



NAKO
TI UKRAINE • TI-DS



2021 ANNUAL REPORT

Independent Anti-Corruption
Commission (NAKO)

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ACRONYMS

AFU	Armed Forces of Ukraine
CMU	Cabinet of Ministers of Ukraine
COVID-19	Coronavirus disease 2019
DCI	Defence Companies Index
EU	European Union
FCDO	UK Foreign, Commonwealth & Development Office
GBP	British Pound
JSC	Joint-Stock Company
KGB	Committee for State Security
MoD	Ministry of Defence of Ukraine
MP	Member of Parliament
NACP	National Agency on Corruption Prevention
NAKO	Independent Anti-Corruption Commission
NAP	National Action Plan
NATO	North Atlantic Treaty Organization
NDI	National Democratic Institute
NGO	Non-governmental Organisation
OECD	Organization for Economic Cooperation and Development
SAPO	Specialized Anti-Corruption Prosecutor's Office
SBI	State Bureau of Investigation
SBU	State Security Service of Ukraine (acronym from the Ukrainian)
SSR	Soviet Socialist Republic
TI-DS	Transparency International Defence & Security
UAH	Ukrainian Hryvnia
UK	United Kingdom
UN	United Nations
UVF	Ukrainian Veterans Fund

ABOUT US



The NAKO Team

The Independent Defence Anti-Corruption Commission (NAKO) is an independent non-governmental organization (NGO) that combats corruption and promotes good governance in the security and defence sector. NAKO's goal is to reduce the risks of corruption through quality research, effective advocacy, and public awareness.

NAKO analyses corruption risks and other challenges to good governance in Ukraine's national security sector and provides relevant recommendations to government agencies. It promotes public authorities' transparency

and accountability to society and accelerates reforms in the national security sector. It also exercises public control over anti-corruption reforms in the state security and defence structures.

NAKO was founded in 2016 as a joint project of the Anti-Corruption Program in the Security and Defence Sector of Transparency International UK and Transparency International Ukraine. In 2019, NAKO became a separate independent civil society organization. Today, NAKO maintains a strategic partnership with the Transparency International movement.

INTRODUCTION



“Increasing the transparency of defence procurement in Ukraine has always been one of NAKO’s top priorities.”



Olena Tregub,
NAKO Executive Director

Thanks to NAKO’s active involvement and after lengthy discussions and numerous amendments, the Parliament adopted the [Law “On Defence Procurement”](#) on July 17, 2020.

The law aims to reduce corruption risks in the defence sector. It introduces open defence procurement procedures, significantly increases the transparency of procurement planning, and ensures effective public and democratic civilian control. All of this should increase the efficiency of using funds allocat-

ed for procuring defence goods, work, and services. Despite some shortcomings, this is the first law in the history of the Ukrainian defence sector that was developed with the participation of all stakeholders, including civil society.

NAKO was actively involved in the legislative process at all stages and systematically provided comments on the text of the draft law. The law took into account NAKO’s recommendations to reduce corruption risks in the state defence procurement system, which were proposed in the [study “Reform of the State Defence Order.”](#)

Unfortunately, to date, the Law “On Defence Procurement” has not revolutionized defence procurement. The reasons for this include the [resistance of the old Soviet system and the inefficiency of the executive authorities](#) responsible for implementing the law. The law was supposed to be implemented by January 1, 2021, but this did not happen, as the responsible ministries failed to adopt about 30 resolutions required by the law in a timely manner. In addition, as of the end of 2021, the register of four state customers, an important element of the new defence procurement system, was not functioning properly.

Implementing this law was one of the main challenges of 2021, not only for the responsible ministries, but also for the Parliament, which is obliged to oversee this process, as well as for civil society, which – we promise – will closely monitor it.

NAKO STRATEGIC GOALS AND RESULTS



GOAL 1: BETTER DEFENCE GOVERNANCE

In 2021, NAKO provided expert support to government agencies in the defence sector, analysed draft laws, and presented a number of analytical reports to the Ministry of Defence (MoD). Among NAKO's important achievements was that the MoD adopted the

Anti-Corruption Program 2021-2024, which contains 24 of NAKO's 25 recommendations. NAKO also participated in the work of the MoD Commission on Corruption Risk Assessment.



2
research studies



1 analysis of
a draft law



24 out of **25**

NAKO recommendations were included in the Anti-Corruption Program 2021-2024, which was approved by the Ministry of Defence

Index of Integrity in Defence Governance

[Transparency International's Defence Integrity Index](#) is the only large-scale analysis of the effectiveness and control of corruption risks in the security and defence sector. In 2021,

Ukraine received **41 out of 100** points and was included in the group of countries with a **"D"** grade, which means high corruption risks.



"Just like in 2015, the last time the index results were announced, Ukraine still remains in group D, which means it has a high risk of corruption,"



Group: **D**
Risk: **High**

— emphasized NAKO Executive Director
Olena Tregub

The most corruption-prone sectors are procurement and finance, while the situation with military operations is critical. The situa-

tion can be improved by the quality implementation of the Law “On Defence Procurement.”



Presentation of the results of the Global Defense Integrity Index in Kyiv, on December 9, 2021. The photo shows UK Special Defence Advisor Martin Molloy, NAKO Executive Director Olena Tregub, Volunteer and Moderator Serhiy Prytula, and Head of Statewatch NGO Hlib Kanevsky.



Presentation of the results of the Global Defense Integrity Index in Kyiv, on December 9, 2021. The photo shows Ukrainian MP Solomiia Bobrovska speaking from the frontline by ZOOM.

Implementation of the Law “On Defence Procurement”

Defence procurement reform is under threat. The Law “On Defence Procurement” came into force on January 1, 2021, but did not work because the regulations necessary for its implementation were not developed and approved in time.

With this in mind, NAKO initiated and led a

coalition of partner NGOs and volunteer initiatives to advocate for the quality implementation of the law, which has not yet occurred. Civil society called for unblocking defence procurement reform to prevent the possible return of post-Soviet corruption practices. As a result, NAKO drew significant attention to the problem at the governmental level.

Corruption risks in Ministry of Defence medical procurement

In May 2020, the Medical Forces Command of the Armed Forces of Ukraine purchased 2.5 million medical masks and received a kick-back of UAH 1 for each mask purchased. According to the State Bureau of Investigation (SBI), the officials facilitated the contract between the MoD and the selected company, after which they accepted the goods without the necessary documents, despite a delay in delivery. The criminal proceedings have now been referred to court.

This is just one example of the violations and corruption risks NAKO identified in its [study “Medical Procurement in the Ministry of Defence during the Pandemic: Corruption Risks and Recommendations.”](#) The study analysed the MoD’s 2020 public procurement in the medical sector during the COVID-19 pandemic. The analysis covers the procurement of medical equipment, pharmaceuticals, and hygiene products by the Ministry and six largest customers subordinated to the MoD.

NAKO monitoring revealed certain corrup-



tion risks and systemic problems in the supply of medical supplies to the Armed Forces and the MoD.

First, competition was restricted due to unreasonable requirements in the technical documentation that narrowed the range of potential participants (for example, the requirement



to provide a letter of guarantee from the product manufacturer or its official representative).

Second, procurement costs were overestimated and there was insufficient market research (in particular, the procuring entity could impose additional costs on the suppli-

er that are not related to the procurement).

Third, the dishonest behaviour of procurement participants or representatives of the procuring entity could be manifested in collusion of potential tenderers, bias and prejudice during consideration of tender proposals, or incomplete verification of procurement participants.



In the report, NAKO outlined a number of recommendations for improving the procurement process to increase efficiency and save budget funds. In particular, NAKO recommended professionalizing procurement (for example, by transferring open procurement to a centralized procurement organization) and improving the procedure for determining technical requirements of procurement subject to ensure proper competition. NAKO is working with government agencies to promote these recommendations, including the MoD, Parliament, and civil society partners.

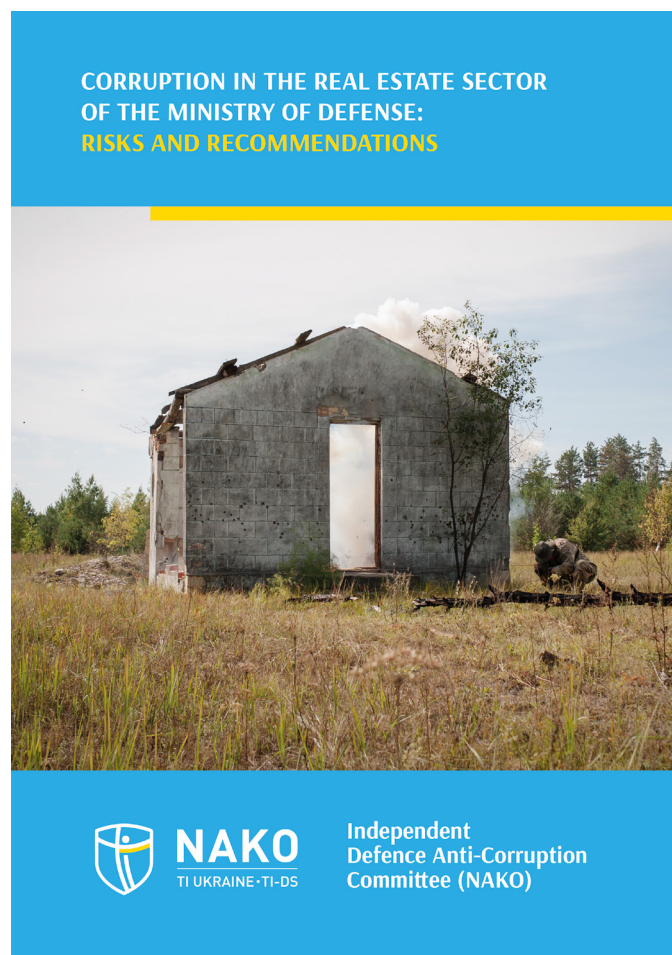
Corruption risks in the Ministry of Defence real estate sector

In 2016-2017 alone, the state budget allocated UAH 1.2 billion to construct and purchase housing for military personnel. More than UAH 632 million was used inefficiently, according to the Accounting Chamber, mainly due to poor management and lack of effective control over both internal and external processes.

With this in mind, NAKO investigated corruption risks in the MoD real estate sector and presented the [study “Corruption in the Real Estate Sector of the Ministry of Defence: Risks and Recommendations”](#) to the Verkhovna Rada Committee on National Security, Defence, and Intelligence.

Three examples in the report illustrated gross irregularities in the defence housing construction process: the presentation of old, abandoned buildings as “new” housing; the loss of state resources and control over real estate through alleged collusion between Ukrainian MoD officials and contractors; and the significant losses caused by a fraudster in the MoD who managed to sell unauthorized MoD land.

These cases were selected not because of their anomalous nature, but because they are vivid examples that help to demonstrate the corrupt practices and governance failures that make them possible. It can be argued that at the heart of this is the refusal to reconsider or adjust the promise to provide



housing for all military personnel, despite the obvious difficulties in implementing it: taking this issue for granted seems to block reform, preserve harmful expectations, and entrench old patterns.

The study contains a list of clear recommendations to reduce corruption risks in the MoD real estate sector.

Analysis of draft law #5716 on providing housing for service members

In June 2021, Members of Parliament (MPs) introduced draft law #5716, which aims to reduce the housing waiting list for 45,000 military personnel and their families. The draft law proposes providing military personnel with housing at the expense of extra-budgetary funds and through the alienation or lease of property.

NAKO analysed the draft law and found that the document does not address the issue of housing for the military. Instead, it is more concerned with the organization of auctions, allocation of land plots, alienation of real estate, and lease of defence land.

NAKO also identified **several significant corruption risks**, in particular:

- Risks of unfair competition;

- Lack of safeguards against financial abuse;
- Risks of failure to fulfil the terms of investment agreements;
- Lack of regulation of using funds received from property transactions;
- Excessive and unjustified delegation of powers to state bodies and officials.

The National Agency on Corruption Prevention (NACP) fully supported the results of the anti-corruption analysis of draft law #5716 “On Provision of Housing for Servicemen/ Women at Public Expense and Transfer of Land for Lease and Alienation of Property.” Based on NAKO’s findings, the Parliamentary Committee on Defence is working with the NACP on an updated version with fewer corruption risks.

Facilitating safe exposure of corruption in the Ministry of Defence

As part of the communication support to the MoD for implementing its Anti-Corruption Program for 2021-2024, NAKO handed over 2,000 posters with the call to “Report Corruption” and detailed information on how to do so. The handover took place in cooperation with the Ministry’s Corruption Prevention and Detection Department.

The posters contain a QR code that, when scanned, allows reporting corruption in the Armed Forces through a special secure channel the MoD created. The posters contain





information on the rights of whistleblowers, their guarantees under the law, and hotline numbers and e-mail and postal addresses for anonymous reports.

Thanks to these posters, service members across Ukraine will know how to report corruption in the army if they encounter it.



GOAL 2: TRANSPARENT AND ACCOUNTABLE DEFENCE INDUSTRY

Defence Companies Index

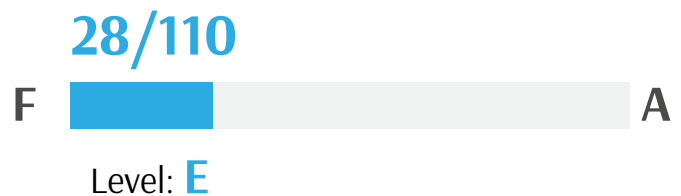
On February 12, 2021, NAKO [presented](#) the results of the Transparency International Defence & Security (TI-DS) Global Defence Companies Index at the Ukrinform news agency. The Defence Companies' Anti-Corruption and Corporate Transparency Index (DCI) is the only index in the world that measures the commitment of the world's leading defence companies to transparency and anti-corruption. The index covers 134 of the largest defence companies in 38 countries and rates them on a scale from A to F, where A is the highest level of transparency and F is a high risk of corruption. Ukroboronprom, the only

Ukrainian company represented in the index, received 28 out of 110 points, corresponding to level E.

It is worth noting the progress that Ukraine has made within the framework of this index. Ukroboronprom was not included the last time the TI-DS DCI was published, in 2015. Instead, the state aviation enterprise Antonov and Kharkiv Aviation Plant, which are now part of Ukroboronprom, were evaluated. At that time, both enterprises were in the group with the lowest transparency score: F, with a score of 0 points.



Ukroboronprom, the only Ukrainian company represented in the index



“One of the reasons why Ukroboronprom managed to rise significantly in the ranking is its purposeful desire to increase its transparency in recent years and constructive dialogue with the ranking compilers,”

explained **Olena Tregub**,
NAKO Executive Director



Presentation of the Defence Companies Index in Kyiv, on February 12, 2021. The photo shows Moderator and Chief Editor of Ukrayinska Pravda Media Sevgil Musaieva, NAKO Executive Director Olena Tregub, Deputy Minister of Economy Svitlana Panaiotidi, General Director of Ukroboronprom Yuriy Husiev, and TI-Ukraine Legal Advisor Oleksandr Kalitenko.

Since 2017, NAKO has been advocating for Ukroboronprom's corporate governance reform and providing recommendations to reduce corruption risks and increase transparency in the concern. In particular, NAKO helped Ukroboronprom to develop a Code of Ethics, a new compliance function and a number of policies, including anti-corruption policies and those related to countering

bribery, conflict of interest, etc. NAKO also helped the concern develop internal procedures to increase the transparency of Ukroboronprom's procurement. NAKO hopes that Ukroboronprom's commitment to transparent policy will continue during the transformation period, which will help build a state-owned defence industry in Ukraine that is more efficient and less prone to corruption.

Reforming the state defence concern Ukroboronprom

On October 1, 2021, President Volodymyr Zelenskyy signed a law that fully launched the reform of the state defence concern Ukroboronprom. The law officially entered into force after its publication. The reform of Ukroboronprom is to take place within three months, as decided by the Cabinet of Ministers of Ukraine (CMU). After a new joint-stock company (JSC) is established, Ukroboronprom will be liquidated.

Corporatizing Ukroboronprom and introducing corporate governance standards in line

with those of the Organization for Economic Cooperation and Development (OECD) should increase the competitiveness of the Ukrainian defence industry in the global market, attract more investment projects, and help create more efficient enterprises that will provide the Ukrainian army with quality weapons.

Earlier, the OECD published a [Corporate Governance Review of State-Owned Enterprises in Ukraine](#), which states that **Ukroboronprom and Draft Law #3822 on reforming state-owned defence enterprises**

should form the basis of the reform.

The OECD positively noted the provisions introducing independent members to the Supervisory Board and their remuneration. However, in the January version of this draft law, the organization also identified a number of risks. In particular, the draft:

- “Enshrines the contradictory roles of the state as owner, politician, and regulator, which opens up opportunities for unjustified political interference”;
- “Does not guarantee the independence of the supervisory board from the owner and politician”;
- “Allows for easy replacement of management and jeopardizes the transfer of assets during the transition period.”

NAKO continues to support reforming Ukroboronprom in accordance with the

recently adopted law. In particular, it will closely monitor:

- The process of forming the new JSC Supervisory Board and management bodies;
- Establishing corporate governance standards in the new JSC charter;
- Transferring property and assets during corporatization.

Earlier, NAKO submitted proposals for the future company’s charter, after Ukroboronprom is liquidated. NAKO worked closely with Ukroboronprom, exchanging positions, comments, and additional remarks, and Ukroboronprom accepted 70% of NAKO’s proposals. NAKO also analysed the reform from the point of view of Ukroboronprom and the government (draft government order) to understand whether everything is included, what should be there, and whether something needs to be further developed.



Expert discussion “Ukroboronprom Reform in 2022” in Kyiv, 23 December 2021. The photo shows NAKO Executive Director Olena Tregub, General Director of the defense concern Ukroboronprom Yuriy Husyev, Gorshenin Institute Director for Communications Natalia Klauning, Head of the Verkhovna Rada Committee on National Security Oleksandr Zavitnevych and Head of StateWatch NGO Hlib Kanevskiy.



Roundtable “Analysis of the Defence Industry Reform” in Kyiv, on 17 December 2021. The photo shows NAKO Executive Director Olena Tregub, Head of StateWatch NGO Hlib Kanevskiy, Gorshenin Institute Director for Communications Natalia Klauning, Director for Transformation at Ukroboronprom Stanislav Lyudkevych.



The picture shows NAKO Executive Director Olena Tregub and Ukroboronprom General Director Yuriy Husiev at a meeting to deepen cooperation between the institutions.



Roundtable discussion “Restarting the state defence industry” in Kyiv, On 13 May 2021. The picture shows Head of the Committee on National Security, Defense, and Intelligence Oleksandr Zavitnevych speaking online.



NAKO’s panel “Ukraine’s defence industry reform: How to create investment opportunities instead of corruption risks?” during the Zero Corruption Conference in Kyiv, on 10 June 2021. The picture shows CEO of Ukroboronprom Yuriy Husiev, Vice Prime Minister, Minister for Strategic Industries of Ukraine (MSI) Oleh Urusky, the Head of the NATO Representation to Ukraine Alexander Vinnikov, and NAKO executive director and moderator Olena Tregub.



Defence Industry Forum organized in Odesa by the Lviv Security Forum, State Concern Ukroboronprom, and NAKO, 17 July 2021. The photo shows NATO Deputy Assistant Secretary General for Defence Investment Mr. Gordon B. Davis and Fellow for Security and Defense at The German Marshall Fund of the United States in Brussels Bruno L  t  .



GOAL 3:

DEMOCRATIC CIVILIAN CONTROL OF THE DEFENCE SECTOR AND REDUCTION OF SECRECY

Supporting the Parliamentary Committee on National Security to strengthen democratic control



2 draft laws



1 analytical
research study

NAKO provided expert support for developing several laws that strengthen democratic control over the security and defence sector. The results of this work will contribute to strengthening democratic civilian control, mainly over the Armed Forces and the Security Service of Ukraine (SBU).

Draft Law #4210

The Verkhovna Rada adopted draft law “On Amendments to Certain Legislative Acts of Ukraine in the Field of National Security and Defence to Strengthen Democratic Civilian Control of the Armed Forces, Improve Joint Command of the Armed Forces of the State, and Planning in the Fields of National Security and Defence” in the first reading on February 8, 2022. This document provides for amendments to 19 laws.

The draft law stipulates that democratic civilian control over the activities of security and

defence forces is exercised by Ukraine’s democratically-elected civilian authorities. The military is accountable to the government. In particular, the MoD will control the Armed Forces, monitor compliance with the law, report on the use of budget funds for military purposes, and cooperate with authorities and non-profit organizations.

One of the objectives of this draft law is to create a civilian Ministry of Defence. In particular, the draft law stipulates that persons who left military service less than five years ago cannot be appointed to the positions of Minister of Defence and Deputy Ministers. This will introduce a NATO principle that eliminates subjective factors that previously hindered the effectiveness of democratic civilian control. In the past, members of the top military leadership were often appointed to senior positions in the MoD immediately after leaving the service. In such circumstances, efforts to establish a civilian MoD as a mandatory component of democratic civilian control

were purely formal.

The draft law stipulates that the Commander-in-Chief of the Armed Forces is subordinated to, controlled by, and accountable to the Minister of Defence. In this case, the Commander-in-Chief is appointed and dismissed by the President on the recommendation of the Minister of Defence. This should lead to a clear mechanism for dividing responsibilities between politicians and the military.

Draft Law on Amendments to the Law on the Security Service of Ukraine

The SBU can be compared to a reformatted and, to some extent, deteriorated version of the KGB of the Ukrainian Soviet Socialist Republic (SSR). Even though some of the rational elements of this system have often been destroyed over the past 30 years, no government has been willing to address this issue, as each has benefited from the SBU, which could be controlled. This resulted in a situation where there were widely known corruption departments such as “K” (departments that investigate and counteract the activities of organized criminal groups and corruption in government structures), while counterintelligence or operational and technical departments were critically underfunded.

As part of preparing draft law #3196-d and related legislation, NAKO provided expert support to the Parliamentary Committee on

National Security to achieve several goals.

- The SBU should be demilitarized and pre-trial investigation functions should be removed from the SBU; counterintelligence and counterterrorism should remain. It is worth noting that with the outbreak of Russia’s war against Ukraine, there is a risk of increasing the “militarization” of state authorities, which may mean that the status of the SBU as a military structure will not be rethought.
- Many risky aspects of the draft law have been identified and partially corrected, some of which Ukrainian or international experts and civil society organizations have never pointed out, such as the absence of competitive recruitment. This creates the risk of nepotism and corruption instead of fair recruitment and promotion of the most qualified and dedicated people. The final wording of the draft law and accompanying legislation will be determined by the parties concerned. However, NAKO’s work helped to highlight these risks for the Parliamentary Committee on Defence, so its members can take these risks into account.

SBU reform has been one of the most difficult in Ukraine’s defence and security sector for many years, and the current version is still highly debated. But it seems to be the most realistic compromise possible, given the strong opposition to reform from within the SBU. Reforming the SBU has created a framework for future transformations, although the Verkhovna Rada did not adopt the draft law in the second reading.

Analytical study on secrecy in law enforcement agencies

NAKO conducted an analytical study to determine the level of information classification in Ukrainian law enforcement agencies and presented the [preliminary results](#) to representatives of government agencies, including the MoD and SBU, MPs, representatives of the international community, and independent experts.

The study cited specific examples when restrictions on access to information can serve as a convenient cover for concealing officials' misconduct. The report emphasized that excessive and unjustified secrecy reduces the possibilities for democratic civilian control in the Ukrainian security and defence sector and poses a threat to national security.



It also noted that the SBU simultaneously establishes a secrecy regime, monitors compliance with the regime, and is responsible for lifting it, which leads to an excessive concentration of power. The lack of proper mechanisms for detecting violations and their objective investigation perpetuates criminal practices.



Kyiv, On 30 September 2021 NAKO presents preliminary results of an analytical study on secrecy during the closed-door roundtable.

NAKO emphasized that Ukrainian legislation on information secrecy should be in line with the best international practices, in particular, the “Global Principles on National Security and the Right to Information” (Tshwane Principles, adopted on June 12, 2013). Information should be confidential only in cases where there is a threat to national security. No one should be exempt from disclosure requirements. Those who expose corruption in the field of national security should not be subject to criminal liability if the public interest outweighs the harm from disclosing information that has been classified.

The experts on access to public information who attended the event supported NAKO's position. Preliminary results of the study were discussed behind closed doors. NAKO took into account the experts' recommendations when preparing the final recommendations. The research was passed on to stakeholders for review and consideration in their legislative work.

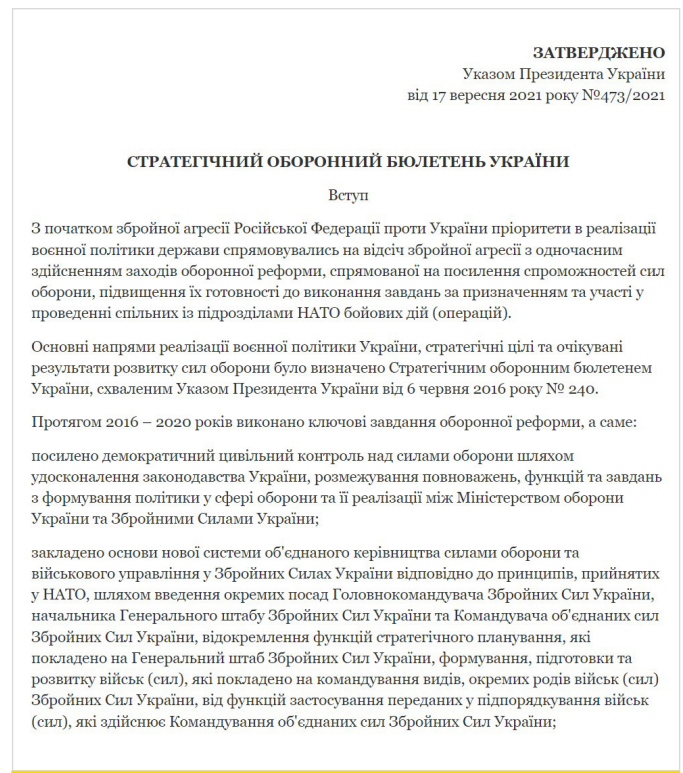
Strategic Defence Bulletin 2021

In September 2021, President Zelenskyy signed Decree #473/2021 approving the [Strategic Defence Bulletin of Ukraine](#). This important strategic document will be the basis for further developing and implementing program documents and projects for the development of the defence forces. It defines the key implementation areas of Ukraine's military policy, strategic development goals, and expected results.

The bulletin is aimed at bringing the defence system to the level of ensuring territorial protection and restoring Ukraine's territorial integrity, approximating to NATO standards, and transforming the Armed Forces in accordance with democratic standards.

However, a detailed analysis of the bulletin's provisions raised questions about the quality of implementing the declared intentions. In particular, the document does not mention the continued declassification of defence procurement, which is of great concern to NAKO.

The Defence Bulletin of 2016 envisaged a gradual transfer of conventional arms procurement under the State Defence Order to the public domain. However, this was not achieved in the next four years. Reducing the volume of unreasonably classified procurement should increase competitiveness and, consequently, minimize corruption. This is also an important step on the path of



Ukraine's Strategic Defence Bulletin, Screenshot

Ukraine's NATO approximation.

During 2016-2020, NAKO repeatedly drew attention to the need to reduce the level of secrecy in defence procurement. However, as of 2021, defence procurement was still overly classified and the new bulletin does not mention continuing to reduce secrecy. Given this, ***the absence of any declassification provisions in the bulletin jeopardizes the approximation to NATO standards and the democratic transformation of the Armed Forces of Ukraine.***

Parliamentary Oversight Week



4 webinars



over **160**
participants

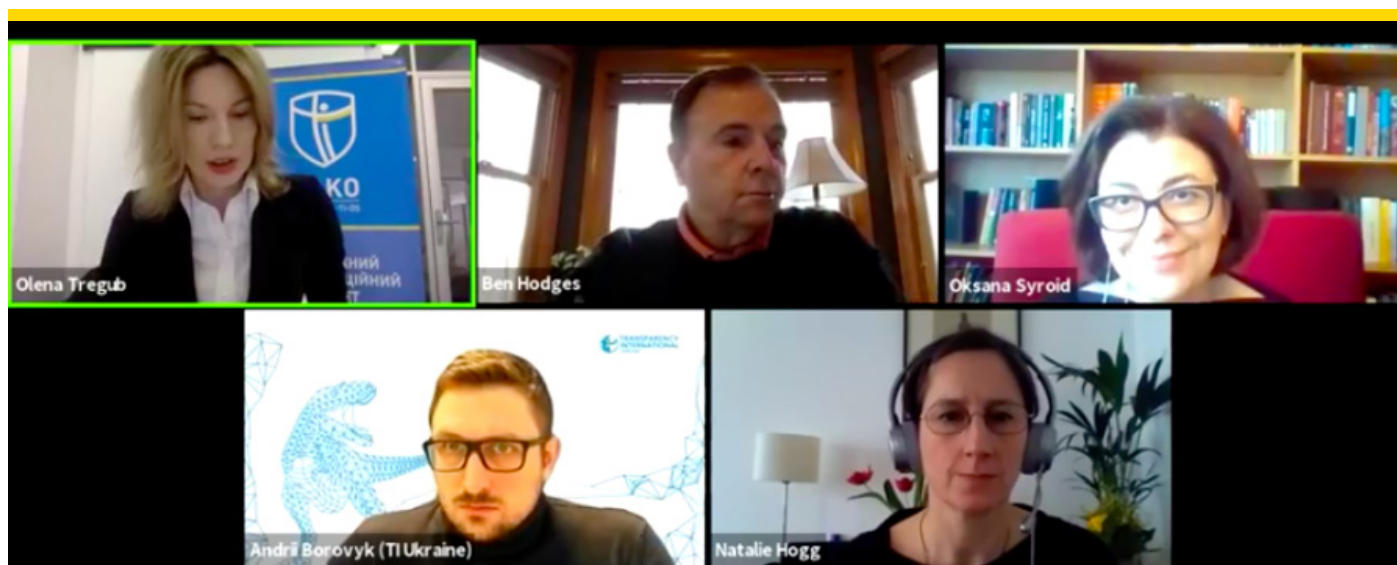
In March 2021, in cooperation with the Lithuanian Parliament and the Norwegian Ministry of Defence, NAKO [organized](#) the Week of Parliamentary Oversight of the Defence and Security Sector. This was an event to share experiences between Ukrainian MPs and their counterparts from NATO and European Union (EU) countries.

As key speakers, NAKO invited prominent MPs from Norway and Lithuania; the ambassadors of Norway and Lithuania; Ben Hodges, former Commander of the U.S. Army in Europe and NATO's Allied Command; Oksana Syroid, former Deputy Speaker of the Verkhovna Rada; Kate Davenport, Political Counsellor at the British Embassy; and the leadership of the Security and Defence Program at Transparency International UK and Transparency Inter-

national Ukraine. Throughout the event, 16 Ukrainian MPs joined the discussions, including the chairs, deputy chairs, and secretaries of the parliamentary committees on security and defence, Euro-Atlantic integration, foreign affairs and interparliamentary cooperation, anti-corruption, and others.

NAKO organized four webinars that attracted over 160 participants, including MPs, their assistants, and independent experts. The webinar videos are available on NAKO's Facebook page:

- 1) [Parliament and the Government: Towards Enhanced Oversight](#)
- 2) [Parliamentary Oversight: Ethics, Trust and Mutual Accountability](#)
- 3) [Oversight of the Defence Sector Budget](#)



Webinar during the Week of Parliamentary Oversight of the Security and Defence Sector, Kyiv, March 2021. The photo shows NAKO Executive Director Olena Tregub, ex-commander of the US Army in Europe Ben Hodges, ex-deputy Speaker of the Verkhovna Rada Oksana Syroid, Executive Director of Transparency International Ukraine Andriy Borovyk, Director of Transparency International Defence and Security Natalie Hogg.

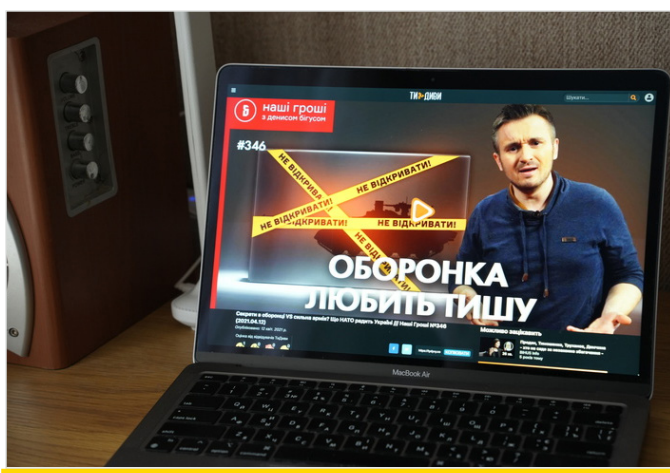


Webinar during the Week of Parliamentary Oversight of the Security and Defence Sector, Kyiv, March 2021. The photo shows ex-Deputy Speaker of the Verkhovna Rada Committee on Ukraine's Integration into the European Union Ivanna Klympush-Tsintsadze, ex-commander of the US Army in Europe Ben Hodges, NAKO Executive Director Olena Tregub, MP Volodymyr Kabachenko, and Political Advisor to the British Embassy in Kyiv Kate Davenport.



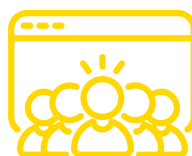
Webinar during the Week of Parliamentary Oversight of the Security and Defence Sector, Kyiv, March 2021. The photo shows the Ambassador of Lithuania to Ukraine Valdemaras Sarapinas, MP Oleksandr Merezhko, and NAKO Executive Director Olena Tregub.

Media project on secrecy



“Secrets in Defence VS a Strong Army? What NATO Advises Ukraine”: a joint project by NAKO and Bihus.Info independent investigators.

An important part of the NAKO’s work in promoting transparency and integrity in the defence sector is its work with the media. As



234,000

people viewed the online issue

part of the organization’s cooperation with the Bihus.Info project “Our Money”, it published the [video](#) “Defence Secrets VS Army Strength? NATO’s Advice to Ukraine” about secrecy in defence procurement. The program states that Ukrainian law enforcement agencies sometimes abuse the “secret” classification, blocking access even to information that is not essential. The program was simultaneously broadcast on the Bihus.Info YouTube channel, Channel 24, and UA:Pershyi TV channel. Almost 234,000 people watched the online edition alone.



GOAL 4: IMPLEMENTATION OF THE WOMEN, PEACE, AND SECURITY AGENDA



2 research
studies

Since the outbreak of the war in eastern Ukraine, the number of women in the Armed Forces has been steadily increasing. As of 2021, the Armed Forces of Ukraine (AFU) had more than **31,000 female servicewomen**, which is **more than 15%** of the total AFU. Despite this, Ukraine's security and defence sector does not sufficiently ensure the full and effective participation of women. The

representation of women is growing mainly at the level of low-paid positions, such as soldier, nurse, human resources or financial expert, etc.

[The UN Security Council Resolution 1325](#) on Women, Peace, and Security should help to increase women's representation in and access to decision-making in the security and defence sector. It recognized for the first time that women have a unique impact on armed conflict and peacekeeping. This resolution is being implemented in Ukraine in accordance with the National Action Plan.

Partnerships with key stakeholders

Civil society should contribute to achieving the NAP goals, which is why NAKO uses its experience to investigate gender-sensitive barriers that women and men face during their service and career advancement in the AFU. NAKO's goal is to provide concrete recommendations to the AFU leadership on how to ensure the equal participation of women and men in decision-making.

To achieve this goal, NAKO is building working relationships with key stakeholders, in-

cluding, in particular, the General Staff of Ukraine, AFU, United Nations (UN) Office for Women in Ukraine, NGO Institute for Gender Programs (known as the Invisible Battalion project), National Democratic Institute (NDI), and others.

In 2021, NAKO signed a [Memorandum of Cooperation with the AFU](#) to join forces in ensuring equal rights and opportunities for women and men in the Armed Forces.



Study of gender barriers in the Land Forces of the Armed Forces of Ukraine

NAKO conducted a study on gender barriers women in the Land Forces face and the current legislation to identify existing barriers to equal access to education for women and men. NAKO conducted anonymous surveys and in-depth interviews, which resulted in identifying several specific cases of violations.

The study was highly appreciated by the AFU leadership. The Commander-in-Chief, General Valeri Zaluzhnyi, wrote a welcoming letter to the study and supported implementing its recommendations. As part of the study, NAKO collected and analysed statistical data, existing laws and regulations, and survey results. The survey collected the opinions of 863 employees of territorial centres for military recruitment and social support and 1,653 military students of Land Forces military educational institutions. In addition, NAKO conducted 25 in-depth semi-structured

interviews with women who were studying or serving in the Land Forces.

Based on the study results, NAKO developed clear recommendations for gender equality policy in the Armed Forces, including removing restrictions on women's ability to hold officer positions, improving the provisions of the statutes on equal rights for men and women in the military, amending laws on the social status of military personnel to introduce equal guarantees for men and women in military service, and introducing the collection of gender-sensitive data that will form the basis for military planning and supply.

Given the sensitivity of the data in the report, it will not be made public. NAKO submitted the report to the AFU and MoD leadership for review and decision-making.

Research on women's access to military education

A team of experts who previously worked on the Invisible Battalion project studied [women's access to military education](#). The Invisible Battalion project was one of the first in Ukraine to research and document the participation of Ukrainian women in the war against Russia's occupying army.

The study's main goal was to analyse current legislation in terms of existing barriers

to equal access to military education for men and women. The research team conducted anonymous surveys and in-depth interviews, which resulted in identifying specific cases of violations in terms of access. The research results are an impartial analysis of gender-sensitive barriers to accessing military education and for developing clear recommendations on improving the situation. The report is scheduled to be published in spring-summer 2022.



Illustrative photo: President of Ukraine Volodymyr Zelensky presents a diploma to a graduate of the Ivan Chernyakhivsky National Defence University. Source: [website of the President of Ukraine](https://www.president.gov.ua/en/news/100000).

Media project “Eastern Flank”



17
issues



5 months
the project
lasted



over
200 000
people watched

In 2021, NAKO held more than 20 working meetings, speeches, and communication events where it raised issues related to implementing UN Security Council Resolution 1325 Women, Peace, and Security.

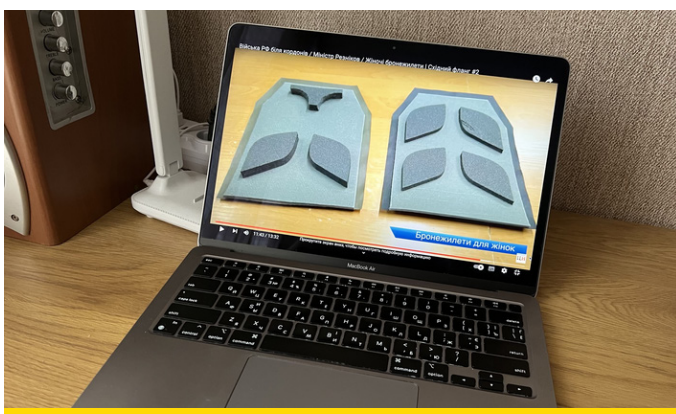
The special media project “Eastern Flank” covered various issues related to corruption and gender inequality in the AFU. The

5-month project produced video programs that were broadcast on the YouTube channel of the leading Ukrainian media outlet Censor.Net and viewed by over 200,000 people. Censor.net also published on its website accompanying analytical articles based on the materials on gender issues in the defence sector. Government agencies and opinion leaders also posted many of these materials on social media.

Eastern Flank №1: interview with Canadian Lieutenant Colonel **Melanie Lake**, who led the 11th rotation of Operation UNIFIER in Ukraine, on gender transformation in the Canadian army and what needs to be done in Ukraine to achieve similar equality.



A shot from the program 'Eastern Flank' with Canadian Lieutenant Colonel Mélanie Lake. The program is a joint project of NAKO and Censor.net media.

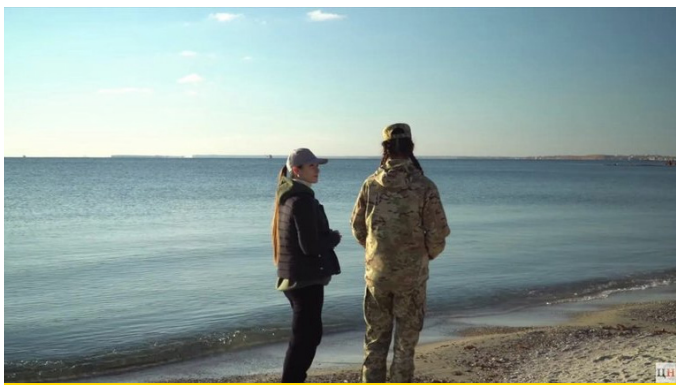


A shot from the program 'Eastern Flank' about the production of body armor for women. Eastern Flank is a project by NAKO and independent media Censor.net.

Eastern Flank №3: interview with **Solomiya Bobrovska**, Secretary of the Committee on Foreign Policy and Interparliamentary Cooperation, about women's leadership in defence and security.

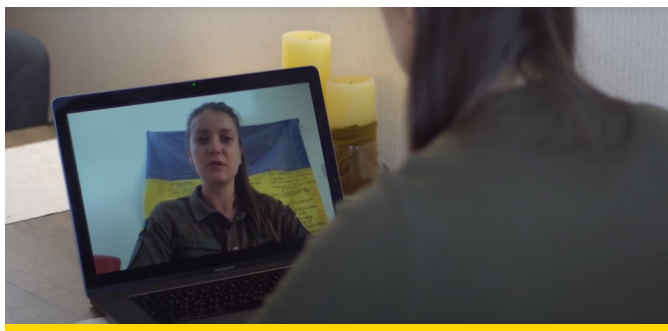


A shot from the program 'Eastern Flank' with Solomiya Bobrovska, Secretary of the Verkhovna Rada Committee on Foreign Policy and Interparliamentary Cooperation. Bobrovska talks about female leadership in the defense and security sector. The program is a joint project of NAKO and Censor.net media.



A shot from the program 'Eastern Flank' featuring the interview with Ukraine's first female soldier to complete a qualification course for the AFU Special Services. Eastern Flank is a project by NAKO and independent media Censor.net.

Eastern Flank №4: interview with **Ukraine's first female soldier** to complete a qualification course for the AFU Special Services.



A shot from the program 'Eastern Flank' featuring a Ukrainian peacekeeper in Congo. The program is a joint project of NAKO and the Censor.net media.

Eastern Flank №8: interview with **Natalia Kalmykova**, then Gender Advisor to the Commander of the Land Forces and now Head of the Ukrainian Veterans Fund (UVF), on a wide range of gender issues in the Ukrainian army.



A shot from the program 'Eastern Flank' with Natalia Rybakal-Kalmykova, gender advisor to the Commander of the Ground Forces of the Armed Forces of Ukraine. The program is a joint project of NAKO and Censor.net media.

Eastern Flank №11: interview with a **specialist who trains snipers** about her experiences and the challenges she faces.



A shot from the program 'Eastern Flank' featuring a female specialist training snipers. Eastern Flank is a project by NAKO and independent media Censor.net.





A shot from the program 'Eastern Flank' featuring the interview with the Head of the Verkhovna Rada Committee on National Security, Defense, and Intelligence Oleksandr Zavitnevych. Eastern Flank is a project by NAKO and media Censor.net.



A shot from the program 'Eastern Flank' featuring Mamuka Mamulashvili, the commander of the volunteer unit 'Georgian Legion'. Eastern Flank is a project by NAKO and independent media Censor.net.

ADVOCACY AND COMMUNICATION

Briefing “Corporate governance reform in the defence industry of Ukraine: from initiative to implementation”

In March 2021, NAKO held the briefing “Corporate Governance Reform in the Ukrainian Defence Industry: From Initiative to Implementation” in Kyiv. NAKO presented an [assessment of the state of Ukroboronprom reform](#) and proposals for the practical implementation of corporate governance standards at state-owned enterprises in Ukraine’s military-industrial complex.

Key stakeholders attended the event, including Oleksandr Zavitnevych, Chairman of the Verkhovna Rada Committee on National Security, Defence, and Intelligence; Svitlana Panaiotidi, Deputy Minister of Economic Development, Trade, and Agriculture; Yuriy Gusev, Director General of the State Concern Ukroboronprom; and Olena Tregub, NAKO Executive Director. Western partners delivered welcoming speeches: Kristina Kvien, Chargé d’Affaires of the United States to Ukraine,



and James Reed-Moore, First Secretary for Political Affairs at the British Embassy in Kyiv. Brian Bonner, Kyiv Post editor-in-chief, moderated the discussion.



Meeting with the U.S. Secretary of State



In May 2021, NAKO Executive Director Olena Tregub took part in a meeting with U.S. Secretary of State Anthony Blinken in Kyiv, along with other representatives of civil society, anti-corruption organizations, and business.



Secretary Blinken said that Ukraine's progress in reforming anti-corruption and civil society rules is a direct condition for United States' support. Among the key discussion topics were the rollback of corporate governance reform of state-owned enterprises, the need to strengthen anti-corruption institutions, and judicial reform.

Roundtable discussion on SBU reform

In May 2021, NAKO Executive Director Olena Tregub took part in the roundtable "Human Rights Program for SBU Reform", where emphasized that the draft law on the SBU "limits citizens' access to public information" and does not provide any guarantees that the declarations of SBU leaders will be open to the public.

Meeting with a representative of the Secretariat of the Ukrainian Parliament Commissioner for Human Rights

In May 2021, NAKO expert Oleksandr Saienko met with a representative of the Secretariat of the Ukrainian Parliament Commissioner for Human Rights to discuss social security for military personnel, one of the Commissioner's strategic work areas in 2021. NAKO provided recommendations for further cooperation to solve the problem of housing for service members.

Working breakfast for MPs

In May 2021, NAKO held a working breakfast with MPs and their assistants. The agenda included key legislative initiatives to prevent corruption risks in the security and defence sector, defence procurement reform, and interparliamentary dialogue with NATO member states.





International Conference “Effective Industry for Defence Capability”

In July 2021, Odesa hosted the conference “Effective Industry for Defence Capability”, organized by the Lviv Security Forum, State Concern Ukroboronprom, and NAKO. The forum participants discussed the future model of Ukraine’s defence industry after reform; how to make it modern, transparent, and more efficient; and how to attract domestic and foreign investment. Participants included NATO representatives and other foreign partners, state-owned concern Ukroboronprom, defence manufacturers, experts,



and specialized NGOs.

Meeting with the NATO Deputy Secretary General for Defence Investment

In July 2021, NAKO Executive Director Olena Tregub took part in a meeting with Gordon Davies, NATO’s Assistant Secretary General for Defence Investment. They discussed Ukraine’s implementation of laws in the security and defence sector. In particular, Davies expressed concern that the Law on Defence Procurement, adopted a year ago, has not yet been properly implemented.



Celebration of the Independence Day of the USA in Odesa



NAKO session "Ukrainian Defense Reform industry" within the framework of the "Zero Corruption Conference"



Ukroboronprom presents its transformation strategy



Anti-corruption strategy of Ukroboronprom



Meeting with the Ambassador of Canada



In July 2021, NAKO Executive Director Olena Tregub and gender equality expert Natalia Kaminska met with Ambassador of Canada to Ukraine Larysa Galadza and Embassy representative Nicola Kim to discuss Ukroboronprom reform, MoD anti-corruption reforms, and gender equality in the security and defence sector.

Roundtable discussion on anti-corruption with the Under Secretary of State for European and Eurasian Affairs

In July 2021, NAKO Executive Director Olena Tregub took part in a roundtable discussion on anti-corruption with George Kent, U.S. Under Secretary of State for European and Eurasian Affairs. The event was organized by the U.S. Embassy in Ukraine.

They discussed the reform of Ukraine's defence industry and the proper implementation of the law on defence procurement. Kent praised Ukraine's progress in judicial reform and noted the importance of transparency in the selection of the head of the Specialized Anti-Corruption Prosecutor's Office (SAPO).



Meeting with co-chair of the German political party Alliance 90/Greens

In May 2021, NAKO Executive Director Olena Tregub took part in a meeting of Ukrainian civil society representatives with Robert Habeck, co-chair of the German political party Alliance 90/Greens, for a discussion of anti-corruption issues, including reform of the state defence concern Ukroboronprom. Germany is one of the G7 countries whose embassies support corporate governance reform of key state-owned enterprises, including Ukroboronprom.



Meeting with representatives of the European Parliament

In August 2021, NAKO Executive Director Olena Tregub took part in a meeting of civil society representatives with delegates from the European Parliament. In particular, the

focus was on corporate governance reform at Ukroboronprom and the unsuccessful implementation of the Law on Defence Procurement, which is important for Ukraine's Euro-Atlantic integration. The European Parliament was represented by Andrius Kubilius, Jozas Olekas, Anna Fotyga, Michael Gahler, Petras Austrevicius, Ramona Strugariu, and Viola von Cramon.



Round table Analysis of reforming the defense-industrial complex

Olena Tregub's speech as part of the STEM is FEM project



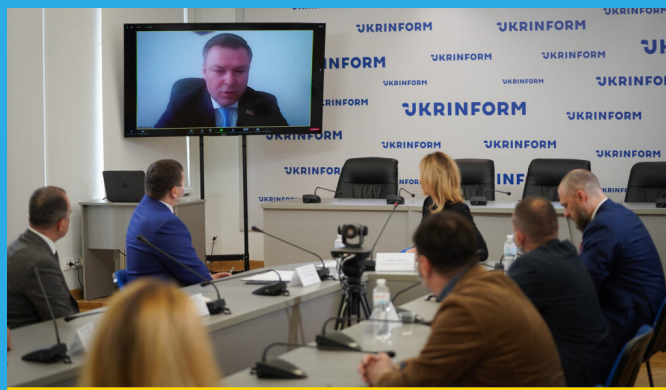
Meeting with Valdemaras Sarapinas

Meeting with co-organizers and partners
Democracy in Action

Round table Analysis of reforming the defense-industrial complex



Round table The state defense industry is on the way to a reboot



MEDIA ABOUT NAKO:



1100+
mentions in
the media



2,5 million
people reached



13
public events
held

Published in the media:



3
studies



3 policy
briefs



20
columns



3 joint civil society
statements published



2 international
conferences co-organized



1 Week of Parliamentary
Oversight held



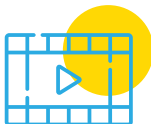
1 The 1st global Government
Integrity Index for defence
presented



1 1 global Defence
Companies Index presented



1 documentary on
secrecy filmed



3 videos on parliamentary
oversight created



1 survey of military
volunteers released



17 videos for the Eastern Flank project filmed

FINANCIAL STATEMENT

2,348,779.71

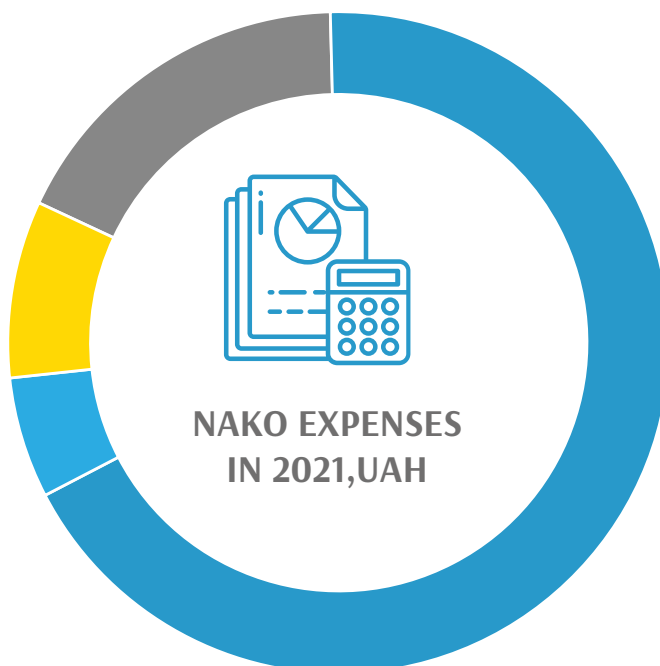
Administrative expenses
and office rent

1,150,822.72

Research and analytics,
publications, and
communication

788,603.86

Project activities and
advocacy



9,020,166.53

Salaries for staff and
consultants



NAKO INCOME IN 2021

361,255.75 GBP

UK Foreign, Commonwealth & Development
Office (FCDO)



**Foreign, Commonwealth
& Development Office**

ORGANIZATION CHART



**NAKO
Team**



Olena Tregub
Executive Director



Svitlana Musiyaka
Head of Research and Policy



Emilia Dieniezhna
Head of Communications
and Advocacy



Anatolii Iahin
Head of Operations



Anna Kashuk
Communications Intern



Viktoriia Vyshnivska
Senior Researcher



Nina Rakhylchuk
Accountant



Vladyslav Halytsky
Project Manager



Andrii Muravskiy
Communications Officer



Kostiantin Kuznetsov
Researcher



Maksym Kostetsky
Senior Legal Advisor



Oksana Nesterenko
Senior Advisor



Olha Kyrian
Legal advisor



Oksana Krasitska
Finance and Grants
Manager

NAKO Board



Sevgil Musayeva



Giovanni Kessler



Andrii Borovyk



Andrew Bain

DONORS

In 2021, NAKO activities were supported by the UK FCDO through the Office of the Special Defence Adviser at the British Embassy in Kyiv.



Foreign, Commonwealth
& Development Office

PARTNERS



Ministry of Defence
of Ukraine



General Staff of the
Armed Forces of
Ukraine



Verkhovna Rada Committee
on National Security,
Defence, and Intelligence



НАЦІОНАЛЬНЕ АГЕНТСТВО
З ПИТАНЬ ЗАПОБІГАННЯ КОРУПЦІЇ
NATIONAL AGENCY ON
CORRUPTION PREVENTION

National Agency on
Corruption Prevention



УКРОБОРОНПРОМ
Державний концерн

Ukroboronprom



Ukrainian Veterans
Fund

ЦЕНЗОР.НЕТ

Censor.Net



**TRANSPARENCY
INTERNATIONAL**
UKRAINE

Transparency
International Ukraine



**TRANSPARENCY
INTERNATIONAL**
Defence & Security

Transparency
International –
Defence & Security



Invisible Battalion



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2021
ANNUAL REPORT

INDEPENDENT ANTI-CORRUPTION COMMISSION

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