Follow up to discharge hearing 21/09/2023 – Gert Jan Koopman, DG NEAR

1) On bilateral assistance to Ukraine 2022-2023

Overview of bilateral assistance 2022

2022 was the most difficult year for Ukraine since its independence. Russia’s war of aggression has brought massive destruction to the country and has resulted in the death of many Ukrainians. This, in combination with the granting of EU candidate status resulted in a major change in EU-Ukraine cooperation. Consequently, EU mobilised more than EUR 1 billion in bilateral assistance to support the urgent needs of the country.

In order to provide quick assistance to enhance the resilience of the Ukrainian state and its citizens, a decision was taken to repurpose part of the ongoing assistance to specific activities that could support Ukraine in maintaining its independence, alleviate some of the direct negative impact of the war, and make the country stronger to respond to the military aggression. This allowed EU assistance to reach the beneficiaries before humanitarian partners could mobilise their aid programmes. Close to EUR 200 million of ongoing projects were successfully repurposed. On top of that, unallocated funds were mobilised quickly to sign new contracts to respond to urgent needs, especially at the grass root level.

In order to support the government of Ukraine with liquidity for the implementation of some important war-related support, two State Building contracts with one additional top-up were signed and disbursed in 2022.

Notwithstanding the challenges caused by the war, Ukraine continued its reform path in different policy areas, especially to show its commitment to EU integration. EU-funded technical assistance projects played an important role in supporting this process. Most of these projects were able to adapt quickly to the changing conditions and thus experienced only short interruptions because of the war.

In 2022, bilateral assistance focused on the following actions:

- **EUR 120 million** budget support programme ‘State and Resilience Building Contract for Ukraine’ aimed at assisting Ukraine to mitigate the impact of the current and potential future crises in Ukraine by strengthening civilian crisis preparedness and management at both central and local level.

- **EUR 330 million** “EU Emergency Support Programme for Ukraine”, aimed at alleviating the suffering of the Ukrainian population caused by the military attack on Ukraine by Russia and strengthen the resilience of Ukraine. The Emergency Programme was adopted to address some of the urgent consequences of the war. This has allowed the EU to provide housing solutions to IDPs and returnees, to support their re-integration and assist the host communities with their challenges, to repair critical infrastructure, to support the Solidarity Lanes initiative, to procure the most urgent equipment and materials for the restoration of Ukrenergo system (Ukrainian electricity transmission...
system operator), support to Ukraine’s resilient digital transformation and independent media. This decision was also tapped into when Commission President Von der Leyen made a pledge in December 2022 for providing 30 million LED light bulbs to Ukraine.

- **EUR 500 million** budget support programme “Reducing vulnerabilities and enhancing food security through support to conflict affected populations and agricultural production in Ukraine”, aimed at mitigating the impact of the Russia’s war of aggression against Ukraine by strengthening the means of the Ukrainian Government to support the population affected by the war.

- **EUR 66 million** of top-up of the above-mentioned budget support programme in order to contribute to the reconstruction and rehabilitation of schooling facilities.

**Overview of bilateral assistance 2023**

Up to now, two Commission decisions have been adopted in 2023 on bilateral assistance to Ukraine. Commission Decision for the Annual Action Plan (AAP) 2023 was adopted in June.

The 2023 AAP aims at supporting the urgent rehabilitation of conflict-damaged critical priority objects, implementation of key reforms instrumental to Ukraine’s EU accession, and the Ukrainian resilience to withstand the impact of Russia’s war of aggression.

The Annual Action Plan 2023 is composed of two Action Documents:

Support to Ukraine’s fast recovery (**EUR 250 million**) aims at mitigating the impact of Russia’s war of aggression on Ukraine’s population by contributing to the urgent rehabilitation of conflict-damaged critical priority objects including transport infrastructure (such as bridges, roads and railways), critical and municipal infrastructure and utilities, housing facilities and social infrastructure such as school and kindergartens, healthcare facilities. Furthermore, the war continues to substantially disrupt agro-food production systems, including export routes, while it systematically puts agricultural cropping seasons at risk. In this challenging context, the action will contribute to Ukraine’s food security and economic resilience by ensuring uninterrupted production of agricultural and food products and provide working capital to farms (i.e., legal entities and individual agricultural producers) to ensure the functioning of agro-food supply chains in the short- and medium-term.

EU Support to Recovery and Reforms (**EUR 335 million**) aims at supporting Ukraine in its EU membership path and implementation of the Association Agreement (AA) and its Deep and Comprehensive Free Trade Area (DCFTA) while strengthening its resilience and capacity to respond to the impacts generated by Russia’s war of aggression.

Focus will be placed on three reforms clusters: 1) Fundamentals: Rule of Law, Governance, Fundamental Rights and Society; 2) Economic Development: Energy, Environment, Transport, Electronic Communications, Quality Infrastructure, Financial Services and Agriculture; and 3)
Recovery, Rehabilitation and Reintegration: Recovery of Municipal and Energy infrastructure, Housing, Skills Development, Medical Rehabilitation and Reintegration.

In addition to the Annual Action Plan 2023, the Commission adopted a separate special measure to subsidize the interest rate charges due by Ukraine in 2023 in relation to the Union’s exceptional macro-financial assistance of 2022. The total due for 2023 and bore by the Union amounts to about EUR 100 million. **This is financed from the overall cushion of Neighbourhood Development and International Cooperation Instrument.**

2) On IPA

The EUR 1.7 billion mentioned during the hearing were paid through more than 1200 contracts and about 200 programmes under IPA II and IPA III. Given the high number of contracts and related payments, the summary below focuses on the biggest payments and transactions (above EUR 5 million), which account for almost 70% of the total amount disbursed in 2022.

On the basis of the selected 70%, the following considerations can be made:

- One third of the 70% was paid for activities related to migration and refugees, with significant payments made in support of refugees and host communities in Türkiye
- More than one fifth was paid for social and economic infrastructure. The Western Balkans Investment Framework was the single biggest contributor. Significant payments were also made for the transport and energy projects in Serbia implemented under indirect management by the beneficiary country.
- Payments for the implementation of the IPA II operational programmes in Türkiye (Environment and Climate Action; Competitiveness and Innovation; Employment and education and social policies) account to about 17% of this population of contracts (70%).
- 5% were paid to support the earthquake reconstruction in Albania and to Justice and Home affairs sectors
- Significant payments were made on good governance (WB regional, Serbia, Kosovo), support to private sector and SMEs (regional WB), Environment and Climate Action (Serbia, Kosovo), education and employment (Kosovo)
- Finally, some payments below EUR 5 million can be clustered according to similar scope and programmes. These refer to: support to civil society and media (6%), cross-border cooperation programmes (5%), strategic communication (1%)

3) On Libya

In 2022, EUR 63.6 million were paid to Libya, as follows:

- **EUR 27.2 million** were paid to Libya under bilateral geographic and thematic budget lines, notably under ENPI (European Neighbourhood and Partnership Instrument), ENI (European Neighbourhood Instrument), NDICI (Neighbourhood, Development and
International Cooperation Instrument) - geographic, CSO (Civil Society Organisations) Thematic Programme, and EIDHR (European Instrument for Democracy and Human Rights).

The areas covered include economic diversification/private sector development/SME competitiveness, Technical and Vocational Education and Training, media, health (e.g. support to the blood transfusion system, to Midwifery, Nursing and Specialized Nursing, mental health, primary health care...), gender, the Rule of Law/Governance/Support to Public Administration, and civil society capacity building.

- **EUR 36.4 million** were paid through the regional migration envelope for Libya-specific projects aiming at the protection of migrants and promoting social cohesion. Libya is also included in a regional programme promoting voluntary returns to countries of origin.

4) **On the IAS audit on contractual expenditure verifications**

The IAS’ conclusions from the audit on contractual expenditure verifications are welcome in the framework of our efforts for continuous improvement of our management and control systems.

All concerned external relations Directorates-General have accepted the “very important” recommendation related to the clarification of the objective and design of contractual expenditures verifications as a control. To ensure that these verifications achieve their objective, the Commission is actually revising the terms of reference and will disseminate detailed guidance and interpretative materials to the external auditors.

In its 2022 Annual Activity Report, DG NEAR has disclosed the reasons for rejecting one “very important” recommendation on monitoring and feedback on the contractual expenditure verifications. DG NEAR, as DG INTPA, found the remedial actions formulated by the IAS too prescriptive, as they required the Commission to set up a dedicated database to collect the results of thousands of expenditure verifications which are not managed by the Commission, but by the beneficiaries as part of their contractual obligations. The audited Directorates-General consider that it is their own responsibility to adopt the most cost-effective actions to address the shortcomings identified by the auditors.

It goes without saying that the external relations DGs remain committed to improving monitoring and feedback on this process.