



EU funding and corruption in Ukraine

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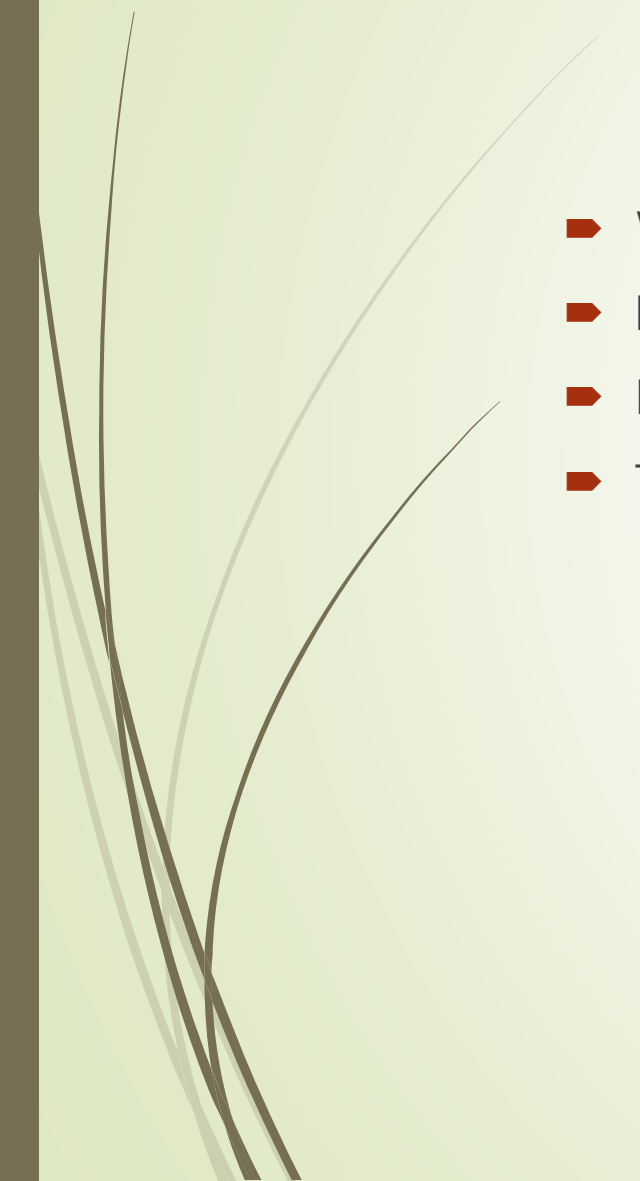
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Context of Ukraine

- ▶ Working on crisis mode
 - ▶ International context (Ukrainian war and pro European orientation)
 - ▶ Domestic factors and their role in promoting anti-corruption (AC)
 - ▶ The role of civil society
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Governance and corruption indicators

Indicator	2007	2008	2009	2010	2011	2012	2013
TI/CPI	2.7 ↓	2.5	2.2	2.4	2.3	2.6	2.5
WB – CoC	-0.74	-0.79	-1.01	-0.98	-1.00	-1.03	-1.09
WB – Rule of Law	-0.74	-0.69	-0.77	-0.81	-0.83	-0.79	-0.83
WB – Government effectiveness	-0.67	-0.71	-0.80	-0.75	-0.81	-0.58	-0.65
FH – Freedom in the World	2.5/free	2.5/free	2.5/free	2.5/free	3/partly free	3.5/partly free	3.5/Partly free
Economist Intelligence Unit – Index of	-	6.94/53/ Flawed democra CY	-	6.30/67/ Flawed democra CY	5.94/79 / Hybrid	5.91/80 / Hybrid	5.84/85/ Hybrid



Global Corruption Barometer (2013)

In your dealings with the public sector, how important are personal contacts/relationships to get things done?

- ▶ 75% considered that contacts are important and very important

To what extent is this country's government run by a few big interests looking out for themselves?

- ▶ 69% thought that the government is to a large extent or entirely run by a few big interests

How effective do you think your government's actions are in the fight against corruption?

- ▶ 72% believe that the government is ineffective or very ineffective in the fight against corruption



EU assistance to Ukraine

- ▶ Currently the EU cooperates with Ukraine within the framework of the **European Neighbourhood Policy** and specifically of its eastern regional dimension, the **Eastern Partnership**.
- ▶ Historically:
 1. **1991–2000: Partnership and Cooperation Agreement**
 2. **2000–2013: Common Strategy and Association Agreement** (2007-2013, the **European Neighbourhood and Partnership Instrument (ENPI)** was the main EU financial instrument governing the EU–Ukraine relationship) → **Nearly 1 bn EUR committed by the EU to Ukraine**
 3. **2014-2020: European Neighbourhood Instrument (ENI)**

ENPI allocations for Ukraine 2007–2013 (EUR Million)

Ukraine	2007	2008	2009	2010	2011	2012	2013
Planned	120	122	124	128	135	152.2	180.2
Committed	142	138.6	116	126	65	149	199
Disbursed	52.1	123.3	100.9	121.3	103.7	79.9	153.8

Source: European Commission

Distribution of ENPI funding for Ukraine 2007–2010 (EUR Million)

Priority	Planned	Actual
Support for democratic development and good governance	30% (148.2)	7%
Support for regulatory reform and administrative capacity building	30% (148.2)	42%
Support for infrastructure development	40% (197.6)	51%

Source: European Commission

Distribution of ENPI funding for Ukraine 2011–2013 (EUR Million)

Priority	Planned	Actual
Good governance and the rule of law	20–30% (94–141)	7%
Facilitation of the entry into force of the EU–Ukraine Association Agreement (including a DCFTA)	25–35% (117.5–164.5)	32%
Sustainable development	45–55% (211.5–258.5)	61%

Source: European Commission



Has public spending become more efficient because of EU funding?

- ▶ Lack of statistical data regarding the levels of criminality associated with EU funding and/or transnational aid flows in Ukraine.
- ▶ Despite the fact that the EU and more generally international donors use clear indicators of progress (e.g. number of laws adopted, of institutions set up), it is difficult to evaluate to what degree the newly established frames actually penetrate the local culture and structures.
- ▶ Furthermore, as Ukraine is a country in crisis the EU has had to adjust to the unfolding situation there – therewith putting in place new, adjustable tools and mechanisms of intervention and evaluation.



Drivers of change

- ▶ Actors
 1. International community
 2. Civil society
 3. Domestic political actors
- ▶ Institutions
 1. Dedicated anti-corruption institutions
 2. Traditional institutions of crime prevention and control
- ▶ Practices



International community

'Now the government is under the surveillance of both international organisations and domestic organisations. Now it is a unique moment when the EU has a lot of leverage and this conditionality goes beyond what it was before. This is why there is a lot of legislation newly adopted [...] as part of conditionality. It is not a formal screening, but substantial monitoring from the EU' (OS, consultant).



Civil society

For Ukraine at this moment, international money is not only funding. It's not only great support for the economy, but a huge leverage to demand the reforms and real steps which have to be taken by the government. After the fleeing of Yanukovich we met with all these institutions (EU, IMF) to discuss what the realistic conditions with regard to anti-corruption are, and we were happy that all these institutions included most of these conditions into their official communications with the Ukrainian government as preconditions for their investment in the country (DK, NGO).



Institutions

- Legislative changes
- Institutional reforms:
 1. New AC institutions
 2. Traditional institutional establishment



Institutional establishment for investigating GC in Ukraine

- National Anti-Corruption Bureau (NABU)
- Set up in 2014, head of NABU (Artem Sytnyk hired in 2015)
- EU funding for NABU
- Hiring policies, training and expected results
- Hopes and perceptions of NABU



Practices – Old habits die hard

- ▶ The relationship between citizens and the local authorities has not changed fundamentally

When it comes to the big guys in the suits [politicians] they do a good job; but when it comes to lowly people, the problems have not changed, but sometimes they became bigger. Because you can change the government, but if you have the same corrupt guy in your city you have a problem. He may change the colour of his suit and pledge his love to the new government, but if he remains a corrupt crook you have a problem. Unfortunately the key element to fight regarding corruption has not been addressed yet. I am talking about the combination of police, investigative authorities and the judiciary. [There is] big work to be done in order to change something. The intervention of the EU has not come to affect this little, but very important, league (OK, government official).



Practical effects of institutional change

- ▶ **Increased salaries for key sectors** (e.g. justice, finance, economy, anti-corruption) **and key roles**
 - ▶ **New jobs in niches sectors**
 - ▶ **New hiring policies**
 - ▶ **New experts and forms of expertise**
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Conclusions and implications

- ▶ EU funding and anti-corruption are not only toolboxes of technical solutions to a set problem. Anti-corruption is a political process based on negotiations and compromise.
- ▶ EU funding in Ukraine has undoubtedly led to positive changes. However, their exact nature and degree is still to be established.
- ▶ The local context displays ambiguity → changes are mixed with the traditional ways of doing things.
- ▶ Anti-corruption institutions are trying to portray themselves as doing a technical job in a profoundly political environment BUT their institutional development is highly dependant on the political factor



Policy recommendations

- ▶ Control the use and distribution of EU funding by setting up a specialised unit to conduct EU–Ukraine joint investigations
- ▶ Employ EU/foreign experts with adequate salaries
- ▶ Set up mentoring schemes for specialised anti-corruption prosecutors
- ▶ Reform of the public sector, particularly of the police and the security service (SBU)
- ▶ Increase assistance from the EU in helping to both absorb existing funding and attract additional funds
- ▶ Maintain a close relationship and cooperation with the EU and other international donors so as to build up a healthy system of governance
- ▶ Depoliticise the anti-corruption system