

Report to the Swedish Fiscal Policy Council  
2025/1

Swedish Support for Ukraine in an  
International Context  
Fiscal Effects and Future Scenarios

Torbjörn Becker, Anders Olofsgård,  
Maria Perrotta Berlin and Jesper Roine

Swedish Institute of Transition Economics (SITE),  
Stockholm School of Economics

The views expressed in this report are those of the author and do not necessarily represent those of the Swedish Fiscal Policy Council.

The Swedish Fiscal Policy Council is a government agency. Its remit is to conduct an independent evaluation of the Government's fiscal policy. The Council fulfils its tasks primarily through the publication of the report Swedish Fiscal Policy, which is presented to the Government once a year. The report is used by the Riksdag as a basis for its evaluation of the Government's policy. The Council also arranges conferences. In the series Studier i finanspolitik (Studies in fiscal policy), it publishes in-depth studies of different aspects of fiscal policy.

Finanspolitiska rådet  
Box 3273  
SE-103 65 Stockholm  
Fleminggatan 7  
Phone: 08-453 59 90  
info@fpr.se  
www.fpr.se

ISSN 1654-8000

# Contents

1 Background.....	4
1.1 Structure of the report.....	6
2 International Support.....	7
2.1 Scope of Support .....	7
2.2 Composition of Support.....	8
2.3 Committed and Disbursed Support.....	10
2.4 Absolute and Relative Support .....	10
2.5 Grants and Loans.....	11
2.6 Indirect Effects.....	12
2.7 Historical Comparisons.....	12
2.8 National Priorities .....	14
2.9 Popular Support .....	16
3 Sweden's Support to Ukraine.....	18
3.1 Sweden's Military and Civilian Support and Its Budgetary Impact So Far .....	18
3.2 The Ukraine Framework and the Budgetary Impact Going Forward ....	20
3.3 Impact on Other Expenditures.....	21
3.4 Ukraine Support and the Swedish Fiscal Policy Framework.....	23
3.5 Does the Support Provide a Fiscal Stimulus?.....	24
4 Perspectives on the Ukraine Support .....	26
5 Financing and Reconstruction of Ukraine .....	34
5.1 Extent of the Destruction.....	34
5.2 The Cost of Reconstruction .....	36
5.3 Financing Reconstruction.....	36
6 Conclusions .....	41
References.....	43

# 1 Background

On 24 February 2022, Russia launched an unprovoked attack on Ukraine, in clear violation of international law. This aggression represented an escalation of the conflict that began in 2014 with the annexation of Crimea and the onset of warfare in eastern Ukraine. The full-scale war has now persisted for almost three years and, regardless of near-term developments, has permanently altered Europe's security landscape. The unequivocal response from the West—with extensive sanctions imposed on Russia alongside significant military and economic support for Ukraine—demonstrates a widespread recognition that Russia's actions pose a threat not only to Ukraine but also to the entire democratic world order. In this context, it is crucial to understand that relative strength is paramount in any military conflict; thus, sanctions against Russia and support for Ukraine are mutually complementary efforts. These measures must be directed simultaneously at reducing Russia's capacity to wage war and at bolstering Ukraine's resilience.<sup>1</sup>

This report concentrates on the latter aspect of this balance of forces, namely, the military and civilian support provided by the West to strengthen Ukraine.<sup>2</sup> In doing so, we address questions regarding the amount and composition of international support as well as the relative contributions of various countries. We also examine the level of support in comparison with other extraordinary expenditures incurred during previous conflicts and crises. Furthermore, the report provides a detailed description of Swedish support and the manner in which it is managed within central government finances. In a broader perspective, we consider how these expenditures compare to the expansion of defense spending that has accompanied an increasingly aggressive Russia, and how they relate to various scenarios that might unfold if Russia achieves relative military success. We also assess Russia's investments in military rearmament and evaluate the corresponding financial commitment that would be required of Europe to match such spending. Additional issues examined include the costs associated with rebuilding Ukraine and the rationale behind using the frozen Russian reserves to finance Ukraine instead of placing a burden on domestic state finances.

---

<sup>1</sup> What determines success in war and conflict is an extensive and controversial field of research that has also been applied to economics (Tullock, 1967, 1980; Dixit, 1987; Hirschleifer, 1991) and political science (Fearon, 1995; Collier and Höffler, 2001). An almost universal starting point in the literature, however, is that the probability of success increases with investing more resources than your opponent. So-called "Conflict Success Functions" (CSFs) exist in forms where the decisive factor is the difference between the parties or the share of the total (Hirschleifer, 1989, Skaperdas, 1996) or combinations of these (see Garfinkel and Skaperdas, 2006 for an overview). This basic starting point is also the fundamental idea of Paul Kennedy's classic *The Rise and Fall of the Great Powers* (1989), which also emphasizes that all conflicts are ultimately dependent on economic resources. In this context, this means that as important as it is to ensure that the West supports Ukraine with resources, it is equally important that we reduce Russia's resources to continue its aggression.

<sup>2</sup> For details on the impact of sanctions and Russia's economy, see our report "The Russian Economy in the Fog of War", September 2024. See also, for example, Astrov et al. (2024) and Milov (2024) for the impact on the energy sector; Chupilkin et al. (2024) for the impact on imports (presented at the AEA, January 2025 in a panel on "The Economics of International Sanctions"); Drott et al. (2024) for the impact on the financial sector.

It is essential to consider these expenses within a broader context. Any discussion of support for Ukraine must be anchored in the significance of the current war as part of a longer chain of historical developments. Since the end of the Cold War and the collapse of the Soviet Union in the early 1990s, the international community has striven to fortify an international legal order based on a fundamental respect for the sovereign right of self-determination and for territorial integrity. A particularly significant milestone in the relationship between Ukraine and Russia was the Budapest Memorandum of 1994, in which Russia, together with the United States and Great Britain, pledged not to threaten or use force against Ukraine's territory in exchange for Ukraine relinquishing its nuclear arsenal—at that time, the world's third largest. Since Vladimir Putin assumed the presidency of Russia, he has consistently expressed his opposition to the international rules-based order. Notable examples include his 2005 remarks characterizing the dissolution of the Soviet Union as “the greatest geopolitical mistake of the 20th century” and his 2007 address at the Munich Security Conference, during which he openly declared that the international rules-based order was not in Russia's interest. The following year, in 2008, Russia further demonstrated its disregard for the territorial integrity of independent states by invading and occupying parts of Georgia. In 2014, Russia took another decisive step by annexing Crimea and parts of eastern Ukraine. For a prolonged period, Russia has also employed oil and natural gas exports as instruments of political pressure in its neighboring countries, while simultaneously sustaining various so-called “frozen conflicts” (for instance, in the Moldovan region of Transnistria).<sup>3</sup>

With the benefit of hindsight, it is easy to view the actions of the international community—and particularly those of the European Union—as naïve.<sup>4</sup> This is especially true in light of the fact that large parts of the EU became dependent on Russian energy imports, which at times constrained the EU's ability to respond effectively to Russian aggressions in neighboring countries.<sup>5</sup> For far too long, many argue, the EU operated under the assumption that Russia would eventually recognize that it had more to gain from trade and peaceful coexistence with the rest of Europe than from military aggression. The flaw in that assumption is that what is in Russia's long-term best interest does not align with the objectives pursued by Putin's regime. Moreover, it is possible that the relatively tepid response of the international community prior to 2022 was interpreted by Russia as an indication that the West lacked both the will and the capacity to prevent further violations of international law.

Against this backdrop, 2022 has become a watershed year. There is no longer any doubt that under its current leadership, Russia's sole intention is to expand territorially in Eastern Europe as extensively as possible—beginning with Ukraine. The central question now is how far such expansion should be permitted to proceed and who should intervene to halt it. A united EU, in

---

<sup>3</sup> See, for example, Rossbach (2018), see also e.g. Roine (2014, 2022).

<sup>4</sup> See for example Fried and Volker (2022).

<sup>5</sup> Becker and Åslund (2024) and Le Coq and Paltseva (2008, 2009).

concert with the United States and many other democratic countries around the world, has unequivocally sided with Ukraine—not only to defend Ukraine itself but also to uphold peace and the rule of law more generally. Consequently, decisions regarding appropriate responses to Russia’s actions must be made within the context of broader developments: the attack on Ukraine is not merely an assault on a single European nation, but a challenge to the prevailing international order, and thereby to the security of the EU and individual countries, such as Sweden.<sup>6</sup> Even if a short-term “solution” were to be negotiated in the near future to end the fighting in Ukraine, Russia’s actions will continue to pose a long-term threat. Moreover, the war has resulted in extensive destruction as well as the loss of lives and livelihoods, ensuring that support for Ukraine will remain essential for many years to come.

## 1.1 Structure of the Report

This report is organized into four distinct sections. The first section describes the extent of international support for Ukraine. It examines the composition of this support across military, financial, and humanitarian dimensions, detailing both the assistance that has already been delivered and the commitments that remain pending. In this section, the report presents data on the absolute amounts of aid provided as well as the support relative to the donor countries’ economic sizes. It also offers comparisons with expenditures related to other extraordinary shocks and highlights more complex issues, such as how the war has affected different countries with respect to refugee flows and indirect economic consequences, and the level of popular support for aid to Ukraine in various EU member states.

The second section of the report provides a more detailed account of Swedish support for Ukraine. It explains how these contributions are managed within the Swedish state budget and examines their relationship to Sweden’s overall fiscal policy framework.

In the third section, the report discusses potential future support scenarios and explores the associated costs. It considers how much would be required to match Russia’s military investments and examines the potential consequences under different outcomes of the war in Ukraine, including scenarios involving a more aggressive Russia in the region. Although it is not possible to offer precise answers to these questions, the discussion outlines various options to demonstrate that the current support for Ukraine remains small in comparison with the future costs that would be incurred if Ukraine were unable to prevail.

Finally, the fourth section addresses issues related to the reconstruction of Ukraine. This part of the report delves into the challenges and potential costs of rebuilding Ukraine, placing these figures in a broader context to help understand the long-term implications for Ukraine’s future.

---

<sup>6</sup> For a longer background text, see Becker, Berlin, Olofsgård and Roine (2023).

## 2 International Support

Since the beginning of the war, Ukraine has received extensive financial, military, and humanitarian support from Western democracies. The scope and form of this support have varied over time. The most comprehensive source for an overview of this assistance is "The Ukraine Support Tracker: Which countries help Ukraine and how?", regularly updated by the German research institute Kiel Institute for the World Economy (Trebesch et al., 2024; Kiel Institute in the future). This section presents the data from the most recent version of that report along with analysis and reflections based on its findings.<sup>7</sup>

### 2.1 Scope of Support

According to the latest update (December 2024) of the Kiel Institute report, which covers support until the end of October 2024, total pledged EU support—both bilateral and institutional—has now risen to over €200 billion, of which €106 billion has been disbursed (see Table 1). These figures include both loans and grants (further details on the breakdown are provided below). The total disbursed support amounts to approximately 0.5 per cent of the estimated 2024 GDP for the EU as a whole.<sup>8</sup> This assistance encompasses substantial contributions from the European Commission and other EU institutions. The support is financed through a variety of mechanisms, primarily via the EU budget, which is based on member states' contributions proportional to their GDP. Additional financial instruments include the European Peace Facility (EPF), established in March 2021 to enable the EU to finance military assistance to partner countries, the newly created Ukraine Facility, and a gradual increase in borrowing from capital markets.<sup>9</sup>

Over the same period, pledged contributions from the United States have reached €119 billion, of which €88 billion have been disbursed, underscoring the country's continued prominent role as a donor of both military and financial aid. However, the EU remains the primary provider of financial assistance. When all donors are considered, total pledged resources in October amounted to €391 billion, with disbursements totaling €232 billion. Over time, a clear upward trend in support has emerged, indicating a stable and long-term commitment among Ukraine's allies. The fact that almost 40 percent of the promised resources—amounting to nearly €160 billion—have not yet been distributed suggests that significant funds will continue to flow in the near future. Nevertheless, it is evident that there are large monthly fluctuations in the flow of grants. While European contributions tend to be distributed more evenly over time, U.S.

---

<sup>7</sup> In the following, we consistently refer to 'pledged support' as the total amount of support that has been pledged but not yet necessarily delivered, and 'disbursements' the part of the aid that has actually been disbursed or delivered in another form (e.g. military equipment) and reached Ukraine. There are significant differences between countries and types of aid in how quickly pledged aid is converted into payments.

<sup>8</sup> Expenditure in relation to GDP usually refers to annually recurring expenditure. In this case, the figure refers to the cumulative aid disbursed (institutional and bilateral) between 2022-2024 in relation to an approximate estimate of the EU's GDP in 2024. The variation between countries' contributions is, as we will return, considerable.

<sup>9</sup> The EPF, which since March 2024 includes a €5 billion dedicated support fund to support the Ukrainian Armed Forces through both lethal and non-lethal military equipment as well as training, is fully funded by Member States' contributions. The Ukraine Facility similarly finances its grants through the EU budget, but also offers loans financed by issuing EU bonds.

disbursements display greater month-to-month variability. Such fluctuations, which reflect both internal decision-making processes and external events, may pose challenges for Ukraine in planning and implementing long-term projects and reforms. Irregular flows of support can undermine the effectiveness of these measures, create uncertainty, and potentially strain diplomatic relations by giving the impression of a lack of commitment or reliability. In light of these issues, the creation of a dedicated fund to ensure more stable and predictable financing has been proposed.<sup>10</sup>

**Table 1. Summary of Kiel institute data**

	Pledged				Disbursed			
	Financial (€bn)	Humanitarian (€bn)	Military (€bn)	Total (€bn)	Financial (€bn)	Humanitarian (€bn)	Military (€bn)	Total (€bn)
<b>EU Countries and Institutions</b>	<b>120.2</b>	<b>10.7</b>	<b>70.4</b>	<b>201.3</b>	<b>48.7</b>	<b>10.0</b>	<b>47.2</b>	<b>105.9</b>
<b>EU Countries</b>	<b>7.0</b>	<b>8.2</b>	<b>70.4</b>	<b>85.6</b>	<b>6.5</b>	<b>7.5</b>	<b>47.2</b>	<b>61.2</b>
<b>EU Institutions</b>	<b>113.1</b>	<b>2.5</b>	<b>0.0</b>	<b>115.6</b>	<b>42.2</b>	<b>2.5</b>	<b>0.0</b>	<b>44.7</b>
<b>Anglo-Saxon Countries</b>	<b>64.9</b>	<b>4.9</b>	<b>86.1</b>	<b>156.0</b>	<b>34.0</b>	<b>4.9</b>	<b>73.1</b>	<b>112.0</b>
USA	50.0	3.4	65.6	119.0	25.0	3.4	59.9	88.3
United Kingdom	6.2	0.9	16.6	23.6	3.8	0.8	10.1	14.8
Canada	8.8	0.4	3.1	12.3	5.2	0.5	2.2	7.9
<b>Other Countries</b>	<b>15.8</b>	<b>2.8</b>	<b>0.1</b>	<b>18.7</b>	<b>8.4</b>	<b>1.6</b>	<b>0.1</b>	<b>10.2</b>
Japan	13.2	2.3	0.1	15.5	7.9	1.3	0.1	9.3
South Korea	2.6	0.4	0.0	3.0	0.5	0.3	0.0	0.8
<b>EU + Other Europe</b>	<b>132.2</b>	<b>14.4</b>	<b>94.0</b>	<b>240.6</b>	<b>53.6</b>	<b>12.1</b>	<b>59.0</b>	<b>124.7</b>
United Kingdom	6.2	0.9	16.6	23.6	3.8	0.8	10.1	14.8
Switzerland	0.3	2.3	0.0	2.5	0.2	0.7	0.0	0.9
Norway	5.6	0.5	7.0	13.1	0.9	0.6	1.8	3.2
<b>TOTAL</b>	<b>207.0</b>	<b>21.0</b>	<b>164.0</b>	<b>392.0</b>	<b>92.0</b>	<b>18.0</b>	<b>122.0</b>	<b>232.0</b>

Source: Kiel institute, December 2024 report covering support until October 2024

## 2.2 Composition of Support

The support provided to Ukraine can be categorized into three distinct types—financial, humanitarian, and military—as outlined in the Kiel Institute's report.<sup>11</sup> The relative composition of these categories varies over time and among different donor countries. Generally, military support dominates, particularly during recurring peaks in the spring and autumn. Military assistance tends to increase dramatically during periods leading up to critical military campaigns. In October 2024, the total pledged military support from the entire coalition amounted to €160 billion, with €122 billion disbursed. This represents 41 percent of total pledges in military support and 53 percent of disbursements.

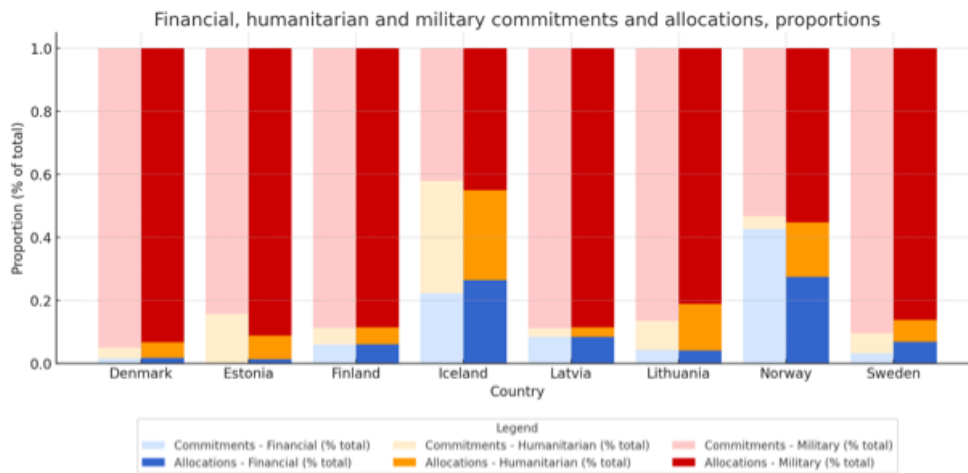
<sup>10</sup> See, for example, Becker and Gordonichenko (2024). Recent initiatives in the same direction include the World Bank's decision in October 2024 to establish an intermediary financial fund (IFI) to support Ukraine, financed by interest from frozen Russian state assets and contributions from the United States, Japan, and Canada. In addition, the EU has pledged to lend Ukraine up to €35 billion to rebuild its economy and electricity grid, with interest from Russia's frozen central bank assets as collateral for these loans, creating a stable and predictable support mechanism.

<sup>11</sup> The division is a little different from the Swedish division that has been communicated, where a distinction is mainly made between civilian and military support, and in these also includes the parts that go through, for example, EU institutions or UN agencies, which is not done in the Kiel Institute's report. The Swedish accounts also do not include the loans and guarantees that have been issued, which is done in the Kiel Institute's accounts. In total, this may result in differences between the two accounts.



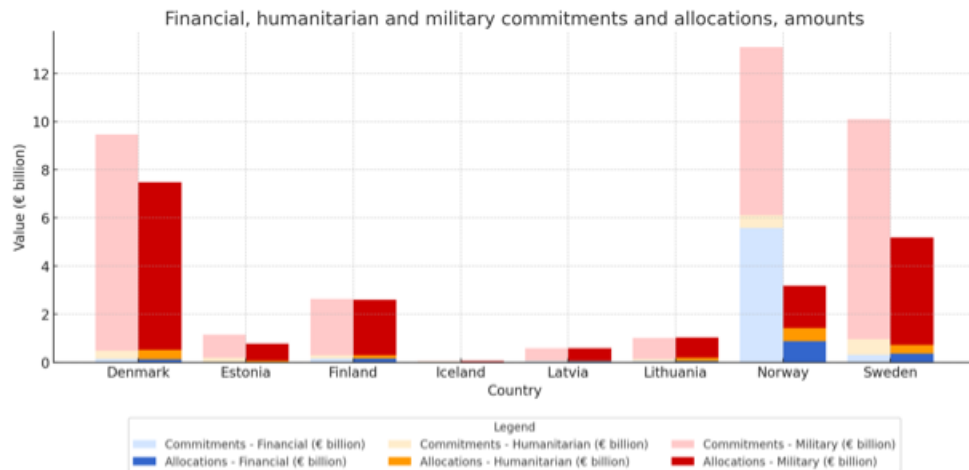
Within these figures, the Nordic and Baltic countries stand out, especially over the past year. The proportion of military support provided by these countries has been significantly higher than the coalition average (Figure 1). In general, both Sweden and the other countries within the NB8 (the eight Nordic and Baltic countries) have steadily increased their military support to Ukraine, placing them among the leading contributors in terms of bilateral military aid within the EU. All NB8 countries, with the exception of Norway, have committed military support exceeding 1 percent of their GDP; Denmark and Estonia have even exceeded 2 percent.<sup>12</sup> Sweden, in particular, has provided a relatively large share of its total support as military aid, amounting to approximately €9.14 billion, of which €4.27 billion has been disbursed.<sup>13</sup> In terms of existing military asset stocks, Sweden has allocated 1 percent of its estimated stock value to Ukraine, which aligns with the EU average but is lower than the allocations of some other Nordic and Baltic countries. Sweden’s contributions to financial and humanitarian efforts have been somewhat lower than the NB8 average.

**Figure 1. Composition of support, NB8**



<sup>12</sup> When it comes to measuring support as a share of GDP, we would like to clarify that the Kiel Institute consistently uses GDP from 2021. Even when the support relates to a total amount intended to be distributed over several years, it is put in relation to GDP for a single year (2021). This may in some cases lead to the aid appearing disproportionate in comparison.

<sup>13</sup> These figures from the Kiel Institute refer to the government's SEK 48.4 billion in military support given to Ukraine during the period 2022-2024, as well as the total support budgeted for the coming year of a total of SEK 98.4 billion (i.e. SEK 48.4 plus an additional SEK 50 billion in the coming years). See Part 2 of the report for further details.



Source: Author's figures based on data from Trebesch et al., 2024

## 2.3 Committed and Disbursed Support

A significant difference exists in the speed at which different countries and institutions have moved from pledging support to disbursing funds. In particular, the United States has already disbursed a larger share of its commitments, whereas European institutions, despite their large pledges, still have a substantial amount of support to disburse. For larger EU countries and institutions, this discrepancy may reflect a combination of political, bureaucratic, and administrative challenges that impede the rapid allocation of funds. In contrast, smaller countries, such as most NB8 states, may exhibit a faster and more decentralized decision-making process. It is also important to note that countries often plan their bilateral commitments over the long term, meaning that the total amounts pledged until 2024 may be distributed across several future years, as will be further discussed in the section on Swedish contributions.

## 2.4 Absolute and Relative Support

Since EU support is allocated mechanically in proportion to GDP, it is instructive to examine the additional contributions made by countries beyond their "automatic" EU budget contributions. Excluding funds channeled through EU institutions, Germany is the EU country that has committed the largest amount of bilateral support in absolute terms—over €25 billion—equivalent to 0.64 percent of its 2021 GDP (the baseline year used by the Kiel Institute). However, when viewed in relation to the country's overall size, this figure is significantly smaller than the contributions of some NB8 countries. Other large EU countries, such as France and Italy, have allocated even smaller shares of their GDP to Ukraine support, with France committing €7.49 billion (0.27 percent of GDP) and Italy €2.27 billion (0.12 percent of GDP). Relatively smaller countries, such as the Netherlands and Sweden, have committed more than €10 billion, corresponding to 1.16 and 1.71 percent of their respective GDP in year 2021. Denmark, Norway, and Estonia appear particularly generous when support is measured against their economic capacity, with planned contributions

of 2.5, 2.9, and 3.3 percent of GDP, respectively; Latvia and Lithuania have also committed more than 1.5 percent of their GDP. The United States, by contrast, has committed a total of €118 billion, equivalent to 0.55 percent of its 2021 GDP. While the U.S. contributes more in absolute terms compared to EU countries, its support represents a smaller share of its larger economy. An important note to these numbers is that when measured as share of GDP the number represents spending over a three-year period divided by one year's GDP. To compare with yearly expenditures on other activities the number needs to be divided by three to be comparable.

## 2.5 Grants and Loans

The total amounts reported in the Kiel Institute's compilation include both grants and loans. Considerable variation exists between countries and institutions regarding which form of support predominates. Grants are generally more advantageous for the recipient country because they do not require repayment and thus do not burden future financial sustainability. The United States has opted to provide its support to Ukraine exclusively in the form of grants, ensuring that these funds can be utilized immediately without incurring future repayment obligations. In contrast, EU institutions have provided the majority of their support as loans. Although loans can offer greater initial resources, they carry repayment obligations that may impact Ukraine's long-term economic situation. This divergence in support strategies may reflect both political and economic considerations: the U.S. emphasis on grants may serve as a political signal of strong support for Ukraine, while the EU's complex economic structure and requirements from its member states may drive its focus on loans.<sup>14</sup> In the short term, U.S. support may be more beneficial to Ukraine as it directly increases the country's financial capacity without future liabilities. In the long term, however, EU loans might also offer greater political sustainability depending on their terms and Ukraine's economic recovery. In principle, the division between grants and loans can apply across all three support categories—financial, humanitarian, and military—where monetary assistance is provided rather than contributions in the form of material or personnel ("in-kind contributions"). When these funds are earmarked for specific purposes such as humanitarian or military use, they are counted under those respective categories. In Sweden's case, humanitarian and military support—the largest components of its aid package—have been provided as grants, while approximately one quarter of its financial support has taken the form of guarantees. This distribution indicates that Sweden prioritizes non-repayable support for Ukraine, which is beneficial for the country, while simultaneously using guarantees to promote trade. This approach is somewhat different from that adopted by many other European countries, though it is similar to the reasoning observed among Sweden's Nordic and Baltic neighbors.

---

<sup>14</sup> This is only partly explained by the fact that the majority of US support is military. Military support is usually given as in-kind deliveries or grants, but this is not always the case – see, for example, the Lend-Lease programme during World War II. In addition, the United States has chosen to provide financial support in the form of grants.

## 2.6 Indirect Effects

While the reported amounts of support are relatively straightforward to identify and compare in national budgets and policy agendas, broader fiscal consequences of the war and the support measures raise more complex questions. For instance, the war has indirectly affected countries through refugee flows and other economic impacts. The analyses conducted by the Kiel Institute indicate that when the costs of refugee reception—such as emergency humanitarian support, housing, education, and healthcare—are included, the total support increases significantly for some countries. For example, Poland and the Baltic countries, which have received a large number of Ukrainian refugees largely due to geographical and cultural proximity, have allocated a substantially larger share of their GDP to these efforts compared to other EU nations. In absolute terms, the estimated costs for refugee reception in Poland and Germany are of a similar magnitude to the entire Nordic military support provided thus far—approximately €30 billion. When these costs are taken into account, the ranking of countries in terms of overall contribution changes, with Germany and Poland emerging as top contributors after the United States, and countries such as the Czech Republic and Spain, which are relatively modest in their direct support, moving up in the rankings.<sup>15</sup> More generally, different countries have been affected through various channels, influenced by their unique economic structures. For instance, Norway has experienced significant increases in income as a result of the full-scale invasion in February 2022, which led to major disruptions in energy markets and sharply higher oil and gas prices, prompting European countries to seek alternative energy suppliers. As one of the world's largest energy exporters, Norway benefited from both the price increases and the heightened demand for its oil and gas as substitutes for Russian energy. The Norwegian Green Party estimates that the additional revenue generated in 2022 was approximately NOK 1,500 billion, which is considerably higher than Norway's total paid and pledged support to Ukraine.<sup>16</sup> Norway was also affected by other global repercussions of the war, with volatility in financial markets leading to a 14 percent decline in the value of the Norwegian oil fund's shareholdings in 2022. However, returns improved significantly over the next two years, with a record return in 2024 equivalent to NOK 2,500 billion, or roughly €250 billion—exceeding the entire EU's pledged support to Ukraine by €50 billion.

## 2.7 Historical Comparisons

To place current support for Ukraine in perspective, it is useful to compare it with historical examples. During World War II, military support among the Allies was crucial to the war's outcome, with extensive resources allocated to large-scale operations across continents. Although the current support for Ukraine is significant and vital for the country's defense, it does not approach

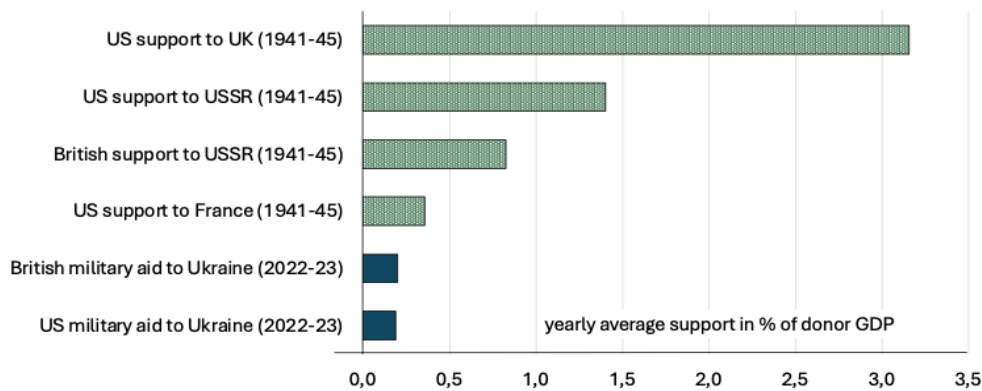
---

<sup>15</sup> Data and descriptions can be found in the data file for Trebesch et al. (2024), 20th update, Figure 6.

<sup>16</sup> Norway's Green Party (MDG) proposed that the country should donate the extra revenue generated due to the war to Ukraine, estimating this revenue at NOK 1,500 billion in 2022. [https://www.dagensps.se/bors-finans/norska-miljopartiet-ge-1-500-miljarder-till-ukraina/?utm\\_source=chatgpt.com](https://www.dagensps.se/bors-finans/norska-miljopartiet-ge-1-500-miljarder-till-ukraina/?utm_source=chatgpt.com)

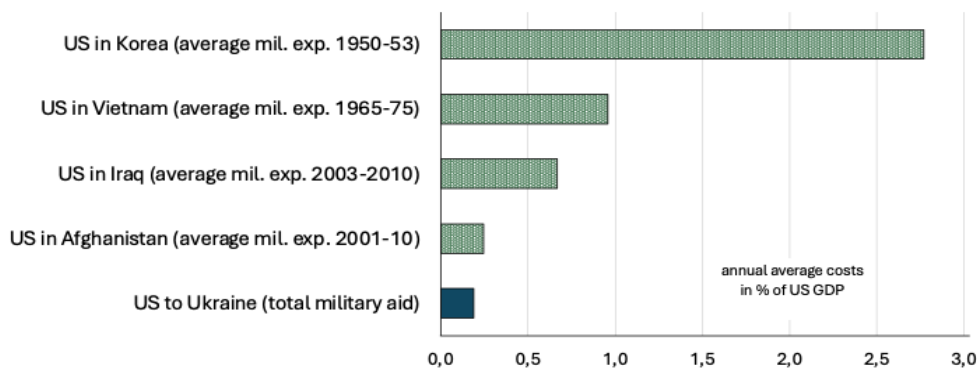
the scale seen during World War II. This may reflect both the relatively limited scope of the current conflict and a more cautious approach by donor countries today. For instance, the United States and Great Britain contributed a considerable portion of their GDP to support their allies (including Britain, the Soviet Union, and France) during World War II (Figure 2). In comparison, the current support for Ukraine is much smaller as a percentage of GDP. While American support to Britain during World War II was exceptional, other contributions during that period were also significantly higher than the support provided to Ukraine today. Moreover, when considering the United States, the present military support for Ukraine is less extensive than its involvement in other military operations in both historical and recent contexts. Operations in Korea (1950–53), Vietnam (1965–75), Iraq (2003–10), and Afghanistan (2001–10) all represented larger percentages of GDP than the current support to Ukraine (Figure 3). The same holds for the participation of other countries, such as Germany, Japan, and South Korea, in the Gulf War of 1990–91—with Germany’s contribution during that period being approximately 0.6 percent of GDP. Contemporary economic and political risks, along with an increased awareness of the long-term consequences of heavy military involvement, may have led these countries to adopt more moderate support measures today.

**Figure 2. Foreign support during World War II vs. support for Ukraine**



Source: Trebesch et al., 2024

**Figure 3. U.S. military spending in major wars vs. support to Ukraine**

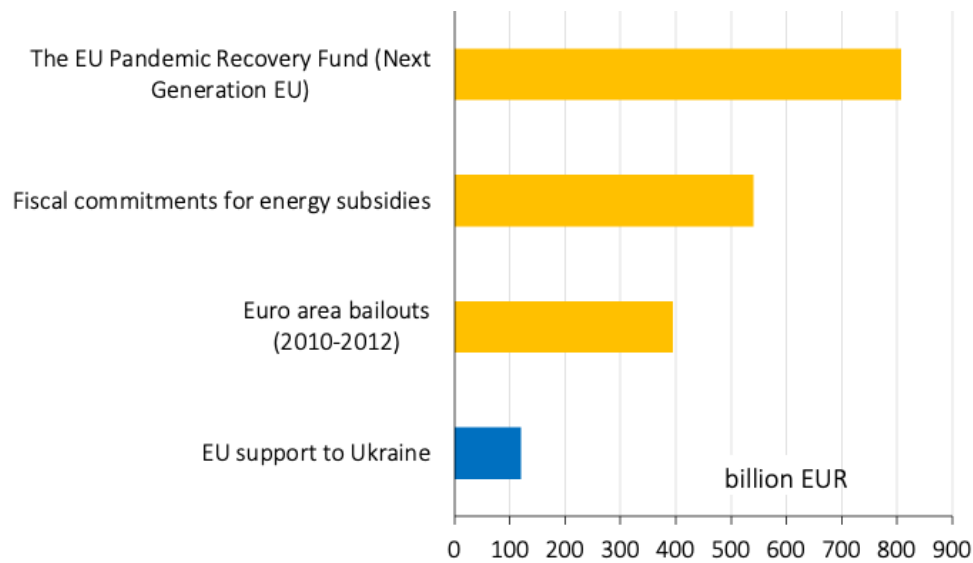


Source: Trebesch et al., 2024

## 2.8 National Priorities

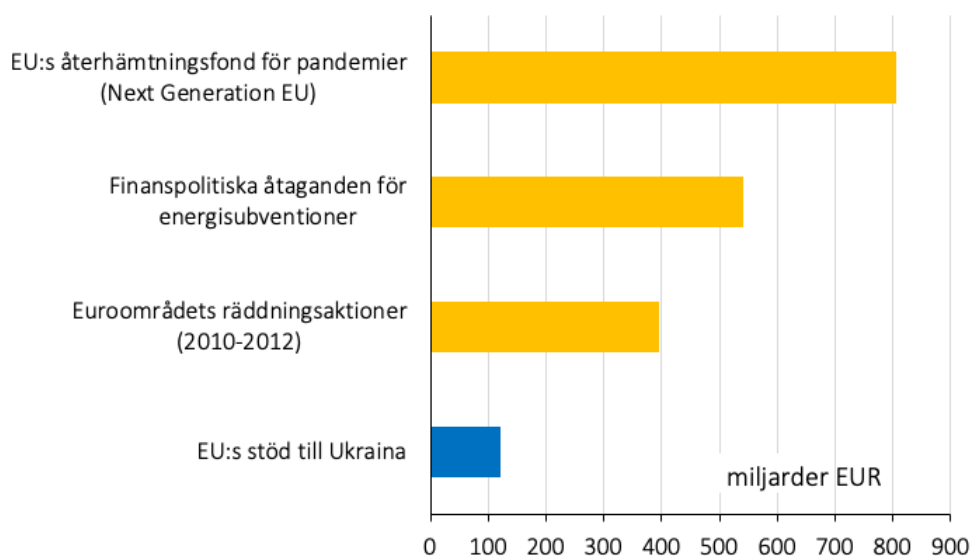
Despite the critical importance of support for Ukraine, the current levels appear relatively small when compared with other national financial commitments related to different crises (Figure 4). Initiatives that have a direct impact on citizens' everyday lives and financial situations tend to be less controversial and are more readily financed. A clear example is the energy subsidies provided to households and businesses in response to the sharp increase in energy prices since 2022. A report from the Bruegel research institute (2021) compiles energy subsidies adopted by most countries in 2021/22 and 2022/23 (with the latest update from June 2023), indicating that most countries implemented subsidies ranging from 3 to 6 percent of GDP. For instance, Germany allocated €157 billion, France and Italy each allocated €92 billion, and Great Britain provided roughly €103 billion—figures that are approximately five to ten times higher than the support given to Ukraine thus far (and even more so in Italy's case, as well as several other EU countries). The EU average is about five times as much. Notably, only the Nordic countries and Estonia allocated more for Ukraine support than for energy support. Although not all funds have been disbursed, these allocations imply a clear willingness and readiness to address a crisis and are on a much larger scale than the current level of support for Ukraine. According to Bruegel's calculations, Sweden set aside approximately €6.8 billion for energy subsidies, with the largest component being SEK 55 billion reimbursed to customers for consumption in November–December 2022—a figure that corresponds almost exactly to the support Sweden has provided to Ukraine during the period 2022–2024.

Another relevant comparison is the Pandemic Recovery Fund, also known as Next Generation EU, which represents the EU's comprehensive response to the economic consequences of the COVID-19 pandemic with a commitment of over €800 billion. Like the support to Ukraine, this fund underscores the Union's capacity to mobilize significant financial resources in times of crisis; however, the support for Ukraine appears comparatively small, amounting to roughly one-seventh of the Pandemic Recovery Fund. Support for Ukraine is also much smaller when compared to what is known as the “Eurozone bailout”—the financial assistance programs provided to several Eurozone member states (such as Greece, Ireland, Spain, and Portugal) during the sovereign debt crisis of 2010–2012. These programs were designed to stabilize severely affected economies and prevent the spread of instability across the euro area.

**Figure 4. The EU's response to major crises - € billion in commitments**

Source: Trebesch et al., 2024

Overall, support for Ukraine is modest relative to the resources allocated to internal economic crises or the global pandemic. This prioritization likely reflects both the scale of the needs and the complexity of policymaking processes within the EU. A perceived conflict between a domestic focus and international support can be a significant point of contention in national debates, where the public and political will to engage in international conflicts is often weighed against pressing domestic economic needs. It is also conceivable that measures such as energy support are seen as prerequisites for maintaining popular support for ongoing contributions to Ukraine. In any event, these comparisons illustrate that the EU is well positioned to provide Ukraine with considerably larger amounts than it currently does—should the political will be present.

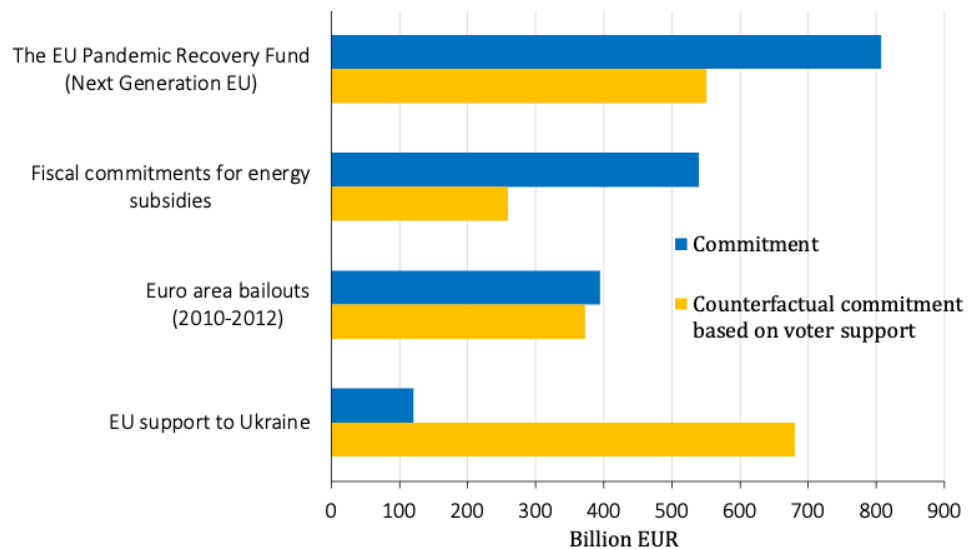
**Figur 4. EU:s svar på stora kriser - åtaganden i miljarder euro**

Källa: Trebesch med flera, 2024.

## 2.9 Popular Support

An important dimension of the overall support framework is the extent to which the war in Ukraine is regarded as a European issue and the level of popular support for this perspective. A Eurobarometer survey from spring 2024 offers insight into this by asking respondents, "Which of the following [crises] has had the greatest influence on how you see the future?" Respondents were able to select from a range of crises, including those mentioned earlier. Figure 4b presents the total commitments made by EU countries for Ukraine up to 31 October 2024 alongside an alternative, counterfactual allocation based on how the population prioritized various issues in the survey. When the actual commitments (shown in blue) are compared to the counterfactual allocations (represented by yellow bars, based on the proportion of responses), the results indicate that the public places a higher priority on the situation in Ukraine than on several other economic issues, including those that have a more direct impact on personal finances. Although this question is not included in every Eurobarometer round, additional survey data—such as responses to the question, "What do you think are the two most important issues facing the EU right now?"—further support the conclusion that Ukraine is considered a major priority.

**Figure 4b. EU response to major crises – comparison with Eurobarometer priorities**



Source: Trebesch et al. (2024); Niinistö (2024); own calculations.

Notably, when Russia's war against Ukraine was first included as a response option in autumn 2023, 28 percent of Europeans identified it as the most important issue, on par with immigration, followed by the international situation (24 percent) and rising prices, inflation, and cost of living (20 percent), with the latter having declined markedly from earlier in the year. Even before Ukraine was explicitly mentioned, the "international situation" rose to the top of the rankings in the wake of the full-scale invasion, matching concerns over energy supply and high living costs. This persistent prominence of the Ukrainian



conflict underscores its significance for Europeans. While it is natural for an ongoing and acute crisis to attract more attention than past or more distant events, the Eurobarometer survey responses, together with our counterfactual calculations, suggest that support for Ukraine is not merely a result of its immediacy. For instance, even during the peak of the coronavirus pandemic in the summer of 2020, health was not ranked as a top priority—despite what a saliency-focused perspective might imply. Similarly, security concerns have consistently ranked high in past surveys, reinforcing the idea that the support for Ukraine reflects deeper, long-standing public priorities. To dismiss the possibility that Europe could do more for Ukraine based solely on concerns about a lack of popular support is, therefore, unfounded.

## 3 Sweden's Support to Ukraine

Since the onset of the full-scale invasion, Sweden has made it unequivocally clear that it stands behind Ukraine. In solidarity with a large part of the international community, Sweden voted in favor of the UN resolution condemning the invasion on 2 March 2022 and has maintained its strong support for Ukraine ever since. This support comprises both political and diplomatic efforts—including playing a key role in the imposition of further sanctions—and substantial financial assistance. This section focuses on the financial aspects of Sweden's support and its relationship to the Swedish state budget and overall economy.

### 3.1 Sweden's Military and Civilian Support and Its Budgetary Impact So Far

According to the Government Offices' communication on the government's website, Sweden has "since February 2022 contributed the equivalent of approximately SEK 57.8 billion to various efforts to support Ukraine" as of 28 October 2024.<sup>17</sup> The largest portion of this total is military support, amounting to SEK 48.4 billion. This military assistance has been delivered in the form of 17 distinct support packages, each detailed with an approximate inventory and a monetary value. Examples of the weapons and equipment provided include radar reconnaissance and command and control aircraft (ASC 890), the armored personnel carrier 302 (Pbv 302), combat vehicle 90 (CV 90), combat boat 90, artillery pieces such as the Archer system, the tank 122 (Leopard 2), and the Carl Gustaf grenade launcher with its associated ammunition, armored rounds, automatic rifles, mine clearance equipment, among others. It should be noted that these reported figures represent not direct cash expenditures but rather the approximate value of the donated equipment; the costs associated with replenishing these assets are expected to materialize in future budget periods and will be discussed in more detail later.

In addition to military support, Sweden's assistance package includes SEK 3.2 billion earmarked for reconstruction, SEK 2.4 billion for humanitarian support, SEK 1.5 billion for reform support, SEK 1.1 billion for financial support, and approximately SEK 1.2 billion for civilian crisis management, media, gender equality, and related areas. When comparing these figures with the international statistics, it becomes apparent that there is sometimes ambiguity in how items are classified between financial and humanitarian support, which can complicate direct comparisons. Additionally, the exchange rate plays an important role; using an average rate of SEK 11 per EUR, the total support reported by the Kiel Institute translates to approximately 56.2 billion kronor, while the reported military support of 4.47 billion euros corresponds to about 49.2 billion kronor. Both sets of figures are in close agreement with the SEK 57.8 billion and SEK 48.4 billion, respectively, as reported by the Swedish government. Table 2 presents data from the government's proposed budget for 2025 (BP25).

---

<sup>17</sup> Information retrieved 9 January 2025 on <https://www.regeringen.se/regeringens-politik/sveriges-stod-till-ukraina/>

**Table 2. Military and civilian support to Ukraine**

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Sum
Previously decided support	3.1	3.0	4.9	3.6	1.4	2.8	4.5				23.4
Decided/proposed support for 2024			4.8	3.0	5.4	4.5	3.6	2.1	1.5	0.1	25.0
Proposed BP25 within the 2025 framework				0.6	0.7	0.9					2.3
Undecided support, framework for 2025 and 2026				22.7	25.0						47.7
<b>Total military support to Ukraine</b>	<b>3.1</b>	<b>3.0</b>	<b>9.7</b>	<b>29.9</b>	<b>32.5</b>	<b>8.3</b>	<b>8.2</b>	<b>2.1</b>	<b>1.5</b>	<b>0.1</b>	<b>98.4</b>
Non-military support in the aidbudget	2.1	2.5	4.6	5.6	5.6	5.6	5.6				31.6
<b>Total support for Ukraine</b>	<b>5.2</b>	<b>5.5</b>	<b>14.3</b>	<b>35.5</b>	<b>38.1</b>	<b>13.9</b>	<b>13.8</b>	<b>2.1</b>	<b>1.5</b>	<b>0.1</b>	<b>129.9</b>

Source: BP25 Table 6.18

In terms of expenditure areas, the costs of military and civilian support are mainly divided between UO6, which covers defense expenditure, and UO7, which pertains to international development assistance, along with some items categorized under the EU contribution (UO27) and possibly under international cooperation (UO5). For instance, in BP25 under UO27 on page 11, it is noted that Sweden's EU contribution for 2024 was increased by SEK 1.5 billion to finance support for Ukraine. In this analysis, emphasis is placed on UO6 and UO7, as these represent the largest portions of the expenditures.

When considering the reported budget outcomes up to and including 2024 (treating 2024 as an outcome, even though it is technically a forecast), the figure of SEK 57.8 billion might appear high since the actual expenditure on Ukraine support in 2022–2024 totals only SEK 25 billion, as indicated in Table 2 (which reproduces Table 6.18 in BP25). For civilian support, Table 6.18 of BP25, as reproduced below, shows expenditures of SEK 9.2 billion within the development framework—effectively encompassing all the reported civilian and humanitarian support of SEK 9.5 billion. In contrast, although the overall military support is stated to be SEK 48.4 billion in the government's communication, only SEK 15.8 billion has been expended during 2022–2024. This discrepancy of SEK 32.6 billion arises because the majority of the military support has been provided in the form of existing materiel; in accounting terms, these assets should be recorded on the relevant balance sheet when they are donated, with the budgetary impact deferred to the future when the materiel is due for repurchase. The precise valuation is complicated by uncertainties regarding whether the carrying amount reflects the replacement cost or another estimate, and it is not immediately obvious that replacing the exact equipment donated would be the optimal strategy. Table 2 offers guidance on these allocations, showing SEK 23.4 billion under "Previously made decisions" and an additional SEK 25 billion under "Decided/proposed support within the framework of 2024." Together, these figures account for the total SEK 48.4 billion donated, with SEK 11 billion charged to the defense budget during 2022–2024, another SEK 12.3 billion estimated to be charged in future budgets up to 2028, and the remaining SEK 25 billion managed under the special "Ukraine framework" (which is described in more detail below).

Looking ahead, Table 6.18 in BP25 outlines plans for future support for Ukraine. In total, future support is expected to amount to nearly SEK 130 billion, comprising SEK 98.4 billion in military support and SEK 31.6 billion in civilian support. Civilian support has been budgeted at SEK 9.2 billion for 2022–2024, with SEK 5.6 billion per year allocated for the period 2025 to 2028, totaling SEK

31.6 billion; this funding comes from the aid budget. Of the military support, SEK 23.4 billion is incorporated into the "ordinary defense budget" (reflecting the replenishment of items donated under previous decisions), which is divided into SEK 11 billion in budgets up to 2024 and SEK 12.3 billion in future budgets. The remaining SEK 75 billion is derived from the Ukraine framework.

When these figures are compared with the international data from the Kiel Institute, some discrepancies emerge—primarily in the categories of financial and humanitarian support. The total military support, however, is nearly identical between the two sources: the Kiel Institute reports military support of €9.14 billion, which, when multiplied by an exchange rate of SEK 11 per euro, corresponds to approximately SEK 100.5 billion, closely matching the Swedish figure of SEK 98.4 billion. In contrast, the total civilian support (combining humanitarian and financial aid) reported by the Kiel Institute is just under SEK 11 billion, rather than the SEK 32 billion reported in BP25, indicating that the civilian support figures in BP25 have not yet been updated in the Kiel Institute data.

### 3.2 The Ukraine Framework and the Budgetary Impact Going Forward

To assess the overall impact of these expenditures on the broader Swedish budget, it is necessary first to explain the so-called "Ukraine framework." In May 2024, the government announced its intention to manage a large portion of the military support to Ukraine within a special framework totaling SEK 75 billion over the period 2024–2026 (SEK 25 billion per year). According to the government, this framework was established to prevent discussions about budgetary displacement and has, for 2025, been added as an item of SEK 25 billion in addition to the scope for reform, which is estimated at SEK 60 billion excluding military support for Ukraine. In a press release dated 22 May 2024, the government stated that this arrangement would ensure that Ukraine support does not adversely affect the ongoing rearmament of the Swedish Armed Forces or crowd out other important investments.

The treatment of the three installments of SEK 25 billion differs between the years. The SEK 25 billion allocated for 2024 under the framework is intended primarily for use in the coming years (up to 2031) to repurchase equipment that has been donated. In contrast, the SEK 25 billion allocations for 2025 and 2026 are largely budgeted for those respective years. The exact manner in which these funds will be used remains unclear. The only explicit information regarding their management is provided in the statement: "This bill proposes to support Ukraine through the increased contributions to the European Peace Facility and by increasing the appropriation for the Swedish Defence Materiel Administration. These proposals make use of the 2025 framework." This pertains to a relatively small portion—SEK 2.3 billion proposed in BP25—while the remaining SEK 22.7 billion for 2025 and SEK 25 billion for 2026 remain unspecified. The government further explains that, "Since it is currently difficult to predict what type of support will be provided in the future, the expenses for the 2025 and 2026 framework that are not yet covered by any detailed proposals

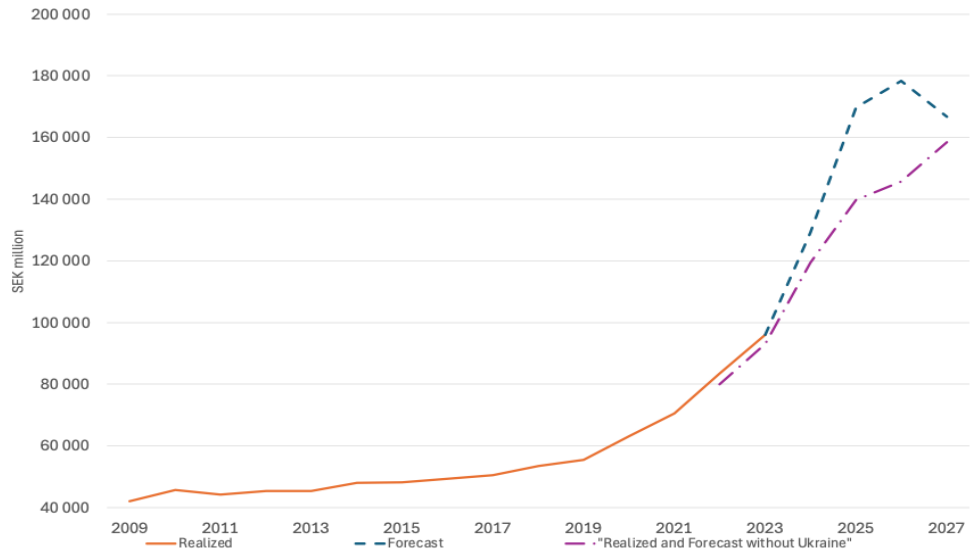
have been budgeted for these years. As additional military support packages are approved, the future burden on the state budget may change depending on the type of support intended." In effect, the SEK 25 billion allocated for 2024 is spread over several years up to 2031, meaning that while SEK 25 billion will be allocated to Ukraine in 2024, the associated budgetary burden will be distributed over a longer period. In contrast, the handling of the SEK 25 billion allocations for 2025 and 2026 is different; instead of being spread out according to an estimated replenishment profile, nearly the entire support amount is added to each respective year's budget. This could be interpreted as reflecting the cost at the time when additional equipment is provided, rather than when it is eventually replenished, or as an indication that the full amounts are anticipated to be utilized in 2025 and 2026 rather than representing the replacement of existing materiel—or simply as uncertainty regarding how these funds will ultimately be used. The latter interpretation appears most likely, given that it is unlikely that there will remain large amounts of materiel available when the Swedish military itself is in urgent need of substantial investments.

### 3.3 Impact on Other Expenditures

In summary, SEK 75 billion of a total SEK 98.4 billion in military support is managed in a special manner intended to ensure that, in the words of the government, it does not affect the rearmament of the Swedish Armed Forces or crowd out other essential expenditures. With this approach, only the SEK 23.4 billion allocated under the ordinary scope for reform is considered in the context of other spending. Of this, just under half is accounted for in the 2022–2024 period, with the remainder corresponding to future expenditures to replace the donated equipment. It remains challenging to precisely determine the extent to which this arrangement has affected overall Swedish defense investments, particularly as the Armed Forces are currently experiencing a sharp expansion in appropriations, with planned expenditures in UO6 set to increase substantially in the coming years.

As illustrated in Figure 5, defense spending has risen sharply in recent years and is projected to continue increasing. When examining Ukraine support minus the portion that is managed outside the Ukraine framework (i.e., measures that might potentially create displacement effects), the difference between scenarios with and without this support is barely discernible in the figure. If all Ukraine support is included, a clear difference emerges for 2025 and 2026—the years during which the SEK 25 billion plus SEK 25 billion from the Ukraine framework are recorded—but even these large amounts remain relatively small compared to the overall trend in rising defense spending. This increase reflects a prolonged period of underinvestment in military capabilities, which has now become critical in light of the threat from Russia and Sweden's NATO membership. The relative size of these changes in comparison with alternative scenarios will be revisited in the following section.

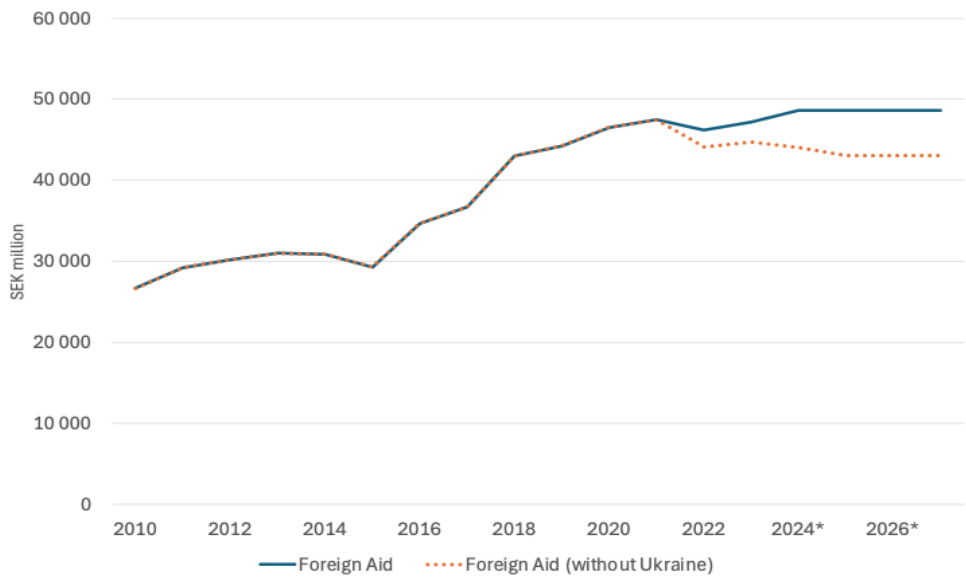
**Figure 5. The development of Expenditure Area 6 (Defence expenditure) with different handling of the Ukraine support.**



Source: Own compilation of figures from the budget bills from 2009/10 to 2024/25 for expenditure area 6.

It should be noted that there is no specific framework for civilian support. Instead, the increased support to Ukraine is managed as part of the total aid budget. For the period 2022–2024, civilian support to Ukraine has been recorded as SEK 2.1 billion, SEK 2.5 billion, and SEK 4.6 billion, respectively, while for the coming years, SEK 5.6 billion per year has been budgeted until 2028. Given that the overall aid budget is not expected to increase, a larger share of the total aid is being allocated to Ukraine (Figure 6).

**Figure 6. Development of Expenditure Area 7 (International Aid) with and without the Ukraine support**



Source: Own compilation of figures from the budget bills from 2009/10 to 2024/25 for expenditure area 7.

The question then arises as to whether the Ukraine support creates crowding-out effects on other aid. Undoubtedly, maintaining an unchanged aid budget while allocating a significant portion to Ukraine means that less funding is available for other purposes. However, it is not evident that the aid budget would have remained at its current level in the future had there not been a need to support Ukraine. It is entirely possible that, absent the requirements of Ukraine support, aid could have been further reduced—a matter that ultimately depends on political priorities.

### 3.4 Ukraine Support and the Swedish Fiscal Policy Framework

The government has positioned Ukraine support outside the so called “reform space”<sup>18</sup> in order to prevent it from affecting other economic policies. In the presentation of BP25, it is stated that “the reform space for 2025 amounts to SEK 60 billion excluding the Ukraine support.” However, when financial and structural savings are calculated, the expenditure included in the Ukraine framework is taken into account, resulting in a total figure of SEK 84 billion for 2025 (the sum of the reform space and Ukraine support). According to the government, this adjustment leads to structural savings that fall short of the surplus target, although this is deemed acceptable given the exceptional circumstances arising from support for Ukraine. Structural savings are also reported on an excluding-Ukraine-support basis; in that case, the figure is 0.6 percent of GDP higher than the savings figure that includes Ukraine support, reflecting not only the SEK 25 billion within the framework but also the additional previously made decisions on military and civilian support (a total of SEK 35.5 billion for 2025). It is important to note that these savings figures that exclude support to Ukraine are not used for calculating how public debt evolves; rather, all Ukraine support, including that within the framework, is incorporated into the calculation, which appears to be a reasonable approach.

The support is thereby included in financial savings like other expenditures, but because the government explicitly emphasizes that Ukraine support should not constrain other fiscal policies, it has effectively chosen to present Ukraine support as being separate from the package of measures designed to achieve the surplus target. This implies that the government has assessed that a total measure of SEK 84 billion is compatible with the surplus target, even though its communications describe Ukraine support as if it were not part of the overall budgetary framework. Additionally, the government proposes that the expenditure ceilings for 2025 and 2026 be increased by SEK 25 billion each year. The justification, similar to that for the surplus target, is that other essential spending should not be limited by the demands of Ukraine support.

Overall, the management of these funds has resulted in several “special solutions” that aim to achieve multiple objectives simultaneously. On one hand, the government seeks to communicate a clear commitment to support Ukraine for several years to come, despite uncertainty regarding the exact timing, form,

---

<sup>18</sup> Reforms or new initiatives that can be financed within the fiscal policy framework.

and magnitude of future expenditures. On the other hand, it wishes to ensure that the SEK 75 billion allocated for military support for 2024–2026 does not unduly influence decisions on other expenditures. In practice, this has led to different handling of the 2024 "Ukraine framework money" compared to the allocations for 2025 and 2026. The 2024 funds do not fully burden the 2024 budget—only just under SEK 5 billion has been expended in that year—and a template has been established whereby most of this money will be used over several years, up to 2031. In contrast, the accounting treatment for 2025 and 2026 assumes that the full amounts will be allocated in those respective years. Should the actual budgetary burden be spread over a longer period, the immediate impact on savings would be less pronounced, and the deviation from the surplus target would be smaller and more closely aligned with Ukraine-adjusted savings.

The expenditure ceiling is also influenced by how spending is distributed over time. In BP25, the expenditure ceiling is proposed to be raised by SEK 25 billion in both 2025 and 2026, reflecting the planned deviation from the surplus target and ensuring that necessary spending reforms can continue to be implemented.<sup>19</sup> The purpose of this increase is to maintain sufficient fiscal space for other expenditures. However, if Ukraine support does not fully impact the budget in 2025 and 2026, this increase may create more fiscal room in those years than is strictly necessary for Ukraine support. Conversely, in subsequent years the effect may be reversed. For 2027, the government is not raising the expenditure ceiling; if Ukraine-related spending occurs then, it could encroach upon other spending areas, contrary to the government's rationale for raising the ceiling. For years beyond 2027, no expenditure ceiling is set, but it will be necessary to monitor the potential impacts of Ukraine support spending on overall fiscal space as actual expenditure patterns emerge.

### 3.5 Does the Support Provide a Fiscal Stimulus?

An additional fiscal policy question concerns the extent to which support for Ukraine stimulates the Swedish economy through increased demand in the defense industry. If funds are used to purchase defense materiel within Sweden, this could potentially affect investment, employment, and inflation. Although a comprehensive analysis of these effects is beyond the scope of this report, some brief comments are warranted. Figures from the Swedish Defence Materiel Administration (FMV) indicate that while a portion of the purchases is sourced from abroad, approximately 55 percent is procured from Swedish producers. This suggests that a significant part of the expenditure may have a stimulating effect on the Swedish defense industry, potentially boosting investments and production. However, the precise impact will depend on the availability of investment resources and the extent to which increased production might lead to price rises. Ultimately, these effects are contingent upon the existing capacity of Swedish defense companies, and precise figures on the impacts on production and prices fall outside the scope of this analysis. Our view is that while the

---

<sup>19</sup> BP25 p. 67



industry currently operates at a very high capacity utilization rate, considerable uncertainty about long-term demand remains, which in turn affects the willingness of companies to undertake large investments.

Regarding purchases from abroad, these may be less subject to price pressures, as Sweden's demand is relatively small compared to global production volumes. However, the surge in Swedish demand coincides with significant increases in demand in other countries, making it unclear whether price effects will be mitigated when procurement occurs on the international market. It is also conceivable that a substantial increase in Swedish imports in general could affect the exchange rate, though this effect is likely to be limited, given that factors such as interest rates and overall currency confidence during turbulent times tend to dominate over minor changes in actual economic flows.

## 4 Perspectives on the Ukraine Support

The preceding sections have primarily provided a descriptive account of the support extended to Ukraine, both internationally and from Sweden, and detailed how Sweden's contributions are managed within the state budget. Addressing more normative questions—such as whether the support is excessive or insufficient, or what relative responsibility Sweden should assume compared to other countries—is considerably more complex for several reasons. First, the evolution of the conflict remains highly uncertain and is not primarily determined by Sweden's actions alone. At least three scenarios can be envisaged in the near future.<sup>20</sup> One possibility is that the war continues indefinitely, eventually settling into a frozen conflict that imposes significant humanitarian and economic costs on both sides. A second possibility is that a ceasefire is negotiated, albeit with various conditions imposed on Russia and differing degrees of freedom and support granted to Ukraine for its security and financial reconstruction. A third scenario envisions Ukraine achieving a military victory, followed by the withdrawal of Russian troops and the commencement of a reconstruction phase supported by foreign aid. Although Sweden cannot control which scenario unfolds, it can influence the likelihood of certain outcomes through its military and financial support and by serving as a strong advocate within the EU and among other democratic allies. However, Sweden's influence is inherently dependent on the effectiveness of its partnerships.

A second important consideration is the need for a realistic assessment of the economic and security implications for Sweden under all possible scenarios. Foremost, it must be emphasized that a return to peaceful coexistence and the resumption of economic relations with Russia under its current regime is entirely unrealistic. The war of aggression against Ukraine has unequivocally revealed the regime's intentions, and its aggressive, imperialist rhetoric must be taken seriously. There is no indication that Putin's regime will be satisfied with merely controlling a portion of Ukraine; indeed, Russia will continue to pose a threat to both Ukraine and the rest of Europe even if a ceasefire is eventually negotiated. Moreover, when comparing a scenario in which Ukraine wins the war and regains its territories with one in which it does not, the latter outcome would not only strengthen Putin's regime but also embolden other autocratic governments with similar ambitions, thereby challenging the liberal world order.<sup>21</sup> In other words, we do not have a "Ukraine problem", we rather have a "Russia problem" with profound long-term and far-reaching implications for Sweden and its fiscal policy. The eventual outcome of the war will, in large part, determine the scale of this future Russia problem.

---

<sup>20</sup> Different scenarios have been developed in the literature, with a distinction between a frozen conflict and a surrender of Ukraine (see, for example, Lough, 2024, "Four scenarios for the end of the war in Ukraine: Assessing the political and economic challenges ahead, Briefing Paper, London: Royal Institute of International Affairs.). In the former scenario, Russia takes power over the areas of eastern Ukraine that Putin has declared part of Russia and the Crimean peninsula, but what remains of Ukraine is still independent. In the latter scenario, what remains is also forced by Ukraine to appoint a state leadership loyal to Russia, demilitarization, and security policy "neutrality".

<sup>21</sup> For example, see <https://www.atlanticcouncil.org/blogs/ukrainealert/russian-victory-in-ukraine-would-leave-europe-at-putins-mercy/>, <https://dragonflyintelligence.com/news/ukraine-global-implications-of-a-russian-victory/>, or <https://www.atlanticcouncil.org/blogs/ukrainealert/ukraines-western-allies-should-fear-russian-victory-not-russian-defeat/>.

When discussing support for Ukraine, it is tempting to focus solely on the direct financial costs. A more pertinent perspective, however, is to consider the costs that Sweden and other Western countries would incur if Ukraine were not supported effectively. Such an analysis must begin with the consequences for the people of Ukraine. Even if one adopts a starkly cynical viewpoint regarding the human toll—loss of lives, diminished incomes, and the widespread destruction of communities in Ukraine—the indirect costs, such as the impact of massive refugee flows on Sweden’s economy and welfare system, must also be considered.

At the same time, the analysis should extend to include the potential security repercussions for Sweden and the global economy in the event of a Russian victory. In the following discussion, we attempt to relate the support provided to Ukraine to the broader costs that would arise if Ukraine’s defense were to fail. The conclusion is that all the scenarios envisaged incur significant and relatively long-term financial costs. Because Ukraine is the epicenter of Russian aggression and serves as a critical test of Europe’s resolve in countering future threats, an investment in Ukrainian security and economic resilience inherently represents an investment in Swedish security. Notably, in the scenario where Ukraine ultimately wins, the investments in military and financial support made during the war would eventually transition into the costs of rebuilding Ukraine and facilitating its eventual accession to the EU—a scenario that is considerably more favorable from both an economical and a humanitarian perspective for Ukraine and Europe in the long run.

A key question that arises is whether it is reasonable to expect that Western support for Ukraine can enable it to defeat Russia militarily. Russia currently spends more on its war industry than it has since the Cold War; in 2023, its expenditure was approximately \$110 billion (roughly 6 percent of GDP), and by 2024 this figure is estimated to have risen to about \$140 billion (approximately 7 percent of GDP).<sup>22</sup> These amounts are enormous and represent a significant portion of Russia’s state budget, likely to be unsustainable in the long term as long as sanctions against Russia remain in place. For the EU, however, matching this level of spending would require a far smaller sacrifice in relative terms. Given that the combined GDP of EU countries is roughly ten times that of Russia, the equivalent spending represents only about 0.6–0.7 percent of the EU’s GDP. If the United States were to contribute in proportion to its GDP in a manner similar to the EU, its burden would fall below 0.3 percent of GDP, and when including other OECD countries, the overall economic burden would amount to roughly one-twentieth of what Russia spends on its military.

Despite this apparent advantage, three key factors may tilt the balance in Russia’s favor. The first factor is that the production capacity for ammunition and other military equipment among Ukraine’s allies has long been relatively undersized compared to that of Russia and its allies. Discussions are underway regarding

---

<sup>22</sup> However, these figures may be underestimated as there are other military expenditures that are not reported in the Russian state budget or in other open sources. However, this does not change the main conclusions presented here.

how the EU can enhance its production capabilities to redress this imbalance. While the Western alliance undoubtedly has the financial resources to produce superior equipment, these resources must be complemented by a robust political will to transform production capacities. The second factor is related to purchasing power parity in the defense sector; there is considerable variation in how much military equipment can be produced per unit spent in different countries, depending on factors such as existing production capacity and market demand, which in turn affects prices. Data on "military PPP" from 2021 suggest that Russia can produce roughly 2.5 times as much military equipment per unit of currency as the EU can, though such comparisons do not fully account for differences in quality.<sup>23</sup> Ultimately, while Russia may have a cost advantage in terms of sheer volume, this advantage does not fully compensate for its overall economic disadvantage. The third factor is that success in warfare also depends on the number of soldiers that can be deployed, and Russia's significantly larger population compared to Ukraine's is sometimes cited as a decisive advantage. Although Russia's numerical superiority, combined with a certain disregard for human life, enables it to wage a protracted war of attrition, the associated costs of recruitment and soldier compensation impose significant financial burdens on the regime. For example, recruits receive a minimum monthly allowance of approximately \$2,500, with additional bonuses and regional grants bringing the total first-year cost to nearly three times the average Russian annual salary.<sup>24</sup> Furthermore, compensation for injured soldiers and families of those killed in action is substantial—initially around \$30,000 per injured soldier (a figure later adjusted to compensate only the seriously injured) and up to \$130,000 for families of fallen soldiers.<sup>25</sup> According to Kirill Rogov, between July 2023 and June 2024, the combined costs of soldier salaries and compensation for casualties amounted to 1.5 percent of Russia's GDP.<sup>26</sup>

Overall, these factors indicate that efforts to diminish Russia's economic capacity—particularly through sanctions and embargoes—serve to reduce the advantage that might otherwise be conferred by its larger population. In essence, the "meat grinder" of prolonged attrition becomes prohibitively expensive, as soldier compensation crowds out resources that could otherwise be allocated to weapons procurement. Moreover, over a slightly longer term, if Russia remains a military threat to the West, its already adverse demographic trends—exacerbated by battlefield casualties and significant emigration—will further erode its capacity. It is also worth noting that while manpower and military hardware are to some extent complementary, modern Western weaponry can partially compensate for a smaller number of soldiers even though troop numbers remain a critical factor. The West can support Ukrainian military recruitment through financial incentives aimed at higher soldier compensation and through political measures such as advocating for a lower minimum age for

---

<sup>23</sup> See, for example, Dorn (2024) and Robertson (2022).

<sup>24</sup> Reuters, July 31, 2024, [https://www.reuters.com/world/europe/putin-doubles-signing-bonuses-volunteers-fight-ukraine-2024-07-31/?utm\\_source=chatgpt.com](https://www.reuters.com/world/europe/putin-doubles-signing-bonuses-volunteers-fight-ukraine-2024-07-31/?utm_source=chatgpt.com)

<sup>25</sup> War on the Rocks, July 9, 2024, <https://warontherocks.com/2024/07/wounded-veterans-wounded-economy-the-personnel-costs-of-russias-war/>

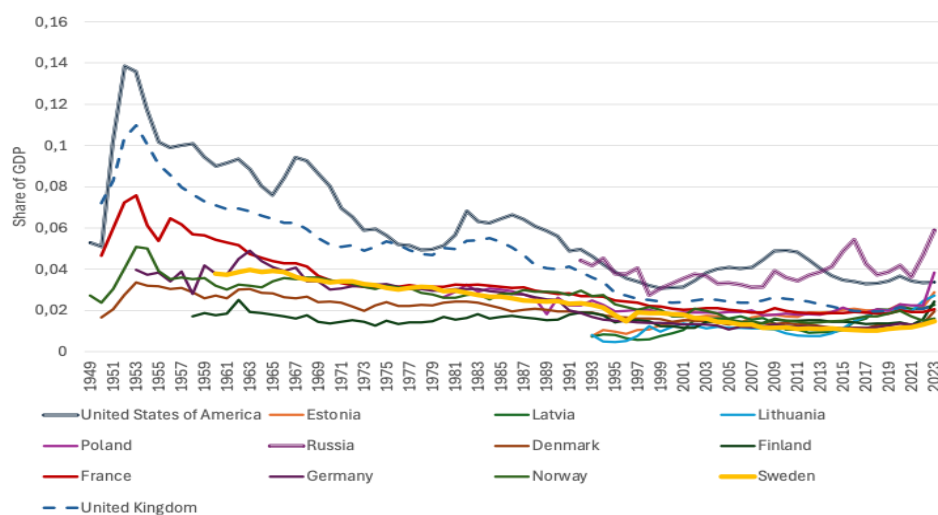
<sup>26</sup> Newsweek, July 17, 2024, <https://www.newsweek.com/russia-gdp-soldier-payouts-ukraine-war-1926432>

military service, although such measures are not necessarily endorsed by all observers.

As noted above, in every scenario in which Russia does not withdraw from Ukraine, significant financial investments will be required from Sweden, both domestically and in Ukraine. A failure to provide adequate support today increases the risk of incurring far greater costs in the future.<sup>27</sup> Although it is impossible to precisely determine the extent and magnitude of these future costs, historical precedent can offer some insight into the likely consequences. In this discussion, we focus on three areas: the build-up of military spending, increased refugee flows, and a potential setback for globalization stemming from heightened global conflict.

Historical comparisons provide a useful context for understanding how countries adjust their military spending in response to perceived threats. Data show that during the Cold War (1949–1990), Western countries, including the United States, Germany, France, the United Kingdom, and Sweden, maintained military expenditures averaging around 4.1 percent of GDP, with Sweden’s average at 3.1 percent (Figure 7). Following the dissolution of the Soviet Union, these expenditures declined substantially; for instance, the average for this group dropped to approximately 2 percent of GDP, or 1.75 percent excluding the United States, with Sweden averaging 1.45 percent of GDP between 1991 and 2022. Recent data further illustrate that countries such as the Baltic states and Poland have significantly increased their military spending since 2014, with further hikes observed after 2022 (Figure 8). For Sweden, this would translate into an annual increase of SEK 60–120 billion, and for the EU as a whole, an increase of EUR 200–400 billion per year. In comparison, the total EU support for Ukraine from 2022 to the present is just over EUR 100 billion.

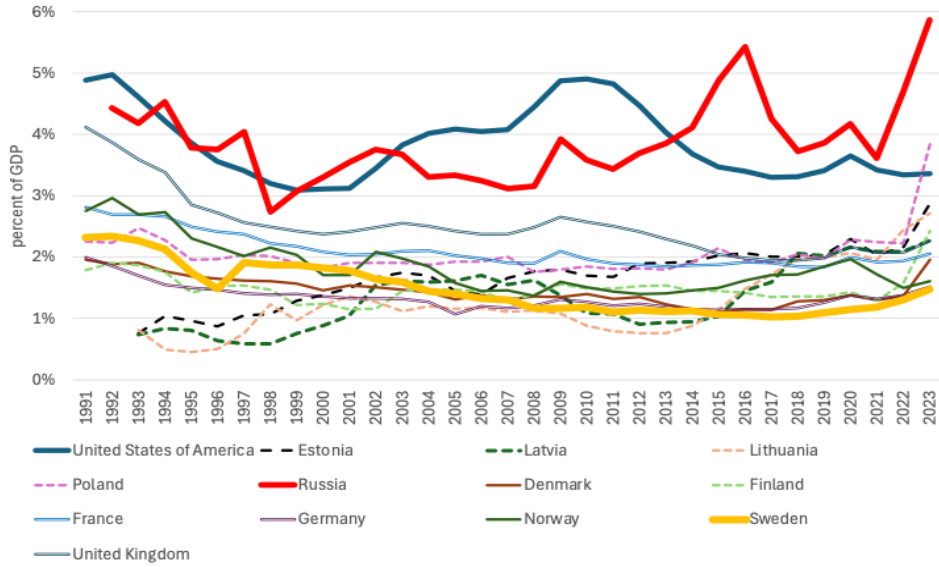
**Figure 7. Military expenditure as a share of GDP, 1949-2023**



Source: Own calculations based on SIPRI Military Expenditure Database.

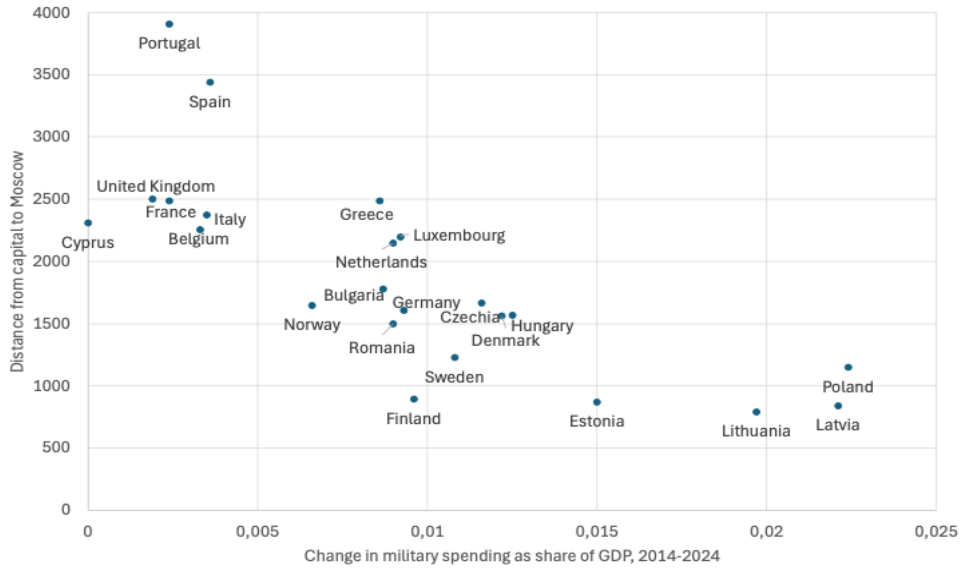
<sup>27</sup> Just as a lack of investment in the green transition means higher future costs due to a warming planet and more extreme weather.

**Figure 8. Military expenditure as a share of GDP, 1991-2023**



Source: Authors' calculations based on SIPRI Military Expenditure Database.

**Figure 9. Change in military spending in European NATO countries between 2014 and 2024 in relation to distance from Moscow.**



Source: Defence expenditure of NATO countries (2014-2024), NATO Press Release 12 June 2024.

Sweden and many other countries have already considerably expanded their defense appropriations in response to Russia’s aggression. However, if Russia were to prevail, these expenditures would likely need to be increased further and sustained over a longer period. Data from Figure 9, which compares changes in defense spending among NATO countries based on their proximity to Moscow, demonstrate that countries closer to Russia have increased their defense budgets more sharply than those located further away. Swedish rearmament has followed a similar pattern, underscoring that increased spending is not only a reaction to

current events but also a strategic necessity in the context of evolving regional threats.

In the event of a frozen conflict, continued financial and military support for Ukraine would remain essential to deter Russia from reigniting the conflict with ambitions that extend beyond Ukraine's borders. Ukraine, lacking the resources to fully arm itself, would remain dependent on external assistance—especially from European nations, as clearly signaled by the incoming United States administration. Consequently, the bulk of the financial burden in such a scenario would fall on EU member states, including Sweden.

Another significant consequence of a potential Russian victory would be the impact on migration flows. While the most dramatic effects would likely occur in the event of a Ukrainian surrender, even a frozen conflict could lead to substantial refugee movements. For example, Sweden has so far received only about 32,000 Ukrainian refugees—approximately 0.31 percent of its total population—compared to more than 1,200,000 in Germany and even higher relative proportions in smaller countries such as Montenegro. The Kiel Institute estimates that the cost of receiving Ukrainian refugees in Sweden amounts to just over EUR 1.1 billion, or 0.19 percent of GDP, whereas in Poland the cost is estimated at 4.2 percent of GDP (approximately EUR 26.5 billion). Although the precise magnitude of future migration flows in the event of a Russian victory is uncertain, it is likely that such flows would be significant. In the event of mass migration, the EU would be compelled to negotiate a fair division of responsibility, and Sweden's relatively low current quota could place it in a challenging position. As a reference point, the EU estimated that the short-term cost to Sweden of the 2015 refugee crisis—when 163,000 asylum seekers arrived—was about EUR 6 billion, or 1.35 percent of GDP.

There are also broader costs that are even more difficult to predict. Putin has been unequivocal in asserting that this conflict is not solely with Ukraine but is a confrontation with the United States and its allied liberal democracies in both the West and the East. Concurrently, an alliance of autocratic regimes—comprising Russia, Iran, North Korea, and China—has emerged to challenge the liberal world order and present an alternative model of military guarantees and economic exchange.<sup>28</sup> A defeat for Ukraine would thus represent not only a setback for the country but also a significant blow to the rules-based international order that has been the cornerstone of global stability since the establishment of the Bretton Woods institutions and its subsequent strengthening after 1991. Such a defeat could undermine the global authority of the United States and NATO as guarantors of peace and military strength, prompting the Global South to distance itself further from the liberal order. This, in turn, would disrupt world trade and jeopardize access to essential resources such as food, metals, and energy, imposing both direct and indirect costs on Sweden—a small, export-oriented country. These costs would manifest in various ways, affecting companies and households and ultimately reducing

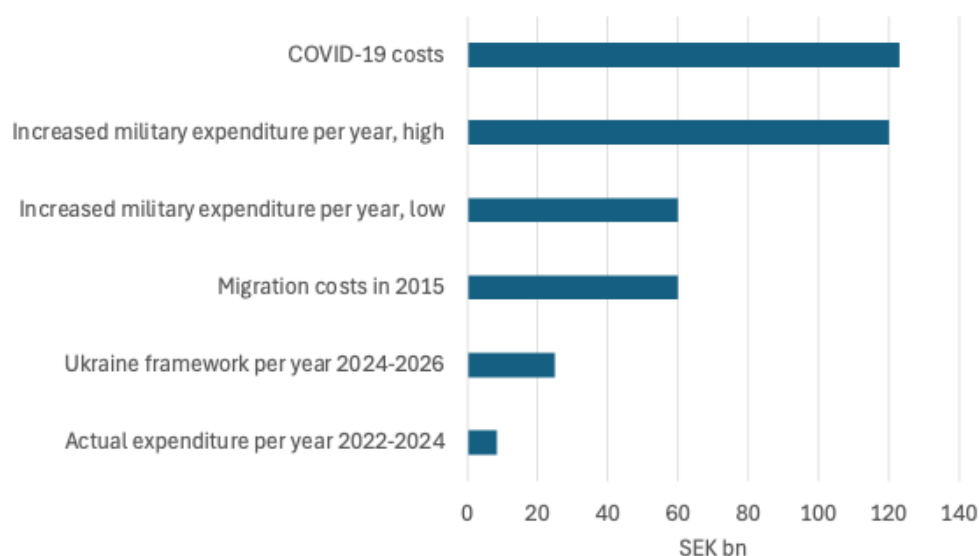
---

<sup>28</sup> <https://rusi.org/explore-our-research/publications/commentary/what-ukraines-defeat-would-mean-us-europe-and-world>.

public revenues through a diminished tax base and the potential need for new subsidies.

While it is impossible to precisely quantify the full impact of these potential scenarios, rough estimates can be gleaned from recent global shocks (Figure 10). The Covid-19 pandemic, for example, affected Sweden's central government finances by reducing tax revenues and necessitating extensive stimulus measures. Exports fell by 3.6 percent in 2020, and the Swedish Tax Agency (2021) estimated significant reductions in various tax revenues—3.1 percent in preliminary tax, 8.7 percent in employer contributions, and 7.2 percent in VAT, among others.<sup>29</sup> Angelov and Waldenström (2023) estimated that the total cost of pandemic-related stimulus measures in 2020 and 2021 amounted to SEK 123 billion, excluding additional costs such as increased municipal expenditures. Although these effects were temporary and Sweden's economy recovered relatively quickly, the economic transformation anticipated in the event of a Russian victory is likely to be far more permanent, with significantly more serious long-term consequences.

**Figure 10. Sweden's support for Ukraine relative to other costs**



Source: EU (2016), Angelov and Waldenström (2023) and our own calculations.

Binder and Schularik (November 2024) have conducted similar analyses for Germany, estimating that increased defense costs, refugee reception expenses, and the loss of investment opportunities for industry could collectively amount to between 1 and 2 percent of GDP in the coming years. They conclude that the costs of ceasing support for Ukraine are 10 to 20 times greater than the costs of continuing at the current level of support.

In summary, when considering the long-term and broader implications, the financial investments required to prevent a Russian victory—and thereby avoid

<sup>29</sup> <https://www.business-sweden.com/globalassets/insights/global-analysis/global-export-analysis/svenska/global-export-dec-2021.pdf>.



the cascading costs of military build-up, massive refugee flows, and disruptions to globalization—are substantial. Supporting Ukraine today is not merely a matter of addressing immediate expenditures but an essential investment in maintaining European security, safeguarding the liberal international order, and ultimately protecting Sweden’s economic and fiscal stability.

## 5 Financing and Reconstruction of Ukraine

The costs of rebuilding Ukraine will, of course, depend on which scenario ultimately materializes. The existing literature and reports are based on a scenario in which Ukraine's post-war borders are defined by those established at independence in 1991 under the Belavezja Agreement. This assumes a country still led by a government committed to eventual EU (and possibly NATO) membership, and with Russian troops having withdrawn but leaving behind a latent security threat.

If the war continues, however, the nature of reconstruction will change. In that case, the emphasis will shift toward ensuring resilience and the ongoing repair of damaged infrastructure to a serviceable, robust level rather than solely adapting systems for future EU membership or creating investments that are both socially and environmentally sustainable—although these goals may sometimes overlap. Estimating costs on an ongoing basis becomes difficult because it depends on the intensity of destruction, and Western contributions to reconstruction would be limited to areas under the control of the Ukrainian government. A similar situation would occur in the event of a ceasefire where parts of Ukraine remain under Russian control, at least temporarily. In that scenario, reconstruction might be less costly simply because portions of the country, including some of the most heavily damaged areas, are controlled by Russia. Nonetheless, such a situation may also lead to higher costs and a greater need for external support in other areas, given that Russia would continue to pose a strong latent threat and the need for military rearmament to deter further attacks would remain significant. Although NATO membership might reduce these costs, such an eventuality now appears increasingly unlikely. Moreover, part of the reconstruction cost involves high fixed expenses in adapting systems and regulations. The need for support also depends on Ukraine's own economic capacity; for example, if a ceasefire results in the loss of Crimea and the four eastern districts that were significant industrial hubs (Donetsk, Kherson, Luhansk, and Zaporizhzhia), Ukraine's overall economic potential will diminish. Since no comprehensive analysis of the cost of rebuilding a divided Ukraine is available, the discussion here focuses on estimates for reconstructing a Ukraine based on the Belavezja agreement.

### 5.1 Extent of the Destruction

The costs of the Russian war of aggression against Ukraine can be measured in multiple dimensions, most notably in human lives.<sup>30</sup> This includes not only those who have died or been injured directly in the conflict but also the broader impact

---

<sup>30</sup> The UN has registered over 12,000 civilian deaths in Ukraine due to the conflict, but estimates that this is a very large unreported figure, see [https://ukraine.un.org/en/resources/publications?P%5B0%5D=resources\\_agency%3A28#views-exposed-form-resources-embed](https://ukraine.un.org/en/resources/publications?P%5B0%5D=resources_agency%3A28#views-exposed-form-resources-embed). In addition to this, there are those who have died in battle on both sides. The figures here vary greatly between different sources, but it is clear that it is significantly more than the civilians who have been killed and that more Russian soldiers have died and been injured than Ukrainian soldiers.

on human capital due to mental illness, migration, disrupted education, and the effects of prolonged occupation. These human costs are closely linked to reconstruction needs, as reestablishing functioning healthcare, educational systems, and processes for repatriation and migrant integration requires significant investments—not only in physical infrastructure such as schools and hospitals but also in rebuilding human capital and revitalizing local communities to enable a return to a normal and safe life.

In discussions of economic damage, a distinction is often drawn between destruction and losses (World Bank, 2022). "Destruction" refers to the damage inflicted on physical capital—housing, infrastructure, and other tangible assets—and is typically valued in monetary terms as the cost to restore these assets to their pre-war condition. In effect, this represents the damage to the country's capital stock, or its physical wealth. In contrast, "losses" refer to the reduction or absence of income streams due to the war—that is, the consequences of diminished economic activity. When estimating the costs of reconstruction, it is primarily the monetary value of the destruction that is of interest.

These costs can be estimated in several ways. One approach is based on the observation that a country's wealth or capital tends to remain relatively stable in relation to its gross domestic product; in other words, the capital/income ratio is relatively constant. For Ukraine, this ratio has been estimated at approximately 4.5 over the past decade, and with a GDP of \$165 billion in 2021, Ukraine's total wealth at the onset of the war was roughly \$660 billion. Physical capital—which includes housing stock, land, and infrastructure but not financial assets—typically accounts for between 50 and 75 percent of this total. Assuming that about one-third of Ukraine's physical capital has been destroyed, the estimated cost of the destruction ranges from \$110 to \$165 billion.

An alternative method involves taking inventory of the damage to buildings, infrastructure, land, natural resources, and so on. With assistance from the UK and the US, the Kyiv School of Economics (KSE) has engaged the population through a website ("Russia will pay") where citizens can upload photographs and descriptions of physical damage in their local areas. Experts from KSE and other local institutions then use this crowd-sourced data, supplemented by satellite imagery estimates, to value the physical destruction. The latest available report, covering the period from the start of the war to January 2024, estimates the cost of destruction at just over \$157 billion. Both methods currently yield similar estimates for the physical destruction, although it is important to note that these figures remain rough approximations with potentially large margins of error due to underreporting.

Estimates for losses, which capture the loss of income and economic activity, are considerably higher. According to KSE (2024), losses from the start of the war to June 2024 amount to nearly \$400 billion in terms of lost added value and up to \$1,164 billion in terms of lost revenue. These figures primarily reflect the impact on the productive sectors of the economy, but also encompass agriculture, energy, transportation, and social services.

## 5.2 The Cost of Reconstruction

Estimates of the cost to rebuild Ukraine differ markedly from estimates of the cost of the war itself. This is because reconstruction is not simply about restoring what was lost but about taking the opportunity to build a better, more functional, and more sustainable society. This is particularly significant given that Ukraine's pre-war infrastructure, as is the case in many former Soviet republics, was often deficient and largely designed for an economy based on fossil fuels. For example, energy efficiency must be improved, as Ukraine's energy intensity in production exceeds the EU average by a factor of 2.5. Furthermore, public administration and the judiciary require comprehensive reforms to reduce corruption, enhance competence, and modernize decision-making processes, while the business climate needs to be improved to attract the necessary foreign investment. The ambition to rebuild a stronger and more resilient Ukraine is evident in numerous studies (for example, National Recovery Council 2022, World Bank 2022 and 2023, European Commission 2022, and Becker et al. 2022). In addition, Ukraine must align its standards and infrastructure with those of Europe to facilitate its eventual integration into the EU, a process that would further distance it from Russia. This connection between reconstruction and European integration is underscored in a study by the RAND Corporation (Shatz et al., 2023), which compares Ukraine's situation with post-World War II reconstruction in Western Europe, post-Cold War reforms in Central and Eastern Europe, and post-conflict reconstruction in the Western Balkans. The study emphasizes that in these cases, the United States initially provided capital and security, while the EU later assumed the majority of funding and drove the integration process.

Existing estimates of the reconstruction costs vary significantly, reflecting differences in methodology and assumptions about the duration of the war. The 10-year plan presented by the Ukrainian government in July 2022 cites a figure of \$750 billion. The World Bank (2023) estimates the cost at \$486 billion but notes that the expense increases with each day the war continues. Becker et al. (2022) provide an estimate ranging from EUR 200 to 500 billion, while Werner Hoiyer, head of the EIB, has suggested that a final figure of €1,100 billion is reasonable (Bloomberg, 2022-06-21).

## 5.3 Financing Reconstruction

Understanding the consequences for the Swedish budget of supporting Ukraine's reconstruction requires not only an estimate of the total cost but also a clear picture of several other factors. These include the expected share of funding to be provided by the international donor community, the potential role of the private sector, the preferred form of support (such as loans or grants), and the relative responsibility that Sweden should assume within the donor community. Although a significant proportion of the necessary resources will come from Ukraine itself, it is evident that Ukraine cannot shoulder the entire burden. One possibility for providing initial capital is through war reparations from Russia, or alternatively by utilizing the frozen Russian assets currently held in Western financial institutions. However, it is currently impossible to comment definitively on the prospect of war reparations, as this depends entirely on how

the war concludes and on the conditions that can be imposed on Russia in any subsequent peace agreement. Thus, planning for reconstruction cannot presently incorporate this possibility. By contrast, there are greater opportunities for the use of frozen assets, particularly frozen central bank reserves in foreign currencies held by Western banks and financial institutions.

The main international contribution to Ukraine's reconstruction must come from its donors in the democratic world. This includes not only the individual countries that have been most active in supporting Ukraine but also the multilateral and regional institutions that have played a crucial role in providing aid. As mentioned above, the United States emerged as the dominant donor in the early stages of the conflict—not only in terms of the magnitude of aid and the speed of its disbursements, but also because its support has been predominantly provided as unconditional grants rather than as advantageous loans. Although the United States continues to play a central role in military aid, European countries—partly through the EU institutions—have gradually increased their contributions across military, financial, and humanitarian areas.

An inherent weakness in the EU system, which is likely to affect the financing of reconstruction, lies in the requirement that decisions must secure the approval of all 27 Member States. This means that proposals and initiatives often must be approved by each country's parliament or equivalent institution, opening the door to political horse-trading and allowing more skeptical states to exert disproportionate influence that can delay decision-making. In this context, the leadership of both the EU institutions and the leading Member States will be crucial, particularly at a time when political support for continued aid to Ukraine is beginning to wane in several countries.

Another important issue concerns the distribution of public and private funds in financing reconstruction. Given the enormous scale of the needs, private investment will have to play a significant role over the long term. There is strong willingness among Swedish businesses to contribute both capital and expertise to Ukraine; however, high risks and administrative obstacles currently dampen the willingness to invest (Olofsgård and Perrotta Berlin, 2023). Although Ukraine's ongoing reform agenda and prospects for future EU membership are positive factors that could boost investor confidence, the ultimate impact on private investment is highly dependent on the scenario that eventually unfolds for Ukraine's future.

When it comes to public support, it is important to understand that the cost of reconstruction far exceeds the global budget for development cooperation—for instance, the global aid budget in 2021 amounted to \$179 billion, not including military support.<sup>31</sup> In Sweden, the aid budget for 2023 was SEK 56 billion. Public funds can also be deployed to stimulate private investment through various risk-lifting instruments, such as public credit guarantees or export credit guarantees. In high-risk environments, the premiums on such instruments are typically high,

---

<sup>31</sup> What is defined by the OECD's Development Assistance Committee (DAC) as Official Development Assistance (ODA).

meaning that the expected returns must be significant enough to attract retail investors, even when backed by a credit guarantee. To further facilitate investment in specific sectors, public funds can be used to subsidize these premiums. A current example is the Swedish Government's special regulation that enables the Swedish Export Credit Agency to issue export credit guarantees that are not risk-reflecting for Swedish companies trading with and investing in Ukraine. Although this measure is primarily aimed at the export of goods that qualify as aid, it has sparked debates about whether it aligns with OECD-DAC definitions of aid. In many cases, these credit guarantees are never actually called upon, so the real cost of public intervention is relatively low; however, such measures do have budgetary implications that must be considered in the broader context of public support and aid frameworks.

It is also critical to consider how public support for reconstruction is structured and from which budget lines the funds originate. Much of the support provided by multilateral institutions, bilateral donors, and the EU is in the form of cheap loans rather than pure grants. Although there are arguments that loans can be preferable to gifts in certain contexts (see Olofsgård, 2022), in the case of Ukraine the dominant part of public support must be provided as unconditional grants. This is due to the massive scale of the reconstruction effort, Ukraine's challenging debt situation even prior to the war, and the requirements for future EU membership—which, among other factors, impose limits on the amount of public debt a country can sustain. Imposing unsustainable debt on Ukraine could also discourage private investment, as investors tend to shy away from environments characterized by significant macroeconomic uncertainty.

Given the magnitude of these challenges, it is natural to question whether the efforts of smaller countries, such as Sweden, can make a meaningful difference, or whether the outcome largely depends on measures taken by larger actors. In situations that require collective action, each country may be tempted to adopt a passive approach—avoiding costs while benefiting from the initiatives of others. However, taking a proactive role should be seen not only as a duty to the global community but also as a strategic investment in the future. Such an investment promotes domestic interests and can yield long-term benefits. Even as a smaller country, being at the forefront of reconstruction efforts confers clear advantages. The reconstruction of Ukraine is not simply a moral imperative; it is an opportunity to actively shape the stability and economic landscape of Europe. Active engagement not only encourages other countries to contribute but can also directly benefit a nation's own interests, resulting in economic and social benefits domestically. Attitudes in the private sector clearly suggest that many stakeholders view these efforts not merely as a means of sharing a "burden" but as opportunities for innovation, growth, and leadership.

### **Using Frozen Russian Assets**

One approach to supporting Ukraine financially without impacting state finances is to utilize the frozen Russian assets held in various Western countries. At present, it is estimated that approximately \$300 billion of the Russian central bank's international reserves are frozen in various financial institutions in the West, with Euroclear in Belgium managing about \$200 billion of these assets. In addition to these state assets, Russian individuals and companies owned by Russian individuals possess significant assets in the West, some of which have also been frozen. In this discussion, the focus is on the management of Russian state assets, while noting that the legal grounds for freezing and confiscating private versus state assets differ. Under international law, state assets in other countries are typically protected from confiscation. However, when a country violates international law, there is legal scope to impose sanctions that include the freezing of assets. The legal basis for confiscating assets and transferring them to another country—in this case, Ukraine—is more complicated. In short, the discussions about using these assets to finance Ukraine have centered on whether a legal right to impose countermeasures can be invoked. Some legal experts argue that such countermeasures already form the basis for the sanctions imposed, including the freezing of Russian assets, although this is not explicitly stated by the sanctioning countries. One objection to using countermeasures to confiscate assets and transfer them to Ukraine is that such measures are intended to compel a change in behavior and should be reversible once that behavior is altered; transferring the assets to a third party would undermine this reversibility.

However, it can be argued that Russia has already inflicted such extensive damage in Ukraine that, on the day war reparations are established, the value of these reparations will far exceed that of the frozen assets. In this way, it is not problematic that the assets cannot be returned to Russia; rather, they can be viewed as an advance payment toward future war reparations, effectively offsetting future claims that would be determined through a war reparations process.

In addition to the use of international law, several countries have enacted their own legislation regarding Russian assets. In the United States, the so-called Rebuilding Economic Prosperity and Opportunity for Ukrainians Act (commonly abbreviated as the "REPO Act") has been passed, and Canada has implemented similar measures to enable the confiscation of Russian assets. At the same time, arguments have been raised warning that confiscating Russian assets could damage the international financial system or undermine the value of the euro and the dollar. These concerns are often reinforced by authoritarian regimes that wish to ensure the safety of their assets within the Western financial system. Many of these arguments are, however, unconvincing and serve mainly as a signal that it is time to ensure that our financial institutions and markets are not exploited by undemocratic powers to secure their assets under the protection of Western legal systems—a security that is clearly lacking in alternative investment arrangements. Moreover, it can be noted that the value of the euro or the dollar was not adversely affected by the freezing of Russian assets, an event that arguably generated more market attention than the subsequent discussions regarding their potential transfer to Ukraine. In other words, it is

unlikely that such a measure would lead to significant problems for Western currencies or financial systems.

While Western countries continue to debate the legal mechanisms necessary to transfer Russian assets directly to Ukraine, various proposals have emerged to use the returns generated by these frozen assets to create a fund that can finance Ukraine in the near future. These proposals vary in terms of the fund's size and the technical details of how the returns will be allocated. The proposal ultimately agreed upon by the G7 envisions creating a fund of approximately \$50 billion, with the money borrowed against the return on the Russian assets to finance this borrowing.



## 6 Conclusions

Since Russia's full-scale invasion on 24 February 2022, Europe and the United States have provided substantial financial and military support to Ukraine, and Sweden has been at the forefront of this effort relative to its economic size. This support represents a significant fiscal investment. Although immediate displacement effects are difficult to detect—aside from the reduction in resources for development assistance resulting from a smaller overall budget and a prioritization of Ukraine and its neighboring regions—legitimate questions remain regarding the appropriate scale of support. Is the aid too extensive or insufficient? Is Sweden's contribution commensurate with that of other donors? And what future costs will be incurred if we abandon Ukraine now?

In this report, we argue that it is insufficient to focus solely on the current cost of Ukraine support as reflected in our government budget. It is absolutely crucial to also consider the long-term fiscal costs and implications for the society at large if Ukraine is not supported in a way that enables it to secure not only a military victory but also lasting peace. The liberal world order that emerged after World War II—and was further strengthened following the collapse of the Soviet Union in 1991—has promoted economic development, human welfare, and freedom, especially in smaller countries like Sweden that depend on an international legal order based on institutions and agreements rather than on brute power. Today, this world order is being challenged by authoritarian forces led by Russia, and the full-scale invasion of Ukraine serves as a critical test of the democratic community's capacity and will to defend peace and freedom. Failure to meet this challenge will only embolden authoritarian regimes further. In other words, the support provided to Ukraine, along with the potential additional costs from sanctions against the Russian economy, should be seen as essential investments in our future peace, freedom, and economic well-being rather than as mere expenses.

It is impossible to determine with precision what the economic costs for Sweden would be if Ukraine were not to win the war, but it is clear that in such a scenario Sweden would have to invest significantly to upgrade both its military and civil defense capabilities over the foreseeable future. These costs would likely include additional expenditures for protecting refugees and addressing the high import costs of goods we cannot produce cost-effectively domestically. In this report, we have provided examples from previous shocks to illustrate these potential costs, and when all these factors are considered together, the cost of our current support for Ukraine appears very modest compared to the likely expenses if Russia were to prevail. As one article in the January/February 2025 issue of *Foreign Affairs* stated, "The United States and Europe must invest in resisting Russia now or pay a far greater cost later."

While Sweden, as a relatively small country, cannot single-handedly provide the entire support required for a Ukrainian victory, there are compelling reasons for us to continue being a generous donor. By contributing robustly, Sweden can positively influence other donors and amplify the international call for continued strong support for Ukraine. This is particularly important through close cooperation with like-minded countries in the Nordic and Baltic Sea region

(NB8), which are even more directly exposed to Russian threats and influence campaigns and have themselves demonstrated a willingness to contribute generously. Furthermore, public support for Ukraine in Sweden is among the highest in Europe, and Sweden's financial reserves are more robust than those of many more indebted European countries. In essence, Sweden has both the financial and political capital to shoulder the short-term burden of supporting Ukraine, thereby reaping the long-term benefits of preserved peace and freedom for both Sweden and the broader European continent.

It is also important to recognize that an essential complement to direct state-budget support is ensuring that the West transfers the approximately USD 300 billion in frozen Russian central bank assets currently held in Western financial systems to Ukraine. Although international legal complexities complicate the direct transfer of these funds—given the need to balance legal principles with the gravity of Russia's war crimes—this measure must be weighed against the economic and political challenges that would otherwise force Western taxpayers to bear the full burden of supporting Ukraine's tormented population.

Ultimately, our support for Ukraine should be regarded not as a cost but as one of the most important investments of our time in preserving peace and freedom. Consequently, there is strong justification for expanding our cooperation with like-minded countries across Europe and around the world to further secure Ukraine's future.

## References

- Angelov, Nikolay and Daniel Waldenström (2023). "The Pandemic and Money – An ESO Report on Income, Taxes, Distribution and Support Measures During COVID-19". Stockholm: Ministry of Finance.
- Astrov, V., F. Teti, L. Scheckenhofer, C. Semelet (2024). Monitoring the impact of sanctions on the Russian economy, Quarterly Report Vol. 3. EconPol Policy Report 51, ifo Institute, Munich.
- Becker, Torbjörn, Berlin, Maria Perrotta, Olofsgård, Anders and Jesper Roine. (2023). "Russia's war in Ukraine – a geopolitical and macroeconomic perspective", *Economic Debate*, 4(51), 36-52.
- Becker, Torbjörn, Barry Eichengreen, Yuriy Gorodnichenko, Sergei Guriev, Simon Johnson, Tymofiy Mylovanov, Maurice Obstfeld, Kenneth Rogoff, Beatrice Weder di Mauro (2022), "*A Blueprint for the Reconstruction of Ukraine*", CEPR Rapid Response Economics 1.
- Becker, Torbjörn and Yuriy Gordonichenko (2024). "Protecting Ukraine Aid from Western Political Dysfunction" *Project Syndicate*, January 19, 2024. <https://www.project-syndicate.org/commentary/western-domestic-political-infighting-endangers-ukraine-by-torbjorn-becker-and-yuriy-gorodnichenko-2024-01>
- Becker, Torbjörn and Anders Åslund (2024). The EU's Dependence on Russian Energy—A Force that Divides or Unites the Union? In *The Borders of the European Union in a Conflictual World*, eds. A. Bakardjieva Engelbrekt, P. Ekman, A. Michalski, L. Oxelheim, London: Palgrave Macmillan.
- Chupilkin, Maxim, Beata Javorcik, Aleksandra Peeva, and Alexander Plekhanov (2024) Decision to Leave: Economic Sanctions and Intermediated Trade. *AEA Papers and Proceedings*
- Collier, Paul and Anke Höffler (2001). Greed and grievance in civil war. *Policy Research Paper 2355*. World Bank.
- Drott, Constantin, Stefan Goldbach, and Volker Nitsch (2024). The Effects of Sanctions on Russian Banks in TARGET2 Transactions Data. *Journal of Economic Behavior and Organization*,
- Dorn, Florian (2024) "Defence Spending for Europe's Security – How Much Is Enough?" *Intereconomics*. 2024. Vol. 59. No. 4. Pp. 204-209.
- Dixit, Avinash (1987). Strategic behavior in contests. *American Economic Review* 77, 891–898.
- EU (2016). "An Economic Take on the Refugee Crisis – A Macroeconomic Assessment for the EU", *Institutional Paper 033*, July 2016.
- Federle, Jonathan; Meier, André; Müller, Gernot J.; Mutschler, Willi; Schularick, Moritz (2024). "The price of war", *Kiel Working Paper*, No. 2262, Kiel Institute for the World Economy, Kiel.
- Fearon, John D. (1995). Rationalist explanations for war. *International Organization* 49, 379–414.

- Fried, Daniel, and Kurt Volker (2022). "The Speech in Which Putin Told Us Who He Was", Politico, 2022-02-18.
- Garfinkel, Michelle and Stergios Skaperdas (2006). Economics of conflict: An overview. In T. Sandler and K. Hartley (Eds.), *Handbook of Defense Economics*, Chapter 3.
- Hirshleifer, Jack (1989). Conflict and rent-seeking success functions: Ratio vs difference models of relative success. *Public Choice* 63(3), 101–112.
- Hirshleifer, Jack (1991). The technology of conflict as an economic activity. *American Economic Review* 81(2), 130–134.
- Kendall-Taylor, Andrea and Michael Kofman (2025). "Putin's Point of No Return", *Foreign Affairs*, Vol 104, Number 1.
- Le Coq, Chloé and Elena Paltseva (2008). "Common Energy Policy in the EU: The Moral Hazard of the Security of External Supply", *SIEPS Report* 2008:1.
- Le Coq, Chloé and Elena Paltseva (2009). "Measuring the security of external energy supply in the European Union", *Energy Policy*, 37(11), 4474-4481.
- Löjdquist, Fredrik, (2024). "The need for taking the strategic initiative towards Russia – an outline for a policy to contain, constrain and counter Russian antagonistic behaviour", SCEEUS Report No. 11, 2024
- Milov, Vladimir (2024) "Oil, gas, and war: The effect of sanctions on the Russian energy industry", Atlantic Council Report, May 2024.
- National Recovery Council. (2022). Ukraine's National Recovery Plan, Kyiv.
- Niinisto, Sauli (2024) ." Safer Together – Strengthening Europe's Civilian and Military Preparedness and Readiness" European Commission Report.
- Robertson, P. E. (2022). The Real Military Balance: International Comparisons of Defense Spending. *Review of Income and Wealth*, 68(3), 797–818.
- Roine, Jesper (2014). "Russia, Ukraine and their respective natural resource dependencies." *Ekonomistas*, 2014-04-30. <https://ekonomistas.se/2014/04/30/ryssland-ukraina-och-deras-respektive-naturrekursberoenden/>
- Roine, Jesper (2022). "The War in Ukraine: Background and Basics", *Ekonomistas*, 2022-03-10. <https://ekonomistas.se/2022/03/10/kriget-i-ukraina-bakgrund-och-basics/>
- Roine, Jesper (2022). "What does it cost to rebuild Ukraine?" *Ekonomistas*, 2022-05-20. <https://ekonomistas.se/2022/05/20/vad-kostar-det-att-ateruppbygga-ukraina/>
- Rosbach, Niklas (2018). The Geopolitics of Russian Energy – Gas, oil and the energy security of tomorrow, FOI R – 4623 – SE (Oct 2018).
- Shatz, Howard J., Gabrielle Tarini, Charles P. Ries, and James Dobbins, (2023). *Reconstructing Ukraine: Creating a Freer, More Prosperous, and Secure Future*. Santa Monica, CA: RAND Corporation. [https://www.rand.org/pubs/research\\_reports/RRA2200-1.html](https://www.rand.org/pubs/research_reports/RRA2200-1.html).

- SIPRI. (2024). SIPRI Military Expenditure Database, 1949-2023 [Data set].
- SITE. (2024). "The Russian Economy in the Fog of War". Commissioned by the Swedish government, September 2024.
- Skaperdas, Stergios (1996). Contest success functions. *Economic Theory*, 7, 283–290. <https://doi.org/10.1007/BF01213906>
- Trebesch, Christoph, Arianna Antezza, Katelyn Bushnell, Pietro Bompreszi, Yelmurat Dyussimbinov, Catarina, Chambino, Celina Ferrari, Andre Frank, Pascal Frank, Lukas Franz, Caspar Gerland, Giuseppe Irto, Ivan Kharitonov, Bharath Kumar, Taro Nishikawa, Ekaterina Rebinskaya, Christopher Schade, Stefan Schramm & Leon Weiser (2024). "The Ukraine Support Tracker: Which countries help Ukraine and how?" *Kiel Working Paper*, No. 2218, 1-75.
- Tullock, Gordon (1967). The welfare cost of tariffs, monopolies, and theft. *Western Economic Journal*, 5, 224–232.
- Tullock, Gordon (1980). Efficient rent seeking. In J. M. Buchanan, R. D. Tollison, and G. Tullock (Eds.), *Toward a Theory of Rent Seeking Society*, pp. 3–15. Texas A&M University Press.
- World Bank. (2022). "Ukraine Rapid Damage and Needs Assessment", World Bank, Washington DC.