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The European Commission has disbursed today the first €3 billion tranche of its exceptional Macro-Financial Assistance (MFA) loan for Ukraine, which will be repaid with proceeds from immobilised Russian State assets in the EU. This loan, amounting up to €18.1 billion, represents the EU's contribution to the G7-led Extraordinary Revenue Acceleration (ERA) loans initiative, which collectively aims to provide approximately €45 billion in financial support to Ukraine. This initial disbursement highlights the EU's unwavering commitment to helping Ukraine confront Russia's full-scale war of aggression, maintain macroeconomic and fiscal stability, rebuild vital infrastructure, including its energy systems, and invest in defence infrastructure.

What is this exceptional MFA package and how does it work?

This MFA is crucial for addressing Ukraine's urgent budgetary needs, which have considerably risen in the face of Russia's intensified and prolonged war of aggression. With the stable, regular, and predictable financial support of up to €18.1 billion to be disbursed in 2025 under this instrument, Ukraine will be able to support its current and future military, budget and reconstruction needs. This loan will be able to ensure macroeconomic stability and restore critical infrastructure destroyed by Russia, such as energy infrastructure, water systems, transport networks, roads and bridges. Furthermore, the loan can be used by Ukraine to directly support its military expenses. At the same time, by stabilising public finances, this assistance will also enable Ukraine to allocate resources to other priority expenditures, including military defence infrastructure against Russian aggression.

The MFA instrument offers high flexibility and very favourable terms to Ukraine, with very long maturities which can extend to up to 45 years. Importantly, Ukraine is not expected to directly repay the loan from its own resources. Instead, the repayment will be ensured through the extraordinary profits from immobilised Russian assets collected from the Ukraine Loan Cooperation Mechanism (ULCM), sending a clear signal that the burden of rebuilding Ukraine will be shouldered by those responsible for its destruction.

This operation builds on the earlier MFA and MFA+ operations in Ukraine and complements the longer-term financing provided through the Ukraine Facility, which will make available to Ukraine €50 billion between 2024 and 2027.

Future payments to Ukraine under the MFA instrument are expected to continue between March and November, with €1 billion per month, with the remaining €6.1 billion allocated for December.

The disbursement follows the adoption and entry into force of the Ukraine Loan Cooperation Mechanism and the Exceptional Macro-Financial Assistance Regulation in October 2024, and the subsequent adoption of the Commission Decision authorising the release of the Macro-Financial Assistance to Ukraine at the end of December.

President Ursula von der Leyen said: "Almost 3 years into Russia's war of aggression, Ukraine can keep counting on its friends and partners. Today we deliver 3 billion euros to Ukraine as the first payment of the EU part of the G7 loan. We give Ukraine the financial power to continue fighting for its freedom –and prevail. Europe has provided nearly 134 billion euros of support to Ukraine so far. And

more will come. Just like the brave Ukrainian resistance, our support will be steadfast.”

Background

Since the beginning of Russia’s war of aggression against Ukraine, the EU, together with its Member States, has unequivocally condemned Russia’s actions and has offered unprecedented support to Ukraine and its people. With this MFA disbursement, the EU, its Member States and European Financial Institutions have together provided nearly €134 billion, supporting the Ukrainian war effort and its economy, helping maintain basic services and offer early reconstruction, humanitarian assistance and help to those fleeing the war in the EU.

As part of the sanctions imposed by the EU on Russia, assets of the Central Bank of Russia held by financial institutions in the Member States and worth approximately €210 billion have been immobilised since February 2022. They represent the majority of such immobilised assets worldwide.

The prohibition of transactions on these assets generates an extraordinary cash accumulation on the balance sheets of central securities depositories (CSDs) bringing a return. On a yearly basis, and depending on the level of interest rates, the extraordinary revenues are currently estimated at up to €2.5-3 billion a year. These unexpected and extraordinary revenues do not constitute sovereign assets, and do not have to be made available to the Central Bank of Russia, even after the immobilisation ends.

On 12 February 2024, the EU clarified the rules on how the immobilised assets and reserves should be managed and decided that CSDs holding reserves and assets from the Central Bank of Russia worth more than €1 million should set these revenues apart. Since 15 February 2024, the CSDs are not allowed to dispose of the related net profits or distribute them to shareholders.

In May 2024, the Council decided to use these extraordinary revenues for the benefit of Ukraine. At the end of July, €1.5 billion were already made available in support of Ukraine.

In October 2024, the regulation establishing the ULCM and the exceptional MFA loan entered into force. The mechanism aims to support G7 partners and the Union in issuing loans of up to €45 billion to Ukraine. It will be financed by extraordinary revenues stemming from the immobilisation of Russian Central Bank assets held in the EU. These funds will be disbursed to Ukraine to repay the principal and interest on eligible bilateral and multilateral loans to Ukraine from the EU, G7, and possible other partners.

