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The impact of political parties on anti-  
corruption reform in Ukraine: the case  
of public procurement

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## Abstract

The influence of political parties on governance reforms such as anti-corruption is understudied. Studies usually focus on the performance of civil service and the central government. But political parties are the ones who deliver and can be held accountable by the electorate who voted for them. This study in particular focuses on various categories of political parties in Ukraine, establishing the criteria for Europeanized, anti-corruption and institutionalized parties. Later on, it focuses on a statistical analysis of how these parties influence one of the main governance reforms in Ukraine – the public procurement reform. After collecting the relevant data on public procurement of 460 municipalities of Ukraine, the quantitative analysis establishes a link between the public procurement and pro-European, anti-corruption and institutionalized parties in Ukraine. Findings of this research contribute to the literature of anti-corruption parties and the impact of political parties on governance reforms in general.

**Key words:** *anti-corruption, Europeanization, political parties, public procurement, post-Euromaidan, Ukraine.*

*“Don’t steal 50%, steal 5% - show some conscience”, Ex Prime Minister of Ukraine  
in a public speech to the Cabinet of Ministers, 2010*

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## 1. Introduction and Research Problem

To steal or not to steal? According to Ukrainian Ex Prime Minister Mr Azarov (now an international criminal persecuted by Interpol for misappropriation and embezzlement), stealing Ukrainian public funds was acceptable as long as officials stole 5% as opposed to 50% because the latter amount could be tracked down (Kupatadze 2015). This is one of the examples of how highly acceptable corruption was in Ukrainian top governance. It also demonstrates the need to research and track corruption down, even if it is 5 instead of 50% as the Ex Prime Minister suggested to be acceptable. For the purpose of this research, corruption is framed as embezzlement/misuse of public funds to the detriment of the interest of the citizens, usually defined as political corruption (see for example Philip 1997 and Philip 2015, as cited in Rothstein and Varraich 2017).

Throughout the history of the Eastern European states, corruption was and remains to be one of the main challenges that its societies face (Transparency International 2015, 2016). Due to the particularities of Soviet history and post communist regimes, states found themselves with a challenging heritage that created ways for the proliferation and flourishing of corruption. Corruption is considered as a major threat to societies all around the globe: it excludes citizens from enjoying the benefits of economic development, and also undermines their political and social liberties. It complicates doing business in countries or engaging in mutually beneficial economic or social partnerships. Furthermore, any type of international cooperation and transfer of funds can be endangered in corrupted environments.

Some of the Eastern European countries identify corruption and ways to combat it in a more efficient way than others. However, some of them keep fighting against corruption and aim to learn the lessons from their neighbors. Currently, Lithuania, Estonia, Latvia and Georgia rank higher in corruption perception indexes than Armenia, Azerbaijan, Moldova, Ukraine and Russia. In the cases of Lithuania, Latvia and Estonia there has been a drastic increase of anti-corruption promotion along with the negotiations of EU membership and post-accession. But when it comes to the Eastern Partnership countries, which lack prospects of becoming members of the EU, there is a big difference in corruption, most notably in the cases of Georgia and Ukraine. Georgia ranks 48<sup>th</sup> in the Corruption Perception Index while Ukraine ranks 130<sup>th</sup>. Georgia developed anti-corruption measures in a more efficient way than Ukraine did, while not having a prospect of EU membership like the Baltic States did. In the initial stage of research of corruption in post-Soviet states I focused on Georgia and Ukraine given that their cooperation with the EU is similar, therefore EU conditionality is similar, but the outcomes of corruption are different. This phenomenon raised many questions with regards to what factors and actors shape the success of fighting corruption in Post-Soviet states. After conducting a first comparison of anti-corruption institutional frameworks of both countries, I reached the conclusion that political will is what determines the difference in anti-corruption success in the two cases (Onopriychuk 2017).

As demonstrated in the cases of Ukraine and Georgia in my previous research, international and EU conditionality - even if almost identical - can have different outcomes on the democratization processes in different states. However, in addition to the EU conditionality Georgia also implemented centralization of political power and political will in the hands of the

ex President and his Government post Rose Revolution. Thus, political will is believed to be the main reason why anti-corruption reforms succeeded in Georgia and brought it from 130<sup>th</sup> most corrupt country in the world to 43<sup>rd</sup> in the ranking, at the same level as some of the European Union states. Nonetheless, Ukraine and its international partners promote decentralization of anti-corruption reforms in Ukraine, a very different approach to what happened in Georgia.

In order to research whether decentralization is an effective strategy to combat corruption and the effect of political will of political parties on its development, I analyze the impact of political representation of municipal councils on the actual implementation of public procurement reform (open tenders) in all of the municipalities in Ukraine. The representation of political parties at the regional (municipal) level will help to identify the level of political will that these parties have to implement anti-corruption reforms when compared to the data on public procurement procedures and the promises that parties made in the election strategies.

Why public procurement reforms? Public procurement allows for analysis of corruption and anti-corruption in a country. Due to the size of the financial flows, the proximity between public-private sector and complexity of the procedures, public procurement is most vulnerable to fraud and corruption (OSCE 2016). While it is such an important topic of research, empirical investigation of the public procurement in Ukraine has been impossible until now due to lack of data on the tenders, their solicitors, participants, and details of established contracts. With the establishment of Prozorro public procurement reform data is now easily available for anyone who is willing to hold public institutions accountable (BI Prozorro 2017). However, even if the data is publicly available, it is still difficult to distinguish between inefficient (unprofessional) and corrupted procedures.

In order to identify political interests in anti-corruption, this research also focuses on the representation and the electoral strategies of political parties across the municipalities in Ukraine. Political parties in Eastern Europe are a topic of particular concern among scholars. It is often argued that the political parties in this region are volatile (Powel and Tucker 2009). Moreover, in Eastern Europe there are new parties that emerge quite easily due to lack of party institutionalization and the discontent of the electorate with the existing parties (Tavits 2007). Particularly in Ukraine, even after 25 years of independence from the Soviet Union there are no solid and professional political parties due to weak ideology and policies, corruption, fragmentation, lack of accountability to voters and financial concerns among other issues (Kuzio 2014).

In general, political parties receive little attention when it comes to debates on how to improve the quality of governance - when it comes to increasing governance effectiveness and reducing corruption, the focus is usually on central government and public sector institutions (Keefer 2015; 242). However, considering that so many international stakeholders put their hope into the effects of the decentralization, one would assume that local politics offer a new prospect of implementation of anti-corruption reforms at the regional level. Political parties can play a role in the decentralization of Ukrainian governance and the fight against corruption due to their representation in the decision-making of the regions. Nevertheless, their impact on anti-corruption reforms has not been studied yet. This research aims to analyze it with the data from Prozorro public procurement system. The research question is:

## **Do political parties have an impact on the implementation of anti-corruption reforms at the municipal level in Ukraine?**

By answering this research question, the study aims to contribute to the limited existing literature on the role of political parties for governance reforms in general and in post-Soviet states in particular. It is, in fact, the first study to analyze the influence of post-Euromaidan political parties of Ukraine on one of the main anti-corruption reforms. In order to understand the logic behind the research question, I will first introduce the relevant theory and hypothesis of this study and then proceed with the discussion of the particular sub-topics of the research such as: corruption in Ukraine, decentralization of regional governance, evolution of political parties in Ukraine, grand corruption in public procurement and the Prozorro public procurement reform. After this, the analysis of the results will present the statistical findings and will culminate with a discussion of the findings of this study.

## **2. Theory and Hypotheses**

### **2.1. Salience of anti-corruption rhetoric in political parties**

Political parties in Eastern Europe have been for long considered as corrupt entities. Over a decade ago scholars like Grzymala-Busse (2003) argued that post-communist parties tend to look for private benefits and continue to draw material resources from the state. This can be partly explained with the lack of oversight mechanisms that post-communist states didn't have a chance to establish (Grzymala-Busse 2006). While trying to overcome the post-communist legacies, some states have succeeded in establishing effective oversight mechanisms to reduce the misappropriation of public funds. Yet, some other states like Ukraine did not have the same success and keep trying to find the ways to combat corruption. Political parties play a very important role in this process since they can introduce barriers to rent seeking and establish an effective way to monitor the distribution and spending of state resources (Grzymala-Busse 2006). However, they can do so if they think that electoral benefit from supporting the reform is higher than the benefit of corruption.

In the case of this research, political parties are expected to promote the anti-corruption reforms in the context of open public procurement. But why would political parties want to promote anti-corruption and more specifically open public procurement? Grzymala-Busse (2006; 15) argued that adoption of formal monitoring and oversight institutions happens when a robust competition of parties exists. According to this theory, when parties fear competition they aim to constrain the options to access and profit from state resources so that the other parties don't benefit from it. In addition to this, when a robust competition of political parties exists, the governing parties will increase the formal constraints to rent seeking activities (Grzymala-Busse 2006; 15).

In addition to this, scholars argue that understanding the salience of political corruption is important because anti-corruption transformed the political competition in Eastern and Western Europe (Polk et al 2017). They have found that newer parties tend to emphasize fighting corruption more than established ones because they can present themselves as clean in vis-à-vis the established (older) political parties that have proved themselves to be corrupt. The

idea behind this assumption is that electorate is tired of old corrupted parties and will follow the ideas of the fresh newcomers to the political landscape. What is more, Polk et al argue that populist left-wing and populist right-wing parties will stress the anti-corruption rhetoric more than parties with other ideologies (Polk et al 2014; 2). While this finding seems to apply in the European states, it might not be applicable in the case of this research because the governance, the culture and the history of the European and post-communist states differ<sup>1</sup>.

## **2.2. The impact of institutionalized, Europeanized and anti-corruption parties on public procurement**

### **2.2.1. Institutionalization of political parties**

In order to consider why some parties promote anti-corruption reforms more than others I decided to focus on three theories in this analysis that fit the framework of Ukrainian politics. The first one is the theory of institutionalized/pragmatic parties. According to Keefer, political parties that are more institutionalized (older parties) limit the abilities of individual party members and leaders to be corrupt and harm the whole party membership (Keefer 2015; 229). This theory argues that the age of the parties affects their reputation and allows parties to discipline their members. As Keefer argues, parties that are more institutionalized (older parties) discipline their members who deviate from party line and thus reduce corrupted initiatives (Keefer 2015; 231). This research will test whether this also applies in Ukraine.

Indeed, after the fall of the Soviet Union political parties did not succeed in institutionalizing themselves. This was due to poor party infrastructure, unclear ideological foundations and political agendas that were led by self-interest of party members (Mierzejewski-Voznyak 2013). Furthermore, some of the parties in Ukraine (like Yuliya Tymoshenko party, Party of Regions and Our Ukraine – Self Defense block) were sponsored and governed by oligarchs who dictated their interests from Kiev to the regions (Mierzejewski-Voznyak 2013, 97). Institutionalization of political parties was also complicated by the political instability and constant change of party membership according to the individual interests. In fact, 71% of Ukrainian citizens believe that new parties are less corrupt than older parties (Razumkov 2015; 104). But this is an assumption that has to be tested in this research.

### **2.2.2. Europeanization of political parties**

Another political strategy that is relevant for the political parties in Eastern European states is establishing a link between their party and the EU. The so-called “Europeanization” of political parties is considered to be another example of party success in winning electoral votes. Citizens consider the EU as the ultimate standard for democratic values – this is why they tend to support parties that promote Europeanization of post-communist regimes. Scholars argue that “Europeanization” is a legitimation strategy of political parties in countries like Georgia and Ukraine (Cianciara 2016). Following this theory, EU conditionality plays a very important role because by approximating themselves to the EU, the parties (and the governments) have to adopt the EU rules, norms and procedures in exchange of benefits such as visa liberalization or trade agreements.

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<sup>1</sup> Polk et al (2017) argue that the salience of anti-corruption also depends on the quality of governance of states.

Parties have to convince the government to adhere to the guidelines that the EU provides in exchange for benefits like trade agreements of free visa travels (which happened both in Ukraine and Georgia). Even though studies of EU conditionality have usually focused on pre-accession conditionality (Grabbe 2006), the relevance of this phenomenon goes beyond the borders of the EU (Freyburg et al 2015). In the case of Ukraine, the EU conditionality objective number one is to combat corruption and establish anti-corruption mechanisms.

Moreover, studies that have already analyzed the correlation between the EU position and anti-elite rhetoric found that political parties in Europe that are pro-European (measured by their position on European integration) are less likely to emphasize anti-elite rhetoric (Polk et al 2017; 9). Once again, the findings for European states seem to deviate with the case of Ukraine, where parties that are pro-European are expected to have a higher level of rhetoric on anti-corruption.

### **2.2.3. Anti-corruption parties**

In line with the previous theory, anti-corruption is one of the main requirements of the EU conditionality. Hence, the anti-corruption parties theory is also relevant for this study. Bagenholm (2013) and Bagenholm and Charron (2015) defined anti-corruption parties as the ones that focus on the fight against corruption in their election campaign. This phenomenon is named as “anti-corruption parties”<sup>2</sup>, which is a renowned successful electoral strategy (Charron and Bagenholm 2014, 2015). While it is argued that established parties have increased their support by politicizing corruption there is not much analysis on why corruption is politicized and why anti-corruption parties emerge (Charron and Bagenholm 2015, 267).

Ukrainian history made it necessary for political parties to focus on anti-corruption during their campaigns in order to win electoral votes. Mainly, due to the fact that political parties proved that they are corrupt entities. But some put more emphasis on anti-corruption than others. In other words, in Ukraine politicians make careers by promoting anti-corruption. Research of anti-corruption parties is limited. In the previous studies, the political salience of anti-corruption was analyzed from the voting support perspective (Engler 2015, Klačnja et al 2014). Nonetheless, it was studied in the context of Central and Western European states. Therefore, studying it from the perspective of a post-Soviet states brings a new insight to the literature.

### **2.2.4. How could institutionalized, Europeanized and anti-corruption political parties affect the tender procedures?**

In the context of Ukraine, individual deputies from a variety of political parties compose municipal councils. They are in charge of multiple tasks that involve management and allocation of state funds and state property in their municipality. What they could and should do in terms on public procurement reform is to create incentives to monitor the full implementation of this reform in their municipality. Moreover, they can introduce legal provisions in their

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<sup>2</sup> In addition to the concept of anti-corruption parties, the most common example of literature on salience of anti-corruption rhetoric frames it in the concept of politicization. This concept was avoided in this study due to the fact that politicization refers to both salience and conflict of interests for example for party survival. Since the conflict of interests and party survival is not included in this analysis, only salience of corruption is discussed.

region that will force the different departments and committees of a specific municipal council to publish all of the public tenders online, independently of the amount of state funds involved. According to the above-mentioned theories, parties would do so due to existing competition as well as to comply with the EU conditionality standards.

In addition to that, politicians should be accountable to their principals (the voters) and deliver on the promises that they made during the electoral campaign. What can complicate this is the fact that politicians do not control the public tenders procedures themselves – it is up to their agents (the bureaucrats) to announce public tenders. While they cannot directly control all of the actions of their agents, they can create mechanisms of accountability that aim to decrease the potential corruption in public procurement. The same applies for the politicians in Kiev and the politicians in the municipal councils: the politicians in Kiev should ensure that they approve national laws on public procurement and regional accountability. Since the Prozorro platform already exists, politicians do not have to invent new accountability mechanisms but promote the use of existing ones.

With regards to literature on public procurement, there are examples of data analysis where public data on tenders in Hungary was analyzed (Fazekas and Tóth 2016). But the link between political parties and public procurement is not present in the scholarly discourse. In fact, there has been no specific mention to the influence of political parties on bidding procedures in Eastern European states. This can be due to the fact that data is not easily available because of inefficiency of public procurement systems. That is why there is a need to study this particular field in the region.

Therefore, in line with the theories in this section, political parties are expected to have three strategies that will potentiate the salience of anti-corruption. Institutionalized parties are expected to have more control over its party members and thus be more open to anti-corruption incentives. Anti-corruption parties are expected to be more open to anti-corruption reforms, and therefore hypothetically aim to develop the public procurement reform. Pro-European political parties will also be considered to have played a role in promoting public procurement. Having said this, the main hypotheses are:

<i>H1: Municipalities with stronger presence of anti-corruption political parties will have more open public procurement.</i>
<i>H2: Municipalities with stronger presence of older political parties will have more open public procurement.</i>
<i>H3: Municipalities with a stronger presence of pro-European political parties will have more open public procurement.</i>

### **3. Research on Ukrainian context**

#### **3.1. Corruption in Ukraine**

Ukraine has long suffered from the effects of corruption in government. As the citation in the first page shows, embezzlement and misappropriation of public funds were part of the

accepted culture of the Ukrainian governance partly as a consequence of the Soviet legacy. But has this changed? The literature on corruption in post-Soviet states argues that the fall of the Soviet Union was a unique opportunity for democratic institutional redesign in those countries (Malová and Haughton 2002). However, anti-corruption attempts failed in most of the post-Soviet states (Schmidt 2007, Batory 2012, McAllister and White 2015). Some scholars studied the perception of anti-corruption by Ukrainian elites (Grødeland 2010) while arguing that local elites preferred to maintain status quo with regards to the implementation of anti-corruption strategies. Others studied the difference between Georgia and Ukraine corruption levels approached from the perspective of decentralization of states (Nasuti 2016). However, the decentralization of anti-corruption reforms from the perspective of public procurement has not been studied yet, neither the influence of political parties on this specific reform.

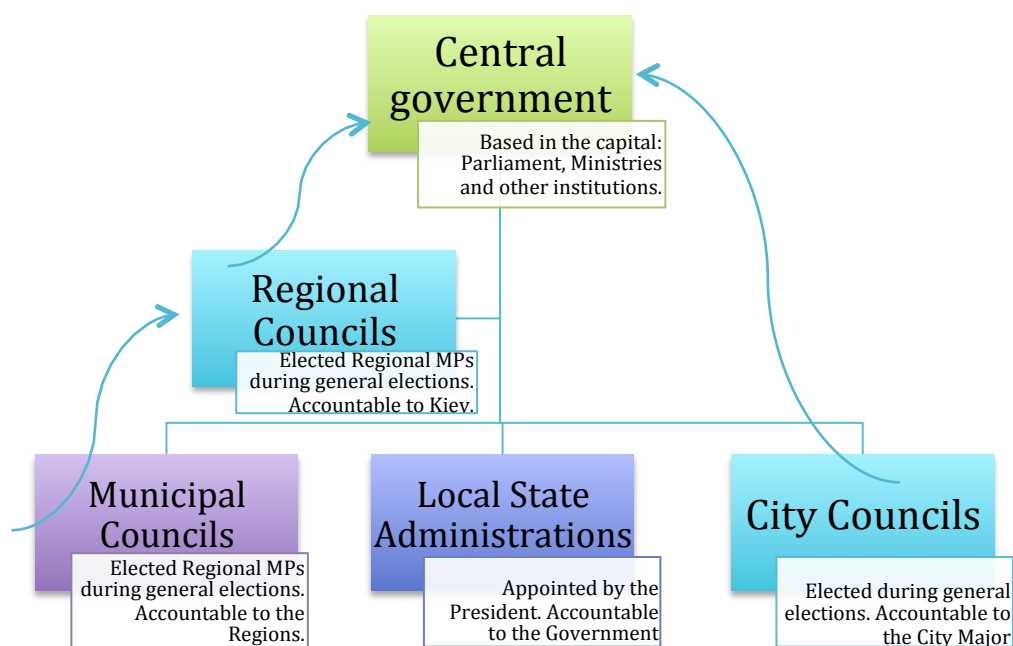
Therefore, there is a need to study the anti-corruption reforms of Ukraine, because Ukraine is struggling with its implementation. The struggle is not only due to the constant presence of self-interest in politics, government and the civil service. It is also due to the inefficiency of the implementation of anti-corruption reforms that is caused by lack of knowledge, experience and practice on how to introduce such dramatic changes to the governance of the country (Interview 1). The sphere of public procurement is only one of multiple examples of constant struggle against corruption in the country. It has not been studied yet due to its novel factor – public procurement in Ukraine was not documented until the Prozorro reform was implemented. In terms of this analysis, this is both a benefit and a disadvantage – there are no existing methodological or theoretical foundations for this particular research that have been established yet.

Furthermore, anti-corruption is a concept that can be approached from different perspectives, from different definitions of corruption and its forms. This research focuses on anti-corruption in the field of public spending and therefore, aims to research the effectiveness of use of public money. While studies on effectiveness of public procurement tend to be more in-depth and focused on analyzing the data of the contracts, their nature, their value among other details, this research focuses on a systematic analysis of procurement tenders across the municipalities of Ukraine.

### **3.2. Decentralization of Regional Governance in Ukraine**

Scholars praise decentralization by arguing that many of the implementing reforms can work at the local level because local authorities are making a bigger effort to become more transparent and accountable to their constituents (LaRoque 2016). While decentralization reform is not an easy process and the full potential of regional authorities has not been implemented yet, it is interesting to research to what extent municipal councils promote reforms with the example of public tenders. In this regard, the structure of Ukrainian regional governance is a puzzle due to its constant changes. Moreover, considering its Soviet legacy, the territorial division of Ukraine is complicated. There are several types of local authorities, defined as elected and other bodies of local communities empowered to decide on local issues by the constitution. There are 24 regions, called “oblast”, which are the primary administrative units. These are unitary units, which do have limited legal capacities. Each region has 10 to 27 districts (also referred as municipalities in this paper).

The overview of the hierarchy of the local governance is as follows:



**Figure 1 – The hierarchy of the Ukrainian governance**

The arrows in the previous Figure represent the accountability of one institution to the others. The main problem of such a distribution is the lack of coordination that it creates among the relevant regional authorities. Therefore, one of the main concerns of the decentralization reform in Ukraine is the need to strictly define and delimit the functions of the different regional governments. The design of the new decentralization reform increased coordination and accountability mechanisms amongst these local governance institutions.

Considering the complex Ukrainian context, the post-Maidan government decided to make decentralization the top priority reform in March 2014. This reform was needed more than ever because the previous government centralized the executive and other decision-making powers in Kiev to a high extent. This left regional authorities with no freedom to take their own decisions and implement their own budgets timely and efficiently. Not only did it affect the budget implementation, but it also stalled the general development of the regions with regards to basic service delivery such as education, health care, the development of infrastructure and social benefits (Hanushchak 2017). Consequently, the concentration of power in Kiev also mismanaged the regional capacity and development of the institutions at the local levels. Civil servants in the regions were simply not trained and/or lacked knowledge and resources to implement all the necessary elements related to their work (Interview 2). This is also why the 2014 decentralization reform was crucial for developing capacity with regards to public procurement that regional public institutions do.

Hence, the decentralization reform was created to define the responsibilities that regional decision-making organs have and therefore is supposed to have a direct impact on the number and quality of public procurement procedures that a municipality organizes. While it is a work in progress, it is a crucial element to consider in the analysis. Additionally, it is

important to acknowledge the recent developments with regards to budget decentralization, the reform on amalgamated territorial communities and the new set up of responsibilities of municipal councils because this defines how efficiently they (should) spend their money. By law, the municipal councils are in charge of many administrative governance functions and also have practical implementation powers that involve decision on finance such as:

- Approval of programs of socio-economic and cultural development of the municipality and monitoring its implementation.
- Approval of district budgets and monitoring its implementation.
- Distribution of funds transferred from the state budget in form of subsidies, subventions between local budgets of the towns and villages of the municipality.
- Management of the property of state ownership, building and construction.
- Establishment and liquidation of communal enterprises and institutions.

These functions are stated in the Law on Territorial Administrative Division of Ukraine (1997, last modified in 2017)<sup>3</sup> and the Article 143 of the Constitution of Ukraine (also referred to in Committee of the Regions 2017). Political parties in the municipal councils have to be held accountable for these functions. Thus, public procurement procedures are a mean for them to be accountable and also serve as an indication of how open the municipal councils are.

### 3.3. Political Parties In Ukraine

What role do political parties play in the decentralization of Ukrainian governance and the fight against corruption? Due to the representation in the decision-making of the regions or municipalities, political parties can be the main actors to deliver on anti-corruption promises. In order to understand how political parties can impact reforms it is important to consider not only the decentralization of governance reform in Ukraine but also the re-organization of the party system in Ukraine after the last Euromaidan revolution.

It is often argued that Ukraine's parties remain structurally weak in their political decentralization approach, absence of internal democracy, disrespect for voters and reliance on opaque sources of funding (Kuzio 2014). Furthermore, oligarchs and big businesses sponsored all of the parties, which created a close relationship between them as well as conflicts of interest (Kuzio 2014). Only in 2016 a partial state financing of political parties was introduced. As a result, even though political parties in Ukraine are known for their particular weakness and lack of reliability, political influence can have a strong effect on promoting or blocking the anti-corruption reforms according to the parties' interests.

Presuming that there are reasons to worry about the reform commitment at the center of Ukrainian politics but not at the local level due to proximity with the electorate (Committee of the Regions 2017, OECD 2016), one would expect political parties to promote anti-corruption reforms in their municipalities/regions. It is argued that the implementation of the reforms needs bargaining due to the absence of an effective ruling coalition or majority that would support them in the Parliament (Sasse 2016). Whether this is different at the regional level is a question to be answered in this study.

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<sup>3</sup> Available online at <http://zakon2.rada.gov.ua/laws/show/280/97-%D0%B2%D1%80/page4>, accessed last on 21 June 2017

In the past, the knowledge on Ukrainian political parties was quite meager due to lack of available information. The list of registered political parties was made available only in 2009 (Fedorenko et al 2016). Nonetheless, political parties have always been the frontrunners of democratization attempts in Ukraine. Starting from the Orange Revolution of 2004, up to the latest Euromaidan revolution – political parties have been in the center of the events. Nevertheless, whether they did so based on their own interests (such as gaining voters) or because they really meant to promote the democratization of the country remains unclear. What is clear is that both revolutionary events were important for the party system in Ukraine because they meant a change of direction of Ukrainian politics.

Nowadays, despite being volatile and unstable, political parties matter in Ukraine's reforms process. They do not usually promote specific reforms on their own but still remain the ultimate power to approve the necessary legislation to conduct such reforms. However, the reality is that corruption keeps flourishing while parties keep promising to fight it and yet end up not approving the laws that aim to bring reforms to the country's governance. Inconsistently enough with this political reality of Ukraine, political parties did include the fight against corruption in all of their political agendas. As it can be seen in Table 1 (continuation), political parties did well on promising future anti-corruption reforms to Ukrainian citizens. This use of anti-corruption rhetoric is one of the main aspects of current Ukrainian politics.

Both anti-corruption and Europeanization strategies resulted in an increase of the number of political parties across Ukraine. In fact, after Euromaidan the number of political parties increased by almost 30%: in 2015 there were 262 registered political parties, and now there are 352 (National Registry 2017). Additionally, scholars argue that ideological orientation (which is used in most studies on parties in the EU countries) does not matter for Ukrainian voters, but that geopolitical orientation (i.e. pro-European, pro-Russian, pro-NATO) does (Fedorenko et al 2016). This is why the concept of Europeanization of political parties has been selected for considered in this study.

After the Euromaidan there has been a re-shaping of the Ukrainian party system (see Table 1 for details on the new representation of parties). Unfortunately, it this transformation was developing in an extreme geo-political and socio-financial context: there was the need to restore the functioning of the state, the need to face the threat of Russian aggression and the need to face extremely difficult socio-economic conditions (Razumkov 2015). Despite these challenges, the de-communization process (that started post-Euromaidan) resulted in the end of the Communist parties in Ukraine, and gave the way to new faces in Ukrainian politics. The activists of Euromaidan became members of parliament and members of numerous civil society organizations. In this way, pro-European parties became the front-runners of the 2014 presidential and parliamentary elections. Moreover, for the first time in Ukrainian history the main competition for the parliamentary elections was among new (not previously elected to Parliament) pro-European parties that came to government as a consequence of Euromaidan: only the Motherland party of Tymoshenko was in Parliament both in 2012 and 2014 with 5 times decrease in representation (Fedorenko et al 2016). Figures show that in 2012 there was a 50%-44% proportion of pro-European / pro-Russian parties but after the elections of 2014 the proportion became 80%-17% (Razumkov 2015).

**Table 1 – Overview of political parties in the parliament and municipalities of Ukraine**

Party	Registration (Creation)	Seats in Parliament (450 deputies)	Seats in municipalities (12107 deputies)	Ideology and political affiliation
<b>Petro Poroshenko Solidarity Party</b>	2000	140 (33,2%)	3365 (22,3%)	Christian-democrat Conservatism Liberalism Pro-Europeanism
<b>Motherland Party</b>	1999	20 (4,7%)	2521 (16,7%)	Conservatism Liberal democracy Pro-Europeanism Centre-right
<b>Radical Party of Oleh Lyashko</b>	2010	20 (4,7%)	1147 (7,6%)	Ukrainian nationalism Radicalism Left-wing populism Agrarianism
<b>Opposition Block Party</b>	2010	43 (10,2%)	1370 (9,1%)	Social-liberalism Pro-Russia Regionalism Euro-scepticism
<b>UKROP Party</b>	2015	0 (4)	770 (5,1%)	Centre-right
<b>Agrarian Party</b>	2006 (1996)	0	1159 (7,7%)	Agrarianism Conservative
<b>Our Country Party</b>	2011	0 (3)	951 (6,3%)	Centre
<b>Freedom Party</b>	1995 (1991)	0 (7)	605 (4%)	Ukrainian nationalism Ultrationalism Right-wing populism Anti-communism
<b>Rebirth Party</b>	2004	26 (6,2%)	655 (4,3%)	Developmentalism Pro-Europeanism
<b>Samopomich Party</b>	2012	26 (6,2%)	210 (1,4%)	Christian conservatism Pro-Europeanism Conservatism
<b>Citizens' Position Party</b>	2005	0	218 (1,4%)	Conservatism Pro-Europeanism

*Note: Data of political representation available at [http://w1.c1.rada.gov.ua/pls/radan\\_gs09/ns\\_zal\\_frack](http://w1.c1.rada.gov.ua/pls/radan_gs09/ns_zal_frack); Two political parties that are present in the Parliament are not represented in the top 11 of municipalities (“Citizens’ will” and “National Front”). The parties UKROP, Our Country and Freedom have had no seats in the parliamentary fraction but some outside the fraction, considered as “other MPs”.*

**Table 1 (continuation) – Europeanization and anti-corruption levels of the parties**

Party	European Union proximity	Score	Anti-corruption plan from party programme	Score
<b>Petro Poroshenko Solidarity Party</b>	- 9 mentions to EU - 1 section on Eurointegration	High	Focused the objective 3.3 on “the fight against corruption”, which entails 5 short paragraphs - 2 other	7 High

	- 33 “Euro...”		mentions of corruption in another objectives. One of them specifically on public procurement and the need for deoligarchization (16 pages document).	
<b>Motherland Party</b>	- 7 mentions to EU	Moderate	Devoted 2 <sup>nd</sup> objective out of 9 for fight against corruption with 11 short paragraphs on corruption. Additional mentions on corruption in: a paragraph on security and need to join NATO, one paragraph in objective 3 on victory of the people, another one in objective 4, one in objective 8 and one in the conclusion. Total 15 paragraphs concerning corruption (16 pages document).	15 High
<b>Radical Party of Oleh Lyashko</b>	2 mentions to EU	Moderate	1 objective out of 8 with 4 very short paragraphs not mentioning corruption specifically, but its forms.	4 Moderate
<b>Opposition Block Party</b>	0	None	1 out of 11 objectives, with only one paragraph.	1 Low
<b>UKROP Party</b>	15 mentions of EU and 2 “Euro...”	High	Mentioned in point 1.3.1 and throughout the document. 22 paragraphs in total (out of 47 pages document)	22 High
<b>Agrarian Party</b>	5 mentions to EU	Moderate	3 paragraphs out of 6 pages document	3 Moderate
<b>Our Country Party</b>	0	None	2 paragraphs out of 4 pages document.	2 Low
<b>Freedom Party</b>	- 1 mention to EU - 7 mentions to “Euro...”	Moderate	4 paragraphs out of 13 pages document.	4 Moderate
<b>Rebirth Party</b>	0	None	1 non significant mention to corruption	1 Low
<b>Self-Help Party</b>	0	None	2 mentions to corruption in 5 page document	2 Low
<b>Citizens’ Position Party</b>	15 mentions to “Euro...”	High	4 paragraphs on corruption in 6 page document.	4 Moderate

*Note: the calculations were made from the number of mentions to EU/Euro... and Corrupt/Anti-corruption in the electoral strategies of the political parties available on the parties’ websites. Blue color for high-ranking anti-corruption and Europeanization parties; Light green for regular scores and grey for the lowest score. The Europeanized parties were clustered in two (Solidarity, UKROP, Citizens Position, Motherland and Agrarian as high Europeanization) for the statistical analysis and the anti-corruption parties kept in three clusters.*

In disagreement with the theories on salience of anti-corruption rhetoric by Grzymala-Busse (2003; 2006) and the previous findings of Polk et al (2017) the parties with most salience of anti-corruption rhetoric are the older ones and the ones who are in power (with exception of UKROP), not in the opposition. What is more, these parties are positioned in the centre, and

have no relation to left or right wing populism<sup>4</sup>. Thus, since the theories on anti-elite rhetoric do not apply in the case of this research, the theories of institutionalization, Europeanization and anti-corruption parties are considered to explain how and why some political parties promote anti-corruption rhetoric more than others.

### 3.4. Grand Corruption In Public Procurement in Ukraine

Public procurement procedures bring public officials and businesses closer to each other. This creates new risks and opportunities for corruption. Moreover, these transactions involve significant amounts of money and thus are very attractive for corrupted individuals (OECD 2016; more detailed in Annex). Ukraine's public procurement sector, in particular, is known for being highly associated with grand corruption. It is estimated that every year 50 billion hryvnas (2 billion dollars) are being lost through closed deals and limited competition (Prozorro Slideshare 2017). And yet, the European Bank considers the country a recommended model for e-procurement reform for Reconstruction and Development. It also won a prestigious World Procurement Award in May 2016<sup>5</sup> for the implementation of the Prozorro system as well as the Open Government Award of the Best 2016 Reform. Prozorro public procurement reform's key objective is to provide the data on public tenders, which facilitates the monitoring and strengthening of accountability and transparency of public administration. This reform has been implemented at all levels of government in Ukraine, with available online data to monitor the government spending around the country. Therefore, this platform gives an opportunity to analyze the effectiveness of decentralization at the regional level of Ukraine.

Why is decentralization important for public procurement reform? Because it can narrow the opportunities for corruption when local politicians are more accountable to the voters in their region and when the voters of the region control the data on procurement. However, decentralization can also lead to greater opportunities and fewer obstacles to corruption at the regional level. This can be explained with underdeveloped IT capacity and inadequate knowledge on the procedures of public procurement. In fact, this is one of the main problems that the Ministry of Economic Development in Ukraine identified – there are thousands of citizens involved in public procurement that do not have the right knowledge and skills to do it (Interview 1, 2 and 3).

Additionally, the lack of proper competition generally allows for the award of contracts at values higher than the market ones, which can facilitate the extraction of corrupt rents (ERCAS 2015). Furthermore, single bidding in public procurement is considered to be one of the main indicators of high-level corruption. Scholars have already proven that the numbers of single bidding correlate with levels of corruption in the country (ERCAS 2015). Fazekas and Toth (2015) argue that taking into account unfair restriction of competition in public procurement is important to create a proxy indicator of corruption. The simplest indication for this is the presence of single bidder contracts within the public procurement procedures.

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<sup>4</sup> With reference to Solidarity, Motherland parties that rank high on anti-corruption rhetoric but are established centre parties and are in power, not in the opposition. The only exception applies to UKROP party that also ranks high, but is a very new party with centre-right ideology. More details in the Table 1.

<sup>5</sup> According to the information on <http://www.open-contracting.org/2016/07/28/prozorro-volunteer-project-led-nation-wide-procurement-reform-ukraine/> accessed on 10 March 2017

Therefore, it is crucial to consider these aspects of public procurement while analyzing the data on open tenders.

One thing is clear – keeping track of accountability of public procurement procedures is impossible if the data on public procurement is not available to citizens and the organizations interested in holding the government accountable for its actions. The Prozorro reform of public procurement implements an e-database with access to a number of governmental public procurement procedures. This allows for holding public institutions accountable for their spending of taxpayers' money. But there are still many problems that the reform is facing. One of the main problems is the lack of political will to implement the reform as well as lack of knowledge of its implementation, which will be discussed in the following section.

### **3.5. Prozorro Reform – challenges of implementation**

The institutional framework of public procurement in Ukraine was regulated by paper procedures up to 2016. This system increased the opportunities for corruption rents and did not allow for public oversight and monitoring. This is why the governmental budget was losing an estimated 60 billion of hryvnas (around 2,5 billion dollars) due to a lack of effective procurement system (Prozorro Slideshare 2017). Therefore, when Euromaidan brought a number of reformist civil servants to the government, public procurement became the number one priority in the Ministry of Economic Development of Ukraine. In this way, in 2014 a team of reformists and activists designed the idea of implementation of a new e-procurement system in Ukraine.

The public procurement reform faced several problems. First of all, there was a significant lack of political and financial support. Politicians were not very eager to create a country-wide public procurement reform and some of them tried to delay it. Even if indirect political opposition was noticed, there was no direct opposition to the reform because it would have implied “political suicide” (Interview 1). However, the most important opposition was faced in the economic aspect of the reform. The donors at national and international level were not very enthusiastic to provide financial support to Prozorro. A recent Prozorro publication (Prozorro Slideshare 2017) informs that the donors (realizing the benefits of this IT system) did not want to finance the IT solutions. Furthermore, these donors did not want to sponsor solutions that were promoted by activists instead of public authorities, since building a procurement system is a responsibility of national authorities (Interview 2). Fortunately enough, Transparency International (TI) Ukraine supported the reform with advocacy and created a risk factors assessment to the analysis module of Prozorro (Interview 1). Nowadays, this module is fully under control of TI Ukraine, who are in charge of developing it and monitoring its functioning through a new platform that was created in November 2016 (Prozorro Slideshare 2017).

Despite significant advancement of the procurement reform, its decentralization was and is complicated due to a lack of proper enforcement (Interview 3). To this date, the Law on Public Procurement (2016) applies only to public tenders that exceed the threshold of 200.000 hryvnas (around 10.000 euros) for goods and 1.5 million hryvnas (50.000 euros) for services (Interview 2). Therefore, regional (or any other) state institutions are not obliged to publish

tenders that are below these established thresholds unless they take a decision at the regional level to do so and pass the necessary regulations for that purpose. In this way, it has been noticed that public institutions report a significant number of procedures that are just below (e.g. 199.999 hryvnas) the threshold in order to avoid publishing them and be able to establish a less competitive procedure (Novoe Vremya 2017). Such procedures are usually signed by a direct contract with the bidder, which avoids open tender procedures and eliminates competition (meaning it also eliminates possible savings that a competitive procedure entails). This is one of the many examples that serves as a good indication of corruption in the system.

With regards to the public procurement in the municipal institutions, there are two problems with the implementation of the reform at the regional level. First, the regional state administrations promote reform only when it is in their interest to support the demands of the central government in Kiev (i.e. when the regional state administrations' employees who want a higher-level position in Kiev). Second, the city majors tend to focus on being re-elected for another term, and thus, try to deliver factual results in the city rather than promoting anti-corruption reforms (Interview 1). This opens a question of what role do regional municipal councils play in this regard. According to the Interview 1, municipal councils promote reforms when "a party like *Samopomich* (Self-help) compels them to do so". This is an intriguing statement to be confirmed in the statistical analysis of this study.

In addition to the technical challenges that public procurement reform implies, there are also political challenges involved. As it is discussed during Interview 2, certain politicians are very much against public procurement reform because it implies a decrease in corruption opportunities for their businesses. In this way, there is no direct opposition to the reform but there are numerous attempts of introducing "masked law provisions" that aim to exclude certain businesses (services, products etc.) from the application of accountability that ProZorro reform entails. Most recently, there was an attempt of introducing such clauses to the Law on Cybersecurity on 13th May 2017 (TI Ukraine 2017) which failed due to a strong opposition from civil society.

Last but not least, public procurement reform in Ukraine is facing inefficiency and lack of knowledge on public procurement amongst the users and organizers of public tenders (Interview 2, Interview 3). There are 100.000 Ukrainian citizens (civil servants, teachers, doctors etc.) who are involved with public tenders (Interview 3). Most of them are not qualified for organizing these procedures, which results in bad documentation, inefficient/unfair selection of the contracts and as a result an incredible loss of money. This is why Ukraine is currently creating a centralized body for procurement and educates citizens on topics relevant to public tenders.

## 4. Research Design

### 4.1. Case selection

In order to study the success of the reforms of the Ukrainian government I decided to focus on the public institutions' reforms of Ukraine. For this purpose, I chose one of the best reforms that have been implemented in post-Euromaidan Ukraine – the reform of public

procurement. This is one of the main examples of successful reform that allowed to transition from corrupted procurement procedures to an open platform. The Prozorro project was inspired by public procurement reforms in Georgia, with the experience of two e-procurement experts, guiding the development of an electronic procurement system for all Ukrainian public agencies<sup>6</sup>. This platform aims to hold the bidders and the public institutions that select the bidders accountable. But it also found a lot of obstacles on its way. As discussed earlier in the text, one of the problems is the political opposition that reformist politicians and civil servants face when they try to approve the laws for implementation of new public procurement platform.

The timeframe for this study begins with the establishment of the Prozorro platform and the last regional elections, from 2015 until 2017. Therefore the analysis includes 3 years of data. The parties that were selected for this analysis are the top 11 represented in the municipalities of Ukraine (according to the last regional elections).

#### 4.2. The variables considered in the statistical analysis

This project is based on statistical analysis of data on political parties and public procurement. Stemming from the theoretical and logical assumptions, it includes two sets of variables. The first one is a set of variables related to public procurement, which is also the dependent variable. Based on the information discussed during the interviews and the availability of data on the Prozorro website, four dependent variables are considered in this study: 1) The number of public procurement tenders published in Prozorro; 2) The number of signed contracts during the tender procedures; 3) The amount of money of the total sum of the tenders; and 4) The amount of savings of the tenders (when the expected value is higher than the final value). The data was retrieved from the Prozorro public procurement reform website for each municipality<sup>7</sup>. Not all municipalities announced the data with the municipality name<sup>8</sup>, which could have biased the data. Nevertheless, the available information online is a valid indication of how open the municipal councils are about announcing its procurement tenders.

The second set of variables relates to the independent variable – the political representation. This variable refers to the number of deputies of each party in municipal councils, which is labeled with the name of the political party in the analysis. This information was retrieved from the website of National Elections Commission of Ukraine. I take into account the top 11 main represented parties (according to the National Elections Commission<sup>9</sup>) at the municipal level. The quantitative data on the number of representatives was complemented by other qualitative criteria on political parties for the second part of the analysis (section 5.2 Table 5 and Table 6):

1. The Europeanization of the party (the salience of the EU in parties' electoral programmes) – measured by a qualitative analysis of the mentions to words including

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<sup>6</sup> Accessed on <http://www.open-contracting.org/2016/07/28/prozorro-volunteer-project-led-nation-wide-procurement-reform-ukraine/>, accessed on 10 March 2017

<sup>7</sup> The data on the public procurement procedures is available at the website <http://bi.prozorro.org/>, accessed on 27 April 2017

<sup>8</sup> Some municipalities could have used a particular department name or a private individual name to announce their procurement tenders (Interview 2).

<sup>9</sup> The data on the composition of each municipal council is available at [http://www.cvk.gov.ua/pls/vm2015/PVM005?PT001F01=101&pt00\\_t001f01=100](http://www.cvk.gov.ua/pls/vm2015/PVM005?PT001F01=101&pt00_t001f01=100), accessed on 10 March 2017

EU and “Euro...” (Europeanization, Euro-integration, European, European Parliament, European member states etc.) in the political strategy documents.

2. The qualification of anti-corruption party – measured by a qualitative analysis of the use of “anti-corruption” and “corruption” or “corrupted” in the political strategy document.
3. The age of the party - from its official registration, accounting for the level of institutionalization of the party.

In this section, the independent variable is clustered in groups of parties: pro-European, passive pro-European, anti-corruption and passive anti-corruption parties. This classification of political parties was done according to the Europeanization and anti-corruption parties theories. Meaning that parties who have mentioned the “corruption” or “anti-corruption” related words the most are labeled as the most anti-corruption parties (reference to the classification of the Table 1). In the same way, the parties that mentioned the words related to “European Union” the most are labeled as the most pro-European parties. Additionally, two variables of European majority plus anti-corruption majority are created for the second part of the analysis. In this way, the pro-EU cluster included the Solidarity, UKROP, Citizens, Motherland and Agrarian parties. The anti-corruption cluster included the Solidarity, UKROP and Motherland parties.

Finally, to account for the possible bias in the numbers of open public procurement procedures three control variables are included in the analysis: the first two are the national allocated regional budget and the amount of population per municipality. These two variables are common to all of the parts of the analysis; they are used in the Table 4, Table 5 and Table 6. Low numbers of public procurement procedures can be explained by the economic conditions the population differences of the regions. This data was accessed from the official government documents for government budget and population of 2016. Unfortunately, the data on municipal budgets is not easily available at this moment but is in the process of becoming public.<sup>10</sup> Lastly, a variable on geographical distribution of regions was created, accounting for East, Center and West of Ukraine. This variable is also used as a control interaction in the models of Table 5 and Table 6 to account for variation in the different regions of Ukraine.

## 5. Results

The variables on public procurement, the variables of political parties and two control variables were considered for the first part of the analysis. The descriptive statistics are presented as follows:

**Table 2 – Descriptive statistics**

Variables	N	Mean	St. Dev.	Min	Max
Total Votes	460	15,616.1	8,707.0	2,876	68,022
Total Seats	460	32.7	4.3	22	50
Opposition Block Party	460	3.0	4.0	0	25
Solidarity Party	460	7.3	2.9	0	23
Our Country Party	460	2.1	3.2	0	17

<sup>10</sup> The concept of “Open Budget” was approved by the Cabinet of Ministers on 11/01/2016, and envisions a start of a pilot e-budget platform, which will announce the state and regional budget details by 2018. The tool started working in August 2017 but is still under development and lacks significant amounts and categories of data. The x z z website can be accessed at <http://spending.gov.ua/> and <http://openbudget.in.ua/>

Motherland Party	460	5.5	2.7	0	20
Agrarian Party	460	2.5	3.5	0	17
Rebirth Party	460	1.4	2.9	0	16
UKROP Party	460	1.7	2.1	0	10
Freedom Party	460	1.3	2.0	0	10
Self-Help Party	460	0.5	1.3	0	8
Radical Party	460	2.5	2.1	0	12
Citizen's Position Party	460	0.5	1.6	0	13
Sum Seats Main Parties	460	28.5	6.0	7	50
Seats Other Parties	460	4.5	4.8	0	27
Tenders	460	3.0	4.8	0	46
Total sum (money) tenders	460	473,753.2	2,141,826.0	0	42,972,290
Savings of tenders	460	5,599.0	55,424.9	-120,000	909,877
Number contracts	460	2.3	3.9	0	43
Economy	460	2,808,580.0	987,246.1	1,260,064	5,316,937
Population	460	40,030.8	23,453.3	5,761	182,067

As the table 2 shows, 460 municipalities were considered in this study. Some of them are missing due to the fact that the illegal annexation of Crimea as well as the war in Donbas and Luhansk regions did not allow for fully conducting the regional elections. The maximum amount of tenders per municipality is 46, and the minimum is 0. The total sum of money that the tenders involved varies from maximum 42,971,290 hryvnas (around 2 million dollars) to 0 (473,753 as a mean). There were generally 2,3 contracts signed amongst the municipalities, meaning that the competition was not so significant (the mean of 3 tenders and 2,3 contracts signed is not enough to be a solid procurement competition).

### 5.1. The analysis of impact of individual political parties on tenders

The OLS analysis of the data showed the following results:

**Table 3 – OLS regressions with 4 models for individual parties**

	Model 1	Model 2	Model 3	Model 4
Intercept	-2.24 (2.01)	-748,052.10 (928,897.10)	12,663.71 (22,786.49)	-2.17 (1.64)
Opposition Block Party	0.06 (0.09)	22,873.33 (41,951.08)	-2,085.36** (1,029.08)	0.05 (0.07)
Solidarity Party	0.15 (0.09)	43,192.35 (43,146.15)	-1,455.66 (1,058.40)	0.15** (0.07)
Our Country Party	0.08 (0.10)	17,571.51 (48,114.35)	-254.52 (1,180.27)	0.09 (0.08)
Motherland Party	-0.04 (0.10)	17,096.46 (50,049.47)	-677.32 (1,227.74)	-0.04 (0.09)
Agrarian Party	0.17** (0.08)	39,917.56 (40,287.55)	-234.73 (988.28)	0.11 (0.07)
Rebirth Party	0.17 (0.11)	16,275.61 (53,637.55)	3,008.04** (1,315.76)	0.18* (0.09)
UROB Party	0.29** (0.13)	46,071.84 (59,002.16)	878.10 (1,447.36)	0.21** (0.10)
Freedom Party	-0.09 (0.14)	-43,404.68 (67,614.13)	-2,662.70 (1,658.62)	-0.05 (0.12)
Self-help Party	-0.33 (0.21)	-83,034.85 (96,083.35)	535.80 (2,356.99)	-0.23 (0.17)
Radical Party	0.23* (0.12)	56,711.27 (56,978.55)	-616.15 (1,397.72)	0.21** (0.10)
Citizens' Position	0.01	6,793.55	-838.12	0.00

	(0.16)	(75,978.31)	(1,863.80)	(0.13)
Other Parties	0.04	149.88	-1,474.74	0.06
	(0.08)	(38,504.55)	(944.54)	(0.07)
Economy	0.00	0.01	-0.00	0.00
	(0.00)	(0.125)	(0.00)	(0.00)
Population	0.00**	10.20*	0.71***	0.00**
	(0.00)	(5.96)	(0.14)	(0.00)
Observations	460	460	460	460
R2	0.08	0.02	0.12	0.08
Adjusted R2	0.05	-0.00	0.10	0.05
Residual Std. Error (df=445)	4.65	2,146,154.00	52,646.65	3.803
F Statistic (df=14; 445)	2.916***	0.87	4.55***	2.805***

*Notes: Model 1 based on number of tenders, Model 2 based on total sum (money) of tenders, Model 3 based on savings of tenders (expected value>final value) and Model 4 based on number of contracts.*

According to the data of the analysis, significant results in the first model<sup>11</sup> correspond to the Agrarian, UKROP and Radical parties. UKROP has highest significance and in fact it is the party with highest pro-European and anti-corruption rankings. Both Agrarian and Radical parties have moderate pro-European and anti-corruption rankings. The second model shows significance only for the control variables. The third model shows significance for Opposition Block party, where it shows that when the presence of this party increases, the economy of the tenders decreases. This party is an anti-EU and not anti-corruption party, and thus it makes sense according to the theory that when its presence increases – the savings of the public tenders decrease. However, some controversial results appear with the significance of the Rebirth party in this model, because it shows that when the party is present the economy of the tenders increases. Solidarity, Rebirth, Radical and UKROP parties have significance in the last model. It means that when these parties are present in the municipal council – more contracts are signed, and therefore there is more competition. This is one of the major signs of fair public procurement tenders. Once again, Solidarity and UKROP parties have highest scores for pro-European and anti-corruption indicators. Rebirth party shows significance but has no level of Europeanization and low level of anti-corruption. Radical party has regular levels for both criteria. These results are supported by the crosscheck in the data: when there are biggest numbers of public tenders, there is mostly a majority of Solidarity party or Rebirth and Agrarian parties.

With regards to the age of the parties, Solidarity, Rebirth and Agrarian parties are the only cases where the institutionalization hypothesis can be applied. It would, in fact, justify the significance for Rebirth and Agrarian parties because they have neither special Europeanization nor anti-corruption levels. Additionally, it potentiates the explanation of the Solidarity significance. In sum, after analyzing the results of the first statistical analysis it can be argued that all of the hypotheses were confirmed. As expected, the highest anti-corruption and Europeanization parties such as Solidarity and UKROP showed significant results. Accordingly,

<sup>11</sup> The assumption checks of this and other models were done in R. Both multicollinearity and residual checks showed normal results with no particular deviations. They can be replicated with the R code provided upon request

Agrarian and Rebirth parties' significance explains the hypothesis of the institutionalization of the parties.

## 5.2. The impact of clustered groups of political parties mediated by the regional categories variable

After considering the results of the previous analysis, a parallel analysis was conducted at a different level. First of all, some of the variables had many missing values<sup>12</sup>, which could have created confusion when using them in the model. Additionally, the approach to analyzing the impact of political parties was reconsidered. The pro-European parties were clustered in one group, as well as the anti-corruption parties and their opposites. A variable for majority of these parties was included. To account for geographical distribution, a new variable "regional categories" (East, Center and West) was added to the analysis as a control variable. This gave an indication of which party has a majority in which region:

*Table 4 – Most represented parties in the geographical division of Ukraine*

Party	Central Ukraine	Eastern Ukraine	Western Ukraine
<b>Agrarian Party</b>	27	5	4
<b>Citizens Position Party</b>	0	1	1
<b>Freedom Party</b>	0	0	3
<b>Motherland Party</b>	33	6	21
<b>Radical Party</b>	10	0	1
<b>Opposition Block Party</b>	1	51	10
<b>Other Parties</b>	15	11	6
<b>Our Country Party</b>	10	8	4
<b>Rebirth Party</b>	2	12	4
<b>Samopomich Party</b>	0	0	1
<b>Solidarity Party</b>	102	46	62
<b>UKROP Party</b>	1	1	1

*Note: light blue shading for the parties that score low in both European and anti-corruption categories*

Table 4 demonstrates that there is a relation between anti-corruption/ pro-European parties and the geographical division of Ukraine. The parties that scored 0 or low (for the pro-European and anti-corruption indicators) are generally represented as majority in Eastern Ukraine. What is more, the highest pro-European and anti-corruption parties are mostly

<sup>12</sup> The variable on savings of the tenders has very few observations and can create confusion when there is no saving because there was no data or there was data but no saving (423 zeros out of 460 observations).

represented in central and Western Ukraine. This can be explained with the proximity to Russia or Europe and the on-going conflict in the East. Therefore, this variable is included in the following models.

### 5.2.1. The impact of clusters of anti-corruption parties on public tenders

The cluster of anti-corruption parties and anti-corruption majority showed the following results:

**Table 5 – OLS results for anti-corruption clusters of parties**

	Model 1 (Tenders)	Model 2	Model 3 (Money)	Model 4	Model 5 (Contracts)	Model 6
Intercept	-1.08 (1.47)	0.28 (0.77)	-517185.31 (668698.96)	-22028.87 (346607.98)	-0.57 (1.20)	0.16 (0.62)
Anti-Corruption parties (Top)	3.99 (2.71)		1660159.13 (1231521.27)		2.25 (2.21)	
Anti-Corruption majority		1.43* (0.71)		818542.54 * (321509.71)		0.88 (0.58)
Region East	2.24 (1.92)	0.10 (0.60)	513699.26 (870461.18)	-19943.91 (270954.51)	1.21 (1.56)	0.09 (0.49)
Region West	1.04 (1.89)	-1.31 (0.72)	620922.58 (858178.32)	-231646.85 (323759.16)	-0.00 (1.54)	-1.28* (0.58)
Population	0.00*** (0.00)	0.00*** (0.00)	11.17* (4.72)	10.84* (4.70)	0.00*** (0.00)	0.00*** (0.00)
Economy	0.00* (0.00)	0.00* (0.00)	-0.00 (0.11)	0.00 (0.11)	0.00 (0.00)	0.00 (0.00)
Anti-Corruption (Majority)* East	-6.22 (4.38)	-2.38 (1.32)	-1753802.84 (1986784.78)	-891774.65 (598669.18)	-3.38 (3.57)	-1.45 (1.08)
Anti-Corruption (Majority)* West	-5.67 (3.90)	-0.75 (1.18)	-2391687.21 (1771121.85)	-738321.44 (532490.38)	-3.08 (3.18)	-0.42 (0.96)
Observations	460	460	460	460	460	460
R2	0.05	0.05	0.02	0.03	0.05	0.05
Adjusted R2	0.03	0.04	0.01	0.02	0.04	0.04
Res. Standard Error (df=452)	4.71	4.69	2134757	2124532	3.84	3.83
F Statistics (df=7;452)	3.29***	3.64***	1.43	2.07*	3.42***	3.68***

*Note: Model 1 and 2 based on number of tenders; Model 3 and 4 based on total sum of money; Model 5 and 6 based on number of contracts; Models 2,4 and 6 based on the independent variable of "Anti-corruption majority". Models 1,3 and 5 based on the independent variable of "Anti-corruption parties".*  
*Anti-Corruption cluster: Solidarity, UKROP and Motherland parties.*

What this model shows is that an anti-corruption majority in the municipalities does influence the public procurement: it increases the number of tenders by 1.43 and the total sum of money by 818 thousand. Additionally, the interaction of anti-corruption majority and the regions shows significance in the Western region (Model 6) but not in the expected direction: anti-corruption majority in the West reduces the number of contracts to 0.46, while it is 0.88 in the central and even smaller in the East. The variables of economy and population of the municipalities show significance in most of the models, meaning that the population and economic indicator of the region influence public procurement of the municipal councils (which usually corresponds to communal expenses) in a positive direction (the bigger the population, the more tenders). These results are in line with the actual data, where the municipalities with the highest amount of tenders have an anti-corruption parties majority, mainly with Solidarity Party as most represented one (see Annex 1.3 last paragraph for more details).

## 5.2.2. The impact of clusters of pro-European parties on public tenders

The pro-European parties showed the following results:

**Table 6 – OLS results for pro-European clusters of parties**

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Intercept	-1.39 (1.61)	-0.00 (0.87)	-630051.29 (731929.36)	-52323.09 (392834.88)	-0.33 (1.31)	0.11 (0.71)
Pro-European Parties	3.67 (2.43)		1508551.28 (1104859.11)		1.36 (1.98)	
Pro-European Majority		1.24 (0.69)		468741.12 (315535.49)		0.58 (0.57)
Region East	3.06 (2.18)	0.50 (0.74)	554659.90 (991513.75)	7594.38 (334007.69)	1.76 (1.78)	0.28 (0.60)
Region West	0.01 (2.03)	-0.84 (0.92)	545682.07 (921378.80)	-116227.80 (417573.98)	-0.90 (1.66)	-1.18 (0.75)
Population	0.00*** (0.00)	0.00*** (0.00)	11.44* (4.72)	11.34* (4.73)	0.00*** (0.00)	0.00*** (0.00)
Economy	0.00* (0.00)	0.00 (0.00)	-0.01 (0.11)	-0.01 (0.11)	0.00 (0.00)	0.00 (0.00)
Pro-European (Majority)* East	-6.81 (4.24)	-1.92 (1.13)	-1446394.95 (1926547.38)	-451335.88 (511801.25)	-4.10 (3.46)	-1.21 (0.92)
Pro-European (Majority)* West	-2.65 (3.44)	-1.09 (1.12)	-1793386.86 (1563451.34)	-572022.28 (509653.56)	-0.86 (2.81)	-0.35 (0.92)
Observations	460	460	460	460	460	460
R2	0.04	0.05	0.02	0.02	0.05	0.05
Adjusted R2	0.03	0.04	0.01	0.01	0.04	0.04
Res. Standard Error (df=452)	4.7	4.7	2135273	2134469	3.84	3.83
F Statistics (df=7; 452)	3.34***	3.42***	1.40	1.45	3.45***	3.51***

*Note: Model 1 and 2 based on number of tenders; Model 3 and 4 based on total sum of money; Model 5 and 6 based on number of contracts; Models 2, 4 and 6 based on the independent variable of “Pro-European Majority”. Models 1,3 and 5 based on the independent variable of “Pro-European parties”. Pro-EU cluster: Solidarity, UKROP, Citizens, Motherland and Agrarian Parties.*

When compared to the previous results, this table does not show any relevant significance apart of the control variables. The coefficients, however, are in the expected direction. But the interactions of Pro-European parties / Pro-European majority and the regional variable are negative for both the East and the West. These results seem incongruent with the theories. Yet, in the West the coefficients are less negative than in the East, which aligns with the idea that the West is more open to public procurement.

In sum, including the clustered anti-corruption and pro-European parties showed some significant results. It showed significance for anti-corruption majority in the model of total sum of tenders (Table 5, Model 6). Thus, results of clustered models can be interpreted as expected: the pro-European and anti-corruption parties seem to foster the public procurement procedures. This can be researched further with additional information on public tenders with different clusters of political parties or with individual parties because there is no such a concept as “coalition” in Ukraine. In reality parties in Ukraine usually work alone and are not known for creating coalitions to fight for a common purpose such as the example of promoting anti-corruption.

## 6. Conclusions and Discussion

This research evaluated the possibility of political parties to influence anti-corruption reforms in Ukraine based on their electoral commitments and the actual implementation. It found in the first part of the analysis that some individual parties - which rank high on anti-corruption, Europeanization and are highly institutionalized - can influence the anti-corruption reform in Ukraine. As expected, political parties in Ukraine do not align with the theories of anti-elite rhetoric of European states, since the ones who emphasize anti-corruption more are the older, centre-positioned parties that are in power. Additionally, parties with high EU rhetoric are the ones who have higher rhetoric on anti-corruption. Therefore, the three theories of institutionalization, Europeanization and anti-corruption parties seem to apply in the findings of this research.

In the second part of the analysis this research found that the anti-corruption parties have a significant impact on public procurement of Ukraine not only individually but also when there is an anti-corruption majority in the municipal council. Anti-corruption coalitions appear to be stronger than the pro-European parties coalition, probably because anti-corruption has a more direct link to integrity in procurement than being pro-European. It also proved that the promises of political parties to fight corruption are put into practice with public procurement in most of the expected cases. In addition to this, the variable on regional categories showed that in the West there is more promotion of anti-corruption reforms than in the East. This has been confirmed with a crosscheck of the data proving that the municipalities with most tenders are the ones who have a majority of pro-European and anti-corruption parties (see last paragraph of the Annex 1.3).

In his study, Bagenholm (2013) compared the corruption levels of CPI and NIT of several post-Communist states and the presence of anti-corruption political parties in power during that time and he found out that some parties failed to deliver anti-corruption promises because the corruption levels in the country increased. The same is happening in Ukraine – parties promise to deliver anti-corruption reforms, but the country keeps getting higher indicators of corruption. Corruption rose to unprecedented levels in particular after the Euromaidan. The only explanation to this phenomenon is that anti-corruption reform cannot deliver fruitful results in a limited period of time. While this could explain why anti-corruption parties that are in government did not deliver what they promised during the electoral campaign, it can also be argued that the country needs more time to re-structure its governance and cultivate a new culture of integrity within the population in general and within the elites that govern the country.

Ukraine faces a constant fight within its own society and institutions: the fight to become a “European” state not by agreements, but on values. One of the main steps to do so is to promote integrity in all spheres of governance. While anti-corruption is popular in Ukraine, it will take time for the governance of the country to realize the importance of promoting integrity in civil service and governance by monitoring of public institutions, understanding how to do reforms and creating the capacity to do it. Bagenholm (2013; 178) argues that anti-corruption relates to “credibility, morality, ethics, honesty, and transparency”, not about how to make policies. This is something that politicians and civil servants in Ukraine have to realize –

pursuing the best practices of anti-corruption without educating the ones who govern the country to act morally, based on ethics and transparency is not an effective strategy. In order to promote public procurement reform, politicians and civil servants have to be educated and trained to promote integrity in government.

Overall, the results of this study on public procurement reform are an indication that Ukraine is on its path to integrity and good governance. However, much remains to be done and effective monitoring of reforms such as the public procurement is needed. For this reason, studies of data on public tenders should become a must. They should encompass more criteria of the public tenders and serve to elaborate effective measures to analyze and prevent corruption in public procurement. Citizens as principals of their agents (the politicians) should also play the leading role in this process and monitor the effectiveness of decentralization of Ukrainian governance through the available data on the public procurement reform. In this regard, the education and awareness within the population is a crucial tool to achieve these results. Another recommendation is to provide the civil servants and political representatives of the municipalities with the necessary technical knowledge to implement fair and open public procurement procedures. International donors and regional organizations such as the OECD and the EU should focus on such recommendations.

In conclusion, this research demonstrates that the influence of political parties on reforms in Ukraine is underestimated and that public procurement reform needs constant research and evaluation to avoid corruption. For this reason it is crucial to understand what the pitfalls of decentralization of governance are and how to address them. Since this paper is the first to research the influence of anti-corruption and pro-European political parties on the quality of governance reforms in Ukraine, it contributes to the literature on this topic. It also reveals multiple questions that are to be answered in the future studies. The role of anti-corruption, pro-European and institutionalized parties should be studied further with similar case studies and additional data on public procurement or other anti-corruption reform.

### **Replication**

In order to foster replicability in political science and public administration studies, all the necessary materials used in this research – databases, R script codes, interview recordings – are available upon request to the author via email: [Onopriychuk.nina@gmail.com](mailto:Onopriychuk.nina@gmail.com)

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## Annex 1

### 1. Decentralization – local governance of Ukraine

In the Constitution of Ukraine, the “Territorial Structure of Ukraine” is established in the Chapter IX. The Article 132 specifies that Ukraine be based on the principles of unity and indivisibility of the state territory, with combination of centralization and decentralization in the exercise of state power. The Article 133 defines the system of administrative and territorial structure of Ukraine as composed by the Autonomous Republic of Crimea, oblasts, districts, cities, city districts, settlements and villages. Ukraine is composed of the Autonomous Republic of Crimea, Vinnytsia Oblast, Volyn Oblast, Dnipropetrovsk Oblast, Donetsk Oblast, Zhytomyr Oblast, Zakarpattia Oblast, Zaporizhia Oblast, Ivano-Frankivsk Oblast, Kyiv Oblast, Kirovohrad Oblast, Luhansk Oblast, Lviv Oblast, Mykolayiv Oblast, Odesa Oblast, Poltava Oblast, Rivne Oblast, Sumy Oblast, Ternopil Oblast, Kharkiv Oblast, Kherson Oblast, Khmelnytskyi Oblast, Cherkasy Oblast, Chernivtsi Oblast and Chernihiv Oblast, and the Cities of Kyiv and Sevastopol. The Cities of Kyiv and Sevastopol have special status, which is determined by the laws of Ukraine.

As Figure 1 indicates, the hierarchy of the public decision-making is complex. At the top of the hierarchy is the central government of Ukraine, composed by the President, the Parliament and the Cabinet of Ministers. The President is the one who appoints the heads of local state administrations. The mayor of the city, village or town is elected by the respective territorial community, on the basis of universal, equal and direct suffrage by secret ballot for four years in a manner prescribed by law, and exercises its powers on a permanent basis. Village, town or city mayor heads the executive committee of the village, town or city council and presides over its meetings. Therefore, the village, town or city council is accountable to the mayor.

Local State Administrations are the main executive powers in the regions and districts of Ukraine (Law on Local State Administrations, 1999)<sup>13</sup>. They are responsible for the control and implementation at the local level of the Constitution, laws of Ukraine, acts of the President of Ukraine, the Cabinet of Ministers and other high level executive powers. The Local State Administration coordinates local executive authorities with regards to tax, architecture, construction, environmental inspection and police functions. The quality of education is also controlled by the local state administrations. If the Local State Administration notices some discrepancies in the work of the regional authorities, it has a duty to report to the central government. In this regard, they are dependent on the decision taken at the highest level of Ukrainian governance, and thus have limited capacity of taking their own decision and have to comply/implement the decision of the central government.

Village, town and city councils are local governments representing respective municipalities and carry out on their behalf and in their interest functions and powers of local government by the Constitution of Ukraine, and other laws. Regional and district councils are

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<sup>13</sup> Information available at <http://zakon2.rada.gov.ua/laws/show/586-14>. The Law on Local State Administrations dates 1999, but was last amended on 14 March 2017.

local governments that represent the common interests of territorial communities of villages, towns, cities within the powers defined by the Constitution and other laws of Ukraine and powers assigned to them by village, settlement and city councils. The chapter XI of the Constitution of Ukraine focuses on the “Local Self-Government”. It specifies that district (municipality) and oblast councils represent the common interests of territorial communities of villages, settlements and cities. The Article 142 specifies the budgeting of the local authorities, while the Article 143 defines how it should be spent:

*Article 143 - Oblast and district councils approve programmes for socio-economic and cultural development of the respective oblasts and districts, and control their implementation; approve district and oblast budgets that are formed from the funds of the state budget for their appropriate distribution among territorial communities or for the implementation of joint projects, and from the funds drawn on the basis of agreement from local budgets for the realization of joint socio-economic and cultural programmes, and control their implementation; resolve other issues ascribed to their competence by law.*

## 2. Integrity Risks in Public Procurement

Bribery of public officials is not easy to research since these types of transactions are not made public unless investigated and prosecuted. Nevertheless, corruption in public procurement can be measured while considering different criteria on public procurement procedures. Studies of public procurement established have criteria for fair public tenders and have widely described the risks associated with the process. For example, the OECD defines several risks of public procurement procedures, such as: influence of external actors on public official decisions, informal agreements, use and abuse of non-competitive procedures, not objective selection criteria, conflict of interests during the evaluation process, undisclosed selection information among others, as showed in the figure below.

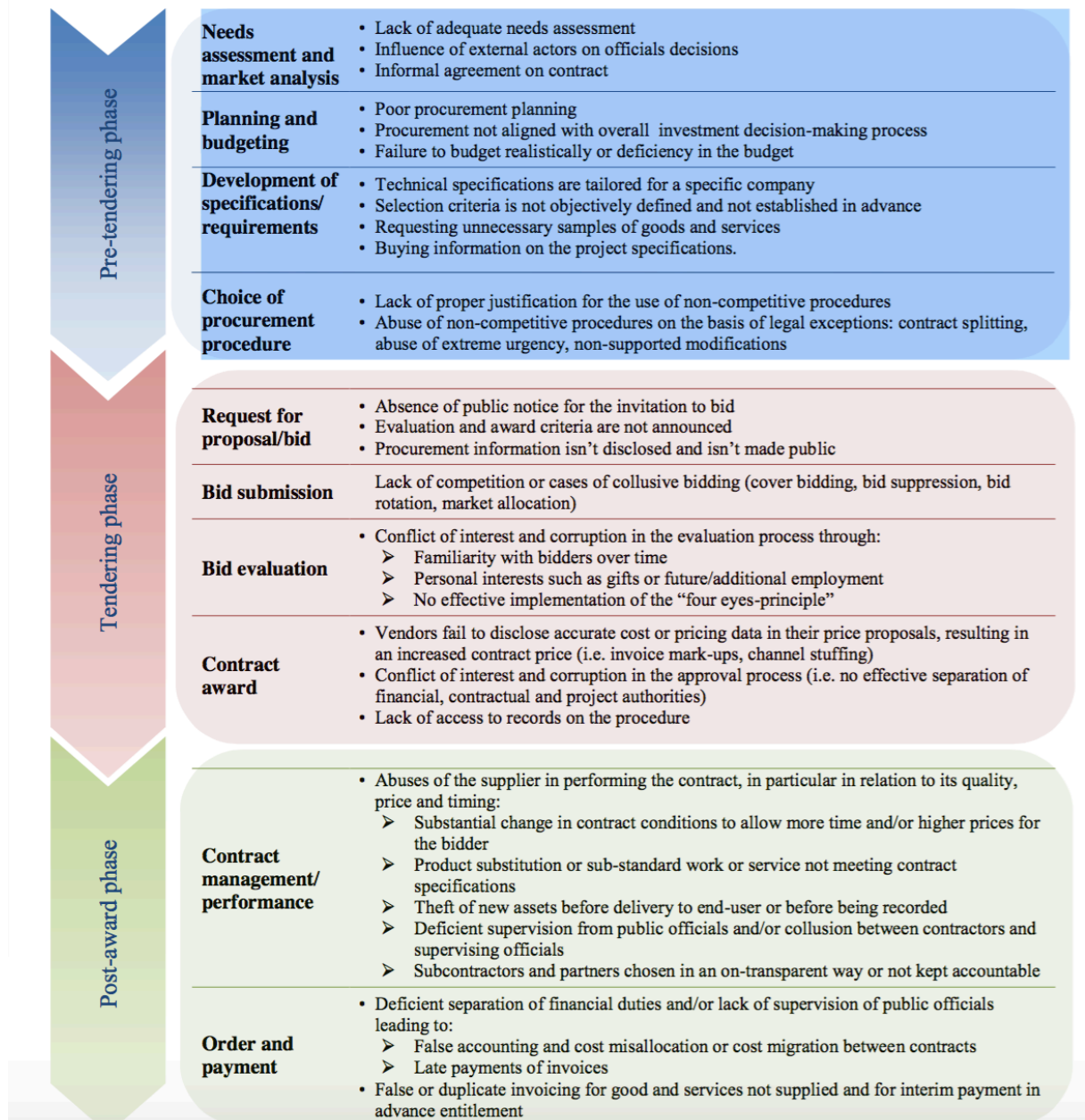


Figure 1 – Integrity risks in the procurement process

Note: Figure available at OECD 2016 "Corruption in Public Procurement"

### 3. Additional observations of the data

Collection of public procurement data: the data on procurement procedures was collected from the publicly available website of the procurement reform “Prozorro”. The number of public tenders was complemented with the amount of money of the tenders. During the first try, the total sum of the tenders was also complemented with the savings. Some (very few) tenders’ expected value was higher than the final value. But this happened in less than 7% of the cases – more specifically in 32 cases out of 463. It is worth noticing that the amounts are not very high, which gives the impression that the municipal councils are not very used to using the platform for open public procurement.

Additionally, an observation was made about the number of “open” tenders. Most of the tenders were contracted ones, meaning that the municipality has already agreed on the contracting amount of money with the bidder and then announced it in the Prozorro system. This, in fact, is a signal of underdeveloped procurement system in Ukraine. Additionally, there are many missing values for many of the regions. But a particularly high number of gaps in information was noticed in the Mykolayivska Obl., Zhytomyrska Obl. and Odessa Obl. This creates an impression that in some regions the municipal councils are not sufficiently open.

In most of the cases when there was data missing for the municipal councils - the city council, the regional governmental council, or the village council had some public tenders. However, in some cases only the public institutions (like hospitals) had public tenders in a specific region. This can be explained by the fact that in some regions the municipal council does not play the same role as the city council or the local state administration. This can depend on the fact that in one municipality’s major is more open/reformist than in another municipality. When there is data for local state administrations but not for the municipality council it makes an impression that the reforms are promoted more from the central government than from the decentralized municipal councils. This is why further research should compare the accountability of different levels of regional governance in Ukraine.

Additional observations on the data: the analysis includes 1405 procedures of 460 municipal councils. 20% of the tenders were cancelled (281 procedures). There is 90% of cases where the contracts were just signed as a single contract. Most of them did not have an open procedure. Almost 95% of the cases had same expected and final value; thus, no savings were made with the purchase. The region that has less procurement tenders in Prozorro is Mykolayivska Obl. Hadiatska municipality has 46 tenders, where there is a majority of Solidarity deputies. Chechelnytska municipality has 26 tenders, where the most represented party is Solidarity. Berehivska municipality has 27 tenders with a majority of other (not top 11) parties. Koziatynska municipality has 28 tenders with the equal number of Solidarity, Agrarian and Motherland parties representatives. Prylutska has 27 tenders with a majority of Solidarity representatives. Kaevo-Sviatoshynska municipality has 19 tenders with mostly Solidarity representatives. Therefore, one can assume that there is a pattern with regards to the representation of anti-corruption and pro-European parties with the biggest amount of tenders.

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