



USAID's Direct Budget Support to Ukraine

Russia's invasion of Ukraine in February 2022 has caused devastating economic and social consequences for Ukraine and its people. The International Monetary Fund estimates that the Government of Ukraine (GOU) requires \$5 billion per month to continue to operate. In response, the U.S. Government (USG) has appropriated \$13 billion in direct budget support (DBS) for the GOU as of October 2022.¹ These contributions administered through USAID support non-security general budget expenses, including salaries for civil servants, teachers, health care workers, and other government employees, and social spending needs, including pension expenses and payments to internally displaced persons.



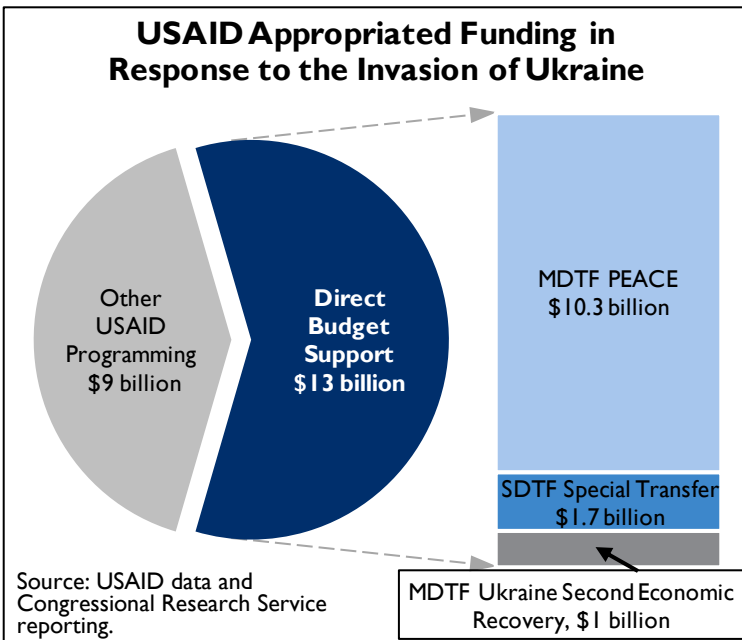
Source: Getty Images

World Bank Trust Funds

USAID uses the World Bank's trust funds to support the GOU, so funds can directly flow into the GOU's budget. The World Bank, development partners, clients, and other stakeholders commonly use trust funds for mutual strategic priorities. The World Bank establishes trust fund financing arrangements with contributions from one or more donors, through a multi-donor trust fund (MDTF) or single-donor trust fund (SDTF).

The World Bank is generally responsible for supervising the activities financed under its trust funds. Supervision includes accounting, financial audits, and progress reporting. The World Bank provides the reports to donors, including USAID. In addition, donors may request a financial audit and review or evaluate activities financed by some trust funds.

USAID's Office of Inspector General (OIG) and the World Bank's oversight bodies have formal agreements to collaborate on work of mutual interest. These agreements enhance oversight through regular consultation and information sharing.



Timeline of USAID DBS to Ukraine

February 24, 2022	Russia invades Ukraine.
April 21, 2022	USAID provides \$500 million to the World Bank MDTF for co-financing of the Ukraine Second Economic Development Policy Program.
May 12, 2022	USAID provides an additional \$500 million to the World Bank MDTF for co-financing of the Ukraine Second Economic Development Policy Program.
June 29, 2022	USAID provides \$1.3 billion to the World Bank MDTF for co-financing of the Public Expenditures for Administrative Capacity Endurance in Ukraine Project (PEACE).
July 11, 2022	USAID provides \$1.7 billion to the World Bank Special Transfer to Ukraine SDTF.
August 8, 2022	USAID provides \$3 billion to the World Bank MDTF PEACE.
September 12, 2022	USAID provides \$1.5 billion to the World Bank MDTF PEACE.
November 21, 2022	USAID obligates \$4.5 billion to the World Bank MDTF PEACE.

¹ The Additional Ukraine Supplemental Appropriations Act, 2023, enacted December 29, 2022, authorized use of additional funds for direct budget support to Ukraine. Once obligated, USAID OIG will analyze associated monitoring and safeguarding mechanisms for funds administered by USAID.

USAID DBS to Ukraine | Summary of Monitoring Responsibilities and Requirements

MDTF for PEACE	Special Transfer to Ukraine SDTF	MDTF Second Economic Recovery
<p>Trust Fund Use World Bank trust funds support critical GOU needs like salaries, government institutions, and social services.</p>		
<ul style="list-style-type: none"> • Wages of non-security sector government employees and school employees; • Grants to internally displaced persons; • Health worker and first responder salaries; • Pensions and social assistance payments. 	<ul style="list-style-type: none"> • Critical healthcare services. 	<ul style="list-style-type: none"> • De-monopolization and anticorruption institutions; • Strengthening of land and credit markets; • Bolstering the social safety net.
<p>World Bank and GOU Responsibilities and requirements include overseeing expenditures, progress reporting, and financial audits.</p>		
<p>Under MDTF for PEACE, the World Bank process includes:</p> <ul style="list-style-type: none"> • Reviewing expenditures before reimbursing the GOU. • The GOU Ministry of Finance (MoF) providing detailed verification of expenditures. • The MDTF for PEACE team reviewing spending reports for irregularities before release of funds. <p>The World Bank provides to USAID’s Bureau for Europe and Eurasia (USAID/EE) and other donors:</p> <ul style="list-style-type: none"> ✓ Bi-annual implementation status and results reports, prepared by the MDTF for PEACE team based on GOU MoF reports. ✓ Monthly verification reports on funds use, reimbursements, and confirmation that GOU followed verification protocol, prepared by the MDTF for PEACE team based on review of GOU expenditure reports (includes checks for irregularities). ✓ Annual financial statement audit and tests to review controls and procedures and verify eligibility of expenditures, prepared by an independent audit firm. ✓ Annual progress report and final progress report, prepared by the World Bank trust fund task team. 	<p>Under this SDTF, World Bank accountability procedures do not apply after funds are received by the GOU.</p> <p>Thus, USAID directly negotiated accountability mechanisms with the GOU in a separate USG-GOU agreement.</p> <p>This agreement requires GOU to provide to USAID/EE:</p> <ul style="list-style-type: none"> ✓ Certification that funds were disbursed and identification of specific uses of the funds by each ministry within 30 days of execution, and thereafter in 30 day increments. ✓ Progress reports detailing the results achieved from the uses of these funds every 90 days. 	<p>To ensure the financial security of funds under this MDTF, the World Bank will:</p> <ul style="list-style-type: none"> • Manage the flow of funds; • Supervise the MDTF grants under the requirements of World Bank operations. <p>The agreement between USAID and World Bank requires the World Bank to provide USAID/EE and other donors:</p> <ul style="list-style-type: none"> ✓ Annual single audit report, prepared by an independent audit firm at the end of each year that assesses the World Bank’s overall control framework around trust fund financial reporting. ✓ Annual written progress report, prepared by the World Bank trust fund team. ✓ Final narrative progress report, prepared by the World Bank trust fund team within 6 months of the end disbursement date that describes cumulative achievements over the life of the fund.
<p>USAID Responsibilities and requirements include overseeing monitoring and safeguard mechanisms, reporting, and third-party monitoring.</p>		
<p>Third Party Monitoring (TPM) Applies to MDTF for PEACE Special Transfer to Ukraine SDTF, and MDTF Ukraine Second Economic Recovery</p> <ul style="list-style-type: none"> ✓ USAID’s mission in Ukraine manages a TPM contract. ✓ TPM contractor reviews GOU’s controls, procedures, and systems; conducts spot checks; and reports on transparency and accountability of GOU systems that control budget support expenditures. 		
<p>Reporting to Congress (PL 117-128) Applies to MDTF for PEACE and Special Transfer to Ukraine SDTF</p> <ul style="list-style-type: none"> ✓ Every 90 days, USAID reports results and metrics to measure achievement. ✓ Every 6 months, USAID reports on processes that ensure GOU uses funds as agreed. 		
<p>Supplemental Oversight (PL 117-180) Applies to MDTF for PEACE</p> <ul style="list-style-type: none"> ✓ USAID consults with Secretary of State on GOU monitoring and safeguards prior to funds obligation. ✓ USAID ensures third-party monitoring. ✓ Every 45 days, USAID reports funds use, metrics, and results to Congress. 		

This final product was conducted in accordance with CIGIE’s Quality Standards for Federal Offices of Inspector General (Silver Book), which, where appropriate, are aligned other OIG audit, inspection, and evaluation policies and guidance.

USAID OIG is committed to monitoring USAID’s Ukraine response. Visit <https://oig.usaid.gov/our-work/ukraine-oversight> for our related work.

Report fraud, waste, and abuse against USAID programs at <https://oig.usaid.gov/report-fraud> or email ig.hotline@usaid.gov.