



AMERICAN FOREIGN
POLICY COUNCIL



Ukraine Reform Monitor No. 8

January 31, 2024 **Ilan I. Berman, Matthew Cesare**

Related Categories: Democracy and Governance; Energy Security; Human Rights and Humanitarian Issues; Warfare; Corruption; Ukraine

A MICROCOSM OF A ROCKY RECONSTRUCTION

In Hostomel, roughly 20 miles outside of Kyiv, there is considerable consternation among the local population about withering investment and interest in the town's reconstruction. One of the focal points of Russia's initial invasion in February 2022, Hostomel suffered significant damage and many residents were displaced as a result. However, subsequent reconstruction efforts by foreign companies have been frustrated by the protectionist policies of the local Hostomel government, which has come under scrutiny for allegations of graft in recent months. A December 2022 report by the State Audit Service of Ukraine laid out charges against the Hostomel administration for the misappropriation of funds and mismanagement totaling half a million dollars.

This state of affairs, in turn, has raised concerns concerning the effectiveness of ProZorro, the electronic procurement platform for public projects in Ukraine. The platform strives to facilitate transparent bidding on state projects and reduce the prevalence of favoritism or improprieties in the awarding of contracts. However, foreign investors have expressed qualms with how contracts appear to be consistently predetermined. Hostomel, for example, has had multiple tenders given out without a bidding process, sometimes to bidders who have no experience working on the types of projects they are awarded. To bypass the platform, investors have worked with the Nordic Environment Finance Corporation, which has an agreement with the Ukrainian government on procurement awarding. NGOs have also had some success in independently allocating funding for effective reconstruction. (*Kyiv Independent*, December 19, 2023)

STEADY PROGRESS IN UKRAINE'S CORRUPTION FIGHT

How is Ukraine faring in its fight against corruption? The answer, according to the latest edition of Transparency International's Corruption Perception Index, the answer is: "comparatively well." According to *Ukrainskaya Pravda*, "Ukraine gained three points in the rankings of the Corruption Perception Index, one of the best results of any country in the world over the past year." The improvements place Ukraine 104th out of 180 countries surveyed.

Factors contributing to Ukraine's improved standing are numerous. They include the selection of new heads of the National Anti-Corruption Bureau of Ukraine (NABU) and the Asset Recovery and Management Agency of Ukraine (ARMA), as well as the process – now underway – of choosing a new chief for the country's National Agency on Corruption Prevention (NACP). Additionally, Kyiv has launched reforms to the Constitutional Court of Ukraine, including the selection of five new judges. (*Ukrainskaya Pravda*, January 30, 2024)

NUCLEAR CHIEF UNDER SCRUTINY

The National Agency on Corruption Prevention (NAZK) is now reportedly monitoring Petro Kotin, the head of state-owned energy company ENERGOATOM, as a result of questionable purchases of property by Kotin's mother-in-law. The properties in question include one in Kyiv and another elsewhere in the Kyiv Oblast, cumulatively estimated to be worth over \$200,000. Reporting by *Schemes*, an investigative project of *Radio Free Europe/Radio Liberty*, has raised questions about the propriety of those investments, although Kotin has claimed innocence. NAZK, who's mandate is to investigate mismatches between public servant incomes and lifestyles in order to root out corruption, began the monitoring at the request of lawmakers in the opposition "Holos" party.

Kotin has been leading ENERGOATOM since 2020. The agency oversees Ukraine's four nuclear power plants, including the one in Zaporizhzhia, which remains under Russian control. (*Kyiv Independent*, January 5, 2024)

ROBBING UKRAINE'S WARFIGHTERS

A massive procurement scandal has rocked Ukraine's defense ministry. Several officials with the ministry have been accused by the Security Service of Ukraine (SBU) of embezzling some \$40 million in state funds meant for the procurement of ammunition for the country's military. At the center of the scandal is Lviv Arsenal, an arms supplier that was supposed to purchase 100,000 mortar shells with the funds. However, the SBU has charged, the company "did not send a single artillery shell to our country, and took the received funds into the shadows, transferring them to the accounts of another affiliated structure in the Balkans." The funds are now said to have been recovered by Ukrainian authorities. (*Washington Post*, January 28, 2024)