



DEPARTMENT OF POLITICAL SCIENCE

# CHALLENGES FOR CSOs LINKED TO FINANCIAL DEPENDENCY ON FOREIGN DONORS

A case study of anti-corruption CSOs in Ukraine

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## **Abstract**

*Over the last 25 years anti-corruption policies have become inherent to the goal of building good governance within the field of development aid. Local anti-corruption civil society organisations (CSOs) in the countries of the former Soviet Union are important actors for demanding social accountability and legal reforms from their respective governments. They are predominantly financed by foreign state authorities and private foundations which creates external dependency relations and institutional weakness for these organisations. This thesis evaluates how the challenges linked to foreign funding in Ukraine relate to the theories and identified problems of foreign funding to local civil society actors via interviews and survey report analysis of anti-corruption CSOs in Ukraine. The results show a large gap in terms of expertise, management, networking and attraction of donor money between the 'professionalised' capital-based Ukrainian anti-corruption CSOs and the CSOs in smaller countryside cities mostly run by volunteers. In contrast to this discrepancy, the dependency on foreign funding remains the same for all CSO actors in Ukraine. In other words, financial resource diversification continues to be the main challenge for civil society actors.*

## Acronyms List

|                          |  |
|--------------------------|--|
| <b>AC:</b>               | <b>Anti-Corruption</b>   |
| <b>ACA:</b>              | <b>Anti-Corruption Agency</b>  |
| <b>ANTAC</b>             | <b>Anti-Corruption Action Center</b>   |
| <b>CEE:</b>              | <b>Central and Eastern Europe</b>  |
| <b>CSO:</b>              | <b>Civil Society Organisation</b>  |
| <b>DANIDA</b>            | <b>Danish International Development Agency</b>   |
| <b>DejuF</b>             | <b>DEJURE Foundation</b>   |
| <b>EBRD:</b>             | <b>European Bank for Development and Reconstruction</b>  |
| <b>EE and the SOCA</b>   | <b>Eastern Europe and the Southern Caucasus</b>  |
| <b>EU:</b>               | <b>European Union</b>  |
| <b>EUACI</b>             | <b>European Union Anti-Corruption Initiative</b>   |
| <b>GIZ</b>               | <b>(Deutsche) Gesellschaft für Internationale Zusammenarbeit<br/>(German Enterprise for International Cooperation)</b> |
| <b>GMD Center</b>        | <b>Tsentr Hromadskoho Monitorynhu ta Doslidzhen (Ukrainian)<br/>(Public Monitoring and Research Center)</b>            |
| <b>IMF:</b>              | <b>International Monetary Fund</b>   |
| <b>IOM:</b>              | <b>International Organisation for Migration</b>  |
| <b>NABU</b>              | <b>National Anti-Corruption Bureau</b>   |
| <b>NGO:</b>              | <b>Non-Governmental Organisation</b>   |
| <b>SIDA:</b>             | <b>Swedish International Development Agency</b>  |
| <b>TI:</b>               | <b>Transparency International</b>  |
| <b>TI Ukraine</b>        | <b>Transparency International Ukraine</b>  |
| <b>TI United Kingdom</b> | <b>Transparency International United Kingdom</b>   |
| <b>UAH</b>               | <b>Ukrainian Hryvnia</b>   |
| <b>US</b>                | <b>United States</b>   |
| <b>USD</b>               | <b>United States Dollar</b>  |
| <b>UN:</b>               | <b>United Nations</b>  |
| <b>UNDP</b>              | <b>United Nations Development Programme</b>  |
| <b>UNICEF:</b>           | <b>United Nations Children's Fund</b>  |
| <b>USAID</b>             | <b>United States Agency for International Development</b>  |
| <b>WB</b>                | <b>World Bank</b>  |

## INTRODUCTION

Corruption is recognised by the international community as a serious threat to all societies where people live, given that corruption undermines such important social processes as political stability, economic growths and vital social services. Many countries that transitioned to democracy and market capitalism after the end of the Cold War became vulnerable to corruption and lawlessness. Eastern Europe and the former Soviet Union were among the global regions that suffered the most. Until the mid-1990s, global leaders believed that policies based on economic privatisation and deregulatory logic would lead not only to economic prosperity but also to decreasing levels of corruption; an idea that proved wrong in many countries.

Since then, post-communist countries are in dire need of new reforms to build their societies. One of the proposed strategies by the international community is the strengthening of civil society through the financing civil society organisations, hereafter referred to as “CSOs”. High hopes have been placed on local CSOs to play a key role in the fight against corruption, for example via advocacy work, monitoring activities, awareness raising within society and education of citizens about corruption and its devastating consequences. Together with democracy promotion and human rights, anti-corruption is one of the foremost fields where local CSOs have met opposition from political regimes, (social) media channels and powerful individuals with vested political and economic interests. This opposition is again linked to the former communist space, notably the countries in Eastern Europe and the Southern Caucasus (EE and the SOCA) where governments are characterised as ‘hybrid regimes’ since their transition to democracy and market economy until now is severely flawed or incomplete.

In Eastern Europe, democratic routines have settled in well in Ukraine, though corruption and the absence of rule of law are severely undermining the country’s ability to become a prosperous country in an economically globalised world. Since Ukraine has turned away from its old geo-political hemisphere and is now oriented towards the West, its international institutional partners such as the European Union (EU), the United States (US), individual European states, the International Monetary Fund (IMF), the World Bank (WB) and many private actors have stepped up their political engagement and financial efforts to support the Ukrainian government’s and civil society’s anti-corruption initiatives. Since 2014, anti-corruption CSOs have become the motor of anti-corruption and judicial reform in Ukraine, which is remarkable since the literature on civil society as an actor of change in EE and SOCA, does not tend to attribute high impact levels to CSOs in general. Another strain of literature links this failure to produce significant changes in society to the fact that local CSOs in developing countries are dependent on foreign funding by either state development agencies, non-governmental organisations (NGO’s) or private foundations from ‘Northern’ countries. There is a

lack of research on how anti-corruption CSOs are affected by donor dependency in ‘hybrid regime’ countries, notably in EE and SOCA region. So far, to my knowledge only one country case study on this topic has been done on Georgia by Di Puccio (2010).

Therefore, the case of Ukrainian anti-corruption CSOs - heavily relying on foreign funding - is interesting to examine in order to understand how this foreign donor dependency affects CSOs’ work of developing reform measures and carrying out projects that intend to decrease corruption levels in society. Given this gap, the thesis evaluates the following research question: *What are the challenges to success of CSOs dependent on foreign donors in the fight against corruption in Ukraine?* This will be answered in the following ways. First, by analysing four semi-structured interviews held in Kyiv with Ukrainian anti-corruption civil society organisations of whom most are based in the capital city. They are involved in various projects coordinated on a national level and taking place on both a national and regional level. Second, I analyse a mapping report from the EU Anti-Corruption Initiative (EUACI) which surveys 65 CSOs<sup>1</sup>, covering various fields of activity besides anti-corruption, from five middle-sized cities geographically equally spread over Ukraine to identify what are the strengths and weaknesses of CSOs outside the larger cities in terms of organisational capacity and ability to run foreign funded projects. These findings contribute to a better understanding of the organisational challenges that regional CSOs, more representative of Ukrainian grass root organisations than the Kyiv-based technocratic anti-corruption CSOs, are currently facing.

In the end, this thesis shows that foreign funding for anti-corruption CSOs in Ukraine is a two-edged sword. On the one hand, it has enabled these organisations to weigh in on the government-led process of forging anti-corruption institutions, to develop successful anti-corruption tools for the government and to embody the voice and spirit of the Euromaidan generation<sup>2</sup>. The protests of Euromaidan generation indicated that Ukraine is ready to become a modern democracy based on the rule of law

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<sup>1</sup> The EUACI mapping report explicitly uses the abbreviation “CSO” (civil society organisation) to distinguish the 65 organisations which have participated in the survey. The organisations that I have interviewed casually refer to themselves as either an NGO or CSO. The literature on anti-corruption is strongly linked to civil society and therefore mostly refers to CSOs, not the least in an East-European context since these actors play a crucial role in developing anti-corruption reforms. On the other hand, the literature about the challenges for organisations linked to foreign funding - from the 1990s - uses more frequently the term NGO. In this decade CSOs in Eastern Europe had only just started to gain foothold and develop their activities. Therefore, it is not surprising that the academic literature of that time refers more frequently to the more well-established term ‘NGO’. Once the core activities of civil society in Eastern Europe from the end of the 1990s have become better defined, the usage of the term ‘CSO’ also becomes more standard in the literature. Considering my different options of reference and the fact that my case study includes an East-European country, I will use the term CSO in general with the exception of a part in the literature review section.

<sup>2</sup> Protesters who picketed on Maidan Square against President Yanukovich during the ‘Revolution of Dignity’ from November 2013 until February 2014.

where there is no place for corruption. On the other hand, foreign funding implies dealing with slow and bureaucratic procedures determined by donors as well as the necessity to develop a form of financial self-reliance. This financing system does not encourage or enable anti-corruption CSOs to become stronger as organisations that in the long term could lead to financial independence and strong organisations able to remain active in Ukraine from the day that international donors shift the priority from Ukraine to another developing country.

Following this introduction, the structure of the thesis is divided into four sections. In the first section, I present my research question and its relevance for the post-communist world, followed by an overview of different strains of the literature that is crucial for understanding the implications of anti-corruption policies and anti-corruption bodies as well as the effectiveness of anti-corruption measures. I also examine the theoretical perspectives of neo-institutionalism and resource dependence theory when covering the literature that addresses the challenges of CSOs dependent on foreign funding. This section ends with a formulation of the research gap and the motivation of my case study. Section two contains an explanation of my research method which is mainly based on semi-structured interviews and to a minor degree on document analysis. Furthermore, I argue why qualitative research is a useful method to analyse case studies. I conclude this section by explaining my sampling criteria, describing how the interviews were conducted, describing the anti-corruption CSO samples, what those organisations do, who are their donors and a mapping report from EUACI that I will also analyse. In the third section, I first analyse what the external and internal challenges are for these foreign donor dependent CSOs based on the interviews and secondly, I complement this with analysis of the EUACI mapping report on the prospects anti-corruption capacities of a sample of 65 civil society organisations in five Ukrainian middle-sized cities. Thirdly, I compare the challenging situations of the interviewed anti-corruption CSOs, linked to foreign funding, with the explanations given by the theoretical perspectives on neo-institutionalism and resource dependence theory. I finalise with some recommendations on how foreign donors in the researched case can help CSOs become more sustainable and less dependent on foreign funding. In the fourth and final section, I revisit the overall findings of this thesis in the conclusion.

## **LITERATURE REVIEW**

### **Definition of Corruption**

The fight against corruption takes place on multiple levels, through various actors and by using different tools. The literature about anti-corruption covers several different aspects such as, driving principles of anti-corruption (AC) initiatives (Lough, 2008; Helmer & Deming, 2011; Ackerman,

2014; Andreevska & Raicevic, 2018); the effectiveness of AC programmes (Kaufmann 1998; Steves & Rousso, 2003; Rousso & Steves, 2006; Johnsen et al, 2012); involvement of state AC bodies and international actors (Heilbrunn, 2004; Meagher, 2005; Fjeldestad & Isaksen, 2008; de Sousa, 2010; Rose-Ackerman, 2013) and the development of a globalised NGO anti-corruption industry (Hindess, 2009; de Sousa, 2009, Sampson, 2010; Sampson 2011). In order to understand these aspects of anti-corruption it is useful to have a clear definition of “What is corruption?”. A widely accepted description of the concept is given by Robert Klitgaard (1988) in his well-cited book “Controlling Corruption”: *{A corrupt official} deviates from the formal duties of a public role because of private-regarding (personal, close family, private clique) pecuniary or status gains; or violates rules against the exercise of certain private-regarding behaviour* (Klitgaard in Azfar et al, 2001: 44). This definition emphasises that the purpose of anti-corruption measures is to expose, sanction and prevent such rule or duty violations in a society.

### **Origins of Anti-Corruption**

Anti-corruption research is in a beginning phase (Schmidt, 2007). Combatting corruption shows to be very difficult since it is a highly complex phenomenon (Lough, 2008) able to adapt quickly to new situations where anti-corruption measures have been introduced (Persson et al, 2010). Many scholars have addressed the failure of many countries’ economic development and anti-corruption initiatives (Rodrik, 2006; Heywood, 2016) based on the Washington Consensus (WC), developed and promoted by the international community - not the least in the post-communist world. Authors such as Schmidt (2007) have studied the trends in corruption prevention research in the post-communist world, while Steves & Rousso (2003; 2006) have focused on the effectiveness of anti-corruption measures in this latter region. AC measures inspired by the WC, start from the idea that the full embrace of capitalism through liberalisation and privatisation will lead to consolidated democracy and prosperous societies. Since WC-inspired reforms have not proved to be effective in many cases, the fight against corruption has become a priority on the world’s economic and political agenda since most heads of governments and international organisations *that formerly would not speak the “C-word” now recognize that too much is at stake to accept the status quo of existing inadequate {anti-corruption} regimes* (Boswell, 1997: 106).

World Bank President James Wolfensohn’s 1996 Annual Meeting speech<sup>3</sup> indicates that alternative anti-corruption strategies than the ideas emerging from the Washington Consensus are needed. International actors like the World Bank, IMF, EU and the United States Agency for International

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<sup>3</sup> <http://documents.worldbank.org/curated/en/135801467993234363/People-and-development-annual-meetings-address-by-James-D-Wolfensohn-President> Retrieved on 27-07-2019



Development (USAID) advocate the strengthening of civil society and state capacity investments, in young democracies as development strategies leading to good governance, rule-of-law and low corruption levels. The strengthening of civil society, among other strategies, should create aware, well-informed and critical citizens able to generate effective leverage on their governments which should lead to anti-corruption reforms as well as their thorough implementation. In the literature jargon strengthening civil society is referred to as creating “voice” while this strategy is thought of as a “bottom-up” approach<sup>4</sup>.

### **Effectiveness of Anti-Corruption Measures**

Just as any aspect of anti-corruption, the literature on the effectiveness of AC measures is also quite new (Rousso & Steves, 2006). Steves & Rousso (2003; 2006), focusing on post-communist transition countries where AC programmes have only recently been put in place, find that in 26 analysed countries from this region for the period 2002-2005 *integrated anti-corruption programmes, legislative reforms (...) and membership in international anti-corruption conventions are not associated with reductions in the level of administrative corruption* (ibidem, 2006: 266). They conclude that AC initiatives have no visible short-term effects while they associate the changes of corruption levels in the post-communist transition countries with other factors than AC initiatives. Karklins (2005) argues that specifically for the post-communist countries, corruption levels would certainly be affected by a better explanation in legal documents and ethic codes of what is considered private and public behaviour. However, the political will to implement reforms is the primary condition before the impact of any AC programme can be analysed. Once that political will is established, still many problems, such as ill-designed AC legislation or initiatives that do not provide the right incentives to change the behaviour of those targeted by the initiative, may remain as a cause of failure. This is the case in many countries in Central and Eastern Europe and the former Soviet Union such as Hungary (Batory, 2012) and Ukraine (Grødeland, 2010) while anti-corruption’s ineffectiveness in the Czech Republic and Slovakia has been associated with lack of political will and imbalance between repression and prevention (Gallina, 2013). The region’s political and legal culture leads to some of the main causes of the ineffectiveness of AC measures in post-communist Europe:

- *The tendency to issue a large number of frequently contradicting laws and regulations*
- *Unclear and poorly coordinated institutional responsibility*
- *Too much support for civil society in fighting corruption even though its credentials in doing so are modest*

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<sup>4</sup> Bottom-up approach is a strategy of foreign donor countries to create indirect pressure on governments of targeted countries via its citizens and civil society while the opposite approach is top-down, meaning direct influence on governments through issuance of recommendations, negotiations, commenting, praising, blaming and shaming.

- *Widespread elite and public disregard for the law*

(Grødeland, 2010: 241)

### **Involvement of State Anti-Corruption Bodies**

While the strain of anti-corruption literature focusing on ineffectiveness of AC initiatives addresses the first and the last of the causes given here by Grødeland, other scholars concentrate on the study of the actors of anti-corruption and the challenges they experience<sup>5</sup>. The creation of governmental anti-corruption agencies (ACAs) is a measure to overcome the challenge of uncoordinated action from different state bodies meant to streamline and concentrate a country's institutional anti-corruption efforts.

In Eastern Europe initially 'anti-corruption commissions' were set up to liaise with CSOs to develop comprehensive anti-corruption strategies (e.g. public awareness raising) (Smilov, 2009). The next step is the creation of ACAs to tackle high-end corruption. Some cases where ACAs have been undoubtedly successful are Hong Kong, Singapore, Botswana (Doig and Riley, 1998; Meagher, 2005; de Sousa, 2010) New South Wales (Australia) (Meagher, 2005; de Sousa, 2010) and Malaysia (Meagher, 2005). Some scholars consider these new bodies to be the most innovative feature of combatting corruption in the last decades (de Sousa, 2010) although the introduction of ACAs has not led to huge successes in this field: *The majority of ACAs, which are most numerous in the developing world, probably serve no useful role in combating corruption. Some may indeed be actively harmful* (Meagher, 2005: 79). Unsurprisingly, Huther and Shah (2000) and Steves & Rousso (2006) among many scholars point out that anti-corruption agencies work the best in countries with highly performant bureaucracies, i.e. countries that need these bodies the least. Smilov (2009) argues that one of the main reasons for the creation of ACAs is the control over how corruption is defined in a certain society.

As a result, anti-corruption agencies risk turning into a political tool depending on their level of independence. Case studies of ACA's across the world show that these agencies are politically controversial projects: *They are created and terminated by a political decision and not always a very informed one* (de Sousa, 2010: 20). In the cases of Italy, Portugal and South Africa decisions to dismantle anti-corruption agencies were taken without the assessment of the agencies' own performance indicators, claiming lack of efficacy as an official reason (de Sousa, 2010).

### **Challenges for Anti-Corruption CSOs**

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<sup>5</sup> Linked to the second and third cause in Grødeland's list (2010: 241)

Apart from state actors, civil society is another key player fighting corruption. As mentioned earlier, among various reasons Grødeland links the ineffectiveness of AC reforms in post-communist countries to foreign donors' excessive investments in civil society. The explanation for local CSOs' inability to act is culturally bound: the communist heritage of CEE and the former Soviet Union determines how CSOs in this global region operate in their national context which differs in considerable extent from CSOs in Western Europe or the United States (Grødeland, 2010). Another aspect of the communist heritage - thwarting civil society's contribution to anti-corruption reforms - is today's wariness of citizens *vis-à-vis* CSOs<sup>6</sup>. Additionally, authorities in the post-communist world are naturally suspicious of these organisations which they see – due to their external funding – as potential foreign agents secretly carrying out foreign powers' political agendas. This tendency in combination with growing political authoritarianism, e.g. Russia in the 2000's, has been detrimental to anti-corruption CSOs and the development of civil society in general (Schmidt-Pfister, 2009). Therefore, it is challenging for CSOs in post-communist countries to win the public and authorities' trust. This situation will however not disappear easily when foreign funded anti-corruption CSOs – due to their funds – have no incentive to invest in relations with the communities in the society which they try to affect (Grødeland, 2010).

Literature about non-state anti-corruption organisations focuses on the biggest international anti-corruption NGO<sup>7</sup>, Transparency International (TI) (Hindess, 2009, Dahl, 2009, de Sousa, 2009; Sampson, 2010, 2011). Although anti-corruption actions and projects are carried out by the national chapters of Transparency International operating as CSOs, each in a different national context, TI's influence over the global anti-corruption sector has led to more and more similar AC activities due to the 'globalisation of anti-corruption'. *Anti-corruption has become an 'industry'* (Sampson, 2010: 262) with only one effective strategy according to TI: *building coalitions between government agencies, NGOs and the private sector* (Hindess, 2009: 24) and realising TI's signature *large-scale and short-term projects* (Sampson, 2011: 13). According to Kennedy (1999) the anti-corruption sector's claimed moral superiority stigmatises developing countries to a point that they stop believing in good governance and reduced corruption as realistic policy goals. Instead, they start opposing such reforms. There is a risk that TI's coalition-building strategy may not be persuasive enough to endure the implementation of reforms (Hindess, 2009). TI's signature strategy and close relations to national

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<sup>6</sup> People's suspicion of and disinterest in civil society organisations in post-communist Eastern Europe are the remains of an attitude common during communist times when CSOs acted as regime tools to monitor citizens' social life.

<sup>7</sup> The activities of the head organisation of Transparency International (TI) have an international character contrasting with the reach of the organisation's national chapters. This makes the denomination 'NGO' more suitable to characterise TI's head organisation since it is not embedded in a national context of a civil society and therefore does not qualify to be called civil society organisation or 'CSO'.

governments and international finance institutes have led to far-going alienation from the grass root character that originally typifies civil society transparency or social accountability initiatives (Sampson, 2011). As a result, anti-corruption has become a lucrative market for ‘moral entrepreneurs’ who profit from launching certain types of anti-corruption activities and from the fact that measuring the success of these activities in terms reduction of corruption is very difficult. Instead, success is translated into appreciation of content, levels of attendance and amount of publicity (Sampson, 2010). A good example of how anti-corruption programmes have turned into fundraising strategies rather than a way of fighting corruption is the case of Georgia (Di Puccio, 2010).

### **CSO challenges linked to Foreign Aid / Donors**

The impact of CSOs in societies leading to policy reforms depends on their commitment and ability to produce effective results. All CSOs, including organisations in the field of anti-corruption, need funding in order to develop and implement programmes or activities through which they should achieve preset mission goals. In other words, foreign donors control to a large extent CSO’s ability to act. The literature explaining the challenges for CSOs related to foreign donors describes how aid strategies have shifted from ‘Northern’ organisations<sup>8</sup> implementing development projects in ‘Southern’ developing countries, to today’s collaboration with local dependent Southern partner organisations. ‘Northern’ funding of projects developed and implemented by Southern local partners has become a trending aid strategy (Lewis, 1998; Parks, 2008; Khieng and Dahles, 2015).

In the literature this evolution of development aid is framed within neo-institutional and resource dependence perspectives of organisational theory (Rauh, 2010). The reviewed literature from the 1990s uses the term ‘NGO’ instead of ‘CSO’ when addressing the evolution of development aid provision, since the academic discussion surpasses the national level on which CSO’s operate. It sketches the transfer of development activities by state actors to new providers like non-governmental organisations, both ‘Northern’ and ‘Southern’ ones<sup>9</sup>. Against the background of the evolution of development aid, an old debate takes place about whether NGOs have succeeded better than the State to provide foreign aid and to sustain development in recipient countries. Besides this debate, supporters of NGOs as institutions of development aid claim that they are more cost-effective, have better affinity with local communities and are better at promoting participation of targeted population groups (Fowler, 1991; Sethi, 1993; World Bank, 1995). By stimulating the creation of interest groups,

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<sup>8</sup> From developed countries.

<sup>9</sup> Nevertheless, the question of calling an organisation an NGO or CSO is more a semantical discussion since it only matters whether development aid projects in the target country are carried out directly by a governmental or non-governmental body. In addition, the two denominations do not exclude each other since civil society organisations by definition are non-governmental.

NGOs also contribute to the challenge of *monopolistic tendencies and the poor performance of state enterprises* (Fowler, 1991: 53). In contrast to government, their political unboundedness gives NGO's new and better opportunities of project exploration without the risk of losing face (Vivian, 1994). Critics on the other hand (Bebbington and Farrington, 1993; Najam, 1996; Edwards and Hulme, 1995, 1996; Akbar Zaidi, 1999) point out among others the following reasons for NGOs' failures: dependence on foreign donor money; the preference of upwards accountability towards donors while neglecting the grass root target group; limited feeling with target groups due to their elitist, technocratic, opportunistic character. These scholars plea that a reformed State *with delegated and decentralized structures* needs to take back the provision of *social and public goods* from NGOs because from a democratic point of view the State is accountable to the public while NGOs are only accountable to their donors (Akbar Zaidi, 1999).

Karen Rauh (2010) argues that the earlier mentioned evolution of the CSO sector can be explained by combining elements from neo-institutional and resource dependence theory. The former theory explains that rational management tools for reporting, e.g. logframes - meant to improve accountability - have become customary in CSO-donor relations because they provide – once established – a *raison-d'être* for the CSOs. The theory however acknowledges that such tools do not necessarily lead to further efficiency of these organisations. This creates asymmetrical power relations between CSOs and donors which translates into dependence on foreign funding (Rauh, 2010).

Starting from this asymmetrical power relationship the resource dependence perspective, first developed by Pfeffer and Salancik (1978), seeks to explain CSO attempts to diversify their funding in order to be less dependent on one single or foreign donor. Foreign donor dependency has different effects on CSOs such as *passive acquiescence to negotiation and compromise, decoupling from inappropriate procedures, and even challenging and rejecting certain donors or donor requirements* (Rauh, 2010: 43). In different parts of the world, case studies from Latin America (Sabatini, 2002) show that CSOs can manage well to diversify their funding resources even though foreign donors remain the major financial resource. Other scholars point out that specifically advocacy CSOs in South East Asia have been very negatively affected by dried up funds since the Asian financial crisis in the beginning of the 1990's in combination with foreign donors' shift of attention to other global regions (Parks, 2008; Khieng and Dahles, 2015).

### **Research gap**

Reviewing the various strains of literature on anti-corruption and challenges for CSOs linked to foreign funding, shows that any strategy to fight phenomena like corruption never leads to a straightforward solution of the problem. In the case of corruption, solutions that have been marketed

as universal ‘best practices’ to combat corruption only turn out to be effective under certain circumstances determined by the national factors such as political will to reform, society’s acceptance of corruption or levels of support given to CSOs. The effectiveness of proposed solutions is also determined by the motivation, capabilities and the type of financing of civil society organisations. The literature on foreign aid provides an explanation of the causes and consequences of the problems linked to foreign donor dependency which is the major income source of CSOs. Via the neo-institutional and resource dependence perspectives of organisational theory as explained by Rauh (2010), we can understand that donor-imposed working tools and processes often do not improve CSO working routines but are a way of securing the continuation of activities and that there are various ways for CSOs to diversify their income sources in order to be less dependent on foreign funding.

The reviewed literature on anti-corruption CSOs mainly focuses on explaining TI’s global influence<sup>10</sup> on determining national anti-corruption strategies as well as what the implications are of these strategies. This literature however lacks sufficient country case studies in the field of anti-corruption explaining how CSOs’ activities are affected by foreign donor conditions. For this thesis, only one single study about Georgia (Di Puppò, 2010) could be found, addressing this issue. At the same time, very little is known about anti-corruption CSO’s strategies to diversify their financial dependence, considering that foreign funding is their absolute main source of income. Finding answers to questions related to these two issues in the form of country-specific studies of individual anti-corruption CSOs would lead to a better understanding of how these organisations can produce more effective projects in terms of lowering corruption levels. Especially for the countries in the EU’s Eastern Partnership programme (EaP) including the entire region of EE and the SOCA, this type of study is welcome since the EU and its individual member states are among the largest sponsors of civil society and anti-corruption reforms via this programme. Hence, I justify my choice of Ukraine as a study object since there are intense ongoing anti-corruption reforms in this country these last years, which have still not resulted in significantly decreased corruption levels. Hence, my choice of studying how foreign funding affects the work of Ukrainian anti-corruption CSOs is justified.

Based on the examined strains of the literature, I expect the case study of Ukrainian anti-corruption CSOs and the analysis of the EUACI report to show that foreign funding is essential for the survival and further development of civil society activities in Ukraine especially in smaller cities and rural areas. It is most likely that the level of CSO professionalism, staff skills and prior experience working with project funds will determine how easily CSOs will adapt to the usage of foreign donor working

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<sup>10</sup> The global organisation of Transparency international should be called an NGO since it surpasses the national context level of its national chapters who are CSOs in their respective countries.

tools (i.e. its terms and conditions to get access to financial funding) as explained in the neo-institutional perspective of organisational theory (Rauh, 2010). According to the other perspective presented in organisational theory which explains CSOs' behaviour from a resource dependence perspective, the strife for resource diversification is more of an issue when donors become restrictive in their funding-linked requirements. This usually happens in a context of declining numbers/budgets of foreign donors in a target country which is translated into more donor control of remaining project budgets. Ukraine however currently does not face declining civil society aid budgets considering the current military conflict in the eastern part of the country, the strategic importance of the country for the security in the EU's neighbourhood and the new government's continued commitment to crucial reforms. Therefore, I do not expect to find that Ukrainian anti-corruption CSOs try to diversify their funding according to its' type but more in numerical terms, in order to have several projects running at the same time disposing multiple funding budgets.

In the following section, I elaborate on why I have chosen the case of Ukraine as well as the methods and data I use to analyse my research question within the case of Ukraine

## **THE CASE OF UKRAINE, METHODOLOGY AND DATA**

Ukraine is a country which over the last 15 years has showed multiple times that it has the intention to break with the legacy of its communist past. This country is perceived to have one of the best odds of becoming a fully-fledged democracy with a functioning judicial system and integrated sustainable anti-corruption mechanisms (Eastern Partnership Index 2017, 2018). After two civil revolutions this country has made considerable progress in the previously mentioned fields where civil society's contribution is crucial. Nevertheless, despite the prominent existence of civil society and CSO activism especially in the field of anti-corruption, Ukraine still suffers from endemic corruption at all society levels.

The limited progress in terms of democratisation and fighting corruption in Ukraine have frequently been addressed over the years (Grødeland, 2010; Casier, 2011; Hitch & Kuchama, 2011), as well as the limited effectiveness of Ukrainian civil society (Cleary 2016). Considering Ukraine's high ambition to tackle its endemic corruption and the major reforms that have been implemented at an increased pace since the Revolution of Dignity in 2014, it is striking that the role of anti-corruption CSOs in the country has not been studied more closely. The major financial commitment of international actors to address corruption in Ukraine via local CSOs should enable the national government together with civil society to develop mechanisms that neutralise the most severe forms of

corruption. Therefore, the main research question is *What are the challenges to the success of CSOs dependent on foreign donors in the fight against corruption in Ukraine?* In this case study I will focus on the work of Ukrainian anti-corruption CSOs since they have been the most important national proponents of legal reforms meant to improve public and military procurement procedures, foundation of new state anti-corruption agencies as well as a specific anti-corruption judicial court. At the same time, the anti-corruption CSOs' performance and impact depend on the quality and design of their projects and main activities, the professionalism and skills of CSO-staff, the quality of internal administration and obviously on the level of financial funding. My goal with this thesis is to create a better understanding of the reasons for the limited progress of anti-corruption reforms in Ukraine.

### **Methodology**

The three key aspects of qualitative research are self-reflexivity, context and thick description (Tracy, 2013). They determine how the research will be done, what will be studied and how the researcher will interpret the results. Firstly, self-reflexivity refers to the researcher's characteristics and how previous research experiences have shaped this person's choice to interpret future research and more generally how he/she sees the world. This means that the researcher's general attitude will influence any new research that this person will carry out in the future. Secondly, context is the main research object in a qualitative study. Studying context is done by trying to understand the coincidence of certain phenomena via the immersion of the researcher in the situation that is being observed or tried to be understood. Finally, the idea of thick description completes the understanding of the study of the context. It is the idea that the immersion in the situation being studied leads to an understanding of it and that researchers *investigate the particular circumstances present in that scene, and only then move toward grander statements and theories* (Tracy, 2013: 3).

Interviews are one type of research instrument to study context, trying to understand and make a general assumption about a situation. The interview method that is used in this thesis is a suitable way to do my research since I want to pinpoint factors that are specific to the challenges of anti-corruption work through a comprehensive evaluation from the perspective of CSOs in Ukraine. Conducting research via interviews allows researchers to discover these aspects that occur under specific circumstances. Other typical characteristics of interviews are their ability to explain events or situations from the subjective perspective of the interviewee, captured by the concept '*verstehen*'/understanding<sup>11</sup>. This refers to the development of a personal relation between the

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<sup>11</sup> *The German philosopher Wilhelm Dilthey (1833-1911) introduced this concept to the study of humanities to refer to the participatory approach of gaining empathic insight into others' viewpoints, beliefs, and attitudes. 'Verstehen' describing participants' first-person perspective on their personal experience as well as on their society, culture, and history.* (Tracy, 2013: 41)



interview parties through their conversation and the interviewer's specific power to control the interview which goes hand in hand with the moral obligation of ethical treatment of the interviewee, as well as the task to construct meaning or a story based on the interview conversation (Tracy, 2013).

Since this thesis is based on a case study of the effect of specific circumstances under which Ukrainian anti-corruption CSOs have to work, the focus of the research is to develop the perspective of these anti-corruption actors. Apart from CSOs, two other actors, the Ukrainian government and international donors, are deeply involved in Ukraine's anti-corruption initiatives. Nevertheless, what differs them from CSOs is the fact that they represent authorities and therefore have an opposing role to citizens and civil society: in a national context civil society organisations usually develop from groups of individuals in civil society. An essential part of anti-corruption CSO initiatives is the empowerment of people through acts of collective scrutiny of the government's implementation of anti-corruption measures. In transitional democracies in Eastern Europe, marked by endemic corruption and low levels of rule of law, these CSO initiatives depend on foreign funding from international donors. This way of financing determines the limits of anti-corruption CSO initiatives and essentially what impact they have on the fight against corruption.

There are many research methods to measure this impact, but they do not explain how the conditions imposed by foreign funding affect CSO activities and by consequence which factors determine the efficacy of CSO anti-corruption initiatives. Civil society organisation see on a daily basis how the sets of rules and conditions that follow every funding grant influence their organisation and activities. Therefore, interviewing representatives of the anti-corruption CSO's can disclose these organisations' subjective understanding of what the effects are of foreign funding, which is exactly what the concept of 'Verstehen' is capturing. Interviews can reveal personal reasoning about the positive and negative aspects of foreign funding shaping the anti-corruption CSO landscape in the Ukrainian national context. The interview method is also well-suited to find out more detailed and unknown aspects of a phenomenon like corruption that may be considered too difficult or irrelevant to explain in government-issued official statistics or national policy documents.

On the other hand, the non-objectivity of the source leading to biased data is a perceived weakness of interviews. Some scholars (Snelgrove, 2005; Jackson & Mazzei, 2009) for example, don't acknowledge interview data as objective because it privileges interviewees' wording while disadvantaging people who communicate in non-verbal ways. However, in the research field of corruption the key phenomena (corruption and anti-corruption) are always perceived from a different perspective whether it be the state, civil society, foreign donors, principals, agents, CSO's or international actors. Therefore, in corruption studies there is no such thing as an objective truth or perception of the phenomenon which seems to be what Snelgrove and Jackson and Mazzei are

pursuing. When using interviews as a research method, belonging to the interpretive paradigm of research conduct, one has to capture the points-of-view from different types of actors that are involved in the research subject. This, in order to get a nuanced and well-considered answer to the research question. A complementary method to verify the validity of interview data within the interpretive paradigm is triangulation. This can be specifically useful if the interviewing frequency is high, as well as the amount and complexity of information (Trainor, 2012).

Due to the multitude of actors in the world of anti-corruption, it is crucial to include in this thesis the most relevant perspectives to develop a clear answer to the research question. The anti-corruption CSOs in a Ukrainian context are the central actors regarding the research question. Therefore, their perspective on the challenges of CSO foreign funding dependency should be the explanatory narrative in this thesis. Due to CSOs' reflex to reach out to society to gain more public support for their mission as well as the regular disdain that these organisations' experience either from authorities or the public, these actors are often willing to be part of qualitative research studies. In many cases, the limited organisation structure of CSOs creates a low threshold to make contact and to submit a research participation request to the organisation's key decisionmaker.

Earlier in this section, I mentioned the relevance of qualitative research to conduct a case study. This type of research is traditionally linked to inductive methods of analysing, meaning that the thorough study of a particular case can lead to a general theory. This is in contrast with deductive analysing methods which predict a phenomenon based on theoretical assumptions. The qualitative researcher on the other hand, develops a theory about which context/conditions are likely to produce the certain phenomenon by observation, interpretation and understanding. In my analysis of the interviews, I work in the same way since the purpose of this thesis is to understand how, why and when anti-corruption CSOs in a Ukrainian context experience challenges linked to foreign funding. The interview results allow me to interpret the context of my case study, hence in my analysis I can compare my research question answers to the theories and circumstances which the existing literature on this topic refers to.

The research question can also be addressed from the donors' or the national government's point of view, which, however, is beyond the scope of this thesis, though it would be an ideal way to deepen the understanding of the research question. Interviews are an unpractical method in the case of capturing a government's or international institution's opinion on this topic, due to the limited time that these actors can spend on information requests from the public, not to mention from individuals. Furthermore, preparing interview answers requires additional time, which is an additional reason for these institutions to turn down this kind of interview request. An easier way to obtain their views is to analyse publicly accessible documentation and reports on relevant topics. Therefore, in addition to the

interview section, I have analysed the findings of a survey conducted by the European Union Anti-Corruption Initiative (EUACI) on the organisational capabilities in the field of anti-corruption, of CSOs in five Ukrainian middle-sized cities. This report is important since it determines how the EU in the future will fill its role as one of the major international donors that support the fight against corruption and strengthening of civil society in Ukraine.

### **Data and Data Selection Criteria**

In this thesis, my main research contribution is based on interview data from four anti-corruption CSOs in the broad sense<sup>12</sup>. Most of them operate in the capital city of Ukraine, Kyiv due to their involvement in projects taking place on the national level. As mentioned earlier, I will also present an analysis based on the survey made by the EU anti-corruption initiative (EUACI) partners<sup>13</sup> concerning local CSOs' capabilities of getting involved in anti-corruption initiatives in five middle-sized cities equally spread over Ukraine. This is based on the analysis of a public report and serves as a compensation for EUACI's inability to take part in my research via the interview format.

The selection of Ukrainian anti-corruption CSOs is based on their track record of completed projects as well as their current involvement in anti-corruption initiatives on the national level; their professionalism and experience of working with international donors. The sampling of CSOs for the purpose of conducting interviews is a trade-off taking the following criteria into account:

- Experience of working with international external donors
- Political level where projects and initiatives take place
- Overall of organisation and professionalism
- Ability to communicate in English

Regarding the criterion of the level where projects and activities take place, my intention is to investigate anti-corruption CSOs that operate on the national level and are based in Kyiv. Projects on the national level receive the most attention and financial funding from international donors since this type of project is the easiest to showcase towards the international community. Therefore, there is more information available about national-level than regional-level projects since they are more long-term. Kyiv-based national-level CSOs have more versatile experiences with international donors than regional CSOs due to their multidisciplinary anti-corruption activities that can show the complexity of CSO-donor collaboration. My choice to still include a regional CSO operating in Western Ukraine is an attempt to get deeper insights in one of the biggest anti-corruption projects in Ukraine, the public e-procurement system ProZorro, developed by one of the major national anti-corruption CSOs

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<sup>12</sup> Some organisations are more oriented towards transparency initiatives and judicial reforms.

<sup>13</sup> The European Commission and the Danish international development agency DANIDA

Transparency International Ukraine (TI Ukraine). Interviewing this regional CSO, which is an official partner of TI Ukraine, gives a more multi-faceted picture of the monitoring of ProZorro and how this activity is affected by foreign funding.

Regarding the criterion of organisation and professionalism, I have selected CSOs based on the clarity of their organisation structure, accessibility and transparency of their activities, communicated via their websites. A final criterion in order to facilitate communication and increase the linguistic quality of the interviews is the CSO's ability to communicate actively in English.

My choice to include an analysis of a report of a large scale EU anti-corruption programme EUACI managed since 2017<sup>14</sup> by the European Commission and DANIDA, is motivated because of the EU's long-term commitment to help Ukraine and the other countries in EE and SOCA<sup>15</sup> through the support of major reform in these societies. I have excluded the other large-scale supporter of anti-corruption projects in Ukraine, which is USAID since they were not able to participate in an interview and the public country strategy documentation for Ukraine as well as their country specific programme factsheets did not provide any deeper understanding of the donor-related challenges for Ukrainian anti-corruption CSOs.

The interviews were all conducted in spring of 2019, from 22 April to 26 April in Kyiv, in the head offices of respective CSO or when the organisation operated from another city, via social media video chat. Interviews were held in English and with the permission of the interviewees, all conversations were auditory recorded for later transcription. All interviewees were guaranteed personal anonymity (i.e. their comments would only be linked to their CSO) and that certain comments would remain 'off the record', and therefore not be used as interview material. Recorded interviews lasted between 43 and 65 minutes. The format of the interviews is semi-structured and all CSOs were notified in advance about the format. Two days before the interviews they received four lead questions to prepare their answers. Depending on the answers or the direction of the conversations, non-uniform improvised side questions were added to the interviews.

### **Description of sample of CSOs**

In this section, I present the four Ukrainian anti-corruption CSOs and their main financial donors. The CSOs are the following: Anti-Corruption Action Center, hereafter referred to as ANTAC; Transparency International Ukraine (TI Ukraine); DEJURE Foundation (DejuF) and Centre for Public Monitoring and Research (GMD Center)<sup>16</sup>. The purpose of this section is to give a detailed image of

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<sup>14</sup> (EUACI) EU Anti-Corruption Initiative – Phase I (2017-2019) – Phase II (2020-2025)

<sup>15</sup> Via its Eastern Partnership (EaP) programme that is part of the European Neighbourhood Policy (ENP)

<sup>16</sup> The abbreviation for 'Centre for Public Monitoring and Research' in Ukrainian is 'GMD Center'.

these foreign donor dependent CSOs operating in a European post-Soviet country that has indicated its readiness to take political responsibility for improving its state capacity, implementing the rule of law and curbing its endemic corruption. The interviewed CSOs are all funded by Western, both public or private, donors from EU-countries or the United States for +/- 90%<sup>17</sup>.

### **Activities and affiliation**

First, the CSOs get a chance to present their organisation according to their own interpretation: three organisations (ANTAC, TI Ukraine and DEJURE Foundation) work on the national level while GMD Center only operates in Western Ukraine. Their anti-corruption activities are either multi-focal or sector specific: ANTAC and TI Ukraine both combine national and regional bound activities with a multidisciplinary scope, while DejuF's activities take place on the national level and deals exclusively with the issue of judiciary reform. GMD Center is also a single-issue CSO (scrutiny of public procurement) but as mentioned earlier, limits its activities to one geographic area<sup>18</sup>.

### **GMD Center**

Since the beginning of 2019, GMD Center – an CSO based in the city of Lviv that was first established as a voluntary organisation in 2016 – has become an official regional partner of TI Ukraine since they work on one of the largest anti-corruption projects in Ukraine launched TI Ukraine: the establishment of a state-of-the-art electronic public procurement system, 'ProZorro'. GMD Center, together with TI Ukraine and other regional partner organisations created an CSO community named 'DoZorro' for this the e-procurement system:

*(...) ten to twenty organisations in Ukraine joined and founded the community "Dozorro". They are like 'watchdogs' and we do similar work in different regions.*

Concerning the process of scrutinising public tenders, GMD Center collaborates with the Ukrainian state's Anti-Monopoly Committee which is the authority empowered to scrutinise public tenders and sanction companies who do not respect procurement regulations. This can lead to a three-year ban ('blacklisting') of these companies from participating in future public tenders and/or a heavy fine to pay<sup>19</sup>.

### **Transparency International Ukraine**

TI Ukraine is a national chapter of the global anti-corruption NGO 'Transparency International' and has developed into its current form, from being a local CSO named Creative Union 'TORO' and

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<sup>17</sup> Interview ANTAC; Annual Report 2018 TI Ukraine and DejuF

<sup>18</sup> GMD Center controls public e-procurements in seven regions (*oblasts*) in Western Ukraine: Lviv, Ivano-Frankivsk, Volyn, Ternopil, Zakarpatia, Chernivtsi and Khmelnytsk.

<sup>19</sup> Interview GMD Center

founded in 1999 in the city of Kropyvnytskyi, central Ukraine<sup>20</sup>. As from 2012 the CSO became officially TI Ukraine and was recognised two years later as a national chapter of Transparency International in Ukraine. TI Ukraine's current large projects are the further development of the DoZorro community, whose purpose has already been explained, and another programme named 'Transparent cities'. The goal of this latter project is to increase good governance at the level of local authorities via transparency measures. The activities in this project consist of advocacy and training of local level CSOs.

*(...) we try to advocate more transparency and give CSO's in the region the tools to advocate this transparency. For 'DoZorro' we teach civil society at the local level to monitor public procurements, to file complaints (...) in order to ensure that procurements are done by the rules.*

On the national level TI Ukraine mostly does advocacy work and legislative monitoring. The focus lies on bills which TI Ukraine helped to draft related to the improvement of the public e-procurement system. Another main issue of the past years is the law on the creation of Ukraine's High Anti-Corruption Court where TI Ukraine has played a major role together with other anti-corruption CSO's, e.g. ANTAC and DejuF, representing civil society to draft this bill. For the judge selection process of this new court, TI Ukraine – again together with its civil society partners – has scrutinised the integrity of candidate judges and advised the international legal experts commission which candidates should be retained during the selection stages. Finally, TI Ukraine provides communication advice, employment procedure monitoring and organises capacity-building trainings, for state anti-corruption bodies or institutions like the Asset Recovery Management Agency whose task it is to recover public assets that have been stolen through corruption<sup>21</sup>.

### **Anti-Corruption Action Center**

ANTAC situates its main activities in the field of anti-corruption, judicial reform and control of public procurements. The CSO was founded in 2012 and operated on a voluntary basis until when they received their first grants in 2013. ANTAC describes the political aspect of their projects is the advocacy of rebuilding so called anti-corruption infrastructure / institutions<sup>22</sup>. In the past, ANTAC has been involved in the establishment of the National Anti-Corruption Bureau (NABU) and the Special Anti-Corruption Prosecutor, and more recently the High Anti-Corruption Court. ANTAC was also part of the CSO-coalition that advocated and helped to launch the new public e-procurement system 'ProZorro' which is operative since 2016. Consequently, today ANTAC controls how budget money is spent and submits policy proposals reflecting its findings in order to improve the law on public

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<sup>20</sup> TI Ukraine website: <https://ti-ukraine.org/en/about/#history> – Retrieved on 27-08-2019

<sup>21</sup> Interview TI Ukraine

<sup>22</sup> Interview ANTAC

procurement. Related to this issue, ANTAC is currently running a sector-specific monitoring and control project of public procurement in the medical sector.

The final part of ANTAC's activities is anti-money laundering initiatives which includes the development of their database on 'political exposed persons' which they assist international institutions to use for enquiries.

### **DEJURE Foundation**

DejuF is a young CSO founded in 2016, promoting the development of the rule of law and judicial reform in Ukraine<sup>23</sup>. Its mission is based on four fundamental objectives: building a fairer justice system for convicts; developing alternative dispute resolution mechanisms for businesses; improving the legal knowledgeability of state institution personnel and finally, the purging of 'old system' judges lacking professional proficiency and integrity:

*We try to do this through monitoring and control of the judicial governance bodies that put together the exams for new judges, qualifications and evaluation of judges.*

Two judicial governance bodies (Qualification Commission of Judges and the High Council of Justice) play a crucial role in scrutinising the legitimacy of judges and hearing disciplinary cases against judges. These public officers are well protected by the Ukrainian Constitution which states that the judiciary is appointed for life. The design error of the two earlier mentioned judicial governance bodies is that they are composed of non-screened judges from the 'old system' who have been selected through political appointments. DejuF has continuously denounced the ineffectiveness of the rulings of these judicial bodies linked to its composition<sup>24</sup>. Therefore, DejuF's ultimate goal is the change of the composition and the process of appointment of the members of the High Council of Justice and the Qualification Commission of Judges who are supposed to guarantee the proficiency and integrity of the entire judicial corps in Ukraine. This judicial reform proves to be lengthy and complicated to bring to a good end<sup>25</sup>.

### **Main financing partners**

Besides identifying the international donors of the interviewed anti-corruption CSOs, linking the donors to specific projects may even be more relevant. Since all the interviewed organisations work with project-based grants ranging from three months up to two years the foreign donors regularly change. ANTAC and TI Ukraine have by far the largest project portfolios, numbers of foreign donors

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<sup>23</sup> DEJURE Foundation website: <https://dejure.foundation/about#manifest> - Retrieved on 27-08-2019

<sup>24</sup> Interview DEJURE Foundation

<sup>25</sup> ibidem

and budgets<sup>26</sup>. The interviewed CSOs all indicate on their website who their financial donors are. TI Ukraine and DejuF also publish their annual reports<sup>27</sup> while ANTAC accounts their finances in detail through graphs and diagrams<sup>28</sup> on their website. GMD Center does not provide any further details about their financials or an annual report.

Thematically the emphasis of most projects mentioned in the interviews lies on public procurement. This is a consequence of the launch of Ukraine's public e-procurement system ProZorro in 2016, one of the most prominent success stories of the fight against corruption in Ukraine. The most labour-intensive and grant-consuming activities have been the IT-development of the e-procurement system. Once the system had become operative TI Ukraine handed over the management of ProZorro to the Ukrainian state<sup>29</sup>.

TI Ukraine is the CSO that has been the most involved in the development of the ProZorro system and shows in its annual reports which grants from which donors are spent on which specific ProZorro projects<sup>30</sup>: the first grants are provided in 2015 by GIZ<sup>31</sup> (ca. 1.27 million UAH/ \$ 50.000) and Western NIS Enterprise Fund<sup>32</sup> (ca. 1.67 million UAH/ \$ 66.000). As from 2017, other large institutional donors from the United Kingdom and the Netherlands join GIZ and Western NIS Enterprise Fund together with Ukrainian commercial organisations increase the grants for procurement projects to ca. 23.9 million UAH/ \$ 1.35 million. By 2018, public procurement projects have led to spin-off projects such as the public sale system 'ProZorro Sale'; the strengthening public procurement watchdog communities like DoZorro and the further sophistication of the ProZorro IT-system. The total of ProZorro-related institutional funds have increased to ca. 44.7 million UAH/ \$ 1.78 million in 2018 via the EU Anti-Corruption Initiative (EUACI) funded by the European Commission and the Danish International Development Agency (DANIDA), the European Bank for Development and Reconstruction (EBRD)<sup>33</sup>, Omidyar Network Fund and Eurasia Foundation.

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<sup>26</sup> To be found under the header 'Finances' on ANTAC website <https://antac.org.ua/en/pro-nas/>; TI Ukraine annual reports: <https://ti-ukraine.org/en/about/#reporting> – Both retrieved on 27-08-2019

<sup>27</sup> For TI Ukraine annual reports 2012-2018; for DejuF annual reports 2017-2018

<https://dejure.foundation/about#manifest>

<sup>28</sup> For the period 2013-2018

<sup>29</sup> Interview TI Ukraine

<sup>30</sup> TI Ukraine Annual reports 2015-2018 <https://ti-ukraine.org/en/about/#reporting>. All individual grants and expenses in the annual reports are counted in Ukrainian Hryvnia (UAH) and have been converted to US dollars for the purpose of this thesis in order to facilitate the comprehension of the value of the NGO projects.

<sup>31</sup> (GIZ) *Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH* (International development enterprise commissioned by the German Federal Ministry for Economic Cooperation and Development).

<sup>32</sup> A regional fund for Ukraine and Moldova supporting small and medium-sized businesses, funded by USAID.

<sup>33</sup> In 2018 The projects of ProZorro Sale and the further investment in ProZorro are financed by EUACI, EBRD and GIZ while the project of strengthening the DoZorro community has been funded by different US private and



Besides public procurement TI Ukraine's other projects running since 2016, are in the first place related to transparency and accountability measures in public administration and services funded by the European Commission and GIZ; anti-corruption initiatives in the defense sector financed by TI United Kingdom and transparency measures on the level of local governments funded by the UN Democracy Fund, United Nations in Ukraine and the Ukrainian CSO 'Center for Democracy and Rule of Law'.

ANTAC is an anti-corruption CSO with less funding compared to TI Ukraine but has an excellent reputation among the donor community which allows them to design their projects without any pressure to apply for project grants that do not match their own priorities. ANTAC finds its grant opportunities both via the donor's websites and through informal contacts:

*In Ukraine we are more the exception than the rule because we are an established organisation. We are fortunate to have good relations with donors so we have informal relations (...). But most small organisations need to check the donors' websites – we do that as well. (...) there is actually a limited number of donors operating in the country so we know most of them (...)*

Since it started its activities in 2012 ANTAC has realised projects worth ca. 58 million UAH / \$ 2.3 million USD in total<sup>34</sup>. In contrast to TI Ukraine, ANTAC indicates all their funding assets in US Dollar instead of Ukrainian Hryvnia. Total grants have risen from ca. \$ 197.000 in to 2013 to \$ 574.000 in 2018. ANTAC's permanent main donors are American private foundations like the International Renaissance Foundation (IRF); NGOs like Pact<sup>35</sup> that are funded by USAID or Ukrainian CSOs representing HIV/AIDS patients funded by the Swiss-based organisation The Global Fund and USAID. On the European side the prominent institutional donors are the Netherlands via their MATRA-programme<sup>36</sup> and the Czech Republic while the European Union has become the single largest donor in 2018 providing 25% (ca. \$ 143.000) of ANTACs budget.

Finally, the two younger and more specialised CSOs, GMD Center and DejuF logically receive less grants than ANTAC and TI Ukraine who are more experienced and multidisciplinary organisations. However, the smaller CSO's significance is increasing since DejuF more than doubled their grant budget (ca. \$ 268.000) in 2018 compared to the previous year (ca. \$ 127.000)<sup>37</sup>. DejuF's financial

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public funds such as Omidyar Network Fund, International Renaissance Foundation (Open Society), Eurasia Foundation, Western NIS Enterprise Fund. The two latter donors are financed by USAID.

<sup>34</sup> ANTAC website: <https://antac.org.ua/en/pro-nas/>

<sup>35</sup> A US-based NGO active in Latin America, Africa, South East Asia and Belarus & Ukraine, promoting integrated development: <https://www.pactworld.org/our-promise>

<sup>36</sup> The Matra programme supports countries in Southeast and Eastern Europe in the transition to a pluralist and democratic society, governed by the rule of law: <https://www.netherlandsandyou.nl/your-country-and-the-netherlands/ukraine/and-the-netherlands/matra-programme>

<sup>37</sup> DEJURE Foundation Annual reports 2017-2018 <https://dejure.foundation/about#manifest>

donors are in the first place various entities of the United Nations (UNICEF, UNDP) who financed ca. 60% of the 2017 total grants budget and ca. 30% in 2018, while some of the other donors are IRF, the Czech Republic, the Netherlands (MATRA programme), USAID and DANIDA.

GMD Center does not provide an annual report or a specification of the received grants. Nevertheless, in the interview they mention several of their donors, though without specifying any sums. The organisation started in 2016 as a small CSO working on a voluntary basis. Shortly afterwards it applied successfully for a small 3 months grant from UNDP. Today GMD Center is mostly supported by international donors (EU) in their DoZorro activities as well as by USAID, National Endowment for Democracy and the Institute for War and Peace reporting<sup>38</sup>.

### **Presentation EUACI-report**

Since 2017 the EU and the Ministry of Foreign Affairs of Denmark have launched a three-year anti-corruption programme in Ukraine, the EU Anti-Corruption Initiative EUACI worth 15.84 million €. A second phase of the programme has already been confirmed to take place in the period 2020-2024. The implementing partners are the European Commission and the Danish International Development Agency (DANIDA). The programme goals are to strengthen *the capacity of the newly created anti-corruption institutions and enhancing external oversight over the reform process by the Verkhovna Rada [Ukrainian Parliament], civil society, and media* (EUACI, 2019: 2). The report<sup>39</sup> is the result of a survey carried out by a Ukrainian partner<sup>40</sup> between October-December 2018 among 65 CSOs in five Ukrainian middle-sized cities<sup>41</sup> evenly spread throughout the country, mapping the prospects of engaging local and regional CSOs in anti-corruption projects in this type of environment. This survey is part of EUACI's strategy to support local authorities *in decreasing the corruption risks, implementing smart and transparent solutions aimed at increasing their efficiency and integrity, as well as facilitating better involvement of citizens, local civil society and media in overseeing the activities of their authorities* (EUACI, 2019: 2). The purpose is to improve administrative capacities of Ukrainian local authorities and to strengthen project capacity of local civil society.

## **RESULTS**

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<sup>38</sup> Interview GMD Center

<sup>39</sup> EUACI Mapping Report <https://euaci.eu/what-we-do/resources/cso-mapping-report>

<sup>40</sup> Charity foundation CCC Creative Center, authors/compliers: Lyubov Palyvoda, Nataliia Baldych, ed. Katya Rogovska

<sup>41</sup> Chernivtsi (Chernivtsi oblast), Chervonohrad (Lviv oblast), Nikopol (Dnipro oblast), Zhytomyr (oblast city) and Mariupol (Donetsk oblast)

### **Challenges for Anti-Corruption NGOs linked to foreign funding**

The challenges that the interviewed anti-corruption CSOs associate with foreign funding are several; most of the time they can be characterised as external and internal challenges. During the interviews, the CSOs present difficulties which are more linked to national environment issues in Ukraine such as political obstruction, society's indifference and the unpredictability of political and judicial events. However, these issues are not unique as such since they also occur in other transitioning democratic countries, not the least in the post-communist world. The other type of challenges accounted for, refer to the problems that CSOs experience with the administrative, regulatory and procedural side of foreign funding.

#### **External challenges**

When turning to the external challenges for CSOs linked to foreign funding, ANTAC confirms that anti-corruption CSOs and activists in Ukraine are not safe from political attacks, harassment or smear campaigns in certain media outlets. This is not surprising since the media sector is a typical economic branch in Ukraine that is dominated by oligarchs<sup>42</sup>. ANTAC has even developed a website<sup>43</sup> containing extensive information about the constant attacks from state authorities, individual politicians and their entourage as well as certain groups in society within and outside the borders of Ukraine. In certain media outlets and notably on social media, there are continuous fake news stories, conspiracy theories and defamatory accusations circulating. One of the classic accusations is that anti-corruption CSOs are foreign agents<sup>44</sup> not serving Ukrainian interests. This narrative can be linked to the general skepticism against CSOs of authorities and societies in the post-communist world.

Another challenge for anti-corruption CSOs is the difficulty to attract funds within the Ukrainian borders, i.e. financial funds that are not directly or indirectly donated by foreign actors. Although this problem is not a result or cause of foreign donor dependency, it weakens CSOs substantially in their struggle to become financially self-sufficient and to build a solid organisational base. The CSOs point out the weakness of the Ukrainian economy and general poverty in the country as background factors, but also the dilemma that Ukrainian individual donors are facing to donate money to the one or the other good cause. The financial reporting of ANTAC, TI Ukraine and DejuF shows that 1 - 3% of total CSO budgets are funded by individual/voluntary contributions<sup>45</sup>. TI Ukraine's funds coming from

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<sup>42</sup> Press article Euromaidan Press - 07-02-2018

<http://euromaidanpress.com/2018/02/07/paid-word-who-owns-ukrainian-media>

<sup>43</sup> Website <http://attack.antac.org.ua/en>

<sup>44</sup> Interview ANTAC

<sup>45</sup> ANTAC website: <https://antac.org.ua/en/pro-nas> ;

Annual reports TI Ukraine <https://ti-ukraine.org/en/about/#reporting>

Annual reports DejuF: <https://dejure.foundation/about#manifest>

Ukrainian commercial businesses whose contributions have grown to ca. 8% (ca. 4.7 million UAH / \$ 186.000 USD) of the total budget for 2018 (ca. 65.6 million UAH / ca. \$ 2.6 million USD)<sup>46</sup>, indicate that fundraising diversification oriented towards the domestic private sector might be a potential way to decrease anti-corruption CSOs' dependency on foreign donors. One of the reasons revealed in the interviews, why 'grass root funding' is the difficulty for anti-corruption CSOs to 'compete' with charity or social causes:

*(...) we initiate frequent attempts to receive funding from Ukrainian people but it's very complicated because of the current economic development of the country. People are not willing to donate to organisations which are not a charity but more about social and political campaigning.*

ANTAC

*(...) if you are an organisation that does not provide support to 'clients' – which is our case – it is hard to fundraise from a local budget or from society because people don't understand what we are doing or what is our 'product'. They understand that judicial reform is important since they are aware of the big changes from the past, but the challenge is how to report on these things we do. A report showing ten meetings with important diplomats will not make ordinary people understand why they should donate money for this instead of raise money for medicine for people living in the war zone or young children's medical care. (...)*

DEJURE Foundation

The following example shows that grass root funding and donations are sensitive to project causes and the occurrence of the right 'momentum' in society:

*(...) we have an ongoing campaign where we inform people about i.e. a member of parliament (MP) who we perceive to be corrupt. We want to spread information about him to the people in his constituency on social media. So we fundraise among people in this region, asking "Could you please donate minimum \$ 100 USD for a social media advertisement in a small region? (...)*

*(...) people donate to "punish" this certain MP (...) This project is quite successful because people are donating to the cause and they see the results immediately.*

*(...) at this point it works and it worked in 2014, however during the Euromaidan revolution we did not have that funding (...) people were donating for our work to find the assets of Yanukovich and his family. This was a crisis period and people were willing to donate to this cause. It's very hard to keep up the attention for donations in "calm" periods.*

ANTAC

### **Findings from EUACI report - external challenges for CSOs**

The report identifies external challenges for the CSOs that are only comparable to a certain extent with the external challenges that are brought up during the interviews with the anti-corruption CSOs. For example, the rapports between CSOs and the local and regional authorities in the five cities covered by the survey are not characterised by intimidation, harassment or violence. Relationships in general are

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<sup>46</sup> TI Ukraine, Annual report 2018

typified as constructive: 48 out of 65 CSOs respond in the survey that they cooperate with the authorities<sup>47</sup> although the situation varies from *almost non-existent, with an exception of certain social services* in Nikopol to *productive and beneficial* in Zhytomyr<sup>48</sup>. The EUACI report specifies that this cooperation is mostly based on *complementary* activities, *meaning CSOs and authorities follow the same goals but achieve them in a different way*<sup>49</sup>. There are several cases where cooperation between certain CSOs and local self-government bodies take place under varying circumstances, some more favourable than others. In the best case scenario this leads to *coordination*<sup>50</sup> of activities (Zhytomyr, Chernivtsi and Chervonohrad). Less favourable circumstances lead to *co-optation*<sup>51</sup> of activities (Mariupol, Chernivtsi and Chervonohrad) and the least favourable situation is *confrontation*<sup>52</sup> (Nikopol, Mariupol, Chernivtsi and Chervonohrad) between CSOs and local authorities.

In the case of Mariupol, one particular aspect of the relationships between the CSOs and local and regional self-government bodies is revealed: the link between local authorities and elite economic interests. In Mariupol the mayor and local authorities are connected to the businesses of the Metinvest Group and as a result do not engage in consultations with the community<sup>53</sup>. According to local CSO representatives, cooperation with the community is only initiated when it is in the interest of the local authorities<sup>54</sup>. The Metinvest Group is an important grant donor to the local CSO ‘Mariupol development fund’ via the local authorities. This CSO has been involved in a local kick-back scheme involving purchase and reselling of real estate to the city council at a much higher price<sup>55</sup>. Mariupol CSO representatives however testify that the Mariupol development fund is a highly professional and successfully run organisation able to maintain a self-critical perspective towards its own projects<sup>56</sup>.

Summarising the external challenges for the participating CSOs in the EUACI-survey, the focus lies on the different types of cooperation and interaction between the CSOs and local authorities which can strongly vary from one civil society organisation to another even in one and the same city. The example of the CSO ‘Mariupol development fund’ shows that in spite of elite capture of a civil society organisation it does not necessarily mean that this organisation’s ability to run successful projects is

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<sup>47</sup> EUACI Mapping report, p 13 <https://euaci.eu/what-we-do/resources/cso-mapping-report>

<sup>48</sup> Idem.

<sup>49</sup> Idem.

<sup>50</sup> CSOs and local self-government bodies have the same goals and means of achievement

<sup>51</sup> Local self-government bodies follow the same ways to achieve their goals as the organisation, however they are striving to achieve different goals

<sup>52</sup> CSOs and local self-government bodies have different goals and different ways of their achievement.

<sup>53</sup> EUACI Mapping report, p 51

<sup>54</sup> Idem.

<sup>55</sup> EUACI Mapping report, p 52

<sup>56</sup> EUACI Mapping report, p 51-52

compromised, although the question in this case remains ‘At what (excessive) cost are the projects successful?’

### **Internal challenges**

As mentioned earlier, there are other types of challenges for anti-corruption CSOs that are more linked to terms and conditions of foreign funding and grant approval procedures on the side of the donors. In particular, the younger CSOs perceive the character of the project grants as problematic<sup>57</sup>. According to the interviews, the minimum project duration is three months<sup>58</sup> while most financial funding is issued for projects of six months to one year<sup>59</sup> and in the best case up to two years<sup>60</sup> are mentioned. These short terms make it difficult for the CSOs to develop any sustainable strategies for their organisation development beyond the near future:

*The main problem (...) is that most grants are short term ones. The longest one that we have had so far was one year. It's very hard to plan strategically our activities 2-3 years ahead because we have a grant that will end obviously sooner than that and when we are halfway through the grant, we start looking for another one to continue our activities.*

GMD Center

However, the project grant as such is also to a certain extent singled out as a hurdle to build up a solid organisational and financial basis of a CSO allowing it to become more independent. Organisational credibility is a necessary condition to infuse trust among people and civil society meaning that society will be more inclined to listen to the findings and message of CSOs. The interviews show that the younger, smaller CSOs are strongly supporting the idea of more institutional support:

*(...) on top of our wish list would be institutional support for NGOs because now all the financial support is mostly project-based and does not require long existence nor sustainability of an NGO. This is an issue because the more the NGO is operating, the more capacity, contacts and networks in the field, it generates. This fact leads to a higher amount of people and civil society trusting the results and findings of such an NGO.*

DEJURE Foundation

*(...) sometimes you have two grants, sometimes you only have one single small grant (...) and sometimes you have zero grants, so it would be easier if we'd have one institutional grant for two-three years to pay salaries, it would be much easier to become more professional, to build a bigger team, to teach more, to educate ourselves to become more professional (...)*

GMD Center

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<sup>57</sup> Interviews DEJURE Foundation, GMD Center

<sup>58</sup> Interview GMD Center

<sup>59</sup> Interview ANTAC

<sup>60</sup> Interviews GMD Center, TI Ukraine, ANTAC

The lack of institutional grants is reflected in the unfilled key positions in their organisations which hinders the CSOs of spreading their message and promoting themselves in a better way towards the international donor community and the Ukrainian public. For example, GMD Center cannot attract a public relations manager while DejuF is in need of a fulltime advocacy manager. Both CSOs argue that the project grants are insufficient to improve their organisation structure e.g. necessity of extra staff recruitment. By consequence, coping strategies often result in unpaid working hours.

*For us as a young organisation it is hard to continue our activities because we don't get institutional support and for most of the grants we only have 10% earmarked for administrative costs. However, every donor demands audits and requires that there is a list of policies in place for anti-corruption, conflict of interest, communication, project-management, etc... Obviously then we need time and money to hire external experts to do this or we just need to do it ourselves on the weekends – which is what we do all the time. This is not sustainable because you not only report project-based but also as an organisation. You need cope with financial management, comply with all Ukrainian legislation and undergo audits but the question remains where we should get this money from? (...)*

DEJURE Foundation

The interviewed CSOs however acknowledge that certain donors do provide institutional grants, such as the Swedish government's development organisation SIDA and USAID through subgrants issued by Ukrainian organisations<sup>61</sup>. Nevertheless, in the case of the USAID subgrants, this format of support does not provide a long-term solution due to their strong 'project-character', limited usage range and the scale of the grant being dependent on the age of the NGO which disfavors young CSOs.

The more established organisations, ANTAC and TI Ukraine point out different challenges that are linked to the grant approval donor administration and flexibility of grant budget spending. Once a CSO has responded to a donor's call for proposals by submitting a candidate project for which it would like to receive funding, the donor has to evaluate the project and get clearance from the organisation's board before it can approve it and transfer the funding. This is where CSOs face a first challenge: apart from the lottery of receiving the grant or not, the lengthy delay between the project submission and its approval has a great effect on the continuity of CSO activities. Usually the period for donors to evaluate projects is between three and six months but depending on the grant-seeking terms and conditions it may imply that CSOs' will not be able to seek alternative grants for this project in the meantime. It means that other activities might get stalled and forcibly underemployed staff might get frustrated and choose to leave the organisation. Nevertheless, CSOs are fully aware that project evaluations take a certain time.

*The problem is the time scale from the moment of obligation to actual receiving of the money and starting the projects. Sometimes the time period from the call for proposals to the start of the project is 3 to 6 months. Sometimes even these terms are delayed because there are so many levels of*

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<sup>61</sup> Interview DEJURE Foundation

[donor]approval (...) Sometimes this is an issue because we are dependent on the money, so when projects end and there is no new one starting this is affecting the moral of organisation staff. It does not interrupt our work but it is slowed down nevertheless.

(...) The fastest approval was 2 months, which is ok. (...) the worst case was a time period of 6-7 months – the actual decision was taken in 2-3 months (...) we got the approval for the funding but there was a delay from the donor's side, so we could not look for alternative funding because we were contractually obliged to do this project. (...)

ANTAC

TI Ukraine suggests as a remedy an emergency-funding mechanism which can be used during unforeseen circumstances:

(...) More fast-response projects would be desirable because sometimes you cannot wait for 6 months before receiving your funding. It would be good if there was a fast-track procedure to apply for smaller sums in the project budget that can be allocated in a more flexible way. (...)

TI UKRAINE

The second problem is the frequent administrative reporting and inflexibility of the grant spending conditions. Reporting to the donors about project development is standard procedure but some donors also require administration-related reporting when for example, staff changes take place. According to the interviewed CSOs this kind of time and energy should instead be invested in running their projects.

*Donors do not react well to changes within a project such as staff rotation and demand excessive accountability and want us to provide background information of hired staff. In our view, we are supposed to deliver a high qualitative and successful project and should not need to provide excessive information on how we exactly hired people etc...*  
*Some donors accept when we compile a budget that we specify the number of events and the goal of these events together with a cost estimation but other donors want detailed indication for different aspects (i.e transport, venue rent, one meal, etc...) for each event. We would prefer to have more flexibility how we use our budget for events so we can decide within the project direction if we want the one or the other type of event. This would not impact the main goal and sometimes we just have to be too precise.*

TI Ukraine

However, adapting grant projects is something inevitable in Ukraine. Donors who are represented in the country seem to be well aware that certain situations in Ukrainian politics and society sometimes change rapidly. Therefore, they understand that projects also need to be adapted according to the new situation, although this always implies more work and lost time for CSO's.

*They [the donors] adapt quite well. It's more of an administrative and practical challenge because you need to change all the documents, sometimes the initial agreement as well and it requires a lot of explanation and sometimes extra time. On the donors' side they need the approvals from their respective capitals or their boards of their funds. (...)*

ANTAC

A problem linked to grant spending inflexibility that DejuF brings up during the interviews, is the fact that from time to time project budgets cannot be spent according to plan. The reason for this is the



unpredictability of events in Ukrainian politics which characterises the whole society. Consequently, CSOs are sometimes forced to adapt very quickly to new circumstances, ranging from hiring lawyers in order to analyse the effects of a newly issued important legislation, to arranging alternative project events due to a minister's attendance cancellation to a long in advance planned key event. These sudden changes in Ukrainian society can affect projects in a way that their funding might be stalled. International donor organisations can decide that project grants are paid in tranches to an CSO instead of transferring the whole budget at once. Within a certain time period a certain percentage of budget tranches must be spent before a new tranche can be released, meaning that CSOs are inclined to spend their tranche as soon as possible within the quarter/trimester of the project. The next tranche can also be allocated after a certain date in the time period. In other words, an unfinished budget tranche or a spending delay means that the transfer of the next budget tranche will be suspended which can jeopardise the rest of the project.

*For UN-projects, especially with UNICEF you have those tranches for three months. You can have a one year-long project but all your tranches will be divided in three month-periods. You need to spend them in half a year and report for them from the day that you receive the tranches. The problem is not the tranche budgets but the fact that the tranches are fixed according to lines of spending (...)*

DEJURE Foundation

In the UNICEF case, sums of money are already ear-marked within budget tranches for specific activities and purposes. This creates problems when activities that are planned close to the end of a budget tranche period, are postponed or cancelled. The CSOs need to plan quickly alternative activities and account for spending line interchanges from one budget tranche to another which results in a lot of intransparency in the audit and project control afterwards. DejuF pleads for simpler and less stringent budget allocation rules:

*It would be so much simpler if you have three tranches that are not connected to specific activities, because the current rules create the situation that you don't have one project but three-four months projects.*

DEJURE Foundation

### **Findings from EUACI report - internal challenges**

The EUACI survey shows that internal challenges for the interviewed CSOs are a lack of professional organisation, knowledge and fulltime employed staff, as well as a lack staff's experience and skills<sup>62</sup>. There is also a clear lack of experience of working with grant-funded projects and insufficient communication. The 65 CSOs that participate in the EUACI survey have been selected based on their fields of activity which have been found compatible with carrying out anti-corruption activities. This

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<sup>62</sup> EUACI Mapping report, p 16-17

compatibility is a prerequisite of the donors of EUACI. The CSOs mostly work with specific population groups such as women, youth, students, state officials or populations in general<sup>63</sup> while dominant activities are advocacy (36 CSOs), service provision (22) and policy making (16)<sup>64</sup>. The majority of the CSOs however have no experience in conducting anti-corruption activities: only 22 of the 65 organisations indicate performing activities in this field<sup>65</sup> although not systematically. The monitoring and advocacy activities of these 22 civil society groups, mostly include factchecking and investigative journalism, various controls of public tenders, and monitoring of public officials' e-declarations. The CSOs engaging in anti-corruption admit that they *lack experience, legal support and skills* to carry out systematic and consistent actions in terms of *identification and informing society about the corruption cases in authorities*<sup>66</sup>. In the EUACI survey self-evaluation of the relevance of human resources of the interviewed CSOs confirms that CSOs estimate their staff experience with anti-corruption activities to be 'moderate' (2.63 and 2.41)<sup>67</sup> while their current capacity to manage such activities is estimated to be much higher (2.91)<sup>68</sup>. Based on self-evaluation this higher than average capacity also manifests itself in terms of technical/logistics resources (3.17) such as *availability of premises and equipment and access to premises to hold large-scale events*<sup>69</sup>.

Addressing the issue of lacking professionalism, the EUACI survey shows that a majority of the CSOs (45 out of 65) have a small group of permanent staff up to three people and 38 organisations indicate working with up to nine external experts<sup>70</sup>. The preparatory work of composing the CSO focus group for the EUACI survey in the chosen five cities has been demanding due to the lack of professionalism among civil society groups<sup>71</sup>. Typical symptoms are the myriad of one-person CSOs, missing or inaccurate/non-updated CSO contact details and the high numbers of volunteer staff. There is also a lack of experience in terms of working with grants to fund CSO activities. A minority of 20 organisations indicate to have prior experience of implementing projects funded by local (city participatory budget) or international donors (i.e. USAID, UN, UNDP, IOM, the Global Fund to fight AIDS)<sup>72</sup>. Another internal challenge for the CSOs participating in the survey is communication and networking. Although the interviews reveal that often there is potential for deepened communication,

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<sup>63</sup> EUACI Mapping report, picture 3, p 7

<sup>64</sup> EUACI Mapping report, p 9

<sup>65</sup> During the survey CSOs were invited to choose up to max. 3 activities.

<sup>66</sup> EUACI Mapping report, p 14

<sup>67</sup> EUACI Mapping report, picture 4, p 8

<sup>68</sup> The evaluation scale applied in the survey goes from 5 (highest score) to 1 (lowest score)

<sup>69</sup> EUACI Mapping report, p 17

<sup>70</sup> Idem, p 17

<sup>71</sup> EUACI Mapping report, p 16-17

<sup>72</sup> EUACI Mapping report, p 9

communication platform development and mutual vision development among CSOs in most of the five cities<sup>73</sup> a majority of organisations (45) have good contacts with each other<sup>74</sup>. Finally, the survey shows that there is a genuine will among a large majority of the CSOs (52 out of 65) to further develop their anti-corruption activities by taking part in the EUACI project.

## **Analysis**

The CSO interviews and the EUACI report contain several findings leading to a better understanding of the challenges for Ukrainian anti-corruption CSOs that are linked to foreign donor dependency. Comparing these findings to the literature on anti-corruption CSOs and theories explaining the effects of foreign funding on local NGOs, shows that ‘anti-corruption business structures’ of foreign funding exist in Ukraine in the same way as in other transitional democracies such as Georgia (Di Puccio, 2010). Transparency International dominates the process of filling the definition of anti-corruption with substance (Hindess, 2009; Sampson, 2010) which has led to several successful AC initiatives in the field of public procurement. The 2016 public procurement reform initiative in Ukraine is a good example. The myriad of CSO anti-corruption projects in Ukraine since 2014 has transformed this field into an economic sector. Despite the fact, that corruption is still an endemic problem at all levels of Ukrainian society, the country’s ability to address corruption is constantly improving while the government seems to have a genuine political will to implement anti-corruption reforms.

The verdict about the current state of Ukrainian anti-corruption CSOs is that there are no incentives to diversify budget incomes. This is due to the abundance of foreign funding opportunities and the unfavourable circumstances that hinder grass root communities to be financially more supportive.

On the other hand, the EUACI-report findings clearly show that foreign funding only to a limited extent has trickled down to the local and regional state and CSO level. About one-third of the 65 CSOs in the five middle-sized Ukrainian cities benefit from foreign or domestic donor funding. This means that foreign funding in Ukraine remains concentrated on the national level where large-scale and highly visible projects can take place. Alternatively, the funding is concentrated in specific CSO-sectors or regions directly affected by the military conflict in Ukraine. This analysis is consistent with the analysis of Ukrainian academic anti-corruption experts<sup>75</sup>. These experts from Kyiv-Mohyla University confirm that the EU already some years ago has identified the ‘gap’ of local civil society

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<sup>73</sup> Mariupol, Nikopol, Chernivtsi and Chervonohrad

<sup>74</sup> EUACI Mapping report, p 17

<sup>75</sup> Interview Anti-Corruption Research and Education Centre (ACREC) – 25-04-2019 (Not part of the interview results section since it is not an CSO)

and local authorities in the ‘foreign donor market’. As a result, the launch of the EUACI programme intends to contribute to more performant local authorities in terms of monitoring and controlling capacity, as well as strengthened local civil societies in the more remote areas of Ukraine. Only 22 out of 65 CSOs in the survey have certain experience with anti-corruption activities. Based on the EUACI report, one can conclude that local CSOs need extra financial and coordination aid as well as education in order to implement systematic anti-corruption projects. This will also be the case for public service impact assessment projects, which seem to be one of the prioritised EUACI project types since the report explicitly regrets the absence of CSO knowledge and experience related to these types of projects<sup>76</sup>.

To understand how anti-corruption reforms in Ukraine have started generating results under the reform-minded government of the last years supported by the international community, some explanation is necessary about the Ukrainian political context and the role of international donors.

Today civil society-driven anti-corruption initiatives in Ukraine still ride the wave of reform-mindedness that started growing since the ‘Orange Revolution’ in 2004. However, civil society has only started making a real impact on Ukrainian governmental policy after the ‘Revolution of Dignity’ or ‘Euromaidan’ in 2014. The interviews show that the periods just before Euromaidan (2012-2013) or shortly afterwards (2016), are periods when the interviewed anti-corruption CSOs engage in professional CSO activism with the help of project grants provided by foreign funding. This support has led to the professionalisation of some CSOs, involved in anti-corruption reforms of national importance, such as ProZorro and the screening of the HACC judge candidates. Another large-scale donor development strategy has been launched via the EU and DANIDA’s co-funded Anti-Corruption Initiative for Ukraine 2017-2019 (EUACI) and contains a second phase for the period 2020-2025. An important accomplishment is the recent assessment report of 65 CSOs in the five middle-sized cities spread across the country, to enquire what possibilities are to launch local/regional anti-corruption projects.

Supporting civil society and anti-corruption reforms are part of Western donors’ long-term development plan for EE and the SOCA. However, the political turmoil in Ukraine in 2013-2014, the following military aggression by Russia against Ukraine as well as the election of a new pro-western President, have led to an intensification of aid flows and foreign funding to Ukraine. In other words, international public and private donors have stepped up the pace and ambition of anti-corruption projects. The number of donors targeting Ukraine specifically with project grants focusing on the war

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<sup>76</sup> EUACI Mapping report, p 17

zone in Eastern Ukraine and the thematic issues of medicine/health care access or internally displaced persons, has grown significantly since 2014<sup>77</sup>.

### **Comparison with existing theoretical perspectives from the literature**

This development indicates that there is a lack of coordination between donors resulting in other regions in Ukraine that are often just as poor as the Eastern regions but facing different problems, are being deprived of much needed project investments. The literature on resource dependence, confirms that the aftermath of periods of hardship caused by famine, civil war/military conflict or natural disaster creates a surge of CSOs, national aid organisations and private donors coming to an area to set up or finance relief projects (Khieng and Dahles, 2015). An example from Asia is Cambodia in the 1980s that became a ‘donor darling’ after the Khmer Rouge terror regime disappeared (idem, 2015). Parts of Eastern Ukraine are currently suffering in a similar way from the consequences of a low-intense war, general poverty and a ruined economy as Cambodia did. Therefore, the concentration of donor aid and funding to CSO projects in Eastern Ukraine is expected from a resource dependence perspective.

The interviews show that Ukrainian anti-corruption CSO’s are heavily dependent on foreign funding. One can conclude when looking at project budgets accounted for in the CSOs’ annual reports from 2018, that TI Ukraine is the organisation with the highest budget share of non-foreign funding (ca. 8%)<sup>78</sup>. All interviewed CSOs have multiple projects, each financed by one or several donors. The resource dependence literature describes the diversification of local CSOs’ income sources as a coping strategy to resist the trend of becoming too dependent on one type of income source. According to Mitchell’s (2014) categorisation of coping strategies, *avoidance*, *adaptation* and *shaping*, diversification of the origins of CSO income resources is classified as an ‘avoidance’ strategy. The analysis of the income sources of the interviewed Ukrainian anti-corruption CSOs shows that foreign project grants dominate entirely with some attempts to diversify through Ukrainian domestic funding<sup>79</sup> (TI Ukraine). Maximum 0.5 – 3.5 % of the interviewed CSOs’ revenues come from other sources such as private donations (ANTAC, DejuF) or commercial collaborations<sup>80</sup> (DejuF). From the interviews can be concluded that other coping strategies within the ‘avoidance’ category are project selectivity, performed by the interviewed CSOs based on their solid establishment (ANTAC, TI Ukraine) or

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<sup>77</sup> Interview Anti-Corruption Research and Education Centre (ACREC) – 25-04-2019  
(Not part of the interview results section since it is not an CSO)

<sup>78</sup> Thesis pp 18.

<sup>79</sup> Referring to Ukrainian private sector. Does not include funding from Ukrainian organisations/donors ‘transferring’ subgrants from foreign donors.

<sup>80</sup> TI Ukraine, DEJURE Foundation Annual Reports 2018; ANTAC, <https://antac.org.ua/en/pro-nas/>

specialisation of field where they perform their anti-corruption core activity (DejuF on judicial reform; GMD Center on public procurement). Another strategy within a different category of coping mechanism, ‘adaptation’, that the interviewed CSOs adopt is perseverance. Khieng and Dahles describe this strategy as *adaptation to local environment as temporary measures during difficult times* (2015: 1420). These are the least preferred coping strategies of the interviewed anti-corruption CSOs in Ukraine. It includes unpaid weekend working hours, personal pre-financing of projects (both DejuF) or artificially increased budgets proposals during project grant applications (TI Ukraine, DejuF).

Many of the aspects<sup>81</sup> that NGO-critical authors like Najam (1996), Edwards and Hulme (1995,1996) and Akbar Zaidi (1999) point out as reasons why state-led development aid should be preferred over NGO activism, are recognisable in the context of Ukrainian anti-corruption CSOs. First, foreign funding is the only way to enable CSO’s in specific fields to have a significant impact on society since the Ukrainian government does not provide any financial state support for CSOs. Second, CSO anti-corruption projects are short-term events, varying between three months and two years and require regular project reporting, while donors also demand yearly audits and compliance checks for the internal organisation of the CSOs. Thirdly, anti-corruption CSOs are aware of the minimal direct contact they have with grass root beneficiaries of anti-corruption reforms. One of the reasons is the lack of accountability towards grass root communities due to the marginal funding that can be provided through these channels. Accountability towards these groups requires staff and costs time and money; if the response or financial return from grass root communities is low, the interviewed CSO sees it as a waste of time and energy and prefer to focus on other projects. Finally, the only aspect cited by the literature that does not apply to the interviewed CSOs, is the abuse of unequal power relations between donors and CSOs.

The interviewed anti-corruption CSOs have not come across such situations explicitly. Donors have firm self-imposed rules not to interfere with the project and merely be considered as a sponsor and logo provider. Sometimes donors act as advisors or help the CSO’s to promote a certain project or spread information on request of the CSOs. Sometimes donors might be too engaged in some projects resulting in donor presence in every kind of meeting, even with Ukrainian state officials. This kind of ‘excessive’ (foreign) donor interest may harm the project in a sense that Ukrainian third parties might feel intimidated and ‘watched’ during meetings which inhibits a frank and open dialogue. However, CSOs indicate that the opposite is true: in certain cases, donor presence stimulates the responsiveness

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<sup>81</sup> Foreign donor dependency; preference donor-oriented accountability instead of grassroots accountability; excessive focus on efficiency and cost-effectiveness; power relations between donors and CSOs leading to perceived loss of control over the project; no affinity with mission target groups; elitist and technocratic.

of state authorities and acts as a door opener or amplifier for the Ukrainian CSO's project. Considering grant applications, funding opportunities in Ukraine are announced via online platforms and application of the procedure rules are the same for all. The call for proposals states the framing project requirements. Once approved, the CSO and donor sign a contract determining how to implement the project. As a result, there is no further opportunity for the donor to interfere with the implementation of the project.

Finally, comparing the challenges for anti-corruption CSOs in Ukraine linked to foreign funding to the neo-institutional perspective of literature on CSO-donor relations, several observations can be made. This neo-institutional perspective on foreign funded CSOs argues that the introduced working tools such as *quantitative, paper-based planning, reporting, and accountability procedures* (Rauh, 2010: 29), meant to improve the efficiency of CSO activities are only adopted out of convenience and the need to secure the continuation of activities although these tools often do not have any added value (Rauh, 2010). From the interviews no other conclusions about the added value of these working tools can be drawn, except that the interviewed CSOs find the imposed administrative requirements burdensome and not sufficiently financed via grants. This underfinancing of CSO activities leads to institutional weakness of CSOs which mitigates their effectiveness to impact the government and society. This problem can be partially solved through a greater availability of institutional grants for NGOs, which in Ukraine so far, telling from the interviews, only is provided by the Swedish International Development Agency (SIDA) and USAID in certain cases. Donor-imposed quality control procedures and working tools for anti-corruption initiatives through civil society are not adapted to the rapidly changing political environment of Ukraine that CSOs have to deal with. These measures are meant to benefit project and organisation transparency, in particular the financial aspects. However, this advantage only benefits the donors and puts the burden entirely on the CSOs who see the organisation-related requirements in its current form as an unfinanced time burden weighing on their project implementation capacity. Therefore, the interviewed organisations have three recommendations on how to strengthen CSOs effectiveness in the long term:

- More institutional funding for civil society anti-corruption activities in order to secure CSOs' active existence and minimise CSOs' dependency on key persons in their organisation.
- More standardised and simpler rules and procedures concerning grant budget spending and project and organisational accountability.
- Increased budget shares earmarked for administration in project grants in order to ensure fair payment of actual working hours for CSO staff.

## CONCLUSION

In this thesis I have tried to explain some of the challenges that anti-corruption CSOs in Ukraine are facing when working with national level projects financed by foreign donors. At the same time, I have placed these challenges in perspective of problems that local and regional CSOs have to deal with in order to focus on anti-corruption activities and improve grant management. To identify these challenges, I use semi-structured interviews with four Ukrainian anti-corruption CSOs. Sketching the context of the thesis topic, I explain the connection between the high levels of corruption in the post-communist countries and their severely flawed transition toward democracy and market economy due to privatizing and deregulatory policies. Strengthening civil society in these countries turns out to be a better way to fight corruption. Ukraine is an example where democracy has well settled in although it remains crippled by engrained corruption and lawlessness. Since several years the Ukrainian government has turned to the West and is implementing an ambitious anti-corruption reform agenda. As a result, foreign funding of Ukrainian anti-corruption CSOs has increased significantly.

The literature review addresses the literature on the effectiveness of anti-corruption measures, the role of anti-corruption state bodies and anti-corruption CSOs as well as the challenges for CSOs linked to foreign funding dependency. The challenges can be explained by the theoretical perspectives on neo-institutionalism and resource dependence theory providing a theoretical base for understanding the challenges of foreign donor dependent CSOs. The research gap in the literature on foreign aid to CSO's indicates a lack of country case studies on anti-corruption CSOs and their challenges linked to foreign funding. Secondly, I present the case of Ukraine, my methodology and data, as well as the justification of my qualitative research approach. Furthermore, my sample of CSOs is explained, who they are, what they do, who are their foreign donors. Thirdly, my interview results show that there are external and internal challenges for the interviewed CSOs mainly due to inflexible, bureaucratic grant rules and hostility from society. In the analysis, I compare my findings about Ukrainian anti-corruption CSOs with the two theoretical perspectives on neo-institutionalism and resource dependence theory, concluding that the CSOs have little alternative options to diversify their funding due to the strong presence of foreign donors in Ukraine. I finish my analysis by discussing the effects these donors' overwhelming presence and formulate three recommendations towards foreign donors how they can contribute to improved sustainability of anti-corruption CSOs.

The purpose of this case study is to create a deeper understanding of the difficulties of fostering sustainable anti-corruption civil society actors and anti-corruption activities in Ukraine. In its turn, this understanding should lead to improved context-building when analysing and interpreting the efficiency of anti-corruption CSO activities. This is a clear identified research gap in the anti-



corruption literature (Huss & Nesterenko, 2016) which has generated ongoing research projects connecting academic research institutions in Ukraine with counterparts in donor countries like the Netherlands<sup>82</sup>. Based on the causes of the weak financial independence of Ukrainian AC CSO, the theoretical framework about the effects of foreign aid on local CSOs and the lack of country case studies about anti-corruption CSO's institutionalisation, future research should develop the questions of how foreign funding actually contributes beyond project financing to more structural robustness of local civil society actors. In the interviews with Ukrainian anti-corruption CSOs, structural aid through short term grants is mentioned several times as a complementary way of support<sup>83</sup> besides project financing. One of the issues that needs to be investigated are the causes of the apparent challenge of long-term institutional support to anti-corruption CSOs. A second observation is the need for more case studies - specifically for EE and the SOCA - to enable comparisons between countries with a Soviet past where local anti-corruption CSOs are funded by foreign donors. Most likely, these comparisons will show how the different societal developments in the countries after the disintegration of the Soviet Union have affected the characteristics and structures of corruption in each country, as well as how anti-corruption CSOs in each country have adapted their activities to these characteristics and structures. As a consequence, foreign donors need to adapt their financing structure for local CSOs to the national context in which these organisations are operating in order to create more robust and independent civil society organisations. Stronger financial independence of these actors will lead to stronger institutionalisation of civil society.

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<sup>82</sup> Leiden University (NL) and Kyiv-Mohyla Academy (UA) are currently involved in the research project "Civil society against corruption in Ukraine: political rules, advocacy strategies and impact" which falls under the programme "New roles for CSOs for inclusive development" organised by the Dutch-African platform INCLUDE which is funded by the Dutch government. The platform promotes research, policy dialogue and knowledge sharing to improve inclusiveness of aid-recipients in the development of African societies. <https://includeplatform.net/theme/civil-society-corruption-ukraine/> Retrieved on 20-01-2020

<sup>83</sup> CSOs mention SIDA and USAID as suppliers of this type of structural grants

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<sup>6</sup> ANTAC website: <https://antac.org.ua/en/pro-nas/> ; TI Ukraine annual reports: <https://ti-ukraine.org/en/about/#reporting>

<sup>9, 33</sup> TI Ukraine annual reports: <https://ti-ukraine.org/en/about/#reporting>

<sup>23, 33</sup> ANTAC website: <https://antac.org.ua/en/pro-nas/>

<sup>24</sup> The Matra programme supports countries in Southeast and Eastern Europe in the transition to a pluralist and democratic society, governed by the rule of law: <https://www.netherlandsandyou.nl/your-country-and-the-netherlands/ukraine/and-the-netherlands/matra-programme>

<sup>28</sup> EUACI Report on the mapping results of CSOs in five cities, 2019 <https://euaci.eu/what-we-do/resources/cso-mapping-report>

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