

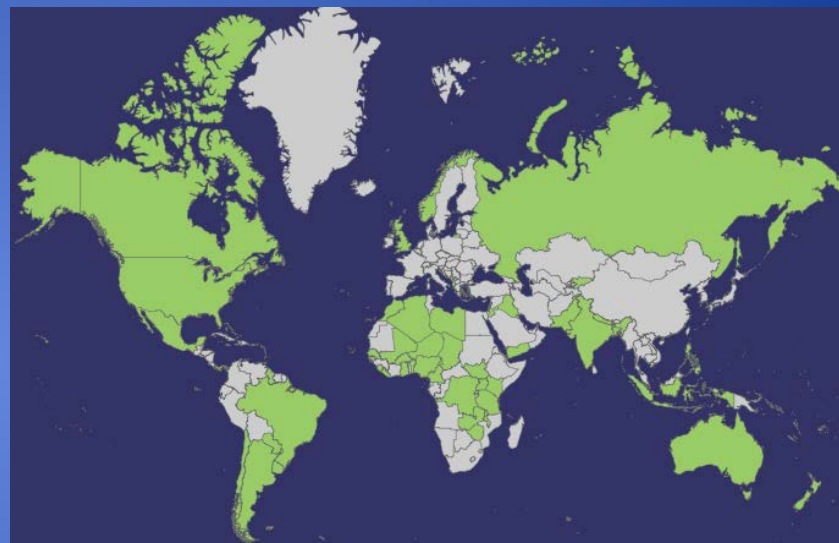
The Corruption-Security Nexus

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About GOPAC

- Members in most countries of the world
- 57 national chapters
- Regional chapters
 - Africa: Accra, Ghana
 - Arab: Beirut, Lebanon
 - Caribbean: Port of Spain
 - SE Asia: Jakarta, Indonesia
 - S Asia: Kathmandu, Nepal
 - Latin America: Mexico City
 - Oceania: Perth, Australia



Principles

- All free societies are democracies, but not all democracies are free
- Corruption is now the single greatest threat to democracy and security
- Parliamentarians can stand between our leaders and the levers of power

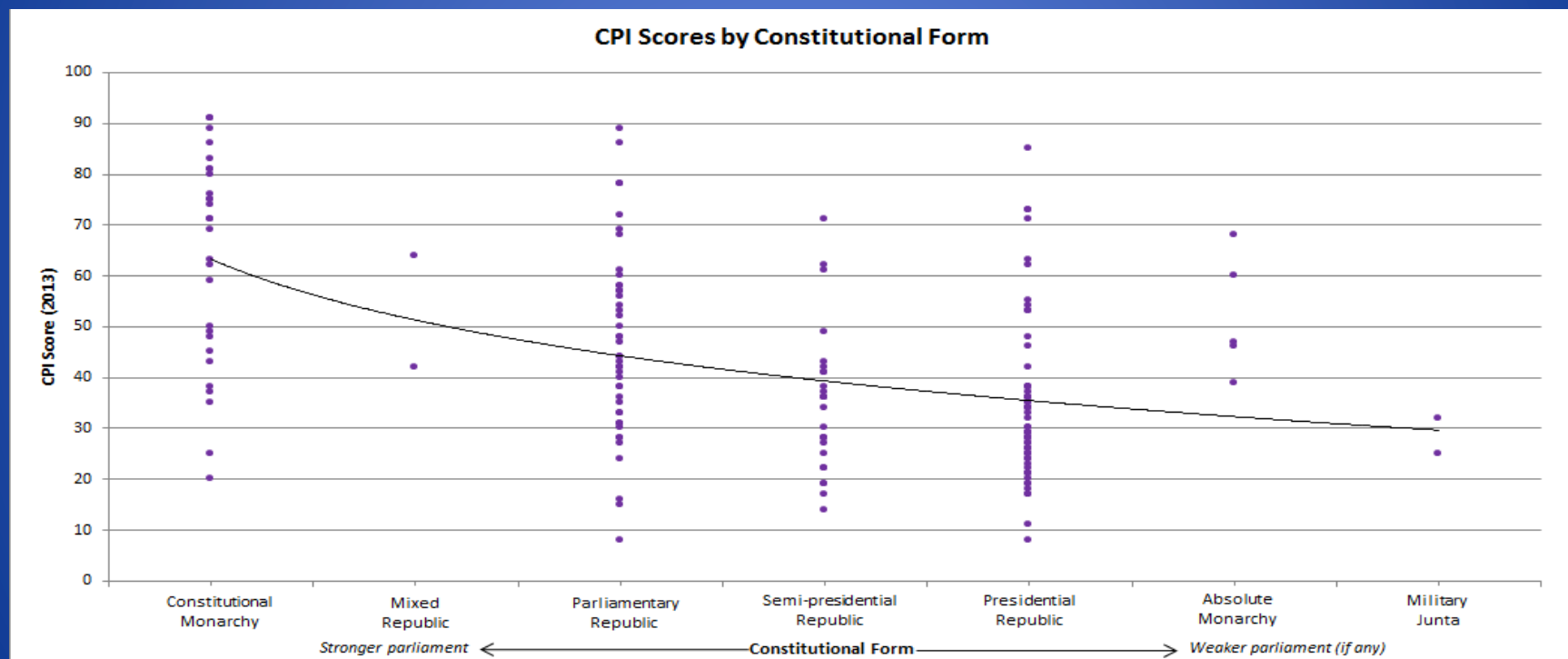


Impact of Corruption

- Developing world loses \$10 through corruption for every \$1 in aid (UNDP)
- Corruption was the single most discussed subject on the planet (BBC World Service)
- Corruption drove the Arab Spring uprisings, a crisis of confidence in democracy itself



Stronger Parliament, Lower Corruption



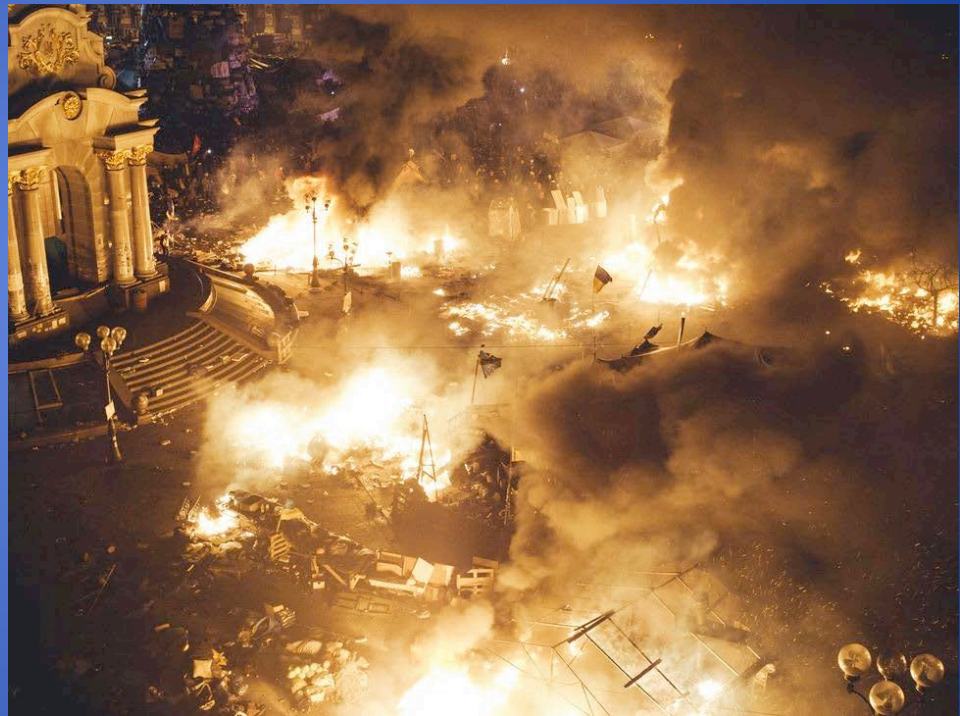
Direct Impact on Security

- Foments public grievance and unrest, delegitimises the state, fosters radicalism
- Enables hostile and criminal powers to penetrate the state
- Damages the state's ability to detect or respond to threats



Ukraine as a GOPAC Priority

- One of three global priorities
- Causes of its crisis trace to a catastrophic and endemic political corruption
- Security and survival of Ukraine is tied to restraint of corruption
- Potential contagion effect
- Viktor Chumak MP, Chair of GOPAC Ukraine
- Individual GOPAC members in Ukraine and Russia



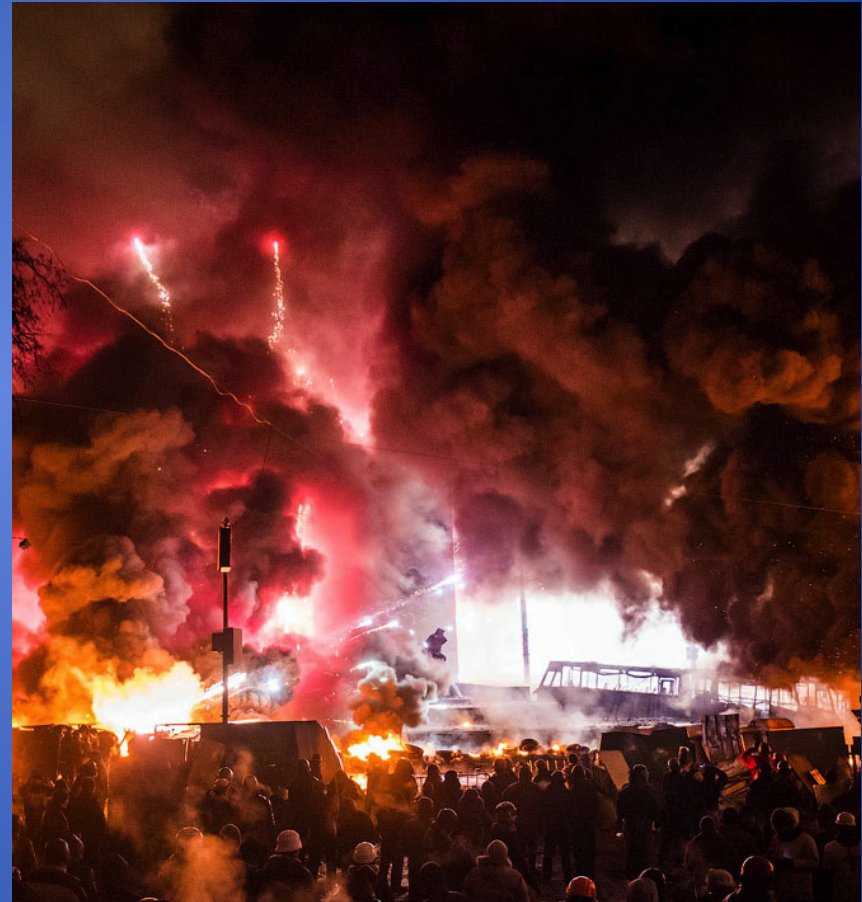
Extent of Corruption in Ukraine

- 142nd of 175 nations in CPI: below Russia, Iran, Nigeria
- 25% of national budget lost to political capture of VAT (Bilau)
- ~30% of state procurement embezzled
- ~55% of productivity in the shadow economy
- Worst performing post-soviet economy over 20a
- Daily normalised humiliations
- Corruption is the system



Corruption Provoking Unrest

- Orange Revolution 2004
 - Corruption in 2004 post-Kuchma election
 - 18.4% of Ukrainians assert participating in protests
- Euromaidan 2014
 - Endemic corruption during the Yanukovich regime
 - Cancellation of the EU Association Agreement
 - Civil repression laws



Corruption Driving Penetration

- Ukraine consumed 2 times as much power per \$1 GDP as Russia, 30 times as much as Japan
- In 2012, 92% of Ukraine's gas came from Russia
- Every Ukrainian oligarch emerged from Russia-Ukraine gas deals, including Yanukovich & Tymoshenko



Corruption Undermining Defence

- 2014, up 25% of Defence budget stolen outright (Biryukov)
- In one defence factory, 81% of orders stolen (Yarema)
- Defence apparatus of “thieves and grafters” (Poroshenko)
- Unconfirmed accusation of general commissions are sold at \$30’000 per annum (Povernys Zhyvym)
- Credible accusations of prestige postings, places military academies sold



Corruption Undermining Defence

- Ukrainian troops equipped with substandard equipment or not at all
- At Crimean invasion, ~6'000 combat ready (of 130'000 total) troops across all Ukraine vs 40'000 Russian troops massed just on border
- Russia offered Ukrainian troops in Crimea 5x their salary



Corruption Undermining Defence

- Current force of 250'000 troops, plans to conscript 40'000 and contract 10'500 (Poltorak)
- Conscripsts must often equip themselves at ~\$2'500, or 10x typical monthly salary
- Widespread bribery to avoid conscription
- 10'000 official cases of desertion since Donbass, 30% of first-wave conscripts deserted posts (Poroshenko)



Corruption Undermining Defence

- In 2014, Ukrainians donated \$2million to Defence through 50¢ text messages, \$7million through businesses, bake sales
- 30 “Citizen Brigades” remain beyond national command and control

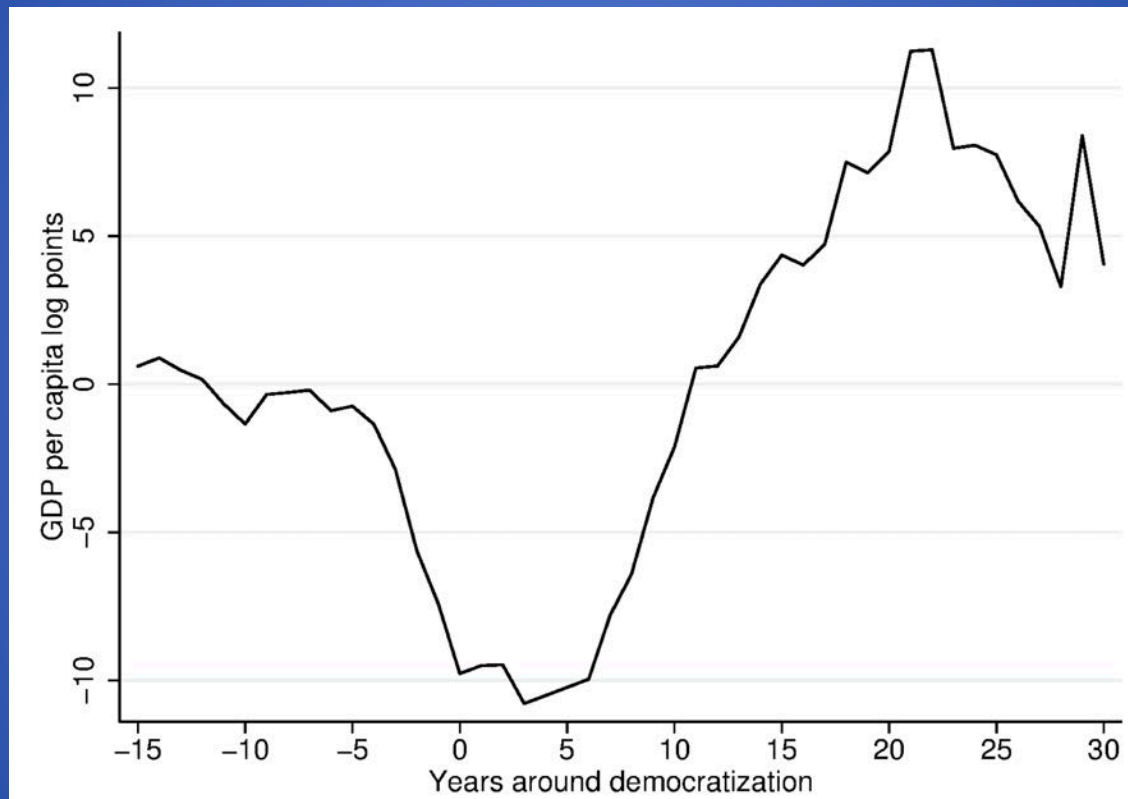


Precedence: Reform or Funding?

	2014 Disbursements	2015-2018 Pledge
Private Eurobond Holders	0	15.3
IMF	4.6	17.5
World Bank	1.3	1.0
European Union	1.8	2.5
United States	1.0	2.0
ERBD and other lenders	2.1	1.7
Total	10.8	40.0
<i>Billions of \$USD</i>	<i>IMF Ukraine Report 15/69.</i>	<i>Bilam, Duane, Gorodnichenko, Sologoub</i>



Precedence: Reform or Growth?



Acemoglu, D, Naidu, S, Robinson, J, & Restrepo, P (2014). "Democracy causes economic development?" Vox. Centre for Economic Policy Research.



Solutions from Parliaments

- Enable civil anti-corruption measures to improve Ukraine's security position
- Strengthen Verkhovna Rada
- Build public confidence
- Pressure on Ukraine to reform its institutions
- Pressure on Russia to halt military incursions
- Support Minsk II
- Encourage economic development



Strengthen Verkhovna Rada

- Train new parliamentarians
- Change political incentive environment
- Insist on parliamentary and citizen oversight of donor funds
- Create space for dialogue between Russian and Ukrainian legislators



Build Public Confidence

- Stolen asset recovery
 - Speculative but highly emotive estimates of \$30bn - \$40bn to return
 - Frozen to date: Austria ?, Switzerland \$193m, Lichtenstein ?, UK \$23m
- Prosecute kleptocrats
 - Pavlo Lazarenko arrested 1999, convicted 2006, released 2012



Ukrainian Institutions

- Reform of police by new screening, training, pay
 - 2000 in Kyiv, July 2015
 - Lviv and Odessa next
- National Anti-Corruption Bureau
 - National Agency for Prevention of Corruption
 - Specialised Anti-Corruption Prosecutor's Office
- Judicial reform
 - 18'000 prosecutors, 10'000 judges



Russian Policies

- Domestically, Russia faces “an epic struggle between the television and the refrigerator”
- Financial quarantine of oligarchs
- Action is the only persuasive argument



Support Minsk II

- How to devolve power without losing accountability?
- Significant difficulties
 - ~150 deaths
 - Highly contentious in the Verkhovna Rada
 - Russia has violated “more than 4’000 times” (Poltorak)
 - Elections in Donetsk and Luhansk are uncertain



Solutions from NATO

- Strong existing co-operation
 - NATO-Ukraine Commission
 - NATO-Ukraine Joint Working Group on Defence Reform
- Act as a catalyst to anti-corruption in Defence apparatus
- Support civilian anti-corruption measures



Defence Apparatus Measures

- NATO Building Integrity model for assessment of Defence weaknesses
- Embed oversight assistance in Ukraine's central authorities
- NATO-supported corruption investigation command apparatus
- Training and equipment
- Integration of selected Ukrainian defence firms into NATO business ethics and logistics chains



Civilian Measures

- Financial Intelligence Tasks Forces are the civilian weapons of mass destruction against kleptocrats
- Ukraine may be better suited to survive a war of fiscal rather than military attrition



21st Century Grand Strategy

- What is the post-cold war disincentive against aggression by a great power?



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