



Problems with Corruption in Ukraine

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Under pressure from civil society and international institutions, the Ukrainian authorities have taken steps to reduce corruption. Although these measures have brought initial positive results, corruption remains one of the biggest problems facing the country as any changes meet with resistance from part of the Ukrainian political elite afraid of revealing their illegal activities and reducing future profits.

During the EU-Ukraine summit of 24 November 2016, an agreement was signed on financing a new three-year programme aimed at fighting corruption in Ukraine. It provides for integrating EU activities that had previously been conducted using different instruments until expiration in 2016 (such as the 2014 to 2016 State Building Contract). The goal of the programme will be to strengthen institutions responsible for tackling corruption detection and prosecution, offer advice to the Verkhovna Rada on drafting anti-corruption legislation, and monitoring reform implementation, as well as to support civil society organisations, including investigative journalist engaged in the fight against corruption. The programme, which has a budget in excess of \$16.5 million, will be administered by Denmark, considered to be the least corrupt country in the world according to the Transparency International *Corruption Perception Index 2016*.

Challenges in the Fight against Corruption. Fighting corruption was supposed to be a priority for former Prime Minister Arseniy Yatsenyuk, and for the current head of government, Volodymyr Hroysman. Since Euromaidan, it has also become one of the main foci of EU assistance to Ukraine, especially within the Visa Liberalisation Action Plan. Under pressure from the EU, an anti-corruption legislation package was approved in October 2015. Subsequently, institutional structures have been created, including the National Anti-corruption Bureau, the National Agency for the Prevention of Corruption, the National Agency for Detection and Management of Assets Obtained through Corruption, and the Specialised Anti-corruption Prosecutor's Office. A new public procurement system called ProZorro has also been successfully introduced, which, according to estimates by the Ministry of Economic Development and Trade, has saved Ukraine at least 8 billion hryvnia (\$320 million) in the 2016 budget alone.

The real breakthrough, however, was made on 1 September 2016, with the launch of an electronic system for declaring assets. This obliged more than 100,000 officials, including President Petro Poroshenko and Hroysman, to make public their wealth. The information disclosed sparked outrage among Ukrainian citizens (Reuter's estimates that, on average, each of the government members holds the equivalent of \$290,000 in cash alone, while the average salary in Ukraine does not exceed \$200). The e-declaration system has also been criticised by some members of the Ukrainian parliament, who demanded that public access to the information be limited.

Anti-corruption activities in Ukraine still meet with resistance from part of the political elite. In June 2016, the National Anti-corruption Bureau accused one of the members of the parliament, Oleksandr Onyshchenko, of the embezzlement of state funds. Parliament delayed the decision to deprive him of immunity and, as a result, he managed to flee abroad. Two months later the Bureau's detectives were alleged to have been illegally detained and beaten by officers from the General Prosecutor's Office in retaliation for starting an investigation against GPO employees. The Security Service of Ukraine started an inquiry into the matter only after the outbreak of social protests in Kyiv. The future of the e-declaration system remains in question; at the end of November 2016 a group of 48 members of parliament (mostly from the Opposition Block party) asked the Constitutional Court of Ukraine to recognise as unconstitutional the provisions of the law on the prevention of corruption, in relation to the requirement that state officials make public the assets of their relatives.

Another problem in the effective fight against corruption results from the unfinished reform of Ukraine's justice system, which makes it possible for corrupt judges and prosecutors to sabotage anti-corruption actions at their final and most important stage. According to estimates of anti-corruption journalists from Nashi Hroshi, out of nearly 1,000 people indicted on corruption charges between July 2015 and June 2016 only 3% were convicted and imprisoned. The value of the assets judged to have derived from corruption and confiscated by court order in 2015 and 2016 was less than \$10,000, just a fraction of the initially planned \$368 million.

The Social Context. Corruption, symbolised in Ukrainian society by the luxury mansions of former President Victor Yanukovich and his family, was one of the reasons behind Euromaidan and subsequent removal from power of the Party of Regions. However, although the government and the president have been changed, society does not feel that the situation has improved. Opinion polls say that Ukrainians still see corruption as one of the biggest problems facing the country. According to the Transparency International *Global Corruption Barometer*, 56% of respondents saw corruption as a major problem, second only to Ukraine's economic problems (69%). At the same time, 72% of respondents acknowledged that the level of corruption had not diminished in the last four years.

The ineffective fight against corruption contributes significantly to Poroshenko's low level of public support. The reason is that Ukrainians believe the responsibility for this struggle lies primarily with him (60%), rather than with parliament (42%) or government (38%). However, only one in eight feel that Poroshenko and his administration are interested in solving the problem of corruption in the country. Furthermore, half of the respondents hold the view that the President is personally involved in this practice, and in consequence more than 70% of respondents declare a negative attitude towards him. Due to dissatisfaction with the authorities, the populists are gaining support, as is the case with Yulia Tymoshenko and her party *Batkivshchyna*. Yet, paradoxically, these forces advocate solutions that would further hinder the fight against corruption, such as suspending cooperation with international institutions and repealing many successful reforms conducted by the current authorities.

On the other hand, one of the obstacles to fighting corruption is the relatively low awareness of the fact that ordinary people still contribute to the problem. Although the percentage of Ukrainians willing to reject giving a bribe is steadily increasing, the tendency of the population to solve everyday problems with a sweetener is indicated to be one of the three main obstacles in taking effective anti-corruption measures. Only one in four Ukrainians holds the view that they also bear some responsibility for fighting corruption, while 66% agree that bribery is an integral part of the Ukrainian mentality.

Consequences. Ineffective anti-corruption measures negatively affect Ukraine's cooperation with external partners. In September 2016, after a one-year delay, the International Monetary Fund approved the third tranche of a loan for Ukraine. However, pointing to the need for increased efforts in reducing the scale of corruption, the amount was reduced from \$1.7 billion to \$1 billion. Moreover, although the Fund's mission visited Kyiv at the beginning of November 2016 to discuss further implementation of the loan programme, approval of the fourth tranche was delayed and the IMF later declared that Ukraine needs more time to conduct reforms. One of the conditions that Ukraine must meet before it can obtain the next tranche is to increase the powers of the National Anti-corruption Bureau, especially by allowing it to use wiretaps (it currently has to cooperate in this respect with the State Security Service). Failing to comply with these conditions may have a significant impact on Ukraine's internal situation. Ukraine faces \$14 billion of external debt payments in 2017 to 2019, including \$7.5 billion in 2019, in which presidential and parliamentary elections are to be held. Without renewed IMF financing this will mean a further decline in foreign exchange reserves and may contribute to the weakening of the hryvnia exchange and a decline in economic growth, therefore increasing the chances of populist forces in the elections.

Conclusions. Although the Ukrainian authorities are ineffective in their fight against corruption, and society is pessimistic about the prospects of further actions, Ukraine's future, including its integration with the European Union and the proper functioning of the state, depends on results. The lack of changes fosters the consolidation of inefficient political and economic systems, and may cause an increase in social discontent.

Thus, it is in the interests of the EU to continue supporting Ukraine in its fight against corruption. The focus should be on monitoring the already implemented reforms, such as the proper functioning of the National Anti-corruption Bureau and the e-declaration system, as well as on changes in the judiciary and the Prosecutor's Office. More assistance should also be provided to anti-corruption journalists and non-governmental organisations engaged in detecting and exposing corruption among Ukraine's officials. The EU's conditionality policy, along with pressure from civil society, have so far been the most effective instruments of influence on Ukrainian politicians, and should therefore be continued.