

ANNUAL REPORT

2022



NAKO
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Independent Anti-Corruption
Commission (NAKO)

TABLE OF CONTENTS

1. About Us	4
2. Introduction by Olena Trehub, NAKO Executive Director	5
3. NAKO strategic goals and activity outcomes	7
Goal 1: Assistance provided to the Armed Forces of Ukraine, the Ministry of Defense of Ukraine, and the Ukrainian Veterans Foundation when implementing the “Women, Peace, Security” agenda	8
Goal 2: Promoting good governance in the Ukrainian defense sector and monitoring corruption risks during wartime	10
Goal 3: Supporting the Verkhovna Rada of Ukraine in developing accountability procedures in the defense sector and defense reforms	13
4. Supporting the Verkhovna Rada of Ukraine in developing accountability procedures in the defense sector and defense reforms	15
5. Financial Statement	18
6. Organization Chart	19
7. Donors and Partners	21
8. Notes	22
9. Contacts	24

ABOUT NAKO



The Independent Defence Anti-Corruption Commission (NAKO) is an independent civil society organization fighting corruption and advancing good governance in defence and security sector.

NAKO's goal is to reduce corruption risks in Ukraine's defence and security sector by ensuring high-quality research, effective advocacy, and raising awareness. Based on its analysis and research, NAKO provides recommendations to state bodies. We also

ensure civilian oversight over the anti-corruption transformation of state defence and security institutions.

NAKO was founded in 2016 as a joint initiative of Transparency International Defence & Security and Transparency International-Ukraine. In 2019, with the support of its founders, NAKO evolved into an independent civil society organisation. Currently, NAKO maintains a strategic partnership with the Transparency International movement.

DESPITE THE WARTIME, WE WORK TO CREATE EFFICIENT SECURITY AND DEFENSE SECTOR



OLENA TREHUB,
NAKO Executive Director

Over the past five years, the NAKO team, which is part of civil society, has been working hard to strengthen Ukraine's security and defense sector, making it more corruption-free, transparent, accountable, and, accordingly, more efficient. Undoubtedly, we were aware of the threat level from Russia and deemed it our goal to strengthen the Ukrainian state given such risks. We have always prioritized the ideas of improving public control over the security and defense sector, reducing classification levels in this sector, reforming defense procurement, and transforming the defense industry.

It was a great shock for us all to witness that the outer threat turned into a reality when Russia started its full-scale invasion. At the same time, we observed the outcomes of our activities as our state survived. We believe that the set of reforms in the security and defense sector, which has been implemented by the government in cooperation with civil society, helped to build a sector that is more transparent, with better governance, and a higher level of discipline. The said helped Ukraine's security and defense sector become much more efficient than many thought it was. Although no reform process has ever been easy and we have experienced repeated setbacks, it has certainly helped to transform the security and defense sector into a more accountable, transparent, and, respectively, efficient one.

We have learned that reforms in the security and defense sector are possible even within the framework of high political risks, potential security risks, and conflicts of interest. Donor investments in accountability reform have proven to be effective and shown that they can increase a country's resilience and ability to defend itself.

Given the war, the NAKO team continues to work in its priority reform areas. As a state, Ukraine has not only stood against Russia's full-scale war but continued to operate and implement reforms, which area is in need of help from civil society. At the same time, though, we have to admit that reforms have slowed down following the full-scale invasion.

The issue of transparency in the security and defense sector has also become acute. The budget of the Ministry of Defense of Ukraine has increased tenfold, and, therefore, also the corruption risks have. Given the context, the need for democratic monitoring of the said funds has become even more urgent. Parliamentary and public supervision was also jeopardized.

Accountability for defense procurement has become quite scarce nowadays. Earlier, NAKO as a public organization could monitor such procurement, namely following requests to grant access to public information. Currently, the said monitoring has become impos-

sible. We learn about abuse from already initiated criminal proceedings. The positive point is that our anti-corruption bodies, in particular the Specialized Anti-Corruption Prosecutor's Office, operate quite well given wartime conditions. Another positive point is that we elected the head of the Specialized Anti-Corruption Prosecutor's Office in the summer. We observe the increasing number of cases. This raises expectations that there is certain control, however, only at the punishment point. Supervision should be in place even before abuse occurs. Therefore, the role of civil society is important even during wartime.

At the same time, due to the full-scale war, there have appeared new areas of activities for our organization, which are really crucial for the state support here and now. In particular, in response to a request from the government of Ukraine, we have investigated gaps in anti-Russian sanctions and provided recommendations on how to "close" these up. Also, upon request filed by NACP, we investigated the Western spare parts in Russian drones, which made it possible to improve the activities of the state of Ukraine in the field of anti-Russian sanctions. Our recommendations on the said issues have been heard at the highest level – including such global me-

dia as the Wall Street Journal and the governments of various countries, in particular, the USA to the European Union.

Given a full-scale invasion, activities aimed at the implementation of the "Women, Peace, Security" agenda have become even more urgent. In 2022, the composition of the Ukrainian army changed drastically. Many people, who have never planned to become servicepersons, have joined the Armed Forces. These are representatives of various occupations, nationalities, genders, etc. They all defend us against danger at the cost of their own lives and thus prove their loyalty to the Homeland daily. Respectively, they all have the same rights and guarantees from the state, regardless of whether they are women, representatives of the LGBT community, Crimean Tatars, or persons with disabilities. In cooperation with the Ukrainian Veterans Foundation, NAKO promotes public awareness of diversity within the military and the veteran community and ensures legal assistance to families of military and veterans in need to defend their rights.

In 2022, the NAKO team did whatever possible to contribute to the victory of Ukraine.



NAKO STRATEGIC GOALS AND ACTIVITY OUTCOMES

After the full-scale invasion in February 2022, NAKO in line with the entire country was forced to restructure its activities and set additional priorities. Emergency response measures were added to our planned areas of activity. Thus, this year we worked on reducing classification levels, developing defense procurement, promoting the “Women, Peace, Security” agenda, assessing and reducing corruption risks within the security and defense sector, developing the capabilities of the parliament and the system of democratic civilian control, etc. NAKO also helped the government of Ukraine to investigate gaps in the sanctions policy against the Russian military-industrial complex and provided reasonable suggestions to make the said policy more efficient. These recommendations are implemented at different political levels. Moreover, NAKO joined the coalition of influential Ukrainian public organizations, which helped Kyiv (government) to strengthen the state’s resilience through international advocacy for assistance to Ukraine.

Outcomes:

- **the Anti-corruption Strategy of Ukraine until 2025 was adopted**; the Section therein on reducing corruption risks in the security and defense sector was developed by NAKO in cooperation with partners;
- **NAKO granted expert support to the Parliamentary Committee on National Security, Defense, and Intelligence** on such issues as increasing democratic civilian con-

trol, state secrets protection, and reform of the Security Service of Ukraine;

- **more than 500 veterans and their family members received legal support** within the framework of the joint “hotline” set by the Ukrainian Veterans Foundation and NAKO;

- supported by NAKO, **the Ukrainian Veterans Foundation organized a visit of veterans and their families to the USA** to exchange expertise between veterans of both countries and advocate the needs of veterans at the political level;

- **NAKO studied the foreign-sourced components in Iranian drones**, after which the USA and a number of European countries took additional measures to close gaps in the sanctions policy;

- in cooperation with the International Partnership for Human Rights (IPHR), **NAKO held a study that proved** that Western weapons spare parts were supplied to Russia already after the full-scale invasion started. The study will be presented in 2023;

- in cooperation with the Institute of Gender Programs NGO, **NAKO completed a sociological study** on women’s access to military education in Ukraine;

- as part of a coalition of Ukrainian public organizations, **NAKO representatives took part in a number of advocacy trips**, in particular to the USA, South Korea, Switzerland, France, Poland, etc.



GOAL 1. ASSISTANCE PROVIDED TO THE ARMED FORCES OF UKRAINE, THE MINISTRY OF DEFENSE OF UKRAINE, AND THE UKRAINIAN VETERANS FOUNDATION WHEN IMPLEMENTING THE “WOMEN, PEACE, SECURITY” AGENDA

Study

In 2022, NAKO conducted two large-scale studies on the status of women in the Armed Forces of Ukraine and their access to careers. The first study is about gender barriers identified when entering and promoting women in military service, while the second study is about their access to training in military institutions.

A study of women's career paths within the Armed Forces of Ukraine exemplified by one of the command groups revealed both positive changes and opportunities for further development. Thus, in the Ukrainian army, there are no legal obstacles for women to hold the positions of a private, a warrant, a sergeant, or an officer in any military occupational specialty. However, the actual indicators of the servicewomen's participation in the decision-making process and their representation in managerial positions remain low.

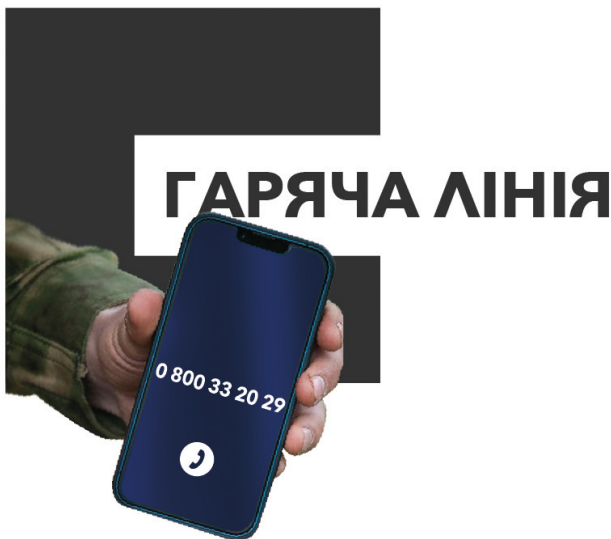
Therefore, NAKO recommends taking a number of organizational, regulatory, and communication measures. In particular, discriminatory standards should be removed from current legal regulations, more attention should be given to the involvement of motivated and qualified women in the military service and their promotion through the career ladder, and a positive public image of a servicewoman without any gender bias should be created.

Women researchers conducted the empirical part of both studies (surveys, expert and in-depth interviews, statistical data collection, etc.) yet before the full-scale invasion started. So they took all possible measures to bring the academic part in line with legislative changes and adjust the developed recommendations to the current situation. The presentation of studies and recommendations is planned for spring 2023.



Gender audit of budget programs in the security and defense sector

In cooperation with the State Audit Service of Ukraine, NAKO developed a gender audit methodology when implementing financial control in the security and defense sector. This will help the State Audit Service to check the level of including the interests of both women and men in various budget programs on a regular basis. In the long term, the methodology implementation will increase the efficiency of the budget policy, in particular, the planning and allocation of expenditures from the state budget, and also reduce the corruption level. NAKO cooperates with the State Audit Service to implement this methodology on a practical level.



Legal support of the “hotline” set by the Ukrainian Veterans Foundation

In cooperation with NAKO, lawyers of the Ukrainian Veterans Foundation provide qualified support to veterans and their families over the phone. Among the issues male and female veterans and their family members ask about at “hotline” are existing benefits for veterans and their family members and certain points related to status, social protection, etc.

It is a priority task for NAKO to support male and female veterans and their families during a full-scale war. In particular, we figure out the legal challenges and needs they face. Then, along with the Ukrainian Veterans Foundation, we strive to analyze these challenges and offer systemic solutions.

Advocacy and educational trips of Ukrainian male and female veterans

NAKO and the Ukrainian Veterans Foundation initiated a series of trips of Ukrainian male and female veterans and their family members abroad to share expertise with veterans of other countries and communicate their needs at the decision-making level. The first trip took place in October 2022, the next ones are planned for 2023.

The Ukrainian delegation included, in particular, Nataliia Rykabal-Kalmykova, the Executive Director of the Ukrainian Veterans Foundation, veterans of the Russian-Ukrainian war – Volodymyr Lahuta, Oleksandr Morozov, Yuliia Kirillova, Iryna Yurchenko, the mother of Ukrainian defender Dmytro Kozatskyi, and others.

Representatives of the delegation exchanged expertise with their American colleagues and discussed the options for support provision to veterans. We have also discussed the issues of the return of Ukrainian veterans to civilian life and prospects for cooperation, mentoring of veteran businesses, and social support for families and children of fallen veterans. Other topics for discussion included the role of male and female veterans on our path to victory, the participation of women in the country’s defense, challenges and prospects of war veterans’ rehabilitation, etc.



Communications

NAKO, in cooperation with the Ukrainian Veterans Foundation and the Censor.net media, launched a joint communication project “NATO V HATU.” This project deals with issues of bringing Ukraine in line with NATO standards nowadays, even before the war is won. Along

with our partners, we hold weekly discussions on the ways to improve governance within the security and defense sector, so that it becomes more fair and meets the current challenges. Another focus of the program is discussing ways to reduce corruption in the army and increase the rights protection for servicepersons and veterans, both men and women.



GOAL 2. PROMOTING GOOD GOVERNANCE IN THE UKRAINIAN DEFENSE SECTOR AND MONITORING CORRUPTION RISKS DURING WARTIME

Monitoring corruption risks in the Ministry of Defense of Ukraine

The inclusion of our recommendations into the State Anti-Corruption Policy for 2021–2025 was a logical outcome of the NAKO’s analysis of corruption risks within the Ministry of Defense of Ukraine. The Section of the [Anti-Corruption](#) Policy dedicated to measures to be taken within the security and defense sector was developed with the sup-

port of NAKO. In June 2022, the Verkhovna Rada of Ukraine adopted the Law of Ukraine “On the Principles of the State Anti-Corruption Policy for the Period until 2025.” Later, we continued our activities on the corruption risks assessment within the framework of the State Anti-Corruption Program development. NAKO experts participated in public discussions, submitted expert proposals, and provided their comments and consultations.



Cooperation with Ukroboronprom State Concern

In 2022, NAKO cooperated with Ukroboronprom to grant the state concern legal support related to the issues of corruption prevention and good governance. In particular, we provided expert support for initiatives in response to real-time requests. Thus, our team participated in the discussion and assessment of the draft law “On the Military-Industrial Complex as a Priority Sector of the Economy” and advised on international cooperation in the military-industrial industry.

Cooperation with the National Agency on Corruption Prevention

In 2022, NAKO cooperated with NACP to develop the operational analysis of corruption risks and improvements to sanctions policy (meaning anti-Russian sanctions). NACP used information about Russian enterprises involved in weapons production, col-

lected by our experts when communicating with our European partners to agree on the sanctions policy. Following that, 27 Russian companies reported by NACP were included in the 9th EU sanctions package.

Cooperation with the National Agency of Ukraine for Finding, Tracing, and Management of Assets Derived from Corruption and Other Crimes (ARMA)

NAKO participated in the analysis of legislative initiatives filed by ARMA to regulate the corporate rights management of sanctioned assets.

Study of Western spare parts found in Iranian drones

NAKO analyzed the Western spare parts from Iranian drones Shahed-136 and Mohajer-6. Following the analysis, in cooperation with the Wall Street Journal,



an [investigation](#) into Western spare parts in Iranian weapons was published. NAKO set cooperation with a number of journalists from different countries on the issue of the spare parts found, as well as with representatives of governments of certain countries that launched their domestic investigations into companies, which produced spare parts found in those drones.

Study of the needs of Ukrainian UAV manufacturers

In partnership with the Kyiv School of Economics, such volunteer organizations as Razom, Serhiy Prytula Charity Foundation,

and the Air Intelligence Support Center, NAKO studied the status and current needs of Ukrainian UAV manufacturers. The results will be presented in 2023.

Cooperation with civil society in Ukraine and abroad

NAKO joined the Business for Ukraine (B4U) network which helps it actively communicate and coordinate with public organizations abroad. The cooperation objective is to coordinate actions with international organizations to close up gaps in sanctions policies and encourage businesses to terminate relations with Russian companies.



GOAL 3. SUPPORTING THE VERKHOVNA RADA OF UKRAINE IN DEVELOPING ACCOUNTABILITY PROCEDURES IN THE DEFENSE SECTOR AND DEFENSE REFORMS

The key outcome of the activities in this area is the development of a number of draft laws and amendments to existing legislative documents (several dozen of these), which should improve democratic civilian control over the Armed Forces of Ukraine and the Security Service of Ukraine, in particular.

Democratic civilian control

Thus, the Verkhovna Rada of Ukraine developed and adopted draft law No. 4210 in the first reading. It addresses such issues as the lack of legal tools to ensure high-quality democratic civilian control over the Armed Forces of Ukraine and the lack of standards of authority, accountability, and responsibility for the key senior officials of the Ministry of Defense and the Armed Forces of Ukraine. So, the draft law proposes to improve military leadership and control to increase the quality of defense planning procedures, given the NATO and EU best practices. The draft law also aims to clearly define the list and content of defense planning documents.

Reform of the Security Service of Ukraine

An important achievement was the development of draft laws to implement the law on the SSU reform. Draft law No. 3196-d on the SSU reform was still being finalized for the second reading in the parliament when this report was developed. NAKO also helped develop a number of by-laws, such as draft laws on the SSU disciplinary statute, a draft law on amendments to certain codes, and a draft law on counter-terrorism. The SSU reform has

been the most sensitive one in the security and defense sector for several years, while its current version is still controversial. We in NAKO believe it is the most realistic balance agreement given the strong opposition to the reform within the SSU itself.

At the same time, the planned SSU reform was already partially tested during martial law. It became obvious that those SSU departments, which the Committee of the Verkhovna Rada of Ukraine on National Security, Defense and Intelligence chose to grant more powers to as they were considered the most effective ones, turned out to be highly efficient in the context of a full-scale war. The SSU reform creates a framework for future transformations, despite the fact that the draft law has not yet been voted for in the second reading.

Reform of state secrets protection

NAKO experts prepared and advocated proposals for the draft law “On the Security of Classified Information” (aimed to replace the Law of Ukraine “On State Secrets”) and the draft Law of Ukraine “On the Security Service of Ukraine.” The said recommendations are prepared following a comprehensive study of the state secrets institute in Ukraine, which was earlier carried out by NAKO. Our goal is to improve the state secrets institute in Ukraine and bring it in line with NATO standards, thus setting a balance between national security and ensuring transparency and accountability of state authorities in the security and defense sector.

During the year, NAKO carried out a

number of advocacy activities, namely:

- 1) presented recommendations in front of the Committee of the Verkhovna Rada of Ukraine on National Security, Defense, and Intelligence;
- 2) held advocacy meetings with Yehor Volodymyrovych Cherniev, the Deputy Chairman of the Committee of the Verkhovna Rada of Ukraine on National Security, Defense, and Intelligence, and the Head of the Permanent Delegation of Ukraine to the NATO Parliamentary Assembly;
- 3) held advocacy meetings with the task group of the Parliamentary Committee on Humanitarian and Information Policy on improving legislation in the field of access to information;
- 4) prepared informational materials on that topic.

Due to the NAKO activities in that area, the Committee of the Verkhovna Rada of

Ukraine on National Security, Defense, and Intelligence considered 50 % of the recommendations we filed. In particular, important recommendations included the introduction of a three-level test and restriction, if applicable, of access to the information itself, but not to the document in general. However, a number of recommendations were not considered. NAKO continues their advocacy.

Operational consultations in the context of full-scale war

NAKO also maintained a reasonable dialogue with representatives of the special purpose committee of the Verkhovna Rada of Ukraine, in particular, we provided operational consultations upon request of people's deputies. Mostly, such analytical consultations related to topical issues of identifying and minimizing corruption risks in the field of defense procurement, accounting, and distribution of international military aid, reducing secrecy in the security and defense sector.



INTERNATIONAL ADVOCACY AND COMMUNICATION GIVEN THE RUSSIAN FULL-SCALE WAR AGAINST UKRAINE

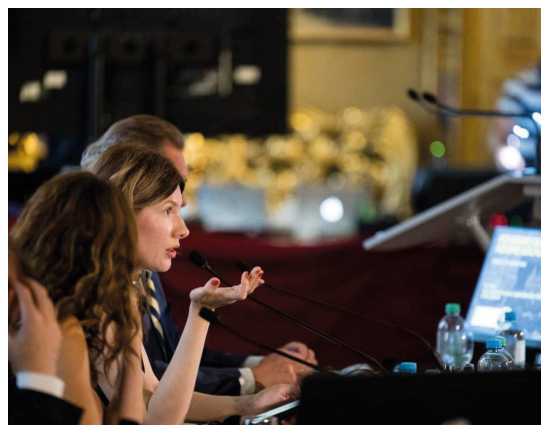


USA

In May 2022, Olena Trehub, NAKO Executive Director, together with members of the Verkhovna Rada of Ukraine and representatives of civil society and mass media visited the USA to meet international stakeholders to advocate for support of Ukraine. The delegation held a number of meetings with high-ranking US and

UN officials. In particular, in Washington, government and civil society representatives met with Republican and Democratic senators and congressmen – Bernie Sanders, Adam Kinzinger, Steve Chabot, Veronica Escobar, Jim Costa, and Brad Sherman. The delegation also held meetings with representatives of the US Department of State, the Pentagon, various analytical organizations, and mass media.





Italy

In July 2022, Olena Trehub spoke in Turin at the International Conference “Global Thinking, Local Action: a Look from Turin on Global Governance since the Outbreak of War On Ukraine.” It was organized by the independent analytical center “Istituto Affari Internazionali” within the strategic partnership with “Fondazione Compagnia di San Paolo.”

Trehub called on Western countries to continue supporting Ukraine. She stressed that Russia believes it could win at the political and diplomatic levels and split the European Union thus decreasing aid granted to Ukraine, and that it would never stop its pressure on the world community and the war in Ukraine. Russia is trying to put pressure on the world community via propaganda and disinformation that it distributes globally.



South Korea

In September 2022, Olena Trehub, NAKO Executive Director, visited the Republic of Korea, where she met with politicians, representatives of civil society, the academic community, defense enterprises, as well as mass media. Despite the lack of current cooperation in the de-

fense sector between Ukraine and Korea, in the future, Korea may become an important strategic partner for Ukraine, as Seoul has brought its defense industry to a high level. “As of today, South Korea produces weapons and equipment that is competitively viable with the same by world’s well-known manufacturers working up to NATO standards,” Trehub noted after the trip.

In October and November, Elena Trehub made another trip to Seoul. Along with representatives of Ukrainian civil society, the NAKO Executive Director met with Korean members of parliament to establish and improve existing relations between states and representatives of civil society. They held

meetings dedicated to the possible future cooperation between Ukraine and South Korea in the defense area and the improvement of democratic control over the security and defense sector so that such cooperation could become a reality.

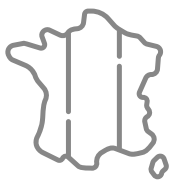


Poland

This year, Olena Trehub, the NAKO Executive Director, once again took part in the Warsaw Annual Security Forum, which was held on October 4–5. It is a platform used to exchange opinions between representatives of governments, international institutions, experts in

the field of politics and defense, and civil society participants.

In the course of discussions and panel meetings, topical aspects of transatlantic security, which is highly dependable on Ukraine's defense capability, as well as on the types and methods of political, military, and financial assistance provided to Ukraine, were discussed.



France

On November 12–14, 2022, Olena Trehub, NAKO Executive Director, and Emiliia Di-eniezhna, Head of Communications and Advocacy, visited the Paris Peace Forum. Despite the forum's objective to achieve lasting peace via international cooperation, which should become a decisive factor, the issue of the Russian war in Ukraine, however, was

hardly discussed by the forum participants.

Also in November, NAKO representatives attended the conference "What will be the future of Ukraine? Energy, security, identity," which was organized by the French NGO Eastern Circles in partnership with NAKO. During the security panel meeting, the speakers discussed the reasons for Ukraine's resilience in the face of full-scale Russian aggression, and Ukraine's need for further struggle.



Switzerland

In November 2022, Olena Trehub, NAKO Executive Director, took part in the international conference "From moral duty to legal obligation: corporate behavior and human rights in the context of Russian invasion of Ukraine" held

in Geneva. Experts, representatives of businesses, and civil society discussed the legal behavior of some major companies that continue their commercial activities in Russia despite the Russian war in Ukraine. The experts also discussed the evidence of Russia's alleged involvement in sponsoring the war in many sectors.



FINANCIAL STATEMENT

NAKO expense items in 2022



UAH **768,050.55**
Administrative expenses and office rent



UAH **14,714,234.48**
Salary paid to the team and consultants



UAH **672,642.85**
Project activities and advocacy



UAH **403,502.13**
Research and analytics, publications and communication



NAKO income



Foreign &
Commonwealth
Office

464,731.41

GPB

Foreign, Commonwealth
& Development Office
(FCDO)

DCAF

Geneva Centre
for Security Sector
Governance

7,200

EUR

Geneva Centre for
Security Sector
Governance (DCAF)



ORGANIZATION CHART

Board



Andrew Bain

President of Atlantic Group,
a retired US Marine Reserve Colonel



Giovanni Kessler

former Director General of the
European Anti-Fraud Office (OLAF)



Andrii Borovyk

Executive Director of Transparency
International Ukraine



Sevgil Musaieva

a journalist, editor-in-chief of the
online publication Ukrainska Pravda

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Head of Communications
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Anatolii Yahin
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Viktoriia Vyshnivska
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Vladyslav Halytskyi
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Manager



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Manager



Artem Skrypnyk
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Advocacy Officer



Anna Zahorodko
Content Assistant



DONORS AND PARTNERS

Donors

In 2022, NAKO activities were supported by the Foreign, Commonwealth & Development Office through the Special Defense Advisory Team at the British Embassy, Kyiv.

Partners

1. General Staff of the Armed Forces of Ukraine
2. Ministry of Defense of Ukraine
3. Verkhovna Rada of Ukraine
4. Ukroboronprom State Concern
5. Ukrainian Veterans Foundation
6. National Agency on Corruption Prevention
7. StateWatch NGO
8. NGO “Institute of Gender Programs” (“Invisible Battalion”)
9. International Partnership for Human Rights (IPHR)
10. C4ADS
11. Business for Ukraine
12. Censor.net



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