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Ukraine and the Next MFF: The Strive for Predictability*

- EU's support to Ukraine in the next MFF requires ensuring a credible financial commitment in a highly uncertain geopolitical context, while preserving flexibility within the EU budget to address other external priorities.
- A careful balance between flexibility and predictability would benefit long-term investment plans, especially in infrastructure, vis-à-vis to investment conditions in the country subject to an extreme degree of uncertainty and volatility.
- The goal of integrating pre-accession and reconstruction under the Ukraine Reserve constitutes a welcome step forward to increase policy coherence, but it also implies that investment plans will be linked even more to the respect of EU standards.

The European Commission's proposal for the 2028-2034 Multiannual Financial Framework (MFF) introduces a significant innovation in the Union's approach to supporting Ukraine, reflecting both the scale of the country's reconstruction needs and its strategic importance for the future of the European Union enlargement. At the core of this proposal lies a dedicated financial instrument, commonly referred to as the "Ukraine Reserve", designed to provide substantial, predictable and long-term assistance that goes beyond traditional EU budgetary instruments.

Description of the MFF proposal

The Commission has proposed mobilising up to 100 billion euros to support Ukraine's recovery, reconstruction and pre-accession process. Crucially, this funding would be placed outside the standard MFF ceilings. This design reflects an attempt to reconcile competing objectives: ensuring a credible financial commitment to Ukraine in a highly uncertain geopolitical context, while preserving flexibility within the EU budget to address other external priorities.[1]

The Ukraine Reserve would be embedded within the broader Global Europe Instrument. This integration would ensure continuity with existing external financing structures while allowing for a differentiated treatment of Ukraine,

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1 Baccini, Federico, "Financing Enlargement via the 2028-2034 MFF", in *FEPS Policy Briefs*, December 2025, https://feps-europe.eu/?p=82807.

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›› The Ukraine Reserve significantly expands both the scale and the temporal horizon of EU engagement

whose needs are unprecedented in both magnitude and urgency. By combining integration within Global Europe with financing outside the MFF ceilings, the proposal creates a hybrid structure that seeks to ensure both policy coherence and financial additionality.[2] This approach also builds on the experience of the current Ukraine Facility, which has already introduced more flexible and responsive mechanisms for financial support.[3] However, the proposed Reserve significantly expands both the scale and the temporal horizon of EU engagement, explicitly linking short-term stabilisation efforts with longer-term reconstruction and accession objectives.

In this context, the Ukraine Reserve is expected to support not only the functioning of the Ukrainian state and the provision of essential public services, but also more structural transformations. These include investments in critical infrastructure such as energy and transport networks, support for private-sector development and reforms aimed at strengthening the rule of law, public administration and anti-corruption frameworks, in line with the priorities most recently delineated at the Ukraine Recovery Conference held in Rome in July 2025.[4] Financial disbursements are likely to be closely linked to progress in these areas, reinforcing the conditionality dimension that traditionally characterises EU enlargement policy.

In terms of governance, to mitigate the risk of political blockages the Commission foresees the use of standard comitology procedures for the adoption of implementing decisions. This would allow the Commission to take technical decisions on disbursements with the support of committees composed of member state representatives, without requiring formal Council approval.[5] Such a configuration aims to depoliticise, at least partially, the implementation phase, thereby enhancing the predictability and timeliness of financial support. Nevertheless, the political sensitivity of the instrument remains high.[6] Divergences among member states persist, especially regarding the overall size of the financial envelope and the long-term fiscal implications of sustained support to Ukraine. While some governments have emphasised the strategic necessity of robust and front-loaded assistance, others have expressed concerns about budgetary discipline and fiscal prudence. Against this background, the Council's June 2026 negotiating language suggests that the Commission's attempt to streamline implementation through comitology is likely to coexist with continued political oversight by member states, as the Council has underlined that it will remain closely involved in the governance of support for Ukraine.[7]

The proposal must also be understood within a broader ecosystem of EU instruments mobilised in response to the war. In addition to the Ukraine Reserve, the Union has deployed a variety of tools, including macro-financial

2 Ibid., p. 8.

3 Pirozzi, Nicoletta, "Securing Ukraine's Path Towards the EU: Status and Perspectives", in *IAI Commentaries*, No. 25|38 (July 2025), https://www.iai.it/en/node/20364.

4 Cinciripini, Luca, "EU Reforms for Ukraine's Recovery: Lessons from the URC2025", in *IAI Commentaries*, No. 25|44 (July 2025), https://www.iai.it/en/node/20404.

5 Baccini, Federico, "Financing Enlargement via the 2028-2034 MFF", cit., p. 9.

6 Jones, Alexei, "A Companion Guide to the Global Europe Instrument Proposal", in *ECDPM Briefing Notes*, No 198 (July 2025), https://ecdpm.org/work/companion-guide-global-europe-instrument-proposal.

7 Council of the EU, *Multiannual Financial Framework (MFF) 2028-2034 - Negotiating Box*, 11 June 2026, https://data.consilium.europa.eu/doc/document/ST-10058-2026-INIT/en/pdf.

assistance, budgetary guarantees and military support through the European Peace Facility (EPF).[8] The resulting architecture is increasingly complex, combining multiple sources of funding across different legal and institutional frameworks. From a policy perspective, the Commission's proposal reflects a broader shift in the EU budgetary logic. As highlighted by the European Court of Auditors, the proposal does not define a fixed annual allocation between grants and loans, leaving such decisions to the annual budgetary procedure, thereby allowing the EU to adjust its support in response to evolving needs and Ukraine's fiscal conditions.[9]

Finally, the position of individual member states adds an additional layer of complexity to the negotiation dynamics. Some of them, for instance, have generally supported the objective of ensuring stable and predictable funding for enlargement-related priorities, including Ukraine.[10] At the same time, they have emphasised the importance of maintaining a balanced allocation of resources across policy areas and safeguarding the overall sustainability of the EU budget. This dual stance reflects a broader concern among several member states: while there is recognition of Ukraine's strategic importance, there is also a need to ensure that new financial commitments do not undermine other key EU priorities, starting with the broader enlargement process. Such worries are compounded by the fact that Ukraine is also eligible for humanitarian aid under Global Europe, accentuating the risk of draining precious funding from other areas, such as the Western Balkans.

Open issues: Guaranteeing predictability to the support for Ukraine

›› Support for Ukraine requires the involvement of a coherent set of stakeholders, like DFIs and PDBs

The Ukraine Reserve sits at the conjunction of several policy drivers shaping the Commission's proposal, such as flexibility, simplification and conditionality. Its position outside of the formal boundaries of the EU budget reflects the urgency for the EU to respond to multidimensional strategic priorities, such as contributing to the reconstruction of the war-torn country; devising investment programmes that will necessarily take into account how the conflict will evolve; and integrating more closely Ukraine into EU's financial architecture vis-à-vis the prospect of its future accession to the EU.[11] For these reasons, support for Ukraine requires a longer-than-usual mindset and the involvement of a coherent set of stakeholders, like development financial institutions (DFIs) and public development banks (PDBs). Indeed, DFIs can provide a helpful contribution, thanks to their familiarity with market-oriented investment solutions, while remaining driven by their public mission and long-term vision.

8 Temprano Arroyo, Heliodoro, "Ukraine: The Elephant in the Room of the Commission's Budget Proposal", in *ODI Expert Comments*, 5 February 2026, https://odi.org/en/insights/ukraine-the-elephant-in-the-room-of-the-commissions-budget-proposal.

9 European Court of Auditors (ECA), *Opinion 07/2026 Concerning the Proposal for a Regulation of the European Parliament and of the Council Establishing Global Europe*, 20 February 2026, https://www.eca.europa.eu/en/publications/OP-2026-07.

10 Italian Chamber of Deputies, "Le proposte della Commissione europea relative al Quadro finanziario pluriennale dell'UE 2028-2034", in *Dossier di documentazione*, No. 140 (2 March 2026), p. 46, https://temi.camera.it/leg19/dossier/OCD18-22814/le-proposte-della-commissione-europea-relative-al-quadro-finanziario-pluriennale-ue-2028-2034.html.

11 Marshalok, Taras, "Ukraine and the EU Budget for 2028-2034: Deep Integration but Still No Membership", in *Vox Ukraine*, 4 November 2025, https://voxukraine.org/?p=189174.

DFIs and PDBs involvement has already materialised in these years, with their proactive participation or direct creation of specific coordination mechanisms such as the Ukraine Investment Framework, the Ukraine Investment Platform and the Ukraine Business Compact.

Other forms of EU support for the next budget and beyond have also moved from discussion to implementation. The 90 billion euro Ukraine Support Loan, agreed by the Council in April 2026, is designed to address Ukraine's urgent budgetary and defence needs in 2026-2027; by late June 2026, 7.1 billion had already been disbursed, including macro-financial assistance and support for drone procurement.[12] As discussed, the Ukraine Reserve will have to assume a broader perspective and go beyond emergency-driven responses, in order to facilitate the country's recovery and accompany its accession process to the EU.

Coherently, the Commission's proposal identifies its objectives not only in guaranteeing the functioning of government and the provision of public services, but also in more structural interventions such as "the recovery, reconstruction and modernisation" of the country, the mobilisation of investments, enhanced access to finance and Ukraine's alignment with EU's standards to facilitate its accession.[13] The Commission has been adamant on this last point: the deployment of the Ukraine Reserve must be instrumental to Ukraine's accession to the EU.

Beyond the issue of accession, the Commission has framed the Ukraine Reserve as a component of a broader financial architecture for the recovery of the country, explicitly calling for additional contributions from other relevant donors and international financial institutions.[14] In such a framework, DFIs and PDBs are best placed to catalyse private and public investments from multiple donors and private stakeholders, bridge credit gaps and de-risk long-term investments, an opportunity welcomed by some European governments. However, the possibility to develop new financial instruments in close cooperation with private stakeholders will have to tackle current constraints that DFIs may still face when operating in a high-risk security environment such as Ukraine's.[15]

›› ***A multipronged approach to supporting Ukraine would benefit from a careful balance between flexibility and predictability***

A multipronged approach to supporting Ukraine would benefit from a careful balance between flexibility and predictability. When it comes to investments in Ukraine, the possibility of enhancing funding flexibility by carrying over unspent resources to subsequent years introduces a welcome step to facilitate the inclusion of long-term players like DFIs. Moreover, a Ukraine Reserve beyond the ceilings of the EU budget should allow to increase spending beyond pre-determined annual allocations in order to face new crises or tackle emerging policy priorities more effectively.[16] Managing of similar challenges could also benefit from the opportunity of budget guarantees provided by the European

12 See section "Ukraine support loan" in Council of the EU, "EU Financial Assistance to Ukraine", in *Explainers*, updated 1 July 2026, https://www.consilium.europa.eu/en/policies/ukraine-solidarity-financial-support.

13 European Commission, *Proposal for a Council Regulation Laying Down the Multiannual Financial Framework for the Years 2028 to 2034* (COM/2025/571), 16 July 2025, p. 11, https://eur-lex.europa.eu/legal-content/en/TXT/?uri=celex:52025PC0571.

14 European Commission, *Proposal for a Regulation Establishing Global Europe* (COM/2025/551), 16 July 2025, p. 4, https://eur-lex.europa.eu/legal-content/en/TXT/?uri=celex:52025PC0551.

15 Interview with Italian official, 20 April 2026.

16 Marshalok, Taras, "Ukraine and the EU Budget for 2028-2034", cit.

Commission in cooperation with DFIs, as already experimented under the European Flagship Fund for the Reconstruction of Ukraine, which sees as its initiators the European Investment Bank and DFIs of Italy, Germany, Poland and France.

Predictability is equally important, as investment conditions in the country are subject to an extreme degree of uncertainty and volatility due to the war, the continuing Russian illegal occupation of large swathes of its territory and constant strikes on civilian and energy infrastructure. Investment plans under the Ukraine Reserve will be implemented only in a few years, but the current trajectory of hostilities is inevitably affecting ongoing negotiations on EU support plans. Against this background, by de-risking EU funding DFIs may act as facilitators of investment conditions, multiplying growth opportunities, opening new sectors to external investments and drawing in new investors.

›› Investment plans under the Ukraine Reserve will likely focus on infrastructure

Investment plans under the Ukraine Reserve will likely focus, among other key sectors, on infrastructure, for several reasons. First and foremost, the full-scale Russian aggression has severely damaged the country's energy and transport networks, which will require concrete responses. A focus on infrastructure would also facilitate Ukraine's integration into the single market and the EU's energy, digital and transport networks, adding to current support through the Connecting Europe Facility. At the same time, the EU could leverage its experience in funding long-term projects in third countries through Global Gateway, which provides stability and visibility to European investments. Thanks to their established contribution to existing EU programmes like Global Gateway, DFIs and PDBs may positively participate in such plans, making good use of their expertise in managing complex financial instruments in the long-term while preserving a developmental orientation.[17] To achieve such results, DFIs would benefit from multi-annual programming, which is crucial especially for large-scale infrastructure projects, and from safeguards to the principle of open architecture,[18] as the implementation of the Reserve will occur through the Global Europe Instrument. The scale of the challenge has been further underlined by the Fifth Rapid Damage and Needs Assessment, which put Ukraine's reconstruction and recovery needs at about 507 billion euros over ten years.[19]

Enhanced coordination at different levels would also ensure the predictability of funding and related investment plans. Coordination among financial instruments should be pursued, as the EU support provides for loans, non-repayable tools and budgetary guarantees. Renewed EU support may likely focus on grants as the debt burden of Ukraine is already quite significant, but loans will remain a key financial instrument.[20]

Another key challenge to coordination will be the management of potential trade-offs between responding to Kyiv's specific needs and involving European companies and entities, starting with DFIs. Such a balance will have to reflect the peculiar investment environment in a war-torn country, but also the opportunities

17 Barana, Luca et al., "How to Fund European Ambitions? Opportunities and Challenges for the Next MFF", in *Documenti IAI*, No. 25|15 (December 2025), p. 8, https://www.iai.it/en/node/21231.

18 Ibid., p. 14.

19 World Bank et al., *Ukraine - Fifth Rapid Damage and Needs Assessment (RDNA5): February 2022-December 2025*, February 2026, https://www.undp.org/node/571041.

20 "Backing Ukraine above the 2028-2034 MFF Ceiling Poses Political Rather than Financial Risks", in *The New Union Post*, 8 September 2025, https://wp.me/pg5F2z-1sX.

of potential partnerships with innovative Ukrainian companies and stakeholders. Matching these different interests could be another suitable contribution for DFIs, which are better positioned to reflect and incorporate in investment plans Ukraine's and the EU's strategic priorities and their social dimension as well, while still considering market trends. This is also the reason why a careful consideration of pillar assessment under Global Europe, and in particular the involvement of commercial lenders in EU-driven investment programs,[21] should be carried out, especially in the case of Ukraine, due to the peculiar needs of the country, that should be privileged in any investment decision.

Ukraine's recovery is an extremely sensitive issue from a political point of view

Lastly, another crucial dimension of coordination pertains to the governance of the Ukraine Reserve. Ukraine's recovery is an extremely sensitive issue from a political point of view, and member states must be on board to make it effective. While loyal cooperation among member states should be addressed at the political level within the Council, the Commission's proposal sketches out a governance structure aimed at favouring a seamless disbursement of EU funding under the next MFF. For this reason, implementing decisions would be based on the comitology procedure. A similar configuration could enhance disbursements' predictability and is one of the main reasons for positioning the Ukraine Reserve "above the ceiling". However, some member states have underlined how the comitology procedure is at risk of introducing weaker institutional checks on key budget provisions by diminishing the role of the Council. Both countries are thus pushing to reform the governance of the Reserve to make it similar to the one adopted for the Ukraine Facility, based on Council implementing decisions.[22]

While the Commission's attempt to depoliticise the implementation of funding decisions may facilitate discussion at the technical level, it also reflects how difficult the disbursement of EU funding to Ukraine may be, because of the high stakes at play for Europe's and the country's security and the concurring process of Kyiv's accession to the EU.

The accession process precisely impacts on the other two policy principles informing the MFF proposal, and the Ukraine Reserve in particular: simplification and conditionality.

On the first front, simplifying and streamlining several components of project devising and implementation may be challenging for funding Ukraine, due to the distribution of resources among the Ukraine Reserve and other funds with other timeframes and governance configurations (in particular, the EPF for military support, let alone specific funds earmarked to enlargement policy). Moreover, several aspects of the simplification agenda, such as streamlining access to new funding tools and a simplified, coherent monitoring and evaluation framework for expenditure tracking and budget performance, are particularly challenging as investment programmes in Ukraine will go hand-in-hand with the requirements that the country will be called to fulfil for its accession to the EU.

The goal of integrating pre-accession and reconstruction under the Ukraine Reserve constitutes a welcome step forward to increase policy coherence, but

21 Barana, Luca et al., "How to Fund European Ambitions?", cit., p. 15.
22 Interview with Italian official, 20 April 2026.

it also implies that investment plans will be linked even more to the respect of EU standards. While the Ukraine Reserve may catalyse Ukraine's integration in several aspects of the single market, how to avoid overburdening European and Ukrainian players by introducing brand new performance indicators in addition to those required by the traditional accession chapters remains an open challenge. An early involvement of DFIs and PDBs, with their expertise already developed during enlargement processes, could thus be even more important than ever in the case of Ukraine.[23]

The second challenge on conditionality directly arises from the reforms that Ukraine will be called to introduce to respect the *acquis communautaire*. Conditionality is at the centre of the Ukraine Reserve, not only for the sake of pre-accession, but also because of the large financial exposure of the EU to Ukraine,[24] requiring high standards and a disbursement approach based on reforms and concrete advancement of investment plans. Under current plans, EU funding would catalyse reforms by focusing on certain areas such as the rule of law, anti-corruption, public administration reform and harmonisation of legislation with EU standards. Scale and pace of further disbursements would be dependent upon the implementation of such reforms.[25] This link has acquired greater institutional salience following the opening, on 15 June 2026, of accession negotiations on Cluster 1 – Fundamentals, which covers the EU acquis related to the rule of law and fundamental rights, the functioning of democratic institutions, public administration reform and economic criteria.[26]

›› Anti-corruption measures will be key to enhancing Ukraine's credibility with creditors and investors

As such, three different strands of conditionality are likely to be implemented in Ukraine – as throughout the entire MFF: a general preference for "performance-based disbursements",[27] fraud prevention and the respect for the rule of law.[28] In particular, anti-corruption measures will be key to enhancing Ukraine's credibility with creditors and investors vis-à-vis recent contested institutional attempts to rein in independent authorities,[29] and thus facilitate integration in the EU. While not directly intervening in the reform process, DFIs may be crucial stakeholders in accompanying Ukrainian authorities in matching such requirements of the EU's regulators when it comes to implementing EU-backed investment plans, by assessing financial risks, building differentiated financial instruments and balancing the expectations of external investors.

Policy recommendations

The design and implementation of the Ukraine Reserve will be crucial in determining whether EU support can effectively respond to both the immediate

23 Barana, Luca et al., "How to Fund European Ambitions?", cit., p. 8.

24 Temprano Arroyo, Heliodoro, "Ukraine", cit.

25 Marshalok, Taras, "Ukraine and the EU Budget for 2028-2034", cit.

26 Council of the EU, *EU and Ukraine Open First Accession Negotiations Cluster*, 15 June 2026, https://www.consilium.europa.eu/en/press/press-releases/2026/06/15/eu-and-ukraine-open-first-accession-negotiations-cluster.

27 Riekeles, Georg et al., "Financing Europe's Future: Can the Commission's MFF Proposal Deliver?", in *EPC Compedium*, 17 July 2025, https://www.epc.eu/publication/Financing-Europes-Future-Can-the-Commissions-MFF-proposal-deliver.

28 Barana, Luca et al., "How to Fund European Ambitions?", cit., p. 8-10.

29 Miller, Christopher, "Zelenskyy Moves Against Ukraine's Independent Anti-Corruption Bodies", in *The Financial Times*, 22 July 2025, https://www.ft.com/content/21cf3d32-8cc3-4ed1-bfb2-d2b9de88f19d.

challenges posed by the war and the longer-term objective of Ukraine's integration into the EU. The proposal reflects an attempt to reconcile several competing priorities such as flexibility and predictability, political feasibility and financial ambition, as well as investment logic and social needs. However, translating this framework into an effective policy instrument will require careful calibration across multiple dimensions.

In particular, the success of the Ukraine Reserve will depend on the EU's ability to ensure that financial support is not only sustained over time, but also strategically oriented, well-coordinated and implemented through governance arrangements that minimise uncertainty. Against this background, a few key policy priorities emerge:

- *Ensure that EU support to Ukraine is anchored in a long-term perspective that links reconstruction to the accession process, while maintaining a balance with broader MFF priorities and member states' fiscal concerns*: A long-term approach is essential to move beyond emergency-driven assistance and to align reconstruction efforts with the reforms required for EU accession. At the same time, maintaining the political sustainability of such support within the Union requires taking into account member states' concerns regarding the overall balance of the MFF.
- *Promote a balanced financial approach that combines flexibility and predictability, leveraging the role of PDBs and DFIs to crowd in private and public investments while aligning market incentives with Ukraine's social and reconstruction needs*: Given the high level of uncertainty and risk associated with investments in Ukraine, PDBs and DFIs can play a key role in de-risking financial flows, mobilising additional resources and supporting inclusive, sustainable economic development. Ensuring an appropriate balance between flexible funding mechanisms and predictable multiannual commitments will be crucial to attract long-term investors while addressing the country's structural needs. At the same time, efforts in the context of the next MFF will need to be coupled with other European actions, such as the European Flagship Fund for the Reconstruction of Ukraine.
- *Strengthen coordination across financial instruments, actors and levels of governance to ensure coherent and effective implementation of support, including alignment with key sectoral priorities identified in international recovery frameworks*: The growing complexity of the EU's financial architecture for Ukraine requires enhanced coordination to avoid fragmentation and overlaps. This includes ensuring consistency between grants, loans and guarantees, as well as aligning EU support with broader international initiatives and sectoral priorities.
- *Preserve the proposed governance framework to ensure predictable disbursements, while carefully balancing conditionality requirements with the need to avoid overburdening EU and Ukrainian actors during the accession process*: The use of technical decision-making procedures represents an important step towards reducing the risk of political blockages. At the same time, conditionality remains essential to support reforms but should be designed in a way that avoids excessive administrative burdens and ensures effective implementation.

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