As a result, the recovery and reconstruction process will inevitably take several years, going, most likely, beyond the end of the next MFF in 2034. Consequently, the recovery and reconstruction financing should be conducted in stages, taking into consideration the aid absorption capacity and meeting any aid conditionality requirements (see below).

Sources of aid financing and their forms

Taking into consideration the geopolitical realities of early 2026, one must assume that the main burden of providing international aid to Ukraine, including financing its post-war recovery and reconstruction, will fall on the EU and its Member States. One can also expect continued contributions of other donors such as the United Kingdom, Canada, Norway, Switzerland, Japan, other advanced economies, and multilateral organisations such as the IMF and World Bank.

Given the current US foreign policy priorities, one cannot expect a substantial contribution from the US federal budget to financing the post-war recovery and reconstruction of Ukraine, at least until the end of Donald Trump's second term in January 2029.

Analysing Russia's demands during the US-sponsored peace negotiations⁶, it seems unlikely that the current Russian authorities will accept paying any form of war reparations to Ukraine. The chances of using the stock of frozen international assets of the Bank of Russia for financing post-war recovery and reconstruction are also very limited, for legal and geopolitical reasons.⁷ Objections to their use blocked the Commission's December 2025 proposal for a Reparations Loan to Ukraine⁸. Consequently, they should not be considered as a potential financing source.

³ [Ukrainian refugees. Fifth wave of research](#), Iryna Ippolitova et al., Centre for Economic Strategy, 26 February 2026

⁴ See [The Macroeconomic Management of Foreign Aid. Opportunities and pitfalls](#), Boriana Yontcheva et al. International Monetary Fund, 2006.

⁵ [Aid, Policy, and Growth in Post-Conflict Societies](#), Paul Collier and Anke Hoeffler, European Economic Review, Vol. 48, Issue 5, pp. 1125–1145, January 2004.

⁶ See, e.g., [Russia keeps up demand for Ukrainian land as three-way talks begin in UAE](#), Andrew Roth and Jonathan Yerushalmy, Guardian, 23 January 2026.

⁷ [Confiscation of immobilised Russian sovereign assets. State of play, arguments and scenarios](#), Anna Caprile and Tim Peters with Ana Luisa Melo Almeida, EPRS briefing, European Parliament, September 2025.

⁸ [Proposal for a Regulation establishing the Reparations Loan to Ukraine](#), European Commission, COM(2025) 3502 final, 3 December 2025.

Given the very high level of Ukraine's sovereign indebtedness (108.7% of GDP at the end of 2025, according to IMF data⁹), official recovery and reconstruction aid to the Ukrainian government should predominantly take the form of grants.

The purpose of recovery and reconstruction aid

Given the limited financial resources for official recovery and reconstruction aid, we assume they will be concentrated on support for the provision of public goods, which is unlikely to be financed from private sources. Public goods include transport infrastructure, electricity grids, pipelines, communal infrastructure, social housing, healthcare and education facilities, public order, etc. Public aid can also finance targeted social programmes (for those most in need).

By contrast, we assume that reconstruction of business capacities in industry, agriculture, construction, transportation, telecommunication, services, etc. will be financed predominantly by the private sector, both domestic and foreign, with targeted guarantee schemes (mostly providing geopolitical risk insurance) and dedicated loan schemes, via such institutions as the International Finance Corporation, part of the World Bank Group, the European Bank for Reconstruction and Development or the European Investment Bank.

The degree of private sector engagement will depend on the existence of solid international security guarantees to Ukraine, on progress in reforming the Ukrainian state and economy, and on EU accession negotiations (which should improve the business and investment climate).¹⁰ Therefore, the provision of post-war recovery and reconstruction aid should be strictly conditioned on a reform process.

Estimates of war damages and post-war recovery and reconstruction needs

In this section, we present estimates of Ukraine's war damages and post-war recovery and reconstruction needs.

Estimates of war damages

The RDNA5, which covers the period 2022–2025, estimates direct damage to Ukraine from Russian aggression at USD 195.1 billion (EUR 172.8 billion). Following our assumptions (see above), we consider that the Donetska and Luhanska oblasts are either occupied or remain in an active combat zone, meaning that only limited reconstruction activity is feasible there. Zaporizhska and Khersonska oblasts are partly occupied and partly situated along the active line of contact, meaning that reconstruction is only feasible in certain parts of them. Based on publicly available sources, it is not possible to distinguish between damage incurred in government-controlled territories and that in Russian-occupied areas. Our lower estimate, which excludes all four oblasts, gives the amount of USD 99.6 billion (EUR 88.3 billion). The higher estimate, which includes the full territory of the Zaporizhska and Khersonska oblasts, gives the amount of USD 130.8 billion (EUR 115.9 billion) – see Table 1. For the Sumska, Mykolaivska, Kharkivska, and Dnipropetrovska oblasts, which are also near the front line, we assume that full-scale recovery and reconstruction are both feasible and warranted.

⁹ [IMF Executive Board Approves US\\$8.1 Billion under an Extended Fund Facility \(EFF\) Arrangement for Ukraine](#), IMF Press Release, No. 26/066, 26 February 2026

¹⁰ [Economic Priorities in Post-war Ukraine: A Blueprint for Reform](#), Dmytro Boyarchuk et al. CASE and CASE Ukraine, February 2023.

Table 1: Damage by sectors: estimates for territories remaining under the control of the Ukrainian authorities, USD billion

Sector	Damage (except Donetsk, Luhanska, Zaporizhka and Khersonska)	Damage (except Donetsk and Luhanska oblasts)
Housing	28.3	33.3
Education & science	9.2	10.0
Health	0.7	0.9
Social protection & livelihoods	0.4	0.4
Culture & tourism	2.8	3.6
Energy	21.7	23.4
Transport	17.4	28.1
Telecom, digital & media	1.2	1.9
Water supply & sanitation	2.7	4.2
Municipal services	1.2	1.9
Agriculture	2.9	8.9
Commerce & industry	9.6	11.4
Irrigation & water resources	0.3	1.0
Finance & banking	0.0	0.0
Environment & forestry	0.7	1.2
Emergency response & civil protection	0.2	0.3
Justice & public administration	0.3	0.4
TOTAL	99.6	130.8

Sources: authors' estimates based on RND4 and RND4¹¹ reports

¹¹ [Ukraine – Fourth Rapid Damage and Needs Assessment \(RDNA4\): February 2022 – December 2024](#), the World Bank, the Government of Ukraine, the European Union, the United Nations, 28 February 2025

Estimates of recovery and reconstruction needs and sources of their financing

The RDNA5 estimates the need for recovery and reconstruction of Ukraine for the next ten years at USD 587.7 billion (EUR 520.8 billion). The main sources of the difference between the estimated damage and the need for recovery and reconstruction are: (i) adding social protection spending, which includes support for socially vulnerable people and adjustment of the labour market and (ii) the principle of 'Build Back Better (BBB)', which means that new facilities such as housing, or energy and transport infrastructure will have to meet higher standards as regards living conditions, energy efficiency, green transition, and safety/security, like protection from potential risks of air strikes, etc.

As set out in Table 2, our summary estimate of recovery and reconstruction needs (see the next subsection for sectoral details) stands at USD 457.1 billion (EUR 405.1 billion), with energy, housing, transport infrastructure, and social protection accounting for the largest share. Agriculture, commerce and industry also represent a significant portion of needs. However, following our assumptions, they should be predominantly driven by private investment.

Table 2: Recovery and reconstruction needs by sector and source of funding, USD billion

Sector	Public funding	Mixed funding	Private funding	Amount funded up to the end of 2025
Housing		89.8		6.2
Education & science	9.8			2.4
Health	0.9			0.6
Social protection & livelihoods	42.7			n/a
Culture & tourism	2.8			n/a
Energy		96.1		n/a
Transport		71.8		2.1
Telecom, digital & media			5.4	0.1*
Water supply & sanitation	11.4			n/a
Municipal services	4.5			n/a
Agriculture			46.9	1.5
Commerce & industry			52.1	5.5
Irrigation & water resources	9.1			0.02
Finance & banking			2.1	2.6

Environment & forestry	2.7			n/a
Emergency response & civil protection	2.3			1.1
Justice & public administration	0.7			0.01*
Explosive hazards management	5.9			0.8
TOTAL	92.8	257.7	106.5	n/a**

Note: * - RDNA4 data

** - Data is either incomplete or inconsistent across sources, hence, the numbers could not be summed up.

Sources: authors' estimates based on RDNA5 and RDNA4 reports

Summarising the figures in Table 2, recovery and reconstruction needs financed by public spending will amount to USD 92.8 billion (EUR 82.2 billion). Investments requiring a mix of private and public funding — such as transport and energy infrastructure — account for more than half of total financing needs, i.e., USD 257.7 billion (EUR 228.4 billion). The remaining USD 106.5 billion (EUR 94.4 billion) is expected to be financed through private investment.

In three sectors with mixed funding (housing, transport and energy), we assume a 50% share of public money, which gives the amount of USD 128.9 billion (EUR 114.2 billion). The total public funding needs for a 10-year recovery and reconstruction period will amount to USD 221.7 billion (EUR 196.5 billion). Assuming equal funding needs over the entire planning period, this gives an annual rate of EUR 19.7 billion.

Our assumption of the 50% share of public funding (i.e., covering the remaining 50% via private investment) in the recovery and reconstruction of the above three sectors may be too optimistic. It is partly based on the International Finance Corporation's report on the private sector opportunities in Ukraine's post-war recovery and reconstruction process.¹² Materialisation of our assumption will require far-reaching institutional and regulatory reforms in the energy sector and transport (see below). In our analysis, this assumption is used to determine the lowest amount of public funding in the recovery and reconstruction process.

It is also important to note that our estimates are based on the assessment of war damages and recovery and reconstruction needs at the end of 2025. The longer the war continues, the more damage, recovery and reconstruction needs will increase.

According to RDNA5, USD 20.3 billion (EUR 18.0 billion) had been allocated for the recovery and reconstruction of various sectors by the end of 2025 (see the last column of Table 2). This amount is not included in the estimated future funding needs. However, only partial sectoral breakdowns are available: housing reconstruction has received USD 6.2 billion; commerce and industry – USD 5.5 billion; education and science – USD 2.4 billion; transport – USD 2.1 billion; agriculture – USD 1.5 billion; emergency response and civil protection – USD 1.1 billion; explosive hazard management – USD 0.8 billion; health – USD 601 million; and irrigation and water resources – USD 20 million. These figures include both public and private contributions.

The analysis of recovery and reconstruction needs by sector

Below, we present assumptions feeding into our estimate of future recovery and reconstruction needs in individual sectors for the period 2026–2035. They are based on the RDNA5 and RDNA4 estimates.

¹² [Private Sector Opportunities for a Green and Resilient Reconstruction in Ukraine](#), International Finance Corporation, 24 October 2023.

Housing: The RDNA5 estimates amount to USD 89.8 billion (EUR 79.6 billion), which is broadly in line with our estimate¹³. This figure reflects the actual number of IDPs and conservative estimates of refugee returns. It could, however, prove lower in practice, since not all IDPs and returning refugees will necessarily require a new apartment, making this an upper-bound estimate of the potential financial needs for housing reconstruction.

Education and science: The RDNA5 estimates amount to USD 33.5 billion (EUR 29.7 billion) for rebuilding a research infrastructure and improving the education and science activities in line with the BBB principle. We limit the recovery and reconstruction needs in government-controlled territories to rebuilding education facilities, which gives the amount of USD 9.8 billion (EUR 8.7 billion).

Health: The RDNA5 estimates amount to USD 23.6 billion (EUR 20.9 billion), which includes the construction of new healthcare facilities and funding for healthcare services. We limit the amount to rebuilding healthcare facilities on the territory controlled by the Ukrainian authorities, which gives USD 0.9 billion (EUR 0.8 billion). Improvement of healthcare services, including investments in medical personnel, can be considered as a long-term target, beyond our estimate.

Social protection and livelihoods: We accept the RDNA5 estimates of USD 42.7 billion (EUR 37.8 billion), which include social protection (including means-tested benefits), labour market recovery measures (including employment-related support), military pensions, and assistance to IDPs. The estimates are based on the actual population numbers in government-controlled territories.

Culture and tourism: The RDNA5 estimates amount to USD 11.5 billion (EUR 10.2 billion), with reconstruction and restoration of damaged assets accounting for more than half of that figure. Our estimates are lower and amount to USD 2.8 billion (EUR 2.5 billion) for restoring assets on government-controlled territory.

Energy and extractives: The RDNA5 estimates amount to USD 90.6 billion (EUR 80.3 billion). This figure does not account for the additional destruction caused by Russian airstrikes in the winter of 2025/2026. We estimate the total financial need for the energy sector in government-controlled territories, including an additional EUR 5.4 billion¹⁴ for urgent recovery needs after the 2025/2026 winter attacks¹⁵, at USD 96.1 billion (EUR 85.2 billion). This includes large-scale rebuilding of the power system, district heating networks, and gas and oil infrastructure in accordance with the BBB principle. This also implies a meaningful reorganisation of the energy system along different structural lines, incorporating the green transition and a shift toward decentralised energy generation.

Transport: The RDNA5 estimates amount to USD 96.3 billion (EUR 85.3 billion). We estimate the required funding at USD 71.8 billion (EUR 63.6 billion) for government-controlled territories, including Khersonska and Zaporizhska oblasts. This amount covers all subsectors: motorways, road bridges, port infrastructure, railway tracks, airports, and others.

Telecom, digital and media: The RDNA5 estimates amount to USD 7.1 billion (EUR 6.3 billion), which includes restoring damaged assets, investing in service continuity, and rebuilding infrastructure and assets to pre-February 2022 levels using the BBB principle. We estimate financing needs at USD 5.4 billion (EUR 4.8 billion) for government-controlled territories.

Water supply and sanitation: RDNA5 estimates amount to USD 17.5 billion (EUR 15.5 billion). The number reflects a green, resilient, and inclusive approach to restoring service delivery, including the BBB principle, and strengthening institutions in line with EU accession requirements. Our estimates amount to USD 11.4 billion (EUR 10.1 billion) for government-controlled territories.

¹³ A rough estimate covers 1.2–1.5 million IDP households and 1.2–1.5 million households of potential refugee returnees, each requiring approximately 50–60 m² of housing in a mid-size town, at a construction cost of around USD 500–600 per m².

¹⁴ [Ukraine Plans to Attract EUR 5 Billion from Partners for Energy Needs in 2026](#), Denys Shmyhal, Ministry of Energy of Ukraine, 10 March 2026

¹⁵ The actual post-winter reconstruction needs may be even higher.

Municipal services: The RDNA5 estimates amount to USD 7.4 billion (EUR 6.6 billion), which includes the reconstruction of damaged assets and provision of services according to BBB principles. Our estimates amount to USD 4.5 billion (EUR 4.0 billion) for government-controlled territories.

Agriculture: The RDNA5 estimates amount to USD 55.3 billion (EUR 49.0 billion). Our estimates amount to USD 46.9 billion (EUR 41.6 billion) for government-controlled territories.

Commerce and industry: The RDNA5 estimates amount to USD 63.3 billion (EUR 56.1 billion). Our estimates amount to USD 52.1 billion (EUR 46.2 billion) for government-controlled territories.

Irrigation and water resources: The RDNA5 estimates amount to USD 12.5 billion (EUR 11.1 billion). Our estimates, excluding the four occupied and frontline oblasts, amount to USD 9.1 billion (EUR 8.1 billion).

Finance and banking: The RDNA5 estimates amount to USD 2.1 billion (EUR 1.9 billion), which we accept.

Environment & forestry: The RDNA5 estimates amount to USD 3.1 billion (EUR 2.7 billion). Our estimates for government-controlled territories, excluding the four occupied and frontline oblasts, amount to USD 2.7 billion (EUR 2.4 billion).

Emergency response and civil protection: The RDNA5 estimates amount to USD 2.7 billion (EUR 2.4 billion). They cover rehabilitation of damaged facilities, restoring minimum operational readiness in high-risk oblasts, modernising and replenishing vehicle and equipment fleets, and strengthening national and regional command and control systems. Our estimates for government-controlled territories amount to USD 2.3 billion (EUR 2.0 billion).

Justice and public administration: The RDNA5 estimates funding needs at USD 1.0 billion (EUR 0.9 billion), while our estimates for government-controlled territories amount to USD 0.7 billion (EUR 0.6 billion).

Explosive hazards management: The RDNA5 estimates amount to USD 27.6 billion (EUR 24.5 billion). Excluding the four occupied and frontline oblasts, we arrive at USD 5.9 billion (EUR 5.2 billion).

Summary of international aid to Ukraine, 2022–2026

The Kiel Institute for the World Economy (German language abbreviation IfW) estimates total committed support to Ukraine at EUR 540.0 billion as of December 2025, of which EUR 342.8 billion has been actually allocated.¹⁶

The largest share — EUR 290.2 billion, or 53.7% of total commitments — accounted for financial support in the form of direct budget assistance. Military aid accounted for EUR 219 billion (40.6% of total commitments), while humanitarian aid represented only 5.7%, or EUR 30.8 billion. Delivery rates were highest for humanitarian and military support, with respectively 76.8% and 73.8% of committed amounts actually allocated. For financial support, only 54.3% of commitments had been allocated by the end of 2025.

The IfW reported EUR 157.5 billion (USD 179.5 billion) in actual financial allocation, of which EUR 81.2 billion was contributed by the EU.

In 2025, 72.3% of total budget support (EUR 37.9 billion) was provided in the form of loans under the Group of Seven (G7) Extraordinary Revenue Acceleration for Ukraine (ERA) initiative, of which EUR 18.3 billion came from the US, EUR 18.1 billion from the EU, and EUR 3.3 billion from Canada.

¹⁶ [Europe Steps Up: Ukraine Support After Four Years of War](#), Christoph Trebesch and Taro Nishikawa, Kiel Policy Brief, No. 203, February 2026

On 18 December 2025, the European Council agreed to grant Ukraine a EUR 90 billion loan for 2026–2027, through EU borrowing on the capital markets backed by the EU budget, although the mechanism has yet to be approved owing to objections by the previous Hungarian government.¹⁷

On 26 February 2026, the IMF Executive Board approved the Extended Fund Facility loan to Ukraine of USD 8.1 billion from 2026 through 2030 (48 months).¹⁸ So far, the EU and IMF loans are the most important forms of financial or budgetary aid to Ukraine in 2026–2027.

The potential of recovery and reconstruction aid financed from the 2028–2034 MFF and other EU and non-EU sources

The European Commission’s proposal for the 2028–2034 MFF consolidates all financial support for Ukraine in the Global Europe instrument, fed by a special instrument reserve over and above the ceilings, as has been the case since the 2024 mid-term revision and creation of the Ukraine Facility.

Article 6.1 of the draft Council Regulation laying down the MFF for the years 2028 to 2034 establishes the Ukraine Reserve for financing expenditure for Ukraine via the Global Europe instrument.¹⁹ According to the draft Article 6.2, the maximum amount of the Ukraine Reserve ‘shall not exceed EUR 88.9 billion in 2025 prices for the period 2028 to 2034’. The annual amount mobilised under the Ukraine Reserve is capped at EUR 13.5 billion in 2025 prices. The unused portion of the annual amount each year may be used in the following years, until 2034.

In parallel, Article 6.2 of the draft Regulation of the European Parliament and of the Council establishing Global Europe²⁰ proposes the allocation of EUR 100 billion in loans for Ukraine for the period from 1 January 2028 to 31 December 2034 (in current prices). Article 24.3 of the same draft regulation sets the upper limit of budgetary guarantees at EUR 48 billion in current prices for the period of 2028–2034.

The purpose of allocations in both drafts is formulated flexibly. Recital 10 of the draft MFF regulation clearly states that:

‘The Union will keep supporting Ukraine for as long as it takes, and firmly help Ukraine on its path to accession to the Union. The scale of damage caused to Ukraine by Russia’s war of aggression requires significant and flexible support to Ukraine to maintain functions of its government, provide public services, as well as to support the recovery, reconstruction and modernisation of the country.’

Similarly, Recital 19 of the draft Global Europe Regulation argues that:

‘The scale of damage caused to Ukraine requires significant and flexible support to Ukraine to maintain functions of its government, provide public services, as well as to support the recovery, reconstruction and modernisation of the country. The Instrument should provide the framework for assistance for the fast recovery, reconstruction and modernisation of the country, to mobilise investments and enhance access to finance, as well as to facilitate Ukraine’s alignment with Union standards and values on its way to accession to the Union. Ukraine’s path towards accession should be closely intertwined with reconstruction efforts. Support under the Instrument should, to the extent possible, be integrated into international efforts towards a financial architecture for the recovery of Ukraine and be coordinated with relevant donors and international financial institutions to ensure proper coordination and complementarity of support.’

¹⁷ [Commission presents a financial support package for Ukraine for 2026–2027](#), European Commission Press Release, 14 January 2026

¹⁸ [IMF Executive Board Approves US\\$8.1 Billion under an Extended Fund Facility \(EFF\) Arrangement for Ukraine](#), IMF Press Release, No. 26/066, 26 February 2026

¹⁹ [Proposal for a Council regulation laying down the Multiannual Financial Framework for the years 2028 to 2034](#), European Commission, COM(2025) 571 final, 16 July 2025

²⁰ [Proposal for a Regulation of the European Parliament and of the Council establishing Global Europe](#), European Commission, COM(2025) 551 final, 16 July 2025

Considering the uncertainty as to when the war may end and what the exact military, economic and social situation in Ukraine a few years from now will look like, it is the right approach.

What raises questions is the size of financial support to Ukraine, especially if the war does not end. The annual allocation of EUR 13.5 billion in 2025 prices is smaller than the amount actually granted in 2022–2025 (see the previous section) and declared for 2026–2027 (EUR 90 billion for two years). The insufficient size of the Ukraine Reserve was also signalled in the Interim Report of the European Parliament's Budget Committee in April 2026²¹

The substantial role of loans in Ukraine's aid package seems to ignore the already high level of Ukraine's sovereign indebtedness (over 100% of GDP). On the other hand, budgetary guarantees can serve as a useful instrument to neutralise private investors' perception of geopolitical risk in the first phases of post-war recovery and reconstruction.

If Ukraine joins the EU during the 2028–2034 MFF, it will be able to tap into additional sources of budgetary funding from the cohesion and structural funds, the Common Agriculture Policy (CAP), or their successors and other programmes financed by the EU budget. Part of this funding can be used for post-war recovery, reconstruction and modernisation purposes. However, given the current, still early stage of accession negotiations²², we do not expect that Ukraine's accession will happen before 2031. Furthermore, the completion of the accession process does not seem feasible if the active war continues.²³

Ukraine can also indirectly participate in the Security Action for Europe (SAFE) programme providing long-term loans to EU Member States to strengthen their defence capacities. The national defence investment plans of 15 EU Member States include cooperation with Ukraine.²⁴

Beyond the EU budget, Ukraine can also expect some financial/ budgetary support from EU Member States, other advanced economies, the IMF, and the World Bank. However, as the 2022–2025 experience demonstrates, apart from the IMF, these are not large amounts of money as compared to the EU, especially after the reduction in US aid in 2025–2026. Moreover, bilateral assistance has tended to be concentrated in the military and humanitarian spheres.

Potential obstacles to mobilising financial aid to Ukraine and how to overcome them.

There are two major groups of obstacles to the mobilisation of financial aid to Ukraine. First, these are fiscal constraints at the national and Union levels. Second, at the Union level, there is the unanimity rule as regards Council decisions on the MFF and Common Foreign and Security Policy.

Most EU Member States are struggling with high public debts and higher defence spending²⁵, which limit their fiscal capacity to provide aid to Ukraine. The EU budget is capped at the level of 1% of EU gross national income (GNI) or slightly above. At least some EU Member States are reluctant to increase the size of their contribution to the EU budget and expand the EU's revenue sources. The unanimity requirement for approval of the MFF also narrows room for budget manoeuvre. For example, the unanimity requirement makes it difficult not only to increase the total size of the EU budget but also to make substantial changes in its internal structure.

As developments in 2024– 2026 demonstrated, aid to Ukraine can easily become a hostage of domestic politics in individual EU Member States, which abuse their veto power. The same has

²¹ [Interim Report on the proposal for a Council regulation laying down the Multiannual Financial Framework for the years 2028 to 2034](#), Committee on Budgets, European Parliament, 21 April 2026.

²² [Ukraine's EU path and Key Milestones](#), European Commission, visited on 22 April 2026

²³ [The impact on the European Union of Ukraine's potential future accession](#), Zsolt Darvas et al., Bruegel Report, 11 April 2024

²⁴ [SAFE – Security Action for Europe](#), European Commission, visited on 22 April 2026

²⁵ [Debt Sustainability Monitor 2025](#), European Economy Institutional Paper, No. 332, 12 February 2026

happened, on many occasions, with the EU enlargement process (not only as regards Ukraine), in which each step forward requires unanimity of all incumbent EU members.²⁶

Changes in the EU Treaties or activating the so-called *passerelle* (bridging) clauses in the existing EU Treaties (which would allow qualified majority voting in certain policy areas based on a unanimous decision of the European Council) would be a radical remedy to overcome the obstruction of individual Member States in the MFF decisions.²⁷ However, none of these steps seems politically feasible, at least in the near future. What remains is the skilful and patient diplomacy of Ukraine's supporters.

Recovery and reconstruction aid management and conditionality

Financial support for Ukraine is already closely tied to reform conditionality through the Ukraine Plan 2024–2027²⁸, IMF programmes, and the EU accession process. Yet the current framework of conditionality remains heavily focused on anti-corruption commitments, fiscal consolidation, and formal progress in legislative approximation to the EU *acquis*. These priorities are important, but they do not fully address the deeper institutional problems. Ukraine's core constraint is not corruption alone, but an unreliable rule of law in which administrative discretion, selective enforcement, and the gap between formal rules and actual practice make the business environment unpredictable and costly.²⁹

This distorts policy incentives. Ukrainian decision-makers are under strong external pressure to demonstrate anti-corruption progress, secure budget revenues, and comply with donor benchmarks that unlock further funding.³⁰ By contrast, they face much weaker external incentives to improve the day-to-day conditions for domestic businesses that continue to operate, invest, employ, and pay taxes in Ukraine. As a result, emergency macro-financial stabilisation and formal compliance with external reform agendas tend to take precedence over bigger changes that would reduce administrative pressure, improve legal predictability, and expand domestic productive capacity. Put differently, anti-corruption and fiscal focus systemically dominate over economic rationality.

This imbalance is particularly problematic in the context of recovery and reconstruction. Ukraine's rebuilding cannot be sustained by donor funding alone, nor can it rely on hypothetical large-scale foreign investment detached from local economic realities. Foreign investors do not enter a vacuum: they look for functioning markets, reliable local partners, and a business environment in which rules are transparent, administration is predictable, and arbitrary intervention is limited. If domestic firms remain exposed to discretionary tax and customs practices, excessive regulatory burdens, and weak protection against predatory enforcement, both foreign and domestic investment will remain below their potential.

For this reason, recovery and reconstruction aid conditionality should be broadened. Donors should continue to insist on anti-corruption safeguards and rule-of-law reforms, but they should also make support conditional on measurable improvements in the domestic business environment. This includes reducing officials' discretion, simplifying rules and procedures, improving transparency, ensuring more predictable tax and customs administration, protecting property and contract rights, and reforming institutions that reproduce abusive practices. In other words, conditionality should reward not only the adoption of laws and formal institutions, but also reforms that make economic governance simpler, more predictable, and more supportive of legitimate business activity.

²⁶ [EU enlargement momentum risks falling victim to veto power](#), Marek Dabrowski, Bruegel First Glance, 10 November 2025

²⁷ [To become a geopolitical player the European Union needs Treaty change](#), Marek Dabrowski, Bruegel First Glance, 17 January 2024

²⁸ [Ukraine Facility 2024–2027: Plan for the Implementation](#), Cabinet of Ministers of Ukraine, visited on 22 April 2026

²⁹ [Economic Priorities in Post-war Ukraine: A Blueprint for Reform](#), Dmytro Boyarchuk et al. CASE and CASE Ukraine, February 2023.

³⁰ See e.g. [Ukraine: Request for an Extended Arrangement Under the Extended Fund Facility and Cancellation of the Current Arrangement—Press Release; Staff Report; Supplementary Information; and Statement by the Alternate Executive Director for Ukraine](#), IMF Country Report, No. 26/58, 26 February 2026

Such an approach would better align external assistance with the actual requirements of recovery and reconstruction. If private investment and public–private cooperation are expected to play a substantial role in rebuilding Ukraine, then domestic entrepreneurs and operating businesses cannot remain a residual policy concern. They must be treated as a central pillar of recovery. The success of recovery and reconstruction will depend not only on controlling corruption and advancing EU integration, but also on whether Ukraine develops an internal business environment capable of turning external support into durable economic growth.

Conclusions and recommendations

The Russian war of aggression against Ukraine may not end in 2026 or even 2027. This means that the EU plans to support Ukraine in the MFF 2028–2034 must be flexible and consider not only the post-war recovery and reconstruction scenario. If the war continues, any large-scale reconstruction of damaged assets (apart from repairs to energy, transport, and social infrastructure) does not make sense. Instead, Ukraine will need continuous, even increasing, military and budgetary support.

The MFF proposal includes sufficient flexibility with respect to the purpose of spending. However, the size of the proposed budget allocations is insufficient, especially under the pessimistic scenario in which the war continues beyond 2027. Such a scenario will also mean higher war damages and recovery and reconstruction needs than those estimated in the RDNA5 and recalibrated in our analysis.

The proposed MFF allocation is insufficient even under our conservative estimates of the publicly funded recovery and reconstruction needs, which limit them to the government-controlled territories and population living in those areas, leave more ambitious reconstruction goals for a more distant future and assume a dominant share of private investment (domestic and foreign) in many sectors. The proposed allocation is also smaller than the EU aid delivered in 2022–2025 and declared for 2026–2027. It does not consider all consequences of a reduction in US aid under the second Trump administration and the limited role of other official donors. Finally, the dominant role of lending ignores the current high level of Ukraine's sovereign debt, which exceeds 100% of GDP. On the other hand, budgetary guarantees can encourage private sector engagement in the recovery and reconstruction process.

Increasing the size of the Ukraine Reserve allocation, with a dominant role for grants rather than loans already at the planning stage, will help reduce the likelihood of an MFF revision or the need to look for off-budget sources of financing aid to Ukraine as we have seen repeatedly in the current MFF period. Given all intra-EU institutional constraints, including the unanimity requirements for the MFF's adoption and revision, realistic ex-ante planning seems politically less costly than the alternative.

The conditionality attached to EU aid should stimulate not only EU accession-related reforms and responsible macroeconomic policies but also a radical improvement in the business and investment climate in Ukraine. The latter requires far-reaching reforms in public administration, law enforcement bodies, and the judiciary.

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