


# INTERNATIONAL FINANCIAL ASSISTANCE TO PREVENT THE SPREAD OF COVID-19: ASSESSING TRANSPARENCY AND ACCESS TO INFORMATION



This study is exploratory. Its main idea is to cover basic data on international financial assistance in Ukraine. The analytical report attempts to systematize and summarize the procedures for attracting and spending IFA, its scope, and results. The study was based on a study of international financial assistance received to combat COVID-19 during 2020. Based on the study results, the authors have developed their system of evaluation of IFA from the citizen's standpoint. This approach allows you to visualize problematic aspects and good practices in ensuring transparency and accountability of the IFA.

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# RESUME

International financial assistance is an integral part of countries' economic systems. Established relations with international financial institutions open up opportunities for countries to make their development faster and their economies more stable. Such interaction can save the state from bankruptcy and protracted economic crisis in critical situations.

This analytical report aims to establish the transparency and efficiency of Ukraine's attracting and distributing international financial assistance.

Thus, the focus of our study was on the fight against the pandemic, namely projects funded by IFOs in 2020 and aimed at overcoming it. Examining this issue, we estimate that in 2020 Ukraine received USD 2.5 billion and 1.1 billion euros from IFOs and the EU through the use of three instruments: technical assistance, investment loans, and budget financing. Part of the attracted international financial assistance went to the State Budget's general fund, particularly loans from the IMF, the EC, and partly the IBRD. Under these conditions, the funds indirectly became a way to mitigate the effects of the pandemic. However, it is impossible to establish a direct relationship between the loan and the payment of specific measures. The largest amount of this assistance is USD 2.1 billion from the IMF, 1.2 million euros from the EC.

Investment loans usually attracted by the state to the special fund of the NB under the agreements amounted to USD 607 million for the health and social sphere needs. Such projects in 2020 in Ukraine were selected for study 4. It was determined that USD 407 million (67% of the funds) provides funding for direct measures to overcome the epidemic's effects, and USD 200 million (33%) focus on indirect activities. It is possible to fully trace using the funds only for about USD 20 million. Ukraine has an effective electronic resource to cover this type of lending, which contains the main agreements on borrowing, implementation plans, and partial reporting. One of the main problematic aspects of this type of credit is cost accountability, including a wide range of procurement policies and systems that are more closed to the public.

The system of attracting and spending international technical assistance (non-repayable) became the most difficult to study. The Secretariat of the CMU keeps the register of these projects. However, the resource contains only basic information about the project and its situational procurement plans. In addition, not all ITA projects are registered, which greatly complicates their search and analysis. We selected 6 projects worth USD 10.7 million and 3 million euros for the study.

In contrast, project procurement plans allow for a USD 1.7 million procurement cost for COVID-19. Most of them provided for the purchase of personal protective equipment and the provision of information services to the public. Their executors report such projects to the IFO that provided the resources. Informing the population about the efficiency of such projects is carried out by the executors at their discretion using their information resources.

To establish transparency and accountability of projects financed by international financial assistance in Ukraine, we have developed an evaluation tool with 6 criteria and 42 indicators, which characterize the IFA in the Transparency Participation Accountability approach. After examining all IFA projects that were in operation in 2020 and contained funding for countering the pandemic, we found that the overall score of transparency and accountability of the IFA for Ukraine is 52.5 out of a possible 100.

Criterion	Point
Openness of information	55
Completeness of information	73
Publicity of reporting	53
Transparency / Use of digital tools	25
Public participation	20
Expense accountability	45

Therefore, the system needs comprehensive solutions for the accumulation, systematization, generalization, and publication of data on the attraction and use of international financial assistance to Ukraine. At the same time, decisions must take into account society's need for accessible and complete information on this area. Therefore, most of the document proposals are aimed primarily at the opening and digitization of data on IFA, which will improve the processes of attracting and spending these funds.

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<sup>1</sup> TPA - T- transparency, P - participation, A- accountability.

# CONDITIONAL ABBREVIATIONS

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COVID-19	Coronavirus infection 2019
KfW	German State Bank
USAID	United States Agency for International Development
HIV	Human immunodeficiency virus
PMT	Project management team
NB	National budget
STSU	State Treasury Service of Ukraine
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
EC	The European Commission
CMU	Cabinet of Ministers of Ukraine
IBRD	International Bank for Reconstruction and Development
IMF	The International Monetary Fund
MIA	Ministry of International Affairs
MH	Ministry of Health
ITA	International technical assistance
IFA	International financial assistance
IFO	International Financial Organization
NBU	National Bank of Ukraine
OSCE	Organization for Security and Co-operation in Europe
TB	Tuberculosis
COVID-19 Fund	Acute Respiratory Disease COVID-19, SARS-CoV-2 Coronavirus and Its Consequences Fund
UNOPS	United Nations Office for Project Services

# INTRODUCTION

International financial assistance is one of the usual and effective tools for maintaining the economic well-being of countries, especially countries in transition. The funds raised by the state in the international arena allow to maintain the balance of payments, carry out reforms and keep the budget deficit within acceptable limits. Ukraine receives part of its resources on a non-refundable basis in grants. The rest comes on credit. In the second case, the funds must be repaid, the body of the loan and interest must be paid from the budget. Thus, in 2020 alone, Ukraine returned UAH 145 billion to creditors (USD 5.4 billion) loans and paid an additional UAH 119 billion (USD 4.4 billion) for maintenance<sup>2</sup>. Given that taxpayers largely fill the country's budget, all Ukrainians and citizens of other countries who pay taxes in Ukraine participate in the repayment of loans.

The rapid spread of the COVID-19 pandemic last year was an unexpected challenge for the world. Quarantine restrictions, treatment of people, social support of the population and business have caused large losses of revenues to national budgets and forced to reconsider the expenditures of both governments and local administrations. As a result, the need to attract external borrowing has become even more urgent. Emergency conditions encourage countries to make quick decisions and actions. Loans are agreed, received, and spent faster than normal lending conditions. Therefore, there is a high risk of leveling the proper control over the appropriateness and efficiency of borrowed funds. This article examined the financial resources that Ukraine received in 2020 to combat the COVID-19 pandemic. The rational use of these resources is one of the key factors in the successful passage of the pandemic period while maintaining economic stability in the country. Particular attention is paid to the issue of transparency, accountability, and participation of civil society in monitoring the use of international financial assistance.

The study is based on three main components: the concept of international financial assistance, the features of attracting financial assistance during the epidemic, and the evaluation of existing programs according to the developed methodology based on the TPA approach. The study is limited to the analysis of funds raised by Ukraine from the International Financial Institutions to combat the COVID-19 pandemic. The study's methodology, tools, and limitations are detailed in Annex 1.

The results of this study illustrate the shortcomings in the system of attracting and absorbing funds for international financial assistance. A parallel achievement is an effective and understandable algorithm for monitoring international financial assistance that citizens can use.

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<sup>2</sup> <https://www.treasury.gov.ua/ua/file-storage/richnij-zvit-pro-vikonannya-derzhavnogo-byudzhetu-ukrayini-za-2020-rik?page=3>



# CHAPTER 1

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## INTERNATIONAL FINANCIAL ASSISTANCE

Ukraine's cooperation with IFOs that provide financial assistance dates back to independence. Funds from such organizations are the cheapest source of credit, as they are usually provided at relatively low-interest rates or come in the form of non-repayable financial assistance.

Ukraine receives financial resources from such IFOs as International Monetary Fund (hereinafter - IMF), International Bank for Reconstruction and Development (hereinafter - IBRD), European Bank for Reconstruction and Development (hereinafter - EBRD), European Investment Bank (hereinafter - EIB), etc.

Such cooperation undoubtedly has its advantages, as it gives an opportunity to start implementing reforms or implement individual investment projects. However, in the case of loans, the funds received will have to be repaid with accrued interest.

The financial assistance received by our state can be divided into two types:

1. Repayable financial assistance;
2. Non-refundable financial aid.

Then we offer to get acquainted in detail with each species.

### **1.1. Reimbursable international financial assistance**

A feature of repayable financial assistance is the obligation to return it, considering the interest for the use of funds provided. This type of international financial assistance is provided through loans and borrowings. According to Ukrainian legislation, such external borrowing is one of the budget funding sources. In addition, funds from IFOs can be raised by the country directly and by other entities under state guarantees. This type of financing is particularly used when attracting investment loans to Ukraine.

The plan of such borrowings for the next year must be attached to the draft law on NB. This plan contains a list of projects to be implemented, creditors, currency, and interest rates on these loans, and information on the validity of contracts.

State borrowing on behalf of Ukraine is carried out by the Head of the Debt Agency of Ukraine or a person acting on his behalf, on behalf of the Minister of Finance of Ukraine. The Cabinet of Ministers of Ukraine determines the basic conditions for implementing state borrowing, including the basic conditions of credit agreements.

State borrowings are carried out within limits set by the law on NB, in compliance with the maximum amount of public debt. Borrowing agreements that are not planned in the NB must be ratified. Ratification of international treaties of Ukraine is carried out by adopting a law on ratification, an integral part of which is the text of an international treaty.

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<sup>3</sup> <https://zakon.rada.gov.ua/laws/show/2456-17#Text>

**For reference:** it is also possible to use loans under state guarantees. The programs for which expenditures will be made for funds borrowed through such a mechanism are reflected in Annex 3 to the NB. The amounts and conditions of state guarantees are determined annually by the Law «On the State Budget of Ukraine.» This type of borrowing is not the focus of the study.

Repayable financial assistance in turn is divided into two categories:

1. Loans raised to finance the budget deficit, reform, increase the balance of payments, etc.

It should be noted that the peculiarity of this type of assistance is that the purpose of attracting these loans is complex and multifaceted. It is impossible to clearly define their purpose, as these funds go to the general fund of the NB. Examples of such financing in 2020 are loans from the IMF, the EC, and partly the IBRD.

### **Macro-financial assistance of the European Union (hereinafter - the EU).**

Since 2014, the EU and financial institutions have mobilized more than 15 billion euros<sup>4</sup> in grants and loans to support Ukraine's reforms. Macro-financial assistance provided by the EU is significant.

Unlike other forms of financial assistance provided by the EU, macro-financial assistance is an emergency assistance measure not intended for regular financial support.

The EU provides this type of assistance to Ukraine to reduce external financial pressure, improve its balance of payments and meet budget needs. The goals also include strengthening the position on foreign exchange reserves and helping to overcome current external and financial vulnerabilities. In other words, the funds of these loans aim to ensure that the country does not experience an economic trap in difficult times. Quite extensive wording of the purpose of the loan gives the state the right to choose how to keep its position.

Macro-financial assistance complements the resources provided by the IMF and other organizations to support Ukraine's economic stabilization and reform agenda.

Usually, macro-financial assistance is agreed upon under conditions of satisfactory implementation of IMF-financed programs. In addition, a positive assessment of the European Commission's progress in implementing structural reforms is needed.

The Government is applying to the European Commission for EU financial support to receive macro-financial assistance. The precondition for the allocation of funds is the decision of the European Parliament and the Council of the EU to provide macro-financial assistance in the form of a loan. It is followed by agreeing and preparing the parties to the Memorandum of Understanding and the Credit Agreement between Ukraine and the EU, which form the contractual basis for macro-financial assistance.

<sup>4</sup> [https://eas.europa.eu/headquarters/headquarters-Homepage/4081/eu-ukraine-relations-factsheet\\_en](https://eas.europa.eu/headquarters/headquarters-Homepage/4081/eu-ukraine-relations-factsheet_en)

The Memorandum of Understanding<sup>5</sup> defines the preconditions for allocating funds, and the Loan Agreement<sup>6</sup> contains the technical features of their provision. The President authorizes<sup>7</sup> the Minister of Finance of Ukraine and the Chairman of the National Bank of Ukraine to sign these documents. The National Bank of Ukraine acts as a financial agent and is not responsible for the borrower's financial obligations under the agreement. Parliament then ratifies the Memorandum of Understanding and the Loan Agreement.

**Table 1.1 Volume of EU macro-financial assistance provided (billion euros)**

IFA program	IFAI	IFAI I	IFA III	IFA IV	IFA V
Year of receipt of IFA	2014, 2015	2014	2015, 2017	2018, 2020	2020
The size of the IFA	0.6	1	1,2 <sup>8</sup>	1	0,6 <sup>9</sup>
<b>TOTAL - 4.4 billion euros</b>					

Source: official website of the European Commission

As of the end of 2020, the total amount of macro-financial assistance to Ukraine from the EU, provided over seven years, amounted to about **4.4 billion euros**.

It should be added that the funds under the fourth and fifth macro-financial assistance programs went directly to the general fund of the NB, which was not typical before.

## IMF loans

The IMF is a specialized agency of the United Nations that works to ensure the stability of the international monetary system, in particular by providing loans to member countries that have balance of payments problems.

Ukraine joined the IMF in 1992 on the basis of the Law<sup>10</sup>. Cooperation with the IMF is a positive indicator for other international financial institutions, and helps to attract funds from other creditors, including the EU.

<sup>5</sup> [https://zakon.rada.gov.ua/laws/show/984\\_004-20#Text](https://zakon.rada.gov.ua/laws/show/984_004-20#Text)

<sup>6</sup> [https://zakon.rada.gov.ua/laws/show/984\\_005-20#Text](https://zakon.rada.gov.ua/laws/show/984_005-20#Text)

<sup>7</sup> <https://www.president.gov.ua/documents/4162020-rp-34453>

<sup>8</sup> The third IFA program provided macro-financial assistance of 1.8 billion euros, but due to unsatisfactory results, only part of the program was disbursed.

<sup>9</sup> The total amount of assistance agreed under the fifth IFA program is 1.2 billion euros. As of early 2021, only the first tranche had been disbursed.

<sup>10</sup> <https://zakon.rada.gov.ua/laws/show/2402-12#Text>

In order to receive financial assistance from the IMF, a member state submits a Letter of Intent and a Memorandum of Economic and Financial Policy<sup>11</sup>(hereinafter - the Memorandum). To this end, the relevant ministry prepares a draft letter and Memorandum, which the Cabinet further approves of Ministers. The Memorandum contains measures and conditions implemented and planned by the Government of Ukraine during the program and specific steps required to receive the next tranches. The terms of the Memorandum are being agreed upon during talks between the Government and the NBU with representatives of the IMF.

The IMF Board decides to approve the loan program and allocate Directors' funds.

Agreements with the IMF must not be subject to ratification, as they are not binding but contain only the conditions that must be met to obtain financing. If the Government does not meet the conditions set out in the Memorandum, funding will be suspended.

Throughout the history<sup>12</sup> of Ukraine's cooperation with the IMF, financial assistance has been provided through the following programs:

- Stand by (Stand-By Arrangements (SBA));
- Extended funding (Extended Fund Facility (EFF)).

The programs<sup>13</sup> differ in terms, including the terms of granting and repaying loans.

According to the Ministry of Finance,<sup>14</sup> Ukraine has received about USD 35 billion in cooperation with the IMF. The IMF's financial resources are credited to the NBU's gold and foreign exchange reserves. However, as an exception, they can be sent to the general fund of the NB.

In June 2020, Ukraine sent a letter of intent to the IMF to launch an 18-month USD 5 billion Stand-by Program. The board of directors supported the program and approved the allocation of the first tranche of USD 2.1 billion. The funds arrived in Ukraine on June 11, 2020, and were directed to the general fund of the NB<sup>15</sup>.

In October 2020, the Cabinet of Ministers established a special working group to coordinate the implementation of the program and the implementation of commitments to the IMF<sup>16</sup>.

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<sup>11</sup> <https://cutt.ly/FkfDc7V>

<sup>12</sup> [https://www.imf.org/external/np/fin/tad/extrans1.aspx?memberKey1=993&endDate=2099-12-31&finposition\\_flag=YES](https://www.imf.org/external/np/fin/tad/extrans1.aspx?memberKey1=993&endDate=2099-12-31&finposition_flag=YES)

<sup>13</sup> <https://www.imf.org/ru/About/Factsheets/IMF-Lending>

<sup>14</sup> <https://mof.gov.ua/uk/mvf>

<sup>15</sup> [https://mof.gov.ua/uk/news/mvf\\_opriliudniv\\_tekst\\_lista\\_pro\\_namiri\\_ta\\_memorandumu\\_pro\\_ekonomichnu\\_i\\_finansovu\\_politiku\\_shchodo\\_novoi\\_18-ti\\_misiachnoi\\_programi\\_stand-by\\_dlia\\_ukraini-2184](https://mof.gov.ua/uk/news/mvf_opriliudniv_tekst_lista_pro_namiri_ta_memorandumu_pro_ekonomichnu_i_finansovu_politiku_shchodo_novoi_18-ti_misiachnoi_programi_stand-by_dlia_ukraini-2184)

<sup>16</sup> <https://zakon.rada.gov.ua/laws/show/975-2020-%D0%BF#Text>

## 2. Loans attracted for the implementation of investment projects of socio-economic development.

The peculiarity of this type of assistance is the clearly defined nature of its provision. This type of international financial assistance most often comes to the special fund of the NB. Loans from IFOs for investment projects are attracted by the state based on international agreements of Ukraine and belong to the external state borrowings.

The list of investment projects to be implemented is annually reflected in the relevant annex to the law on NB<sup>17</sup>. It should be noted that each year the required amount of funds is laid to pay interest and repay existing investment loans.

Thus, it was assumed that the volume of such loans in 2020 will amount to **UAH 16.9 billion (USD 0.6 billion)** to implement 38 projects. In 2019, similar figures amounted to 35 projects and about **UAH 15.4 billion (USD 0.5 billion)**.

Coordinates the work related to the initiation, preparation, and implementation of investment projects by the Ministry of Finance<sup>18</sup>. He monitors their implementation and provides methodological support for such work.

The issue of preparation, implementation, monitoring, and completion of credit investment projects from IFOs (except the IMF) is regulated by a separate Procedure<sup>19</sup> (hereinafter - the Order).

**The general procedure for preparation and implementation of investment projects consists of the following four stages:**

Activity	Performers
<b>Preparation</b>	
Preparation and submission of the project to the Ministry of Finance	Initiator
Examination of the project and sometimes assessment of the financial condition of the beneficiary	Ministry of Finance
Request for project financing to IFOs	Ministry of Finance
After approval by the IFO, deciding on the feasibility of the project and determining the responsible executor	Ministry of Finance

<sup>17</sup> <https://zakon.rada.gov.ua/laws/show/294-20#n129>

<sup>18</sup> <https://zakon.rada.gov.ua/laws/show/375-2014-%D0%BF#n8>

<sup>19</sup> <https://zakon.rada.gov.ua/laws/show/70-2016-%D0%BF#Text>

Activity	Performers
<b>Preparation</b>	
Development of an action plan for the project. Lasts no longer than 12 months	Responsible executor
Submission to the President of proposals for signing an agreement with IFOs (in some cases - after negotiations with IFOs).	CMU
Signing an agreement with the Ministry of Finance	Responsible executor
Ratification of the agreement (if necessary)	VRU
<b>Realization</b>	
Selection of banks and opening of project accounts, monitoring of targeted use of funds and fulfillment of financial obligations to IFOs	Ministry of Finance
Achieving performance indicators, adherence to deadlines and procedures established by the project	Responsible executor
<b>Monitoring</b>	
Identification of deviations from the plan and its impact on the project. The report is submitted to the Office of the President and the Cabinet of Ministers on a quarterly basis	Ministry of Finance and beneficiary and IFO by agreement
Review of the state of preparation of the project implementation semi-annually/annually	Ministry of Finance and IFOs
<b>Completion</b>	
Project audit	Independent external institution
Financial audit from State Audit Office of Ukraine (if necessary)	Initiated by the Ministry of Finance
Final report and draft act of the Cabinet of Ministers of Ukraine on its approval	Responsible executor and the Ministry of Finance

In 2019, the Ministry of Finance launched IFIs projects<sup>20</sup> – the official state portal with a register of social and economic development projects of Ukraine, which are implemented with the involvement of IFOs. The portal publishes information on projects and the dynamics of the use of funds by year in an accessible form. Information is available by industry, creditors, and responsible executors. At the beginning of 2021, according to the portal, 44 social and economic development projects are under implementation in Ukraine; 3 more are at the stage of initiation. 69 projects have been completed. The portal does not cover investment loans provided to Ukraine by the Governments of other countries and information on state guarantees for business. In this study, we also leave these subtypes of creditors out of focus.

**Table 1.2. The main creditors and the total cost of IFO investment projects in progress<sup>21</sup>**

Creditor	Number of projects (units)	Total project cost (billion currency)
IBRD	11	USD 3,4
EBRD	9	3,9 euro
EIB	15	6,6 euro
EU	1	0,3 euro
KfW	4	0,3 euro
Clean Technology Foundation	3	USD 1,1
NEFCO	1	0,1 euro

Source: <https://proifi.gov.ua/?p=analytics>

Thus, as we can see, the main providers of targeted credit assistance to implement economic and social development projects of Ukraine are the European Investment Bank, the European Bank for Reconstruction and Development, the International Bank for Reconstruction and Development.

## 1. 2. Non-repayable international financial assistance

No less common practice is non-repayable financial assistance to countries. However, the funds should be used to implement projects agreed with the donor organization.

According to the Budget Code of Ukraine, revenues from EU aid programs and grants, foreign governments, international organizations, donors are a source of special NB funds.

<sup>20</sup> <https://proifi.gov.ua/?p=index>

<sup>21</sup> as of the beginning of 2021, excluding investment projects financed by loans from governments of other countries.

Article 30 of the Budget Code stipulates that the funds received from the special fund of the NB are directed, in particular, to the implementation of assistance programs and grants of the EU, foreign governments, international organizations, and donors. Note that non-refundable financial assistance does not always come only to the special fund.

Irreversible IFA is divided into two categories:

1. Receipts under the EU assistance programs to the general and special funds of the NB.

In 2006, a Framework Agreement was signed between Ukraine and the Commission of the European Communities, declaring that Ukraine is a country that meets the requirements and can be a recipient of external assistance from the Community.

The Association Agreement with the EU marked the beginning of a new stage of cooperation with Ukraine. Since then, the level of financial support for Ukraine has begun to grow steadily.

During 2014-2020, EU assistance was provided to partner countries, including Ukraine, mainly through the European Neighborhood Instrument (ENI). The ENI is a financial instrument for countries covered by the European Neighborhood Policy .

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Thanks to the ENI, since 2014, Ukraine has received about 200 million euros annually for economic development, public administration, and civil society. In total, Ukraine received about 1.4 billion euros at the end of 2020 within the framework of the ENI.

It should be added that from 2021 to 2027, assistance to partner countries in neighboring regions will be provided using a new tool - the Neighborhood, Development, and International Cooperation Instrument (NDICI).

In 2018, the European Commission approved the Strategic Program of EU Assistance to Ukraine for 2018-2020 . It sets out the general directions of reforms supported by EU assistance. They also provided an estimated amount of assistance for 2018-2020 - 430-530 million euros.

Within the framework of the ENI, assistance in the form of sectoral budget support (hereinafter - SBS), which is one of the types of EU budget support, is essential.

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<sup>22</sup> [https://eeas.europa.eu/diplomatic-network/european-neighbourhood-policy-enp/330/european-neighbourhood-policy-enp\\_en](https://eeas.europa.eu/diplomatic-network/european-neighbourhood-policy-enp/330/european-neighbourhood-policy-enp_en)

<sup>23</sup> [https://eeas.europa.eu/headquarters/headquarters-Homepage/29685/node/29685\\_uk](https://eeas.europa.eu/headquarters/headquarters-Homepage/29685/node/29685_uk)

<sup>24</sup> <https://www.me.gov.ua/Documents/Detail?lang=uk-UA&id=ae7b410d-8c71-443a-87f8-5b3536fb4229&title=StrategichnaProgramaDopomogisUkraini-2018-2020-Rr->

These funds are transferred to the NB and used in accordance with budget legislation for the purposes provided by state or sectoral programs, strategies, concepts. An important condition under which sectoral budget support is provided is the availability of strategies or concepts for reforming the relevant area of public policy.

The legal basis of the SBS is agreements on financing SBS programs<sup>25</sup>, approved by the Cabinet of Ministers. According to them, the Government undertakes to carry out reforms in the relevant area of public policy. The EU is committed to financially supporting such structural changes.

Every year, the NB law reflects the EU's financial resources. Thus, the law on the NB for 2020<sup>26</sup> provided for revenues under the EU sectoral budget support programs in the amount of UAH 739 million (USD 27 million).

The basic principles of preparation, implementation and monitoring of SBS programs are determined by a separate procedure<sup>27</sup>.

In accordance with the Regulation<sup>28</sup>, The Ministry of Finance of Ukraine implements measures to implement EU budget support programs implemented in Ukraine.

According to the Register of EU Sectoral Budget Support Programs<sup>29</sup> maintained by the Cabinet of Ministers Secretariat, as of 2020, 2 SBS programs totaling 149 million euros in energy and public administration were implemented in Ukraine.

Separately, this study covers only international technical assistance provided by IFOs. However, to understand the full picture of receiving international financial assistance, it is appropriate to talk about technical assistance from the EU. The latter is among the largest technical assistance providers to Ukraine, although it is not a financial institution. As of December 2020, 268 EU ITA projects<sup>30</sup> worth 414 million euros were being implemented through:

- EU national and regional assistance programs;
- cross-border cooperation programs;
- Twinning mechanism;
- Erasmus + educational program;
- Creative Europe program;
- Horizon 2020 program;
- nuclear safety instrument.

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<sup>25</sup> [https://zakon.rada.gov.ua/laws/show/984\\_019#Text](https://zakon.rada.gov.ua/laws/show/984_019#Text)

<sup>26</sup> <https://zakon.rada.gov.ua/laws/show/294-20#Text>

<sup>27</sup> <https://zakon.rada.gov.ua/laws/show/841-2010-%D0%BF#Text>

<sup>28</sup> <https://zakon.rada.gov.ua/laws/show/375-2014-%D0%BF#Text>

<sup>29</sup> <https://drive.google.com/file/d/1MXgCuPIV40LI8F2-p9aRPv8yCbX4ExkP/view>

<sup>30</sup> <https://docs.google.com/spreadsheets/d/1wu20ZloolavVR8fS4vQGwGK9v4bTyMdy/edit?rtpof=true>

Consider a few of them:



### Cross-border cooperation programs (hereinafter - CBCP)

Aimed at strengthening cooperation at the EU's borders with third countries. A separate procedure regulates the preparation and implementation of such projects. The legal basis for cross-border cooperation is CBCP financing agreements. As of the end of 2020, Ukraine has participated in implementing four joint CBCPs: Ukraine-Romania, the Black Sea Basin, Ukraine-Hungary-Slovakia-Romania, and Ukraine-Poland-Belarus. Their total budget is about 403 million euros.



### The EU Twinning Instrument

Is a form of direct technical cooperation between the authorities of the EU Member States and the beneficiary countries. A feature of this tool is the exchange of experience in a particular area of government regulation to implement EU standards. The National Civil Service Agency of Ukraine is in charge of coordinating Twinning projects in Ukraine. A separate procedure determines the procedure of initiation, preparation, and implementation. As of the beginning of 2020, there were more than 60 Twinning projects in Ukraine.

## 2. International technical assistance projects from IFOs

A separate type of non-repayable financial assistance are projects (programs) of international technical assistance. According to the implementation logic, they are close to non-repayable EU programs but are considered and regulated separately.

Cooperation in obtaining international technical assistance is based on international treaties<sup>31</sup> ratified by Parliament.

The peculiarity of this type of assistance is that the funds are provided on a non-refundable and gratuitous basis and are earmarked for the project (program).

ITA can be involved in funds (grants) and the form of any property, works, services, or other resources.

A separate procedure determines the procedure for attracting, using, and monitoring the ITA<sup>32</sup> (hereinafter - the Procedure). According to him, official applications for the involvement of ITA in donors should be submitted by the Secretariat of the CMU. In addition, the CMU Secretariat coordinates the implementation of projects and formulates ITA strategic programs.

<sup>31</sup> <https://www.kmu.gov.ua/diyalnist/mizhnarodna-dopomoga/mizhnarodni-ugodi-ta-normativno-pravova-baza>

<sup>32</sup> <https://zakon.rada.gov.ua/laws/show/153-2002-%D0%BF#Text>

## The main stages of involvement and use of ITA:

Activity	Performers
<b>Involvement</b>	
Formation of requests for ITA involvement	Ministries, executive committees, etc. establish
Analysis of requests for compliance with the Program of Activities of the Cabinet of Ministers <sup>33</sup> the Association Agreement with the EU and other strategic documents and their approval	Secretariat of the CMU
<b>or</b>	
Request for a donor and a copy to the Secretariat of the CMU, if the project implementation proposal was received from the donor	Executor / recipient / beneficiary
<b>Registration</b>	
ITA projects must be registered. As a result, a registration card is issued and the project is entered in the ITA register	Secretariat of the CMU
<b>Monitoring</b>	
During implementation - current, after completion - final	CMU Secretariat, beneficiary and donor with consent
<b>Using</b>	
Used only for its intended purpose	Recipient
Publication of information on the receipt of any property under the project	Recipient
Publication of the grant agreement within 10 days	Recipient

An important stage in the coordination of the ITA was the launch in 2019 of the Ministry of Economic Development web portal for the coordination of international technical assistance in Ukraine - ProAID. The web portal was created to provide each user with access to information about ITA projects. However, as of early 2021, it is not operational.

<sup>33</sup> <https://zakon.rada.gov.ua/laws/show/1099-19#n7>

According to the CMU<sup>34</sup> 581 ITA projects were registered in 2019 (including the ITA provided by the EU, mentioned in the previous section) with a total value of USD 6.5 billion. ITA projects were implemented with the support of 20 donors, among which the largest amount of ITA was provided by the USA, the EU, and Germany. Among IFOs, the main donors in 2019 were: EBRD, IBRD, NEFCO, EIB.

As of the beginning of 2021, according to the list of current ITA projects, 259 ITA projects (excluding EU-funded ITA projects) worth USD 3.5 billion have been registered with the CMU Secretariat<sup>35</sup>.

Consider the role of IFOs in the context of providing Ukraine with various types of international financial assistance on the example of the three organizations with which Ukraine works most closely.

### **1.3. IFOs and the types of financial assistance they provide to Ukraine**

International financial organizations play an important role in international economic processes. With the help of various financial instruments, influence monetary relations, help implement government programs, promote business development.

The main, though not the only, IFOs, apart from the IMF, that cooperate with Ukraine are the IBRD, the EBRD, and the EIB.

International Bank for Reconstruction and Development.

The IBRD is one of five organizations in the World Bank Group. The purpose of these institutions is to provide financial and technical assistance to developing countries. Ukraine joined the World Bank in 1992 in accordance with the Law<sup>36</sup>.

The IBRD, among other things, provides loans and grants using various financing instruments<sup>37</sup>. The resources of this organization are used to support the state budget, implement institutional and structural reforms, prepare and implement long-term investment projects that meet the priority areas of economic development of Ukraine.

For more than 28 years of cooperation, the World Bank has approved for Ukraine about 70 projects and programs worth almost USD 14 billion<sup>38</sup>.

Since 2017, cooperation with the World Bank is based on the Concept of Partnership with Ukraine for 2017-2021<sup>39</sup>. The concept, in particular, aims to create conditions for fiscal and financial stability, as well as improve the quality of services.

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<sup>34</sup> <https://drive.google.com/drive/folders/1BA1J90zVID5Kum5aucsTCmWCWwkKhN5s>

<sup>35</sup> <https://www.kmu.gov.ua/diyalnist/mizhnarodna-dopomoga/pereliki-zareystrovanih-proektiv-z-planami-zakupivel>

<sup>36</sup> <https://zakon.rada.gov.ua/laws/show/2402-12#Text>

<sup>37</sup> <https://www.worldbank.org/en/projects-operations/products-and-services>

<sup>38</sup> <https://www.worldbank.org/uk/country/ukraine/overview#2>

<sup>39</sup> <http://surl.li/ljoq>

Over the past six years, the IBRD has provided Ukraine with a series of loans under the Development Policy Financing Instrument and the Program-for-Results to support the agricultural sector and two guarantees totaling almost USD 6 billion<sup>40</sup>.

**Table 1.3. Funding from the IBRD as of the end of 2020**

Type of financial assistance	Number of current projects (units)	Total funds provided (USD million)
Investment projects <sup>41</sup>	11	2893
System projects <sup>42</sup>	1	200
ITA <sup>43</sup>	4	11,3

Source: authors' calculations

According to the NB for 2020, the IBRD was to finance UAH 7.2 billion within 10 investment projects (USD 0.3 billion).

Projects under implementation include development of urban infrastructure, improvement of roads and traffic safety, energy efficiency, including in the sector of district heating, modernization of the social support system of the population of Ukraine, improvement of health care.

### European Bank for Reconstruction and Development

The EBRD was established in 1991. The EBRD currently has 69 member states, the EU and the EIB.

The EBRD invests in projects that promote the transition to an open market economy and the development of private and business activities.

Ukraine has been a member of the EBRD since August 1992 in accordance with the Decree of the President of Ukraine<sup>44</sup>. In September 2018, the EBRD Board of Directors approved a new strategy for Ukraine<sup>45</sup>, which sets the bank's priorities for the next five years.

<sup>40</sup> <https://www.worldbank.org/uk/country/ukraine/overview>

<sup>41</sup> according to the Ministry of Finance - <https://nof.gov.ua/uk/svitovij-bank>

<sup>42</sup> according to the Ministry of Finance - <https://nof.gov.ua/uk/svitovij-bank>

<sup>43</sup> according to the Ministry of Economic Development - <http://surl.li/oqjw>

<sup>44</sup> <https://zakon.rada.gov.ua/laws/show/379/92#Text>

<sup>45</sup> <https://www.ebrd.com/where-we-are/ukraine/overview.html>

The Bank mainly supports Ukraine in strengthening energy efficiency and energy security, developing agricultural and industrial potential, providing quality infrastructure, and strengthening the financial sector.

The EBRD uses a wide range of financial instruments. The bank's main forms of direct financing are loans, capital investments, and guarantees.

The EBRD is one of the largest institutional investors in Ukraine. As of December 1, 2020, the total amount of funding allocated to Ukraine is 14.5 billion euros under 486 projects<sup>46</sup>.

According to the NB for 2020, it was planned to attract UAH 2.2 billion (USD 81.6 million) from the EBRD within the framework of 5 investment projects.

**Table 1.4. EBRD funding as of the end of 2020**

Type of financial assistance	Number of current projects (units)	Total amount of funds provided (million currency)
Investment projects <sup>47</sup>	8	1700 million euros
ITA <sup>48</sup>	20	USD 845 million

Source: authors' calculations

## European Investment Bank

The EIB is the international financial institution of the European Union.

According to the Statute<sup>49</sup>, the EIB provides financing in the form of loans and guarantees for investments in the development of member countries. However, based on a decision of the Board of Governors, the Bank may allocate financing for investments to be made outside the territories of the Member States.

In 2005, a Framework Agreement was concluded between Ukraine and the EIB<sup>50</sup>, which provided for the Government of Ukraine and the Bank to cooperate regularly.

Since 2007, the EIB has been actively providing financial resources for investment projects in Ukraine. The Bank operates in Ukraine in accordance with the European Neighborhood Policy, the Eastern Partnership, and other bilateral EU agreements.

<sup>46</sup> <https://www.ebrd.com/where-we-are/ukraine/data.html>

<sup>47</sup> according to the Ministry of Finance - <https://www.mof.gov.ua/uk/ebrr>

<sup>48</sup> according to the Ministry of Economic Development - <http://surl.li/oqjw>

<sup>49</sup> [https://zakon.rada.gov.ua/laws/show/994\\_680.#Text](https://zakon.rada.gov.ua/laws/show/994_680.#Text)

<sup>50</sup> [https://zakon.rada.gov.ua/laws/show/994\\_585#Text](https://zakon.rada.gov.ua/laws/show/994_585#Text)

The EIB focuses on financing transport, small and medium-sized enterprises (SMEs), energy efficiency, and communal and social infrastructure.

As of December 31, 2020, the total amount of financial resources provided to the EIB in Ukraine, both in the public and private sectors, is **7.51 billion euros**<sup>51</sup>.

According to the NB, in 2020 it was planned to attract UAH 5.8 billion (USD 0.2 billion) from the EIB in the framework of 17 investment projects.

In addition to loans, the EIB also provides ITA.

**Table 1.5. EIB financing as of the end of 2020**

Type of financial assistance	Number of projects (units)	Amount (million currency)
Investment projects <sup>52</sup>	24	5000 euros
ITA <sup>53</sup>	5	USD 14,2

Source: authors' calculations

The largest financial investments are expected in the development of urban infrastructure, district heating, urban passenger transport, highways, and the reform of the road sector.

Overview of ways to provide funding from IFOs:

**Table 1.6. Types of IFAs from individual IFOs**

Type of IFA	IBRD	EBRD	EIB	IMF	EC
Investment projects	V	V	V		
Budget financing	V			V	V
ITA	V	V	V	V*	V

Source: authors' calculations

\*- technical assistance in the form of expertise / consultations

<sup>51</sup> <https://www.eib.org/en/projects/regions/eastern-neighbours/ukraine/index.htm>

<sup>52</sup> according to the Ministry of Finance - <https://www.mof.gov.ua/uk/eib>

<sup>53</sup> according to the Ministry of Economic Development - <http://surl.li/oqjw>

Therefore, we can see from the table that most IFOs have a wide range of ways to provide financial support to Ukraine. In addition, the country also has several donor organizations that provide exclusively international technical assistance projects on a non-repayable basis. Their list is quite wide, so for this study, we will focus only on those who directly funded the fight against the pandemic and consider them in the next section.

This section has considered the general principles of attracting international financial assistance and the types available to Ukraine. It was established that part of the funding goes to the general fund, which has its purpose. In combating the COVID-19 epidemic, Ukraine has used almost all of the available ways to raise funds from international partners. In the next section, we will explore these programs.



# CHAPTER 2

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## ATTRACTING FUNDS TO COUNTER COVID-19



The COVID-19 pandemic has affected both people's lives and countries' priorities. The fight against the epidemic required quick and effective solutions, which led to unforeseen budget expenditures. As expected, countries turned to IFOs for support, which changed their support priorities. Ukraine is no exception and during 2020, received financial support from IFOs:

- to the general fund of the budget on a revolving basis;
- loans for the implementation of investment projects;
- as international technical assistance.

It is worth noting that the distribution of funds for projects aimed at combating COVID-19 is different from the usual external lending. The main difference was the place of accumulation of funds received in the form of loans.

## 2.1. Receipts of repayable international financial assistance

### Receipt of external borrowings from IFOs to the state budget to combat COVID-19 in 2020

	General fund	Special fund
EC	100% EC loans	
IMF	100% IMF loans	
IBRD	98% IBRD loans	2 % loans
ITA		100% ITA

Although several factors may have influenced the change in destinations from external loans, the fight against the pandemic is one of the main ones. Usually, the distribution of funds received from creditors in Ukraine was distributed differently. The largest creditors rarely dared to credit the general fund of the NB. Schematically, in previous years, the distribution of funding was as follows:

### Distribution scheme of external borrowings from IFOs

	NBU	General fund of the NB	Special fund of the NB
IMF	100% IMF loans		
EC	100% EC loans		
IBRD		27% IBRD loans	73% IBRD loans
IFO			100%
IBRD			100% ITA
IFO		86% EU assistance	14% EU assistance

Therefore, when studying the issue of international financial assistance in the context of the pandemic, we must consider the unusual for the state distribution of funds raised. Thus, the first scheme shows that the largest share of credit money was in the budget's general fund, which complicates a detailed analysis of their development.

In addition, to combat COVID-19, Ukraine has introduced an internal instrument in the form of a centralized fund established as part of the NB's general fund. Expenditures of the newly established Fund were approved in the amount of UAH 64.7 billion (USD 2.4 billion), after which they were increased to UAH 80.7 billion<sup>54</sup>. Areas for which funds can be spent are enshrined in the Law on NB and procedures - in a separate resolution of the Cabinet of Ministers<sup>55</sup>. At the same time, the NB, including its general fund, in 2020 received funds from external borrowing, which Ukraine attracted to finance the budget deficit.

For example, the new loan program with the IMF - Stand-by, agreed in June 2020, provides for funds directly to the general fund of the NB. In contrast to several previous programs, when the funds went to the National Bank, this time the loan money can directly pay for government spending. The list of expenditures that can be made from the NB of Ukraine, which is fixed by the BCU<sup>56</sup>, theoretically for this purpose can be used borrowed funds that the general fund of the NB has previously received..

Currently, the two largest lenders that direct their loans to Ukraine through the described mechanism are:

- International Monetary Fund (hereinafter - IMF)
- European Commission (hereinafter - the EC).

Funds received within the framework of investment projects from the IBRD were also partially included in the general fund of the NB. At the same time, this type of cooperation as investment projects is more characterized by the purpose of credit funds. It is under these rules that Ukraine cooperates with most creditors. Therefore, the receipt of loans from the IBRD to the general fund is rather an exception to the rule. Most likely, the direction of investment loans to the general fund of the NB in 2020 is due to the need to counter the pandemic. This assumption was made based on the report of the Ministry of Finance of Ukraine on the sampling of investment projects for the end of 2020<sup>57</sup>. It follows that out of 12 investment projects, the general fund received funds under 5 projects, 4 of which include expenditures to combat the COVID-19 epidemic.

Below is a generalized table of credit programs, funding for which goes to the general fund of the budget.

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<sup>54</sup> The fund was formed, among other things, by reducing budget expenditures on ministries.

<sup>55</sup> <https://zakon.rada.gov.ua/laws/show/302-2020-%D0%BF#Text>

<sup>56</sup> <https://zakon.rada.gov.ua/laws/show/2456-17#Text>

<sup>57</sup> <https://www.mof.gov.ua/uk/svitovij-bank>

**Table 2.1. Projects to the general fund of NB**

Creditor	Name of the program	Validity
IMF	Stand-by	2018-2020*
IMF	Stand-by	2020-2021
EC	Macro-financial assistance 4	2018-2020
EC	Macro-financial assistance 5	2020-2021
IBRD**	The second additional funding, aimed at overcoming the consequences of the COVID-19 pandemic, for the project «Modernization of the social support system of the population of Ukraine»	2020-2023

Source: credit agreements

\* - the program is not funded in 2020

\*\* - investment project, which in this section is considered an exception due to its involvement in the general fund of the budget in full.

Given that the COVID-19 Fund belongs to the expenditures of the General Fund of the NB, we can assume that part of the funds raised in the loan from the EC, IMF, and IBRD could potentially be used to combat the epidemic directly. However, considering such large credit programs provided by these IFOs, one cannot rule out their unequivocal indirect impact on overcoming the epidemic through stabilizing the Ukrainian economy, balance of payments support, and reforms. However, the country can spend money from the State budget's general fund with the same probability on consumer spending and repayment of public debt. The state can use credit money to pay for tests and vaccines for the population and repay debts by IFOs on loans obtained earlier. Therefore, it is impossible to unambiguously establish what exactly the IMF and the EC loans were spent on.

In all the studied cases of obtaining loans from the EC and the IMF in 2020, the need was due to an emergency response to the challenges of the pandemic. Based on the letter of intent to the IMF and the memorandum of understanding with the EC, we have identified the declared goals of using credit funds. For the latest IMF program - Stand-by, the crisis is caused by coronavirus infection and the need to overcome its consequences, noted as one of the reasons for borrowing. Mitigating the impact of the pandemic on the Ukrainian economy is one of the four policy priorities under the new program<sup>58</sup>.

The preamble to the loan agreement between Ukraine and the EC<sup>59</sup> also declares a factor in the fight against the epidemic. In particular, it is noted that the COVID-19 pandemic is the reason for Ukraine's application to the EC for loans. The accompanying

<sup>58</sup> <https://zakon.rada.gov.ua/laws/show/2456-17#Text>

<sup>59</sup> <https://www.mof.gov.ua/uk/svitovij-bank>

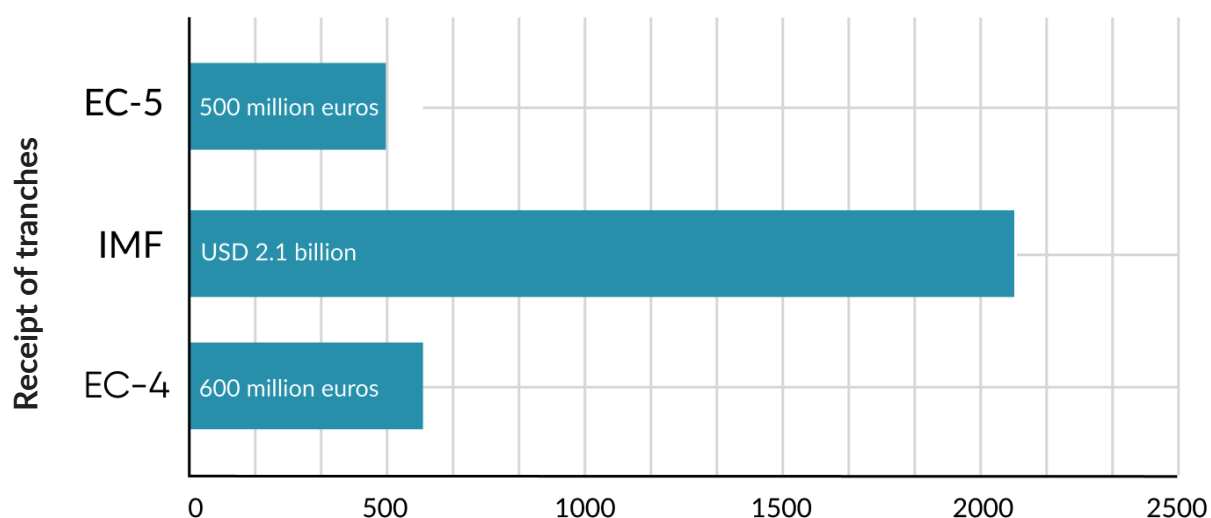
memorandum of cooperation contains a list of conditions for granting tranches related to the implementation/continuation of structural reforms in certain areas:

- public finance management
- governance and the rule of law
- improving the business climate
- sectoral reforms and state-owned enterprises<sup>60</sup>.

Therefore, we note that the indirect impact of the EC loan on overcoming the epidemic is obvious and consists in supporting government policies and reforms, thus weakening the pressure of the economic crisis on the course of structural change in the country. At the same time, the memorandum stipulates that the loan funds will be used to finance the budget regarding the budget needs of Ukraine.

In 2020, Ukraine received three tranches under three different programs worth 1.2 million euros from the EC and USD 2.1 billion from the IMF, whose revenues fell in June and December 2020.

#### Loans for Ukraine from EC and IMF during 2020



As we cannot determine what expenditures were made in this country, we analyzed several related indicators that may indirectly indicate the likelihood or impossibility of spending. We chose the following indicators: the dynamics of debt repayment to IFOs and the dynamics of expenditures from the Fund to combat COVID-19.

Therefore, it was found that in 2020 Ukraine spent 691.6 million euros and USD 751 million to repay loans from IFOs according to the following schedule:

<sup>60</sup> [https://zakon.rada.gov.ua/laws/show/984\\_004-20#n3](https://zakon.rada.gov.ua/laws/show/984_004-20#n3)

## Monthly payments on public debt in 2020 under current agreements\*<sup>61</sup>

billion UAH

Currency	January	February	March	April	May	June	July	August	September	October	November	December	total
EUR		0,5	0,03	0,2	1,0	0,1	18,4	0,6	0,03	0,3	1,2	0,1	<b>22,3</b>
USD	0,9	0,5	0,2	0,9	0,6	0,3	1,0	0,7	0,2	1,0	0,6	0,9	<b>7,8</b>
XDR						5,9						6,9	<b>12,7</b>
Total (loans from IFOs)	0,9	1,0	0,2	1,2	1,6	6,3	19,4	1,3	0,2	1,3	1,8	7,8	<b>42,8</b>

Source: Ministry of Finance reporting on debt payments and forecasts for 2020

\*- taking into account the actual costs incurred

Thus, the chart shows that the largest debt repayment amounts fall in June, July, and December. Therefore, it is possible to assume that the repayment of loans has become one of the main costs of newly attracted loans for Ukraine. This situation is not new for the state. Ukraine has been paying more for its debts than it has received through new loans in the last few years. However, even with the paradoxical situation of paying off old debts with new ones, repaying external debt as an item of expenditure can be considered a measure to mitigate the effects of the pandemic, given that both servicing and repaying debts are necessary under all circumstances, including in a pandemic, the new loans in 2020 theoretically left in the budget funds for domestic needs of the country and the population. Otherwise, resources to repay debts would have to be sought internally through budget sequestration.

Despite this assumption, the total cost of debt repayment by IFOs suggests that even if the IMF and the EC loan were used to repay the debt, it would be only part of the loans raised. Although theoretically, these funds could be used to repay loans from IFOs and other categories of external and domestic debt, the study of the dynamics of their repayment will also be an assumption.

As the focus of our study lies in the area of resources to combat the pandemic, we must also consider the country's spending on the fight against it. This issue is relevant in the context of the analysis of external loans precisely because the method of filling and spending of the budget's general fund does not exclude the possibility of calculation of the same funds and measures to combat it. Therefore, consider the previous example of the schedule of expenditures from the Fund to Combat COVID-19 in Ukraine in 2020.

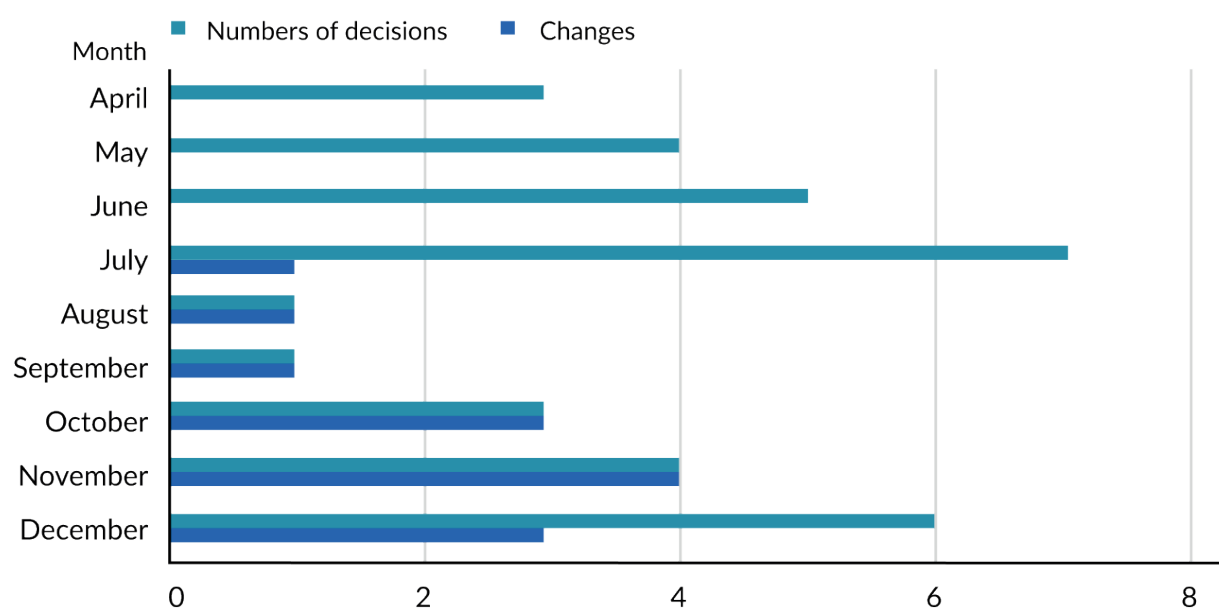
<sup>61</sup> <https://mof.gov.ua/uk/borgovi-platezhi-ta-prognozi>

Following the approval of the procedure for the use of funds from the Fund on April 22, the Government adopted another 35 resolutions, 32 of which provided for the allocation or redistribution of funds. The decision of the Cabinet of Ministers is a prerequisite for the actual allocation of funding from this Fund, so each case of expenditure is shown in a separate document.

Therefore, the largest number of decisions on the allocation of funds from the Fund falls on:

- mid-June (10th to 17th);
- beginning of July (6 of 7 decisions this month were made from the 1st to the 15th);
- mid-December (5 of 7 decisions made between December 9-23).

### Decisions on the allocation of funds from the Fund for Combating COVID-19



The graphs show that the largest number of decisions concerning the allocation of funds from the Fund were made during the periods in which Ukraine reached formal agreements with creditors to obtain loans or during periods of actual receipt of tranches. So, in theory, part of the loan could come from the Fund for Combating COVID-19. At the same time, agreed loans could boost budget expenditures. However, given the multifactorial nature of the Fund's expenditures, we cannot say for sure that they involve IMF and EC funds.

Analyzing the expenditures from the Fund, we drew attention to another interesting aspect - redistribution. In the graph above, cases of such redistributions are marked as «changes.» The frequency of their implementation encourages the analysis of the content of these resolutions because the redistribution indicates that somewhere funding is reduced and at the expense of the same funds' increases elsewhere. From the schedule, we can see that during July-December 2020, the resolutions contained provisions to reduce expenditures on previously adopted decisions. In fact, within 4 months, the

number of decisions on the allocation of funds for some needs of the Fund was equal to the number of decisions to reduce others. In part, such decisions were also recorded in July and December, but their share was less than 100% in these months, ie, more funds were allocated from the Fund than reduced already agreed costs.

As a result, in 2020, the amount of funds allocated from the Fund amounted to UAH 80.9 billion (USD 3 billion<sup>62</sup>) of which UAH 8.9 billion (USD 0.3 billion) should be transferred from the special fund of the State Budget (could not be financed by borrowing). Consider the final distribution of the Fund in terms of managers.

**Table 2.2. Distribution of funds from the Fund to Combat COVID-19**

Manager	Planned expenses (UAH million)	Planned expenditures (USD million)
State Agency of Motor Roads (Ukravtodor)	26183	971
Ministry of Health	21845	810
Ministry of Social Policy	11797	437
Ministry of Economic Development, Trade and Agriculture	10682	396
Ministry of Internal Affairs	4680	174
Ministry of Community and Territorial Development	1680	62
Ministry of Culture and Information Policy	778	29
Ministry of Youth and Sports	476	18
Ministry of Justice	127	5
Ministry of Education and Science	52	2
Public Administration	51	2
State Property Fund	48	2
not specified*	2486	92
<b>Total</b>	<b>80885</b>	<b>3000</b>

\*-category of expenses of the Fund, not determined by the managers of funds.

Source: compiled by the authors on the basis of the Cabinet of Ministers resolutions on the distribution of funding from the Fund to Combat COVID-19.

<sup>62</sup> all currency conversions in the report were made at the average official NBU exchange rate in 2020 (26.96).

So, counting on spending on the pandemic and repaying loans from IFOs, borrowing from only two creditors would be enough in both directions. However, despite the purpose of attracting both loans, it is impossible to prove that they were spent directly on measures to combat COVID-19. In a broad sense, all activities funded during 2020 can be linked to mitigation or the fight against COVID-19: from debt repayment to road construction. Therefore, it can be concluded that all costs align with the overall goal. However, raising the issue of direct costs: medicines, tests, vaccines, social benefits, it is impossible to separate their share in the total amount of IFA received to the general fund of the budget. Moreover, researching this issue, we made sure that the sphere of IFA is relatively closed to citizens. We will return to this issue in more detail in the report's third section.

### **Investment projects**

The second way for the country to raise funds to fight the pandemic is through investment projects. Investment loans come to Ukraine from several IFOs and governments of other countries in an approximate distribution of 90% to 10%, respectively. The focus of the study was exclusively on loans raised during the year from IFOs to combat the COVID-19 epidemic. In 2020, such loans were provided to Ukraine by only one IFO - the IBRD. As of the end of the year, 4 loan agreements were concluded between Ukraine and the IBRD, some of which were used to counteract the pandemic and mitigate its effects.

Traditionally, the funds that the state borrows from IFOs to implement investment projects have their purpose and become part of the special fund of the NB. Therefore, in contrast to loans received from the EC and the IMF, it is usually possible to establish links between project financing and its costs and results. At the same time, according to data on the sampling of funds under IBRD projects, loans provided by the bank for the development of health care and social protection were partially directed to the general fund. The share of these funds in 2018-2019 was 60% of the total amount of used credit resources for selected projects. In 2020, this figure rose to 90%. We assume that the increase in the part of the funds raised to the General Fund in 2020 is caused by the creation of the Fund to Combat COVID-19 in the General Fund of the State Budget of Ukraine and is indirectly related to its «filling.» For projects in which COVID-19 countermeasures have been recorded, the distribution of funds between the two funds is typical in 100% of cases. At the same time, this practice is not typical for projects in other areas for at least the last three years.

In its activities, the IBRD, as a member of the World Bank Group, considers the financial situation, peculiarities of development, and other factors specific to the country in each case. Given the varying degrees of economic development and the needs of states, the IBRD has several credit products that differ in terms of provision and purposes of use and procedures for obtaining funds. For Ukraine, the most popular lending instrument is Investment Project Financing. This type of lending involves the creation of infrastructure in a particular area, which will improve the socio-economic situation of the state. In practice, the funds received from such loans become part of the special fund of the State Security of Ukraine and are annually reflected in the relevant annex to the Law «On State Budget.»

In addition, the IBRD uses other credit financing instruments, such as Disbursement-Linked Indicators (DLIs) or Performance-Based Conditions (PBCs)<sup>63</sup>, which have a slightly different way of providing financial assistance. One of the key differences in obtaining these loans is the receipt of funds in the budget's general fund to the list of projects of the corresponding appendix of the State budget.

The financing procedure on the principle of «first results, then financing» is somewhat similar to the method of obtaining loans from the EC and the IMF. However, in contrast, indicators linked to funding for IBRD projects are narrower and project-specific, while the IMF and the EC may anticipate policy changes across industries.

In 2020, to prevent the spread of the epidemic, Ukraine received two projects in social protection, funding for which in one case is partially, and in another fully based on instruments for financing indicators. Under the project «Second additional funding aimed at overcoming the effects of the COVID-19 pandemic for the project» Modernization of the social support system of the population of Ukraine» Ukraine received a full USD 300 million loan from the general budget fund.. At the same time, the conditions for obtaining loans under this project include introducing mitigating economic measures for households and businesses. Therefore, in this case, payment from the creditor comes ex post facto.

Consider in detail the loan programs, the content of which includes tasks to combat the epidemic COVID-19.

**Table 2.3. Investment projects that include activities to combat COVID-19**

Project	Aim	Loan amount (USD million)	Year of signing the agreement
Improving health at the service of the people	Improving the quality of health services in selected areas with a special focus on primary and secondary prevention of cardiovascular disease and cancer, and improving the efficiency of the health care system	214,7	2015 (2020 - changes)
Additional funding for the project «Improving health care at the service of people»	Improving the efficiency and quality of health services, especially for noncommunicable diseases, in line with health sector reforms and the prevention, detection and response to threats posed by COVID-19	135	2020
Additional funding for the project «Modernization of the social support system of the population of Ukraine»*	Improving the performance of the social assistance system and social services for low-income families	150	2020

<sup>63</sup> <https://www.worldbank.org/en/projects-operations/products-and-services>

Project	Aim	Loan amount (USD million)	Year of signing the agreement
The second additional funding, aimed at overcoming the consequences of the COVID-19 pandemic, for the project «Modernization of the social support system of the population of Ukraine»	Improving the performance of the social assistance and social services system for low-income households and providing income support to households affected by the economic impact of the COVID-19 pandemic	300	2020

Source: compiled by the author on the basis of data from the register of IFOs projects



\*The first loan agreement for the project «Modernization of the social support system of the population of Ukraine» was concluded in 2014 for USD 300 million, which was funded, including as of 2020. Today, the agreement is valid without changes, i.e., it does not provide for activities to combat the epidemic. However, reporting on the achievement of performance indicators is carried out jointly by three projects, two of which are involved in 2020 and take into account

the needs of the fight against the epidemic. At the same time, all three projects have common goals and directions for improving the social protection system. In this case, the activities are indirectly related to mitigating the epidemic's effects on the population but are relevant even without considering the pandemic's circumstances.

Thus, the three projects with the identical title «Modernization of the social support system of the population of Ukraine» noted the indirect impact of all programs to mitigate the effects of the pandemic in the country. At the same time, direct financing of pandemic measures is available in two of them, including partial. Partial funding of measures to overcome COVID-19 is also typical for health care projects. In these projects, the loan funds aim to improve the medical sector in general, but action plans also include interventions introduced under the influence of the epidemic. So let's consider the number of loans raised purposefully to combat the epidemic.

**Table 2.4. Tasks of projects related to counteracting COVID-19**

Project	Funding tasks	Funding for COVID-19 tasks (USD million)	Share of loan amount (%)
«Improving health at the service of the people»	treatment, testing, provision of medical equipment	22	10,3%

Project	Funding tasks	Funding for COVID-19 tasks (USD million)	Share of loan amount (%)
Additional funding for the project «Improving health care at the service of people»	treatment, testing, provision of medical equipment	35	25,9%
Additional funding for the project «Modernization of the social support system of the population of Ukraine» *	one-off payments to vulnerable populations affected by the pandemic	50	33,3%
The second additional funding, aimed at overcoming the consequences of the COVID-19 pandemic, for the project «Modernization of the social support system of the population of Ukraine»	improving the social protection system; payments to low-income households	300	100%

Source: <http://documents1.worldbank.org/curated/en/716491608001710059/pdf/Ukraine-Social-Safety-Nets-Modernization-Project-Additional-Financing.pdf>

Funds provided directly for the fight against COVID-19 in 3 out of 4 cases go to the budget's general fund.

Additional funding for the project «Improving health care at the service of people» - a project in which 20 out of USD 35 million to fight COVID-19 to join the special fund of the state budget in 2020. Accordingly, it is possible to trace the cost process in this case. These costs are intended for:

- providing materials and equipment for responding to COVID-19;
- conducting important capacity building activities and communication campaigns related to countering COVID-19<sup>64</sup>.

According to the report on the implementation of the passport of the budget program 2301610 «Improving health care at the service of people» during 2020 for the needs of the pandemic were allocated two areas of use of funds:

1. In response to the COVID-19 coronavirus pandemic, procurement of laboratory equipment, reagents, and consumables. Cash expenditures amounted to 295.2 (million UAH).
2. Procurement of test systems for PCR diagnostics, rapid tests for detection of coronavirus SARS-CoV-2, training of medical staff, information campaign, and research for the population to respond to the pandemic of coronavirus infection COVID-19, software development. Cash expenditures amounted to 382.1 (million UAH)<sup>65</sup>.

<sup>64</sup> [https://zakon.rada.gov.ua/laws/show/996\\_003-20#n49](https://zakon.rada.gov.ua/laws/show/996_003-20#n49)

<sup>65</sup> [https://moz.gov.ua/uploads/5/29576-zvit\\_2301610\\_17022021.pdf](https://moz.gov.ua/uploads/5/29576-zvit_2301610_17022021.pdf)

In other words, about USD 25.1 million was spent directly from the budget program for this investment project to combat the pandemic. However, there are no publicly available contracts for the purchase of equipment, tests, etc., with international procurement organizations or other information related to the results of purchases made with this money.

Examining the credit assistance to Ukraine from the IBRD, they also recorded a new program for Ukraine - «The first loan for development policy in the field of economic recovery.» The IBRD has approved a loan of USD 350 million in June 2020. Although the program itself does not provide funding for anti-epidemic activities, its goals and objectives correspond to overcoming the crisis caused by the spread of COVID-19. According to the project documentation, the loan funds will be sent to:

- demonopolization and anti-corruption activities;
- strengthening credit and land markets;
- strengthening the system of social protection of vulnerable groups.

The project's overall effect is to restore the country's economic potential after the crisis it experienced during the pandemic. However, as of the end of 2020, no loan agreement has been signed, and no funding has been allocated under the program. The program is likely to begin in 2021.

In summary, it was determined that during 2020 Ukraine agreed to attract investment loans amounting to USD 957 million for health and social protection. Of these, USD 607 million is backed by published loan agreements. According to the analysis of the tasks of the agreed projects, it was determined that USD 407 million (67% of the funds) provide funding for direct measures to overcome the effects of the epidemic, and USD 200 million (33%) focuses on indirect activities. For only USD 20 million of the attracted financing, the method of crediting establishes the specific expenses incurred at their expense.

## **2.2. Use of repayable international financial assistance**

The issue of using loan funds for Ukraine has long been problematic. Loan agreements often ended before the country had time to use and invest available resources. Difficulties associated with project fundraising are usually caused by lengthy procurement procedures, the quality of documents prepared, and so on. To address this issue at the end of 2018, the Ministry of Finance presented a concept for improving the implementation of joint projects with IFOs<sup>66</sup>. After the approval of the concept, the situation with the sampling of funds has improved, but as of 2019, none of the IFOs has reached even 50% of projects. Projects aimed at overcoming the epidemic in this context have become indicative, as, in the first year of funding, the use of funds averaged 40.9%.

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<sup>66</sup> [https://issuu.com/minfin\\_ukraine/docs/](https://issuu.com/minfin_ukraine/docs/)

**Table 2.5. Use of IFA funds during 2020**

Project name	Used funds (%)	Terms of project implementation
Additional funding for the project «Improving health care at the service of people»	26	2020-2024
Additional funding for the project «Modernization of the social support system of the population of Ukraine»	53	2020-2024
«Improving health at the service of the people»*	27	2015-2022
The second additional funding, aimed at overcoming the consequences of the COVID-19 pandemic, for the project «Modernization of the social support system of the population of Ukraine»	56	2020-2024

Source: [reporting to the Ministry of Finance on the selection of funds for World Bank projects](#)

\*-the only project included in the sample with the start of implementation before 2020. The total sample of funds for this project is 86% for the entire implementation period.

At the same time, as we have established earlier, of the four projects, only one is fully designed to cover the costs of the epidemic. According to it, the highest level of fundraising was noted - 56.7% in the first year of the project. In the remaining three projects, expenditures to combat the epidemic accounted for a share of total credit, which may indicate a higher level of sampling of funds aimed directly at combating the pandemic. Therefore, we can note that the legal and organizational environment allows us to reach an agreement between Ukraine and IFOs and attract and use financing relatively quickly.

Let's briefly consider the scheme of loans on the example of projects in the field of social protection. Even though such loans in Ukraine today 3, 2 of which contain funding for the fight against the epidemic, the implementation process is similar. In the study, we conditionally divided this process into 4 phased components:

- Involvement
- Realization
- Financing
- Completion.

## Involvement

The Ministry of Finance attracts the loan funds after the CMU approves the loan agreement. The main administrator and beneficiary of the project is the Ministry of Social Policy. At the same time, the latter directly disposes of only the funding under its control, i.e., it goes to a special fund of the state budget, which allows the Ministry to distribute and control it. In this case, all funding received from the IBRD for the fight against the pandemic went to the budget's general fund. Even though the Ministry of Social Affairs is a body that formulates and implements policies in the field of social protection and ensures the implementation of research projects, it is not possible to manage these loans. The Accounting Chamber also emphasized this aspect in its reports on audits of IBRD credit projects<sup>67</sup>.

## Realization

According to the operational manual of the project, the Ministry of Social Policy is responsible for the implementation of the investment part of the project. The responsibility for the project's overall implementation rests with the borrower (in this case - the Ministry of Finance). At the same time, in practice, all measures implemented under the project are implemented through the Ministry of Social Policy. It prepares the necessary documents and decides on implementing project indicators related to payments. In accordance with the requirements of the IBRD, a separate management system is being set up for the implementation of investment loans. In the case of this loan, it consists of:

- Project Coordinator (Deputy Minister of Social Policy)
- project management team (advisory coordinating body) (hereinafter - PMT)
- individual consultants of the PMT
- regional working groups (local interagency collegial bodies).

Reporting on the financial indicators of the project is prepared by the Ministry of Social Policy with the participation of the project executors (in this case - the Social Investment Fund) and submitted to the SCSU, Ministry of Finance, Accounting Chamber, state statistics, and tax authorities. Separate project implementation reports are submitted to the IBRD once a quarter.

The Ministry of Social Affairs submits reports on the status of implementing the action plan and the loan agreement to the Ministry of Finance and the Ministry of Foreign Affairs quarterly and semi-annually, respectively.

## Funding

The project is financed in two different ways: based on the results of indicators related to payments (to the general fund of the budget) and based on standard procedures for

<sup>67</sup> [https://p.gov.ua/upload-files/Activity/Collegium/2018/23-4\\_2018/Zvit\\_23-4\\_2018.pdf](https://p.gov.ua/upload-files/Activity/Collegium/2018/23-4_2018/Zvit_23-4_2018.pdf)

investment lending of the IBRD and budget allocations of the state budget (to the special fund).

In the first case, the basis for funding is a letter of confirmation from the IBRD on achieving results related to payments. To this end, the Ministry of Social Affairs submits the IBRD information on the results achieved and relevant supporting documents.

In the second case, the project budget is planned, the corresponding amount of expected credit financing is entered into the draft State Budget for next year, the budget request and budget programs of the Ministry of Social Affairs estimates. Accordingly, only this part of the loan financing is planned and conducted within the project, and all involved parties/participants use the funds in accordance with Ukrainian budget procedures and legislation.

The procurement process through an investment loan is carried out according to IBRD procedures. There are two approaches to loan procurement, depending on the purchase cost. Thus, above-threshold purchases of goods and services from USD 1 million and works from USD 5 million are carried out under international competitive procedures. If the IBRD approves its use, lower purchases can be made through the national procurement system. Ukraine can use the Prozorro system under these loans, but with some restrictions<sup>68</sup>.

During 2020, through the Prozorro system, we successfully conducted 32 purchases with IBRD funds, of which only 1 was announced within the research projects. At the same time, it is possible to identify a purchase with a specific investment project only in 58% of cases.

## Completion

Repayment of loans received from IFOs begins according to the schedule agreed in the loan agreement. In the studied projects, the repayment of loans begins after the closure of the project and is designed for 9-13 years of payments. At the same time, payments on these loans fall on the same day annually and overlap for 7 years in all 4 studied loans. It means that in 2026-2032, Ukraine will immediately return funds for all projects involved in countering the pandemic.

Funds for repayment of loans from IFOs are planned annually among the State budget expenditures, according to the repayment schedule approved by the lender. Accounting and conducting operations with public debt are carried out by the Public Debt Service Department of the SCSU. He also reports on the costs of repaying and servicing the debts of the Ministry of Finance<sup>69</sup>.

<sup>68</sup> Procurement of goods, works, and services through loans, credits, grants provided in accordance with international agreements of Ukraine by the International Bank for Reconstruction and Development, the International Finance Corporation, the Multilateral Investment Guarantee Agency, the International Development Association, the European Bank for Reconstruction and Development, the European Investment Bank, Nordic Investment Bank, as well as other international monetary organizations, is carried out in accordance with the rules and procedures established by these organizations taking into account the principles established in part one of Article 5 of this Law, and in case of failure to establish such rules and procedures.

<sup>69</sup> <https://www.treasury.gov.ua/ua/pro-kaznachejstvo/organizacijna-struktura/viddil-obslugovuvannya-derzhavnogo-borgu>

According to the project cycle, the IBRD at the completion stage collects and summarizes the implementation results, comparing them with those expected, from which the relevant report is documented. In addition, there is an intermediate control: twice a year, the Bank and the Government of the borrowing country jointly form a review of the project implementation and its results. However, on average, every 4th project falls under efficiency evaluation. Therefore, it is likely that from the list of projects that provided funding for the fight against the pandemic, such an inspection will be included 1.

### 2.3. International technical assistance projects

ITA projects are the third block of international financial assistance that came to Ukraine to counter the COVID-19 epidemic.

Although the ITA may have monetary value and other forms of assistance, monetary resources make up the lion's share. These funds are usually raised on a non-refundable basis, and the costs are always targeted and carried out in accordance with the goals and objectives of each project. These projects can have a wide range of recipients and performers from both the public and non-governmental sectors. Therefore, ITA projects are often implemented in cooperation between the state and CSOs and may include subgrants, making it difficult to trace the entire funding process. As in the case of credit financing, ITA projects are often designed for several years of cooperation. Thus, today, in the register of current ITA projects, you can find projects that began in the late '90s. Along with this, new ones are attracted every year.

**Table 2.6. ITA projects involved in 2020**

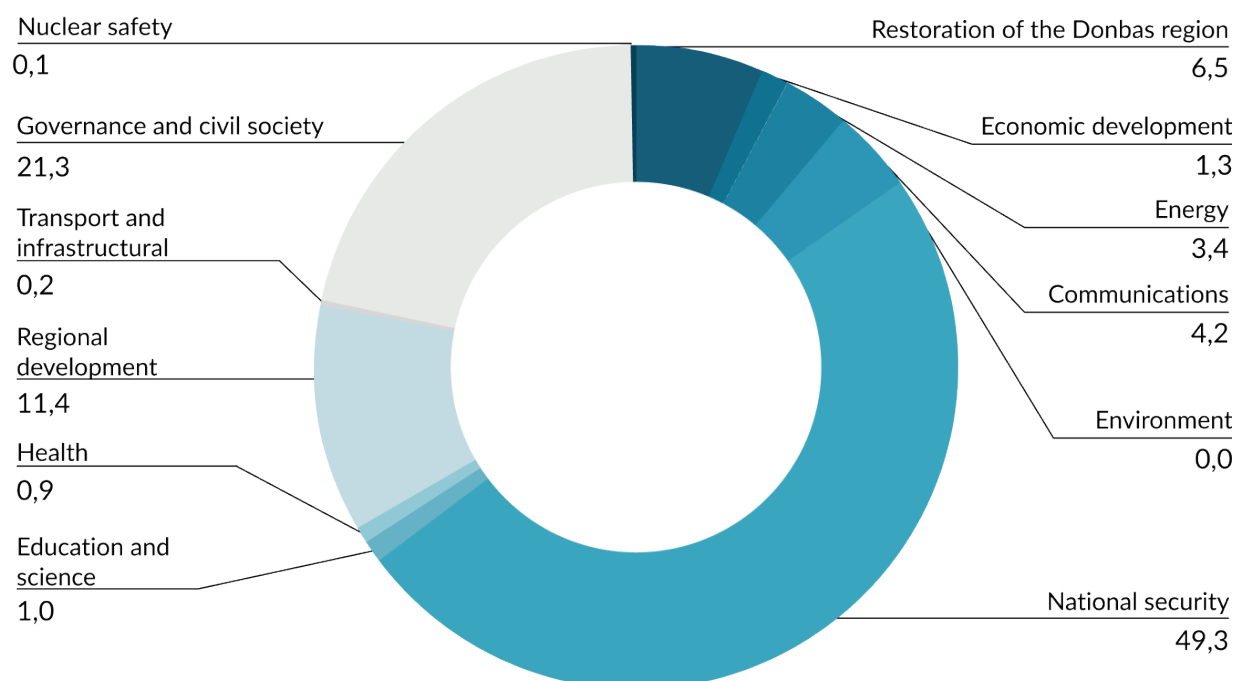
Donor	Number of projects (units)	Project cost (USD million)
United Kingdom	5	6
EBRD	4	9
EIB	1	1
Canada	1	1
Germany	8	126
Norway	5	2
OSCE	5	4
Council of Europe	2	1
USA	24	399
Government of the Republic of Turkey	1	0,06

Donor	Number of projects (units)	Project cost (USD million)
Switzerland	5	6
Sweden	4	8
UNOPS	2	12
Japan	2	2
<b>Total</b>	<b>69</b>	<b>577</b>

Source: ITA project register

By industry, the projects involved in 2020 maintain the trend of systematic cooperation with IFOs and other governments. Much attention is paid to national security and defense issues, as well as the development of civil society. Healthcare and social development, in turn, account for less than one percent of the cost of projects involved during the year. In total, there are 21 projects currently in force in the industry with a total value of USD 236.6 million, of which only 6% were raised in 2020.

### Financing of ITA projects by spheres in 2020



6 ITA projects directly represent the fight against the COVID-19 pandemic in Ukraine, the financing of which was partially or completely planned to be spent on the fight against the pandemic. Their total value is UAH 380.3 million (USD 14 million). In three cases, the projects aimed to improve the health care system and were involved in the spread of

the epidemic. Funding allocated under these projects directly to combat the epidemic is partial and allocated in addition in 2020. Let us consider in more detail the ITA projects, which provided for measures to counter COVID-19.

**Table 2.7. Non-refundable financial aid**

Project name	Donor	cost (million / currency)	on COVID (million/ currency)	on COVID in (UAH million)	Registration Date
Assistance in providing personal protective equipment and disinfectants designed to prevent infection of doctors	US Government through USAID	USD 0,03	0,03	1	14.07.2020
Crisis coordination and management in Ukraine	UN Development Program	USD 0,3	0,3	7	16.09.2020
HealthLink: Strengthen HIV / AIDS efforts in Ukraine	US Government through USAID	USD 25	3	81	28.09.2020 (re-registration)
Supporting efforts to combat tuberculosis in Ukraine	US Government through USAID	USD 25	6	162	08.10.2020 (re-registration)
COVID-19 Prevention and Response in Conflict Areas in Eastern Ukraine	US Government through USAID	USD 1	1,4	38	28.10.2020
Providing support to Ukraine in the development of a modern public health system *	European Union	3 euros	X	X	18.11.2019

Source: registration cards of ITA projects

\* the project registration card does not allow to establish the share of funds provided in the project directly for the fight against the pandemic.

In the vast majority of projects, the beneficiary is the Ministry of Health, and the direction corresponds to the field of health care. Among the goals of the projects, the financing of which includes, inter alia, the fight against COVID-19:

- modernization of the public health system
- preventing the spread of the epidemic in eastern Ukraine

- detection, prevention and treatment of TB
- HIV prevention and treatment
- increasing the capacity of state institutions in crisis management and attracting other types of external financing
- personal protective equipment and disinfection for doctors of individual government agencies.

For ITA projects, expenditures are made on the terms of the relevant project agreement. All procurements are made based on procurement plans submitted for registration together with the project itself. Five of the 6 projects under study have open access registration cards and procurement plans. Procurement procedures are agreed upon with donor organizations in accordance with their policies and requirements. The Ukrainian e-procurement system is not used for these purposes. Popular information portals, project executors' websites, and sometimes commercial procurement sites are most often used for advertisements.

However, there is no systematic and complete information on public procurement and its results within the ITA projects. However, the relevant reporting to the donor is carried out regularly, in accordance with the terms of the contract. At the same time, general conclusions about the categories of costs carried out under a particular ITA project can be established based on the procurement plan. This document does not contain information on procurement methods or approximate timing.

Therefore, after analyzing the procurement plans of five projects aimed at combating the pandemic, we grouped all their direct costs into three categories:

- information work
- medical and protective goods
- accompanying services (installation of equipment, logistics, psychosocial support of the population).

According to the contents of the registration cards, these projects to combat COVID-19 recorded USD 10.7 million and 3 million euros. In contrast, the project's procurement plans allow for a USD 1.7 million procurement cost for COVID-19. In this case, the calculation did not include any administrative costs of organizations or costs that are not directly related to the fight against the epidemic

**Table 2.8. Procurement for the needs of COVID-19 at the expense of ITA**

Category	Amount of expenses (USD million)	Number of projects (units)
Information work	0,03	1
Medical and protective products	1,4	3
Accompanying services	0,2	1
<b>Total</b>	<b>1,7</b>	<b>5</b>

Source: Procurement plans for ITA projects

As a result, three of the five procurement plans analyzed identified direct costs of fighting the pandemic. The lion's share of these funds - 90%- is intended to provide the population and doctors with personal protective equipment, medical devices, and disinfectants. Instead, the total amount we were able to identify from the procurement plans is only one-tenth of the ITA funds declared for the pandemic.

We propose considering separately the projects received from the European Union under the European Neighborhood Instrument. These programs are similar to international technical assistance projects in terms of content and implementation mechanism but are not in the ITA register. The legal basis for such financial support is the agreements between Ukraine and the European Union. The EU budget funds these programs, but the money is not directed to the Ukrainian budget. These resources, in most cases, provide technical support for reforms, training, development, etc., through private contractors.

In 2020, Ukraine concluded 8 such agreements, two of which worth 50 million euros also include the fight against the consequences of the pandemic. However, no project belongs to the health sector, so this funding can be defined as an indirect source of mitigation of the pandemic for Ukraine.

**Table 2.9. EU non-refundable assistance in the fight against the pandemic**

Agreement	Date of signing	Amount (million euros)	Sector	The main delivery channel
Mechanism of development of civil society of Ukraine <sup>70</sup>	06.10.2020	20	Additional support for civil society	NGOs and civil society
Strong regions <sup>71</sup>	06.10.2020	30	Institution building and good governance	UNDP; GIZ

Source: EU grant agreements

Given that these programs do not have a relationship with the Ukrainian budget, they are out of the focus of our study. However, in assessing the financial assistance that has come to Ukraine as a whole during 2020, these resources should be taken into account along with humanitarian aid, business contributions, donation funds, and so on.

In terms of resources received by Ukraine, we summarize:

- Ukraine has used all possible tools to attract both revolving and non-repayable funding from IFOs to combat the epidemic;

<sup>70</sup> [https://zakon.rada.gov.ua/laws/show/984\\_012-20#Text](https://zakon.rada.gov.ua/laws/show/984_012-20#Text)

<sup>71</sup> [https://zakon.rada.gov.ua/laws/show/984\\_011-20#Text](https://zakon.rada.gov.ua/laws/show/984_011-20#Text)

- In total, for all projects that have a component of the fight against the pandemic, Ukraine in 2020 attracted about USD 6 billion and 1.7 billion euros of international financial assistance (excluding resources raised by private entities). Of these funds, Ukraine received USD 2.5 billion and 1.1 billion euros a year;
- It is almost impossible to establish a link between final costs and borrowed funds in most cases. Only the instrument of investment projects allows to establish this indicator precisely. Therefore, according to the results of the study, funding for the fight against the pandemic was allocated in the amount of USD 407 million.
- Information on international technical assistance through various instruments and partnerships needs to be summarized and systematized.



# CHAPTER 3

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## EVALUATION OF INTERNATIONAL FINANCIAL ASSISTANCE PROJECTS UNDER THE TPA APPROACH

Given the variability of the IFA species used by Ukraine and the different access levels to data on each species, we have developed a special assessment methodology to examine Ukraine's IFA involvement in the 2020 pandemic in detail. This tool aims to demonstrate how transparent and accountable the country's international financial assistance system is. The tool is built on the principle of «standard.» The assessment was based on an excellent idea of how the country should involve and dispose of the IFA and measure the actual state of affairs by comparing them. The IFA assessment is transmitted through the eyes of a citizen.

Therefore, the evaluation includes 6 criteria divided into 42 (40)<sup>72</sup> indicators:

1. Openness of information
2. Completeness of information
3. Publicity of reporting
4. Transparency
5. Public participation
6. Expense accountability

For evaluation convenience in different sections, we have divided the evaluation of targeted loans, budget financing, and ITA while leaving the central evaluation approach unchanged.

The proposed assessment methodology is described in detail in a separate [document](#).

As part of this study, we analyzed 12 credit and non-repayable projects. The purpose or objectives included provisions to combat or overcome the effects of the COVID-19 pandemic. As a result, it was established that the system of organizing the IFA for a pandemic in Ukraine can be described as: «the process of attracting and using the IFA, in general, is open, there is not enough data to form a complete picture, but enough for basic understanding.» On the rating scale from 0 to 100, the Ukrainian system scored 52.5 points. For almost all IFA projects, the most problematic aspect is the dimension of public participation. In the research, we did not record a special mechanism that would allow citizens to participate in decision-making on IFA. The standard public participation mechanisms available in the country do not limit the possibilities for reviewing and evaluating the IFA (such as advisory bodies to project implementers). However, these mechanisms were not used during the involvement and implementation of research projects. For the rest of the criteria, it is typical that their compliance varies depending on the type of IFA to which the project belongs. So we made a cut in two dimensions: by type of project and evaluation criteria.

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<sup>72</sup> For budget financing projects, 2 indicators relevant to the rest of the projects are not used, so the overall score is lower. A detailed calculation is given in the assessment methodology.

**Table 3.1. Evaluation of projects by types of IFA**

Type of IFA	Score
Investment loans	66
Loans from the EC and the IMF	49
ITA	45

Source: authors' calculations

Therefore, among the three types of IFAs, investment loans are the best understood and available for public monitoring. Their total score was 66.2 out of 100 possible. ITA projects turned out to be the worst (45.0), which is most likely due to a change in their administration and, as a result, non-systematic and closed accounting.

**Table 3.2. Evaluation of IFA projects in terms of criteria**

Criterion	Score
Openness of information	55
Completeness of information	73
Publicity of reporting	53
Transparency / Use of digital tools	25
Public participation	20
Expense accountability	45

Source: authors' calculations

Considering the overall indicators of the IFA in terms of criteria, it was found that the best indicator of the completeness of the information published, while the openness of the data is slightly above average. Most often, not the entire volume of valid documents is published. Usually, there are no annual results of the project. At the same time, the published documents contain sufficient information to establish the goals, executors, and cost of projects. However, the criterion of completeness of information in the generalized calculation is high, largely due to the high performance of investment projects. Therefore, for a complete picture of the evaluation, it is necessary to consider both sections: types of projects and evaluation criteria.

**Table 3.3. Evaluation of projects by types of IFA in terms of criteria**

Criterion	Investment loans (score)	ITA (score)	Loans from the EC and the IMF (score)
Openness of information	66	50	50
Completeness of information	85	66	67
Publicity of reporting	87	37	31
Transparency / Use of digital tools	45	10	30
Public participation	25	17	20
Expense accountability	46	40	57

Source: authors' calculations

Thus, the table shows that most projects meet the evaluation criteria below average and low. Therefore, without generalizations, we can say that there are no tools of IFA to ensure transparency in the form of digital solutions, non-application of public participation mechanisms in solving IFA issues, and lack of a common accounting system for IFA in Ukraine.

The largest number of identified problems is related to the lack of a unified system of accounting and monitoring of IFA. To understand how, how much, where, and for what the country borrows money or technical assistance, it is necessary to conduct analytical research. The country has made several attempts to reveal individual blocks, one of which was quite successful, although not complete. Such a precedent was the digitization of the register of IFO projects, which contains a large array of data on investment lending. Another solution, introduced in 2019 as a portal for open accounting of ITA projects, is no longer operational today. Control over the implementation of ITA projects in Ukraine passed from the Ministry of Economic Development and Trade to the Secretariat of the Cabinet of Ministers, as a result of which all initiatives to organize and systematize information began anew.

The issue of loans from the EC, the IMF, and sometimes the IBRD and directed to the budget's general fund is currently the least communicated to society. Even though obtaining loan tranches is quite a popular topic among politicians and in the media, the mechanics of using these funds, their return, and use remain out of focus. Our country's budget system does not provide separate special procedures for spending the funds it receives as a loan to its budget. And this situation is natural because one of the main tasks of external lending is to reduce the budget deficit. As a result, the same rules apply to funds received from the EC and the IMF for the rest of the budget. And this situation is natural because one of the main tasks of external lending is to reduce the budget deficit. As a result, the same rules apply to funds received from the EC and the IMF for the rest of the budget. However, in this situation, we have several

reservations that have been characteristic of budget funds for years:

- corruption risks of various forms and levels;
- abuse of office, which leads to excessive and inappropriate expenses;
- neglect of the principles of program-targeted budgeting, and as a result unreasonable overspending;
- the idea of the budget in society as a means that belongs to the whole state and no one in particular, so no one cares about their savings, savings and optimization.

These risks appear from time to time and harm the country. It leads to the recognition that despite the commitments and promises to creditors on transparent expenditures for the benefit of society, the money of these loans, just like the money of our budget, is just as likely to fall into the above risks. Therefore, to improve the degree of transparency and accountability of the use of these loans, it is necessary to work with the country's budget system as a whole.

Although noted in the study as one of the most open, investment loans are characterized by the lack of text of the projects for review. Most of them have an attached loan agreement on the IFO project register portal. However, each of these loans is based on a detailed investment project with the definition of tasks, activities, explanation of relevance, etc. The lender on its resources usually publishes this document, i.e., it does not contain signs of confidentiality. At the same time, Ukraine most often does not post such information.

Another aspect that complicates the public monitoring of IFA projects is the different approaches to credit spending, including procurement. First of all, each of the creditors has its own rules of procurement, the bidding systems themselves are closed. The use of the Ukrainian e-procurement system, which allows you to see the details, is permitted for use only by a few creditors and only in «sub-threshold procurement» cases. Therefore, citizens are not able to monitor the process of using funds. At the same time, information on purchases is not published by either the Ukrainian side or IFOs.

A similar complication exists in the field of ITA. Unlike the previous two types of IFA, this money is not budgetary, so its use is accountable only to donor organizations. Therefore, this aspect of the ITA is not available for public monitoring, although some procurement cases in the framework of the ITA can be found in the Ukrainian information space. For example, on the resources of commercial procurement, government websites, or information portals of the third sector. In this case, the procurement method, as in investment loans, depends on the rules and requirements of the donor and the contractor.

In some cases, it is only possible to establish where the ITA funds are directed and how the project affects Ukrainian society. Namely, in cases where the executors independently cover the content and objectives of the project, its results, costs, audits, etc. However, in the absence of standards for the organization and implementation of ITA projects and the already regulated aspects of involvement and monitoring, systematizing and analyzing ITA in Ukraine is not an option for citizens.

**Table 3.4. Sources of information about IFA**

Type of IFA	Resource	Content of information
Investment projects	Register of projects from IFOs <a href="https://proifi.gov.ua/">https://proifi.gov.ua/</a>	almost all information on investment loans received from IFOs, the state of their implementation. Also the NLA database and some news from the field
	Annex to the Law of Ukraine «On the State Budget» for the relevant year	information on the cost (distribution between general and special funds), the lender and the name of investment loan projects provided by IFOs and other governments in the respective year
	website of the Ministry of Finance of Ukraine	summary information on attracting investment loans to Ukraine during the year
Loans from the EC and the IMF	website of the Ministry of Finance of Ukraine	links to official EC and IMF websites; history of cooperation
	EC and IMF websites	history of cooperation, statements, news of cooperation
ITA	<u>Register of ITA</u> projects on the government portal	list of existing projects, information on stakeholders, cost, deadlines, purpose and deadlines of projects. Often - procurement plans for the project
	sites of responsible executors / recipients / beneficiaries	depending on the capacity and desire of the institution that publishes the information

Source: authors' work

So, summing up the IFA's public assessment, it should be noted that despite the 52.5 points received, the information on international financial assistance is partially open. A separate electronic resource has been created, displaying information on attracting and using investment loans. Information on loans to the general fund of the NB and the ITA is more fragmented and needs to be systematized. One of the main problematic aspects remains public participation in addressing issues of international financial assistance to Ukraine.



# CONCLUSIONS

The pandemic has become an unprecedented challenge for the world today and has shaken the life of every country. The conditions required quick and effective decisions, partnerships, and significant financial measures. Although the economies of developing countries have suffered the least, and some of them, including Ukraine, are showing GDP growth, it would be extremely difficult to tackle the epidemic without working with international partners. The adaptation of policies and the development of specific emergency lending mechanisms by IFOs have enabled countries to mobilize financial resources and direct them to fight the pandemic and maintain their financial stability. In such circumstances, it was usually difficult to take a comprehensive approach to the state's financial issues, so it is not surprising that aspects such as accountability and transparency have been overlooked for some time.

Despite the seemingly natural state of emergency response to the pandemic, the values underlying democracy must not be underestimated. Credits and loans that a country receives are at the same time the debts of its people, so it is fair to say that even in a crisis, society cannot be deprived of the right to information and participation in the management of public affairs. In conducting this study, we were guided primarily by these principles. And they came to the general conclusion that the aggravation of the pandemic situation in the world did not cause Ukraine to restrict citizens' access to information on external debts, their distribution, repayment, and citizens' role in this process. For our country, this problem existed long before it. The pandemic only exposed the most problematic aspects.

So, summarizing the results of the study, we will focus on key aspects:

1. Cooperation with IFos is a common component of budgetary and financial policy for Ukraine. The country usually has a stable circle of creditors, who provide financial assistance to Ukraine using a wide range of instruments. Virtually all IFOs that provide loans also offer opportunities for non-repayable financial assistance.
2. International financial assistance to Ukraine is divided into two major categories: repayable (loans) and non-repayable (grants). In both cases, the country has obligations and is accountable to the IFO. Ukraine plans and distributes financial assistance depending on the country's needs and based on joint agreements with IFOs.
3. In the category of international financial assistance, two groups of loans with different mechanisms of attraction and expenditure should be considered: investment loans

and loans to support solvency and reserves. In the first case, funding is attracted for a specific project and spent exclusively on it (loans from the IBRD, EBRD, EIB, etc.). In the second, funds are generally attracted to the budget or gold and foreign exchange reserves (EC and IMF loans).

4. In 2020, Ukraine attracted resources in all the outlined ways to combat the pandemic. Considering all the projects that mentioned the fight against COVID-19, the total funding amounted to USD 2.5 billion and 1.1 billion euros. However, the specifics of the costs of each type of financial assistance do not allow us to state unequivocally what exactly in the context of the fight against the pandemic spent money. The study of grants and investment loans identified only general categories, including a wide range of costs from purchasing personal protective equipment for specific institutions to supporting the establishment of support hospitals in the regions. Such direct costs amounted to USD 407 million. The rest of the funds were most likely divided between the costs of repaying previously incurred debts and consumption expenditures from the budget's general fund.
5. The process of attracting, distributing, and spending international financial assistance in Ukraine to the public needs to be "disclosed." The largest number of identified problems is related to the lack of a unified system of accounting and monitoring of IFA. To understand how, how much, where, and for what the country borrows money or technical assistance, it is necessary to conduct analytical research. Attempts have been made to open this sphere to the population, but today there is no single and complete solution.
6. The author's methodology for assessing the transparency and accountability of international financial assistance in Ukraine, developed as part of the study, showed that information is open, accessible, complete, and only half understandable. On a 100-point scale, Ukraine received 52.5 points. However, some criteria, such as public participation in attracting international financial assistance, are provided for only 20 points out of 100.
7. A detailed evaluation of the ITA projects revealed possible problems related to the ways of attracting financial resources from IFOs, as well as general problems of the whole industry, which ultimately boil down to the lack of a unified approach to accounting, systematization, and accountability of IFA based on a priori partnership of state and society.
8. Given the study's limitations and its focus, the area may have other weaknesses related to attracting funding from other governments; using a securities instrument; grant funds received in the form of charitable or humanitarian aid, non-monetary resources, etc. After all, all these mechanisms were used to combat the pandemic and more.



# RECOMMENDATIONS

**Recommendation 1:** Develop a comprehensive electronic resource or supplement the existing register of IFO projects with data blocks on loans from other governments, macro-financial assistance, IMF loans, and international technical assistance.

**To whom:** Ministry of Finance of Ukraine in cooperation with the Secretariat of the Cabinet of Ministers

**Effect:** Information on Ukraine's receipt of international financial assistance is open and systematically accounted for. It simplifies monitoring, controlling, analyzing, and forecasting debt and fiscal policies. As a result, international partners, independent researchers, regulators, and taxpayers have a relevant and up-to-date source of information.

**Recommendation 2:** Elaboration of rules and procedures for publishing information on purchases made with loans and international technical assistance, taking into account the right not to disclose confidential information. At least the publication of a report in any form containing information on the subject of the procurement, the value of the contract, the country of origin and form of ownership of the winner, and the name of the project in which the procurement was made.

**To whom:** International financial organizations in cooperation with the Ministry of Economy of Ukraine

**Recommendation 3:** Introduction of the obligation to conduct procurement at the expense of IFA, the cost of which is less than the limits set by IFO policymakers, through the Ukrainian public procurement system.

**To whom:** International financial organizations in cooperation with the Ministry of Economy of Ukraine

**Effect of recommendations 2 and 3:** Taxpayers will get at least a general idea of what the state spends the money it borrowed on interest and return from the budget. Market participants will receive additional data on the structure of demand for goods and services and information needed to enter the market. Financial and economic control bodies will have an empirical basis for combating artificial monopolies, price increases, dumping, and waste of budget funds.

**Recommendation 4:** Development of an interagency communication strategy to raise awareness of Ukrainians about the procedures, goals, and methods of attracting, using, and repaying foreign loans. The strategy must include a non-formal education component for citizens and the media on IFA. It is also advisable to create alternative versions of budget reporting documents related to the IFA or their generalization and presentation in a manner accessible to non-specialists.

**To whom:** Ministry of Culture and Information Policy in cooperation with the Ministry of Economy and the Cabinet of Ministers.

**Effect:** Taxpayers have a relevant information resource that raises awareness of the country's budget processes, including its debt, and increases the public's ability to critically evaluate government and fund managers, resulting in increased political participation.

**Recommendation 5:** Introduction of a mechanism for public participation in the decision-making process regarding the attraction and expenditure of international financial assistance.

**To whom:** cabinet of Ministers of Ukraine

**Effect:** Civil society organizations will have the opportunity to participate directly in decision-making regarding the IFA in Ukraine, which is in line with one of the constitutional rights of Ukrainians. In the long run, this will allow attracting and using international financial assistance in accordance with the needs of Ukrainian society.

**Recommendation 6:** Taking into account the results of the assessment of the level of transparency and accountability of the IFA in Ukraine in the debt management strategy

**To whom:** Ministry of Finance of Ukraine

**Effect:** Incorporating the results of the IFA transparency assessment into the strategy for the coming years will allow for the establishment of at least a two-year plan to remedy the situation regarding the increase in the level of transparency and accountability of the IFA.



# GLOSSARY

## **Beneficiary**<sup>73</sup>

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central executive body, Council of Ministers of the ARC, regional, Kyiv, Sevastopol city state administrations, which are responsible for the formation and/or implementation of state policy in the relevant field or region where the project (program) is envisaged, which is interested in the project results ), the executive body of local self-government, whose jurisdiction extends to the project (program), the Secretariat of the Cabinet of Ministers, the Office of the President of Ukraine, committees, and staff of the Verkhovna Rada, the National Bank, the Supreme Court, higher specialized courts, the National Anti-Corruption Bureau, the Accounting Chamber, and other government agencies.

## **Beneficiary**<sup>74</sup>

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a legal entity that receives a loan under an investment project and ensures its implementation or, together with other beneficiaries, ensures the implementation of its parts in accordance with the agreement between Ukraine and the IFO, the agreement between the IFO and the beneficiary, the agreement with the Ministry of Finance.

## **Responsible executor**

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executive body, other budgetary institution, JSC «State Export-Import Bank of Ukraine» or another state bank, business company, in the authorized capital of which 100 percent of shares belong to the state and corporate rights management in respect of which the CMU, state enterprise, company, in the authorized capital of which 50 or more percent of shares (shares) belong to the state, the joint-stock company producing oil and/or transporting natural gas, gas condensate, oil and other minerals, determined by the Ministry of Finance to prepare alone or together with the beneficiary of the investment project, supervision, and control over the implementation by the beneficiary of such a project or the direct implementation of the project under which the loan was received.

## **Government borrowing**

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it is the receipt by the state of credits (loans) on the terms of repayment, payment and maturity in order to finance the State Budget of Ukraine.

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<sup>73</sup> in the field of international technical assistance

<sup>74</sup> in the field of investment crediting

## **Agreement with the Ministry of Finance<sup>75</sup>**

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an agreement concluded between the Ministry of Finance and the beneficiary and/or responsible executor and/or other persons on granting a loan or non-repayable transfer of the loan to the beneficiary, or on reimbursement of state budget expenses in case of guarantee unless otherwise provided by Ukraine's agreement with IFOs, an agreement concluded between the Ministry of Finance and the City Council on the responsibility of the City Council for ensuring timely and full implementation of the beneficiary's obligations to repay and service the loan, other types of agreements concluded between the Ministry of Finance and the beneficiary and/or responsible executor, and/or city council, and/or executive body, and/or local self-government body, and/or state and/or communal enterprise, institution, organization.

## **Gold and foreign exchange reserves**

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reserves of Ukraine reflected in the balance sheet of the National Bank of Ukraine, which include assets recognized by the world community as international and intended for international settlements.

## **Investment project**

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a set of measures determined based on the national system of values and tasks of innovative economic development aimed at developing certain industries, sectors, industries, regions, which are implemented using state and/or local budgets or by providing state and/or local guarantees.

## **Initiator of the investment project**

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executive body, local self-government body, an institution or organization established in the prescribed manner by the specified body, or a business entity of the state or municipal sector of the economy.

## **Project coordinator**

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Deputy Head or other authorized person of the responsible executor, whom such executor duly authorized to ensure the organization, supervision, and control over the preparation and implementation of the project, signing documents related to the preparation and implementation of the project is personally responsible for preparation and project implementation.

## **Macro-financial assistance**

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the form of financial assistance that the EU provides to partner countries experiencing a balance of payments crisis. It can take the form of loans or grants and is only available to countries that receive payments from IMF programs.

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<sup>75</sup> in the field of investment crediting

### **International technical assistance**

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financial and other resources and services provided in accordance with international agreements of Ukraine by development partners on a gratuitous and non-repayable basis in order to support Ukraine.

### **International financial organizations**

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organizations established by several states that provide financial resources to member states under the conditions set out in their constituent instruments.

### **Operating manual**

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a document approved by the responsible executor, which defines the organizational aspects of investment project management or system project, in which the loan comes from the achievement of relevant indicators defined by the agreement of Ukraine with IFOs, as well as technology and sequence of its implementation to promote efficiency and continuity project implementation, assistance in the decision-making process.

### **Development partner**

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a foreign state, the government and bodies or organizations authorized by the government of a foreign state, a foreign municipal body, or an international organization that provides international technical assistance in accordance with international treaties of Ukraine.

### **Recipient**

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resident (individual or legal person) who directly receives international technical assistance in accordance with the project (program).

### **EU sectoral budget support**

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an instrument of EU external assistance, according to which the EU provides financial resources on a non-refundable and gratuitous basis to support reforming the relevant area of public policy.

### **System project**

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a project aimed to support reforms in Ukraine, in which a loan received in a single tranche or as a result of achieving the relevant indicators defined by the agreement of Ukraine with IFOs is used to finance the state budget.

### **Transfers**

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funds received from other state authorities, authorities of the Autonomous Republic of Crimea, local governments, other states, or international organizations on a gratuitous and non-refundable basis.

# ANNEXES



## Annex 1. Research methodology

**Context:** The response to the COVID-19 pandemic requires high costs, both from national budgets and other sources. If the monitoring of budget funds is given enough attention by civil society institutions, which have sufficient capacity, experience, and tools to do so, the monitoring of financial support (revolving and non-repayable) by international financial organizations (hereinafter - IFOs) remains out of focus in the region Eastern Europe and Central Asia.

Along with non-repayable technical assistance, Ukraine receives repayable support under loan agreements from IFOs. Depending on the purpose and type of credit, funds are part of the general or special fund of the State Budget of Ukraine. Their return and maintenance are carried out at the expense of the budget. Given that the lion's share of revenues of the State Budget of Ukraine is tax revenues (about 89%), every working Ukrainian participates in repaying and servicing the country's debts.

Therefore, the issues of transparency and accountability of using international financial assistance (hereinafter - IFA) to prevent the spread of COVID-19, their targeted use, and good governance are relevant. The outlined reservations emphasize the importance of using the TPA approach - transparency, participation, and accountability (transparency, participation, and accountability).

### Hypotheses (assumptions):

1. the procedures for using IFA funds raised by Ukraine from IFOs to prevent the spread of COVID-19 are weak in terms of transparency, accountability, and access to information, which are likely to need to be reviewed;
2. IFA funds raised by Ukraine from IFOs to prevent the spread of COVID-19 in 2020 could probably be used for purposes not always related to the financing of measures to prevent the spread of COVID-19.

**Aim:** increase the transparency and accountability of the use of funding raised by the country from international financial organizations on a revolving and non-repayable basis to prevent the spread of COVID-19.

**Object:** procedures for the use of revolving and non-repayable IFA funds raised by Ukraine from IFOs to prevent the spread of COVID-19 in 2020.

**Subject:** assessment of transparency, accountability, access to information and targeted use of revolving and non-repayable IFA funds from IFOs to prevent the spread of COVID-19 in 2020.

**Focus of the study:** revolving and non-repayable IFA funds raised by Ukraine from IFOs to prevent the spread of COVID-19 in 2020:

1. two types of IFA:
  - with a demand for repayment (loan, credit);
  - no refund (international technical assistance);
2. sample of sources of funding - only IFOs (IBRD, EBRD, EIB, NEFCO, etc.);
3. the purpose of using the involved IFA is to prevent the spread of COVID-19;
4. time interval - 2020;
5. type of assistance - only cash.

**Task:**

1. Determine the total amount of funds received by Ukraine as non-repayable (international technical assistance) and repayable (loans, credits) assistance to prevent the spread of COVID-19.
2. Establish procedures for the use of funds received from Ukraine as repayable and non-repayable assistance to prevent the spread of COVID-19.
3. Define reporting procedures and the level of availability of information on the use of IFA funds and the achievement of project objectives (indicators, results) using the TPA approach - transparency, participation and accountability.
4. Describe the full cycle of involvement and implementation of IFA in Ukraine (using case methods).
5. Establish directions for the use of IFA funds raised by Ukraine to prevent the spread of COVID-19.

The structure of the analysis:

1. Financial support of Ukraine from IFOs: context, types, features.
2. Repayable and non-repayable financial assistance:

Repayable financial assistance

- 2.1. Loans attracted to finance the budget deficit, carry out reforms, increase the balance of payments, etc. to the general fund of the State Budget of Ukraine (IMF, EC (macroeconomic assistance).
- 2.2. Loans attracted for the implementation of investment projects of socio-economic development in the special fund of the State Budget of Ukraine (IBRD, EBRD, EIB, KfW, NEFCO).

Non-refundable financial aid

- 2.3. Receipts within the framework of European Union assistance programs to the general and special fund of the State Budget of Ukraine (sectoral support programs, cross-border cooperation, etc.).

- 2.4. International technical assistance projects (EBRD, IBRD, USAID, GIZ, UNDP, etc.).

3. IFOs and the types of financial assistance they provided to Ukraine in 2020 (volume of projects and funds each).

4. Provision of financial assistance to Ukraine from IFOs to prevent the spread of COVID-19 in 2020 (create a register of assistance):

- 4.1. Funds of the Fund for Combating COVID-19<sup>76</sup> in terms of features (sources) of its content (the possibility of using the needs of the Fund, which came as a trail of macroeconomic assistance to Ukraine - the program of paragraph 2.1).

- 4.2. Investment projects (item 2.2).

- 4.3. ITA projects (list to be requested).

- 4.4. Other IFOs and projects to be identified as a result of full implementation of paragraph 3.

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<sup>76</sup> Fund for Combating COVID-19 (full name - Fund for Combating Acute Respiratory Disease COVID-19 Caused by SARS-CoV-2 Coronavirus and Its Consequences) is a specialized fund established within the State Budget of Ukraine for the period of quarantine restrictions to finance measures to combat and combat the epidemic and associated costs.

Within the limits of item 4.1. - analysis of macroeconomic assistance funds from IFOs in Ukraine in 2020

- theoretical relationship between the content and costs of the Fund (the probability of funds from the IMF and the EC to the Fund to combat COVID-19);
- comparison of schedules of financial assistance to Ukraine and expenditures from the Fund to Combat COVID-19;
- procedure, volumes and structure of the Fund's expenses (according to the schedule of income-expenses description of the probability of financing certain expenses of the Fund);
- reporting of Ukraine on the use of financial assistance (form, timing, content of the report, control and monitoring).

Within the limits of item 4.2 and item 4.3. - analysis for each project (program) IFA:

- Involvement (who initiates, on the basis of which act, who plans, who allocates funds).
- Realization (who implements, who controls, how often and to whom reporting takes place, where is the information about the project and to what extent, how is the effectiveness of the project measured; how are the contractors selected;).
- Funding (how funds are allocated from IFOs in Ukraine (who is the recipient); how funds are distributed from the recipient to the executor/executors; whether it is possible to reallocate funds provided under the program/project to other purposes not related to financing COVID-19 countermeasures).
- Completion (where the funds are returned from, if the project objectives are not achieved, who and how reports to the IFO on the completion of the program/project).

5. Assessment of transparency and accountability of the use of IFA funds to prevent the spread of COVID-19 in Ukraine in 2020:

5.1. Assessment of transparency and accountability of the use of ITA funds to prevent the spread of COVID-19 in Ukraine in 2020

ITA	Involvement	Realization	Funding	Completion
Openness of information	Information on ITA projects is posted on the official websites of institutions / authorities	The content of the project (text and registration documents) are publicly available	The announcement of the selection of performers (list of performers / subprojects) is in the public domain	The project implementation and control report is publicly available

ITA	Involvement	Realization	Funding	Completion
Completeness of information	Published information on the topic and total cost of the project, from which IFO attract funding, recipients and contractors	The project contains information on: purpose; amount of funding; terms; responsible performers; calendar plan and tasks	Information on general funding and by year is available in the public domain. There is a guide / policy on the use of funds	The report / reports contains information on the achieved results, the amount of funds spent by areas
Publicity Reporting	There is a published announcement / decision on attracting funding / start of cooperation / project implementation	Published interim reports on the progress of the project	Published reports on the use of funds are available, including as part of interim reports	The performer / performers inform the public about the results of the project through the media, official websites, etc.
Transparency / Use of digital tools	Executors of the project are involved on the basis of an open competition	The register of projects is kept in electronic format and is updated	Information on actual funding (funds provided and used) is available online	There is a working electronic tool that allows you to track the dynamics of the project
Public participation	Issues related to the project are discussed by advisory bodies	Among the authors and / or executors of the project are CSOs	Funding issues are discussed by advisory bodies	There is a feedback mechanism from the final beneficiaries of projects, CSOs in response to project reporting
Expense accountability	Procurement is carried out in accordance with the written policy / agreement / procedure; This document provides a mechanism for disclosing procurement information	The procurement plan within the project is publicly available; Procurement procedures within the project are carried out on a competitive basis	Procurement announcements, bids, acceptance decisions are publicly available	The concluded procurement contract is available in the public domain; the contract contains the specification and cost; the report on the implementation of the contract is published in the public domain

## 5.2. Assessment of transparency and accountability of the use of ITA funds to prevent the spread of COVID-19 in Ukraine in 2020

IFO loan funds (special fund)	Involvement	Realization	Funding	Completion
Openness of information	There is a reason for open access - information about the agreement, the agreement on attracting funding	The content of the project (text) is publicly available	The announcement of the selection of performers (list of performers / subprojects) is in the public domain	The project implementation and control report is publicly available
Completeness of information	Published information on the topic and cost of the project, the IFO from which the funding is raised, the institution that will be responsible for implementation	The project contains information on: purpose; amount of funding; terms of project implementation and loan repayment; the amount of interest; responsible performers; calendar plan and tasks	Information on general funding and by year is available in the public domain. Defined conditions and amounts of funding; there is a policy / guide on the use of funds	The report / reports contains information on the achieved results, the amount of funds spent by areas
Publicity Reporting	There is a published announcement / decision on attracting funding / start of cooperation / project implementation	Published interim reports on the progress of the project	Published reports on the dynamics of the use of funds, including as part of interim reports	The contractor / performers inform the public about the progress of the project through the media, official websites, etc.
Transparency / Use of digital tools	Executors of the project are involved on the basis of an open competition	The register of projects is kept in electronic format and is updated	Information on actual funding is available online	There is a working electronic tool that allows you to track the dynamics of the project
Public participation	Information about the project implementation is provided to the residents of the regions where the project will be implemented	Local authorities additionally inform potential executors about the possibilities of project implementation and / or their involvement	Funding issues are brought up for discussion by advisory bodies / public hearings, etc.	There is a mechanism for reporting on the implementation of projects for residents of relevant communities

IFO loan funds (special fund)	Involvement	Realization	Funding	Completion
Expense accountability	Procurement is carried out in accordance with the written policy / agreement / procedure; This document provides a mechanism for disclosing procurement information	The project procurement plan is publicly available; Procurement procedures within the project are carried out on a competitive basis	Procurement announcements, bids, acceptance decisions are publicly available	The concluded procurement contract is available in the public domain; the contract contains the specification and cost; the report on the implementation of the contract is published in the public domain

### 5.3. Assessment of transparency and accountability of the use of credit funds from IFOs within the general fund of the State Budget of Ukraine to prevent the spread of COVID-19 in 2020

IFO loan funds (general fund)	The content of the criterion
Openness of information	<ul style="list-style-type: none"> <li>• agreements / decisions on the allocation of funds (support for credit programs) are publicly available</li> <li>• the amounts of agreed loans are publicly available</li> </ul>
Completeness of information	<ul style="list-style-type: none"> <li>• fixed amount of funds sent to the Fund to combat COVID-19 from the total amount of loans raised by the country</li> <li>• a well-known list of activities to be funded by IFOs through the COVID-19 Anti-Fund and its executors</li> </ul>
Publicity Reporting	<ul style="list-style-type: none"> <li>• reports on the use of loan funds raised to prevent the spread of COVID-19 and information on implemented measures / achieved results are formed and published</li> </ul>
Transparency / Use of digital tools	<ul style="list-style-type: none"> <li>• online expenditure can be tracked from the Fund to Combat COVID-19</li> </ul>
Public participation	<ul style="list-style-type: none"> <li>• Requests for allocation of funds from the Fund to Combat COVID-19 are submitted to the Cabinet of Ministers for consideration by advisory bodies / public hearings, etc.</li> <li>• there is an affordable way for citizens to control the use of funds from the Fund to Combat COVID-19</li> </ul>

## IFO loan funds (general fund)

## The content of the criterion

### Expense accountability

- customers indicate in the procurement notices that it is carried out within the funds received through the budget from IFOs;
- the original source of funds received through public procurement by the customer can be identified;
- Procurement is carried out in accordance with the written policy / agreement / procedure; this document provides a mechanism for disclosing procurement information;
- the procurement plan within the project is publicly available; procurement procedures within the project are carried out on a competitive basis;
- procurement announcements, proposals of participants, decisions on acceptance - are in the public domain;
- the concluded procurement contract is available in the public domain; the contract contains the specification and cost; the report on the implementation of the contract is published in the public domain.

### Evaluation mechanism:

1. For each type of IFA, a list of projects under which funding was raised to prevent the spread of COVID-19 during 2020 is identified.
2. Each project is evaluated according to the table of proposed criteria on a scale of 0-1 (yes, no, partially).
3. Calculates the total score for each criterion (sum of scores in four stages) and the maximum score (for the number of projects \* number of stages).
4. The total score on the criterion is calculated as a fraction of the maximum score of all projects of this type of IFA (1-10 at the rate of 1 per 10%)
5. An example of the final value:

### ITA:

Openness of information - 6

Completeness of information - 8

Publicity Reporting - 4

Transparency / Use of digital tools - 5

Expense accountability - 10

Public participation - 7

## Sources and methods of collecting information:

Block of research	Source / method	Additional Information
Financial support of Ukraine from IFOs: context, types, features	Analysis of NLA, international agreements and web resources of IFOs and CEBs	Review of the Ministry of Finance of Ukraine
Repayable and non-repayable financial assistance	Analysis of NLA, international agreements and web resources of IFOs and CEBs	Review of the Ministry of Finance of Ukraine
IFOs and the types of financial assistance they provided to Ukraine in 2020 (volume of projects and funds each)	Analysis of electronic resources for accounting for financing and web pages of IFOs and CEBs	Survey of IFOs offices in Ukraine on the developed questionnaire, which is an appendix to this methodology
Providing financial assistance to Ukraine from IFOs to prevent the spread of COVID-19 in 2020	Requests to MFU, CMU Secretariat, financial and budgetary reporting documents and IFA projects	
Assessment of transparency and accountability of the use of IFA funds to prevent the spread of COVID-19 in Ukraine in 2020	Evaluation table of projects of all types according to the results of their analysis	

## Methodological warnings and notes:

1. The analysis structure is not the structure of the analytical report that will be generated as a result of this study. In turn, the structure of the analytical report will be formed based on the results of this analysis.
2. The scale and evaluation system is a tool for evaluating IFA projects and programs implemented in Ukraine in 2020 with the support of IFOs to prevent the spread of COVID-19. Before use in the study, piloting of the outlined assessment tool is envisaged. As a result of testing, the indicators and/or weight may change during the study.
3. The main research approaches identified by this methodology can be tested in other countries in Eastern Europe and Central Asia with the necessary adjustments and refinements.
4. The study does not include an analysis of funding raised by private entities in foreign commercial establishments and / or banks to mitigate the effects of the COVID-19 pandemic.

## Annex 2.

### IFA Transparency and Accountability Assessment Tool

