

The G7 Summit: \$50 billion has been promised to Ukraine

Marcin Jędrzyśiak, Sławomir Matuszak, Iwona Wiśniewska

During the summit in Apulia from 13–15 June, the G7 group decided to launch a mechanism to aid Ukraine, effectively offering it \$50 billion by the end of 2024. The Extraordinary Revenue Acceleration Loans for Ukraine (ERA) involves granting loans to Kyiv financed by G7 countries. The amount provided by each lender will be proportional to the size of their economies. These loans are to be repaid using the proceeds generated by trading in so-called extraordinary profits from frozen Russian assets in G7 countries, and not from Ukraine's budget.

The funds will be allocated individually, depending on the available financing streams. According to the summit's concluding statement, these funds can be used for military support, budgetary assistance and the country's reconstruction. The G7 countries have also made it clear that the decision does not close the discussion on the possibility of transferring all of the confiscated Russian assets to Ukraine. Details and technical issues regarding the loans are to be specified after the summit.

Commentary

- The G7 announcement means a breakthrough for Ukraine: one of Volodymyr Zelensky's advisers has admitted that the West's decision to punish Russia in this manner marks a turning point in the war, with Finance Minister Serhiy Marchenko calling it a historic victory. The assurance that the ERA does not end discussions about transferring not only the revenue earned from frozen assets to Ukraine, but also the assets themselves, is also crucial for Kyiv. The launch and efficient operation of this mechanism could help alleviate Western concerns about the legal and economic consequences of such confiscation. Another important aspect of this initiative for Ukraine is that the loan is essentially a grant, as it will be repaid not from the country's budget but from the profits generated by the Russian assets.
- The decision to provide financing to Ukraine was made under American pressure. The US aimed to accelerate the delivery of aid to Kyiv and significantly increase its value compared to the amount envisaged under the mechanism for annually transferring extraordinary profits from Russian assets, which the EU approved this May (see '[The EU's decision to use the profits generated by frozen Russian assets](#)'). It is still unclear how the G7 loan relates to this mechanism and whether it will effectively replace it (in fact, this would mean an advance payment of anticipated revenue for the coming years). Determining its details, especially within the EU, may thus prove challenging. EU sanctions, including the freezing of Russian assets, are renewed every six months and

require a unanimous decision by all member states. Clarity is also missing on who will bear the risk of repaying the loan, should the restrictions not be extended, as the majority of frozen assets are located in the EU.

- Additional financial support, provided that detailed decisions are made any time soon, will be of immense importance for the stability of the Ukrainian budget. A six-month delay in the US Congress's decision to grant Kyiv a support package, primarily for military aid, (see '[The new US supplemental bill on Ukraine and the threat to confiscate Russian assets](#)'), has resulted in a \$5 billion gap in Ukraine's defence spending for 2024. If the funds from the new mechanism can indeed be allocated for defence-related purposes, the Ukrainian government will be able to effectively fix the budget deficit this year. Until now, no foreign loan/support programmes, such as those from the IMF or the Ukraine Facility, have allowed for this (see '[The EU approves financial assistance for Ukraine and negotiates military assistance](#)'). Furthermore, according to Mr Marchenko, the budget plans for 2025 have not yet declared sources to cover expenditure from foreign donors amounting to \$12-15 billion. The new instrument will address this issue, ensuring stable financing for the upcoming year.