

EU assistance to Ukraine and scrutiny of the EU financing provided

The Committee on Budgetary Control (CONT) held an [exchange of views](#) with the parliamentary committee on budgets of the Ukrainian Parliament, the Verkhovna Rada, on 6 November 2023. This briefing provided background information for that debate.

1 Ukraine's financing needs

It is difficult to estimate the funds required as the destruction is still ongoing. As long as the war continues Ukraine will not only require help with financing the rebuilding of vital infrastructure and maintaining state services, but also with reconstruction in the secure areas of the country. To achieve this, the timing and predictability of the financial aid is crucial, as USD 3.2-6 billion a month would be necessary to keep the state going. In case this financing is not available from external sources, the Ukrainian central bank needs to print money that would fuel inflation and lead to a currency crisis.¹

Experts agree that the aim of financial aid given to Ukraine should not only be the physical rebuilding of destroyed infrastructure, but the reconstruction of a functioning and self-sufficient country suitable for EU membership². Estimates go as high as EUR or USD 1 trillion (suggested by CEPA³ and EIB president Werner Hoyer⁴) to be disbursed over the period of up to a decade. The Ukrainian government calculated USD 750 billion in July 2022 for the durability, restoration and modernisation of the country. However, the Commission and the World Bank, together with the government of Ukraine (and the United Nations) estimated reconstruction and recovery needs at USD 349 billion in June 2022⁵, and USD 411 billion in March 2023⁶.

¹ [The EU Cannot Afford Not to Support Ukraine Financially](#), Torbjörn Becker, SCEEUS Guest Platform for Eastern Europe Policy No. 13, 1 March 2023 and [Financing Ukraine's Victory and Recovery: For the War and Beyond](#), Maria Repko, SCEEUS Guest Platform for Eastern Europe Policy No. 10, 17 November 2022

² A brief overview of the high level international process discussing assistance to Ukraine can be found on page 2 of [Multilateral financial assistance to Ukraine](#), Drazen RAKIC, Vasileios PSARRAS, European Parliament, February 2023

³ [Rebuilding Ukraine: A Historic Plan for Congress](#), Timothy Ash and Polina Kurdyavko, Center for European Policy Analysis, CEPA, 25 January 2023

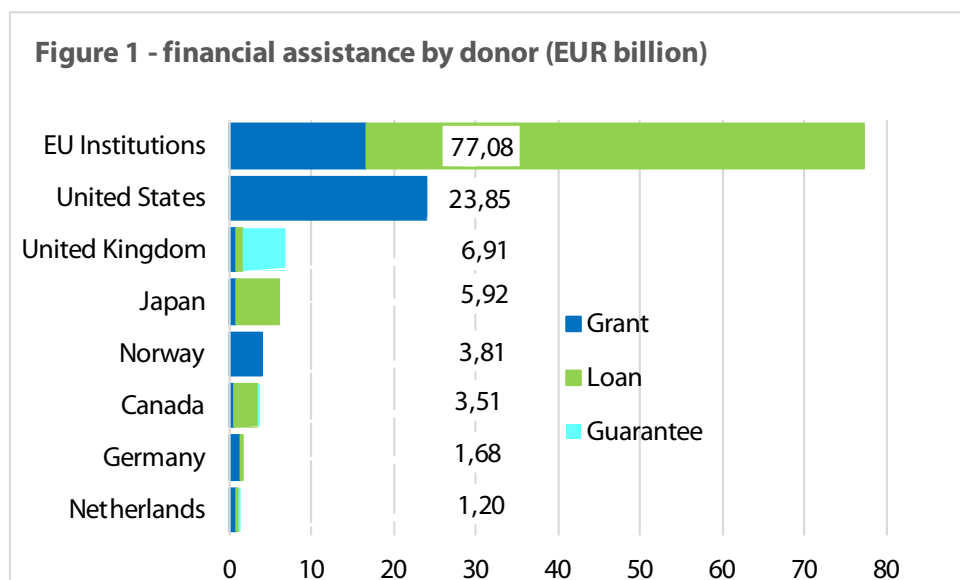
⁴ [Ukraine reconstruction may cost \\$1.1 trillion](#), Ukraine Invest, 27 June 2022

⁵ [Ukraine Rapid Damage and Needs Assessment](#), World Bank, Government of Ukraine, European Commission, August 2022

⁶ [Ukraine: Rapid Damage and Needs Assessment - February 2022 – February 2023](#), the World Bank, the Government of Ukraine, the European Union, the United Nations, 20 March 2023



2 Current financing



Source: Ukraine Support Tracker Data (published on 7 September 2023)

There are some **discrepancies among figures** from different sources, which may be due to methodological differences in what type of assistance is included. Humanitarian aid, financial and/or military assistance may or may not be included. The same goes for grants vs. loans, guarantees,

swaps, in-kind aid, etc. Some count pledged sums, some only disbursements.

Ukraine received financial support from many sources, including bilateral assistance and multilateral aid from international financial institutions. **Bilateral support can be consulted on the [Ukraine Support Tracker website](#)**, together with some figures on multilateral donors.

By end-July 2023, donor countries have committed **EUR 128.49 billion as financial assistance** (excluding military aid⁷), consisting of EUR 70.8 billion loans, EUR 50.8 billion of grants, EUR 6.7 billion of guarantees and EUR 920 million of [central bank swaps](#) (see Figure 1 for donors above EUR 1 billion). Around one third of this (EUR 46.04 billion) has already been disbursed. The **largest contributors** are the EU (EUR 77.08 billion), the US (EUR 23.85 billion), followed by the UK, Japan, Norway, Canada, Germany and the Netherlands (adding up to EUR 23.03 billion). While the US and Norway are giving grants only, others donors, including the EU, provide a mix of loans and grants, and some also provide guarantees.

According to the Ministry of Finance of Ukraine, the state budget has received so far a total of USD 64.9 billion financing in the form of loans and grants: around USD 22.9 billion from the US, around USD 22.6 billion from the EU, and nearly USD 9 billion from multilateral financial organisations (IMF, EIB and the World Bank).⁸

In a [Council breakdown of figures](#) the sums differ from those of the Ukraine Support Tracker, adding up economic assistance (EUR 38.3 billion), military support (EUR 25.2 billion), civil protection (EUR 670 million) and humanitarian aid (EUR 2.6 billion), the EU and its Member States together have provided support worth EUR 62.8 billion up to 28 June 2023.

⁷ Military aid of EUR 102.73 billion has been committed, however, this briefing focuses on recovery and reconstruction, and does not take it into account.

⁸ [Ukraine's State Budget Financing Since the Beginning of the Full-scale War](#), Ministry of Finance of Ukraine, 20 October 2023

3 EU financing sources, their control and scrutiny

The EU budget instruments through which support is provided to Ukraine are also providing support to countries other than Ukraine, and had existed before the outbreak of the war. Consequently, their scrutiny is not necessarily specifically designed for the case of Ukraine. The source of financing that will specifically target Ukraine is the Ukraine Facility which is subject to an ongoing legislative procedure, its final design is thus unknown at the time of writing. (See Chapter 5.)

Given the time constraints of this briefing it has not been possible to establish a clear and complete record of scrutiny actions for all instruments described in the following. The CONT committee can primarily control these sources of financing through the discharge procedure or through targeted reports/debates. The latter could be on the basis of specific input received from the Commission (or OLAF) or the European Court of Auditors, but also be initiated by the committee itself. Control and scrutiny actions of EU assistance to Ukraine are also evolving over time both inside and outside the EP: in the annual reports of the ECA on the implementation of the EU budget for the 2022 financial year there is more targeted information included related to Ukraine than in the equivalent report on the year before. Similarly, the discharge procedure of the 2021 budget did not have very specific concerns about Ukraine related EU spending, and it remains to be seen what final conclusions will be part of the 2022 discharge.

3.1 Macro-Financial Assistance (MFA) and 'MFA+ instrument'

The European Union's [Macro-Financial Assistance \(MFA\)](#) is a vehicle to support non-EU countries that face a balance of payment crisis via loans and grants. It is important to note that, MFA is mobilised on a case-by-case basis and it is paid to the beneficiary countries' central banks. MFA resources can in general be used for purposes the beneficiary country's government chooses (reserves, foreign exchange market intervention or as direct budget support), it is not meant to provide regular financial support for economic and social development.⁹

The Commission proposed [a new emergency MFA for Ukraine](#) of up to EUR 1.2 billion in concessional loans just before the start of the war. In response to the war, pay-outs were fast-tracked, with the two loan instalments of EUR 600 million disbursed in March¹⁰ and May 2022¹¹. Additional MFA loan packages of EUR 6 billion ('exceptional MFA' packages of EUR 1 billion on 19 July¹² and EUR 5 billion on 3 October 2022¹³) and EUR 18 billion ('MFA+ instrument', 9 November 2022¹⁴) were approved, increasing the entire MFA amount to Ukraine to EUR 28.2 billion since the invasion started and also introducing an interest rate subsidy covering interest costs of the loan.¹⁵ Until October 2023, EUR 22.2 billion have been disbursed.¹⁶ While the MFA loan packages adopted in 2022 were guaranteed through a mix of provisioning from the EU budget and bilateral guarantees from the Member States, the EUR 18 billion in MFA+ for 2023 are guaranteed through the 2021-2027 MFF headroom¹⁷. This represents a contingent liability for the EU, as no EU resources are

⁹ [Macro-Financial Assistance \(MFA\)](#), European Commission

¹⁰ [EU disburses €300 million in emergency Macro-Financial Assistance to Ukraine](#) and [EU disburses additional €300 million in emergency Macro-Financial Assistance to Ukraine and adopts €120 million in grant support](#), Commission Daily News, 18 March 2022

¹¹ [EU disburses €600 million in Macro-Financial Assistance to Ukraine](#), Commission Press release 20 May 2022

¹² [Memorandum of Understanding - EUR 1 billion exceptional MFA to Ukraine](#)

¹³ [Memorandum of Understanding - EUR 5 billion exceptional MFA to Ukraine](#)

¹⁴ [Commission proposes stable and predictable support package for Ukraine for 2023 of up to €18 billion](#), Commission Press Release, 9 November 2022.

¹⁵ Overview of MFA provided for Ukraine can be found [here](#)

¹⁶ [Factsheet: EU solidarity with Ukraine](#), European Commission, 22 June 2023

¹⁷ As described in the [Commission's proposal for the MFA+ regulation](#), COM(2022) 597, 9.11.2022

needed to settle the EU debt unless the beneficiary country defaults.¹⁸ This is highlighted as a risk by the ECA in its annual report¹⁹ namely that the MFA+ does not require any provisioning to cover the risk of default, thus should there be any losses, it will have to be covered by the EU budget or by the 'headroom' between the MFF ceiling and the own resources ceiling.

The **Commission reports annually to the EP and the Council about the implementation of MFAs in third countries**. The latest annual report of 2022²⁰, presents chronologically the MFA packages to Ukraine, including the disbursements made, difficulties that arose, and the specificities linked to the extraordinary situation of Ukraine, such as the system of reporting requirements that was introduced to ensure sound financial management of the funds provided. **Evaluations** are usually required by the legal basis of a given MFA package, and even a meta-evaluation has been carried out on the MFA 2010-2020²¹, although it is not clear where these reports are available in full.²² The **annual management and performance report** of the Commission contains a programme performance statement for all headings of the MFF, including one statement on macro-financial assistance, under Heading 6: Neighbourhood & the World. This text has a broad approach but it is also relevant for Ukraine.

As explained earlier, since the outbreak of the war there have been several MFA packages provided to Ukraine. **The legal basis of these packages and the Memoranda of understanding** signed by Ukraine and the EU all include similar reporting requirements:

- The Commission manages the MFA and it has to inform EP and the Council of developments including disbursements and provide those institutions with relevant documents in due time. By 30 June each year an annual report on the implementation in the preceding year (including an evaluation) has to be submitted by the Commission to the EP and Council.
- The Memorandum of understanding includes that Ukraine's authorities will supply the Commission with information necessary to monitor its economic and financial situation and assess progress with structural reforms.
- The Memorandum of understanding includes that, to prevent irregularities and fraud, regular checks will / can be carried out by Ukraine, and checks, audits, investigations by the EC including OLAF and by the ECA and EPPO.

Inside the EP MFAs provided to third countries are in the remit of the Committee on International Trade (INTA) which thus has the lead role during the ordinary legislative procedure establishing the legal basis of individual MFA packages. Once the act establishing the specific package enters into force, INTA is informed about the conclusion of the Memorandum of Understanding between the EU and the third country, which is usually annexed to a draft implementing act sent to INTA as part of comitology communication. INTA receives the annual implementation report on MFAs, which is also publicly presented by the Commission during an INTA committee meeting. MFA implementation is also regularly discussed in the EP's Committee on Budgets (BUDG), it was also one of the topics discussed during its joint meeting with the Rada's committee on budget issues (31 August 2023) where the Ukrainian side provided an update on the implementation. Moreover, BUDG, as lead committee, approved the amendment to the MFF Regulation (end 2022) that was

¹⁸ ECA Special Report on [The EU's financial landscape](#)

¹⁹ [ECA 2022 annual report](#) on the implementation of the EU budget for the 2022 financial year

²⁰ Report from the Commission to the European Parliament and the Council on the implementation of macro-financial assistance to third countries in 2022, COM(2023)409

²¹ The executive summary is available on [eur-lex](#).

²² Some older ex post evaluations can be found [here](#).

necessary for the EUR 18 billion (MFA+) to be provided to Ukraine in 2023. The interest costs related to the MFA+ are also debated in BUDG.

3.2 EU Civil Protection Mechanism

The **EU Civil Protection Mechanism** (a disaster prevention, preparedness, and response instrument) committed around EUR 769 million of in-kind assistance and emergency operations to channel emergency items to Ukraine, in its largest mobilisation ever. Since February 2022, the European Commission has allocated EUR 685 million for humanitarian aid programmes to help civilians affected by the war in Ukraine.²³

The EU Civil Protection Mechanism is coordinated by the European Commission's Civil Protection and Humanitarian Aid Operations department (DG ECHO). The department integrates the EU's humanitarian aid office and civil protection, for a better coordination and disaster response inside and outside Europe.

In the case of humanitarian aid, the EU shares competence with its Member States. The EU's initial humanitarian budget amounts to [over EUR 1.65 billion](#) per year and helps millions of people across the globe. When it comes to civil protection, the EU has a supporting role in coordinating contributions of in-kind assistance.²⁴

The coordination of the programmes is based on annual [strategic plans](#) and the transparency and accountability is ensured via [public annual reports](#).

The department is regularly subject to [audits](#) by the European Court of Auditors (ECA) and the Internal Audit Service of the Commission (IAS). In order to assess whether grants had been spent in accordance with the rules ECHO also carries out audits of partners, which also provide recommendations to improve their financial management.

The obligation to report suspicions of misconduct, mismanagement or fraud related to ECHO-funded actions, partners or staff is based on ethical and integrity standards laid down in internal regulations and partnership agreements. The department also has dedicated mailboxes for victims and witnesses to anonymously report misconduct or fraud related to DG ECHO staff, partners or projects.²⁵

Besides the regular audits by both an external (ECA) and an internal auditor (IAS), ECHO also contracts with external audit companies for formal audits of all its civil protection and humanitarian aid operations.

The ECA provides an annual 'Statement of Assurance' on the legality and regularity of EU-funded civil protection and humanitarian actions and also carries out ad-hoc performance audits, the results of which are published in ['Special Reports'](#). Internal work processes of the department are audited by the IAS. Partner organisations implementing humanitarian aid actions, on the other hand, are audited primarily by external companies, based on international standards. These audits check partners against criteria set up in the partnership agreements, their internal systems and the proper accounting of spending.²⁶

²³ [European Civil Protection and Humanitarian Aid Operations: Ukraine](#), Factsheet, European Commission

²⁴ [About European Civil Protection and Humanitarian Aid Operations](#), European Civil Protection and Humanitarian Aid Operations, European Commission

²⁵ [Accountability](#), European Civil Protection and Humanitarian Aid Operations, European Commission

²⁶ [Auditing](#), European Civil Protection and Humanitarian Aid Operations, European Commission

Civil protection falls within the remit of the Committee on Environment, Public Health and Food Safety (ENVI) in the Parliament (ENVI is responsible for the Decision on the Mechanism under the ordinary legislative procedure), however, the external dimension of the topic (connected to humanitarian aid) is amongst the responsibilities of the DEVE committee.

3.3 European Fund for Sustainable Development Plus (EFSD+)

The **European Bank for Reconstruction and Development (EBRD)** has committed EUR 3 billion in 2022-23 of which 1.7 billion had been disbursed (in 2022). The EU budget provides for guarantees to the EBRD under the [European Fund for Sustainable Development Plus \(EFSD+\)](#) instrument: EU guarantees were used for three projects, totalling EUR 66.8 million.²⁷

As part of the EU's investment framework for external action, [The European Fund for Sustainable Development Plus \(EFSD+\)](#) is included in the EU's long-term budget programme for external action [Global Europe – NDICI](#), and governed by its [establishing Regulation](#).

The NDICI Regulation foresees timely, transparent and inclusive information sharing by the Commission towards Member States. The minutes and agendas of EFSD+ strategic board meetings have to be made public. The Commission needs to report annually to the EFSD+ strategic board on the progress made in the implementation of the programme. It also has an obligation to prepare an annual report to the European Parliament and the Council on the implementation of the NDICI-Global Europe instrument.

Counterparts outside the EU that have concluded a guarantee agreement must annually provide the Commission and the ECA with audited financial reports on financing and investment operations. Regular evaluation reports are also required by the Regulation with the mid-term evaluation report due by 31 December 2024, to be followed by different types of evaluation reports every three years.²⁸ 'The Commission shall evaluate the impact and effectiveness of its actions per area of intervention, and the effectiveness of programming, where appropriate by means of independent external evaluations.'²⁹

The NDICI programme is under the joint responsibilities of the AFET and DEVE committees within the EP (and the BUDG committee also plays an important role, it held associated committee position during the legislative procedure³⁰ establishing the legal basis of the instrument), while EFSD+ specifically falls more into the remit of the DEVE committee.

3.4 European Investment Bank (EIB)

The **European Investment Bank (EIB)**, as part of the [EIB Ukraine Solidarity Urgent Response](#) for 2022-2023, pledged to provide EUR 2.26 billion to Ukraine, of which EUR 1.7 billion have been disbursed. In March 2022, the EIB announced an emergency solidarity loan backed by an EU guarantee (part of the Solidarity Urgent Response) for Ukraine of EUR 2 billion including the immediate provision of EUR 668 million as liquidity assistance. A second part of the Response amounts to EUR 1.59 billion, of which EUR 1.05 billion was disbursed in 2022 and EUR 540 million is earmarked for 2023. They also disbursed a humanitarian donation worth EUR 3.6 million. In addition to the support provided to Ukraine, a credit line and an advisory platform were created to support

²⁷ [Multilateral financial assistance to Ukraine](#), Drazen RAKIC, Vasileios PSARRAS, European Parliament, February 2023

²⁸ [The New EFSD+ and the EIB's External Lending Mandate](#), Erik Lundsgaarde, María-Luisa Sánchez-Barrueco, Andreea Hancu Budui, European Parliament 2022

²⁹ Article 42 of [Regulation \(EU\) 2021/947 of 9 June 2021 establishing the Neighbourhood, Development and International Cooperation Instrument – Global Europe](#)

³⁰ See: [legislative observatory](#)

EU Member States neighbouring Ukraine in their efforts to meet displaced people's needs. On 29 March 2023, the Board of Directors of the EIB approved [the "EU for Ukraine Initiative"](#), a new temporary scheme which will enable continued EIB engagement in the country while the expected medium term EU support is put in place. As part of the initiative, the EIB has established the EU for Ukraine Fund for donors reaching EUR 400 million by July 2023³¹. It was also accompanied by a EUR 100 million dedicated technical assistance package.

The European Investment Bank is the lending arm of the European Union. Its governance structure includes an Audit Committee, which is an independent body answerable directly to the Board of Governors. The committee's six members are appointed by the Board of Governors for a non-renewable term of six years, and may use the services of external auditors. It is responsible for 'verifying that the operations of the Bank have been conducted and its books kept in a proper manner', 'auditing the Bank's accounts'³². It reviews financial statements and annual accounts³³, and its report is joint to the annual report of the Board of Directors.³⁴

'In respect of the European Investment Bank's activity in managing Union expenditure and revenue, the Court's rights of access to information held by the Bank shall be governed by an agreement between the Court, the Bank and the Commission. In the absence of an agreement, the Court shall nevertheless have access to information necessary for the audit of Union expenditure and revenue managed by the Bank.'³⁵ In November 2021 a tripartite agreement was signed by the ECA, the EIB and the Commission that allows greater and more streamlined access for the ECA to the documents and data of the EIB concerning its Commission mandated activities.³⁶

The Annual Report on the financial activities of the EIB is discussed in the Parliament. The BUDG committee is responsible for 'the financial activities of the European Investment Bank which are not part of European economic governance', the latter being in the remit of the ECON committee, while the CONT committee is charged with 'the control of the financial activities of the European Investment Bank'.³⁷ In practice, in 2022 an own-initiative report was prepared by the CONT committee with the DEVE committee providing an opinion on the control of the funds³⁸, and another own-initiative report was drawn up by the ECON committee with the BUDG committee providing an opinion on the Bank's activities³⁹.

3.5 European Bank for Reconstruction and Development (EBRD)

As mentioned in chapter 3.3 EBRD's EUR 3 billion commitment is guaranteed under the [EFSD+](#) instrument, and therefore, the scrutiny of its programmes is relevant for the EU. However, EBRD is an independent international financial organisation, the membership of which comprises of 66 governments, the EU and the EIB, the two latter having 3.03% shares of the bank's capital, each. The EU is represented by a Governor and an Alternate Governor in the EBRD's main governing body, the Board of Governors, and by an Executive Director and an Alternate Director on the Board of Directors. The EU Executive Director consults regularly Member States, the Commission and EEAS, in order to exercise their role reflecting the priorities of the EU as a whole. The operational

³¹ [EU Member States pledge over €400 million to the EIB's Fund supporting Ukraine](#), EIB press release, 13 July 2023

³² Chapter V of [Rules of Procedure of the European Investment Bank](#), European Investment Bank, 2023

³³ Article 12 (3) of [Protocol \(No 5\) to the Treaty on the Functioning of the European Union on the statute of the European Investment Bank](#), OJ C 202, 7.6.2016, p. 251–264

³⁴ [Audit Committee](#), European Investment Bank

³⁵ [Article 287](#) (3) TFEU

³⁶ [EU auditors to have more access to EIB data](#), European Court of Auditors, 11/11/2021

³⁷ [Rules of procedure, 9th Parliamentary term](#), European Parliament, July 2023

³⁸ Procedure [2022/2046\(INI\)](#) - Control of the financial Activities of the European Investment Bank - annual report 2022

³⁹ Procedure [2022/2062\(INI\)](#) - Financial Activities of the European Investment Bank - annual report 2022

cooperation among the EU, EIB and the EBRD outside the European Union is based on a [Tripartite Memorandum of Understanding](#)⁴⁰. The EU has no right of scrutiny over the operations of the EBRD. The EBRD has its own Evaluation Department, which is tasked with the systematic analysis of the performance of the Bank's projects and programmes. In order to contribute to the legitimacy of the Bank it provides objective, evidence based performance assessment of outputs and outcomes relative to targets and thus enhances institutional learning by presenting operationally useful findings. The Evaluation Policy establishing the scope and objectives of evaluations was approved by the Board in January 2013. It sets out the evaluation principles, internal roles and responsibilities, the essential framework for procedures and methods. It also covers the management's response to evaluation findings, their utilisation, accessibility, internal circulation and external disclosure. The EBRD also had its evaluation system reviewed by an independent external expert to see if it reflects best practice, is meeting the needs of the Bank and is contributing to improving institutional performance, learning and accountability.⁴¹

The highest level responsible for the use of EBRD resources is the Board of Directors, which has established the Audit Committee to assist with its work. Its tasks include warranting the integrity of the Bank's financial statements and its accounting, financial reporting and disclosure policies and practices. It needs to assure the soundness of the Bank's systems of internal controls, the performance of the Bank's compliance, internal audit, evaluation and risk management functions. It also has to guarantee the independence, qualifications and performance of the Bank's external auditor.⁴²

4 OLAF and EPPO

OLAF signed the administrative cooperation arrangements on 11 February 2021 with the Prosecutor General's Office of Ukraine.⁴³ CONT committee welcomed this agreement in its report⁴⁴ (section on external dimension of the control of the EU budget), and highlighted that cooperation with international partners is crucial to protect EU funds spent outside Europe. More recently, in March 2023, OLAF signed an administrative cooperation arrangement with the State Audit Service of Ukraine (SAS). According to the [press release](#), this arrangement 'aims to further improve the investigative cooperation between OLAF and the SAS by facilitating the exchange of information and cooperation in investigative activities.' OLAF activities will go beyond what is foreseen in the arrangement, for example it will provide support (through capacity building, training) to the Ukrainian authorities in their national anti-fraud efforts and strategies. Ukraine should also as soon as possible be associated to the [Union Anti-Fraud Programme \(UAFP\)](#) that is managed by OLAF and supports national authorities in their fight against fraud. Similarly, in July 2023⁴⁵ the European Public Prosecutor's Office and the National Anti-Corruption Bureau of Ukraine (NABU), signed a working arrangement on cooperation aiming to facilitate the cooperation in investigating corruption cases. EPPO also entered into an agreement with the Ukrainian Prosecutor General's Office (March 2022)⁴⁶. According to the press release, this working arrangement "is the basis for a close cooperation to protect the financial interests of the EU and Ukraine, through effective investigation and prosecution, and to bring to justice without undue delay all suspects or accused of crimes against the EU budget. It testifies to Ukraine's recognition of the EPPO as a competent authority."

⁴⁰ [Coordination with the European Bank for Reconstruction and Development](#), European Commission

⁴¹ [Evaluating the EBRD's work](#), European Bank of Reconstruction and Development

⁴² [Corporate governance](#), European Bank of Reconstruction and Development

⁴³ See details [here](#).

⁴⁴ [Report on the Protection of the European Union's Financial Interests – Combating Fraud – Annual Report 2021](#)

⁴⁵ See press release [here](#).

⁴⁶ See press release [here](#).

5 Ukraine Facility⁴⁷

As part of the mid-term review of the MFF 2021-27, the Commission proposed the establishment of a Ukraine Facility⁴⁸ to provide support (as loans, grants and guarantees) of EUR 50 billion over 2024-27. Annual amounts would be defined based on Ukraine's needs and situation. Loans will be financed by borrowing on financial markets backed by the EU budget headroom. Grants and guarantees will be financed by the EU annual budget, through the "Ukraine Reserve", a new instrument (resources thereof are over and above the MFF expenditure ceilings). The proposed Regulation requires the Commission to continuously monitor the implementation of the Facility and provide an annual assessment of the implementation to the Parliament and the Council. This will be based on the reports by Ukraine, who is required to put in place a monitoring system on the implementation of the part of the Ukraine Plan covered by the Facility. The reports should include Ukraine's internal control system and money unduly paid or misused, and eventually recovered. Recipients of EU funds will have reporting obligations, as well.⁴⁹ Provisions concerning control and reporting are to be found in Chapters VI and VII of the proposed Regulation. Chapter VI covers the protection of the financial interests of the Union and lays out the provisions for effective controls. Article 33 details the obligations related to preventing fraud, corruption, conflicts of interests and irregularities to be included in the Framework, Financing and Loan agreements, and also provisions related to double funding and fund recovery. It prescribes data collection on the recipients and the use of this data by the Commission, the European Anti-Fraud Office (OLAF), and the European Public Prosecutor's Office (EPPO). Article 34 establishes an Audit Board to assist with the protection of the financial interests of EU and ensuring the sound financial management. The Board will be composed of independent members appointed by the Commission.

CHAPTER VII prescribes that the rules and modalities of reporting should be set out in the financing agreements and loan agreement. It also obliges the Commission to produce an annual report to the European Parliament and the Council on functioning of the Facility. Besides these reports the Commission will have to carry out an ex-post evaluation on the achievement of the objectives after the 2027 closure of the Facility, using the good practice principles of the OECD Development Assistance Committee. This report needs to be presented before the end of 2031 to the European Parliament, the Council and the Member States, and made publicly available.⁵⁰

[Parliament's position](#) was adopted at the plenary sitting of 17 October. Parliament's amendments focus on widening the scope of protection of the financial interests of the Union and enhancing the instruments available for the purpose. In order to enhance democratic accountability Parliament aims to broaden the participation of Ukraine by requiring more role for the Verkhovna Rada, the regional and local authorities of Ukraine and Ukrainian individuals. To the same end, they also demand for the European Parliament - by, among others, establishing a regular dialogue with the Commission - and the EPPO to be more involved in the procedures.

Members insist that to finance the Facility, an MFF revision is needed. However, this would need the unanimous support of all Member States in the Council and the consent of Parliament.⁵¹

⁴⁷ [Ukraine Recovery Conference: President von der Leyen and Executive Vice-President Dombrovskis showcase strong EU support with new €50 billion Ukraine Facility and €800 million in agreements to mobilise investment for Ukraine's recovery](#), Commission Press release, 21 June 2023

⁴⁸ [Ukraine Recovery Conference: President von der Leyen and Executive Vice-President Dombrovskis showcase strong EU support with new €50 billion Ukraine Facility and €800 million in agreements to mobilise investment for Ukraine's recovery](#), Commission Press release, 21 June 2023

⁴⁹ [A new Ukraine Facility](#), European Commission factsheet, June 2023

⁵⁰ [Proposal for a Regulation of the European Parliament and of the Council on establishing the Ukraine Facility](#), COM(2023) 338 final, 20 June 2023

⁵¹ [Establishing the Ukraine Facility](#), Tim Ulrich Peters, At a Glance, European Parliament, 11 October 2023

6 Scrutiny in Ukraine

6.1 *The Committee of the Verkhovna Rada of Ukraine on budget issues*⁵²

The Committee on Budget Issues of the Ukrainian Parliament, is one of the 23 Committees set up after the last parliamentary elections in 2019. It has 37 members and eight subcommittees. The tasks and competences of the committee include:⁵³

- State budgetary policy and interbudgetary relations;
- Budget Process (including medium-term budget planning, reporting on implementation budget, control over compliance with budget legislation);
- State Budget Ukraine;
- State internal and external debt;
- Activities of the Accounting Chamber;
- Activities of the state financial bodies and state financial control bodies ([State Audit Service of Ukraine](#));
- Carrying out expertise on the impact of draft laws, drafts of other acts on indicators budget and compliance with the laws governing budgetary relations.

Many of the key responsibilities are shared between subcommittees, which are:

- The Subcommittee on Budget Policy and Improvement of the Provisions of the Budget Code of Ukraine
- The Subcommittee on Revenues and Financing of the State Budget and Public Debt
- The Subcommittee on State Budget Expenditures
- The Subcommittee on Public Investment Projects
- The Subcommittee on Local Budgets and Budget Support for Regional Development
- The Subcommittee on State Financial Control and the Accounting Chamber
- The Subcommittee on the assessment of draft laws for their impact on budget indicators and compliance with budget legislation
- The Subcommittee on modern information technologies and innovations in the budget process

6.2 *Ukraine's Anti-Corruption Institutions*⁵⁴

While the Committee on Budgets focuses more on controlling and overseeing the implementation of state funds, the VR Committee on Anti-Corruption Policy, chaired by Anastasiia Radina, develops the anti-corruption policy of the country and controls the aforementioned state agencies tasked with fighting corruption. Furthermore, it works on legislative proposals concerning the prevention of conflict of interests and harmonising Ukrainian law on the issue with EU and international standards.^{55,56}

⁵² This section is largely based on an earlier note entitled "The Verkhovna Rada Committee on Budget Issues", Hendrik Becker, April 2023

⁵³ Machine translated from [Ukrainian](#).

⁵⁴ This section is largely based on an earlier internal note entitled "The State of Corruption and Anti-Corruption Efforts in Ukraine", Hendrik Becker and Nina Husarčíková, May 2023

⁵⁵ [Work Plan of the Verkhovna Rada Committee on Anti-Corruption Policy](#).

⁵⁶ [Verkhovna Rada Committee on Anti-Corruption Policy](#)

The [Accounting Chamber](#) is Ukraine's independent and external supreme audit institution, the role of which is enshrined in the [Ukrainian Constitution](#). It was established in 1996, and at that time was controlling only budget expenditures. Significant changes were introduced in 2015, when its functions and powers were extended to include control over the revenues of the State Budget of Ukraine and their use. The Chamber is a supreme audit institution and has a constitutional mandate: Article 98 thereof states that it exercises its powers on behalf of the Verkhovna Rada. The Accounting Chamber has nine members appointed by the Verkhovna Rada through competitive selection for a 6 year term. The acting Chairman (Deputy Chairman) is Andrii Maisner.⁵⁷

Since 2014, at the same time when it was taking on reform in a number of spheres, as discussed above, the Ukrainian government created new bodies to fight corruption, particularly with regard to investigating and prosecuting those involved in corruption. This was mandated by the EU, the United States and the Ukrainian civil society after the revolution and related unrests in 2014.⁵⁸

The anti-corruption institutions created include:

- the National Anti-Corruption Bureau (**NABU**)
- the National Agency on Corruption Prevention (**NACP**)
- the Special Anti-Corruption Prosecutor's Office (**SAPO**)
- the Asset Recovery and Management Agency (**ARMA**)
- High Anti-Corruption Court (**HACC**)

The **NABU** investigates corruption cases and prepares them for prosecution with the intention to clean the government of corruption. It collects evidence and has investigatory powers but cannot indict suspects.⁵⁹ On the 6th of March 2023 the Cabinet of Ministers approved the candidacy of the head of NABU. After the transparent and thorough competition, the Selection Commission, which included representatives of international partners, appointed Semen Kryvonos as new NABU Director.⁶⁰

The **NACP** was established in 2015 to establish an anti-corruption policy, prevention of general and political corruption, collaborate with whistle-blowers, and deal with declarations of officials and matters of conflicts of interest.⁶¹ At the moment, NACP is working on an Action Plan to prevent corruption, analyse and monitor the risks of corruption and to create the anti-corruption environment.⁶² One part of the Action Plan is the online platform, informing how every government body is contributing to fight against corruption.⁶³ On May 2022, former director of NABU, Artem Sytnyk, who was found guilty of corruption in 2019, was appointed as Deputy Head of the NACP, imposing a question of credibility of the fight against corruption in Ukraine's agencies.⁶⁴

The **SAPO** oversees NABU investigations and brings grand corruption cases to court. SAPO is part of the Public Prosecutor's Office which limits its full independence. Following a transparent and open competition, Oleksandr Klymenko was appointed as head of SAPO in July 2022.⁶⁵ Since the appointment, the investigations into grand corruption have improved significantly⁶⁶.

⁵⁷ [The Accounting Chamber](#)

⁵⁸ [Strengthening Ukraine's anti-corruption and judicial infrastructure to safeguard the recovery](#), Basel Institute on Governance and Transparency International Ukraine, 2022

⁵⁹ [Chornovol: A lot of work ahead for Ukraine's corruption fighters](#), I. Verstyuk, Kyiv Post, 4 May 2014

⁶⁰ [Government appoints Director of the National Anti-Corruption Bureau](#), Government Portal.

⁶¹ [Prosecutor Chosen As Ukraine's New Anti-Corruption Chief](#), RFE, 16 December 2019

⁶² [National Agency on Corruption Prevention – NACP](#), Network for Integrity

⁶³ [Anti-Corruption Strategy](#), National Agency on Corruption Prevention

⁶⁴ [Artem Sytnuk is appointed Deputy Head of the NACP](#), NACP, 12 May 2022

⁶⁵ [Election of SAPO Head at the finish line: What to expect?](#) Transparency International Ukraine, 28 July 2021

⁶⁶ [Detective Klymenko wins SAPO competition: The Commission has approved the winner, but there are nuances](#), Transparency International Ukraine, 19 July 2022.

The **ARMA** is tasked with finding, tracing and recovering assets obtained through corruption.⁶⁷ A new head was appointed for the agency on 28 June 2023: Olena Duma.⁶⁸

The **HACC** was established in April 2019, supported by the EU and civil society.⁶⁹ The objectives were to deal with corruption cases and return the sense of justice to citizens and foreign investors, as ordinary courts were not able to prosecute grand corruption cases effectively⁷⁰. It consists of 38 judges who are elected by the High Judicial Qualifications Commission and the Public Council of International Experts, to ensure the highest qualification and integrity. Since the outbreak of the war, the court continues to work in a limited capacity. Transparency International rated HACC to be the most effective anti-corruption agency.⁷¹

⁶⁷ [Mission](#), ARMA

⁶⁸ Appointment of Olena Duma Can Put an End to ARMA, Transparency International Ukraine, 28 June 2023

⁶⁹ [EU welcomes launch of Ukraine's High Anti-Corruption Court](#), UKR Inform 5 September 2019

⁷⁰ [Launching an effective anti-corruption court: Lessons from Ukraine](#), Vaughn D. and Nikolaieva, O., U4 Practice Insight 2021:1, U4 Anti-Corruption Resource Centre, 2021, pp. 3-11.

⁷¹ The HACC is the most effective anti-corruption agency, a TI Ukraine study found

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