

Report to Congress on Results through May 31, 2023, of the Budget Support to the Government of Ukraine with Funds Provided under the Additional Ukraine Supplemental Appropriations Act, 2023

The U.S. Agency for International Development (USAID), in consultation with the U.S. Department of State, submits this report pursuant to section 1705(c) of the Additional Ukraine Supplemental Appropriations Act, 2023 (Public Law 117-328, Div. M) (FY 2023 AUSAA), which reads as follows:

The Secretary of State or the Administrator of the United States Agency for International Development, as appropriate, shall report to the appropriate congressional committees on the uses of funds provided for direct financial support to the Government of Ukraine pursuant to subsection (a) not later than 45 days after the date of enactment of this Act and every 45 days thereafter until all such funds have been expended: Provided, That such reports shall include a detailed description of the use of such funds, including categories and amounts, the intended results and the results achieved, a summary of other donor contributions, and a description of the efforts undertaken by the Secretary and Administrator to increase other donor contributions for direct financial support: Provided further, That such reports shall also include the metrics established to measure such results.

USES OF FUNDS:

U.S. government (USG) budget support is ensuring the survival of the Government of Ukraine (GOU) as its fight against Russia’s unprovoked aggression enters its second year. By providing critical budget support for the GOU, the USG is enabling Ukraine to continue operating and to win the war, deliver essential services, and meet immediate needs created by the Kremlin’s brutal war. Without steady tax revenue from a functioning economy, the GOU cannot supply emergency services for internally displaced persons, or provide paychecks for public employees who deliver critical services – including but not limited to healthcare providers and first responders, educators, and cybersecurity specialists.

As of May 31, 2023, the USG obligated \$19.25 billion in direct budget support (DBS) for the GOU (via the World Bank), to help ensure continuity of core government functions and delivery of essential services in wartime circumstances. This includes \$5.0 billion from the FY 2023 AUSAA, which the World Bank has transferred to the GOU, following verification of eligible expenditures. The \$18.0 billion transferred to the GOU as of May 31¹ has been used to support grants to internally displaced persons (IDPs); social assistance payments to vulnerable populations; payment of pensions; salaries for civil servants, educators, healthcare workers, and first responders; and purchase of humanitarian goods. (See table below and prior reports for more details.)

¹ Funds transferred to the GOU after May 31, 2023, will be captured in a subsequent report.

Russia's February 2022 invasion of Ukraine led to an estimated 35% decline in Gross Domestic Product (GDP) in FY 2022², an estimated 8 million citizens are estimated to have fled the war as refugees³, and the tax base has eroded. Despite the war, the GOU has remained open with many of its essential institutions still operating; however, its economy cannot provide the revenues necessary to fund critical services.

As the economy has contracted by over a third, DBS is providing support for Ukrainians internally displaced by the conflict and salaries for public employees who deliver critical services, including healthcare workers, first responders, and educators. As a result, DBS is helping to prevent the collapse of these services and simultaneously promote the GOU's capacity to sustain basic government functions that are critical to ensuring the stability of an increasingly at-risk population under Russian aggression.

Furthermore, funding for pensions and social assistance is expected to mitigate a further increase in poverty. The proportion of Ukraine's population whose income has fallen below poverty levels will soon reach 60%⁴ according to a recent World Bank analysis. While humanitarian assistance, such as that provided by the International Disaster Assistance (IDA) account, aims to save lives and meet immediate needs driven by the war, the \$18 billion in funds provided by DBS funding helps to preserve human capital and reduce the risk of Ukraine falling into a cycle of instability created by weakened economic, political, and governmental factors. DBS funding will help preserve the ability of the Ukrainian people to re-enter the post-war economy, which in turn will maximize its recovery efforts and ultimately reduce the long-term costs associated with reconstruction.

RESULTS:

With the support of Congress, the \$18 billion provided to date has been used to:

- **make direct payments to 1.8 million IDPs;**
- **provide housing and utility subsidies to 2.9 million Ukrainian citizens;**
- **pay salaries for over 512,000 teachers and school workers,**
- **pay salaries for over 57,000 first responders;**
- **support pensions for over 8 million vulnerable Ukrainian citizens;**
- **provide social assistance for over 730,000 Ukrainian citizens**
- **pay salaries for over 152,000 civil service employees and over 515,000 healthcare employees.**

USG-provided budget support was critical in minimizing disruptions to service delivery and damage to human capital, and helping to maximize capacity for GOU-led recovery.

² Source: Social Protection for Recovery: Europe and Central Asia Economic Update. Fall 2022. The World Bank Group.

³ Source: The United Nations Refugee Agency

⁴ Source: Macro Poverty Outlook for Europe and Central Asia: Ukraine October 2022. The World Bank Group.

Results of USG Budget Support to GOU as of 5/31/2023⁵

Disbursed to GOU	Amount	Funding Source	Mechanism	Expenditure Categories
1/30/2023	\$1.25B	FY 2023 AUSAA	PEACE	<p>Pensions (Dec 2022 - Jan. 2023): \$914.493 million</p> <p>Social Assistance for persons with disabilities (Dec 2022 - Jan 2023): \$38.96 million</p> <p>Social Assistance for low-income families (Dec 2022 - Jan 2023): \$36.161 million</p> <p>First Responders (Dec 2022 - Jan 2023): \$138.772 million</p> <p>Housing and Utility Subsidies (Dec 2022 - Jan 2023): \$85.56 million</p> <p>Housing and Utility Subsidies (September-October 2022): \$33.958 million</p>
03/28/2023	\$1.25B	FY 2023 AUSAA (Supp 4)	PEACE	<p>Pensions (Partially Nov. 2022, Dec. 2022, & Partially Jan. 2023): \$451,307,186.70</p> <p>First Responders (partially Jan. 2023): \$34,984,535.84</p> <p>Teachers (partially Nov. & Dec 2022): \$216,388,344</p> <p>Higher Ed Employees (partially Nov & Dec. 2022): \$352,523,099.05</p>
04/28/2023	\$1.25B	FY 2023 AUSAA (Supp 4)	PEACE	<p>Pensions (Partially Feb. + Full March 2023): \$787,731,316</p> <p>First Responders (Partially Jan. and Feb. + Full March 2023): \$174,027,872</p> <p>IDP Payments (Partially Dec. 2022): \$12,638,608</p> <p>Healthcare Salaries (Full Dec. 2022): \$275,602,202.40</p>
5/30/2023	\$1.25B	FY 2023 AUSAA (Supp 4)	PEACE	<p>Pensions (April 2023): \$499.2 million</p> <p>Healthcare Salaries (Jan-Feb. 2023): \$464.1 million</p> <p>Social Assistance for Low-Income Families (Dec. 2022 - March 2023): \$104.4 million</p>

⁵ Results are for FY 2023 AUSAA funds(\$5.0B only. For results of funding provided under other Ukraine supplementals, see USAID's previously submitted reports.

				Higher Ed Employees (Feb. 2023): \$182.3 million
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METRICS ESTABLISHED TO MEASURE RESULTS:

The following metrics are being used to help track the sustaining of the GOU’s service-delivery capacity and exercising of core government functions. The GOU’s ability to continue to pay government staff salaries and pensions, provide social assistance, health and emergency services, are measured by the following metrics:

1. The extent to which the GOU continues to exercise core functions (processing the online filing of taxes, payments of guaranteed-minimum-income subsidies, issuing of birth certificates, and processing online requests for housing and utility subsidies).
2. Number of government employees in non-security sectors paid (disaggregated by gender for civil servants).
3. Number of school employees paid (disaggregated by gender).
4. Number of schools that remain operational through distance-learning, blended, and/or in-person format.
5. Pensions paid on time (i.e., within a month when pension payments are due).
6. Social payments paid on time (i.e., within a month when payments related to the identified social programs are due).
7. Number of health service providers paid.
8. Number of State Emergency Service staff paid on time.

Results Metrics for USG Budget Support to the GOU

Expenditure	Goal	Results	Metrics
Funding of government and school staff and first responder salaries	Government and school employees and first responders are paid on time	Sustained public administration capacity to exercise core government functions Operational schools	Extent to which GOU continues to exercise core functions Number of staff paid on time
Funding of social assistance and pensions	Pensions and social assistance paid on time	Support to vulnerable (pensioners and social assistance beneficiaries)	Number of recipients who received assistance on-time

Funding of healthcare workers' salaries	Healthcare services continue to be delivered	Operational healthcare facilities.	Number of health service providers operational.
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The World Bank reports against these metrics in Implementation Status & Results (ISR) reports. The baseline ISR report was issued by the World Bank on March 8, 2023.

<https://documents1.worldbank.org/curated/en/099750106132216609/pdf/P17894600b459203b084a50386aa353db2f.pdf>

OTHER DONOR CONTRIBUTIONS

The European Union (EU) is providing up to €25.2 billion in DBS through macro-financial assistance loans and €620 million in grants. In 2022, the EU provided €7.2 billion in macro-financial assistance loans and €620 million in grants. For 2023, the EU is providing an unprecedented support package for Ukraine of up to €18 billion in the form of highly concessional loans (Macro-financial Assistance (MFA) +), of which €7.5B has been disbursed. In May, the EU Commission paid the 4th payment of €1.5 billion under this package (1st: January - €3 billion; 2nd: March - €1.5 billion; 3rd: April - €1.5 billion) after finding that Ukraine continued to make satisfactory progress towards implementing the agreed policy conditions and complied with reporting requirements, which aim to ensure the transparent and efficient use of the funds. The EU Commission found that Ukraine has notably achieved important progress to strengthen the rule of law, enhance financial stability, improve the functioning of the gas system, and promote a better business climate. This finding will also enable the disbursement of a further monthly payment of €1.5 billion in June. This support helps Ukraine in paying wages and pensions and to maintain essential public services, such as hospitals, schools, and housing for relocated people. It will also support macroeconomic stability and help restore critical infrastructure destroyed by Russia, such as energy infrastructure, water systems, transport networks, roads, and bridges.

Other major bilateral providers of budget support since the start of the full-scale war include: Canada (\$3.6 billion), Germany (\$1.6 billion), UK (\$1.6 billion) Japan (\$581 million with an additional \$5.5 billion announced in February 2023); and Norway (\$7.5 billion package announced in February 2023).

The GOU has also received substantial budget support from International Financial Institutions (IFIs), including \$5.4 billion from the International Monetary Fund (IMF), \$1.9 billion from the World Bank and \$1.7 billion from the European Investment Bank (EIB). On March 31, 2023,

The Executive Board of the IMF approved a 48-month extended arrangement under the Extended Fund Facility (EFF) with an amount of \$15.6 billion. This arrangement is part of a \$115 billion total support package for Ukraine that aims to sustain economic and financial stability, restore debt sustainability, and promote reforms that support Ukraine's recovery on the path toward EU accession in the post-war period.

Steps Taken by the Department of State to Increase Other Donor Contributions:

The Department of State continues to emphasize, in interactions with its partners at all levels, the importance of burden-sharing, and has pressed the EU and its member states in particular to deliver expeditiously on their €18 billion pledge and to provide additional funds going forward, preferably in the form of grants.

In a February 8, 2023, demarche, the USG identified Australia, the Republic of Korea, and Switzerland as potential donors, given their GDP, income levels, and histories of support for Ukraine. Contributions from these countries could further help close Ukraine's 2023 budget gap.

Steps Taken by USAID to Increase Other Donor Contributions:

USAID regularly and consistently emphasizes the importance of partners and allies committing – and delivering – on assisting Ukraine in meeting short- and long-term financing needs. Efforts include, for example:

- In various forums, outlining Ukraine's needs and urging partners and allies to provide budget support and economic assistance to Ukraine;
- Urging EU partners to fully deliver on the promised €18 billion in macro-financial assistance and importance of timely disbursements; and
- In discussions with allies and partners about Ukraine's recovery and reconstruction, encouraging the establishment of an effective coordination platform and planning for the scale of future economic recovery and reconstruction efforts.