

SECTION 2. POLITICAL ASPECTS

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EUROPEAN UNION SUPPORT FOR UKRAINE AS EXAMPLED BY THE INSTRUMENT FOR UKRAINE IN THE CONTEXT OF THE CHALLENGES OF UKRAINE'S INTEGRATION PROCESS WITH THE EU

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On February 29, 2024, the Instrument for Ukraine was established, consolidating European Union assistance to Ukraine from the EU budget for the years 2024–2027. The regulation establishing the Instrument (Regulation (EU) 2024 of the European Parliament and of the Council) stipulates that the support provided should not only focus on war-damaged reconstruction, but that this reconstruction should aim to modernize and improve Ukraine's economy. Planned investments should contribute to eliminating the factors that are blocking Ukraine's accession to the EU. In this context, the main challenges identified include: strengthening the rule of law,

including the independence of the judiciary, supporting measures to deligarchize the economy, and combating corruption, particularly high-level corruption, money laundering, tax avoidance, tax evasion, tax fraud, and organized crime. The tasks facing Ukraine include improving transparency, which includes public access to information, good governance at all levels with the participation of civil society organizations, including human rights organizations. Additionally, the protection of free and pluralistic media, and the implementation of public administration reform, including the introduction of regulations consistent with EU standards in the areas of public procurement, competition, and state aid, require strengthening. Therefore, the scale of the challenges Ukraine faces, especially in the context of the ongoing war, may pose serious risks related to their fulfillment and, consequently, the use of EU funds for the modernization and reconstruction of the country.

The Facility's budget amounts to up to €50 billion. It is divided into non-repayable grants of €33 billion and a loan of up to €17 billion. The loan amount will be repaid by Ukraine on preferential terms over a 35-year period,

with the repayment period beginning in 2034. The Facility provides Ukraine with support under the following three pillars:

a) Pillar I: financial support for the implementation of reforms and investments to implement the Ukraine Plan and maintain macrofinancial stability;

b) Pillar II: a special investment framework to support investments and ensure access to finance;

c) Pillar III: Technical Assistance – financing activities aimed at developing and implementing reforms related to accession to the European Union and to enhance Ukraine's administrative capacity, grants to cover external financing costs and build reserves [1].

The legal act regulating the Ukraine Facility precisely defines the objectives of this facility. These include supporting Ukraine:

a. in coping with the social, economic, and environmental consequences of Russia's aggressive war, thereby contributing to the peaceful reconstruction, rehabilitation, renewal, and modernization of the state and the post-war rebuilding of Ukrainian society, including by creating social and economic conditions enabling the return of internally displaced persons and persons under temporary protection;

b. in building social and territorial cohesion, democratic, economic and environmental resilience, fostering gradual integration with the EU and global economies and markets, and upward economic, social and environmental convergence with EU standards;

c. in adopting and implementing political, institutional, legal, administrative, social, and economic reforms that are necessary to align with EU values, and in gradually aligning with the Union's laws, standards, policies and practices (the “acquis”) with a view to future membership in the Union, and thus contributing to mutual stability, security, peace, and prosperity (Regulation (EU) 2024 of the European Parliament and of the Council, Article 3) [2].

The European Commission (EC) has secured a very strong position in overseeing the Ukraine Facility budget. Primarily, it is implemented under the so-called direct management model. This means that full responsibility, including making key decisions regarding the financing of activities under the Facility, rests with the EC. The Commission has the right to intervene at every stage of implementation, including making key decisions regarding the advisability of the activities undertaken. This model therefore differs from the shared management model, in which approximately 70% of the Multiannual Financial Framework budget is implemented, including Cohesion Policy and the Common Agricultural Policy. In shared management, the role of the member states is stronger; they agree with the European Commission on spending targets, but programming and responsibility for the proper implementation of the budget rests with the Member State. It can therefore be

concluded that the shared management model allows for greater autonomy for the Member States in managing the EU budget. An agreement (Framework Agreement) was concluded between the European Commission and Ukraine (Commission Implementing Decision, 2024) [3]. It defines the rules for management, control, supervision, monitoring, evaluation, reporting, and auditing of financial resources under the Instrument, including the prevention of irregularities, fraud, corruption, or any other illegal activities detrimental to the financial interests of the Union. Furthermore, Ukraine was obligated to prepare a Ukraine Plan, which is intended to constitute a coherent, comprehensive response to the need for reconstruction and modernization of the country. The regulation specified that the Ukraine Plan should, in particular, strengthen the economic, social, environmental, and territorial development of Ukrainian regions and support decentralization reform in Ukraine and convergence with EU standards. It also specified the scope of possible actions to be financed from the EU budget. The preparation of the Ukraine Plan was a condition for the release of funding.

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