SOC ACE Serious Organised Crime & Anti-Corruption Evidence Research Programme

Evidence Review Paper 2

May 2022

Corruption, crime and conflict in eastern Ukraine

Iffat Idris[1]

1. GSDRC, University of Birmingham
All correspondence to: i.idris@bham.ac.uk

Acknowledgments

The author wishes to thank Professor Heather Marquette who reviewed the report and Victoria Bird-Ruiz Benito de Lugo and Matthew Waterfield who provided additional guidance on its development.

Suggested citation

Idris, I. (2022). *Corruption, crime and conflict in eastern Ukraine*. SOC ACE Evidence Review Paper No. 2. Birmingham, UK: University of Birmingham.

About the author

Dr Iffat Idris is a Research Fellow at the GSDRC, International Development Department, University of Birmingham. She has extensive experience of working in the international development sector, notably with the UN System and World Bank. Her areas of focus include conflict analysis, modern slavery, preventing/countering violent extremism (P/CVE) and humanitarian response. She is a Research Fellow with SOC ACE, delivering evidence synthesis for the programme.

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SOC ACE is funded by the UK Foreign, Commonwealth, & Development Office. The views expressed here do not necessarily reflect the UK Government's official policies.

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SOC ACE
University of Birmingham
Birmingham
B15 2TT
United Kingdom

UNIVERSITY OF BIRMINGHAM | THE INSTITUTE FOR GLOBAL INNOVATION | GSDRC Applied Knowledge Services
Governance · Social Development · Humanitarian · Conflict

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Acronyms and abbreviations

AMRO	Asset Management and Recovery Office (Ukraine)
CADLR	Certain Areas of Donetsk and Luhansk Regions
Donbas	Donetz Basin
DPR	Donetsk People's Republic
EU	European Union
LPR	Luhansk People's Republic
NABU	National Anti-Corruption Bureau of Ukraine
NAPC	National Agency for Prevention of Corruption (Ukraine)
NGCAs	Non-government Controlled Areas
OCG	Organised Criminal Group
SAPO	Specialized Anti-Corruption Prosecutor's Office (Ukraine)
SBI	State Bureau of Investigation (Ukraine)
SOC	Serious Organised Crime
SOC ACE	Serious Organised Crime Anti-Corruption Evidence (Research Programme)
UBO	Ultimate Beneficial Owner

Summary

Conflict in eastern Ukraine has been underway since 2014: the February 2014 ouster of pro-Russia President Yanukovych was followed in March by Russian annexation of Crimea, and its support for insurgency in the Donetz Basin (Donbas) – the latter is ongoing. This paper is a rapid literature review of the links between corruption, crime and conflict in eastern Ukraine. While Russia's 2014 annexation of Crimea was rooted both in Moscow's historic claims to the peninsula, as well as moves by Kiev to move closer to the European Union, the ongoing insurgency in the Donetz Basin (Donbas) stems from structural factors such as industrial decline. Russian support for the Donbas insurgents, alongside its failure to recognise the republics that they announced (Donetsk People's Republic and Luhansk People's Republic), suggests that Moscow's real goal is to put pressure on the Ukrainian government and prevent its integration into Western structures.

The paper assesses the impact of the conflict on the economy of Crimea and Donbas. Russia has tried to demonstrate the benefits to Crimea of annexation by pumping vast resources into the region, but this resource injection has been unable to overcome the effects of wide-ranging Western sanctions. Donbas' economy has been even more badly affected by ongoing conflict, with thousands displaced and an economic blockade imposed by Kiev greatly limiting trade. Here too, Moscow has had to step in with subsidies and humanitarian assistance.

The paper also looks at the involvement of organised criminal groups (OCGs) in the conflict, and the impact of the conflict on organised crime in the region. With regard to the former it finds that OCGs played a big role in Russia's annexation of Crimea, fighting alongside Russian forces (without their insignia) and other volunteers. This highlights the complementary and symbiotic nature of the connection between criminal groups and the Russian state. OCGs in the Donbas region had strong links with the Yanukovych government in Ukraine, ousted in 2014 – hence it is no surprise that these groups were heavily involved in the Donbas insurgency.

With regard to how organised crime has been affected by conflict, the paper finds that corruption was a massive problem in Ukraine long before the conflict in the east. Moreover, it involved all levels of the government system and was strongly linked to organised crime. OCGs were especially prevalent in Crimea, while Donbas was even more notorious for criminality. Post-Crimea's annexation, links between OCGs in Crimea and in Russia became even stronger. Ironically, due to the vast influx of Russian development funds, Crimea represented an opportunity for embezzlement and corruption for Russian and Crimean OCGs. Closer ties were even forged between Russian OCGs and those in Ukraine. Since the conflict in Donbas began – and given the economic blockade, and falling Russian funding support - the region has become heavily dependent on organised crime.

The paper also finds that oligarchs, with close ties to organised crime, have benefited hugely from Crimea becoming part of Russia, e.g. seizing property belonging to pro-

Ukraine business elites. Ties with political elites are equally strong: gangs gain protection from political patronage, in turn giving kickbacks to politicians.

One final aspect explored in the paper is transnational crime. It finds that this has risen since the annexation of Crimea and conflict in Donbas, including a rise in smuggling of illicit goods into Europe, and a rise in organised crime in Ukraine. Sevastopol could potentially take over as a smuggling hub from Odesa, while Crimea and Ukraine could become a global money laundering centre. Criminality in Russia has also increased, seen in rises in drug and arms trafficking and criminal cases. The drop in cross-border cooperation to combat crime has contributed to greater criminality.

The paper concludes that corruption, crime and conflict are heavily intermeshed in eastern Ukraine, with each reinforcing the other in what appears to be a downward spiral of escalation.

1. Introduction

This short evidence review looks at the links between corruption, crime and conflict in eastern Ukraine. As well as explaining the background to the current conflict in eastern Ukraine, the report looks at the pre-conflict situation with regard to organised crime and corruption. It then examines how organised crime and corruption play a role in/have been impacted by the conflict. In particular it explores the role of organised crime actors in the Russian annexation of Crimea and in the Donbas separatist movement. The conflict has created new opportunities for criminality and corruption, and these are examined, along with the impact on transnational crime.

This report draws entirely on desk-based research of open source material. It is a rapid review with key search words including 'Ukraine', 'eastern Ukraine', 'Crimea', 'Donbas', 'serious organised crime', 'corruption', 'oligarchs', 'transnational crime', 'Russia', 'organised criminal groups', 'insurgency' and 'conflict'. While the literature reviewed was a mixture of academic and grey literature, preference has been given to open access sources for accessibility to a wide range of potential readers.

2. Background

Since gaining independence, Ukraine has been marked by deep internal divisions between the largely Ukrainian-speaking population in the western part of the country, who favour closer ties with Europe, and the Russian-speaking population in the eastern part, who favour closer ties with Russia. Ukraine's east-west split has deep historic roots: the south and east of the country were part of the former Russian empire, while the western provinces were part of the Austrian Hapsburg empire (Darden, 2014).

2.1. Crimea

The crisis in Ukraine began in November 2013 with protests in Kiev at President Yanukovych's decision to reject a deal for greater economic integration with the European Union. The authorities responded with a security crackdown, which drew even more protestors onto the streets, and led to Yanukovych fleeing the country in February 2014. In March 2014, following the successor Ukrainian government's announcement that it intended to sign an association agreement with the European Union, Russian special forces annexed the Ukrainian peninsula of Crimea. They were aided by the fact that the Ukrainian military – many of them Russian-speaking – remained in their garrisons; Kiev could not rely on their loyalty to combat the Russians (Pifer, 2020). 'Regional authorities there organized a hasty and illegitimate referendum to join Russia, and in March 2014, Russia formally annexed Crimea – a move that most of the world denounced' (Pifer, 2019). As well as concerns about Ukraine as a whole falling into the West's ambit, Moscow had specific interests in Crimea. Russian naval forces are based in the Black Sea (Masters, 2020) and the prospect of NATO having a presence there (which could have followed closer ties with the West) was something the Kremlin was not prepared to countenance (Pifer, 2020).

Moscow also lays historic claims to Crimea. Soviet leader Nikita Khrushchev transferred Crimea from Russia to Ukraine in 1954 in order to strengthen 'brotherly ties between the Ukrainian and Russian peoples' (Masters, 2020). However, since the collapse of the Soviet Union, many Russian nationalists in both Russia and Crimea have longed for the peninsula to go back to Russia (Masters, 2020). Putin framed the Euromaidan protests and Yanukovych's ouster from power as a 'Western-backed "fascist coup" that endangered the ethnic Russian majority in Crimea' (Masters, 2020). Russia's seizure of the peninsula was justified as 'a rescue operation' (Masters, 2020).

Having annexed Crimea, Russia has been trying to demonstrate the benefits for the region of joining the Russian Federation. 'Trying to create a success story, Moscow has poured in more than USD 10 billion in direct subsidies as well as funding major construction and infrastructure projects, such as the highway and railway bridges that now cross the Kerch Strait to link Crimea directly to Russia' (Pifer, 2020). However, small businesses have suffered, in particular because of the drop in tourism which used to account for about 25% of Crimea's economy (Pifer, 2020). In addition, Crimea has been targeted by a range of Western economic and other sanctions. Pifer (2020)

concludes: 'It is probably fair to say that the reality of the economic situation today falls short of what many in Crimea expected, or hoped for, with Russia's annexation'.

2.2. Donbas

In April 2014, just a month after the Russian annexation of Crimea, fighting broke out in the Donbas (short for Donets Basin), a region in eastern Ukraine bordering Russia. There were significant structural factors driving the insurgency:

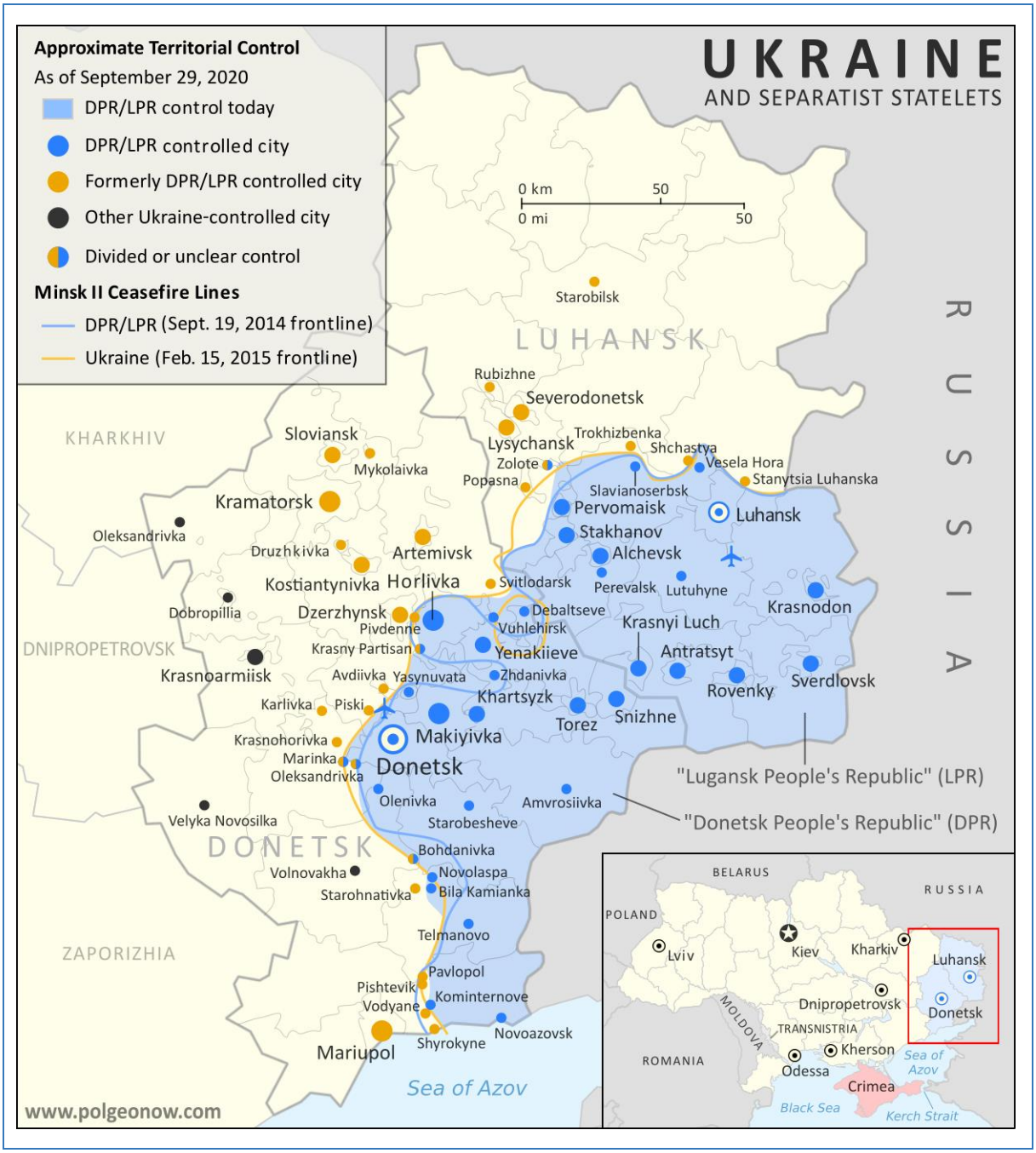
> For decades this corner of south-eastern Ukraine has struggled with a decaying industrial economy, out-migration and a growing sense of frustration among the population….Donbas was responsible for roughly one quarter of Ukraine's industrial production in the decades before the war. But its people had precious little to show for it. Wage arrears were the worst in the country, life expectancies were low, carbon emissions were through the roof and – thanks in part to lagging birth rates and high infant mortality – the population was ageing (ICG, 2020: i).

Separatists (composed of locals but with significant Russian backing – leadership, funding, weapons, ammunition, and even some regular Russian military units) seized large swathes of territory in the oblasts (provinces) of Donetsk and Luhansk (Pifer, 2019). They announced the formation of the Donetsk People's Republic (DPR) and the Luhansk People's Republic (LPR). However, unlike in Crimea, in the Donbas Ukrainian forces did fight back, and by August 2014 had retaken most of the region from the separatists. At this point, the Russian army had to intervene directly to prevent defeat. Moscow provided 'extensive material backing for the fighters, including training, unit leadership, fuel, ammunition, armour and other weaponry (armoured personnel carriers, artillery, rocket launchers, and air defence systems) (Jensen, 2017: 4).

Moscow justifies its actions in the region on the grounds that there are around eight million ethnic Russians in Ukraine who need protection (Masters, 2020). A further factor, on top of Russian concerns about the ouster of Yanukovych and Ukraine's moves towards the EU, was Putin's desire to bolster his support at home (Masters, 2020). The Russian intervention in Ukraine led to Putin's approval ratings rising to over 80% (they had been in steady decline prior to this) (Masters, 2020).

There has been conflict in the Donbas region since then, with over 14,000 people killed (Boulegue & Lutsevuch, 2020: 4). France and Germany were involved in various efforts at securing ceasefires (Minsk Agreements) but none of these held. The most fierce battles were fought in 2014-15, but in recent years a form of stalemate has been reached: around one-third of the Donbas, centring on the industrial cities of Donetsk and Luhansk, is administered by separatists installed by the Kremlin, while the rest remains under the administration of Kiev (Milakovsky, 2019). 'The fighting has transformed into a trench war, with roughly 75,000 troops facing off along a 420 km-long frontline cutting through densely populated areas' (ICG, 2021). Milakovsky (2019) claims that the likelihood that either side will advance militarily is extremely low: 'Ukraine knows that

the regular Russian army is barely concealed behind the separatist forces across the frontline, while Russia knows that any further seizure of territory would end its successful lobbying effort to soften international sanctions'.



Despite its extensive support for the insurgency, Russia has not recognised the DPR and LPR and they remain 'pseudo-states', collectively referred to as Certain Areas of Donetsk and Luhansk Regions (CADLR) or Non-Government Controlled Areas (NGCAs). Jensen (2017: 2) argues that President Putin is using the conflict in eastern Ukraine to put pressure on the Ukrainian government: 'At its core the war in Ukraine is not a civil war or the result of a popular uprising….It is a conflict manufactured by Moscow to achieve a strategic foreign policy goal: preventing Ukraine's integration into Western security, political and economic structures'. Boulegue and Lutsevych (2020: 2) echo this, arguing that the Kremlin seeks 'to promote polarization and encourage a clash between Ukraine's citizens and its governing elite by taking military action, manipulating the corruption narrative, supporting pro-Russia parties and fuelling religious tensions through the Russian Orthodox Church'.

2.3. Economic impact of Donbas conflict

The conflict has taken a massive toll on the Donbas region's economy and heavy industries. Millions of people have been forced to relocate, and the conflict zone has become one of the world's most mine-contaminated areas. In 2017, following a move by separatists to nationalise factories and mines in areas under their control, the Ukrainian government imposed an economic blockade (Milakovsky, 2019; ICG, 2020). Trade across government and separatist-held areas fell even further. Trade with Russia was also difficult:

> Moscow has not recognised the de facto statelets' independence, making it illegal for Russian firms to engage in commerce with businesses located there. Businesses in the breakaway regions are thus in a situation where they cannot trade with entities in either Russia to the east or government-controlled Ukraine to the west (ICG, 2020: ii).

Some have found ways to do so, but 'these improvised arrangements are often inefficient, illegal or both' (ICG, 2020: ii). One of the main ways is to move goods to Russia and then re-export them from there, e.g. coal from the Donbas is mixed with Russian coal, and it is all marketed as Russian. But Russia's economy can absorb or launder for re-export only a portion of what the region produces. Lack of access to global markets via Ukraine is causing many once functioning mines to flood and factories to rust: a tipping point will be reached when it will no longer be possible to revive these economic assets. The International Crisis Group (ICG, 2020: i) concludes:

> The war in Ukraine's Donbas plunged an economically troubled region into ruin. A 427 km front line cuts through what used to be the most densely populated and industrially productive part of the country. Supply and market links have been shattered. Giant enterprises have shed jobs or collapsed. Entire communities have fallen into poverty, now exacerbated by the COVID-19 crisis.

Given the dire economic situation, Moscow has had to step in with significant subsidies and other support. Towards the end of 2014, Russia began to provide money for pensions (approximately USD 40 million alone for DPR), other social programmes, government and military salaries (Jensen, 2017: 3).

> Excluding military expenditures, Russia spends roughly USD1.5-2 billion a year, or about 0.1 percent of its GDP, on the de facto republics, according to Ukrainian government sources and non-government experts. As of 2017, Ukrainian officials estimated that Moscow was covering about 50 percent of the DPR's budget and about 80 percent of the LPR's. Russia also has covered all the LPR's energy needs since 2017….. Both statelets get their gas from Russia's Gazprom, which keeps household energy costs low relative to those in government-controlled Ukraine (ICG, 2020: 20).

Fischer (2019: 29) notes that Russia's role as a provider of humanitarian aid for the NGCAs has grown: dozens of convoys with over 77,000 tons of humanitarian aid have been sent by the Russian Ministry of Emergency Situations. The Russian public also give donations, and between 2014 and 2015 Russia took in almost one million war refugees from Ukraine (Fischer, 2019: 29). Thousands of older residents subsist by maintaining an address in government-controlled territory, which allows them to continue receiving their government pensions so long as they travel over the front line – through a war zone – to collect them (ICG, 2020: ii).

3. Pre-conflict situation regarding organised crime and corruption

3.1. Ukraine

Corruption has been a growing problem in Ukraine since the country gained independence. The Corruption Perception Index 2020 ranked Ukraine 117 out of 180 countries for corruption with a score of 33/100, with 0 being highly corrupt and 100 meaning very clean.[1] A study (EUACI, 2020) found that, for the population, corruption was the second most important social problem after the hostilities in Donbas: 69% of citizens indicated corruption among the very serious problems of Ukraine, while 72.7% held this view of military action in eastern Ukraine. The World Justice Project's Rule of Law Index ranked Ukraine 72nd out of 128 countries overall in 2020, but 110th in the category 'absence of corruption' and 90th in 'criminal justice' (Lough, 2021: 5).

Corruption is pervasive in Ukraine. A Ukrainian government diagnostic study of high-level corruption, prepared with the assistance of the IMF in 2014, noted the 'pyramidal' nature of state capture permeating the government system, featuring 'powerful well-known elites at the top, heads of agencies in the middle and agency staff at the base' (Ash et al, 2017: 76). Government corruption has led to knock-on effects in society. The ICG (2017) estimated that between one quarter and half of the population operated in the shadow economy. The ICG (2017) found that corruption had resulted in 'a dramatic weakening of the state: millions of dollars bypassing the official budget, chronic low-level violence in centres of illegal trade, and swathes of rural territory with no legal workforce or tax base to speak of'. Ash et al (2017: 76) note that, 'Corruption on a grand scale has not only cost the country's citizens dearly over more than 20 years, but has cemented in place a system that is impossible to dislodge without deep changes to the operating environment'.

Corruption in Ukraine is strongly linked to organised crime. Ash et al (2017: 77) write: 'It is clear that the fusion of money and power since independence in 1991 transformed the role of Ukraine's law enforcement institutions, so that their original task of protecting the Soviet system from within became one of supporting criminal activity by the new economic and political elites. Organized crime became synonymous with the functioning of the state'.

With regard to types of organised crime, the literature refers to, among others, trafficking in drugs, arms and persons; prostitution; illegal amber mining; cybercrime and fraud. Ukraine is a hub for transnational organised crime, in particular drugs and arms trafficking, as well as money laundering. The International Narcotics Control Strategy Report of March 2019 (USSD BINLEA[2], cited in Home Office, 2019: 16) states:

1 https://www.transparency.org/en/cpi/2020/index/ukr

2 Bureau of International Narcotics and Law Enforcement Affairs.

> Although Ukraine is not a major drug source country, its location astride several important drug trafficking routes into Western Europe leaves it vulnerable as an important transit country. Ukraine's numerous ports on the Black and Azov seas, its extensive river routes, and its porous northern and eastern borders make Ukraine an attractive route for drug traffickers into the European Union's (EU) illicit drug market. Heroin from Afghanistan is trafficked through Russia, the Caucasus, and Turkey, before passing through Ukraine. Latin American cocaine is moved through Ukrainian seaports and airports for both domestic use and further transit to EU countries. Ukrainian law enforcement occasionally interdicts large shipments of drugs in commercial shipments transiting southern ports.

The same report describes money laundering in Ukraine as follows (USSD BINLEA, 2019, cited in Home Office, 2019: 14):

> Money is laundered through real estate, insurance, financial and non-financial institutions, shell companies, and bulk cash smuggling schemes. Criminals use aliases to register as [ultimate beneficial owners] UBOs of companies to comingle licit and illicit funds. Transnational organized crime syndicates use Ukraine as a transit country for money and drugs. Transactions are routed through offshore tax havens to obscure ownership, evade taxes, or mask illicit profits.

Amber mining is another sector dominated by criminal gangs. The ICG reported in 2017 that Ukrainian amber began to attract the interest of organised crime in the 1990s; strong protection rackets reportedly overseen by figures close to the government emerged in the 2000s, when a rise in the global price of amber stimulated illicit mining (ICG, 2017: 4). The ouster of President Yanukovych in 2014, and the onset of instability and conflict led to economic recession, which drove many people to turn to illicit mining. This in turn led to increased chaos as 'rival bands vying for turf filled the vacuum left by the consolidated protection racket that disintegrated after Yanukovych fled' (Radio Europe, cited in Home Office, 2019: 20). As of 2017 Ukraine's amber business was thought to be worth as much as USD 500 million each year (Home Office, 2019: 20).

3.2. Crimea

The break-up of the Soviet Union paved the way for entrenched corruption and organised crime in Ukraine, but the Crimea in general and the port of Simferopol had, even before the collapse of the USSR, 'become free-wheeling havens for smuggling, black marketeering and a lucrative array of embezzlement schemes centering on the region's health spas and holiday resorts' (Galeotti, 2014b). Post-independence, organised crime in Crimea assumed an increasingly visible and violent form: Simferopol was fought over by two rival gangs (the Bashmaki and the Salem), who were at once entrepreneurs and predators who forced local businesses to pay tribute and sell their goods (Galeotti, 2014b). Galeotti (2014b) asserts that by the 2000s these gangsters-turned-businessmen were increasingly dominant within Crimea, facilitated by the fact that Kiev showed little interest in promoting good governance and economic prosperity in the region – 'this

gave local elites both free reign and also a perverse legitimacy'. The key commodities targeted by organised criminals were control of businesses and of land, e.g. Bashmaki leaders tried to take over Crimea's main soccer club, SC Tavria Simferopol, largely for the properties it owned (Galeotti, 2014b).

Two further aspects are noteworthy: one, organised criminals in the Crimea moved into both above-board businesses, and local government and politics. A former prosecutor in the region recalled that 'every government level of Crimea was criminalized' (Viktor Shemchuk, cited in Galeotti, 2014b). Two, the Russian connection to criminalisation in Crimea:

> Although Crimea was part of Ukraine, many of the most lucrative criminal businesses, such as trafficking narcotics and counterfeit or untaxed cigarettes, depended on relationships with the Russian criminal networks…..likewise the peninsula's dirty money was typically laundered through Russian banks and in the process became all but untraceable for the Ukrainian police (Galeotti, 2014b).

These links between Crimean OCGs and Russia would prove very significant when Yanukovych fled Ukraine and Moscow decided to annex Crimea.

3.3. Donbas

The Donbas, and specifically Donetsk province, was even more notorious for criminality than Crimea. Kosicki and Nesterenko (2014) note that '"rule of law" as such was a myth in the Donbas even before the Soviet collapse'. They liken it to a 'mafia state', controlled by neither Kiev nor Moscow, and in which organised crime dominated the cultural and social life of the region. One historical factor was that the former Soviet Union had built lots of penal colonies in Donetsk, and released prisoners remained there becoming 'fodder for an emerging criminal industry based in late-night entertainment, gambling and trafficking' (Kosicki & Nesterenko, 2014). Moreover, the traits and norms practised in prisons and labour colonies (e.g. acceptance of territoriality, rackets, tattoos) shaped not only social and economic life, but also Donbas civic and legal cultures. 'Indeed, in many sectors of Donbas life, legal nihilism became prevalent' (Kosicki & Nesterenko, 2014).

In the first decade following Ukraine's independence, the Donbas had the highest level of criminal activity in the country: in 1991 alone, the Donetsk police department recorded 2,186 criminal groups responsible for over 4,000 alleged crimes, and the number of OCGs has grown steadily since 1991, while total crime in the Donetsk region increased by 50 percent between 1991 and 1993 (Kosicki & Nesterenko, 2014). Over the next decade Donetsk continued to top tables for registered crimes and homicides across Ukraine; reflected in the province also having the highest number of prisons (20) in Ukraine followed by Luhansk with 16 (Kosicki & Nesterenko, 2014). As the coal industry in the Donbas declined – in 2013 alone, 30,000 people were laid off – gangs and organised crime became the way to ensure survival and success (Kosicki & Nesterenko, 2014).

Even before the 2014 insurgency, OCGs were 'selling' their capacity to carry out violence, notably to political groups. This 'violent entrepreneurship' was seen in the

titushki or thugs hired to harass political rivals and break up their rallies. This phenomenon was increasingly common in 2013 and was especially deployed by Yanukovych's Party of the Regions, whose base was in the Donbas. In sum, there were already strong links between criminal gangs and political elites in the Donbas.

3.4. Anti-corruption measures

Efforts have been made to combat corruption. The Euromaidan protests at the end of 2013 started as an attempt to force President Yanukovych to sign an association agreement with the EU, but quickly transformed into anti-government protests focused on corruption:

> Ukrainians took to the streets to denounce the country's endemic corruption, from the grand corruption practiced by ex-president Yanukovych and his peers, to everyday corruption and petty unfairness—like the need to bribe a teacher to get better classroom conditions for your children, a doctor to get an appointment, or the traffic police to avoid unlawful fines (OSF, 2019).

While the protests led to Yanukovych fleeing the country, three years on, the Euromaidan movement's demands that the authorities curb corruption and put high-level corrupt officials behinds bars, remained unfulfilled:

> There have been no convictions of senior officials from the administration of former president Viktor Yanukovych, despite overwhelming evidence that many oversaw the theft of public assets on an epic scale…With the notable exception of Naftogaz, state-owned enterprises (SOEs) continue to bleed the equivalent of billions of dollars annually from the state budget through corrupt schemes (Ash et al, 2017: 75).

The post-Yanukovych government of President Poroshenko established a number of anti-corruption bodies, including the National Agency for Prevention of Corruption (NAPC), the National Anti-Corruption Bureau of Ukraine (NABU), the Specialized Anti-Corruption Prosecutor's Office (SAPO), the State Bureau of Investigation (SBI) and the Asset Management and Recovery Office (AMRO) (Ash et al, 2017: 83; Home Office, 2019: 22). There have been some reform successes: elimination of gas sales from Russia (previously the largest source of corruption in the economy), which has shrunk the space in which corrupt practices can occur; improved public sector transparency through the introduction of an electronic system for state procurement tenders; and an e-declaration system through which senior officials must declare their assets (Ash et al, 2017: viii).

However, the new anti-corruption bodies have come under strong political pressure from elites and oligarchs opposed to reform. 'Since the inception of the anticorruption infrastructure, various political actors attempted to embed loyal agents in the institutions through legislative changes and political leverage over selection procedures or to dissolve them altogether' (US State Dept., 2020: 42). As a result legislation providing criminal penalties for corruption has not been effectively implemented and 'many officials engaged in corrupt practices with impunity….corruption remained pervasive at all levels in the executive, legislative, and judicial branches of government' (US State Dept., 2020).

4. Links between organised crime and conflict

4.1. Crimea

Organised criminal groups played a major role in Russia's annexation of Crimea. They were one of three types of forces used: one being Russian commandoes and marines fighting without their insignia (Moscow denied official involvement in Crimea); the second local police; and the third 'self-defence forces'. Of the latter, some were veterans and volunteers, but 'many were the foot soldiers of the peninsula's crime gangs, including Bashmaki and the descendants of Salem, who had temporarily put their rivalries aside to pull Crimea out of Ukraine' (Galeotti, 2014b). Although key missions were undertaken by Russian so-called 'little green men' (special forces without their insignia), the local militias (gangsters) played a significant role in seizing government buildings and cordoning off Ukrainian garrisons.

> Crime, especially organized crime, has been at the heart of the events in Ukraine from the start. Many of the burly and well-armed "self-defence volunteers" who came out on the streets alongside the not-officially-Russian troops turned out to be local gangsters, and the governing elite there have close, long-term relations with organized crime (Galeotti, 2014a).

A local prosecutor explains why organised criminal groups got involved: 'They knew it would be good for them both [Bashmaki and Salem] and there were powerful people in Moscow who asked them to do it' (cited in Galeotti, 2014b). Sergei Aksyonov, the 'Head of the Republic of Crimea' (de facto prime minister) since 2014 was a member of the Salem organised criminal group in the 1990s, going by the nickname 'Goblin' (Galeotti, 2014b). Galeotti (2014b) comments:

> what the Crimean annexation has demonstrated in especially stark form is the connection between crime and the Russian state that is not essentially parasitic and competitive (as it is when criminals embezzle the federal budget) but instead complementary and symbiotic. Indeed, Crimea is a case study both of the way that the Kremlin uses criminals as instruments of state policy and also how the underworld and upperworld have become inextricably entwined as a consequence.

Alongside links between organised criminal groups in Crimea and Russian political elites, links between OCGs in Crimea and those in Russia also rapidly strengthened following the annexation of the region. These were strong even before 2014. 'Although Crimea was part of Ukraine, many of the most lucrative criminal businesses, such as trafficking narcotics and counterfeit or untaxed cigarettes, depended on relationships with the Russian criminal networks' (Galeotti, 2014b).

After Crimea's annexation Galeotti (2014a) describes how 'the big Moscow-based crime networks (were) sending their *smotryashchye* – the term means a local overseer, but now also means, in effect, an ambassador – there to connect with local gangs'. For Russian OCGs, the Crimea represented opportunities: one, for fraud and embezzlement of the massive inflow of development funds from Moscow, to support the Kremlin's goal of making the region a symbol of the benefits of joining the Russian federation; and two, to use Black Sea smuggling routes and turn the port of Simferopol into a big smuggling hub in place of Odessa in Ukraine. Early investment by Moscow in Crimea amounted to USD 4.5 billion, meaning there 'was ample scope for kickbacks, sweetheart deals, and simple attrition of construction materials' (Galeotti, 2014b). Embezzlement, corruption and smuggling in and through Crimea were forecast to be a big business. Indeed, preliminary Interior Ministry figures for the first three months of Russian control showed that smuggling, economic crime, and violent offences rose by between 5 and 9 percent (Galeotti 2014b).

A further, more surprising, type of links forged in the wake of Russia's annexation of Crimea was between Ukrainian OCGs and those in Russia/Crimea. Galeotti (2014b) noted that it appeared as if 'Ukraine's gangsters are perversely stepping up their cooperation with their Russian counterparts even while Kiev fights a Moscow-based insurgency'.

4.2. Donbas

As seen, separatist movements in the Donbas emerged quickly in the wake of Russia's annexation of Crimea. Neglect of the region by successive Ukrainian governments contributed to the sense of frustration felt by local people, and thus to the insurgency (ICG, 2020). One could argue that wide-scale corruption in Ukraine and strong links to organised crime contributed to weak governance which contributed to conflict drivers in Luhansk and Donetsk.

Kosicki and Nesterenko (2014) highlight a further factor: many of Ukraine's political and economic leaders came from the Donbas – Yanukovych, his predecessor President Leonid Kuchma, businessman Rinat Akhmetov (Ukraine's richest man at one point) and others. Billions of dollars of assets belonging to these men were tied to Yanukovych's Party of Regions as well as to Russia (Darden, 2014). The Euromaidan protests, and the ouster of Yanukovych, brought about a massive regional shift in power. From the Yanukovych government with 75 percent of ministerial level leadership from the south and east of the country, and 42 percent from Donetsk, the new government under Prime Minister Yatsenyuk had only two ministers from the south and east – all others came from the west of the country (Darden, 2014). The regime change thus represented a massive threat to the 'stakeholders in the Donbas mafia state' (Kosicki & Nesterenko, 2014).

It is therefore not surprising that OCGs played a direct role in the insurgency. In the same way as happened in Crimea, when conflict broke out in Donetsk and Luhansk, members of OCGs were among those fighting against the Ukrainian government. 'Likewise, in eastern Ukraine, criminals have been sworn in as members of local militias and even risen to senior ranks, while the police, long known for their corruption, are fighting alongside them' (Galeotti, 2014b). The insurgents – comprised of local fighters,

members of OCGs, veterans, police, etc. – achieved significant initial success, but Ukrainian government troops then rallied and were able to recover lost territory. At this point, in late summer 2014, Russia became more directly involved, introducing large numbers of regular troops. As of mid-October 2016, 6,000 regular Russian troops were in eastern Ukraine (excluding Crimea) or along the border with Russia (Jensen, 2017: 4). Former militias were replaced by Russians or incorporated into Russian units (Jensen, 2017). The July 2014 shooting down of a Malaysian airliner by pro-Russian forces in the Donbas could also have influenced the Kremlin's shift towards more direct and overt Russian involvement in the conflict (Jensen, 2017).

As explained in Section 2, the economy of the Donbas has been badly hit by conflict and sanctions which prevent trade with both government-controlled areas of Ukraine, and Russia (some trade and 'laundering' of exports through Russia does take place). Russian subsidies and support fill some of the gap, but since 2014 the dependence on organised crime has increased:

> Illegal production and smuggling of coal is widespread, sometimes involving officials on the Russian side of the border. Other smuggling includes trafficking in scrap metal, drugs, consumer goods and weapons…A decrease in Kremlin financial support for the separatist fighters (in 2017) due to Russia's economic problems has led to an increase of official corruption in Luhansk and Donetsk, according to Ukrainian official sources (Jensen, 2017: 10).

In the CADLR smuggling increased massively after Kiev imposed an economic blockade, banning trade with the area: the black market that filled the gap covered a host of items including food products, electronics, weapons, narcotics, etc. and there was even evidence of selling of humanitarian aid (ICG, 2020; Jensen, 2017). The DPR and LPR have effectively become 'bandit kingdoms', dependent on criminal activities. Moscow has been unwilling or unable to combat the corruption flourishing in the Donbas (Jensen, 2017: 10).

As in Crimea, there is cooperation between Ukrainian and Russian OCGs in the Donbas region.

5. Links between organised crime and oligarchs

In both Crimea and the Donbas region, power rests in the hands of oligarchs who have close ties to organised crime. In the case of Crimea, the annexation of the peninsula by Russia gave such people even more power. As seen, Sergei Aksyonov, official head of Russian Crimea, was associated with the Salem criminal gang. He is closely tied to the Crimean parliament speaker Vladimir Konstantinov, 'perhaps the pivotal powerbroker on the peninsula… (He) has also been persistently linked with organized crime connections and allegations of construction and real estate fraud' (Galoetti, 2014b).

Crimea's criminal and political elites have had new opportunities for enrichment since the peninsula became part of Russia. One is through simple expropriation. All properties belonging to Ihor Kolomoyskiy, once Ukraine's fourth-richest man and a supporter of Ukraine, were seized under the orders of the Crimean State Council. The proceeds from their auction were supposed to be used to support the regional budget, but Galeotti (2014b) claims the assets would have been transferred into the hands of cronies and agents for the least price, or the funds raised would have been embezzled. Kiev accused the Crimean government of illegally seizing some 80,000 hectares of land and properties worth USD 110 million, 'much of which already appears to have made its way into private hands'.

A second is by applying state pressure on rival Tatar OCGs in Crimea. Galeotti (2014b) claims that part of the 'deal' brokered by Russian security forces between Crimean political elites and local organised criminal groups was 'a promise for not only continued opportunities for enrichment but also support against the non-Slavic gangs who had begun to encroach onto their turfs, especially Tatars and North Caucasians'. Since Crimea's annexation, police and Russia's Federal Security Force (FSB) have been cracking down on Tatar organisations, as well as legal and illegal businesses controlled by non-Slavic gangs. While Tatar groups have been more heavily targeted, other non-Slavic groups have been significantly constrained: 'Chechens, for example, have been forced to relax their previously tight grip on the local drug trade and instead hand a share over to the Slavic gangs' (Galeotti, 2014b).

A third is through embezzlement of funds pumped into Crimea by Moscow for large-scale infrastructure projects – these 'represent honeypots for the gangsters' (Galeotti, 2014b). In addition, Putin added Crimea to the list of areas allowed to run gambling ventures: organised gambling was outlawed across Russia in 2009 as 'a dangerous addiction and a magnet for organized crime', but a few locations were allowed to build and run casino complexes, especially with an eye to overseas markets (Galeotti, 2014b). Adding Crimea to the list would potentially bring in millions of dollars a year for the overstretched regional budget, but Galeotti (2014b) predicts 'it is unlikely that anything of the sort will actually end up in the public purse'. He notes that casinos have long been associated with organised crime; prime locations for loan sharking, money laundering, vice of every kind, and protection racketeering.

Galeotti (2014b) sums up the links between organised criminal groups, oligarchs and Russia:

> (T)he gangs with political connections gain protection and privileged access to upperworld and underworld resources. In return, they kick back payments but also provide political support to their allies, in a self-sustaining loop. This is, after all, the essence of the Russian political system in a nutshell. The Kremlin rewards those who demonstrate utility and loyalty, and at the same time expects and demands that they continue to demonstrate those qualities. In the short term, this is a brutally effective means of creating an elite base and maintaining control over it: when everyone is compromised, everyone is vulnerable, and everyone needs regularly to demonstrate their commitment to the boss.

A similar pattern of political and criminal elites benefiting from opportunities offered by the separation from Ukraine has been seen in the Donbas. The 'nationalisation' of key factories and other businesses in the region, entailed political elites expropriating firms, extorting money and using their authority to enrich themselves. Jensen (2017: 10) writes that Donbas regional business oligarchs, sometimes with commercial ties to both sides, have been active in the struggle for resources and political power. He also describes how pro-Russia Ukrainian politicians and business oligarchs provide money and economic leverage. For example (Jensen, 2017: 8):

- Business mogul Viktor Medvedchuk, widely seen as one of the key Ukrainian oligarchs supporting Putin, served as intermediary between Kiev and Kremlin appointees in the Donbas and has been accused by Ukrainian officials of financing the extremist groups that organized the violent uprising in eastern Ukraine.
- Oligarch Oleksandr Onyshchenko, long a business partner of departed President Yanukovych and himself accused by Ukrainian officials of embezzlement of state property, has advanced Kremlin interests by accusing the Poroshenko government of corruption.

5.1. Impact on transnational crime

The annexation of Crimea by Russia, and the ongoing conflict in eastern Ukraine has led to a rise in transnational crime in the region. Galeotti (2014a) notes that the country is an ideal hub for the global underworld because it has all the resources and facilities of a modern, industrial nation, e.g. ports and banks, but not the capacity to secure and control them: 'This kind of potential black hole is a priceless asset for the world's gangsters'. In the immediate aftermath of Russia annexing Crimea and the insurgency beginning in the Donbas region, Galeotti (2014a and 2014b) identified a number of ways in which the situation is/could impact global crime:

- **Rise in organised crime in rest of Ukraine** – Various forms, including protection racketeering, drug sales, and using fake documents and corrupt officials to steal property, are on the rise.

- **Rise in smuggling into Europe** – Preliminary reports from European police and customs bodies indicate an increase. This entails not only Ukrainian goods, but also cocaine from Latin America and Afghanistan, and even stolen cars from Scandinavia – re-exported through Ukraine into Greece and the Balkans. Illicit goods are also being moved eastward into Russia.
- **Smuggling hub shift from Odessa to Sevastopol** – Until 2014, Odesa handled the lion's share of not just Ukrainian but also Russian smuggling over the Black Sea. However, it could be displaced by Sevastopol, which offers a number of advantages, including that the Russian Black Sea Fleet is based there, and military supply convoys—which are exempt from regular police and customs checks—are a cheap and secure way to transport illicit goods. In addition, there are close links between organised crime groups and local political leaders in Crimea. Hence, if OCGs in Sevastopol can establish reliable shipping routes and can match/undercut Odessa's rates, this could lead to a major realignment of regional smuggling. Even the possibility of this has been enough to force Odessa to reduce charges on illicit goods trafficked through the port.
- **Rise in money laundering through Ukraine** - Ukraine's financial sector is notoriously under-regulated. To date, other countries, notably Cyprus, Latvia and Israel, have attracted international flows because of their greater efficiency, but those countries are now curbing illicit financial flows under international pressure. The combination of this, and Ukraine's need for business and strong links to Russia, could lead to the country – and notably Crimea – becoming a hub for illicit international financial flows.
- **Spread of OCG members to other European countries** – If Kiev is finally able to defeat the rebellion in the east, it is unlikely that Russia will want to take in former insurgents. These could instead move to other parts of Europe and North America, and undertake criminal activities there.

Hubanova et al (2020) note that the potential for increased transnational crime offered by the conflict, is accompanied by a deterioration in cross-border cooperation to combat crime. OCCRP reported in October 2018 (cited in Home Office, 2019: 21) that sales of illegal weapons had doubled in Ukraine in the past year. The USSD BINLEA March 2019 report (cited in Home Office, 2019: 17) noted the Russian aggression in eastern Ukraine had 'created a new vulnerability for drug transit through the region'.

The conflict has also led to the spread of criminality to Russia, notably Rostov Oblast just across the Ukraine-Russia border, which has become a major centre of criminal activity (Jensen, 2017: 11). Since the war began thousands of fighters have crossed the border in both directions, contributing to sharp rises in drug and arms trafficking and criminal activity in southern Russia – criminal cases rose from 5,000 in 2013 to 8,000 in 2015 (Jensen, 2017: 11). Jensen (2017) also notes that Rostov is a gateway to the rest of the country, so crime introduced into the country there has spread.

6. Conclusion

Corruption and crime are clearly linked in Ukraine, including in Crimea and the Donbas region. Evidence suggests that OCGs and political elites/oligarchs are joined in symbiotic partnerships. The 2014 annexation of Crimea by Russia, and the ongoing conflict in eastern Ukraine, was also strongly linked to both. Factors like poor governance, related to corruption and criminality, led to the Donbas conflict, and organised criminal groups were involved in the fighting. Moreover, the conflict has exacerbated both organised crime and corruption in Crimea and Donbas, as well as leading to a rise in transnational crime. The highly intermeshed nature of corruption, crime and conflict in eastern Ukraine means that not only is finding solutions difficult, but the situation with regard to each is getting worse.

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