

**Wilton Park
Conference
pre-read**

Ukraine Forum
February 2024

Building long-term resilience in Ukraine

The battle with corruption in wartime

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Introduction

Over the past two years, Ukraine has demonstrated to the world that it possesses remarkable powers of resilience. The country that Moscow and many Western capitals predicted would fold within days in the face of a full-scale invasion by its better-armed and economically more powerful neighbour has stood firm and inflicted enormous losses on Russia's war machine.

Western arms supplies, military training and economic support have played a critical role in strengthening this resilience, but the will to resist comes from the desire of Ukrainians to protect their sovereignty and independence from a Russian regime that seeks to force them to accept re-incorporation into Russia.

Ukrainians recognise that safeguarding their country's future requires continued sacrifice and the sustained belief that they can overcome asymmetries in economic and military capabilities.

Ukraine's key strength is the ability of its society to self-organise in support of the state in crisis situations. Since Russia's full-scale invasion, this distinctive quality has proved to be a significant force multiplier for Ukraine. In parallel, its readiness to delegate authority to lower levels of command in the armed forces has favoured improvisation and flexibility on the battlefield. Equally, maintaining the agency that local communities gained during a process of decentralization prior to the invasion has contributed to resilient governance. These capabilities, rooted in a very different societal structure from Russia, have been a crucial factor in Ukraine's resilience.

Wars always have a social-political dimension, not just a military-technical one. As Karl Marx famously noted, war puts nations to the test and "passes supreme judgment upon social systems that have outlived their vitality".

Securing Ukraine's long-term future requires creating and sustaining a new quality of resilience that will enable it to consolidate its resources, outpace Russia in adapting its military system to the needs of the battlefield and preserve the human and economic capacity to continue fighting. For now, the war looks set to continue for as long as Putin remains in power, even if shortages of weapons and ammunition and the pressure of allies might sooner rather than later compel Kyiv to accept a truce.

This paper offers some reflections on the reform agenda that will be required to generate this new level of resilience. It mainly focuses on efforts to ensure accountable and effective governance, especially the necessary anti-corruption effort.

In short, the Ukrainian government must take measures that will reassure both its own citizens and its international partners that it has the capacity not just to sustain a long war but also to secure a future for itself as a

country firmly anchored beyond Russia's grasp. Both audiences are strongly influenced by the other. It is essential to find ways of energising both, so that each continues to motivate the other.

Preparing for a long war

The Russian invasion of Ukraine will soon reach its tenth anniversary. The last two years of full-scale war have had devastating effects on Ukraine's society, economy and its prospects for modernisation.

Putin's goal is to destroy the Ukrainian state. To do so, he is prepared to inflict high levels of suffering on Ukraine's citizens, depopulate its territories and wreck its industrial base. By conducting a genocidal type of war, the Kremlin believes it can force Ukrainians to capitulate and not only accept the annexation of most of the south-east of the country, but also agree to demilitarization, neutrality and special status for the Russian Orthodox Church.¹

Despite high losses on the battlefield and the fatigue of the civilian population, opinion polls continue to show Ukrainian society's firm opposition to territorial concessions to end the war.² Admittedly, there are some regional differences. The western parts of Ukraine are more strongly opposed to any form of peace deal with Russia than the central and south-eastern areas. Nevertheless, there is still a clear national consensus that Ukraine cannot afford to accept Russian terms of surrender.

Despite only modest territorial gains after the spectacular failure of his 2022 *blitzkrieg*, Putin's aims remain unchanged, but they have forced Russia to prepare for a long war in Ukraine. Spending on defence and security in 2024 will make up 40 per cent of all budget expenditures and the Kremlin is under pressure to mobilize more soldiers to compensate for the estimated 300,000 troops killed or wounded in action.³ However, there is increasing speculation that Putin may seek a pause in the fighting to gain time to further mobilise the defence industry and rebuild the armed forces to make greater, permanent gains and prevent the country from joining the EU and NATO.

Although the Russian economy has so far weathered unprecedented Western sanctions better than many Western governments had expected, their cumulative effect will continue to grow and become a serious impediment to Russia's technological modernization. Dependence on artillery shells from North Korea and drones from Iran to sustain military

¹ Sherr, J. (2024), 'The Moment of Truth', The International Centre for Defence and Security (ICDS), 10 January 2024, https://icds.ee/en/the-moment-of-truth/#_ftn4.

² Kyiv International Institute of Sociology (2023), 'Dynamics of readiness for territorial concessions to end the war as soon as possible: results of a telephone survey conducted on November 29-December 9, 2023', <https://kiis.com.ua/?lang=eng&cat=reports&id=1332>

³ Reuters (2023), *Putin approves big military spending hikes for Russia's budget*, 27 November 2023, <https://www.reuters.com/world/europe/putin-approves-big-military-spending-hikes-russias-budget-2023-11-27/>

operations is a clear example of the current limitations of the Russian defence industry and its lack of preparation for a long war.

After the limited results of Ukraine's counter-offensive in 2023 against well-defended Russian lines in Donbas, Kyiv is also now preparing for a long war. With uncertainty about the levels of Western military and economic assistance that will be made available to Ukraine, 2024 is likely to be decisive for the future trajectory of the war. Two key factors will determine Ukraine's chances of reversing the situation on the battlefield. First, the scale and quality of Western military and financial support. Second, Ukraine's ability to adapt to a drawn-out war and strengthen its resilience.

Ukraine is heavily dependent on its allies to provide its armed forces with the training, ammunition and equipment to prevent further Russian advances and, over time, take back territory seized since 2014. It is vital that Ukraine develops organizational and technological superiority on the battlefield, including through the use of drones, electronic warfare tools and demining equipment, to conduct successful military operations in 2024-2025.⁴

The likelihood of increasing isolationism in US foreign policy places a greater burden on Europe and Ukraine to develop together the capabilities to deter Russian aggression, with much reduced dependence on the US. As many European capitals have learned over the past two years, the defence of Europe begins in Ukraine. However, defending Europe successfully rests in large measure on Ukraine sustaining the resolve to repel the Russian invasion and creating the institutional capacity for it to do so. Armies fight battles, but it is countries that fight wars.

The signing of bilateral security agreements with France, Germany, the UK and others is an indication that European capitals have transitioned to thinking about the longer-term challenge of Ukraine's recovery and reconstruction. This will require creating a sustainable peace that will reduce the external risks for investors while also creating the internal conditions for growth. Building a new quality of resilience is key to both.

On the homefront, Ukraine must take its resilience to a new level based on qualitatively new institutional and societal strength. It must achieve what the American academic Judith Rodin, who has studied responses to disasters around the world, calls a 'resilience dividend'.⁵ This is built on 'hard' solutions such as technologies, systems and data, as well as 'soft' solutions in the form of good governance, communication and social cohesion. The dividend is the ability of an entity to respond more effectively both to shocks that it can predict and to those that it cannot. This means that a country emerges from shock with a higher-quality system than before. This is very much in line with Ukraine's aspiration to 'build back better'.

⁴ Zaluzhnyi, V. (2024), 'Ukraine's Army Chief: The Design of War Has Changed.' *CNN*, 1 February 2024, <https://edition.cnn.com/2024/02/01/opinions/ukraine-army-chief-war-strategy-russia-valerii-zaluzhnyi>

⁵ Rodin J. (2014), *The Resilience Dividend: Being Strong in a World Where Things Go Wrong*, *Public Affairs*.

Priority tasks for Ukraine

The Ukrainian government has several immediate tasks that are vitally important for sustaining the war effort. The priorities are:

- **Developing the military-industrial base** to supply the armed forces with more modern equipment. This includes the need to develop start-up businesses that can bring new weapons to the battlefield in real time.
- **Ensuring the functioning of the energy grid**, by building new power generation units, investing in grid security and improving energy efficiency.
- **Supplying new housing** for IDPs and repairing housing stock damaged by Russian missile attacks. According to official estimates, 167,000 units of housing have been damaged or destroyed during the war.⁶ 200,000 IDPs live in shelters and temporary housing.⁷ Refugees view the availability of housing as the second most important consideration (after security) for their return to Ukraine.⁸
- **Ensuring macroeconomic stability and fiscal discipline.** The IMF estimates Ukraine's financing gap at \$38.5 billion for 2024 and \$23.6 billion for 2025. While the economy is expected to continue growing this year, it is still likely to be, at best, over 20 per cent below its pre-war levels.⁹ To maintain the trust of donors, Ukraine must sustain a high level of tax collection and manage social spending within reasonable limits.
- **Providing healthcare** to service men and women wounded in combat, including treating acute PTSD and increasing the number of prosthetic clinicians and rehabilitation centres. Estimates of the number of soldiers who lost limbs in the first 12 months of the war range from 20,000 to 50,000.¹⁰

⁶ Damaged in UA (2024), 'Damage Assessment', <https://damaged.in.ua/damage-assessment>.

⁷ Izvoschikova, A (2023), '2.5 million Ukrainians had their homes damaged or destroyed as a result of the Russian invasion — Vereshchuk', Suspilne Media, 27 April 2023, <https://susplne.media/459105-u-25-miljoniv-ukrainciv-poskodzeno-abo-zrujnovano-zitlo-vnaslidok-rosijskogo-vtorgnenna-veresuk/>.

⁸ International Republican Institute, 'National Survey of Ukraine, September 2023', <https://www.iri.org/resources/national-survey-of-ukraine-september-2023/>.

⁹ Betliy, O., Kravchuk, V., Poluschkin, G. (2024), 'Economic Resilience in Focus', German Economic Newsletter, NL 184, <https://www.german-economic-team.com/en/newsletter/economic-resilience-in-focus/>.

¹⁰ Jones, D. (2023), 'Love, War and Loss: How One Soldier in Ukraine Hopes to Be Made Whole Again', NPR, 27 August 2023, www.npr.org/2023/08/27/1194391578/ukraine-soldier-war-injury-prosthetics-amputation.

- **Sustaining the private sector**, including providing access to capital, replenishing human capital, and improving the investment climate for domestic investors. Access to finance is a particularly serious problem, with 84 per cent of companies reporting difficulties.¹¹ 46 per cent of companies point to the problem of labour shortages.¹² Productivity is at a very low level and needs to increase sharply.¹³
- **Expanding transit routes**. Only one third of Ukrainian ports are operational and serious bottlenecks remain in river and rail transport. Investment in expanding existing routes and building new logistics infrastructure to reach other ports and markets will be essential.
- **De-mining** to enable the return of people and the use of agricultural land. The government calculates that one third of Ukraine's territory needs to be checked for explosives and is planning to demine 80 per cent of potentially contaminated areas within a decade.¹⁴ By April 2023, the war had contaminated 10 per cent of agricultural land, halting the sowing of five million hectares of land.

Unpacking resilience

Resilience is a broad concept that touches on all sectors of social, political and economic life. It is defined here as the capacity of a state and its society to:

- Exercise sovereignty in the face of hostile influence
- Prepare for disruption
- Recover from shocks

Chatham House has conducted research¹⁵ in this area over several years and has identified five mutually reinforcing pillars of resilience:

1. Human security
2. Social cohesion
3. Quality of governance (especially accountability and effectiveness)
4. Economic flexibility

¹¹ The World Bank (2023), 'Ukraine: Firms through the War', 28 November 2023, <https://openknowledge.worldbank.org/server/api/core/bitstreams/56478284-da0c-4f4d-ac9c-10d12870564e/content>

¹² Institute of Economic Research and Political Consultations (2024), 'Ukrainian businesses during the war: December 2023', 22 January 2024, <http://www.ier.com.ua/ua/institute/news?pid=7361>

¹³ International Labour Organisation Department of Statistics (2023), 'Statistics on Labour Productivity', <https://ilostat.ilo.org/topics/labour-productivity/>.

¹⁴ Svyrydenko S. (2023), 'Demining Ukraine in a few years, not decades, is the best response to the aggressor', Cabinet Ministry of Ukraine, 18 August 2023, <https://www.kmu.gov.ua/en/news/rozminuvannia-ukrainy-za-kilka-rokiv-a-ne-desiatylyit-naikrashchavidpovid-ahresoru-iuliia-svyrydenko>

¹⁵ Lutsevych O. and Boulègue M. (2020), 'Resilient Ukraine,' Research Paper, London: Royal Institute of International Affairs, , <https://www.chathamhouse.org/2020/06/resilient-ukraine/3-creating-resilience-dividends-case-studies>

5. Cognitive strength (the ability to resist disinformation and develop critical thinking)

Ukraine has several strong underlying factors that contribute to its resilience in all these areas:

- High levels of trust in the national leadership and unity of purpose across all regions of Ukraine
- Growing capacity and legitimacy of local government
- Growing accountability due to new anti-corruption institutions
- The mobilization of civil society to support the war effort by volunteering, donating and assisting people affected by the war
- Digitalised governance together with improved cyber defence capabilities
- Commitment of the private sector to support the war effort and its ability to relocate production and access new markets using new transportation routes.

Boosting resilience

To increase the resilience of its governance system, Ukraine must accelerate its efforts to optimise the use of resources and strengthen its institutions. The government has already demonstrated that it can carry out structural reforms in wartime. In the aftermath of Russia's annexation of Crimea and the establishment of proxy regimes in Donetsk and Luhansk, the government undertook a range of significant reforms to increase transparency and reduce the space for well-established schemes for stealing public money. It cleaned up the banking system, a large part of the energy sector and radically reformed the system of state procurement by introducing the digital Prozorro system.¹⁶ At the same time, it established a new set of anti-corruption institutions, including a specialised court and a revamped system for screening the assets of state officials.

Today, reforms continue despite the pressures of war. The progress is evidenced by the IMF's positive assessment of Ukraine's reform efforts during the war and its decision to provide \$15.6 billion over four years to stabilize the economy and support further reform.¹⁷

In the 2023 Transparency International Corruption Perceptions Index, Ukraine showed one of the best annual improvements, moving up to 104th

¹⁶ Dubrovsky, V. and Lough, J. (2018), *Are Ukraine's anti-corruption reforms working*, Research Paper, London: Royal Institute of International Affairs, <https://www.chathamhouse.org/2018/11/are-ukraines-anti-corruption-reforms-working>

¹⁷ International Monetary Fund: European Department (2023), 'Amid War, Ukraine Is Maintaining Macroeconomic Stability and Embarking on Reforms', <https://www.imf.org/en/News/Articles/2023/04/05/cf-amid-war-ukraine-is-maintaining-macroeconomic-stability-and-embarking-on-reforms>

place out of 180 countries (ranked alongside Brazil and Serbia). This is partially the result of progress in judicial reform. Over the course of 2023, Ukraine has reset its High Council of Justice and High Qualification Commission of Judges and started the process of renewing its corps of judges and its Supreme Court. In December 2023, in recognition of these efforts and other reform efforts undertaken during the war, the European Council agreed to open accession negotiations with Ukraine after it met targets designated by the European Commission in seven reform areas.

Most recently, the new leadership in the Ministry of Defence increased the transparency of non-lethal procurement. The new head of the Defence Agency, Maryna Bezrukova, has a strong reputation and track record in logistics, compliance and auditing for international companies.

These results show irrefutably that Ukraine has made progress in improving its overall governance, including in the areas of public administration, decentralization, judicial reform, anti-corruption initiatives and efforts to tackle organised crime.¹⁸

Battle ahead and corruption risks

However, to fight a long war and make progress simultaneously on EU accession requires further qualitative progress towards reducing corruption risks. Preservation or restoration of elements of the old governance model (*systema*)¹⁹ that weakened Ukraine for most of the two decades before the 2014 Revolution of Dignity will negatively impact defence procurement, customs collection, private sector investment and Western resolve to provide financial support to Ukraine, in particular for reconstruction purposes.

To build strong democratic institutions and a competitive economy, Ukraine needs to keep transforming its system of governance. The challenge is both structural and cultural. In the language of social science, Ukraine is a 'neopatrimonial democracy'²⁰ that serves the economic interests of powerful, politically connected networks rather than society in general. The system is inefficient at creating social stability and national wealth but strongly resistant to reform because its main beneficiaries wish to preserve their privileges and the informal relationships that sustain them. These include a predatory bureaucracy that exploits the over-regulation of businesses to extract favours in return for granting compliance. In today's environment, the increased share of state-owned enterprises as a result of temporary wartime nationalization of key assets represents an additional risk to asset redistribution.

¹⁸ European Commission (2023), 'Ukraine 2023 Report', pp 3-6, https://neighbourhood-enlargement.ec.europa.eu/system/files/2023-11/SWD_2023_699%20Ukraine%20report.pdf

¹⁹ For an explanation of the functioning of *systema*, see Lough, J. (2021), *Ukraine's system of crony capitalism*, Research Paper, London: Royal Institute of International Affairs, <https://www.chathamhouse.org/2021/07/ukraines-system-crony-capitalism/summary>.

²⁰ Fisun, O. (2019), 'Neopatrimonialism in post-Soviet Eurasia', in Magyar, B. (ed) (2019), *Stubborn Structures: Reconceptualizing Post-Communist Regimes*, CEU Press pp92.

Despite the activism of Ukraine's middle classes and active civil society over the past 15 years aimed at limiting the scope of this system and reducing levels of corruption, large parts of Ukrainian society have yet to leave behind Soviet legacies of petty corruption and the engagement of regional, business and government elites in high-level corrupt practices. These attitudes are linked to a peculiarly Ukrainian inheritance from Soviet times and possibly earlier; the notion of corruption as a tool of resistance against Moscow's totalitarian rule. In the national psyche, this bred a deeply ingrained acceptance of corruption as a norm that is not uniquely negative and a way to secure economic survival in a system of powerful interest groups.

However, the war appears to have increased society's frustration with high levels of corruption. This is partially explained by the fact that so many citizens and companies donate their own funds to the war effort. Abuse of budget funding causes indignation. 63 per cent of Ukrainians say that the issue that worries them the most, after the war, is corruption. They put this concern ahead of dissatisfaction with low salaries and pensions. This view is consistent across all regions of Ukraine.²¹ In parallel, 90 per cent of Ukrainians prioritise fighting corruption ahead of defence and security reform (77 per cent) and judicial reform (43 per cent).²² Societal views have been heavily influenced by several defence procurement scandals at the start of the invasion that allegedly led to contract violations totalling 8.9 billion UAH (1.86 billion GBP).²³ Reports of contractors overcharging for food, clothing and equipment²⁴ have reinforced the sense that corruption was damaging the defence effort.

The war has weakened most of the main financial-industrial groups that have been at the heart of *systema* for much of the past 25 years. However, the opportunity to transform Ukraine's governance is currently impeded by the centralization of authority associated with martial law. This is giving considerable additional unchecked power and authority to the Office of the President, at the expense of parliament and the media. Although investigative journalists are still at work, restrictions on the media as well as self-censorship are limiting external scrutiny of some of the authority's actions. For understandable reasons, large sections of the defence budget are classified.

Several discomfiting trends are currently visible and cannot be ignored. There are widespread reports of politically directed investigations of businesses and individuals considered to be out of favour with the Office of

²¹ Kyiv Institute of Sociology, (2023) 'Public perception of the main problems (except war) and who should make efforts to fight corruption: results of a telephone survey' conducted 30 September – 11 October 2023, kiis.com.ua/?lang=ukr&cat=reports&id=1322.

²² Kyiv Institute of Sociology (2023), 'Survey of Public Opinion for the Consultative Mission of the European Union in Ukraine', kiis.com.ua/materials/pr/20231026_r/ARreport_PublicSurvey_EUAM_sept2023_ukr_public.pdf.

²³ Romaniuk, R. and Lukashova, S., (2023), 'Special Marauders: How Weapon Importers Funnelled Out Billions of Dollars during the War', *Ukrainska Pravda*, 25 July 2023, www.pravda.com.ua/articles/2023/05/25/7403738/.

²⁴ Nikolov, Y. and Kononuchenko, V. (2023), 'Good and Bad News about Corruption in the Ministry of Defence', *Mirror Weekly*, 10 August 2023, <https://zn.ua/ukr/anticorruption/khorosha-i-pohana-novini-pro-koruptsiju-v-minoboroni.html>.

the President, as well as pressure on investigative journalists. Several large Ukrainian companies recently came together to establish the Manifesto 42 association in response to increased cases of ‘raiding’ and other forms of pressure on business by law enforcement and other government agencies. They point to frequent violations and threats to private property rights by a ‘predatory coalition’ of law enforcement, notaries, register officials and judges.²⁵

In addition, there is increasing speculation around the emergence of a new set of influential, politically connected individuals that will seek to preserve rather than transform *systema* to protect their business interests. The pre-war large industrial groups are decreasing in importance²⁶, but civil society fears that new vested interests could arise around reconstruction funds. More than 50 per cent of respondents in the Chatham House civil society survey stated that the emergence of new vested interests posed such a risk.²⁷

One such area includes the construction sector. The reconstruction of destroyed housing and new urban development to accommodate IDPs will lead to significant growth in the construction and real estate development sectors. Substantial shares of national and local budgets will be allocated to social housing and new infrastructure. The sector is predicted to grow and consolidate with large companies delivering up to 80% of construction needs nationwide.

Currently, this specific area poses a myriad of corruption risks. These include overregulation and abuse around the allocation of construction permits. The proposed new framework outlined in the proposed Government resolution replicates many provisions of controversial draft law 5655, which the President refused to sign. It limits the power of local self-government in planning and implementing urban development, weakens anti-corruption controls and civic controls and increases the number of controlling bodies. There is a risk that new construction cartels may emerge as the result of flawed regulation.²⁸

Struggle with the rule of law

There is broad agreement between Ukraine’s donors, government and civil society on the need to prioritise judicial reform, raise transparency levels, accelerate de-monopolization and deepen public administration reform to improve integrity processes across government. Key documents that cite these priorities include the IMF’s Memorandum on Economic and Financial

²⁵ Manifest 42 (2024), <https://manifest42.com.ua/>

²⁶ Matuszak, S. (2023), ‘Ukrainian Oligarchs and Their Businesses: Their Fading Importance’, *Centre for Eastern Studies*, 23 June 2023, www.osw.waw.pl/en/publikacje/osw-commentary/2023-06-13/ukrainian-oligarchs-and-their-businesses-their-fading.

²⁷ Chatham House survey of Ukrainian CSOs (2023), <https://www.chathamhouse.org/sites/default/files/2023-06/2023-06-15-chatham-house-survey-ukraine-csos-ukraine-forum.pdf>

²⁸ Fedoriv, I. and Mohylnyi, H. (2024), ‘Construction Reform Clone. What did Kubrakov put under the Christmas Tree?’ *Livy Bereh*, 26 December 2023 https://lb.ua/news/2023/12/26/590735_klon_skandalnoi_mistobudivnoi.html

Policies, the EU Ukraine Facility and its accompanying Ukraine Plan, the G7 Ambassadors Support Group for Ukraine reform priorities and the US Government's list of reforms. They all converge on the need to strengthen the rule of law, accountability and transparency. The breadth of reforms both underway and planned for 2024 in these areas is encouraging, given the additional scrutiny of international partners and Ukraine's need to demonstrate progress in the EU accession process.

However, the challenge of developing a culture of rule of law remains daunting in conditions of war and there will almost certainly be a need to re-focus the successor of the 2021-2025 Anti-Corruption Strategy to reflect new priorities associated with recovery and reconstruction at the local level. Not surprisingly, embezzlement of recovery funds is the number one risk noted by civil society leaders. Over 85 per cent of respondents in a Chatham House survey conducted in late 2022 cited this possibility.²⁹

Conclusions

Renewing the quality of Ukraine's resilience at a time when government and society are tired after two years of war and concerned about the commitment of their international partners will be a major challenge.

Ukraine must accomplish three key objectives to replenish its internal resilience in wartime:

1. Strengthen the trust of citizens and Western donors in its integrity and anti-corruption agenda.
2. Expand the tax base by bringing the shadow economy into the open, including by closing corruption loopholes and streamlining regulations.
3. Deliver effective use of those resources by reforming institutions, performing efficient procurement of goods and services, improving the quality of oversight and law enforcement.

For all three objectives, it will be essential to minimise the space for corrupt practices by increasing transparency, holding officials accountable for their behaviour and creating a level playing field for business with clear rules and the means to protect property rights.

Similarly, managing crime levels should be a high priority. A rise in crime on the home front during war is not unusual. In Britain during the Second World War, the murder rate increased sharply and the understaffed police force did not have the sufficient resources to sustain investigations. Organised crime was also a major problem. To maintain faith in the government and its policies, Ukrainian citizens need to feel that the state is protecting them against home-grown threats to their security.

²⁹ Chatham House survey of Ukrainian CSOs (2023).

Demonstrating quick wins will be an important means of maintaining focus and ensuring that Ukrainians and their international partners continue to motivate each other to increase the country's resilience.

Effective communication is an essential factor in maintaining support for reforms among both constituencies. International partners and civil society need to maintain the pressure to enact reforms while, avoiding setting expectations too high and making the perfect the enemy of the good. The Western media narrative around last year's 'failed counteroffensive' exemplifies this point. Under-promising and over-delivering is always the preferable political strategy.

The key message around anti-corruption should focus on its importance for national security.

Prioritization of reforms

Ukraine's reform agenda is particularly broad, while the country's human resources for designing and implementing reforms are limited because of the war.

Quick wins are politically essential and should start with defence, the economy and early reconstruction.

Defence

- Drive more efficient procurement of goods and services for the armed forces and prevent a repeat of earlier corruption scandals.
- Address the problem of draft evasion by corrupt means.

Economy

- Increase the tax base by:
 - ensuring businesses can operate without harassment from law enforcement agencies;
 - bringing the shadow economy into the open;
 - and suspending or simplifying regulations to encourage investment.

Early reconstruction

- Create 'model' projects that can be transferred and replicated across the country.
- Ensure the regulatory framework for urban development and housing limits corruption risks for tenders, permits and safety control.
- Train civil servants in managing tenders for large-scale construction projects.

- Work closely with the Agency for Restoration and Infrastructure Development to assess the needs of Ukraine’s construction industry and increase its performance.

To achieve maximum impact in the short term, we believe that consideration should be given to the following set of measures in the areas of rule of law and anti-corruption.

Rule of law

- Separation of powers is an underlying principle of democracy and must be strengthened across all law enforcement agencies. In particular, the independence of the State Bureau of Investigations from the Office of the President must be reinforced. The current mode of relationship creates the possibility for politically motivated criminal investigations.
- Use the successful example of the High Anti-Corruption Court to guide the reform of the Supreme Court. Effective ‘cleaning’ of the Supreme Court can accelerate the growth of a culture of integrity throughout the judiciary and contribute to domestic and international investors’ confidence that their rights could be protected.
- Develop the Bureau of Economic Security to fulfil its mandate to fight economic crime by ensuring merit-based appointments of its leadership, and transferring the powers of the Security Service of Ukraine related to economic crime.
- Closely monitor the performance of the National Anti-Corruption Bureau (NABU) and Special Anti-Corruption Prosecutor Office (SAPO) to ensure they remain operationally independent and properly resourced.
- Establish an independent G7-led rule of law task force to monitor violations and provide support to the Ukrainian authorities to resolve issues appropriately.
- Accelerate police reform to rid the National Police of its image as an agency of crime and corruption.
- Send experts to the Prosecutor General’s Office to bring the investigation of war crimes up to international standards.

Transparency and inclusion

- Strengthen the capacity of a multi-agency donor coordination platform for Ukraine (MDCP) to facilitate key reforms (spanning anti-corruption, public administration, decentralization) that will underpin the integrity of a rapid recovery process.

- Reduce corruption risks in the work of the Asset Recovery and Management Agency (ARMA), including by improving the legislation that defines its activities. Ensure these institutions have strong integrity, as they are the litmus test of how effectively Ukraine can operate reconstruction funds. Much will be built on their success or lost if corruption scandals undermine their reputation.
- Use one coordinating platform, such as DREAM (Digital Reconstruction Ecosystem for Accountable Management). The DREAM system will help promote transparency, facilitate coordination among international donors and make information widely available. Ensure that both donors and civil society use the system. Train a network of civil monitors in the regions to verify information about implemented projects on the ground.
- Expand the use of digitalization in the healthcare sector to achieve greater efficiencies and suppress traditional corruption in the delivery of services.
- Implement key recommendations from the World Bank Assessment of Public Investment (2023), in particular with regards to coordinating publicly funded project audits with the State Audit Service to avoid duplication, developing recommendations for a damage assessment methodology and increasing the integrity of investment contracts.
- Resource civil society to act as a strong watchdog. Dedicated funding should be earmarked for civic monitoring, investigative journalism and digital solutions aimed at increasing transparency. To reinforce accountability, Ukraine's partners should invest in projects that promote collective action from the grassroots up, for community-led oversight of public procurement, private sector involvement in recovery work and the quality and sustainability of project delivery. Anti-corruption councils at line ministries that would include civil society representatives can be an effective tool in tackling corruption.
- By building awareness and training, promote the use of the European Code of Conduct. The Code is a compulsory mechanism under the Ukraine Facility. It enables quality engagement for various stakeholders and allows for greater transparency of publicly funded projects.
- Develop a capacity-building programme around public finance management to develop a culture of accountability.

Regulatory framework and business climate

- Develop the Business Support Council (affiliated with the MDCP) into a body that is capable of action to address the needs of the business. Coordinate this effort with the existing Business Ombudsman Council.
- Hire permanent Heads of Taxation and Customs agencies. Constant re-shuffling fragments guidance and dilutes accountability.

- Address the risk of corporate fraud. Focus to date has remained primarily on corruption in state institutions, while corporate governance reform (beyond SOEs) remains a blind spot. Mobilise the private sector for this effort, as future FDI and contracting within larger recovery projects will require good corporate governance.
- Ensure Ukraine develops an Urban Development Code in compliance with the best European practice. Ensure bottom-up recovery is based on local reconstruction planning and is in line with the new Regional Development Strategy. Ukraine's decentralization reform must be protected. The separation of authority between urban regional policy planning and supervision of construction is key. If a new oversight and dispute resolution body is established (Urban Development Chamber) secure its funding and proper training.

About the authors

John Lough is an associate fellow of the Russia and Eurasia Programme at Chatham House. He began his career as an analyst at the Soviet Studies (later Conflict Studies) Research Centre, focusing on Soviet/Russian security policy. He spent six years with NATO, and was the first Alliance representative to be based in Moscow (1995–98). He gained direct experience of the Russian oil and gas industry at TNK-BP as a manager in the company's international affairs team (2003–08). From 2008 to 2016, he ran the Russia & CIS practice at BGR Gabara, a public affairs and strategy consulting company. Alongside his work with Chatham House, John is a consultant with Highgate, a strategic advisory firm.

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Acknowledgments

This paper was produced with support from the Foreign, Commonwealth & Development Office.

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