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Ukraine's

Anti-Corruption

Front

Helping Ukrainians Win the
War and the Peace by Having
Their Backs against Oligarchy

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Table of Contents

Abbreviations	2
Executive Summary	3
I. Ukraine's Journey From Post-Soviet Oligarchy to the Bane of Kleptocrats' Existence	5
An Unprecedented Decade of Countering Oligarchy	7
The Kleptocracy Strikes Back	10
Ukraine's Anti-Corruption System Is Working	12
The Hard Work Is Far From Complete	15
Continued Progress Is Vital to the Rules-Based International Order	17
II. Policy Recommendations	19
Ukraine	22
European Union	34
United States Congress	40
G7 Donors	46
Conclusion: Ukraine Is Winning Its Two-Front War Against Russia and Corruption	52
Endnotes	54
Authors and Acknowledgments	57

ABBREVIATIONS

AGE	Advisory Group of Experts
ARMA	Asset Recovery and Management Agency
CCU	Constitutional Court of Ukraine
DACK	District Administrative Court of Kyiv
DG NEAR	EU Directorate-General for Neighborhood and Enlargement Negotiations
DREAM	Digital Restoration Ecosystem for Accountable Management
EBRD	European Bank for Reconstruction and Development
EPPO	European Public Prosecutor's Office
EUACI	European Union Anti-Corruption Initiative
FSB	Federal Security Service
HACC	High Anti-Corruption Court
HCJ	High Council of Justice
HQCJ	High Qualification Commission of Judges
IG	Inspector General
KCDAC	Kyiv City District Administrative Court
MoU	Memorandum of Understanding
NABU	National Anti-Corruption Bureau of Ukraine
NACP	National Agency on Corruption Prevention
OLAF	European Anti-Fraud Office
PIC	Public Integrity Council
SACCI	Support to Anti-Corruption Champion Institutions
SAPO	Specialized Anti-Corruption Prosecutor's Office
TAPAS	Transparency and Accountability in Public Administration of Services
USAID	US Agency for International Development

Executive Summary

Remarkably, while fighting for their lives against Russian invasion, Ukrainians continue to wage their long internal battle against oligarchy and corruption. Ukraine is midway through this generational struggle, which began on the streets of the Maidan in Kyiv nearly a decade ago. In 2014, after deposing a kleptocratic president whose campaigns were bankrolled by agents of the Kremlin, Ukrainians got to work transforming this post-Soviet oligarchy into a modern European state under the rule of law.

Despite the steepness of that climb, they have never turned back. Ukrainian reformers innovated world-leading transparency systems, established an independent suite of specialized anti-corruption agencies, restructured entire economic sectors, and decentralized governance. Voters renewed the anti-corruption mandate through democratic transitions. And when implementation flagged, civil society and foreign partners pressured the government to stay on track. While there remains much work to be done, the progress made in the past decade has been unprecedented. Indeed, it is our view that Kyiv's momentum against oligarchy motivated Vladimir Putin to launch a full-scale invasion of Ukraine in 2022. That, in turn, cemented Ukrainians' resolve to free themselves of Russian influence and oligarchic capture as they chart a European future.

Ukrainians' aspirations to integrate into the Euro-Atlantic community, in combination with the national spirit forged in this brutal war, will continue to anchor Ukraine's anti-corruption journey through the coming decade. Accomplishing the mission will not get any easier, however, as corruption is still entrenched in powerful quarters across all three branches of the

Ukrainian government. While Ukraine has improved from a ranking of 142nd of 175 nations in 2014, it currently ranks 116th of 180 nations on Transparency International's 2022 [Corruption Perceptions Index](#).¹ Although Ukraine's anti-corruption systems are working during the war, martial law has set back public transparency. The specialized anti-corruption agencies constantly need additional resources and authorities to shore up their operational independence, but recently they have misused prosecutorial discretion in cases targeting reputable reformers. Some top appointees in the president's office appear to care more about controlling the judicial system than about advancing reform. And Ukrainian oligarchs are biding their time until after the war to reassert their influence. In the face of those realities, continuing to uproot oligarchy—a critical part of winning the war, rebuilding the country, and preparing for EU accession—will require heavy domestic and foreign support.

Anti-corruption must be central in that support. This issue drove Ukrainians into the streets a decade ago. It has topped voters' minds in every Ukrainian election since, helped trigger the largest war in Europe since WWII, and is now motivating Ukrainians to win even at enormous cost. Transparency and accountability mechanisms are essential to reassuring Western taxpayers that their wartime aid to Ukraine is safeguarded. They must also be key conditions of the ambitious reconstruction and European modernization that will inspire freedom's cause globally. Countering corruption is as strategically vital today as the policy of containing communism was in the Cold War.

In this paper, we argue that Ukrainian anti-corruption is mission-critical to the integrity and security of the rules-based international order. We recommend concrete steps that each major stakeholder in that order should take this year to support Ukrainian anti-corruption efforts. In sum:

Ukraine: Meet the biggest unmet deliverable in the seven preconditions for EU accession negotiations by reforming the Constitutional Court to empower vetting of judges and limit political influence. Vest the specialized anti-corruption agencies with all needed autonomy, resources, and authorities. Resume asset e-declarations and enact other rule-of-law reforms.

European Union: Invest more in Ukrainian investigative journalism, anti-corruption programming, and independent television news. Deepen cooperation with Ukrainian anti-corruption agencies and allow Ukraine access to more EU anti-corruption programs. Benchmark Ukraine's advanced level of digitalization to that of EU member states.

United States Congress: Continue appropriating ample security aid without conditions. Condition macro-financial assistance upon the continued delivery of Ukrainian anti-corruption reforms. Codify US interagency coordination of inspectors general (IGs) and establish an international IG fusion cell in Kyiv. Scale up support for anti-corruption programming.

G7 Donors: Empower the Multi-agency Donor Coordination Platform to prioritize anti-corruption reform conditionality, oversee the IG fusion cell, and incorporate feedback and advice from a board of Ukrainian civil society experts. Agree that donor agencies and their implementing partners will use Ukraine's [DREAM](#) transparency system.²

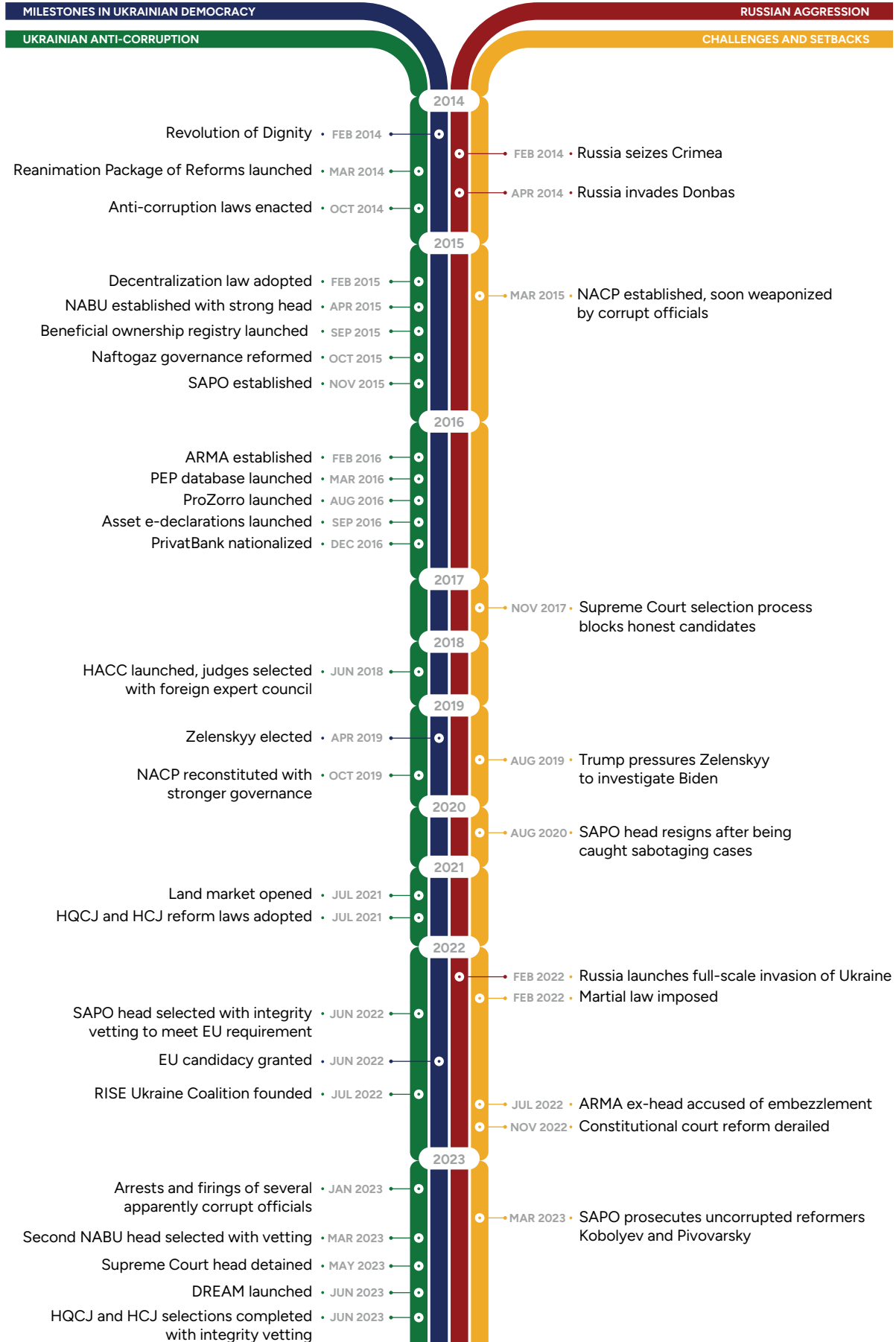
Contrary to the disinformation peddled by Kremlin propagandists, Ukraine is not a hopelessly corrupt country. It is a civic nation that is currently winning a historic two-front war against Russia and against corruption—a dual ordeal that is transforming Ukraine in its hero's journey. But on both fronts, there remain many lands to liberate and enemies to vanquish before victory is assured. There is no greater strategic, political, economic, or moral investment in international peace, security, and prosperity than having Ukraine's back in this just cause.

I

Ukraine's Journey From Post-Soviet Oligarchy to the Bane of Kleptocrats' Existence

Understanding the falsity of Kremlin narratives about Ukraine—as well as the vital interests of stakeholders in the rules-based order in supporting Ukrainian anti-corruption—begins with some facts about Ukraine's journey over the past decade, the backlash triggered by its progress, the wartime results of an anti-corruption system that is working, and the need to continue to root out oligarchy in the decade to come.

Ukraine's Historic Decade of Building Anti-Corruptions Institutions



An Unprecedented Decade of Countering Oligarchy

For more than nine years now, the Ukrainian people have been building a civic nation that is increasingly unrecognizable from the perspective of its closed Soviet legacy. But this revolution followed—indeed it was motivated as a reaction to—two decades of Ukrainian politics serving as a playground and battleground for unaccountable oligarchs who pose an enduring threat to sovereign and independent democracy.

After the Soviet Union collapsed, free-market reformers across the former Soviet republics made the historic mistake—egged on by the Washington Consensus—of rushing into privatization before building the rule of law. Hasty economic liberalization provided an opening for a small group of businessmen to buy up public monopolies on the cheap thanks to their favorable relations with corrupt government officials. Command over these business empires was often facilitated by bribery, violent crime, and other market manipulations. These post-Soviet businessmen, now oligarchs, consolidated corrupt control over weak governments through political manipulations such as buying up media conglomerates, bankrolling political parties, and underwriting patronage networks that continue to involve bureaucrats, judges, and many others even now.

After the turn of the 21st century, Russian and Ukrainian oligarchies were reined in by starkly different actors at two historic turning points.

The first decisive turn took place in Russia. Former KGB operative Vladimir Putin used his first term as president to bring the oligarchs under his thumb, offering them continued wealth and impunity so long as they stayed out of politics and shared their

fortunes with Putin's cronies from the security apparatus. After Mikhail Khodorkovsky, the wealthiest Russian oligarch of the time, publicly criticized corruption under Putin and funded opposition parliamentary candidates in 2003, Putin's police state arrested him at gunpoint, staged a show trial featuring the oligarch in a cage, and imprisoned him in Siberia. His company was handed over to a longtime Putin crony.

By contrast, without a similarly strong state in Kyiv, Ukrainian oligarchs had managed individually to develop their own competitive political power centers replete with privately owned political parties and subservient patrons at all levels of government. The second historic pivot occurred in this Ukrainian context, with the challenge to oligarchy coming from the people rather than the security state. The 2014 Revolution of Dignity deposed pro-Russian president Viktor Yanukovich, whose campaigns had been financed by Kremlin-friendly [banks and oligarchs](#), and charted a course toward a modern European Ukraine built on the rule of law and other ideals of free and fair civic participation in democracy.³

The Revolution of Dignity was driven by Ukrainian civil society. Fearless Ukrainian investigative journalists, democracy activists, corruption researchers, policy advocates, human rights lawyers, entrepreneurs, and other civic actors spent years resisting unfair and repressive oligarchy. Their activities often followed this course: First, Ukrainian investigative journalists would expose outrageous corruption such as the public procurement schemes unveiled by Nashi Groshi (Our Money), an online outlet devoted to uncovering corrupt practices in public procurement, or excesses such as the lavish presidential mansion that the major news outlet *Ukrainska Pravda* brought to light. Then, public interest lawyers would follow up on the reporting by challenging the corrupt deals, suing the perpetrators,

and defending the journalists (who often faced legal retaliation and physical violence). Watchdogs such as the Anti-Corruption Action Center would compile evidence of Yanukovich's connections to the international financial system, travel to key jurisdictions, connect with the Ukrainian diaspora in each, and advocate for sanctions and enforcement of anti-money laundering regulations. Others would focus on grassroots domestic advocacy; the Stop Censorship! movement, for instance, successfully pressured the government to prosecute assailants who beat up two journalists and to enact a press freedom law. This heated struggle against corruption provided the backdrop for protests triggered by Yanukovich's refusal to sign an EU association agreement to escalate rapidly into the Revolution of Dignity and usher in the past decade of breakneck reform (see Timeline).

Ukraine's most novel contribution to the field of anti-corruption, however, has been its extensive public disclosures of who owns what throughout the political-economic system. Reformers were tired of corruption investigations running into dead ends in the form of anonymously owned companies, fancy cars and properties with unknown owners, secret information about public procurements, and politicians who lied about their wealth and income. So Ukraine built what the US Agency for International Development (USAID) [praised](#) as "revolutionary transparency tools", including "the world's first public beneficial ownership registry, the world's most transparent public procurement system, the world's first public database of politically exposed persons, and the world's most comprehensive and well-enforced asset declaration system".⁴ Ukraine also digitalized the delivery of more than 120 government services (government IDs, vehicle registrations, building permits, unemployment benefits, professional licenses, and so on) on its Diia app, with the goal of providing a digital option for all

interactions between citizens and the government by 2024.

Because the ordinary judicial system was itself too compromised to fight corruption, Ukraine had to take a page out of the playbook of Romania and other nations and build specialized anti-corruption agencies. These new bodies needed the independence to prevent and impartially investigate, prosecute, and rule on cases of grand corruption, as well as to manage assets recovered. To carry out these respective functions, Ukraine established its National Agency on Corruption Prevention (NACP), National Anti-Corruption Bureau (NABU; see Box 1), Specialized Anti-Corruption Prosecutor's Office (SAPO), High Anti-Corruption Court (HACC), and Asset Recovery and Management Agency (ARMA). The most vital and innovative feature was the new process for selecting heads of these specialized anti-corruption agencies: Ukrainian laws empower a council of reputable foreign experts nominated by international organizations to veto candidates who lack integrity, allowing national authorities to select only from among finalists vetted by this council. Ukraine even convinced the European Commission for Democracy through Law (an advisory body of the Council of Europe known as the Venice Commission) that this arrangement conforms with European conceptions of sovereignty, and now Ukraine is extending foreign integrity vetting to processes of selecting leaders of ordinary judicial governance bodies.

In addition to creating these novel anti-corruption mechanisms and institutions, Ukraine restructured several major sectors of its economy that previously had been monopolized by oligarchs. State-owned enterprises such as Naftogaz, Ukrainian Railways, and Ukrenergo underwent exacting corporate governance reforms. A financial sector once dominated by banks that oligarchs treated as personal piggy banks was

cleaned up through consolidation, supervision, resolution, nationalization, and recapitalization. Transparency came to pharmaceuticals, eventually through mandatory usage of ProZorro, an award-winning public procurement platform designed through a collaboration between Ukraine's government and civil society. Land markets were reformed to free farmers to sell agricultural plots.

Finally, one of Ukraine's most successful governance reforms since 2014 has been [decentralization](#).⁵

Power and resources [shifted away](#) from regional governmental organs that were opaque, clientelist fiefdoms left over from the Soviet era and run by oligarchs and mobsters.⁶ To take their place, communities voluntarily merged small local municipalities into more responsive territorial units capable of more transparent and accountable delivery of public services such as education, healthcare, and policing.

Box 1

A Mark of NABU's Efficacy: Having to Fend Off Attacks From Corrupt Elements

NABU, an independent agency established by legislation in October 2014, investigates grand corruption in Ukraine. Its creation was a condition set by the IMF and the European Commission to ease the country's visa status with the EU. The director was selected through a competitive process in January 2015, and founding decrees were issued in April 2015. Instead of hiring from the corrupt entity it replaced (headed by Yanukovich himself) or the deeply compromised ordinary judicial system, NABU recruited staff without government experience and brought in FBI public corruption investigators to train them. It received support from several foreign partners, including the US State and Justice Departments, and started sharing intelligence

with the FBI. By the end of 2016, NABU had a staff of 541 and had referred more than 50 cases to court.

NABU's success has made it a [leading target](#) of corrupt actors in Ukraine and Russia.⁷ These opponents tried relentlessly to remove NABU's director, filing baseless lawsuits against him. They used corrupt general prosecutors to inundate NABU with thousands of cold cases, and waged disinformation campaigns against NABU and its cases. Lawmakers aligned with Russia or controlled by Ukrainian oligarchs have tried to subvert NABU's powers through legislation to limit its jurisdiction, and also by enabling politicians to influence its work, limit its powers in criminal processes, make it easier to fire the director without cause, and more. The need to defend against these attacks resulted in the mobilization of several Ukrainian NGOs and new foreign aid programs that regularly alert the G7 ambassadors and the broader public when trouble is brewing in Kyiv. The most successful attack came in 2020, when 49 pro-Russia lawmakers appealed to the Constitutional Court of Ukraine (CCU) to invalidate much of Ukraine's post-2014 anti-corruption architecture, ushering in an ongoing constitutional crisis and forcing NABU to reorganize as a central executive agency with special status.

While rooting out oligarchy and consolidating democracy under the rule of law is an ongoing generational project with enduring challenges (discussed below), historians would be hard-pressed to find a precedent for the progress Ukraine has made since 2014. In all other comparable modern circumstances, national windows of opportunity for what USAID calls [dekleptification](#)—such as those that opened in Iraq and Afghanistan in the early 2000s, Georgia in 2004, Tunisia and Egypt in 2011, Guatemala in 2015, South Africa and Malaysia in 2018, Sudan in 2019—last only a couple of years until progress stalls and corrupt forces reassert themselves.⁸ Unlike in Ukraine, lasting and successful transitions in the past—such as those in South Korea, Chile, and Estonia, which developed critical mass in the 1990s—were typically able to build momentum over decades and did not have to contend with a revanchist, neo-imperial kleptocracy such as Putin's Russia. The Kremlin mobilizes its military forces, oligarchs, state-owned companies, intelligence services, and other resources to close reform windows by sinking tens of billions of dollars into corrupt enterprises, opposition parties, and propaganda platforms. Ukraine has faced down these subversions and kept its reform window open for nearly a decade and counting, notwithstanding substantial interference and repeated attempts to sabotage reform.⁹

Ukraine has succeeded where others have failed for two reasons.

First, the country's civil society is more deeply established, capable, and active than those in the countries mentioned above. As soon as the reform window opened in 2014, many of the advocates who had been agitating for change rapidly mobilized their policy expertise to seize the moment of extraordinary political will. Civil society reformers packaged years' worth of policy ideas into a sweeping agenda of anti-corruption legislation that

they advocated for and managed to get enacted within months. And Ukraine's civil society never stopped holding successive governments' feet to the fire whenever implementation flagged.

Second, Russia's military invasions have backfired, inspiring everyday Ukrainians to persist in their struggle for independence from the anti-democratic domination of Moscow and oligarchy. Far from welcoming Russian forces as liberators or submitting to kleptocratic rule, Ukrainians are more united than ever behind the national movement to defeat Russia and join the European community governed by the rule of law.

The Kleptocracy Strikes Back

In fact, Putin's war against Ukraine is a direct response to Ukraine's moves against oligarchy and kleptocracy.

By 2021, Putin had spent at least 17 years growing accustomed to pulling the strings of puppet leaders in Kyiv by enriching his favored Ukrainian oligarchs, who would in turn bankroll pro-Kremlin political parties. Starting in 2004, Putin arranged for [sweetheart deals](#) with Gazprom that transferred billions to Ukrainian oligarch Dmytro Firtash.¹⁰ Bankers close to Putin lent Firtash another \$10 billion, enabling him to finance Yanukovich's successful 2010 presidential election campaign. The Kremlin also [used corrupt practices](#) to pay Russia's proxies in eastern Ukraine, fund online disinformation, and control half of Ukrainian television news channels through intermediaries.¹¹ Viktor Medvedchuk, who also made his fortune through favorable commodities trading with Russia, would become Putin's leading proxy in Ukraine. Putin was not about to give up this oligarchic hold over Kyiv without a brutal fight.

There has been much debate over what caused Putin to invade Ukraine in 2022, but two data points suggest that the kleptocrat in the Kremlin was at least in part striking back against Ukraine's anti-corruption progress. Both incidents occurred on the date of February 21, but a year apart: one at the beginning of Russia's military buildup before the war and one on the eve of invasion. They collectively suggest that war became Putin's last-ditch method of undermining Ukrainian sovereignty when strategic corruption became less effective.

First, in a move that went largely unnoticed at the time, Putin announced on February 21, 2021 that the Russian military would begin deploying troops for "large-scale exercises" near Ukraine's borders. This was less than 48 hours after Ukraine froze assets owned by [Medvedchuk](#) and his wife.¹² Earlier that month, Ukraine had imposed sanctions that forced three pro-Russian news channels controlled by Medvedchuk to stop broadcasting. The timing was no accident. Ukrainian President Volodymyr Zelenskyy was able to get tough on Russian oligarchs only in early 2021, after the US presidency had transitioned from Donald Trump—who had tried to extort Zelenskyy for his own corrupt reasons—to Joe Biden, a president well known in Kyiv as a reliable ally. In 2022, Russia's FSB (Federal Security Service) involved Medvedchuk in a plot to install a puppet regime in Kyiv, and when that failed and Medvedchuk was captured by Ukraine, Putin prioritized Medvedchuk's repatriation to Russia in a prisoner swap.

The second data point came on February 21, 2022, three days before Putin launched his full-scale invasion. In [an address](#) to the Russian nation, he named several of the Ukrainian anti-corruption institutions described throughout this paper and griped about the involvement of foreign experts in their leadership selection processes.¹³ His remarks

betrayed his detailed knowledge of and bitter resentment toward Ukrainian anti-corruption efforts. Ukrainian rule of law and democracy had become intolerable to the world's most notorious kleptocrat.

Putin has several reasons to fear Ukraine's anti-corruption institutions and bold moves to contain oligarchy. Above all, they could inspire Russians to overthrow their own despotic kleptocrat. Transparency and accountability measures also close avenues for the Kremlin's covert influence and strategic corruption. Reform prepares Ukraine for Euro-Atlantic integration, freeing Kyiv of Moscow's perceived sphere of colonial dominion. And anti-corruption efforts have made Ukraine more secure and agile than Russia; corruption in Russia's own intelligence and security services is a key reason why Putin was unable to impose regime change in Kyiv. Money siphoned off by corrupt Russian security officials undermined the FSB's ability to bribe people to participate in coup plots and the Russian Ministry of Defense's efforts to modernize. Divergent approaches toward corruption are also an important driver of differences in morale across Ukraine's and Russia's respective forces.

When the Taliban strolled into Kabul in 2021 after paying off tribal warlords, they met scant resistance from soldiers unwilling to defend a corrupt government. This was reminiscent of Russia's ability to take over the Ukrainian Navy without firing a shot in 2014. But Ukraine has grown into a different country over the past decade, with anti-corruption at the heart of its civic identity. Putin learned that the hard way in 2022. He should have been even more afraid.

Ukraine's Anti-Corruption System Is Working

Another positive surprise in 2022 was the extent to which Ukraine's anti-corruption system has remained operational and effective throughout the war.

Decentralization has [proven critical](#) to Ukrainian resilience.¹⁴ Local governments are empowered to coordinate resources, make decisions to protect their communities, and fight back against invasion forces. In 2014, Russia was able to target and occupy entire regions by taking over the oblast (regional) administrations in Simferopol, Donetsk, and Luhansk. In 2022, when Russian forces did seize Ukrainian territorial units, they faced impassioned resistance from volunteer fighters defending their communities and local governments. Unaccustomed to such strong bonds between citizens and their elected officials, Russian forces seem to have been surprised when their attempts to subdue Ukrainian towns by murdering or kidnapping mayors backfired, triggering fierce civic protests even among Russian-speaking locals.

The specialized anti-corruption agencies have been [particularly productive](#) during the war.¹⁵ In 2022, NABU detectives and SAPO prosecutors launched 456 investigations, served 187 target letters, and issued 54 indictments, including nine against lawmakers. The second half of 2022 brought more anti-corruption enforcement activity than the entire calendar years 2020 or 2021, following the appointment of a strong head of SAPO in July 2022 and the efficient prosecution of a backlog of cases. The cases were [both significant and complex](#), from the takedown of a criminal organization in Odesa to multiple investigations of companies owned by Ukrainian oligarch Ihor Kolomoisky.¹⁶ Leaders were also selected for NABU and the HACC, although the NABU head initially got mixed reviews from Ukraine's

most ardent anti-corruption activists and the process for selecting a leader of ARMA is ongoing. The extent of this anti-corruption activity is notable considering that the specialized agencies have lost key personnel to the war effort—the former acting head of SAPO was posted to a grenade-launcher territorial defense unit, for instance—and some of those who remain have been diverted to war-related work such as confiscating and managing Russian assets.

While Ukraine's local governments and accountability agencies have continued and even accelerated their activities during the war, public transparency has understandably suffered a setback since Russia launched its full-scale invasion in February 2022. At that moment, Ukraine suddenly faced grave national danger. Financial disclosure information could be used by would-be Russian occupiers to target the lives and assets of prominent Ukrainians; for this reason, the martial-law restrictions effectively suspended several transparency rules and instruments that have been critical to anti-corruption efforts thus far. These included the registry of electronic asset declarations (allowing officials to stop filing and shutting down public access), registries of beneficial owners of Ukrainian companies and other assets, financial reporting requirements by companies and parties, and mandatory competitive procurement bidding disclosed on ProZorro. Over the past year, with the risks of Russia sacking Kyiv and developing free rein to target officials and their assets having declined sharply, some Ukrainian [lawmakers](#) and [the G7](#) have in our view correctly advocated for reinstating some of these financial disclosure systems—particularly asset e-declarations and political party financial reporting.¹⁷ Ukrainian civil society and [EU officials](#) recommend reviewing the full set of martial law exemptions to transparency rules and determining which are still needed and which should be lifted.¹⁸

Box 2

Constitutional Court Reform Illustrates the Messy Process of Keeping Anti-Corruption on Track

Control over the Constitutional Court of Ukraine (CCU) is the ultimate prize for corrupt and political interests. It can be used to invalidate the country's anti-corruption system, as Russia's proxies in Kyiv managed to do in 2020. It can also be used by an otherwise generally reformist government to authorize unconstitutional political processes: Top officials in Zelenskyy's office have remarked openly that they want to hold presidential and parliamentary elections on the same day—which would help lawmakers of his party ride in on the popular president's coattails. The possibilities are endless, which is why CCU judges must be legal professionals with integrity, not political loyalists.

Given the stakes involved in CCU reform, it is unsurprising that it has turned into a rather intense struggle among political authorities, civil society, and foreign partners. A key precondition for EU accession negotiations is the enactment of legislation to vet the integrity of candidate CCU judges in line with Venice Commission recommendations.

Last year, Ukraine was poised to apply to the CCU its now tested approach to selecting leaders of specialized anti-corruption agencies, which gives foreign experts the power to veto candidates whose integrity they reasonably doubt. Then, in November 2022, the Venice Commission shocked reformers by issuing a [muddled opinion](#) that misunderstood the role of foreign experts and said that their decisions

should not be considered binding.¹⁹ Within days, the Ukrainian parliament [gutted](#) the draft law to align with the most controversial aspects of the Venice Commission's opinion, suggesting that corrupt elements in Kyiv may have been in on the sabotage.²⁰ Ukrainian civil society came out swinging, with [tweets](#), [analyses](#), [op-eds](#), [articles](#), [podcasts](#), and advocacy trips to Brussels.²¹ However, while Ukrainian authorities enacted a weak law on December 13, Ukrainian civil society and the EU succeeded in persuading the Venice Commission to reverse itself, issuing a [new opinion](#) on December 19 (criticizing the new law for complying with the recent opinion that the Venice Commission now disavowed).²² After that, at the [urging](#) of Ukrainian civil society, the EU and the Venice Commission withheld the expected delegation of foreign experts to the Advisory Group of Experts (AGE; the body of three independent foreign experts and three Ukrainian political appointees who vet candidates to become CCU judges) in order to [pressure](#) Kyiv into amending the new law to empower the three foreign experts on the AGE with a binding veto over candidates whose integrity they reasonably doubt.²³ On April 19, 2023, the Ukrainian parliament introduced a revised bill that was soon [criticized](#) by civil society for failing to give the foreign experts on the AGE that decisive voting power in the integrity vetting process.²⁴ On May 25, the parliament introduced a new draft law that finally addressed the issue of the integrity vetting stage, but the draft also introduced a new problematic final stage in the selection process whereby candidates are ranked higher if they win support from the entire AGE, including the political appointees. Civil society [warns](#) that this final ranking stage is meant to neutralize

the decisive voting power of the international experts on the AGE.²⁵ But on June 10, the Venice Commission issued an [opinion](#) expressing an overall positive sentiment toward the May 25 law.²⁶ While the commission also suggested revising some aspects the law, the ranking stage was [not seen as a threat](#).²⁷ That makes it likely that CCU reform legislation will include the ranking stage, which would elevate the importance of international partners selecting experienced foreign experts with impeccable reputations for the AGE.

The twists and turns of this drama illustrate both the complicated challenges of controlling political elites in an oligarchy and the value of having a deeply capable civil society that is ready to spring into action the moment a key reform process goes off the rails.

Under martial law in Ukraine, in contrast to instances of martial law in other countries at war, freedom of the press and civil society have not been curtailed. Civil society advocates are not shying away from their mission to raise the alarm when reform processes are going off the rails, as in the case of reforms to the Constitutional Court of Ukraine (see Box 2). Likewise, investigative journalists have been hard at work holding the government accountable over the past year. The first major investigative report on wartime misconduct, published in summer 2022 by the [Kyiv Independent](#), revealed theft and abuse perpetrated by the leadership of the International Legion.²⁸ In October, another reputable Ukrainian media outlet, [Bihus.Info](#), revealed that one of Zelenskyy's closest advisers was driving a luxury SUV donated for humanitarian aid operations for his personal use. This was followed by a report in [Ukrainska Pravda](#) revealing that the adviser also drove a Porsche owned by a Ukrainian businessman while his family moved into a mansion owned by a real estate tycoon.²⁹ [Ukrainska Pravda](#) also spotted a [deputy prosecutor general](#) vacationing in Spain and driving a Mercedes owned by a business magnate, and the [State Border Guard Service spokesperson](#)

vacationing in Paris—also driving a Mercedes.³⁰

The need for accountability driven by the combination of independent journalism and NABU investigations came to a head in January 2023 with two cases of corruption involving the procurement of wartime supplies: A deputy infrastructure minister was accused of accepting a bribe related to [electrical generators](#) and the defense ministry was accused of buying [food items](#) at heavily inflated prices.³¹ This was a high-stakes moment. Zelenskyy was under substantial domestic and foreign pressure, not least because the news broke just two weeks before a summit in Kyiv at which EU officials would take stock of Ukraine's anti-corruption progress.

Zelenskyy responded by launching a sweeping counteroffensive against corrupt officials, moving swiftly enough to get ahead of the story and make it his own. He [dismissed or accepted resignations](#) from four deputy ministers and five regional governors, all of whom had been the subjects of investigative reporting and NABU investigations since October 2022.³² On Zelenskyy's orders, the Ukrainian security service carried out [dozens of](#)

[raids](#) on allegedly corrupt customs and tax officials, as well as on the homes of a [former interior minister](#) and the oligarch [Kolomoisky](#).³³ The head of Zelenskyy's party announced the dismissal of all [state customs officials](#).³⁴ When the [defense minister](#) jeopardized this strong response by casting doubt on the reporting and threatening to investigate the journalist's source—the typical response in the old Ukraine—he too was almost [fired](#).³⁵ Not even the minister in charge of an existential war effort is exempt from having to respect civil society in modern Ukraine.

The notions that the specialized anti-corruption agencies remain hard at work and that no Ukrainian leaders are too senior to be held accountable were further reinforced on May 16, when NABU detained the head of the Supreme Court on suspicion of accepting bribes worth \$2.7 million. That degree of accountability for serious Supreme Court ethics allegations would be welcomed by many Americans at this time.

The Hard Work Is Far From Complete

At best, Ukraine is midway through its campaign to root out oligarchy. Corruption remains deeply [entrenched](#) throughout the governing system.³⁶

Power is concentrated in the Office of the President, which often operates in the shadows and bypasses democratic accountability. Zelenskyy is committed to reform and new enough to politics not to be compromised by corruption. But that is not true of several of those around him who often obstructed reforms in 2019–21 and who continue to prioritize political control of law enforcement and the judiciary over durable anti-corruption reform. For example, NABU charged Oleh Tatarov, Zelenskyy's deputy chief of staff in charge of law enforcement matters

and a former official in the highly corrupt Yanukovych regime, with bribery, but Zelenskyy's political appointees [buried](#) the case.³⁷

Powerful components of Ukraine's enforcement and security system—the Office of the Prosecutor General, tax authorities, the national police force, the security services, and others—have yet to undergo reform. Over the years, they have been instrumentalized frequently to protect powerful oligarchs or political patrons. Some still have sections that are entangled with organized crime. The compromised nature of the ordinary enforcement system was the reason for creating a specialized system of anti-corruption agencies, and these concerns persist even today.

The specialized anti-corruption agencies have themselves faced notable challenges. In 2022, the former head of ARMA was accused of appropriating over [UAH 425 million](#) (approximately \$11.5 million) from assets the organization had seized.³⁸ The silver lining is that NABU and SAPO are energetically pursuing the case. However, some recent NABU-SAPO cases appear to target upright reform figures overzealously (see Box 3). These missteps are emblematic of an anti-corruption architecture that is still relatively young and needs constant cultivation and further institutional maturation. They also pose risks to the reform agenda because these cases involve excessive use of resources and authorities that the specialized anti-corruption agencies generally need more of, not less: operational independence, clear jurisdiction, and the staff and tools necessary to perform the work.

Box 3

Two NABU-SAPO Cases Targeting Reputable Reformers Are Spooking International Partners

To the alarm of investment executives and current and former senior officials of governments and international financial institutions (IFIs) we have spoken to in Washington, London, Brussels, and Berlin, SAPO is [prosecuting two cases](#) this year that target highly reputable former Ukrainian government reformers who [do not appear](#) to have engaged in corruption (defined as abuse of power for personal gain).³⁹

One case is against Andriy Kobolyev, who served from 2014 to 2021 as CEO of Naftogaz (Ukraine's state energy company). After Naftogaz won a historic arbitration case resulting in a \$4.6 billion payment from Russia, the Naftogaz supervisory board decided to award 1% of the sum (\$46 million) to about 40 employees, with Kobolyev receiving nearly half (\$22 million). Allowing that level of compensation for a public servant was politically and morally foolish, and after a five-year investigation, NABU and SAPO allege that it was also illegal because it exceeded a regulatory cap on bonuses at state-owned enterprises. But because the Naftogaz supervisory board made the decision to grant the bonus (unanimously, after soliciting legal advice), not Kobolyev, it does not appear to fit the definition of corruption. It would be reasonable to explore accountability options such as clawing back the bonus or scrutinizing the supervisory board. But Ukraine's international partners find it outrageous that Kobolyev is currently wearing an ankle bracelet—following SAPO's [decision](#) to detain him—and

may be facing up to 12 years of prison time for a decision he did not make.⁴⁰

Another case targets Andriy Pivovarsky, who served from 2014 to 2016 as Minister of Infrastructure and was in charge of deregulating the Ukrainian economy. In 2015, Pivovarsky ordered that only half of harbor dues at the Pivdennyi seaport on the Black Sea should be paid to the Ukrainian seaports authority, with the other half going to private companies on the condition that they reinvest the proceeds into deepening the port. Pivovarsky believed this was more efficient, which was reasonable at this early stage of reforming a corrupt and sclerotic state apparatus. In this case, Pivovarsky made the key decision, but there is no allegation that he stood to enjoy any personal gain, so this does not appear to have been a corrupt decision. Instead, the legal matter relates to whether the 2015 policy decision was properly authorized, with NABU and SAPO arguing that only state enterprises are authorized to charge port dues while others [defend](#) the decision as permitted under a 2013 law.⁴¹ In any case, not only Pivovarsky but also the Cabinet of Ministers and the Ministry of Justice approved it. SAPO could have sought to reverse the decision and order the companies to repay the state. Instead, it aims to put Pivovarsky behind bars for years.

It is unclear why SAPO is making these overzealous prosecutorial decisions against reputable reformers who have not engaged in corruption. Some in Ukraine suspect that the new head of SAPO may be acting out of a desire to prove his toughness, getting too far ahead of

his office's capacity to make judicious decisions in coordination with NABU. There is no doubt a capacity shortfall. Ukraine's international partners with rule-of-law programming should rapidly increase their support, embedding veteran prosecutors from overseas to build up SAPO's decision-making capability.

What is clear is that this misguided application of prosecutorial discretion to press severe criminal charges against uncorrupted and highly regarded reform figures threatens Ukraine's ability to attract talented executives for public service, or corporate investments for profitable reconstruction projects. This blemish on Ukraine's anti-corruption record must be corrected.

When Russia invaded Ukraine in February 2022, Zelenskyy's "Big Construction" program to rebuild roads, bridges, schools, stadiums, and hospitals was facing accusations of corruption. A major project—construction of the Ring Road around Kyiv—was exempted from ProZorro. A government agency with a reputation for corruption, [Ukravtodor](#), was setting up a cartel of preferred construction companies including the Turkish [Onur Group](#).⁴² Sources [told](#) Ukrainian investigative journalists that costs were inflated by 30%, including a 10% kickback for officials.⁴³ With the exception of NABU, most Ukrainian regulatory and law enforcement agencies were not investigating corruption allegations at this time.

Beyond the executive branch, the parliament and the judiciary remain penetrated by powerful, unaccountable, and obscure private interests. Watchdog agencies and foreign partners must constantly monitor legislative initiatives for bills and amendments meant to thwart anti-corruption reform or create pathways for private enrichment. The attempts are so frequent and so persistent that they often succeed. Meanwhile, reforms to the ordinary judicial system are still in the early stages, and it will take years to root out corrupt judges. These conditions reflect just how completely oligarchy

had captured the Ukrainian state in the generation following the end of Soviet rule.

Continued Progress Is Vital to the Rules-Based International Order

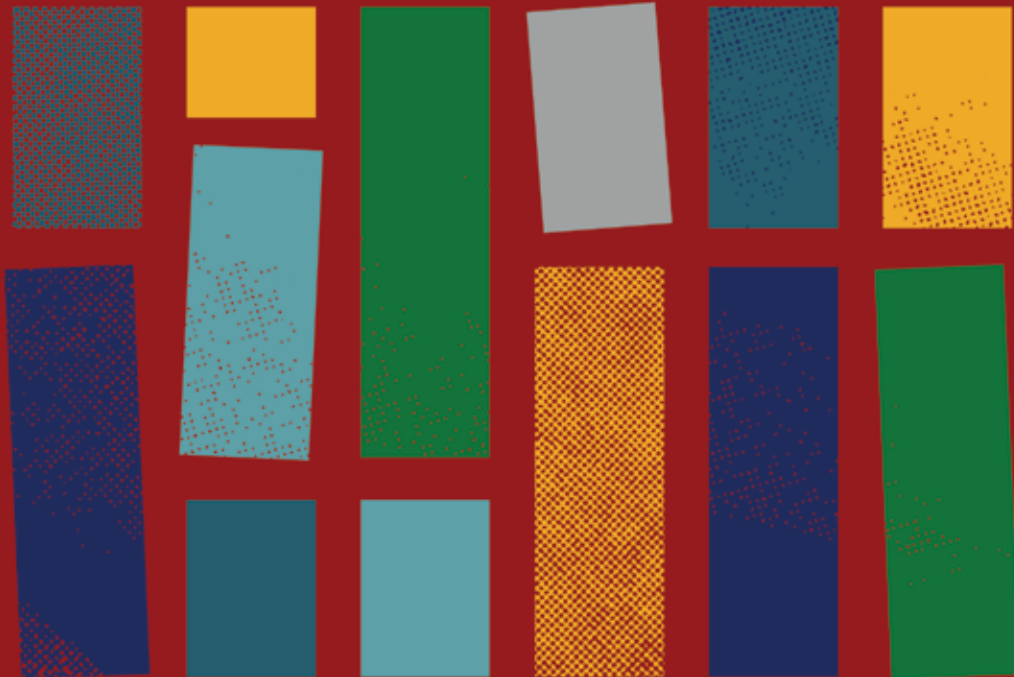
The good news is that Ukrainians will remain reliably and deeply committed to anti-corruption reform. The battle against corruption was a key motivator of the 2014 Revolution of Dignity, and has been the fundamental issue driving Ukrainians' persistent participation in their democracy since then. Transparency and healthy governance are central ideals of the country for which Ukrainians are sacrificing, and they are essential to maintaining Western taxpayer support for wartime aid to Ukraine. Ukraine's innovation and commitment to fighting corruption constitute a unique strategic capability that the country can bring to the Western alliance, and will be key conditions of an ambitious reconstruction and swift Euro-Atlantic integration. They will anchor the development of a modern nation-state and inspire democratic reformers around the world. Fear of that progress motivated Putin to launch a full-scale invasion. Moreover, Ukraine's anti-corruption front is emblematic of modern geopolitical competition under which

corruption has replaced instrumentalized communist ideology as the primary tool of control that binds the authoritarians challenging the rules-based international order, as well as the vector through which these regimes export their closed systems and subvert the sovereignty of democracies.⁴⁴

This panoply of strategic, political, economic, and moral interests—and the shared values that underpin them among Ukraine and its allies—are why Ukraine's continued success in its anti-corruption journey is vital to the rules-based order. All stakeholders in that order should take significant steps this year to support Ukrainian anti-corruption efforts.

II

Policy Recommendations



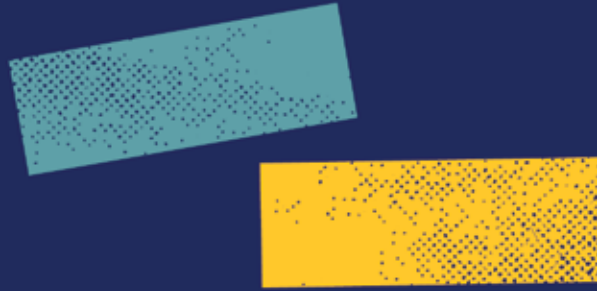
Ukraine and each of its key international partners—the EU, the US Congress, and G7 donors—has unique responsibilities and resources to support the country’s progress in fighting corruption. First and foremost are ten reform steps that Kyiv should take this year. At the same time, each international partner can take five steps to have Ukraine’s back at this critical time in its anti-corruption journey.

Recommendations

UKRAINE

- | | |
|--|---|
| <p>1 Limit Political Influence in the Selection Process for the Constitutional Court of Ukraine (CCU)</p> | <p>6 Select a Highly Respected Head to Comprehensively Reform the Asset Recovery and Management Agency (ARMA)</p> |
| <p>2 Resume Airtight Asset E-Declarations, Verification, and Political Party Financial Reporting</p> | <p>7 Require Ukrainians to Upload All Reconstruction Projects to the DREAM Transparency Platform</p> |
| <p>3 Bolster the Independence and Capabilities of the National Anti-Corruption Agency of Ukraine (NABU)</p> | <p>8 Monitor Implementation by the High Qualification Commission of Judges (HQCJ) and Empower the Public Integrity Council (PIC)</p> |
| <p>4 Enhance the Autonomy and Capacity of the Specialized Anti-Corruption Prosecutor's Office (SAPO)</p> | <p>9 Revise the Anti-Oligarch Law and Broaden Anti-Monopoly Efforts</p> |
| <p>5 Boost Staff Capacity at the High Anti-Corruption Court (HACC)</p> | <p>10 Establish a Specialized High Administrative Court</p> |

EUROPEAN UNION	UNITED STATES CONGRESS	G7 DONORS
<p>1 Invest More in Investigative Journalism</p>	<p>1 Codify Interagency Coordination of IGs Overseeing US Assistance to Ukraine</p>	<p>1 Align Donors Around Priority Anti-Corruption Reform Conditions</p>
<p>2 Invest in Broadly Owned Television News</p>	<p>2 Require US IGs to Establish an International Fusion Cell in Kyiv</p>	<p>2 Integrate DREAM Into Systems at Donor Agencies and Their Implementing Partners</p>
<p>3 Benchmark Transparency and Digital Services in Ukraine and the EU</p>	<p>3 Condition Non-Security Assistance Upon the Delivery of Anti-Corruption Reforms</p>	<p>3 Form a Ukrainian Civil Society Advisory Board</p>
<p>4 Invest More in Anti-Corruption Assistance</p>	<p>4 Invest More in Assistance for Anti-Corruption and Digitalization</p>	<p>4 Preserve Decentralization and Empower Local Governments</p>
<p>5 Further Integrate Ukraine Into EU Anti-Corruption Agencies and Programs</p>	<p>5 Push Multilateral Donors to Utilize DREAM</p>	<p>5 Provide International Leadership for a Kyiv-Based Fusion Cell of Auditors</p>



Ukraine

Ukraine is more than [two-thirds](#) of the way through completing the seven preconditions to open EU accession negotiations.⁴⁵ As of this writing, the most important unmet step is Constitutional Court reform, which is the first recommendation of this section. The first four recommendations in this section (Constitutional Court reform, resumption of asset e-declarations, bolstering NABU, and enhancing SAPO) are cross references to a little-noticed but consequential document published on June 9, 2023 by the G7 Ambassadors' Support Group for Ukraine: [a list of the top three judicial and anti-corruption reforms](#) that Ukraine should prioritize completing by September 30.⁴⁶ These four recommendations are considered three by the G7, because they bucket NABU and SAPO together as one reform priority. On top of the G7's list, which is a solid place to start, we recommend another six anti-corruption reforms Ukraine could accomplish within less than a year with concerted political initiative.

1

Limit Political Influence in the Selection Process for the Constitutional Court of Ukraine (CCU)

The first [precondition](#) for EU accession is to “enact and implement legislation on a selection procedure for judges of the Constitutional Court of Ukraine (CCU), including a pre-selection process based on evaluation of their integrity and professional skills, in line with Venice Commission recommendations”.⁴⁷ Of the seven reforms, this is the one that has met the most resistance. Some members of the Ukrainian government are reluctant to implement it robustly, perhaps because some top appointees within the Office of the President demonstrate strong interest in controlling judicial institutions, and in this regard, there is no greater prize than the CCU (see Box 2).

On June 10, the Venice Commission issued an [opinion](#) praising the amendments in the latest draft

law on CCU reform, saying they “go a long way toward implementing the recommendations of the Venice Commission’s previous opinions”.⁴⁸ That implies the draft law is on course to meet the EU precondition, which should give Ukraine the support it needs to pass the law in mid-June, potentially with some relatively minor adjustments recommended by the commission. With that, Ukraine’s civil society and foreign partners will shift their focus toward strong and transparent implementation that limits political influence in the selection process. The first important step will be for the international institutions that delegate foreign experts to the AGE to choose people with not only unimpeachable integrity but also sufficient awareness of Ukraine’s governing context to avoid getting played by political appointees seeking to install loyalists on the CCU.

Recommendation for Ukraine: Meet a [top three G7 priority](#), which is to “Enact and implement legislation on the merit-based and transparent selection of judges of the Constitutional Court of Ukraine, including a pre-selection process based on an evaluation of the integrity and professionalism of candidates in line with Venice Commission recommendations”.⁴⁹

2

Resume Airtight Asset E-Declarations, Verification, and Political Party Financial Reporting

According to the [Anti-Corruption Action Center](#), “Among all transparency-related reforms which took place after the Revolution of Dignity, the system of electronic disclosure of assets and income of public officials is the most instrumental source of information to monitor the lifestyle of public officials. The information submitted there serves as the basis for multiple journalistic and official anti-corruption investigations.”⁵⁰ Asset declarations are verified by the [NACP](#), which administers this disclosure system as well as [financial reporting for political parties](#).⁵¹

Under martial law exemptions that made sense in February 2022, but have in some respects become outdated, public officials and political parties are no longer required to submit these public disclosures.

The Ukrainian parliament is rightly considering draft laws to restore these reporting requirements, but wrongly considering some loopholes that go beyond national security needs and would have the effect of watering down the disclosure system. Such machinations are not new. Because asset declarations leave corrupt officials with no legal way to hide their illicit enrichment, the process of establishing this reform was beset by [ten or more ultimately unsuccessful maneuvers](#) intended to postpone the legislation, undermine key provisions, co-opt the NACP, and get the CCU to legalize illicit enrichment and false statements.⁵² These subversions regularly drove the US government to take rearguard actions such as sending the US ambassador into the Ukrainian president’s office or withdrawing US support for the NACP until it was reconstituted under sound governance. The strongest leverage came from Kyiv’s desire to establish a visa-free travel policy with the EU. The time has come to once again insist upon the resumption of strong disclosures.

Recommendation for Ukraine:

Meet a [top three G7 priority](#), which is to “Restore the obligation of public officials (except those mobilized and directly involved in war efforts) to submit and disclose their asset declarations during Martial Law; reinstate the National Agency for Corruption Prevention (NACP) verification of asset declarations; ensure public access to asset declarations with relevant security redactions; and reinstate reporting requirements for political party financing, with relevant security redactions”.⁵³

3

Bolster the Independence and Capabilities of the National Anti-Corruption Agency of Ukraine (NABU)

Established in 2014, NABU was the first specialized anti-corruption agency. A key challenge in its early years was the absence of counterparts to prosecute and rule on cases it investigated. Now that SAPO and the HACC are in place, and particularly since it has lost personnel to the war effort, NABU's most pressing needs are internal.

The NABU law must be amended to solidify its jurisdiction in high-profile cases, as evidenced by the ability of the prosecutor general, a Zelenskyy protégé, to [take](#) the Tatarov bribery case away from NABU and give it to the more politically controlled SBU, which failed to investigate it.⁵⁴ NABU needs autonomous wiretapping authority and an internal source of forensic examinations, and it recently sent

parliament a recommended draft law that would provide for higher staffing levels. These changes would improve NABU's independence from other agencies and strengthen its capacity.

Recommendation for Ukraine: Meet half of a [top three G7 priority](#), which is to “Strengthen institutional independence and capabilities of the National Anti-corruption Agency of Ukraine (NABU) including through legislative and regulatory improvements by increasing the staffing cap and providing adequate financing, providing independent wiretapping capacities, and establishing a forensic examination institution at NABU”.⁵⁵

4

Enhance the Autonomy and Capacity of the Specialized Anti-Corruption Prosecutor's Office (SAPO)

SAPO is an essential component of Ukraine's specialized anti-corruption system, and is responsible for prosecuting cases investigated by NABU. The office's reputation was tainted when NABU [investigated its head](#) for corruption and he subsequently [resigned](#).⁵⁶ The position was vacant for two years until it was [filled](#) in 2022 as a required measure for Ukraine's EU candidate status.⁵⁷

One possible reason why the new SAPO head has come out so aggressively since taking office a year ago—too aggressively in cases of reputable reformers who have not engaged in corruption (see Box 3)—is the perceived need to depart from the office's checkered past. As the new leadership builds capacity for difficult prosecutorial decisions,

SAPO needs stronger operational independence and protections against political interference.

Recommendation for Ukraine:

Meet half of a [top three G7 priority](#), which is to “Enact legislation to improve the selection procedures for the Specialized Anti-Corruption Prosecutor's Office (SAPO) head and key officials, strengthen capacity to regulate its organizational activities, including budgetary and staffing, and establish mechanisms for discipline and accountability of SAPO leadership by introducing a separate disciplinary commission and independent audit commission and aligning functions of the head and the acting head”.⁵⁸

5

Boost Staff Capacity at the High Anti-Corruption Court (HACC)

The HACC is the third essential specialized anti-corruption agency, picking up after investigation (NABU) and prosecution (SAPO) by ruling on cases of grand corruption. Beginning in 2018, Ukraine's civil society and foreign partners [vigorously supported](#) the adoption of authorizing legislation for the new court, the selection and preparation of judges, the recruitment and training of qualified court personnel, and the establishment of administrative and organizational structures (courthouses, security, technology, and so on).⁵⁹ The most innovative feature, however, was the introduction of integrity vetting by foreign experts—a process that is being replicated across the rest of the Ukrainian judicial system. Judges who serve on the HACC may only be selected by Ukrainian judicial governance bodies

after candidates are approved by the Public Council of International Experts (PCIE). Candidates are blocked if at least three of the six reputable foreign experts nominated by international organizations reasonably doubt their integrity after reviewing documentary evidence and witness testimonies.

HACC officials are currently focused on building up the court's capacity to deal with the increased caseload that will come with reconstruction. They currently estimate that they need another 24 judges, who in turn would need another 120 court professionals to support their work. It is essential that the PCIE vet judges to ensure that they will administer accountability during reconstruction with utmost integrity.

Recommendation for Ukraine: Enact legislation to authorize funding for the HACC to hire at least another 24 judges plus 120 additional staffers, and to secure new premises to house this increase in personnel. Implement this by selecting the 24 judges through the PCIE vetting process.

6

Select a Highly Respected Head to Comprehensively Reform the Asset Recovery and Management Agency (ARMA)

Created in 2015, [ARMA](#) traces stolen or corrupt assets and manages confiscated funds. During the war, ARMA's work has focused on assets of individuals connected to Russia's invasion and war crimes, taking in Russian military equipment and identifying more than [\\$1 billion in Russian assets](#) thus far.⁶⁰

Yet ARMA has not had a permanent head since the end of 2019, a situation that has presented repeated challenges to its independence and [transparency](#).⁶¹ The hunt for the right candidate has been a [struggle](#).⁶² Reform is needed to bring this agency into full effect and empower it to pursue its critical work.

Recommendation for Ukraine: Complete a fair, independent, and merit-based selection process for the head of ARMA. Conduct a comprehensive analysis to identify measures that would strengthen the independence and operational effectiveness of ARMA.

7

Require Ukrainians to Upload All Reconstruction Projects to the DREAM Transparency Platform

The Ukrainian digitalization reformers who pioneered the collaboration between government and civil society to build the world's most transparent public procurement system, ProZorro, are doing the same for reconstruction management. This digital reconstruction initiative was [launched](#) in 2022 with the founding of the RISE Ukraine Coalition, a collaboration among leading transparency NGOs such as the Open Contracting Partnership, Transparency International Ukraine, and the Better Regulation Delivery Office Ukraine.⁶³ Over the past year, RISE has worked closely with key Ukrainian government institutions, including the Ministry of Infrastructure, the Ministry of Economy, and the NACP. Ukraine's cabinet has adopted resolutions

instructing ministries to support the development of a digital reconstruction management system as a key milestone for 2023.

RISE Ukraine and the Ministry for Restoration have already built a prototype of an end-to-end digital management system for reconstruction projects that will publicly display the full paper trail from initial drafting of municipality-level rebuilding plans to final contract implementation. The Digital Restoration Ecosystem for Accountable Management ([DREAM](#)) is running in pilot mode, with some 170 users from 24 regional agencies and 42 municipalities volunteering to upload a total of about 5,000 reconstruction project proposals.⁶⁴

Recommendation for Ukraine: Enact legislation requiring all Ukrainian persons involved in reconstruction projects to use DREAM. The system must be based on structured open data using globally recognized open contracting and beneficial ownership data standards. Advance reforms for audit and internal control bodies to ensure greater institutional independence, transparency, accountability, and capacity to implement international audit standards.

8

Monitor Implementation by the High Qualification Commission of Judges (HQCJ) and Empower the Public Integrity Council (PIC)

After corrupt and pro-Russian elements used the ordinary judiciary to attack Ukraine's anti-corruption system in 2019 and 2020, Kyiv and its international partners resolved to take aggressive action to clean up Ukrainian courts. The centerpiece of this initiative would be the extension to the ordinary judicial system of the process that had been proven in the specialized anti-corruption system: empowering six-member panels with three foreign experts to vet candidates and block those who lack integrity. Zelenskyy made enacting this reform initiative an election pledge during his successful run for the presidency in 2019; it was a condition of IMF lending, and a benchmark of both the EU-Ukraine macro-financial assistance agreement and the G7 Ambassadors Reform Support Group Ukrainian rule-of-law roadmap. The legislation was enacted in 2021 and applied to the two Ukrainian judicial governance bodies responsible for selecting, overseeing, and dismissing judges: the High Council of Justice (HCJ) and the High Qualification Commission of Judges (HQCJ). Tellingly, Putin singled out these two rather esoteric bodies for criticism in his vitriolic speech about Ukraine on February 21, 2022.

Putin is not the only one who dislikes integrity vetting for Ukrainian jurists. The day after his speech, 10 members of the HCJ [resigned](#) after the ethics panel asked about discrepancies between their lifestyle and income.⁶⁵ The HCJ is back up and running and recently completed the appointment of new members for the HQCJ, rejecting the most dubious candidates, thus fulfilling another EU condition. The focus now shifts from reestablishing these bodies to ensuring that the HQCJ implements its mandate to renew Ukraine's judiciary by selecting over 2,500 judges with clean records to fill vacancies and completing the qualifications assessment to vet thousands more sitting judges. Civil society will be watching the HQCJ's initial results closely and has already [raised concerns](#) that no specialized NGOs are

represented on the HJC and two new members' integrity or professionalism is doubtful.⁶⁶ Importantly, judicial selection must empower the [Public Integrity Council \(PIC\)](#), an independent oversight body of civil society experts that evaluates candidates and may veto them on ethical grounds.⁶⁷

Recommendation for Ukraine: Empower the PIC to play a meaningful role in judicial selection, including the selection of first instance court judges through vetting of integrity and qualifications, setting a higher standard for overruling PIC vetoes and providing full government funding and resources to support PIC operations. Enact legislation to streamline judicial selection and qualification evaluations based on clear integrity and professionalism criteria and a transparent scoring methodology. Enact legislation to strengthen the independence of the HCJ Service of Disciplinary Inspectors by ensuring merit-based and transparent recruitment of inspectors and providing adequate remuneration. Adopt clear rules, standards, and processes for investigating and adjudicating judicial misconduct and complaints and developing solutions to address case backlog.

9

Revise the Anti-Oligarch Law and Broaden Anti-Monopoly Efforts

A Ukrainian law enacted in 2021 aims to reduce oligarchs' influence. The law's most constructive contribution is its framework definition of an oligarch as anyone who meets at least three of four conditions: They are involved in political life, exert significant influence over mass media, have assets exceeding \$87 million, or own a monopoly. The law requires oligarchs to declare their assets and prohibits them from financing political parties or dealing in privatization, and public officials are required to disclose their contacts with oligarchs. The problematic element of the law is that it gives the politically appointed National Security and Defense Council discretion over who meets the definition of an oligarch and who should face countermeasures. This opens the door for the government to wield it selectively as a weapon against oligarchs it opposes

for personal or political reasons. On June 10, the Venice Commission issued an opinion advising Ukraine to [postpone the implementation](#) of the law until the end of the war, which has temporarily reduced the influence Ukrainian oligarchs anyway.⁶⁸ The commission [pointed to](#) ten areas of the law that should be amended and recommended a systemic review of rules relevant to oligarchic influence.⁶⁹

Going forward, efforts to remove oligarchic influence should operate on two tracks: First, build on the helpful three-of-four definition to advance new framework legislation that would genuinely help deoligarchize Ukraine. This would require far more robust safeguards against political influence and even stronger countermeasures than obligatory disclosures. Such measures could include forcing oligarchs to divest their ownership of Ukrainian monopolies and media assets until they no longer meet the definition of an oligarch, and even confiscating their fortunes if they prove to have been obtained through corrupt means or involvement in criminal enterprises. Second, pursue a less personal and more systemic approach, countering oligarchy through reforms to the Anti-Monopoly Committee, revising anti-trust laws, strengthening the criminal code and criminal procedure, enacting political lobbying legislation, eliminating tax benefits for big businesses, making media funding more transparent, and advancing corporate governance reforms in key sectors of the Ukrainian economy as envisioned in Ukraine's [state anti-corruption program](#).⁷⁰

Recommendation for Ukraine: Revise the anti-oligarch law to safeguard against political influence and require divestiture of assets until individuals no longer meet the definition of an oligarch. Strengthen the independence and professionalism of the Anti-Monopoly Committee. Implement sectoral governance reforms and other deoligarchization measures in the state anti-corruption program.

10

Establish a Specialized High Administrative Court

The District Administrative Court of Kyiv (DACK) was [infamously](#) corrupt and beset by scandal, routinely interfering in anti-corruption work, sheltering corrupt authorities located in Kyiv from accountability, and finding in favor of oligarchs.⁷¹ In 2022, parliament initiated the process of [liquidating](#) the court, a move broadly [supported](#) by civil society and public demand.⁷² The DACK's cases are temporarily being transferred to the Kyiv City District Administrative Court (KCDAC).

Transferring the DACK's caseload to KCDAC is a [temporary](#) fix.⁷³ A new administrative court must be constituted with the mistakes of the old in mind. New judges must be vetted for integrity and professionalism, with active involvement of the PIC,

and the excessive influence of the court must be curtailed.

Recommendation for Ukraine: Finalize the liquidation of the DACK and enact legislation to establish a new specialized high court that will hear administrative cases against national state agencies by judges who have been properly vetted for independence, professionalism, and integrity.

European Union

Corruption is the biggest internal obstacle to Ukraine's EU membership. Of the seven [reform goals](#) the EU set for Ukraine, five deal directly with corruption.⁷⁴ Ukraine's drive for EU integration has been clear, and the EU must match this political will with support. We suggest five mechanisms for the EU to aid Ukraine in its anti-corruption fight.

1

Invest More in Investigative Journalism

In its 2021 [special report](#) on reducing grand corruption, the European Court of Auditors argued that with Ukraine's anti-corruption architecture now fully established, the EU should scale up its support for investigative journalism and civil society in the country—a recommendation that the European Commission [embraced](#).⁷⁵ The EU still funds only a few small or medium-sized projects that support investigative journalism in Ukraine and other countries. A project launched in 2022 spent [€600,000](#) on 12 subgrants to Ukrainian outlets providing information to war-affected citizens.⁷⁶ A separate fellowship program costing [€1.3 million](#) over two years connects 18 Ukrainian journalists with counterparts in six EU countries.⁷⁷ A pair of regional funds provide [€1.2 million](#) and [€2.7](#)

[million](#) respectively in annual financial assistance to cross-border investigative journalism in the EU and EU candidate countries, with a fraction going to Ukraine.⁷⁸ The EU Anti-Corruption Initiative (EUACI) is sizable, with its current four-year phase amounting to nearly [€23 million](#), although support for investigative journalism is just a portion within one of three components of the program.⁷⁹

EU aid to Ukrainian investigative journalism should eventually amount to hundreds of millions of euros annually, as absorptive capacity rises. To achieve this, Ukraine should replace Turkey as the biggest beneficiary of pre-accession assistance, which currently has a total seven-year budgetary envelop of [€14 billion](#) but does not yet include Ukraine.⁸⁰ In the years ahead, as progress in countering corruption becomes critical to EU accession, Ukraine's recovery and reconstruction needs will exceed [\\$411 billion](#), or 2.6 times its GDP, based on the first year of the war alone.⁸¹ Ukraine's vital interest in safeguarding against corruption the vast sum of money that will be poured into hundreds of projects throughout the country calls for a [bold plan](#) to hire and train hundreds of investigative reporters along with dozens of editors and data experts; create new technological tools and financial training programs; build up the capacity and financial strength of independent media outlets across the country; connect with consortia such as the OCCRP and integrate into their networks and data systems; and much more.⁸²

Recommendation for the EU: The European Commission should earmark for investigative journalism 3% of all EU recovery and reconstruction funding for Ukraine. Over time, the EU Directorate-General for Neighborhood and Enlargement Negotiations (DG NEAR) should dedicate €100 million in pre-accession assistance annually to Ukrainian investigative journalism.

2

Invest in Broadly Owned Television News

The European Court of Auditors also [recommended](#) taking steps “to reduce the influence of media owned by oligarchs”.⁸³ Control over television news outlets is the oligarchs’ most powerful instrument for exerting influence over public life in Ukraine, a country where before the current war three-quarters of the population still got its news from television. The top TV news channels are deeply unprofitable and survive only because the [Ukrainian oligarchs](#) who own them—Rinat Akhmetov, Victor Pinchuk, Ihor Kolomoisky, Petro Poroshenko, Dmytro Firtash, Serhiy Lyovochkin, and until early 2021, Viktor Medvedchuk—sink money into them.⁸⁴ They use their channels to support their own interests, including by advocating for policy decisions that benefit their businesses, giving airtime to politicians who advance their agenda, and muting or smearing opponents. A former member of Zelenskyy’s press team [suggests](#) that a key reason why the new president was struggling to implement his reform agenda in his first

two years was that the oligarch-owned channels fed Ukrainians a steady diet of negative messaging about him and about his initiatives to limit the oligarchic influence.⁸⁵ Poroshenko’s channels especially found every opportunity to excoriate Zelenskyy, regardless of whether the criticism was based in facts.

Russia’s invasion drastically altered Ukraine’s media landscape. Under immense public pressure, most oligarchs fell in line behind their wartime president, agreeing to send a unified message to the Ukrainian people by merging most channels into a single, round-the-clock television news “telethon”. Poroshenko’s channels were excluded from the platform and [banned](#) from broadcasting.⁸⁶ But these wartime conditions will eventually end, at which point Ukraine will be less corruptible and more suitable for EU accession when its television news transitions toward broader public ownership governed by civic actors and reputable professionals interested in conveying information impartially. This could include, for example, a consortium of journalists, NGOs, and media experts.

Recommendation for the EU: The European Bank for Reconstruction and Development (EBRD) should launch an initiative to help migrate ownership of Ukrainian television news channels to more modern public shareholder bases free of political and oligarchic influences and governed with independence and high editorial standards for fair and informative reporting. The European Investment Bank should support this effort by providing debt financing and helping cultivate a broad network of lenders. The European Commission should launch an aid program to deliver technical assistance and support media NGOs focused on building up this independent post-oligarchic television news ecosystem.

3

Benchmark Transparency and Digital Services in Ukraine and the EU

Ukraine now has one of the world's most transparent political-economic systems, including accessible and machine-readable registries publicly disclosing beneficial owners of cars and houses, government officials' assets and income, treasury transactions of all sizes, dossiers on politically exposed persons (people whose sources of funds must be scrutinized by banks because their public power could enable corruption), records of public procurement transactions, and more. In a sign of Ukraine's successful innovation in e-services, Estonia—the most digitalized EU member state—is learning from Ukraine and adopting its own version of Diia.

DG NEAR will naturally conduct an analysis comparing Ukrainian transparency and digital

services to EU standards as part of its chapter-by-chapter baseline screening during the accession process. But it could serve a number of additional purposes if it were to produce a separate, less technocratic report early in the process comparing Ukraine to EU member states in these select areas. A report of this kind would show Europeans who are on the fence about Ukraine's EU accession how advanced the country's anti-corruption systems are. It could identify gaps that Ukraine should address, such as elements of martial law that are no longer necessary. Moreover, it would highlight effective Ukrainian innovations that other countries may want to adopt and establish benchmarks that could be useful for the EU's digitalization drive.

Recommendation for the EU: DG NEAR, in collaboration with the World Bank, should produce a benchmark analysis comparing Ukrainian systems of political-economic transparency and digitalization of public services to levels in EU member states.

4

Invest More in Anti-Corruption Assistance

Since 2017, the [EU Anti-Corruption Initiative](#) (EUACI) has operated within Ukraine to support and fund anti-corruption work. Its three components provide training, IT advancements, funding, and other support to government bodies, municipal governments, and NGOs.⁸⁷ EUACI works with a network of partners in Kyiv as well as five other Ukrainian cities. In 2020, the Commission renewed EUACI for four more years of funding with a total budget of €23 million. In 2021, the European Court of Auditors made its recommendation to pivot anti-corruption aid toward civil society and investigative journalism.

In 2022, the war further stretched Ukraine's anti-corruption civil society as some people mobilized for direct war efforts while those who remained in

research and advocacy shifted toward exigencies such as documentation of war crimes and activism for security assistance. At the same time, Ukrainians across the country feel a desire to serve in many forms, including through civil society work. This energy must be channeled into professionalized activity, especially as the difficult work of reconstruction brings a high demand not only for investigative journalism, as previously noted, but also for anti-corruption advocates, watchdogs, and researchers, as well as compliance officers, project managers, and other professionals who will need to employ integrity controls in the normal course of their important work across the public and private sectors.

Recommendation for the EU: In the upcoming EUACI renewal, the Commission should more than double its budget to at least €50 million. The bulk of the new funds should be used to train a new generation of anti-corruption foot soldiers across civil society and all entities that will be involved in reconstruction.

5

Further Integrate Ukraine Into EU Anti-Corruption Agencies and Programs

The [European Public Prosecutor's Office](#) (EPPO) and the [European Anti-Fraud Office](#) (OLAF) are complementary agencies that investigate and prosecute the misuse of EU funds, but their ability to function depends on the cooperation of member states' law enforcement bodies. Non-EU countries can [partner](#) with these agencies through Mutual Legal Assistance Treaties or other types of agreement.⁸⁸ Both the EPPO and OLAF have signed working arrangements with several Ukrainian law enforcement agencies, most recently between OLAF and Ukraine's State Audit service in [April](#).⁸⁹ In addition to these agencies, the EU hosts several programs to support member states' anti-corruption work, including the [Union Anti-Fraud Program](#), which funds equipment, research, and training for corruption

investigations; the [European Judicial Training Network](#), which develops training and promotes cooperation among EU member states' judicial institutions; and the [Justice Program](#), which funds judicial enhancement [projects](#).⁹⁰

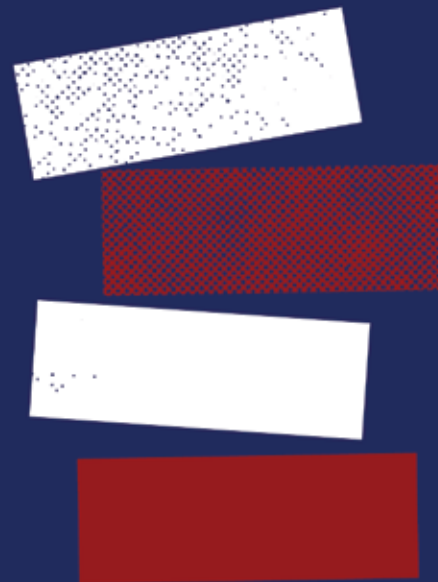
Deepening the EPPO and OLAF's partnerships with Ukrainian agencies could expand oversight and accountability for EU funds and support the development of the rule of law in Ukraine. This could include integration with the IG fusion cell discussed in the next two sections, common investigations, relaxation of barriers to information-sharing, and other actions. As a candidate country, Ukraine can access EU programs on a case-by-case basis. The EU's anti-corruption and judicial support programs are a relatively untapped resource for Ukrainian civil society and reformers. Allowing Ukraine access to these resources would boost both anti-corruption work and EU integration.

Recommendation for the EU: Allow Ukraine association in the Anti-Fraud Program, the Justice Program, and the European Judicial Training Program. Deepen partnerships between the EPPO, OLAF, and Ukrainian anti-corruption agencies through working arrangements and cooperation agreements.



United States Congress

The US Congress should take a handful of steps that would simultaneously advance anti-corruption efforts sought by Ukrainian civil society and demonstrate to the American people that Congress is safeguarding tax dollars spent on supporting Ukraine. This is an essential political precondition to sustaining US security assistance for Ukraine, and is therefore the single most important action that any of Ukraine's partners can take to support the continuation of its anti-corruption journey. It will also signal to Kyiv that the US Congress is closely tracking anti-corruption progress. Measures would reinforce Ukrainian forces on both fronts of its war against Russia and oligarchy.



1

Codify Interagency Coordination of IGs Overseeing US Assistance to Ukraine

The IGs of US departments and agencies supporting Ukraine, led by those from the three largest contributors—Defense, USAID, and State—have formed an ad-hoc [interagency working group](#) that meets frequently and reports to Congress.⁹¹ The purpose of their meetings is to share information and present a unified picture of accountability to Congress and the American people. From joint hotlines to public websites and other outreach—all disseminated in multiple languages—the IGs seek information from Ukraine and elsewhere about potential misuse of US assistance. After meticulously reviewing, processing, and if appropriate, investigating all complaints, their [latest finding](#) is that they *cannot* substantiate *any* instances of US

aid to Ukraine being diverted into corruption.⁹² This oversight system is working well.

An alternative that sometimes comes up in policy discussions would be to replicate the structure of the Special Inspector General for Afghanistan Reconstruction (SIGAR), which warned early and vocally about corruption in Afghanistan. Two significant downsides of imposing this structure on IG activity for Ukraine are the risk of undermining US support for Ukraine by associating it with mission failure in Afghanistan, and the risk that the transition to a new bureaucratic structure could disrupt productive activity already underway. To avoid these pitfalls, it would be best to codify into statute the existing working group structure, but incorporate from the SIGAR model the position of a head IG for heightened salience and accountability. This would, in fact, simply formalize the approach already adopted informally, as the Defense Department IG currently takes the lead in the activities of the working group.

Recommendation for the US Congress: Codify the current arrangement whereby the IGs of US departments and agencies that are assisting Ukraine—Defense, USAID, State, and others—share information with each other and coordinate their work through an interagency working group that reports to Congress. Designate the IG of the department or agency providing the most aid to Ukraine—currently Defense—as head of this working group.

2

Require US IGs to Establish an International Fusion Cell in Kyiv

In addition to coordinating among themselves, the US IGs at Defense, USAID, and State maintain a patchwork of memoranda of understanding (MoUs) under which they share information with IG counterparts at foreign bilateral and multilateral donor agencies. But the US IGs acknowledge that these relationships are underdeveloped. They [warn](#) that merging US tax dollars into multi-country donor funds at multilateral organizations such as the World Bank and UN agencies presents a risk to US taxpayers, as US IGs often meet resistance, delays, and other challenges when they attempt to access information from multilaterals.⁹³

Another vulnerability [acknowledged](#) by US IGs overseeing aid to Ukraine is that they have not had staff permanently based in Kyiv.⁹⁴ The IGs only very recently got approval from the State Department to allow them to locate some IG staff within the US embassy. This is progress, but far from a robust joint

effort with local and international partners sharing space and information. The IG relationships with Ukraine's specialized anti-corruption agencies are also only a couple of months old. The IGs could also benefit from a civil society liaison and capacity-building programming to help watchdogs provide more actionable leads regarding improper use of funding than tips received from IG hotlines. The Global Magnitsky Act provides a proven model for requiring authorities to seek meaningful input from civil society and supporting programming to build capacity—for example, through [NGOs](#) that provide templates, primers, and FAQs, and offer training on how to securely submit evidence and build cases.⁹⁵ Finally, the IGs should directly hire Ukrainian nationals to work on investigations (once they have obtained proper security clearances). Key to safeguarding US tax dollars invested in Ukraine will be collaboration with reputable Ukrainian investigators whose deep local knowledge would help map webs of politicians, contractors, and other local actors involved in corruption schemes.

Recommendation for the US Congress: Alongside other members of the G7 and international partners, the US should establish a Kyiv-based fusion cell of representatives from the IG, auditor, and investigator offices of US and international donor agencies funding aid in Ukraine. The fusion cell could be located on-site with NABU and operate programs dedicated to partnership with civil society watchdogs and local experts.

3

Condition Non-Security Assistance Upon the Delivery of Anti-Corruption Reforms

At every pivotal step in the unprecedented decade of anti-corruption reform described at the outset of this paper, the US government and its partners have used the leverage of non-security assistance to push the Ukrainian government to institutionalize reform. In a political system in which many lawmakers, bureaucrats, judges, and other officials are compromised by oligarchic interests, even the most reformist government needs outside pressure to carry out its public mandate. While G7 alignment on reform priorities has generally been strong, thanks most of all to the G7 ambassadors in Kyiv, the United States has sometimes been tougher than the EU when it comes to holding up loan disbursements or other benefits pending Ukraine's delivery of robust reforms.

To be fair, the EU has led some of the most influential conditionality initiatives: tying visa liberalization to anti-corruption benchmarks such as the

establishment of NABU and asset declarations; using EBRD loan covenants to insist on proper corporate governance reforms for Naftogaz; and establishing seven solid EU accession preconditions in June 2022. But Ukraine is well on the way to meeting those seven preconditions. And after October 2023, there is a risk that key anti-corruption reform priorities will get buried in the chapter-by-chapter process of EU accession, rather than lifted up like the EU's [seven preconditions](#) to be met before accession negotiations or the G7's new list of [three top priorities](#) (cross-referenced as the first four of our ten recommendations for Ukraine) to complete by September 30, 2023.⁹⁶ The US government can help fill this leverage gap by conditioning non-security assistance on the delivery of ten top reforms that Ukraine could reasonably deliver within a year if it dedicates significant effort and political capital.

Recommendation for the US Congress: To formally condition non-security aid to Ukraine upon the delivery of anti-corruption reforms sought by Ukraine's civil society and international partners, legislate the following requirement: Unless and until the State Department certifies every 90 days that the Government of Ukraine is *making progress* on the ten anti-corruption reforms recommended in the Ukraine section of this paper, (i) US representatives at the IFIs shall advocate and vote against any new macro-financial or reconstruction aid programs to Ukraine; (ii) the US Treasury Department shall not issue new loan guarantees to Ukraine; (iii) USAID shall not provide further direct budgetary assistance to Ukraine. This requirement should automatically escalate to a certification that Ukraine has *completed* these ten reforms by two dates: December 31, 2023 for the first four; September 30, 2024 for the next six. The President should be allowed to waive these certification requirements on national security grounds.

4

Invest More in Assistance for Anti-Corruption and Digitalization

USAID funds two major [anti-corruption programs](#) in Ukraine.⁹⁷ The flagship project is Support to Anti-Corruption Champion Institutions ([SACCI](#)), which has helped Ukraine build its specialized anti-corruption framework and introduce sound corruption prevention mechanisms at both central and community-level public institutions.⁹⁸ The project also provides support to Ukrainian civil society groups and investigative journalists. After the Russian invasion in February 2022, SACCI pivoted to meet the pressing needs of the Ukrainian state and civil society, including by providing assistance in building a framework for transparent and accountable reconstruction. SACCI is currently approaching the end of its seven-year mandate, which had a total budget of \$30 million. Also nearing the end of its

seven-year mandate is a \$43 million seven-year (2016–2024) program called Transparency and Accountability in Public Administration and Services ([TAPAS](#)), which aims to bolster the efficiency and effectiveness of government and reduce corruption through transparent digital processes.⁹⁹ Funded by USAID and UK Aid, the project's three goals are to deploy large-scale electronic procurement, open data, and electronic services. The latter has included the development of the 120 digital government services available in the Diia app.

The successful track record of these two USAID programs and the close working relationships they have built in Kyiv place the United States at the forefront of international assistance to Ukrainian anti-corruption efforts. But with the present war and future reconstruction, Ukraine's anti-corruption and digitalization needs are jumping to a higher order of magnitude. Sharply expanding these two programs, which are well established and offer considerable absorptive capacity, is the best foreign assistance investment the US can make to continue its international leadership in supporting Ukraine's anti-corruption front.

Recommendation for the US Government: Scale up SACCI and TAPAS funding with a multi-year budgetary envelop of \$100 million each (totaling \$200 million), with SACCI ramping up the professionalization of anti-corruption qualifications across public and private reconstruction processes and TAPAS seeking to help Ukraine meet its digitalization ambition of becoming the world's first paperless state.

5

Push Multilateral Donors to Utilize DREAM

Now that a prototype of Ukraine's DREAM platform is up and running in pilot mode, governments and donors can support faster implementation by signaling confidence in the system. This recognition will encourage all relevant parties—municipalities, donors, contracting companies, investigative journalists, and so on—to build up internal capacities to interface with the platform.

The Ukrainian government plans to enact a law requiring all Ukrainian counterparties to reconstruction to use DREAM. Key donor agencies such as the World Bank and the EBRD have begun considering steps to similarly require use of DREAM, but enacting such requirements would involve a degree of radical transparency and an internal

systems development lift with which they may not be comfortable. Congress could help urge donors to move forward by charging US government representatives at the IFIs to advocate and vote accordingly.

Recommendation for the US Government: Require US representatives at multilateral development banks and IFIs to advocate and vote for immediate and medium-term efforts to obligate donor agencies and their implementing partners to use DREAM in all reconstruction programming.

G7 Donors

In December 2022, the G7 announced plans to establish a [Multi-agency Donor Coordination Platform](#) to align donors around needs and strategies in support of Ukrainian recovery and reconstruction.¹⁰⁰ The platform has already fulfilled some urgent wartime needs, such as closing Ukraine's 2023 budgetary deficit, but it has not yet harmonized donor approaches to transparency and accountability reforms. We recommend five concrete commitments that G7 donors—either the steering committee of the coordination platform, individual donor agencies, or the governments that fund them—could make to advance Ukrainian anti-corruption measures and show Western taxpayers and businesses that [donors are taking decisive action](#) to ensure that their investments in Ukraine will be safeguarded from corruption.¹⁰¹

1

Align Donors Around Priority Anti-Corruption Reform Conditions

The Multi-agency Donor Coordination Platform has not yet corralled donor countries—each with their own safeguarding procedures and anti-corruption reform initiatives for Ukraine—into agreement on policy reform priorities. Instead, G7 ambassadors to Ukraine, who have strong working relationships with each other, the Ukrainian government, and civil society organizations, recently agreed on [three top judicial and anti-corruption reforms](#) that Ukraine should complete by September 30, 2023.¹⁰² The need for donor alignment around anti-corruption reform priorities will only grow as reconstruction and EU accession advance. Donors should clarify that reconstruction assistance will be tied to Ukraine's continued success in meeting reform conditions and benchmarks such as the G7's roadmap. That

is, reconstruction aid should be treated like macro-financial aid, under which donors set reform conditions, rather than security assistance, which is unconditional.

Since 2014, Ukraine's donors have developed informal approaches, carried out by diplomats and technocrats in G7 ministries and IFI missions, to coordinating reform conditions. When this has worked well, donors have awaited the completion of impactful reforms before proceeding to the next step in the lending process (for example, announcing a loan, finalizing the details, disbursing payment). When Ukraine backtracks after receiving funds, the next donor reinforces conditions that put reform back on track. The Multi-agency Donor Coordination Platform should assume responsibility for this effort and maintain a list of priority next steps for anti-corruption reforms, starting with the top three recently selected by the G7. In preparing to provide major reconstruction funding, donors can consult this list to see which reforms they should ask Ukraine to complete prior to disbursement. To facilitate this coordination, the platform could convene regular virtual meetings of donor staff responsible for tracking Ukraine's anti-corruption reforms. This process could be co-chaired by the two donor programs that are based in Kyiv and already work well with each other and the G7 ambassadors to Ukraine: SACCI and EUACI. Any donor gridlock at the working level could be elevated to the G7 ambassadors.

Recommendation for G7 Donors: Condition recovery and reconstruction assistance upon Ukraine's continued success in delivering anti-corruption reforms such as the top three priorities selected by the G7. The Multi-agency Donor Coordination Platform should start facilitating the process of aligning donor reform priorities.

2

Integrate DREAM Into Systems at Donor Agencies and Their Implementing Partners

Just as the Ukrainian government plans to adopt a law obligating Ukrainians to use [DREAM](#) for reconstruction projects, donors should commit to do the same on their end.¹⁰³ This commitment would give stakeholders the confidence needed to start building implementation capacity. Donor usage of DREAM would simplify the process of coordinating reconstruction efforts between Kyiv and donors. Several IFIs have agreed to integrate DREAM to varying degrees into their own data systems, but this will take time.

Donor agencies could immediately announce that they will be including in their funding agreements a requirement that the receiving party or implementing partner use DREAM. This would place the burden of

data input and integration on downstream recipients rather than on donor agencies. Over time, integrating DREAM into donor systems such as the World Bank's Systematic Tracking of Exchanges in Procurement and the European Bank for Reconstruction and Development's Client E-Procurement Portal would simplify data collection and approval processes.

Recommendation for G7 Donors: Donors should make participation in Ukraine's DREAM transparency system obligatory by (i) immediately including in reconstruction funding agreements a requirement that the receiving party or implementing partner use DREAM, and (ii) eventually integrating DREAM into donor agencies' internal data systems to track procurement information.

3

Form a Ukrainian Civil Society Advisory Board

The Multi-agency Donor Coordination Platform has not yet given civil society a seat at the table. Nor does it have sufficient internal capacity to develop options for policies that would address tricky substantive issues. The platform brings together government officials who look to the World Bank or other IFIs when they need analysis that is beyond their own capacity.

G7 donors could fill this gap by creating a board of leading civil society experts to advise the platform. The platform's steering committee or its secretariat could ask this board to propose options or solutions for current challenges. The board could address questions such as "Does Ukraine need its own development bank?" or "Which financial

disclosure rules exempted under martial law should be reinstated?" Board members could come from think tanks, watchdogs, universities, and community advocacy organizations, and include members of the RISE Ukraine Coalition. Ukrainians should comprise most of the board, but some international issue area or technical experts could join them, either on the board itself or as external partners on individual analytical projects. An unavoidable challenge of including civil society in high-level structures is that any pluralistic democracy, such as Ukraine's, gathers different perspectives. There will be competition over who best represents civil society. Board member selection requires transparency and inclusion. To manage this process, facilitate interaction with the steering committee, and administer other engagements with civil society, the platform's secretariat could designate one of its own officials knowledgeable about Ukrainian civil society as a civil society liaison.

Recommendation for G7 Donors: Establish a new board comprising Ukrainian civil society experts and, as needed, outside experts to provide substantive advice to the Multi-agency Donor Coordination Platform. The platform in turn should establish a civil society liaison office.

4

Preserve Decentralization and Empower Local Governments

Decentralization of governance to the level of territorial community units has made Ukraine more transparent, accountable, participatory, responsive, sovereign, and secure.¹⁰⁴ Recovery and reconstruction must rely on and further endow Ukraine's successfully decentralized governance units, but still allow the central government to guide and support national rebuilding priorities. Ministries in Kyiv can devise national plans, help build local capacity, and provide tools such as standard contracts, but local governments know their communities best and have strong bonds of legitimacy with and accountability to their citizens. Accountable local leaders can best identify the rebuilding projects that their populations need.

Donors should insist that decentralized governance units plan and largely control reconstruction aid, and they should engage in symbolic diplomacy to bolster that approach. No high-level delegation of Western government officials should meet central government officials in Kyiv without also being seen meeting local officials as well. The donor coordination process should also prioritize decentralization. The European Committee of Regions has justifiably recommended that the Multi-agency Donor Coordination Platform integrate the partnership principle and involve the European Alliance of Cities and Regions for the Reconstruction of Ukraine "as a full-fledged partner at all stages of its planning and implementation phases".¹⁰⁵ The civil society board could make a good start by taking up as its first issue the question of how to empower local governments in the recovery and reconstruction process.

The Association of Ukrainian Cities would be a valuable partner in this work, as would the European Committee of Regions and international experts on decentralization. The board should grapple with thorny Ukrainian policy issues, ranging from how to amend the Draft Law 5655 on urban planning reform (a bill driven by construction companies to shift power from local governments to a ministry in Kyiv) to how local and national policies can mitigate the challenges of decentralization (such as added complexity, opportunities for corruption, inconsistent governing capacities, and more diffuse oversight).

Recommendation for G7 Donors: Support the empowerment of local governments in Ukraine. Establish a new civil advisory board at the Multi-agency Donor Coordination Platform; as its first assignment, task it with making recommendations about how to elevate decentralized governance units in the recovery and reconstruction process.

5

Provide International Leadership for a Kyiv-Based Fusion Cell of Auditors

The G7 should announce the establishment of a fusion cell comprised of representatives from donor agencies' IG, auditor, and investigator offices, formalizing and supplementing the scattered patchwork of bilateral MoUs, replacing them with a more regular venue for sharing information and collaboration. The fusion cell should be led by an IG official—a prominent figure trusted by both businesses and taxpayers to keep their money safe—who would report to the steering committee of the Multi-agency Donor Coordination Platform. Representatives of IGs stationed in the fusion cell would continue reporting to their home agencies and facilitate cooperation and joint activity with the other agencies represented in the fusion cell. The

fusion cell should be based in Kyiv, potentially on-site with NABU. The fusion cell should also establish a liaison office and dedicated programming to facilitate collaboration with Ukrainian civil society and investigative journalists.

Although most donors have yet to set up funds and facilities through which reconstruction money will flow, the formation of close working relationships among their representatives in Kyiv at this early stage would prove invaluable over the long run. This is a lesson US IGs have learned from overseeing reconstruction assistance from their country acting on its own. It would be even more important for an international fusion cell of IGs who must cultivate trust over time before sharing with each other sensitive and confidential information about potential corruption in their respective programs (matters that donor agencies prefer to hold close and address quietly on their own).

Recommendation for G7 Donors: Launch a new Kyiv-based fusion cell of representatives from donor agencies' IG, auditor, and investigator offices to facilitate information sharing and collaboration, led by an official who reports to the steering committee of the Multi-agency Donor Coordination Platform.

CONCLUSION:

Ukraine Is Winning Its Two-Front War Against Russia and Corruption

Kremlin propagandists and their useful idiots in the West advance their personal and political interests by spinning a false narrative about Ukraine as a hopelessly corrupt country. The truth is just the opposite: After a historic revolution of civic nationalism in 2014 sent the Kremlin-funded president of Ukraine into exile in Russia, Ukrainians set about building a modern European democracy under the rule of law. In less than a decade, they made unprecedented progress in their struggle against corruption. This momentum removed one of Putin's levers of power in Ukraine—strategic corruption—and motivated him to invade the country as an alternative means for exercising colonial control.

Both Russian aggression and Ukrainian oligarchy are meeting implacable resistance. This is possible in part due to strong support from Ukraine's Western allies. Just as advanced weapons are now key to countering Russian military forces, new anti-corruption institutions built by Ukraine with [constant support](#) from international donors and civil society have given reformers powerful initiative in battles against oligarchs and corrupt officials.¹⁰⁶ Even more important is the fighting spirit of Ukrainians who rightly believe that they have an open society worth fighting for. Their commitment to defeating both Russia and oligarchy is the historic two-front

conflict at the heart of the hero's journey that is transforming Ukraine. Compared to the repressive post-Soviet oligarchy it was a before the Revolution of Dignity, Ukraine is on course to be unrecognizable ten years from now: free, whole, peaceful, powerful, transparent, accountable, and sovereign.

But this vision of Ukraine's two-front victory is far from assured. Just as Russian troops still occupy Ukrainian cities, oligarchs and corrupt officials maintain [power bases](#) throughout the Ukrainian government.¹⁰⁷ The Office of the President wields considerable informal power, which some top appointees would use to control judicial institutions. Wide swaths of the enforcement and security apparatus remain infiltrated by corrupt patronage networks and criminal organizations. The same is true of the parliament and the judiciary. Even the vaunted specialized anti-corruption agencies have made serious missteps, such as SAPO's ongoing [criminal prosecution of uncorrupted reformers](#).¹⁰⁸ When Zelenskyy championed a sizable construction initiative before the war, it faced [widespread claims](#) of corruption.¹⁰⁹

It is vital to the rules-based global order that Ukraine prevail in its fight against corruption, the [latest operating system](#) of authoritarian challengers.¹¹⁰ Just as Russia's violations of borders cut to the

heart of the rules-based order, so too do attempts by foreign and domestic oligarchs to subvert the sovereign decision-making power of the people's representatives. Inability to control corruption would jeopardize the scale of Western assistance needed to sustain the war and rebuild the country on a scale worthy of Ukrainian sacrifices. Ukraine's successful Euro-Atlantic integration would signal hope to reformers repressed by kleptocrats elsewhere and would deliver powerful hybrid warfare capabilities to the Western alliance.

As such, all stakeholders in international peace, security, and prosperity could make no better strategic investment than support for Ukrainian anti-corruption. Ukraine itself must reform its Constitutional Court, bolster its specialized anti-corruption agencies, resume asset e-declarations, and more. The European Union should invest more in Ukrainian investigative journalism, anti-corruption programming, and Ukrainian television news free of oligarchic influence. The US Congress should continue appropriating unconditional security assistance while making macro-financial aid conditional upon concrete Ukrainian anti-corruption reform deliverables. G7 donors [should](#) empower the Multi-agency Donor Coordination Platform to prioritize anti-corruption reform conditionality, launch a fusion cell of IGs based in Kyiv, take advice from a board of Ukrainian civil society experts, and agree to use Ukraine's DREAM transparency system.¹¹¹

This must be a [global effort](#).¹¹² Overcoming oligarchy requires tapping into the unique depth and breadth of democratic societies. Kyiv and its allies must mobilize the ranks of joint stakeholders, robust institutions, and experienced professionals who have supported Ukrainian anti-corruption reform since at least 2014. Everyone must pitch in to secure the freedom, independence, and prosperity for which Ukrainians are fighting, because it our collective fight.

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War and the Peace by Having
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