



**Ambassador Extraordinary
and Plenipotentiary of Ukraine
to the United States of America**

August_ , 2023

The Honorable Chuck Grassley
135 Hart Senate Office Building
Washington, DC 20510

Dear Senator Grassley,

I have the honor to share with you the letter from Prime Minister of Ukraine Denys Shmyhal with the Report signed by President of Ukraine Volodymyr Zelenskyy, Head of Verkhovna Rada of Ukraine Ruslan Stefanchuk, Prime Minister of Ukraine Denys Shmyhal and Minister of Finance of Ukraine Sergii Marchenko on the use of the American aid, including direct budget support.

I would like to thank you on behalf of all Ukrainians for the strong bipartisan and bicameral support of the United States Congress, as well as of all American people – your constituents and taxpayers.

No words can express our sincere gratitude for the vital assistance with the critically needed weapons, military equipment, and humanitarian aid, as well as with sustainability of Ukraine's state budget.

I would like to assure you that the Ukrainian Government is spending every dollar given by the U.S. not just in a highly effective, but also in a completely transparent way, in full compliance with the international standards of accountability.

We are counting on your continued support and further U.S. assistance to bring our victory closer and to bring the aggressor to justice.

Attachments: as stated.

God bless America!

Sincerely yours,

Oksana Markarova



August 2023
Kyiv

Dear Madam President of the Senate,

I would like to take this opportunity to express gratitude for bipartisan and bicameral support of the U.S. Congress, and overwhelming support of all American people. Thank you for your strong support to providing necessary assistance to Ukraine in the 2024 National Defense Authorization Act which has been recently adopted by the House of Representatives and included in Senate draft.

It was my pleasure to hold online meeting with the Members of the 118th U.S. Congress on July 27, 2023. The U.S. unprecedented support in all fields, including security, humanitarian and budgetary, has been vital for our success on the battlefield, and the survival of our people at the time of war. Thank you for standing with Ukraine at this critical moment in our history. We are counting on your continued support and further U.S. assistance to bring our common victory closer.

We are grateful to the United States for providing Ukraine with direct budget support worth almost 19,3 billion USD since the start of Russia's invasion (including 6,6 billion USD this year).

This support is vital in ensuring humanitarian and social expenditures during the war. It allows us to partially compensate the State Budget's expenditures to pay pensions, provide assistance to internally displaced persons, pay salaries for healthcare workers and school teachers to avoid humanitarian catastrophe.

The Government of Ukraine is spending every dollar given by U.S. taxpayers not just in a highly effective, but also in a completely transparent way, in full compliance with the best international standards of accountability.

We understand the importance of reporting to the U.S. Congress on Ukraine's use of American aid, including direct budget support. As you know, we have submitted the necessary reports to the World Bank and the U.S. Administration and are ready to provide any additional information in the future.

**H. E. Mrs. Kamala D. Harris
President of the United States Senate
U.S. Senate**

Copy: Members of U.S. Congress

Washington, D.C.

We also provided summarized reporting materials to Congress, which we believe demonstrated our full transparency and accountability.

I have the honor to send you another such report which signed by the President of Ukraine, the Head of the Parliament, Prime Minister and Minister of finance (attached).

The Ministry of Finance of Ukraine monitors the use of the direct budget support from the U.S. Government together with Deloitte Consulting, which implements the USAID State-Owned Enterprises Reform Activity in Ukraine (SOERA) project, and performs a verification according to agreed procedures to determine the eligible public expenditures made by Ukraine.

Also, in the period 10-14.07.2023, a mission of the Regional Office of the USAID Inspector General was in Ukraine to evaluate the effectiveness of preventive measures and controls regarding the direct budget support of the USA. The Government of Ukraine provided the USAID Mission with all the necessary confirmation of transparency and targeted use of the funds received.

We continue active cooperation with the International Monetary Fund, successfully passed the first review of the EFF program, the results of which marked our significant progress in fulfilling our obligations. Together with the IMF, we updated the reform program and economic and financial policy indicators. We are now actively working on their implementation in order to successfully pass the second review of the program, scheduled for the end of this year (tentatively, October).

The existence of the program adds more confidence to the predictability of the financial and economic situation in Ukraine and is evidence that our state is a reliable, responsible and promising partner.

Thanks to the support from the United States and other international partners, including the extended arrangement with the IMF we hope to cover the State Budget deficit in the 2023 fiscal year. At the same time, we already have to think about 2024, which will require continued financial support from our partners. We hope that the US Congress will allocate additional funding to provide defense, budgetary and economic support to Ukraine in the 2024 fiscal year.

We understand that the issue of allocation of funding from other international donors of Ukraine is important for the Congress. In this context, I would like to note that President of the European Commission Ursula von der Leyen proposed to create a financial reserve of 50 billion euros for Ukraine for the next four years. Undoubtedly, we will continue to work with our other international partners to provide financial support to Ukraine.

Ukrainian government is unwavering in its commitment to implement systemic measures and fight against corruption.

We understand the importance of building a corruption-free society, and our efforts are driven by a desire to create a transparent and accountable governance system especially in the time of russian aggression against Ukraine.

Our efforts to combat corruption also involve reinstating electronic declarations and enhancing mechanisms for their verification during martial law.

On July 27, 2023 Verkhovna Rada passed in the first reading Draft Law № 9534, which restores the obligation for submitting declarations of public servants and officials during wartime.

As you know, the amount of destruction caused by the russian occupiers is enormous – the World Bank estimated the overall reconstruction and recovery needs of Ukraine at 411 billion US dollars – and the amount of destruction grows every day.

To cover rapid recovery needs in 2023 Ukraine requires 14,1 billion US dollars.

3,3 billion of the aforementioned 14,1 billion have been distributed from Ukraine's state budget to finance such programs as the 5-7-9, the Fund for Liquidation of the Consequences of russian Aggression, the State Road Fund, etc. To finance the remaining need of almost 11 billion US dollars we count on support from international donors, including the United States, and private investments.

In order to implement these projects swiftly and effectively and to coordinate reconstruction we have set up the State Agency for Restoration and Infrastructure Development of Ukraine. We have also determined five key priorities for rapid recovery this year: (1) energy, (2) humanitarian demining, (3) housing, (4) critical and social infrastructure, and (5) development of private entrepreneurship.

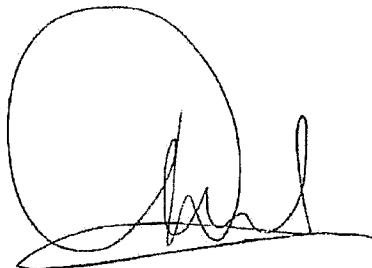
We are grateful to the United States for paying considerable attention to the reconstruction of Ukraine and the personal participation of US Secretary of State E. Blinken in the work of the Ukraine Recovery Conference in London in June, his powerful speech during the Conference and the announcement of additional assistance to Ukraine in the amount of 1,31 billion US dollars.

We are especially grateful for the consideration of our priorities for the rapid reconstruction of Ukraine and the allocation of 657 million dollars to restore and modernize our critical infrastructure.

We are glad that it was possible to combine the London conference with the fourth meeting of the Ukraine Donor Coordination Platform Steering Committee, co-chaired by Mike Pyle, Deputy National Security Advisor to the US President. We are confident that the Platform will ensure effective coordination of efforts to rebuild our country and will be the main practical tool for implementing the agreements reached during the Conference.

I believe that bipartisan support for Ukraine in the U.S. Congress will remain steadfast, as both parties understand that our struggle is not only a struggle with russia for our independence, but also a struggle to protect our common values of democracy, rule of law and human dignity.

I would like to take this opportunity to renew my deep respect for You personally, U.S. Congress, Administration and all American people.

A handwritten signature in black ink, appearing to read "Denys SHMYHAL". The signature is fluid and cursive, with a large, rounded top loop and several smaller loops and lines extending downwards and to the right.

Denys SHMYHAL

U.S. direct budget support has been essential to helping keep critical services operating during war



Direct budget support totaling at \$19.25B (Tranches 1-8) has been provided as a non-military grant financing since the launch of Russia's full-scale invasion of Ukraine.

On behalf of the people of Ukraine, we thank the American people, the United States Congress, and President Biden and his Administration for providing financial support to the state budget of Ukraine

Volodymyr Zelenskyy,
President of Ukraine

Ruslan Stefanchuk,
Chairman of the Verkhovna
Rada of Ukraine

Denys Shmyhal,
Prime Minister of
Ukraine

Sergii Marchenko,
Minister of Finance of
Ukraine



"We are extremely grateful to you for the support. The United States has been powerfully supporting us since the first days of this war not only with weapons but also on the financial front. We really appreciate it" - President Volodymyr Zelenskyy

Donor support has stabilized the economy, with 2023 forecasts showing incredible resilience.



Ukraine's GDP shrank by 29.2% in 2022 as the war shut the economy down. However, the economy shows resilience under donor support, with the IMF forecasting growth of 1-3% over 2023.

The U.S. funds, which helped to cover GOU priority social expenditures, represented an estimated 9.6% of Ukraine's 2022 GDP.

The World Bank estimates the war has caused ~\$135B in direct damage to Ukrainian infrastructure, with reconstruction costs estimated to be \$411B.

With donor support stabilizing Ukraine's economy, May 2023 tax revenues collected are reported \$3.7B compared to \$2.8B in May 2022 (nominal increase by 32%). Tax collection which funds defense returned to the pre-war level, in nominal terms.



The U.S. Government started supporting Ukraine from the early days of the war...



The U.S. Government's and World Bank's rapid response to provide direct budget support to the Government of Ukraine has been essential to maintaining critical services during this full-scale Russian armed invasion of Ukraine.

To ensure accountability and transparency in the use of these funds, the Government of Ukraine – in conjunction with the World Bank – has developed a reporting and verification process to ensure funds are used for only eligible public expenditures, with a priority on social and humanitarian needs.

USAID's State-Owned Enterprises Reform Activity (SOERA) helps enhance transparency by performing third-party monitor activities related to USG-funded expenditures through spot checks as well as by analyzing the funding flows, assessing key processes and controls, and providing recommendations to improve transparency and accountability safeguards.



USAID
FROM THE AMERICAN PEOPLE

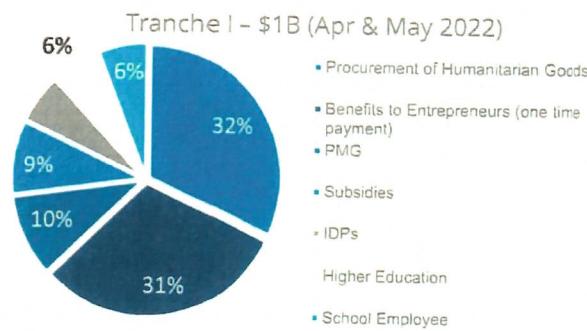


WORLD BANK GROUP

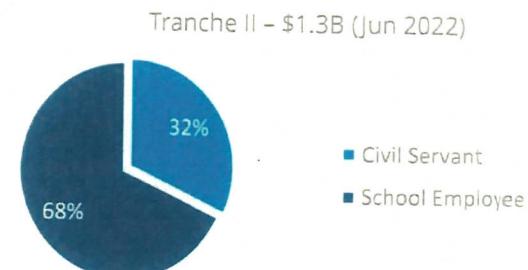
...and assistance continued to flow through 2022 and 2023...



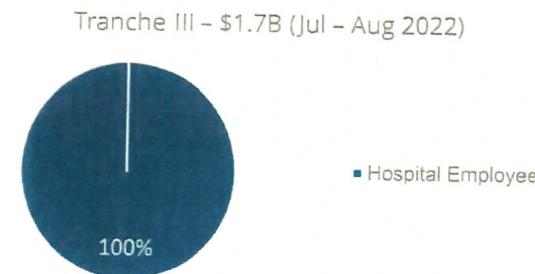
Tranche I funds supported the procurement of humanitarian goods, a one-time benefit to entrepreneurs, housing subsidies, benefits to internally displaced persons, and salaries for higher education employees. Funds were distributed in equal installments of \$500M in April and May 2022.



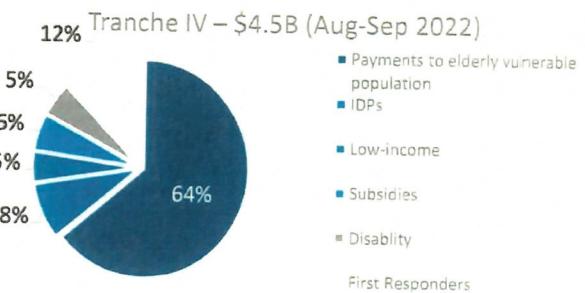
Tranche II funds were used to pay wages of civil servants and school employees. Funds were distributed in June 2022.



Tranche III funds were used to reimburse the GoU for salaries and payments to elderly vulnerable population paid to healthcare personnel between January and July 2022. Funds were disbursed for reimbursement in July and Aug 2022.



Tranche IV funds were disbursed for payments to elderly vulnerable population, IDP, GMI, HUS, disability, and first responders.

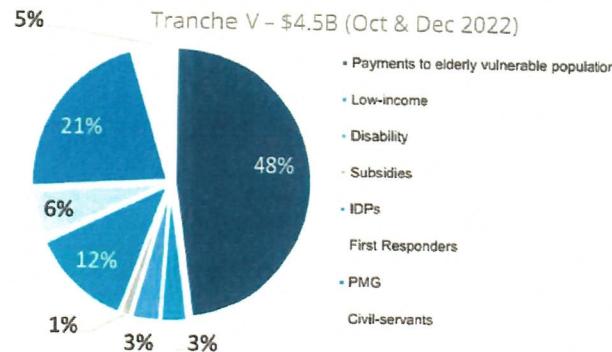


IDPs - Internally displaced persons
PMG - Program of Medical Guarantee

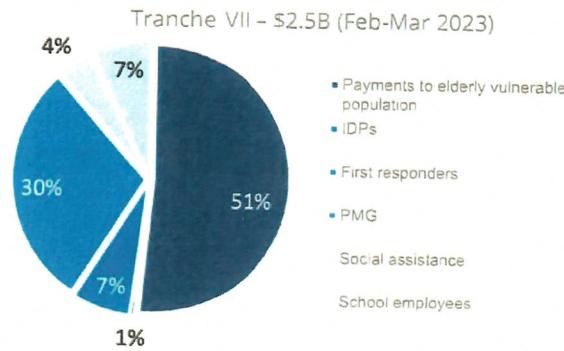
...helping GOU mitigate suffering and maintain sovereignty



Tranche V funds were disbursed for payments to elderly vulnerable population, PMG, IDP, first responders, civil servants, disability, low income families and subsidies.

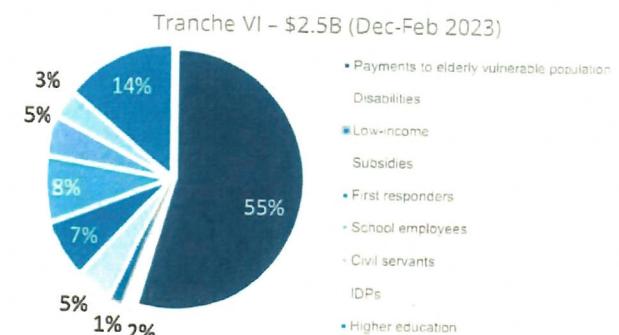


Tranche VII funds were used to reimburse the GoU for payments to elderly vulnerable population, PMG, pedagogical employees, first responders, social assistance (child birth, child adoption, maternity assistance and assistance to single mothers) and IDPs.

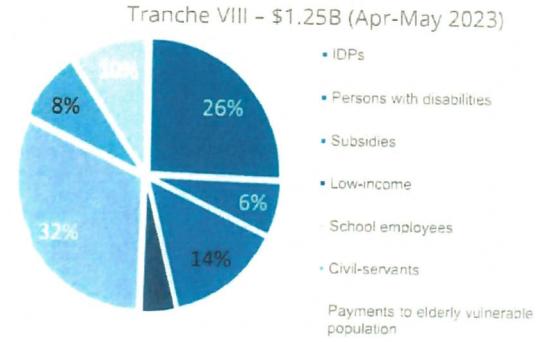


IDPs - Internally displaced persons
PMG - Program of Medical Guarantee

Tranche VI funds were used to payments to elderly vulnerable population, higher educational employees, pedagogical employees, first responders, subsidies, IDPs, disabilities, low income families.



Tranche VIII funds were disbursed for school employees wages, IDPs, subsidies, payments to elderly vulnerable population, civil-servant employees, disabilities and low-income families



Direct budget support provided by the U.S. has enabled us to meet priority social needs and maintain state's operational continuity



The provision of state social assistance and humanitarian aid to internally displaced persons, low-income families, children with disabilities and the disabled access to money, food and other essential items.



1.96M internally displaced persons received assistance (as of March 2023)



1.9M households received housing subsidies to pay for utilities (as of March 2023)



155,000 low-income families and **464,000** people with disabilities received social assistance (as of March 2023)



287,00 people received one-time assistance via the e-Support Program due to suspended employment from hostilities



7,100 tons in humanitarian goods procured and delivered to affected regions

Providing salaries to healthcare employees and first responders, enabling life-saving rescue and regular patient care.



512,000 healthcare employees (March 2023) and **57,000** first responders received salaries (April 2023)



2,325 medical institutions supported to provide medical services to the population (March 2023)

Keeping teachers and school workers employed to continue to run the country's schools and universities.



625,600 school and university employees received salaries (490,600 school employees May 2023 and 135,000 university employees March 2023)

Facilitating uninterrupted payments to elderly vulnerable population despite ongoing hostilities and evacuations.



9.8M elderly vulnerable people received payments in time

Control, monitoring and transparency



Control

The Ministry of Finance of Ukraine coordinates across the GoU the **maintaining of adequate control environment** related to the use of direct budget support from the U.S. Government. This includes robust payment controls, verification system and further improvement of internal control in budget institutions, as well as other measures to ensure transparency and accountability safeguards in line with the best practices.

Monitoring

USAID's State-Owned Enterprises Reform Activity (SOERA), implemented by Deloitte, in close cooperation with the MoF, performs **third-party monitoring activities** related to USG-funded expenditures through spot checks as well as assessing key processes and controls. Under "PEACE in Ukraine" Project, **feedback from the payments recipients is regularly collected** through the effective GRM* mechanism, as well as the independent "Hear Ukraine" survey and upcoming Diia surveys.

Transparency

To increase the **transparency and accountability** of the use of external financing, the Ministry of Finance has developed an analytical tool ("dashboard") containing detailed information on budget expenditures under the World Bank Public Expenditures for Administrative Capacity Endurance (PEACE) project. This dashboard is available online.

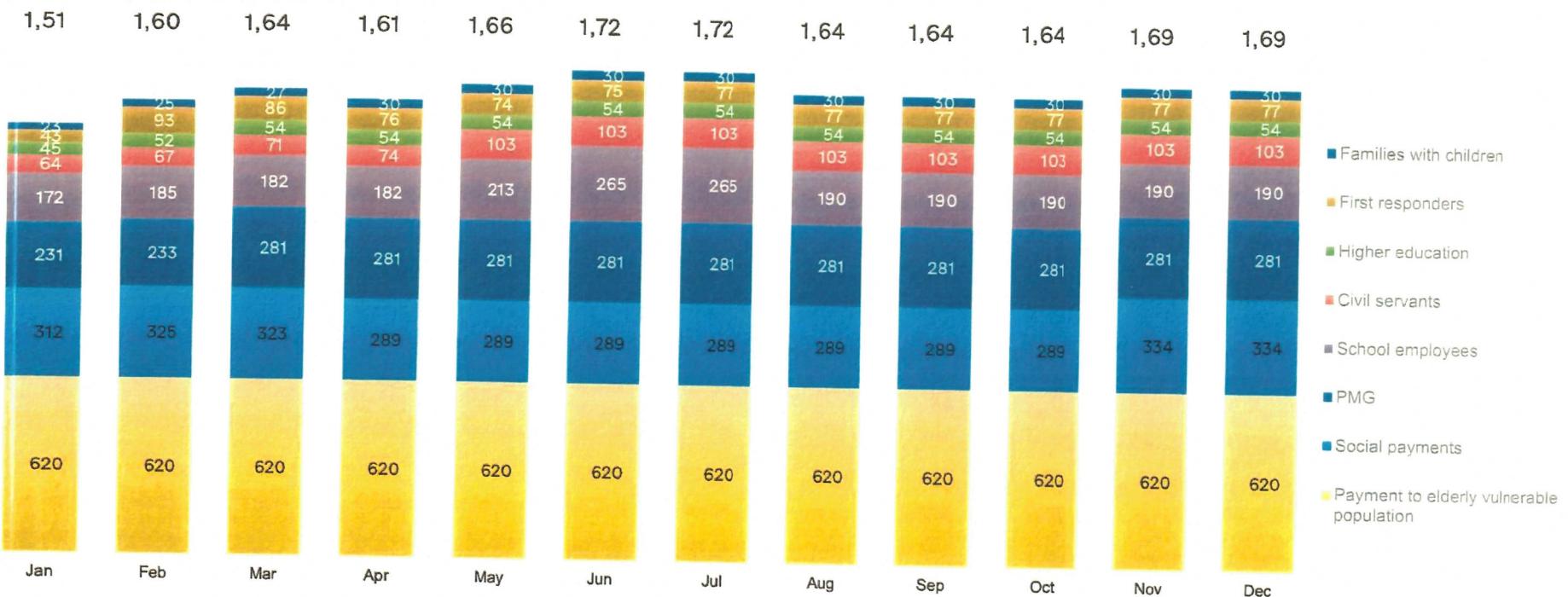
In July 2023, a mission of the [Regional Office of the USAID](#) Inspector General was in Ukraine to evaluate the effectiveness of preventive measures and controls regarding the direct budget support of the USA. The Government of Ukraine provided the USAID Mission with all the necessary confirmation of targeted and transparent use of the funds received.

The Government of Ukraine is confident that the results of the specified monitoring and evaluation activities, the implementation of GRM and other control mechanisms will demonstrate the necessary effectiveness and accountability for the use of funds provided by the US Government. The first agreed upon procedures review commissioned by the World Bank and performed by PwC found no significant deviations in expenditures and confirmed that controls for PEACE Project funds are functional. This also provides assurance of Ukraine's ability to continue to use effectively the financial resources provided by the USG and other international partners going forward.

Eligible social expenditures in 2023



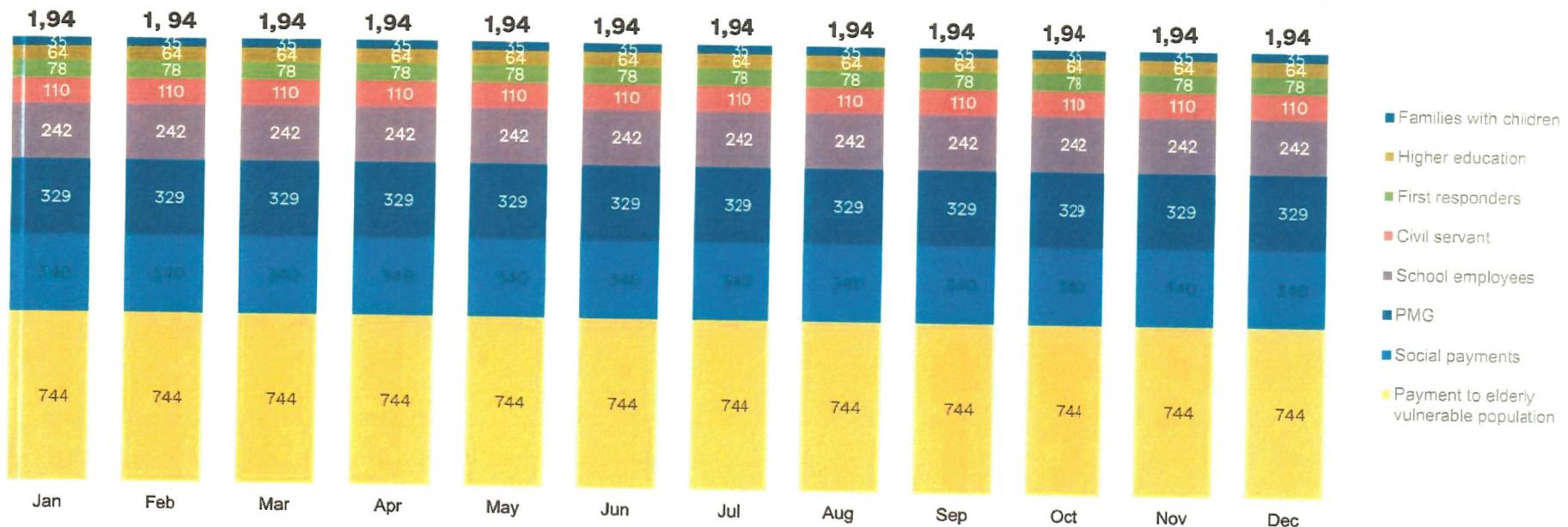
Total **USD 19,76B**



Projected eligible social expenditures in 2024



Total **USD 23,28B**



The increase in overall expenditures is due to the forecasted inflation level of 20%

Continuous U.S. support is essential for Ukraine's victory in our common fight for freedom.



"We will win this war, peace will be restored, we will recover our economy and infrastructure.

This will be the best evidence of the strength of democracy, international solidarity, the rule of law, inclusiveness, and social justice.

I am convinced that the United States will continue to play a leading role in this process" – Prime Minister Denys Shmyhal

