

# Ukraine: Oversight of U.S. Direct Budget Support

GAO-24-107520

Q&amp;A Report to Congressional Requesters

July 31, 2024

## Why This Matters

Russia's February 2022 invasion of Ukraine is causing a devastating loss of life, creating a widespread humanitarian crisis, and threatening democracy in Europe. In response, Congress has appropriated more than \$174 billion across the federal government. From this funding, the U.S. Agency for International Development (USAID) has obligated about \$26.8 billion for direct budget support (DBS) to the Government of Ukraine (GoU), and USAID plans to obligate an additional \$3.95 billion, as of July 2024. This funding is intended to ensure the GoU can continue critical operations and deliver essential services. This funding also enables the GoU to use a larger share of its taxpayer funding to combat the invasion.

We were asked to provide information about the DBS funding the U.S. provided to the GoU and the existing oversight of this funding. This report is part of a series of work GAO has underway evaluating U.S. oversight of Ukraine assistance. This report discusses the DBS the U.S. has provided, the ongoing and planned oversight mechanisms established by USAID and others, and the level of accountability for U.S. funding this oversight provides.

## Key Takeaways

- The U.S. obligated approximately \$22.9 billion in DBS funding to the GoU prior to 2024, obligated \$3.899 billion in July 2024, and plans to provide an additional \$3.95 billion by the end of 2024. USAID provided this funding to the GoU through World Bank trust funds. Most of this funding was used to reimburse the GoU for eligible expenses, such as salaries for teachers and other school employees, civil servants, and healthcare workers.
- USAID monitors the use of U.S. DBS funding, and the World Bank supervises World Bank trust funds and operations used to provide DBS to the GoU. Both USAID and the World Bank hired contractors to support their oversight efforts. USAID hired Deloitte Consulting LLP (Deloitte) and KPMG, while the World Bank hired PwC.
- The contractors' reviews offer different levels of accountability based on their oversight approaches. For example, they are monitoring the GoU's management of U.S. DBS funding to provide visibility and identify gaps in processes, and conducting financial statement audits that can promote transparency and bolster stakeholder confidence in financial reporting.














## What direct budget support has the U.S. government provided to the Government of Ukraine?




Prior to 2024, the U.S. government had obligated approximately \$22.9 billion for DBS to the GoU to help Ukraine pay for critical government operations from funds in the Ukraine acts.<sup>1</sup> In April 2024, Congress appropriated an additional \$7.849 billion in assistance funding that could be available for DBS to the GoU of which, as of July 2024, the U.S. government has obligated \$3.899 billion.<sup>2</sup>

USAID manages this DBS funding and obligated the initial \$22.9 billion appropriated in the Ukraine acts to three World Bank trust funds. Most of the DBS provided to Ukraine (\$20.2 billion) has been provided under the Public Expenditures for Administrative Capacity Endurance in Ukraine (PEACE) project, a World Bank multi-donor trust fund established in June 2022. The PEACE project provides DBS to the GoU on a reimbursable basis for eligible expenses.<sup>3</sup>

Over 13 million Ukrainian citizens are the ultimate beneficiaries of this assistance, according to World Bank documents. While the original PEACE project was designed to reimburse the GoU for a portion of salary expenses for school employees and non-military civil servants, the project was expanded several times to include 13 expenditure categories to reach other vulnerable populations, as shown in figure 1. According to the Ukrainian government, this support is critical to Ukrainians' survival.

**Figure 1: Ukrainian Government Expenditure Categories Covered under the Public Expenditures for Administrative Capacity Endurance in Ukraine (PEACE) Project**

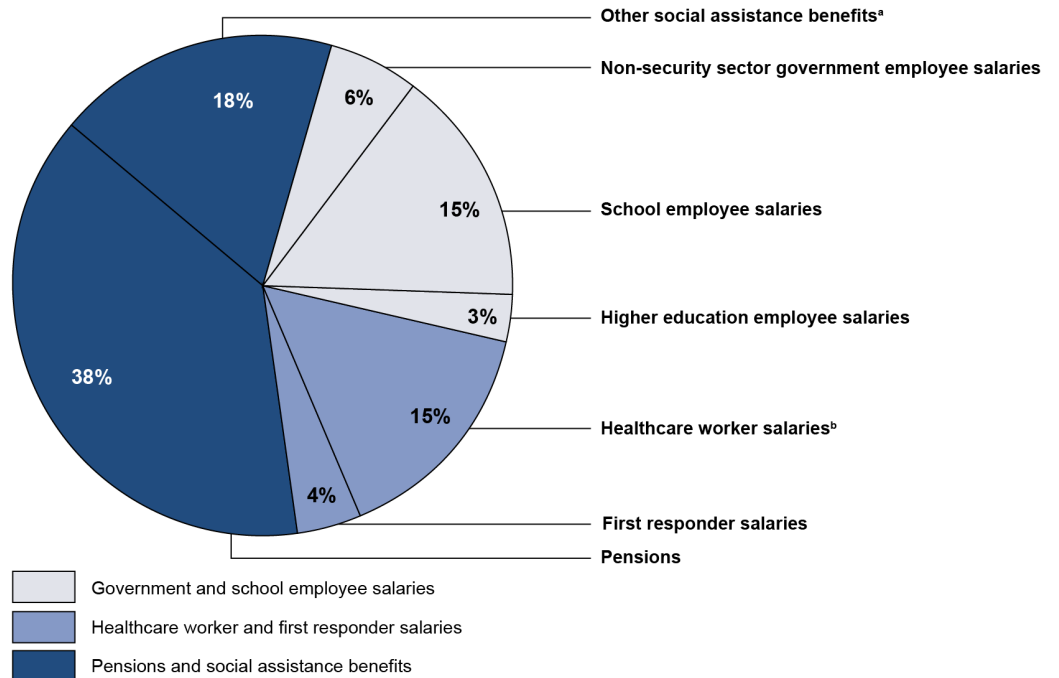
Expenditure Category		Description
	<b>Non-security sector government employee salaries</b>	Civil servants at both the central and subnational level from most ministries and agencies. Does not include military or law enforcement personnel.
	<b>School employee salaries</b>	Teachers and administrative staff at public schools below the university level.
	<b>Higher education employee salaries</b>	Teachers and administrative staff at public universities. Does not cover military colleges or staff serving in the military or territorial defense forces.
	<b>Healthcare worker salaries</b>	Covers a portion of central government reimbursements to healthcare facilities for healthcare packages representing salaries.
	<b>First responder salaries</b>	Covers wages of first responders.
	<b>Pensions</b>	Central government transfer to the Pension Fund of Ukraine, which provides benefits based on old age, disability, and survivorship.
	<b>Guaranteed minimum income</b>	Anti-poverty program for low-income families.
	<b>Housing and utilities subsidy</b>	Means-tested program to subsidize utilities.
	<b>Disability benefit</b>	Monthly payment to people with permanent disabilities, including disabled children. Amount varies based on disability status.
	<b>Internally displaced persons (IDP) stipend</b>	Monthly stipend to IDPs. Slightly higher benefits for children and people with disabilities.
	<b>Birth grant and adoption grant</b>	Includes lump sum payment to parent/guardian following the birth or adoption of a child, plus monthly payments for 36 months.
	<b>Social assistance to single parents</b>	Means-tested program that pays monthly benefits to single parents who are not entitled to a survivor's or social pension.
	<b>Maternity benefit</b>	Covers maternity leave for women not covered by the social insurance system. Does not include women in the security sector.

-  Government and school employee salaries
-  Healthcare worker and first responder salaries
-  Pensions and social assistance benefits

Source: GAO analysis of World Bank and Government of Ukraine documents (data); GAO (icons). | GAO-24-107520

According to the most recent estimates reported by the World Bank in November 2023, pension payments, healthcare worker salaries, and school employee salaries accounted for the largest shares of eligible expenditures for PEACE project financing (see fig. 2).

**Figure 2: Estimated Percentage of Monthly PEACE Expenditures, as Reported by the World Bank in November 2023**



Source: The World Bank's project paper for the sixth additional financing for Public Expenditures for Administrative Capacity Endurance in Ukraine (PEACE) project. | GAO-24-107520

Note: Numbers do not add up to 100 percent because of rounding.

<sup>a</sup>This includes the estimated expenditures for the seven social assistance benefits categories—guaranteed minimum income, housing and utility subsidy, disability, internally displaced persons, birth grant and adoption grant, social assistance to single parents, and maternity benefit.

<sup>b</sup>The World Bank did not include an estimate for healthcare worker salaries in its sixth additional financing document. This estimate is from the document describing the fifth additional financing for PEACE, published in June 2023.

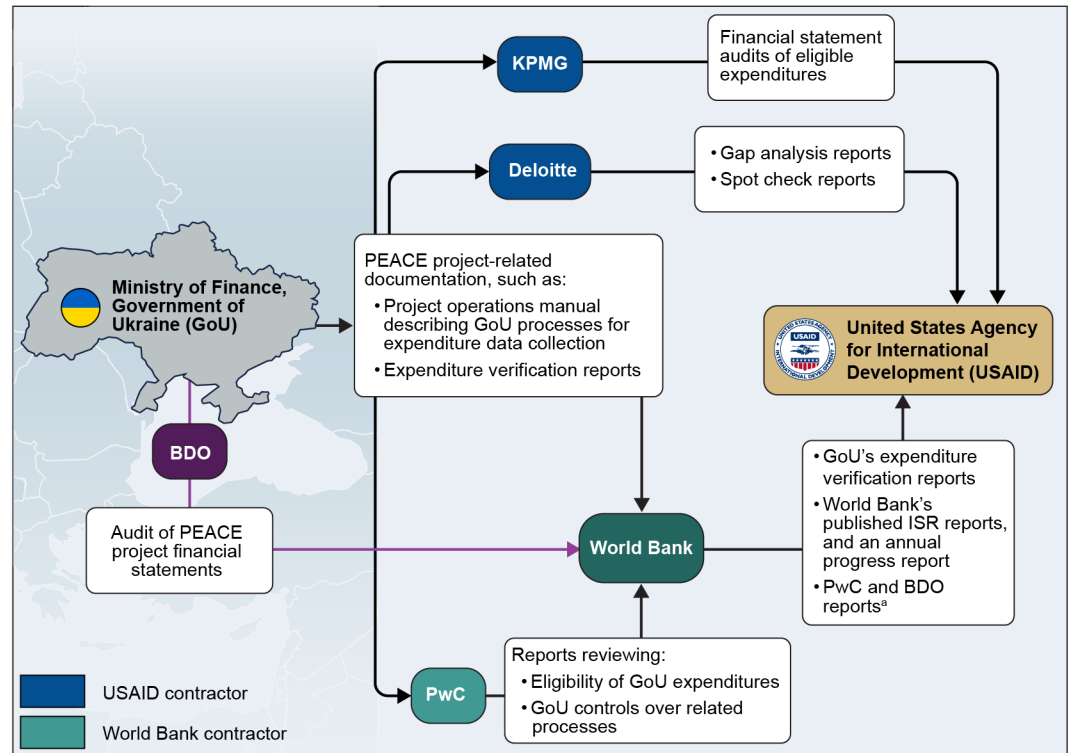
**What entities oversee the DBS provided through PEACE, and what are their roles?**

USAID is responsible for ensuring monitoring and oversight of U.S. DBS funds provided to Ukraine, which include U.S. contributions provided through the World Bank's PEACE project. Similarly, the World Bank is responsible for supervising all World Bank-supported projects, including activities financed under its trust funds. To fulfill these oversight responsibilities, USAID and the World Bank rely on support from contractors, among other means. This oversight is meant to ensure the transparency and accountability of DBS.

USAID, as the administrator of U.S. contributions to the PEACE project, has specific reporting and oversight responsibilities.<sup>4</sup> For example, beginning with the Ukraine Supplemental Appropriations Act, 2023, USAID has been required to report to Congress every 45 days on the use of funds provided for DBS, including a description of the use of these funds, the results achieved by DBS funding, and how those results are measured.

USAID is taking a layered approach to inform its oversight efforts by relying on various sources (see fig. 3).

**Figure 3: Sources Informing USAID’s Oversight of Direct Budget Support to Ukraine**



Legend: ISR = Implementation Status and Results, PEACE = Public Expenditures for Administrative Capacity Endurance in Ukraine.

Source: GAO analysis of USAID, World Bank, GoU, and contractor documents and reports; Map resources (map); USAID (icons). | GAO-24-107520

<sup>a</sup>The World Bank publishes these and other documents on its website.

**GoU’s Ministry of Finance.** The ministry supports the PEACE project’s oversight entities by collecting and verifying expenditure data from GoU agencies and ministries. The Ministry of Finance develops monthly expenditure verification reports that it submits to the World Bank for reimbursement of eligible expenses. The World Bank shares these reports with PEACE project donors upon request. The ministry has also shared these reports and other documentation with World Bank and USAID contractors.

- **BDO**, an audit firm, conducted financial audits of the PEACE project for the GoU’s Ministry of Finance. According to World Bank policy, such independent audits are required for all World Bank projects. The first audit report presented a clean opinion and examined special purpose financial statements prepared by the Ministry of Finance under the PEACE project, covering the period from June 18, 2022 to June 30, 2023.

**World Bank.** The World Bank is responsible for supervising, conducting oversight, and providing implementation support for the activities financed under the trust funds it manages, including the trust funds financing the PEACE project. For example, according to the World Bank, its officials review the GoU’s expenditure verification reports for consistency with expenditure execution reports and spending patterns before reimbursing the GoU for eligible expenses. The World Bank told us they also required the GoU to establish grievance redress mechanisms so that individuals could report any concerns about the project. In addition, the World Bank has been conducting “Listening to the Citizens of Ukraine” surveys, phone interviews with a random sample of between 1,500 and 2,000 households every month.<sup>5</sup> It also prepares biannual and annual progress reports with key outcomes and results for PEACE project donors. The World Bank also contracted with PwC to support its oversight of the PEACE project, according to the World Bank.

- **PwC** is reviewing the GoU’s processes for compiling expenditure verification reports and determining eligibility of expenditures, as well as reviewing related internal controls.

**USAID.** The agency hired Deloitte and KPMG to support its oversight of DBS provided to Ukraine through the PEACE project.

- **Deloitte** began supporting USAID’s oversight of DBS in July 2022. USAID hired Deloitte to monitor and analyze the GoU’s management of U.S. DBS to provide visibility over the use of this funding. This includes reviewing the GoU’s existing processes and procedures to oversee and report on the use of U.S. DBS funds, as well as conducting continuous spot checks on sample transactions reimbursed through the PEACE project. Based on the results of this work, Deloitte provides the GoU with advice and technical assistance to help the GoU address identified gaps and improve financial management processes and procedures.<sup>6</sup>
- **KPMG** signed a contract with USAID in September 2023 to audit whether DBS provided to the GoU has been used for its intended purposes and has reached the intended beneficiaries.

**What are the current oversight approaches and how does the accountability they provide vary?**

USAID, the World Bank, and other entities support the oversight of DBS funding through different approaches, which offer varying levels of accountability. These approaches include agreed-upon procedures (AUP) engagements, financial statement audits, monitoring efforts, and performance audits. See table 1 for more information about the types of oversight approaches being used.

**Table 1: Selected Oversight Approaches and the Different Scopes and Level of Assurance Each Provide**

Oversight Approach	Definition	Scope	Level of Assurance
Agreed-upon procedures engagements	An engagement in which an auditor performs specific procedures and reports the findings without providing an opinion or conclusion. The specified parties to the engagement agree upon the procedures of the audit.	<ul style="list-style-type: none"> <li>• Varies, depending on the specific agreed-upon procedures.</li> <li>• Limited to the specific agreed-upon procedures.</li> <li>• May or may not assess internal controls, compliance, or fraud.</li> </ul>	<ul style="list-style-type: none"> <li>• No assurance or opinion provided.</li> <li>• Does not contain conclusions on the subject matter.</li> <li>• Reported findings are limited to what the agreed-upon procedures specified.</li> </ul>
Financial statement audits	An audit that provides an independent assessment of whether an entity’s reported financial information is presented fairly, in accordance with recognized criteria, such as generally accepted accounting principles.	<ul style="list-style-type: none"> <li>• Focuses on an entity’s financial statements.</li> <li>• Considers internal controls and compliance relevant to the financial statements and underlying financial systems.</li> <li>• Considers risk of material misstatements in the financial statements, due to fraud or error.</li> </ul>	<ul style="list-style-type: none"> <li>• Opinion (reasonable assurance) about whether the financial statements are presented fairly in accordance with recognized criteria.</li> <li>• Report on internal controls over financial reporting and on compliance, including any material identified or suspected fraud.</li> </ul>
Monitoring	Continuous systematic tracking of data and information related to policies, strategies, programs, projects, or activities to determine whether desired results are occurring as expected.	<ul style="list-style-type: none"> <li>• Varies.</li> </ul>	<ul style="list-style-type: none"> <li>• No assurance or opinion provided.</li> <li>• Reported findings are limited to the work conducted.</li> </ul>

Oversight Approach	Definition	Scope	Level of Assurance
Performance audits	An audit that provides objective analysis, findings, and conclusions, using suitable criteria, to assist management and those charged with governance and oversight. The audit's analysis may provide recommendations for improving program performance and operations, reducing costs, and contributing to public accountability.	<ul style="list-style-type: none"> <li>Varies, based on the performance audit objectives.</li> <li>Internal controls, compliance, and fraud are considered to the extent they are significant to the audit objectives.</li> </ul>	<ul style="list-style-type: none"> <li>Evidence obtained provides a reasonable basis for reported findings and conclusions based on the audit objectives.</li> <li>Reporting on internal controls when significant in the context of the audit objectives.</li> <li>Reporting on any identified noncompliance or fraud.</li> </ul>

Source: GAO analysis of GAO's Government Auditing Standards, Office of Management and Budget's Monitoring and Evaluation Guidelines, and Accounting, Audit, and Corporate Finance Library documents. | GAO-24-107520

Given the varied scopes and levels of assurance, each approach can be used for different purposes and levels of accountability. For example, AUP engagements are designed to meet specific client needs, while performance audits offer more insights into the efficiency and accountability of processes. In contrast, financial statement audits can promote transparency and bolster stakeholder confidence in financial reporting. The decision to choose a certain type of approach depends on a wide range of factors including resources, data and documentation access, timing, and funds, as well as the level of assurance needed to meet oversight needs.

Table 2 describes the work that USAID's and the World Bank's contractors have completed or are conducting to support oversight of the PEACE project, including the scope and limits of their work. These efforts include both Deloitte's monitoring and analysis work and various oversight approaches being conducted by other contractors.

**Table 2: USAID and World Bank Contracted Monitoring and Oversight of the Public Expenditures for Administrative Capacity Endurance in Ukraine (PEACE) Project**

Contractor and Approach	Scope of Monitoring or Oversight Work	Limits of Monitoring or Oversight Work
<b>Deloitte Consulting LLP – Contractor for the U.S. Agency for International Development (USAID)</b>		
Monitoring and analysis	<p><b>Gap analysis reports:</b></p> <ul style="list-style-type: none"> <li>Deloitte is producing biannual reports reviewing and analyzing the Government of Ukraine's (GoU) management and oversight of DBS funds.</li> <li>These reports focus on identifying gaps in the GoU's processes related to the transparency and accountability of U.S. direct budget support (DBS) provided under PEACE.</li> <li>As of July 2024, Deloitte had completed three biannual reports.</li> </ul> <p><b>Spot check reports:</b></p> <ul style="list-style-type: none"> <li>Deloitte conducts continuous spot checks on sample transactions and fund flows to help USAID review, analyze, and report on Ukraine's oversight of DBS funds. It reports on these checks monthly.</li> <li>These checks include reviews of three types of transactions:               <ol style="list-style-type: none"> <li>fund flows from the World Bank to designated Ukrainian banks,</li> <li>fund flows from the GoU's Single Treasury Account to GoU ministries and eligible public institutions, and</li> </ol> </li> </ul>	<ul style="list-style-type: none"> <li>Deloitte is providing consulting services and is not conducting an audit, and therefore is not providing an opinion or other form of assurance with respect to the monitoring and analysis performed.</li> <li>Deloitte did not test the operating effectiveness of the GoU's processes and controls.</li> </ul> <p>Deloitte's spot checks were performed on a limited basis and cannot be treated as an audit or attestation of DBS-related transactions.</p> <ul style="list-style-type: none"> <li>The non-representative sample of spot checks of payments to individual beneficiaries represents less than 1 percent of the total DBS-related transactions, according to Deloitte staff.</li> <li>To carry out spot checks of payments to individual beneficiaries, Deloitte needs access to personally identifiable information (PII), such as payroll documents and labor contracts. Deloitte stated in its reports that it has limited access to this information due to Ukraine's privacy laws. While Deloitte has</li> </ul>

Contractor and Approach	Scope of Monitoring or Oversight Work	Limits of Monitoring or Oversight Work
	<ul style="list-style-type: none"> <li>(3) fund flows intended to confirm salary payments and other payments were made, as reported by the GoU, to individual beneficiaries.</li> <li>As of July 2024, Deloitte had completed 16 spot check reports.</li> </ul>	<p>requested individuals' consent to access their PII to verify salary transactions, some beneficiaries have declined or not responded. In such cases, Deloitte selects another eligible employee to try to achieve the planned number of spot checks.</p>
<b>KPMG – Contractor for USAID</b>		
Financial statement audits and agreed-upon procedures (AUP) engagements	<ul style="list-style-type: none"> <li>KPMG will audit PEACE-related expenditures of three GoU entities that have received the largest shares of DBS resources—the Pension Fund of Ukraine, the Ministry of Education and Science (MoES), and the National Health Service of Ukraine (NHSU)—from 2022 and 2023, according to KPMG staff.</li> <li>Financial statement audits for all three entities will include reviews of internal controls and compliance with agreements and laws in accordance with generally accepted government auditing standards. KPMG plans to report out on any noncompliance with agreements and provisions governing DBS funds and any information about identified or suspected fraud.</li> <li>KPMG will also complete AUPs to test actual payments of 2023 salaries paid by MoES and 2022 and 2023 salaries paid by NHSU, because these entities calculated expenditures in these years using an accrual-based accounting approach, according to KPMG staff. Accrual-based accounting is based on estimates. <ul style="list-style-type: none"> <li>KPMG staff said the statistical sample of payments for testing will include several thousand GoU employees.</li> </ul> </li> <li>KPMG plans to complete five financial statement audits and three AUPs, with the first audit planned for completion in September 2024, according to KPMG staff.</li> </ul>	<ul style="list-style-type: none"> <li>KPMG is not conducting a full-scope financial audit of any GoU entity. For example, KPMG's work will not include a balance sheet audit, according to KPMG staff.</li> <li>KPMG will conduct two audits of MoES expenditures with different methodologies because the ministry prepared its expenditure information differently in 2022 and 2023, according to KPMG staff. As a result, KPMG will not be able to compare the financial statements for those years.</li> <li>The audit of NHSU financial statements cannot begin until the 2022 and 2023 statements have been corrected, according to KPMG staff. Deloitte previously identified a systematic issue with the health clinics' accounting.</li> <li>KPMG staff said they plan to issue opinions for each of the financial statement audits it completes. However, because of the potential absence of data or documents from facilities in or near occupied territories, KPMG staff expect they will need to issue modified opinions.</li> </ul>
<b>PwC – Contractor for the World Bank</b>		
AUP engagement	<ul style="list-style-type: none"> <li>Reviews to help the World Bank and, as applicable, GoU's Ministry of Finance determine whether (1) monthly expenditure reports were correctly compiled and consolidated, (2) the GoU has functioning controls, and (3) transaction samples were correct and the expenditures were made in accordance with PEACE project guidance.</li> <li>PwC reviewed GoU controls over preparation and compilation of eligible expenditure reports.</li> <li>As of July 23, 2024, PwC had issued three reports covering sample transactions for periods from March 2022 through September 2023.</li> </ul>	<ul style="list-style-type: none"> <li>AUPs do not result in an opinion or an assurance conclusion.</li> <li>According to the World Bank, some areas of review could not be finalized on time as agreed due to delays or other complications (e.g., difficulty obtaining timely information from war-affected areas). These areas should then be included in the next AUP review.</li> <li>These reports reviewed limited samples, based on AUP terms of reference. During the first phase of reports, PwC reviewed wage expenditures for a sample of 120 government employees (from approximately 140,000 employees) to determine if individual wages were calculated appropriately.</li> <li>These reports exclude sensitive and personal data, including some descriptions of relevant controls and details about units tested.</li> </ul>

Source: GAO analysis of documents from USAID's and World Bank's contractors, including reports and audit plans, and interviews with USAID and USAID's contractors. | GAO-24-107520

The scope and limits of these oversight efforts affect what the contractors' work has the potential to find. For example, some of these oversight efforts have the potential to identify fraud within the sample of payments tested, but only a small number of payments have been reviewed for the completed reports. However, the multilayered oversight approach may help to mitigate some of the risks stemming from such limitations.

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## What additional oversight is planned for this funding?

USAID plans to continue working with Deloitte and KPMG to oversee DBS provided to the GoU through the PEACE project. USAID has directed Deloitte to continue conducting spot checks through at least December 2024. USAID has also contracted Deloitte to conduct additional gap analyses and provide more technical assistance to the GoU to address any identified gaps. KPMG will continue its financial statement audits of selected GoU ministries and agencies.

The World Bank plans to continue working with PwC to support oversight of the project. PwC will finalize its fourth AUP report by August 2024, and it will begin the fifth AUP review in fall 2024, according to the World Bank. The World Bank also reported that it plans to continue regular “Listening to the Citizens of Ukraine” surveys to assess the impact of the PEACE project on service delivery and timeliness of payments.

BDO, the audit firm conducting financial audits on behalf of the GoU, will conduct a second audit of the PEACE project financial statements by the end of calendar year 2024 and a third audit of the financial statements after the project ends. The current project closing date is June 2025.<sup>7</sup>

Other independent entities have ongoing or planned oversight efforts that may bolster transparency and accountability for the PEACE project.

- **GAO** is conducting a performance audit of USAID’s oversight approach and the extent to which it helps ensure the accountability and transparency of the DBS the U.S. provided to Ukraine through the PEACE project. GAO expects to complete this work in early 2025.
- **USAID Office of the Inspector General (OIG)** is conducting a performance audit to examine USAID’s oversight of its contributions to the PEACE project, with a focus on DBS used for payments to internally displaced persons. USAID OIG expects to complete this work in early 2025.
- **The Accounting Chamber of Ukraine**, Ukraine’s supreme audit institution, is conducting a performance audit of the sustainability of the Pension Fund of Ukraine under martial law.<sup>8</sup> This audit includes a review of DBS funding used to reimburse the GoU for pension payments. The chamber expects to complete this work in September 2024.

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## Agency Comments

We provided a draft of this report to USAID and the World Bank for review and comment. USAID and the World Bank provided technical comments, which we incorporated as appropriate. USAID and the World Bank provided written comments that are included at the end of this report.

In its written comments, the World Bank provided additional details about three oversight and feedback mechanisms established for the PEACE project: grievance redress mechanisms, the “Listening to the Citizens of Ukraine” survey, and PwC’s reviews. As this Q&A is intended to provide a high-level overview of the oversight for U.S. DBS funding for Ukraine, we have included a brief description of each of these mechanisms. As noted in our report, we are conducting a broader performance audit of USAID’s oversight of this DBS that will include a more thorough review of all types of related oversight.

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## How GAO Did This Study

This report provides information on the U.S.-provided DBS funding to the GoU and the completed, ongoing, and planned oversight of this funding.

To describe the DBS the U.S. has provided to the GoU and the use of DBS funding, we reviewed USAID documents as well as reports published by the World Bank, USAID OIG, and other entities. We interviewed USAID officials about the mechanisms the agency used to provide DBS to the GoU.



To describe the completed, ongoing, and planned oversight of DBS provided, we reviewed and analyzed USAID contracts and scopes of work as well as relevant reports published by USAID and World Bank contractors. We also interviewed USAID and USAID OIG officials and Deloitte and KPMG staff regarding their monitoring and oversight work. We coordinated this and other Ukraine oversight work with USAID's OIG to avoid duplication of effort and to share relevant information that will enhance the overall oversight of Ukraine assistance.

We conducted this performance audit from April 2024 to July 2024 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## List of Addressees

The Honorable James E. Risch  
Ranking Member  
Committee on Foreign Relations  
United States Senate

The Honorable Michael T. McCaul  
Chairman  
Committee on Foreign Affairs  
House of Representatives

We are sending copies of this report to the appropriate congressional Committees; the Administrator of the U.S. Agency for International Development; the President of the World Bank; and other interested parties. In addition, the report is also available at no charge on the GAO website at <https://www.gao.gov>.

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## GAO Contact Information

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## Appendix I: Comments from the U.S. Agency for International Development



July 17, 2024

Ms. Latesha Love-Grayer  
Director  
U.S. Government Accountability Office  
441 G Street, N.W.  
Washington, D.C. 20226

Re: ***Ukraine: Oversight of U.S. Direct Budget Support (GAO-24-107520)***

Dear Ms. Love-Grayer:

I am pleased to provide the formal response of the U.S. Agency for International Development (USAID) to the draft report produced by the U.S. Government Accountability Office (GAO) titled, *Ukraine: Oversight of U.S. Direct Budget Support (GAO-24-107520)*. The report does not contain any recommendations for action on behalf of the Agency.

As of July 3, 2024, USAID has obligated and disbursed \$22.9 billion in direct budget support to the Government of Ukraine (GOU) following Russia's full-scale invasion in February 2022. These resources have been critical in enabling Ukraine to defend its sovereignty against Russia's aggression, allowing the GOU to fight for its existence while avoiding economic collapse. To ensure proper accountability of these important resources, USAID is implementing a robust oversight framework. As described in this report, our multi-layered approach includes technical assistance, analysis of GOU financial systems, reporting on internal controls, continuous monitoring, audits and third-party verifications. Despite the numerous challenges of operating in a war zone, this undertaking underscores USAID's unwavering commitment to rigorous oversight and accountability standards, ensuring these funds are used for their intended purpose and delivering transparency to U.S. taxpayers.

I am transmitting this letter from USAID for inclusion in the GAO's final report. Thank you for the opportunity to respond to the draft report and for the courtesies extended by your staff while conducting this engagement. We appreciate the opportunity to participate in the complete and thorough evaluation of USAID's oversight of direct budget support.

Sincerely,

*Colleen Allen*

Colleen Allen  
Assistant Administrator  
Bureau for Management



22 July 2024

Ms. Latesha Love  
Director, International Affairs and Trade  
U.S. Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

Dear Ms. Love

*Re: Management response to Draft Report GAO-24-107520 –  
Ukraine: Oversight of U.S. Direct Budget Support*

Thank you for the opportunity to review the draft report for Ukraine: Oversight of U.S. Direct Budget Support, dated July 31, 2024.

In accordance with its Articles of Agreement, the World Bank ensures that the proceeds of any grants and loan are used only for the purposes for which the financing was granted, with due attention to economy and efficiency.

During the different interactions with GAO, the World Bank provided information on the oversight mechanisms in place to ensure integrity, effectiveness, and efficiency in the implementation of the PEACE project. We believe that the report would benefit from further explanation of the three oversight and feedback mechanisms established for the PEACE project: the Grievance Redress Mechanisms; the Listening to Citizens of Ukraine survey; and the Agreed upon Procedure Review.

All World Bank recipient-executed projects are required to put in place a Grievance Redress Mechanism (GRM) whereby individuals can report any concerns about the project. The PEACE Project GRM requires the Ministry of Finance (MoF) to register and address complaints from beneficiaries. This provides an additional level of assurance that old-age pensions, salaries, and social assistance are paid to intended beneficiaries. MoF has provided monthly GRM monitoring reports since the beginning of the project and has addressed grievances in a timely manner. The Ministry of Social Policy operates a multi-channel GRM for pensioners beneficiaries of child and family benefits and all Social Safety Net programs, including Guaranteed Minimum Income (GMI), housing utility subsidy (HUS), social assistance for the IDPs, and social assistance for persons with disabilities since childhood and children with disability. Pensioners can also submit complaints, information requests, and suggestions in centers/units or they can use the other channels such as website, mobile applications, PFU hotline and email.

PricewaterhouseCoopers (PwC), an independent auditor engaged to ensure that verification of the PEACE project expenditures is satisfactory, and controls of the government are effective, confirmed in its reviews that the GRM is fully functional. In addition, the PwC reviews (completed in April 2023, September 2023

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and February 2024, respectively) confirmed that internal controls were operating as intended. Minor discrepancies (usually well below 0.1 percent of eligible expenditures) were related to manual or partially automated controls, and generally the product of rounding and human errors.

Finally, the [“Listening to the Citizens of Ukraine” report](#) – which has been supported through the PEACE project gathers feedback directly from citizens. The monthly phone surveys conducted by the World Bank in collaboration with Kyiv International Institute of Sociology interview between 1,500 and 2,000 households. Households were drawn from a 2021 representative sample of the Ukrainian population. Households are tracked over time until they drop out. They are then replaced by other randomly selected households. The survey shows that between 85 percent and 92 percent of health clinics were fully operational in each month of 2023, and a minimum of 89 percent of children aged 6–18 were enrolled in school. Moreover, 97 percent of old-age pensions and 85 percent of social assistance transfers continued to be paid on time every month, with benefits for Internally Displaced Persons reaching the most vulnerable among them.

We are available to provide any additional information that may be required to support to these statements.

Sincerely,

  
**Ed Mountfield**

Vice President, Operations Policy and Country Services

## Endnotes

<sup>1</sup>In total, as of April 2024, Congress has appropriated more than \$174 billion under five Ukraine supplemental appropriations acts in response to Russia's invasion of Ukraine. Consolidated Appropriations Act, 2022, Pub. L. No. 117-103, Div. N, 136 Stat. 776 (Mar. 15, 2022); Additional Ukraine Supplemental Appropriations Act, 2022, Pub. L. No. 117-128, 136 Stat. 1211 (May 21, 2022); Continuing Appropriations and Ukraine Supplemental Appropriations Act, 2023, Pub. L. No. 117-180, Div. B, 136 Stat. 2114 (Sept. 30, 2022); Consolidated Appropriations Act, 2023, Pub. L. No. 117-328, Div. M, 136 Stat. 5189 (Dec. 29, 2022); and Ukraine Security Supplemental Appropriations Act, 2024, Pub. L. No. 118-50, Div. B, 138 Stat. 895 (Apr. 24, 2024). For this report, we use the phrase "Ukraine acts" to refer to the applicable divisions of the first four of these appropriations acts: Pub. L. No. 117-103, Div. N; Pub. L. No. 117-128; Pub. L. No. 117-180, Div. B; and Pub. L. No. 117-328, Div. M.

<sup>2</sup>The \$7.849 billion in Economic Support Fund assistance appropriated in April 2024 that USAID has allocated for DBS is subject to certain conditions being met and to compliance with congressional notification and other requirements. Ukraine Security Supplemental Appropriations Act, 2024, Pub. L. No. 118-50, Div. B, 138 Stat. 895 (Apr. 24, 2024). Prior supplemental appropriations that USAID obligated for DBS are also subject to conditions and requirements. See Pub. L. No. 117-128, § 507; Pub. L. No. 117-180, Div. B, § 1302; and Pub. L. No. 117-328, Div. M, § 1705.

<sup>3</sup>As of June 2024, the U.S. had contributed almost 80 percent of funding for the PEACE project, which includes funding from fourteen countries. The U.S. also provided \$1 billion in DBS to the GoU through the World Bank's Financing of Recovery from Economic Emergency in Ukraine (FREE Ukraine) multi-donor trust fund in two installments in April and May 2022 and another \$1.7 billion through a single-donor trust fund in July 2022. The single-donor trust fund also provided funding to the GoU on a reimbursable basis.

<sup>4</sup>For reporting and oversight provisions of funds available for DBS to the GoU, see for example, Pub. L. No. 117-328, Div. M, § 1705 and Pub. L. No. 118-50, § 405.

<sup>5</sup>The "Listening to the Citizens of Ukraine" survey participants are users of education and healthcare services, social assistance beneficiaries, and pensioners, and the interviews focus on any impacts on service delivery or timeliness of payments. According to the World Bank, it has also provided additional implementation support and project supervision to the GoU. For example, the World Bank hired several short-term consultants to strengthen the capacity of the GoU's Ministry of Finance and the World Bank team supervising the PEACE project.

<sup>6</sup>In addition to this work, Deloitte used the GoU's official e-governance mobile application (Diia) to survey civil servants whose salaries are reimbursed by DBS. The survey asked recipients if they had experienced any systemic issues with their salary payments from March 2022 through January 2024. Deloitte is planning to conduct additional Diia surveys for other categories of DBS funding, such as first responders. According to Deloitte staff, the primary goal of the Diia surveys is to increase the scale of and verify the results of the spot checks.

<sup>7</sup>The PEACE project was approved by the World Bank's Board in June 2022 with a closing date of March 2023. According to the World Bank, the Bank has since extended the closing date in line with expected availability of funding to meet continuing GoU needs, which is consistent with World Bank policy.

<sup>8</sup>USAID has provided funding to GAO's Center for Audit Excellence to strengthen the capacity of the Accounting Chamber of Ukraine to conduct audits of state budgetary expenses, including DBS provided by the U.S., in accordance with international standards. The Accounting Chamber of Ukraine previously completed audits of DBS funding donors provided to Ukraine through the World Bank's FREE Ukraine multi-donor trust fund and the single-donor trust fund used by the U.S. government.