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A blessing and a curse – Ukraine's reform efforts in wartime



Ukraine's reform efforts are falling short of expectations, raising alarm amid wartime challenges. The country has slipped one rank in the global corruption index, **taking** 105th place out of 180 countries last year, underscoring concerns about governance under pressure.

Now, according to the Centre for Economic Strategy (CES), Ukraine **risks** losing up to €1.5 billion in EU aid under the Ukraine Facility programme due to unmet reform commitments in Q1 2025.

A **RRR4U** think tank report notes that only three of the eleven structural benchmarks were achieved by Q1, with critical failures in expanding the High Anti-Corruption Court, reforming the Asset Recovery and Management Agency (**ARMA**), and reorganising executive territorial structures.

While Ukraine met IMF conditions for public investment integration, **securing** a \$400 million tranche, broader reform progress remains slow. For instance, the implementation of customs reforms has been delayed until the end of the year. Businesses and experts often refer to a lack of transparency in the work of the government agencies and selection of their heads.

The biggest achievements

Reforms have always been Ukraine's blessing and a curse. From 2014 to 2019, Ukraine had undergone more reforms than in the previous 23 years of independence. They concerned macro-financial stability, anti-corruption measures, improving transparency and efficiency in the energy sector and health care, reducing the influence of oligarchs, etc.

Think of this: the creation of the Prozorro e-procurement system has saved Ukraine billions each year while enabling transparent tracking of public spending (due to corruption and limited competition, Ukraine used to **lose** \$2 billion from the public procurement budget of \$11 billion per year).

“Microeconomic stabilisation was remarkable” – Ivan Miklos

"The first big achievement was macroeconomic stabilisation. It was remarkable. Foreign reserves were increased, and currency was stabilised with the flowing regime," tells me **Ivan Miklos**, former Slovakian Deputy Prime Minister for Economy, who also served as Chief of Advisors to Ukraine's PM after the 2014 Revolution. "There were a couple of areas where the space for corruption was radically reduced. The first one is the banking sector. Before 2014, banks had been misused as tools for money laundering. The second was the tax system. Lastly, heavily subsidised energy for households was identified as the biggest source of corruption."

The black swans

Then, the Black Swans came. The COVID-19 pandemic disrupted healthcare reforms and hindered progress in education. Then, the full-scale war dealt a severe blow to multiple sectors, including transparency and anti-corruption efforts. Many Ukrainians and foreigners hoped the war might eradicate corruption.

Yet, in its fourth year, media reports are rife with **corruption** scandals, law enforcement regularly catches officials accepting bribes, high-ranking figures **face** trials, and activists raise alarms about disarray in the Ministry of Defence while advocating for stronger enforcement of anti-corruption laws.

As the war persists, reforming Ukraine becomes increasingly challenging, yet some progress has been made

It seems as the war persists, reforming Ukraine becomes increasingly challenging, yet some progress has been made. Notably, digitalisation, launched in 2019, is yielding significant results.

Electronic public services in the construction sector have reduced costs for users by 70–90% by streamlining processes and curbing corruption. Over nearly five years, the adoption of digital tools in this industry has generated an anti-corruption and economic impact worth hundreds of thousands of dollars, the National Agency of Corruption Prevention **reported** in June.

"Despite the war, significant progress can be made in improving public administration, services, and systems like tax simplification," said Miklos. "However, transformative reforms that impact daily life — such as reconstruction and attracting private and foreign direct investment — are essential for meaningful progress. During wartime, securing substantial foreign investment is challenging, and the country faces a critical shortage of human capital, with many people having left or serving on the frontlines."

Limited resources

Amid the war's immense financial demands and limited resources, Ukraine must also pursue reforms to secure international funding. Several public sector workers told me last week that their salaries were cut due to insufficient funds, a shortfall that will also impact social services.



The timeline for EU accession has reportedly shifted from 2030 to a decade later – Ukrainian Parliament

With potential reductions in U.S. aid looming, discussions are underway about the European Union stepping in to fill the gap.

"Can the EU realistically cover the roughly \$40 billion in annual aid — both military and budgetary — that the U.S. provided in 2022, 2023, and 2024? I believe they have that capacity and more," says Volodymyr Tsabal, a Ukrainian economist and parliament member. "The combined budgets of the EU and its member states surpass that of the United States."

Driven by its constitutional aspirations to join the EU and NATO, Ukraine is compelled to pursue reforms despite formidable challenges. However, in diplomatic circles — though not yet publicly discussed — the timeline for EU accession has reportedly shifted from 2030 to a decade later.