

## **Sam Cowan | EU Budget Increase for Ukraine**

The EU has yet to agree on a budget increase which continued financial support to Ukraine depends on. Despite previously promising \$50 billion in aid to Ukraine (\$33 billion in loans and \$17 billion in grants), a holdup due to non-Ukraine political factors puts the sum at risk of not being provided before January. Ukraine's deputy prime minister, Olha Stefanishyna, said in November that uncertainty of funding, between the EU and US, could put Ukraine's "macro-financial stability" at risk. All EU member states apart from Hungary support the \$50 billion increase for Ukraine, and Hungary can likely be convinced to support it with the unfreezing of its EU funds, which have been held back since December 2022 due to Hungary's violations of the EU's rule of law standards. Germany, the Netherlands, Denmark, and Finland have expressed opposition to the further \$50 billion attached by the European Commission. The additional \$50 billion consists of spending on migration, technology investments, and paying off \$19 billion of interest.

Germany's opposition is the result of a \$60 billion hole in its budget brought on by a court ruling which said its plan to pay for climate measures was unconstitutional. The Netherlands' election of Geert Wilders has similarly increased opposition to further EU spending. Both countries are among the top three contributors to the EU shared budget. The European Commission has tried to keep connected the Ukraine and non-Ukraine spending, but Commission president Ursula von der Leyen remains under pressure to split up the two spending packages. EU leaders will have to agree on a budget by the end of a summit in Brussels from December 14th to 15th. Should the deal fall through, the only known contingency plan to keep Ukraine funded would involve bilateral agreements to support Ukraine from 26 member states. If a unanimous budget deal is not reached by the end of the summit, Ukraine could face a financial crisis and the threat of going bankrupt in the face of a \$29 billion deficit.

Since Germany and the Netherlands contribute so much to the EU budget, it will be practically impossible for the bloc to reach a deal without adhering to their requests. The summit will likely result in heavy concessions from the European Commission or a failure to reach a deal. Such failure could also trigger a gradual shift away from global Ukrainian support and towards reaching a peace agreement.