



Strategy

Independent Defence Anti-Corruption Committee

(NAKO)

2019 – 2022

Contents

Introduction	1
The story so far: building on the first two years	2
Aim	3
Vision & Mission	3
Strategic approach	4
Operational objectives	5
Objective 1: Reducing corruption risks in defence spending and promoting good governance of the defence sector	6
Objective 2: Increasing accountability and transparency of Ukraine’s defence industry	8
Objective 3: Strengthening civil democratic control over the defence sector and reducing over-classification	9
Objective 4: Developing our Organization	9
Activities	11
Research	11
Advocacy and policy development	12
Indicators, monitoring & evaluation	14
The Implementation of Recommendations.	14
The Government Defence Anti-Corruption Index.	14
Risks	15
Political change	15
Secrecy	15
Security threats	15
Challenges recruiting high quality staff	16
Reputational damage	16
Financing	16

Introduction

A lack of accountability and secretive defence spending continue to pose major risks to national security. In the 25 years since independence, Ukraine's security and defence sector has been characterized by high levels of corruption, inadequate responsiveness to the needs of the troops and citizens, insufficient transparency and lack of accountability and civil control. Since the NAKO's work started in 2016, some significant reforms have taken place – but there is still far to go.

Ukraine's course for Euro-Atlantic integration sets ambitious goals for the Ukrainian Armed Forces and security and defence sector in general. The need to make the Ukrainian defence forces stronger is intensified by the Russian Federation's illegal occupation of Crimea, the ongoing armed conflict in Donetsk and Luhansk and Russian hybrid warfare against Ukraine. All of these factors pose serious threats to Ukraine's national and international security, and corruption limits Ukraine's ability to respond effectively.

NAKO's assessment of the nature of corruption in Ukraine's defence establishment remains unchanged: corruption in the defence sector is a problem of high level, elite corruption; not just petty bribery and mismanagement. As a result, tackling corruption cannot rely on technical and capacity-building solutions alone. And the problem is urgent: corruption at the top echelon of an organization has a devastating impact on frontline troops, leaving them with inadequate supplies and equipment, and putting national security at risk. It reduces public trust in the armed forces that are there to serve them, and their state. In Ukraine, the problem is systemic and will take years to rectify, but there are some immediate measures the Government could take to show the population that the issue of corruption is being addressed. Furthermore, in order for military, financial, and advisory support from donor nations and international organisations to be sustained and developed further, donors must trust that progress is being made on reforms, and have confidence that what they provide is put to good use.

In 2016, Transparency International's Defence and Security Programme and Transparency International Ukraine established the Independent Defence Anti-Corruption Committee (NAKO) to address these needs. Since its inception, NAKO has combined local knowledge of corruption challenges in defence with international expertise on good practice in defence anti-corruption and integrity. In the few short years of its existence, NAKO has become a leading and trusted defence and security civil society body in Ukraine. NAKO conducts thorough and detailed analysis of corruption risks in the defence sector, makes practical and actionable recommendations, holds leaders to account for their reform commitments, and provides donors and the public with an impartial assessment of the actions the government is taking to tackle corruption.

The story so far: building on the first two years

The initial strategy of NAKO had the purpose of establishing the entity in the political landscape of Ukraine, and this has been successful; NAKO is now firmly established as a part of Ukraine's anti-corruption architecture.

NAKO's research capability has been increased over the past two years, and it has produced a number of high-quality, impactful reports. Over the next four years, NAKO will sustain its work in priority areas like Ukroboronprom, procurement and housing, ensuring that its initial research and policy recommendations are implemented. In addition, it will explore new areas of research to ensure that it is on the cutting edge of defence integrity.

NAKO has found success when it has drawn on its members and credibility to catalyze political will for change, at times through fair and justified criticism about reform failures. Though technical assistance and support forms an important part of NAKO's work, it is the ability to act at a political level that makes it a unique civil society organization.

As Ukraine is preparing for a new phase in its political existence, with significant landmarks such as the Presidential elections in March 2019 and the Parliamentary elections in October 2019, the NAKO Strategy 2019-2022 will seek to achieve a higher degree of engagement with political authorities and the public at large, in furtherance of our aim of significant decrease in levels of corruption throughout the defence sector.

Aim

The aim of this strategy is to reduce the opportunities for corruption in the Ukrainian defence sector in a number of high-risk areas, and transform the NAKO from a nascent organisation to one that has sustained influence on Ukrainian defence reforms. NAKO will continue to produce credible, well-researched and timely evidence and recommendations, and advocate for their implementation. NAKO aims to promote effective legislation, policy and guidance that changes behaviours within the defence and security institutions. While working with and supporting the Ministry of Defence, armed forces, defence industry and major anti-corruption bodies, we remain dedicated to maintaining our independence and credibility; remaining free from influence and publicly trusted is core to NAKO's purpose.

Vision & Mission

Vision. Our vision is a Ukrainian defence and security sector that is effective, accountable and far less susceptible to corruption.

Mission. Our mission is to reduce opportunities for corruption through strong research, effective advocacy for reform, and increased public awareness, in order to strengthen the Ukrainian defence and security sector's ability to face challenges to the country's sovereignty and democratic institutions.

Strategic approach

NAKOs Strategic Approach is based on the following:

- **Contributing to policy** through input and evaluation of national defence policies and legislation that relate to anti-corruption in the defence and security sector.
- **Developing anti-corruption recommendations** for the defence and security sector, and **advocating for and monitoring their implementation**. Supporting reform efforts with technical advice where possible and where this does not present a conflict of interest with the NAKO's monitoring role.
- **Providing open, regular analysis and reporting** to the President, Government, Parliament, Ukrainian people, and the international community, about the state of the fight against corruption in the defence and security sector. This involves analyzing security and defence sector corruption and identifying corruption risks and schemes.
- **Monitoring and evaluating** efforts to reduce corruption and corruption risks within the defence and security sector of Ukraine, including international efforts.
- **Promoting transparency** of defence and security sector establishments and, in conjunction with international partners, facilitating communication and openness between the Ministry of Defence, civil society and the general public.
- **Strengthening national accountability structures** as they relate to anti-corruption in defence and security and democratic oversight, particularly by supporting members of the Verkhovna Rada.
- **Raising public and policymakers' awareness** of the risks of defence sector corruption and the reforms needed to reduce it through strategic communications.
- **Contributing to the creation of an expert security and defence policy community** and strengthening the input of grassroots and local actors in national and international debates.

Operational objectives

NAKO will continue working on important issues of systemic corruption over the long term, while continuing to produce research and recommendations on smaller, more contained issues that have an immediate impact on and matter to the people. Using NAKO's established credibility, NAKO will expand its efforts to tackle these sensitive issues with improved advocacy, sustained tracking of implementation of recommendations, and increased communications efforts.

NAKO will continue to work on three priority issues: defence spending, the state-owned defence industry, and democratic control of defence sector. This will include advocating for existing recommendations and monitoring their implementation. In addition, recognizing that excessive secrecy hinders anti-corruption efforts across the board, NAKO will develop legislative changes that would enable greater transparency, and work with the Verkhovna Rada to get them adopted in law, and with the defence establishment to support implementation.

NAKO will also expand its remit and expertise by researching new issues. This will be led by corruption issues that arise during the course of our work, and requests from stakeholders (including the MOD, parliamentarians and other NGOs). NAKO will ensure that it is on the cutting edge of newly-identified corruption threats, such as corruption as a tool of hybrid warfare. Recognizing that corruption can be used as a tool of hybrid warfare, NAKO will also focus on understanding how this occurs and what can be done to shore up Ukraine's defences against it.

As hybrid warfare continues to intensify, complimented by political-criminal access to cyber technologies and artificial intelligence, the more precious human, civil and political rights become. Recognizing the role of corruption within the multi-faceted and cross-sectoral nature of hybrid warfare NAKO will support comprehensive and human-based security approaches in identifying systemic corruption risks facilitating hybrid attacks against Ukraine's national and human sovereignty.

With the intent of deterring attack and raising resilience NAKO will particularly focus on:

Objective 1: Reducing corruption risks in defence spending and promoting good governance of the defence sector

Ukrainian defence and security budget is reaching unprecedented level every year and in 2019 it constituted more than 5% of GDP – 102,5 bn UAH . MoD with the Ukrainian Armed Forces is the biggest consumer of this budget: 86.6 bn UAH in 2019.

However, the additional resources may fail to improve the state of Ukrainian army and the capability of its defence institutions to guarantee both national and individual security. Serious conflicts of interests and corruption practices are common among officials within the defence sector.

NAKO is a unique civil society watchdog and an expert organization helping Ukraine to change policies in order to reduce corruption and increase the efficiency of defence spending.

A significant part (12.7%) of Ukraine's security and defence budget is allotted for acquisition. However, the lack of capability and needs-based planning combined with secrecy legislation allowing for over classification, opaquely arbitrary declassification processes and a lack of an effective system of checks and balances prevent practicable public oversight and accountability. Over-bureaucratized, outdated and/or missing processes and regulations within the fields of acquisition and utilization of goods and services lead to poor governance and risks which facilitate corruption schemes that deplete Ukraine's national budget, defence capabilities and the overall moral of its armed forces.

The human, civil and political rights of service persons are key elements of healthy and strong armed forces. In Ukraine, the social, human rights of service men and women are formally guaranteed by national and international legislation. Unfortunately, to date, many international best practices pertaining to the guaranteed rights of servicemen and women have not yet trickled down to the national level. On the national level, a significant amount of national legislation over-regulates access to them. Budgeting and decision-making processes are either opaque or arbitrary. Importantly, despite decommunization processes, certain social guarantees remain based on outdated and unrealistic promises. Populism, lack of comprehensive and strategic planning, poor governance and their resulting corruption risks keep old corruption schemes and networks in force. Together they affect not only the wellbeing of the armed forces, they negatively impact the Ministry of Defence's effective control over its land, real-estate, and, in turn, Ukraine's national security.

NAKO will continue to pursue an effective and high-standard of defence housing and general well-being of the Ukrainian armed forces by promoting its human, social and political rights.

In this regard, NAKO will focus its reform and oversight efforts particularly on:

- Procurement (incl. State Defence Order) and contracting;
- International Assistance;
- Defence Housing;
- Defense Land and Property Management;
- Medical Services.

Objective 2: Increasing accountability and transparency of Ukraine's defence industry

The defence industry that supports Ukraine's defence institutions and the armed forces should provide capability based on clear national defence strategy in a fair and competitive market. This industry should be accountable through effective and independent oversight mechanisms rooted in functioning civil society, parliamentary control, sound government policies, including efficient procurement and acquisition policies. Ukrainian defence companies should have transparent systems and high anti-corruption standards. It is not the case today.

Ukraine's defence industry suffered significant drawbacks since gaining independence, particularly after the unlawful Russian aggression in Donbas and the annexation of Crimea. Formerly the industry's front runner within the Soviet Union, Ukraine is a top arms-trading country (moving to establish its place on the market as a reliable and legitimate arms trading and developing partner). New government policies and institutions are being created to govern its defence industry while private companies are expanding their reach of their development and trade. Total arms production in Ukraine is more than 1,3 bn USD annually (both by private and public companies). Due to the high-levels of global corruption related to the defence industry, and Ukraine's vulnerability to it, special attention is needed to assure that it develops in line with the highest international standards.

Ukraine's state-owned defence enterprise, Ukroboronprom has often been in the midst of scrutiny and allegations of mass corruption. According to the State Audit Service of Ukraine financial mismanagement of Ukroboronprom led to the loss of over 20 mln. USD. Now, it is in the process of restructuring and is, for the first time in Ukraine's history facing international financial, legal and strategic audits. Public oversight and control are needed to help ensure the industry develops in the right direction.

To this end, NAKO, together with its national and international partners will continue to pursue transparency and accountability in Ukraine's defence industry, particularly in relation to:

- Government policies;
- Defence State-owned Enterprises (e.g. Ukroboronprom);
- Private companies engaged in defence-related business.

Objective 3: Strengthening civil democratic control over the defence sector and reducing over-classification

Effective parliamentary and public oversight of the defence sector requires a strong civil society with mechanisms of influence, and the active review of governmental conduct by members of civil society and the media. It also requires the ability to access relevant information, to question defence officials, and issue findings and recommendations on the basis of what it learns. Without these three powers, there can be no real accountability, and public oversight is likely to fail. NAKO has these abilities and capacities and will continue work towards:

- Reducing of overclassification in defence sector (including new legislation development);
- Strengthening parliamentary oversight over defence sector;
- Empowering and educating Ukraine's civil society and media to play a role in democratic control of the defence sector.

Objective 4: Developing our Organization

We will continue to build up NAKO as a strong independent anti-corruption organization with high level of expertise in the defence sector.

NAKO is now established as an important part of Kyiv's anti-corruption architecture; it has shown that it has impact, has credibility with policymakers and the media, and has an excellent (if small) team. In many ways, it punches above its weight.

That being said, NAKO's internal capabilities are still relatively low and are still in development. In order to fulfil the objectives set out in this strategy, it will need to significantly strengthen its capabilities. This will include scaling up the team, which will require more funding, as well as building up existing team members' capacity. This will also require NAKO to take up some organizational elements that had previously been supported by TI, such as financial management. In addition, TI-DS, which incubated NAKO for the first two years, is in a period of transition; this should also prompt NAKO to ensure that it is independently sustainable.

NAKO should invest in its back office functions though allocating additional investment to this area. This strategy requires strong back office systems in finance, HR, IT, operations, grant management, and M&E.

In the coming years NAKO would need build a strong funding base to enable further growth. Between 2017 and 2019 grants to NAKO come through TI-DS and TI-Ukraine: grants from DFID, Dutch MFA, and Swedish MFA. In 2019 right after NAKO became an independent legal entity it managed to secure direct funding from the Open Society Foundation. NAKO will further work to diversity its funding base and develop a greater culture of fundraising. NAKO should also work towards receiving more core funding instead of project funding. NAKO should improve its fundraising tactics by creating appealing and innovative asks to target donors. Not only NAKO should consistently monitor its impact, it should align the information we receive as a result of this monitoring with our communication and fundraising strategies and narratives.

NAKO's newly created Governance structure is now being tested and we will periodically review our Governance, including role of membership and governing bodies.

NAKO has been successful in national and international media so far and has managed to raise awareness about the issues NAKO is working on and about the impact of our own organization. Yet, there is a need to move to a more pro-active and strategic approach in our communications. This includes improving our website, developing a social media strategy, exploring technological advances and new channels, etc.

Therefore, NAKO will continue to work in the coming years to work on developing or improving:

- Governance;
- Internal functions required to support an independent entity;
- Expertise and professional level of the team;
- A strong funding base to enable further growth;
- Internal policies and procedures;
- Monitoring and Evaluation;
- Communications.

Activities

As a research-based advocacy organization, NAKO will further develop its advocacy strategies based on its existing and future research. High-quality, in-depth research and analysis will continue to be conducted to develop strong, actionable recommendations that will be adopted and implemented by the responsible and authorized decision-makers.

NAKO will continue to grow its network by engaging society, on all levels, in its research and advocacy initiatives. NAKO will continue to be a civil society catalyst of civil-political engagement, encouraging people and organizations to interact with NAKO, which will aid our research and decision-making on what new issues we should be tackling.

Effective communications are a key to effective research and advocacy efforts. NAKO will continue to build on its communications presence in the Ukrainian media and online. One committee member will be providing strategic leadership in this area, and propose a set of common messages about what NAKO does, so that each individual NAKO member will be able to speak to those topics. The most important NAKO feature is its impartiality; therefore, NAKO's tone will be strong and straightforward without being too attacking or aggressive.

Research

High-quality, accurate information is vital to effective and positive change within the defence and security sector. NAKO will continue to produce proficient reports covering matters of corruption and its risks within the defence and security sectors. A particular focus will be given to those of public concern affecting human security.

We will focus on understanding how corruption risks may be reduced through increased transparency and civil political dialogue. The research will also aim at showing how corruption risks give rise to corruption schemes and how transparency may also facilitate accountability in this regard.

In the course of our research, if we come across grounded reason for suspicion of corruption by individuals we will pass this information to the relevant authorities.

Advocacy and policy development

Our advocacy efforts will be drawn from the findings of NAKOs research and oversight activities. They will include direct and active engagement with government institutions, supporting and monitoring the implementation of reforms relevant to anti-corruption.

As a non-governmental body, NAKO cannot implement reforms. Rather, it provides expert recommendations, external staff members or consultants to advise the Ukrainian MoD and security-related institutions on their anti-corruption reforms. NAKO also monitors the manners in which reforms are being implemented - if at all.

- Direct meetings with officials to deliver recommendations, and encourage them to commit to implementation;
- Partnership with other NGOs – joint public pressure;
- Media;
- Leveraging donor country support;
- Meetings with foreign embassies representatives to deliver recommendations and obtain political support;
- Communication with representatives of foreign governments abroad (through capitals – DC, London, Brussels) to introduce conditions to security assistance.

An important form of advocacy is supporting the implementation of government reform. Whilst monitoring and facilitating anti-corruption reforms, NAKO will continue to support the reform efforts of others by providing analysis and recommendations on defence corruption issues. It will directly (and indirectly) provide support, as requested, state anti-corruption reform efforts, including training and advising at national and sub-national levels. NAKO has an official and established MoU with the MoD. It will continue establishing cooperative relationships and cooperation with institutions who share NAKOs ideals, objectives and approach, namely:

- The legislature;
- Executive, special-status agencies;
- Judiciary;
- Sub-national agencies.

NAKO will continue to secure robust MOUs with Ukraine's defence and security institutions. By establishing effective working relationships, the assessment of the degree to which Anti-Corruption reforms are being implemented and the follow-up on any issues that have been raised through our discussions or from the people facilitated. NAKO will continue assisting the MOD in tackling corruption and increasing the effectiveness of the Ukrainian Armed Forces.

In parallel, NAKO's relationships with select members of parliament, the Verkhovna Rada's defence & anti-corruption committees, and other defence and security-related institutions will continue to be fostered. When appropriate, NAKO will continue to request permission to attend and participate (through its Secretariat), in relevant committee meetings to observe and if possible, feed questions to the Rada members.

Recognizing the committees, although devoted to the fight against corruption, is lacking in capacity and need assistance in drafting legislation and help in defining the right questions to ask the MOD; NAKO will work to collaborate effectively with the committee particularly through supporting its research efforts.

NAKO is dedicated to building a community of citizens, national and international organizations whose interests and expertise are geared towards the identification and eventual eradication of corruption risks and deep-seeded schemes draining Ukraine's power potential.

Indicators, monitoring & evaluation

NAKO will measure its success according to two main indicators, firstly, the number of recommendations that are issued and implemented, and secondly, an increased score on the Government Defence Anti-Corruption Index.

The Implementation of Recommendations.

Each research product will include recommendations, and the number of those that are successfully implemented will be an indicator of our success. In addition, for each topic of research, we will define internal targets that we hope to achieve. For example, while we may want to see some recommendations implemented, in some areas we may know that in a two year time frame, those recommendations may be impossible to achieve; we will therefore set some realistic internal targets that we hope to see occur. This will ensure that we don't 'dumb down' our recommendations in order to be seen to be successful.

The Government Defence Anti-Corruption Index.

The Government Defence Anti-Corruption Index produced by Transparency International Defence and Security measures levels of corruption risk according to indicators in five risk areas – political, financial, personnel, procurement, and operations. An indicator of the success of NAKO will be an increased score in the Index for Ukraine.

NAKO will review the progress in implementation of its strategic goals every six months and will revise our actions and activities as necessary in order to meet our strategic and operational objectives. NAKO will also build on its experience using TI DS MEL metrics - Monitoring, Evaluation and Learning since 2017. We will focus not only on outputs, activities and inputs, but on outcomes and measuring impact.

Risks

We have identified the following risks as key factors that may prevent the delivery of this strategy:

Political change

A lack of political will means that reform fails to progress, and NAKO's recommendations are not implemented, or only partially implemented. This risk is also the primary problem that NAKO exists to respond to and its high-level political advocacy is the key to ameliorating it. Yet, abrupt political change in the country and the world can impede our ability to deliver this strategy. We are constantly monitoring political developments in Ukraine and adapt our approach as required.

Secrecy

Secrecy inhibits the research of the organisation. This is a perennial problem for NGOs working in Ukraine. NAKO seeks to resolve it in a number of ways, and has yet to fail to complete a research task due to secrecy. Approaches include: undertaking independent, anonymous interviews to get a more informal understanding of the problems; submitting formal requests for information, and following them up with meetings with the Minister of Defence where needed (this has been an approach that we undertook to access classified housing information, and we were eventually given the information needed); and where needed, adapting the scope of the research.

Security threats

NAKO has undergone security training with a consultant brought on to review their needs specifically. This included both physical and online security, and resulted in a set of security protocol. In addition, NAKO has a positive public profile and a strong base of civil society allies, which provides a level of protection through visibility. NAKO has also focused on digital security for its members and those it is in contact with through research, which includes two-factor authentication and encryption of sensitive emails; sensitive information is subject to specific protocols to assign it protection classifications; data security training will be arranged for all staff; and data on participants stored securely and only accessible to members of the team. Only necessary data will be retained; personal or sensitive information will be encrypted. All interviewees will be represented anonymously in all reports, which is the standard for NAKO reports.

Challenges recruiting high quality staff

Finding high quality staff has been challenging to find at some times in NAKO, as there is a relatively limited pool of potential candidates with good expertise in the defence sector within Ukraine. We have addressed this risk by building in capacity building, including from TI-DS, in our management, and by ensuring that we factor in adequate time to headhunt staff where needed.

Reputational damage

NAKO authority and access both domestically and internationally rest on its established reputation as a trusted NGO and expert group. We operate on inclusive and evidence-driven manner. We hold those in power to account but we also constructively engage with them to help implement our policy recommendations. This reputation should be sustained despite information attacks against NAKO on behalf of those who are interested in maintaining the status quo in defence sector corruption. We should be also very careful with the evidence we present to the public and should verify it thoroughly before presenting, not to lose out reputation and credibility.

Financing

We assume what we will be able to secure sufficient funding to support the activities within our objectives. However, the funding is not guaranteed, especially in the circumstances of economic instability in Ukraine and the world. We are addressing this risk by building a stronger fundraising culture and strategy.