

ANALYSIS

Why Ukraine's Fight Against Corruption Scares Russia

The country's democratization and its ongoing efforts to fight entrenched graft and cronyism are a threat to Russian President Vladimir Putin's model of governance.

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Building democracy is not an easy task. Doing so while defending against the aggression of a neighboring country makes the job even harder. As U.S. President Joe Biden has announced a global crusade for democracy with anti-corruption as one of its pillars, Ukraine's experience can teach the world a lesson or two.

Despite a deceptive and even pernicious feeling that the country is drowning in more corruption than ever before, the fact is that in some areas, such as transparency or monitoring of public officials' lifestyles, Ukraine is now arguably far ahead of Western countries. As it faces huge corruption and challenges related to the rule of law, it has become the testing ground for bold and innovative solutions.

Ukraine's corruption-related problems go back to the fall of the Soviet Union in 1991. When the state-planned economy collapsed, state enterprises went bankrupt and were privatized on the principle of "first come, first serve" amid lawlessness and chaos. This gave birth to oligarchy, which remains a roadblock to Ukraine's progress.

In the 1990s, powerful businessmen took control over key sectors of the economy, such as energy and extraction of mineral resources. In the 2000s, in order to protect the sources of their megaprofits, they started building media holdings by gradually buying up existing media assets or opening up new ones to influence public opinion in general and electoral outcomes in particular. Moreover, their media applied both carrot and stick, praising loyal politicians

and giving them a platform in popular talk shows, and punishing the disloyal. Consequently, parliament passing laws benefiting certain oligarchs was quite a common practice. This created a vicious circle of oligarchy while money siphoned from the Ukrainian economy was laundered through Western financial systems.

Simultaneously, the country's judiciary and law enforcement institutions were broken. They often carried out political orders. In cases with no political sensitivity, investigators or judges were free to take bribes and make decisions at their discretion. Millions of dollars were embezzled on public procurements annually, including in such sectors as healthcare, infrastructure, and the military. The secrecy of ownership data (such as real estate, land, and company ownership) enabled corruption schemes by providing anonymity and shielding wrongdoings.

This chance for democratization is even more precious given that it is being defended by Ukraine's servicemen fighting every day against Russia's ongoing military aggression.

Viktor Yanukovich, Ukrainian president from 2010-14, was notable for his pro-Russian policy, building of a kleptocratic regime, and tightening of the screws on freedom of speech and peaceful protests. His refusal to sign the Association Agreement with the European Union in November 2013 and the announcement of Ukraine's drift toward a Russia-led customs union triggered the Revolution of Dignity, which eventually forced Yanukovich to flee in February 2014, opening a new chapter of the country's modern history.

That same month, Russia invaded Ukraine. So this chance for democratization is even more precious given that it is being defended by Ukraine's servicemen fighting every day against Russia's ongoing military aggression.

Since 2014, Ukrainian civil society groups, governmental reformers, and international partners have been crafting the country's anti-corruption architecture. Experts advocated for the adoption of a host of laws, and then monitored their implementation and sustainability. Inspired by the

experiences of Romania and Georgia, anti-corruption reforms were based primarily on two pillars.

The first one foresaw opening to the public as much state-controlled information (such as registries, or information on public procurements or state spending) as possible to shrink the space for corruption. The second was based on establishing independent anti-corruption institutions from scratch to prosecute top officials.

As a result, in 2015-16 the Ukrainian government opened state databases, including real estate, vehicle, land, and company registries. Public procurement was transferred to the online system ProZorro (which means “transparent” in English), which now saves up to 10 percent of the funds budgeted for each purchase due to the site’s auction approach, transparency, and competitiveness.

Since 2016, around one million public servants have submitted asset declarations to the electronic declaration system annually. They must report their and their family members’ incomes, assets, real estate, valuable property, corporate rights, beneficial ownership of companies, bank accounts, art, fur coats—and even hard cash stocked in closets or deposit boxes. If there’s a gross discrepancy between their lifestyles and income, they will face administrative or criminal sanctions.

These measures significantly empowered civil society experts and investigative journalists to reveal and expose corruption, thus elevating the risk for corrupt officials, who are sensitive to any public exposure of their wrongdoings. Also, these measures contributed to the country’s business climate, particularly via better protection of property rights.

Another ongoing process to digitize state services is simplifying the relationship between citizens and the state—which also narrows possibilities for corrupt behavior. The results are already being felt: Digitization in the city-planning and construction industry alone helps to save around \$110 million annually, which previously had gone into the pockets of corrupt officials.

This radical openness gave birth to more anti-kleptocracy projects driven by civil society, such as a public national database of politically exposed persons—individuals who hold “prominent public function”—and their family members

and close associates. These people include the president, ministers, members of parliament, top judges, and executives of state enterprises.

According to international anti-money laundering standards, the transactions of such figures should be monitored more scrupulously, and explanation should be provided for the origins of funds. Previously, in order to avoid this monitoring, politically exposed persons deliberately failed to report their status to financial institutions. Now, the database includes profiles of over 48,000 top officials and their associates, and dossiers on more than 30,000 affiliated legal entities. Ukrainian and international financial institutions, as well as law enforcement agencies, are using this information for due diligence measures and to investigate suspicious transactions.

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New criminal justice institutions have also been built in Ukraine, with a focus on hiring honest managers and staff who will then fight against high-profile corruption. Launched in 2015, the law enforcement body National Anti-Corruption Bureau of Ukraine (NABU) has already made enemies by sending 325 indictments to court. After going after top officials, including the then-incumbent head of tax administration, and looking into complicated cases such as the unprecedented \$5.5 billion bank robbery scheme, NABU has proven itself capable and politically independent.

Due to increased transparency and the work of new institutions, civil society, and journalists, more corruption is now revealed, reported, and investigated in Ukraine. But real accountability is yet to come. The reality is that Ukraine still needs holistic reform to clean the courts of corrupt judges and finally enshrine the rule of law.

NABU is working hard, but it has won only a few dozen cases so far. The independent High Anti-Corruption Court, established with the help of a panel of foreign experts who scrutinized all candidates and greenlighted only those judges who met integrity criteria, became operational in late 2019.

Before it, criminal proceedings had been sent to ordinary courts, where they were successfully buried due to either corruption, a busy docket, lack of professionalism, or even the fear of standing up to powerful people. As the work of the High Anti-Corruption Court is gathering pace, more verdicts in headline cases such as the former tax administration chief are expected soon.

Nevertheless, Ukraine's unreformed courts are still a threat. Key institutions, which make decisions on the hiring and firing of judges and disciplinary cases against them, were expected to dismiss corrupt judges but failed in this task. In reality, they protect crooks and punish whistleblowers. The solution to this problem is reforming judicial governance bodies with the engagement of international partners, a move that the Venice Commission, the Council of Europe's judicial watchdog, has blessed. This reform is now underway in Kyiv.

Despite the exposure and closing of a number of corruption schemes, including those masterminded by oligarchs, the biggest fight against oligarchy in Ukraine is yet to come. A key institution that is expected to tackle monopolies and oversee market relations, the Anti-Monopoly Committee, does not have teeth to stand up to oligarchs due to the lack of independence and resources.

Based on Ukraine's previous practices, the agency should be reformed with its leadership selected through a transparent, integrity-centered competition. It is also important to introduce the necessary safeguards to make groundless, abrupt dismissal of its leadership impossible.

Ukraine's anti-corruption efforts offer a set of important lessons to transitional democracies seeking to overcome similar challenges—democracies such as Moldova, or other countries across the world where the window of opportunity might open suddenly after the power shift. The White House recently announced the establishment of an anti-corruption rapid response fund aimed at helping “new democratic and reform-minded regimes.”

In Ukraine, we have learned that overwhelming transparency is instrumental for corruption prevention, but accountability should follow promptly. If new institutions are established, necessary safeguards for their independence must be secured. In the case of Ukraine, these were integrity-based selections with foreign experts playing a crucial role in the decision making. Engagement of

outsiders proved instrumental, as self-governance bodies or political appointees are often too tied to corrupt elites.

Comprehensive judicial reform should not be delayed, as other reforms cannot be sustained for long without the rule of law. And an efficient antitrust ecosystem is an instrument to eliminate the sources of ill-gotten gains for oligarchs and therefore limit their undue influence over policymaking.

Putin now threatens a large-scale invasion because Ukraine is successfully undergoing comprehensive domestic transformation and has the potential to trigger similar democratic reforms in Russia.

Despite the challenges Ukraine faces, it is a real electoral democracy that has experienced a peaceful transition of power and has genuine political competition, and it is closer than ever before to becoming a role model of successful democracy in action.

This is exactly what Russian President Vladimir Putin's autocratic regime fears. Having tried to undermine Ukraine through military and hybrid aggression, Putin now threatens a large-scale invasion to destroy the country—not only because it is successfully undergoing comprehensive domestic transformation but, more importantly, because it has the potential to trigger similar democratic reforms in Russia.

If the West is serious about defending democracy, Ukraine is the right place to prove its words with deeds. Right now, Ukraine's democracy is facing an existential threat from Russia. The biggest support the West could give to sustain domestic reform achievements would be helping the country hold its ground against external aggression.

This could be done by delivering more weapons to Ukraine and imposing harsh economic and political sanctions against the Kremlin before it makes further moves against Ukraine, and targeting Russia's strategic corruption—a tool it uses to reach its geopolitical goals—by putting personal sanctions on oligarchs from Putin's inner circle and their family members.

Modern Ukraine is a battlefield of the future against the past, democracy against autocracy. Losing Ukraine will mean losing the global war for democracy.

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