Supporting Energy Sector Reform in Ukraine

Anti-Corruption Component

The OECD provides tailor-made assistance for Ukraine in reforming the country’s energy sector and in promoting energy efficiency. This Project is being carried out between January 2019 and December 2021 with financial support from the government of Norway. This Project falls within the scope of the OECD-Ukraine Action Plan and remains in line with the Memorandum of Understanding between the Government of Ukraine and the OECD.

The OECD’s assistance encompasses a mix of analytical and capacity-building activities to ensure relevance and support to Ukrainian institutions in reforming the energy sector. The Project addresses such priority areas as corporate governance, competition, investment and anti-corruption in the energy sector.

The OECD Anti-Corruption Network for Eastern Europe and Central Asia (OECD/ACN) is carrying out the anti-corruption component of this Project in partnership with various Ukrainian stakeholders with the leading role by the National Corruption Prevention Agency of Ukraine and National Anti-Corruption Bureau of Ukraine. This component aims to support energy sector reform in Ukraine through reducing corruption and mitigating its risks in the sector. In doing so, the anti-corruption component will pursue three objectives, as described below.

The Project’s Anti-Corruption Objectives

1. In-depth anti-corruption review of the energy sector
2. Capacity building activities on corruption prevention in energy sector
3. Building law enforcement capacity to detect, investigate and prosecute corruption in the energy sector

BACKGROUND

The transformation of the energy sector became a paramount task in the reforms agenda of the Ukrainian government. While there is political will to pursue the ambitious reform agenda initiated after the Maidan Revolution in 2014, the country still needs policy guidance and stronger institutional capacities to ensure that reform is sustainable. Ukraine has already made some steps towards energy efficiency, better operated SOEs and reducing corruption, however, there is still long way ahead. The energy sector is still facing problems of mismanagement of SOEs, lack of competitive market, poor investment attractiveness and corruption flourishing in the sector’s shadow economy. The Ukrainian government has called on the OECD for assistance in ensuring sustainable development of the energy sector, which is extremely vulnerable to high-level and complex corruption. The anti-corruption component of the project aims to focus in and address these issues.
The in-depth anti-corruption review of the energy sector will become a useful instrument for policy makers, ownership entities, SOEs and law enforcement bodies in identifying trends, good practices, and common problems in the energy sector. It will also offer possible solutions in the form of recommendations on how to ensure integrity and close the loopholes for possible corruption within the energy sector. The review is conducted following OECD peer review methodology. The capacity-building activities aim at setting up and running effective anti-corruption mechanisms within the largest players in Ukrainian energy sector – the SOEs. The leadership and compliance functions of SOEs, ownership entities and anti-corruption authorities receive support in their relevant tasks towards this goal. To support the law enforcement capacity in detecting, investigating and prosecuting corruption in the energy sector, typology work is being undertaken. It will analyse the case-law and allegations of corruption in energy sector, with the view to identify main trends, typical schemes, common challenges faced by the law enforcement, as well as gaps in policy, legislation, institutional set up and practice, which allow for perpetration of such crimes. It will also be supplemented by the practical and policy guidelines for law enforcers.

General Framework

Memorandum of Understanding between the Government of Ukraine and OECD

In 2014, the OECD and the Government of Ukraine signed a Memorandum of Understanding (MoU) for Strengthening Co-operation. In 2015, it was followed by an Action Plan to implement the MoU. It sets out the key areas for OECD intervention in Ukraine according to the priorities of the Ukrainian Government. The OECD-Ukraine Action Plan was revised in 2019 to reflect the updated government priorities for 2019-2020. Anti-corruption has been a consistent priority in all these documents. An OECD-Ukraine Co-ordination Council serves to disseminate OECD standards and best practices among various ministries and to monitor the Action Plan implementation.

OECD Anti-Corruption Network for Eastern Europe and Central Asia (OECD/ACN)

The OECD/ACN is a global relations programme of the OECD Working Group on Bribery in International Business Transactions (OECD WGB). The OECD/ACN was established in 1998 to promote anti-corruption reforms in Eastern Europe and Central Asia.

Ukraine has been an active member of the OECD/ACN since 1998 and participates in its various activities, including the Istanbul Anti-Corruption Action Plan (IAP) monitoring since 2013. Its anti-corruption laws, institutions and later the actual implementation have been carefully examined by the OECD through this monitoring and country assistance projects.

Way to work together

With its multidisciplinary expertise and wide array of internationally recognised policy instruments, the OECD is a valued partner in advancing and sustaining Ukraine’s efforts in line with international standards. The OECD works closely with its Members, the European Union, and other international organisations to support Ukrainian policy priorities. The Project aims at harnessing strong political support and involvement of key governmental and non-governmental stakeholders, including The Ministry of Finance, Ministry of Economic Development and Trade, Ministry of Energy, Ukrenergo and other public bodies and SOEs within Ukrainian energy sector, as well as of the anti-corruption law enforcement bodies, civil society, international community and business associations. We need to work hand in hand with relevant stakeholders and to develop strong communication, co-operation, coordination as well as information sharing for the purpose of this Project.

For more information, please contact
Tanya Khavanska [Tanya.Khavanska@oecd.org] or Oleksandra Onysko [Oleksandra.Onysko@oecd.org]
Anti-Corruption Division, OECD Directorate for Financial and Enterprise Affairs

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