



Updated January 13, 2025

U.S. Direct Financial Support for Ukraine

Background

Congress has enacted five emergency supplemental funding measures to address Russia's ongoing invasion of Ukraine. These include

- the Ukraine Supplemental Appropriations Act, 2022 (FY2022 USAA, P.L. 117-103, Div. N);
- the Additional Ukraine Supplemental Appropriations Act, 2022 (FY2022 AUSAA, P.L. 117-128);
- the Ukraine Supplemental Appropriations Act, 2023 (FY2023 USAA, P.L. 117-180, Div. B);
- the Additional Ukraine Supplemental Appropriations Act, 2023 (FY2023 AUSAA, P.L. 117-328, Div. M); and
- the Ukraine Security Supplemental Appropriations Act, 2024 (FY2024 USSAA, P.L. 118-50, Div. B).

As of January 2025, Congress has appropriated a total of nearly \$174.2 billion from FY2022 through FY2024 in supplemental appropriations in response to Russia's war against Ukraine. Of that amount, Congress appropriated \$37.8 billion for the Economic Support Fund and Assistance for Europe, Eurasia, and Central Asia accounts, directing that a portion of such assistance be made available for direct financial support for the Government of Ukraine's (GOU's) central budget. To date, the U.S. Agency for International Development (USAID) has obligated more than \$30 billion for such support via three World Bank mechanisms (see below).

Separately, USAID guaranteed repayment of a \$20 billion loan to the Government of Ukraine. USAID backed the loan with FY2024 USSAA funds; the loan itself is to be repaid with revenues from immobilized Russian sovereign assets.

World Bank Mechanisms

The World Bank established a **Multi-Donor Trust Fund for Ukraine (MDTF)** in March 2022. It is meant to reduce procedural steps and transaction costs associated with individual transfers by consolidating donors' resources for transfer to Ukraine. USAID obligated \$1.0 billion in FY2022 to the MDTF.

The "**Transfer Out**" **Single Donor Trust Fund (SDTF)** was established in July 2022 as a dedicated mechanism for direct U.S. support to Ukraine. It has been used to fund health care services under a rapid, standalone agreement not subject to the negotiated terms of the MDTF, PEACE Fund, or World Bank accountability procedures. USAID obligated \$1.7 billion to the "Transfer Out" SDTF in FY2022.

The **Public Expenditures for Administrative Capacity Endurance (PEACE) Fund** was established in June 2022 to support the GOU's ability to continue compensating

public employees. PEACE finances government salaries (at the central and regional levels), including ministry staff, teachers, first responders, and health care workers. PEACE also funds pensions and other social services, including to internally displaced persons. USAID obligated \$27.5 billion to PEACE from FY2022 to FY2024; the most recent two obligations, totaling \$7.3 billion, are not to fund pensions, pursuant to the FY2024 USSAA.

Congressional Oversight Measures

Each supplemental measure has subjected appropriations to the authorities and conditions of regular appropriations for the corresponding fiscal year. Each measure also added new controls and oversight provisions. (Separate oversight provisions address other U.S. funding for Ukraine, particularly military assistance.)

Among the controls added by supplemental laws, Section 507 of the FY2022 AUSAA requires USAID to use "a separate, auditable account" for direct financial support to Ukraine. Section 1705 of the FY2023 AUSAA mandates a U.S.-GOU memorandum of understanding (MOU) on safeguarding of funds and third-party monitoring. The FY2024 USSAA continues those provisions, adds requirements for in-person monitoring, and provides more guidance on monitoring and oversight approaches. It also mandates an arrangement for repayment of budget support by the GOU (see "Assistance via Grants versus Loans").

For congressional oversight, Section 1705 of the FY2023 AUSAA mandates certifications on safeguards from administration officials, Office of Inspector General (OIG) reporting to assess those safeguards, and reporting to Congress every 45 days on uses of those funds, as well as a summary of other donors' contributions. The FY2024 State, Foreign Operations, and Related Programs (SFOPS) appropriation (P.L. 118-47) mandates a "comprehensive report on assistance made available for Ukraine since February 24, 2022," to be updated every 90 days.

World Bank Oversight Measures

As noted, the United States channels direct U.S. financial support to Ukraine through the World Bank. These funds are subject to the World Bank's Standard Conditions for multidonor trust funds; a bilateral U.S.-World Bank Administration Agreement detailing obligations between the parties; and an agreement between Ukraine and the World Bank detailing financing terms, scopes of activity, requirements, and oversight standards.

The MDTF was created under a broader project framework that predates Russia's renewed invasion in 2022. That framework set conditions for Ukraine's macroeconomic policy stability and various governance reforms; the World

Bank has affirmed the GOU has met these conditions. The GOU must also retain records for all expenditures until two years after an applicable project's closing date. World Bank representatives and, with World Bank authorization, donors are entitled to visit sites financed under the project and to examine documents related to grant obligations.

Unlike the MDTF, PEACE Fund disbursements do not set conditions on macroeconomic policy or governance reforms. Funding is authorized for nonmilitary government and school staff salaries through the general budget of Ukraine, and the project maintains a results framework to track key targets for on-time payment of government obligations—to include salaries, pensions, and school operations (although the FY2024 USSAA prohibited further U.S. funding for pensions). The PEACE agreement requires the GOU to draft and execute a Project Operations Manual acceptable to the World Bank, detailing administrative, financial, and operational policies for the agreement. The agreement also requires Ukraine's Deputy Minister of Finance, the designated project coordinator, to provide a semiannual project report to the Bank.

The Transfer Out SDTF is not subject to World Bank accountability mechanisms, but is a direct U.S.-GOU agreement mandating disbursement notifications and progress reports on use of funds.

Issues for Congress

As the war in Ukraine continues, Congress may consider the following issues related to direct financial support.

Congressional Oversight. Some consultation and reporting requirements—mandated in annual SFOPS legislation and the five emergency supplemental measures—are required to be submitted only to the Committees on Appropriations and the Senate Foreign Relations and House Foreign Affairs Committees. Congressional interest in the war in Ukraine and U.S. support for the GOU has extended beyond these committees. Some Members may seek broader access to such information and/or consider reassessing the appropriate role for congressional committees in oversight of U.S. direct financial support for the GOU.

Assistance via Grants Versus Loans. Section 507 of the FY2024 USSAA sets a new requirement for the President and the GOU to agree on a repayment plan for USSAA economic assistance provided to Ukraine. This may constitute the first direct loan to a foreign government issued by USAID in over 30 years, following a shift away from sovereign direct loans over concerns about unsustainable debt burdens. Prior budget support to Ukraine was provided as a grant. As also authorized by Sections 507 and 508 of the USSAA, the President cancelled repayment of \$4.65 billion of direct budget support in November 2024. USAID provided a further \$3.41 billion in budget support in November and December 2024. The President may not cancel the repayment of additional funds before 2026. Lawmakers may consider how to oversee the latest tranche of direct budget support, including any adjustments to the repayment agreement that may be proposed by the incoming President. If Ukraine succeeds in repaying the

funds on schedule, Members may also consider renewing sovereign loan programs in other development contexts.

Accountability Through the World Bank. The United States typically requires periodic reporting by the World Bank on multidonor trust funds. The World Bank monitors the mechanisms itself, which may reduce the U.S. role in oversight. Congress may evaluate the extent to which World Bank targets comport with U.S. priorities for the GOU. Members also may examine the role of U.S. officials in World Bank inspections and audits, and whether they have validated that funds are used appropriately. OIGs may assess whether accountability gaps exist across monitoring activities of USAID, the World Bank, GOU, and third-party auditors (see “Inspector General Oversight”). Given past reports of corruption in Ukraine, Congress also may consider whether U.S. assistance could contribute, directly or indirectly, to incidents of waste, fraud, or abuse.

Inspector General Oversight. Congress appropriated supplemental funding for the Department of State and USAID OIGs and the Government Accountability Office (GAO) in several of the supplemental measures. In the James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 (P.L. 117-263), Congress required a joint OIG report on their oversight framework with respect to U.S. assistance to Ukraine (§1247(b)). The OIGs released that report, entitled the *Joint Strategic Oversight Plan for Ukraine Response*, on January 19, 2023. Updates to the plan and supplemental materials have since been released.

Some Members previously raised concerns that oversight of supplemental funds for Ukraine was inadequate. In the National Defense Authorization Act for FY2024 (P.L. 118-31), Congress designated a Special Inspector General for assistance to Ukraine, the Special Inspector General for Operation Atlantic Resolve, or SIGOAR. The USAID and State OIGs and GAO have released reports regarding the provision of direct financial support for the GOU. Members may review such reports and assess whether OIG and GAO oversight of U.S. direct financial support for Ukraine is sufficient and properly focused.

Minimum Standards for U.S. Government-to-Government Assistance. Regular foreign operations appropriations set minimum conditions for all recipients of government-to-government assistance, but supplemental funds are subject to different standards. While the State Department determined that Ukraine did not meet or progress toward minimum fiscal transparency standards in FY2024, the Administration determined that the GOU satisfied the requirements of the supplemental appropriations measures that funds would be accountable and safeguarded from corruption. Each initial obligation of funds required a renewed such determination. As the conflict continues, Congress may assess Ukraine's efforts on financial transparency reforms. Congress also may assess how Ukraine's current management obligations compare with requirements in U.S. loan guarantees provided to Ukraine from 2014 to 2016, and in U.S. budget support agreements with other countries.

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IF12305

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