

Ukraine

2015 Country Summary

Recommendations

Ukraine is placed in Band D, indicating a high risk of corruption despite having made substantive progress in establishing building integrity training for its armed forces.

There are signs of progress within the Ministry of Defence. The Building Integrity Training and Education Center (BITEC) has been established and is delivering courses on anti-corruption, and the Internal Audit function, a key focus of capacity-building efforts, has saved an estimated 30m hryvnia / 1.25 m USD between 2013 and 2014. But efforts will need to be re-doubled and further reforms implemented if long-term progress against deeply embedded corruption challenges is to be secured. Ukraine's highest risk area is Procurement, followed by Operations, Personnel, Finance and Political. Whilst the government has committed to a number of different anti-corruption measures, predominantly laws and new anti-corruption bodies, it remains to be seen to what extent these will be effectively implemented and lead to increased integrity within defence institutions. Controlling corruption is crucial for security, economic development and international donor confidence. If momentum on anti-corruption measures falters, it will be more difficult to introduce remedial measures, and public trust in the government and defence establishment will diminish.

Transparency and oversight

Currently, only general figures are made available on defence expenditure; this makes it difficult for legislators and civil society to oversee MoD spending priorities. **The MOD should proactively publish comprehensive, disaggregated information on the defence budget to the public.**

There is evidence of an increasing number of defence purchases bypassing normal procurement procedures. Recent amendments to the Law on Public Procurement exempt all defence procurement from normal rules of procurement competition for an undefined "special period." This is linked to ongoing instability, but the amendment doesn't define what the "special period" is, when it should end, or what types of procurement can fall under the exemption—and it has been used to cover items such as food, fuel. These exemptions risk undermining the progress that has been made in this area, which includes an anonymous electronic tendering system for food, clothing, and similar items, and an annual publication of procurement plans. **Provisions should be put in place to review the need for special exemptions periodically, perhaps through a quarterly parliamentary report to the general public, to avoid heightening corruption risks in this high-risk sector.**

There are reports of soldiers not receiving their pay due to funding constraints, and having to pay for their own equipment. The funding gap has stimulated an increase in off-budget military expenditure, including through charitable donations to the armed forces. While these funds are declared on the MOD website, there is currently no mechanism to monitor whether the money is flowing to its intended recipients. **We recommend increased independent monitoring of the receipt and disbursement of off-budget funds to ensure that equipment and pay is reaching the troops it is intended for.**

Despite a large number of anti-corruption reforms, there is no entity that routinely reports on defence sector anti-corruption progress. **We recommend that external monitoring be put in place to hold the ministry to account for implementing the anti-corruption plan, and to independently verify anti-corruption reforms in defence.**

Offset contracts are agreements by selling companies to invest in the country purchasing from it. They are often at a high risk of corruption because they are opaque and complex mechanisms subject to less scrutiny than the primary contract. In Ukraine, any import over 5m euros is required to have an offset agreement, but there is no requirement for transparency and open competition. Another corruption risk in procurement is the use of agents and brokers, which is currently not regulated. **In order to reduce the risk of offsets enabling corruption in Ukraine, we recommend legislation requiring transparency and competition in offset contracts, and to controlling the use of agents.**

Training and integrity-building

There has been some progress in personnel management and public commitments to anti-corruption by defence leadership. For example, officials found to have been engaged in corruption have at times been fined and fired. A whistleblowing mechanism is being set up through which anonymous reports can be made to the National Anti-Corruption Bureau, though there is no evidence yet of its use. Despite this momentum, there are still numerous examples of corruption being mishandled in the field, particularly in recent cases of smuggling in and out of the East. There have also been allegations regarding unauthorised private enterprises by military personnel. To address these challenges the Ukrainian National Defence University started delivering its own building integrity courses in 2013/4. There is now a specialist building integrity delivery unit at the NDU that consists of 15 permanent personnel. **BI Training efforts should be expanded to support its institutionalisation as basic training for all commanders and should constitute a criterion for career progression. Due to the current absence of a fully-functional Independent Anti-Corruption Bureau, the Military Attorney's Office should be strengthened to investigate and sanction corruption on deployment.**

Previous MoD risk assessments have focused narrowly on areas such as logistics and haven't tackled corruption risk directly or comprehensively. Nor is there public evidence that explicit measures have been put in place to mitigate identified risks. Building on past training to audit staff, **the MoD internal audit department should be sufficiently empowered and resourced to carry out the comprehensive corruption risk assessment (as stated in the MoD's Anti-Corruption Program), which should include the use of field monitors. Resulting recommendations should be addressed by leadership.**

Scorecard

Political	Defence & Security Policy	Legislative Scrutiny	2
		Defence Committee	2
		Defence Policy Debated	2
		CSO Engagement	3
		International AC Instruments	3
		Public Debate	4
		AC Policy	2
		AC Institutions	2
		Public Trust	2
		Risk Assessments	2
	Defence budgets	Acquisition Planning	2
		Budget Transparency & Detail	2
		Budget Scrutiny	2
		Budget Publicly Available	2
		Defence Income	1
		Internal Audit	2
		External Audit	2
	Other Political Areas	Natural Resources	2
		Organised Crime Links	2
		Organised Crime Policing	2
		Intelligence Services Oversight	2
Intelligence Services Recruitment		1	
Export Controls		1	
Finance	Asset Disposals	Asset Disposal Controls	2
		Asset Disposal Scrutiny	3
	Secret Budgets	Percentage Secret Spending	0
		Legislative Access to Information	2
		Secret Program Auditing	1
		Off-budget Spending in Law	2
		Off-budget Spending in Practice	2
		Information Classification	3
	Links to Business	Mil. Owned Businesses Exist	1
		Mil. Owned Business Scrutiny	2
		Unauthorised Private Enterprise	1

Personnel	Leadership	Public Commitment	2
		Measures for Corrupt Personnel	3
		Whistleblowing	2
		Special Attention to Sensitive Personnel	3
	Payroll and Recruitment	Numbers of Personnel Known	0
		Pay Rates Openly Published	1
		Well-established Payment System	2
		Objective Appointments	2
		Objective Promotions	2
	Conscription	Bribery to Avoid Compulsory Conscription	1
		Bribery for Preferred Postings	2
	Salary Chain	Ghost Soldiers	2
		Chains of Command and Payment	1
	Values, Standards, Other	Code of Conduct Coverage	1
		Code of Conduct Breaches Addressed	1
		AC Training	3
Prosecution Outcomes Transparent		3	
Facilitation Payments		2	
Operations	Controls in the Field	Military Doctrine	2
		Operational Training	2
		AC Monitoring	2
		Controls on Contracting	1
		Private Military Contractors	2
Procurement	Government Policy	Legislation	1
		Transparent Procurement Cycle	1
		Oversight Mechanisms	2
		Purchases Disclosed	2
		Standards Expected of Companies	1
	Capability Gap	Strategy Drives Requirements	1
		Requirements Quantified	2
	Tendering	Open Competition v. Single-Sourcing	0
		Tender Board Controls	0
		Anti-Collusion Controls	1
	Contract Delivery / Support	Procurement Staff Training	2
		Complaint Mechanisms for Firms	3
		Sanctions for Corruption	1
	Offsets	Due Diligence	0
		Transparency	0
		Competition Regulation	0
	Other	Controls of Agents	0
Transparency of Financing Packages		0	
Subsidiaries / Sub-Contractors		0	
Political Influence		3	