



Ukraine Reform Monitor No. 11

April 29, 2024 **Ilan I. Berman, Matt Cesare**

Related Categories: Democracy and Governance; Europe Military; Intelligence and Counterintelligence; International Economics and Trade; Corruption ; Europe; Ukraine

BORDER OFFICIAL ACQUITTED...

Ukraine's High Anti-Corruption Court has acquitted a high-ranking official in the country's State Border Guard Service of lying on his personal asset disclosure form. Serhiy Mul had been accused of deliberately leaving out of his form a plot of land and house worth about \$38,000. According to the Anti-Corruption Action Center, the hearing for Mul's case was not open to the public at the wishes of his defense team, despite demands from the prosecution. The defense successfully argued that, due to Mul's status as a soldier, any details regarding his location that would come out in an open trial could put him in harm's way. (*Kyiv Independent*, April 15, 2024)

...WHILE EX-DEFENSE PERSONNEL MOVE INTO THE CROSSHAIRS...

The State Bureau of Investigation (SBI) has announced that a number of former defense ministry officials have been arrested for embezzling funds meant for the military. The officials, including a former deputy defense minister, allegedly ordered lower-quality, foreign supplies on purpose in order to embezzle the money. The SBI said that the officials procured the goods without going through proper due diligence procedures designed to ensure the goods were fit for military use. According to the SBI, the actions of the officials resulted in soldiers "[receiving] low-quality body armor that cannot be used in combat without endangering life." The ex-deputy defense minister accused of the crime is also suspected of pushing for contracts for ammo, clothes, helmets, and bulletproof vests at "inflated prices and low quality." The SBI reported that the total cost of the officials' alleged criminal activities is estimated to be over \$35 million. If convicted, the former officials could spend as much as 15 years behind bars. (*Kyiv Independent*, April 17, 2024)

....AS UKRAINE'S AGRICULTURE MINISTER FALLS FROM GRACE

The most recent scandal relating to corruption in Ukraine, however, reaches to the very top. Mykola Solskyi, the country's sitting agriculture minister, has been detained by law enforcement bodies after he was named as a suspect in a corruption inquiry totalling millions of dollars. Solskyi "was accused of illegally seizing land worth more than \$7m (£5.6m) when he was the head of a major farming company and a member of parliament," London's *Guardian* newspaper reports. He is currently being held in custody until late June. Solskyi tendered his resignation earlier this month, and is said to be cooperating with investigating authorities. (*The Guardian*, April 26, 2024)

ANOTHER STEP TOWARD PARTNERSHIP WITH EUROPE

The European Commission has announced its support for the Ukraine Plan, which lays out what the Ukrainian government needs to do in order to receive \$50 billion in macro-assistance from 2024-27. The EC remarked that the plan hits on the most important reforms and investments that could kick start Ukrainian economic growth and bring in foreign investment. The Plan also has "adequate mechanisms to protect the EU's financial interests," the administrative body said. The next step in the process entails all EU member states approving the EC's support, which should take about a month. Once completed, funds can start to be sent to Kyiv. The Ukraine Plan consists of nearly 70 reforms and 10 investments across various sectors such as energy, agriculture, and transportation, as well as areas such as decentralization and public finance. (*Ukrainska Pravda*, April 15, 2024)

STRONG-ARMING FOREIGN INVESTORS... AGAIN

Arnulf Damerou is an Anglo-German businessman who ranks as one of the largest private Western investors in Ukraine. Damerou co-owns the gaming and gambling website Cosmolot, which has become the 10th largest taxpayer to the Ukrainian state. But this prominent position has not spared the tycoon some all-too-familiar strong-arm tactics. In mid-April, Damerou claimed publicly that he has been the subject of extortion attempts by members of Ukraine's security services and the administration of President Volodymyr Zelenskyy. Last October, the Economic Security Bureau of Ukraine raided Cosmolot's offices on allegations of tax evasion to the tune of 560 million euros and of violating gambling laws, resulting in Cosmolot's accounts being frozen. Damerou, however, disputes the charges, arguing that Cosmolot was founded after gambling laws had been changed and that the state tax service approved the company's accounts as recently as last August. Damerou also said that he was approached by a Ukrainian individual in Vienna last December who offered to have the charges against Cosmolot dropped if Damerou transferred control of half of the company to an offshore trust. Damerou claims that he has photographic evidence of the meeting, as well as the names of the people involved along with other meeting details, and that he has provided the information to security agencies in the United States and Europe.

Damerau, who has been an investor in Ukraine for over a decade, said the recent events remind him of the days of Viktor Yanukovich's administration, when he claims a similar approach was made by supposed state officials regarding his investment into a wind farm in Crimea that was beset by legal hurdles. The situation was never resolved as a result of Russia's subsequent invasion of the peninsula, and Damerau says he lost 25 million euros from that investment. Damerau is slated to attend the Ukraine Recovery Summit this summer in Berlin and announced he would bring up his recent experiences at the event. (*Financial Times*, April 18, 2024)