



KYIV-MOHYLA
LAW & POLITICS JOURNAL

KYIV-MOHYLA SCHOLARLY PEER-REVIEWED JOURNALS

Corrupting or Stabilizing: The Political Economy of Corruption in Donbas's "People's Republics"

Author(s): Gabriella Gricius

Source: Kyiv-Mohyla Law and Politics Journal 5 (2019): 37–57

Published by: National University of Kyiv-Mohyla Academy

<http://kmlpj.ukma.edu.ua/>

Corrupting or Stabilizing: The Political Economy of Corruption in Donbas's "People's Republics"¹

Gabriella Gricius

Vrije Universiteit Amsterdam, The Netherlands

Abstract

A wide range of normative implications exists between corruption and the stability of de-facto states. While some claim that corruption inherently disrupts institutional development and stumps economic growth, others argue that corruption in some cases acts as a stabilizing factor for authoritarian regimes. Regardless, corruption generally plays a role in the political economy of any state. In de-facto states, corruption tends to play an outsized role, either or equally impacting the exercise of political authority or the allocation of public goods and services. This research aims to examine the case study of the Luhansk and Donetsk "People's Republics" and the relationship between corruption and governance in these two de-facto regions to better understand how corruption and stability are interrelated. Methodologically, I plan to use mostly political economy methods, namely focusing on using Goodhand's framework of analyzing different economies during conflict. I will rely mostly on open-source information for this preliminary research to determine what the governance structure is, namely focusing on the DPR's and the LPR's respective governments.

Key Words: Ukraine, Corruption, Political Economy, Conflict, De-facto states



Introduction

The Donbas conflict erupted in 2014 in the wake of Euromaidan Revolution and the flight of former President Viktor Yanukovich. Since then, both the de-facto Donetsk and the Luhansk "People's Republic" (DPR and LPR, respectively) have claimed independence, and, consequently, three million citizens exist outside the control of the Ukrainian government.² These so-called de-facto states present an interesting case for corruption scholars. In situations where governance is not assured, corruption is simultaneously seen as a barrier towards successful state-building as well as a stabilizing factor for a new political order.³ Particularly in cases where regions exist in a political economy of

1 The Author would like to thank Alexandra Spear for editing assistance, as well as dr. Marieke de Hoon and Bethany Houghton for their conceptual inspiration.

2 "Nobody Wants Us' The Alienated Civilians of Eastern Ukraine."

3 M. Szeftel, "Between Governance and Underdevelopment: Accumulation and Africa's Catastrophic Corruption," *Review of African Political Economy* 84 (2000): 287–306; P Chabal, and J-P Daloz. *Africa Works: Disorder as Political Instrument*. (Oxford: James Currey, 1999);

high uncertainty, corruption ends up being an extremely impactful strategy for both individuals aiming to survive and groups wanting to profit from the conflict.⁴ In the DPR and LPR, corruption is based within patronage systems, which further requires access to resources in order to retain a well-functioning network. Moreover, individuals must exercise a certain level of corruption to survive in this fragile state, and businesses must also pay certain rents in order to operate safely. Another level of complexity comes from Russia's patron-client relationship with both the LPR and the DPR. This research will look at the de-facto states of the Donetsk and Luhansk "People's Republic" to analyze the corruption's relationship with stability of fragile states. I aim to answer the questions centering on the role and its reach that corruption plays in the war economy, shadow economy and coping economy of both regions.

Literature Review

Corruption is a concept that simultaneously wears many hats. It can refer to patron-client networks, nepotism and cronyism, market corruption, crisis corruption and a variety of other names that encompass a broad range of activities.⁵ Conceptually, corruption has engendered much debate.⁶ While some like Johnston distinguish between the terms mentioned above, others use different frameworks. Basu, for example, draws a distinction between 'harassment' and 'harassment bribes' while Johnston's later works describe corruption as being within four categories: "Influence Markets," 'Elite Cartels,' 'Oligarchs and Clans' and 'Official Moguls.'⁷ Others, like Rose-Ackerman, draw the line between 'petty' and 'grand' corruption.⁸ In other words, the

M. Johnston, "The Political Consequences of Corruption: A Reassessment," *Comparative Politics* 18, no. 4 (1986): 459–77; Y. Cohen, B. R. Brown, and A. F. K. Organski, "The Paradoxical Nature of State Making: The Violent Creation of Order." *American Political Science Review* 75, no. 4 (2000): 901–10.

4 Philippe Le Billon, "Buying Peace or Fuelling War: The Role of Corruption in Armed Conflicts." *Journal of International Development* 15 (2003): 413–26.

5 Johnston, "The Political Consequences of Corruption: A Reassessment."

6 Syed Hussein Alatas. *Corruption: Its Nature, Causes and Functions*. (Aldershot, UK: Avebury, 1990); Paul Heywood. "Political Corruption: Problems and Perspectives." *Political Studies* XLV (1997): 417–35; Carl Friedrich. "Corruption Concepts in Historical Perspective." In *Political Corruption: Concepts & Contexts*, 3rd ed., 15–24. (New Brunswick, NJ: Transaction Publishers, 2002); John Gardiner. "Defining Corruption." In *Political Corruption: Concepts & Contexts*, 3rd ed., 25–40. New Brunswick, NJ: Transaction Publishers, 2002; Mark Philip. "Conceptualizing Political Corruption." In *Political Corruption: Concepts & Contexts*, 3rd ed., 41–58. New Brunswick, NJ: Transaction Publishers, 2002.

7 Kaushik Basu. "Why, for a Class of Bribes, the Act of Giving a Bribe Should Be Treated as Legal." Government of India Working Paper. Ministry of Finance, 2011; Heidenheimer and Johnston, *Political Corruption: Concepts and Contexts*.

8 Susan Rose-Ackerman, "The Economics of Corruption." *Journal of Public Economics* 4, no. 2 (1975): 187–203.

typology of corruption is wide and varied. However, it is usually broadly defined as the misuse of public office for private gain.⁹

The debate over corruption tends fall into a moralistic and judgmental approach, thus positing any form of corruption as negative and 'bad' and any anti-corruption strategy as 'good.' However, due to the lack of comparative data and differing cultures and norms towards corruption, it is difficult to adopt this approach without seeing its problems. Some argue that there are differing forms of corruption, with some being stabilizing others not.¹⁰ Johnston, for instance, argues that while market corruption and patronage systems are stable, nepotism and crisis corruption are not.¹¹ Yet, though international good governance standards might mark corruption as inherently negative, corruption in volatile states can act as a stabilizing factor. In some sub-Saharan African states, for example, governance is underpinned and guided by the patronage networks within a community.¹² When corruption is institutionalized, the ruling group can hold power by providing their members access to rents (incentives) and threatening them with disciplinary action should they act to leave the network.

Normally, corruption is seen as a barrier towards successful state building in the wake of conflict. However, the reality is that corruption may be an inadvertent cost of building a successful transition to peace. Historical examples abound, including Gallant's study of how piracy played an integral role in fueling the rise of capitalism, Goodhand's study of the drug trade in Afghanistan, and Synder's study of Sierra Leone and Burma focusing on the role that the opium industry played in forcibly establishing order.¹³ In each of these cases, the relationship between corruption and peacebuilding heavily depended on context and the important role of informal networks in the construction of a new government. Others maintain that corruption fuels conflict rather than peace. Mauro argues that corruption can increase grievances, particularly if the corruption relates to the rate and collection of public taxes.¹⁴ Gupta contends

9 Rose-Ackerman, *Economics*; Arvind Jain. "Corruption: A Review." *Journal of Economic Surveys* 15, no. 1 (2001): 71–119; P. Bardhan, "Method in the Madness? A Political-Economy Analysis of the Ethnic Conflicts in Less Developed Countries." *World Development* 25, no. 9 (1997): 1381–98; Olken, Benjamin. "Monitoring Corruption: Evidence from a Field Experiment in Indonesia." *Journal of Political Economy* 115, no. 2 (2007): 200–49.

10 Szeftel, *Between Governance and Underdevelopment: Accumulation and Africa's Catastrophic Corruption*; Chabal and Daloz, *Africa Works: Disorder as Political Instrument*; Johnston, *The Political Consequences of Corruption: A Reassessment*; Cohen, Brown, and Organski, *The Paradoxical Nature of State Making: The Violent Creation of Order*.

11 Johnston, *The Political Consequences of Corruption: A Reassessment*.

12 Le Billon, *Buying Peace or Fuelling War: The Role of Corruption in Armed Conflicts*.

13 Thomas Gallant. "Brigandage, Piracy, Capitalism and State Formation: Transnational Crime from a Historical World Systems Perspective." In *States and Illegal Practices*, 25–62. Oxford and New York: Berg, 1999; Jonathan Goodhand. "Corruption or Consolidating the Peace? The Drugs Economy and Post-Conflict Peacebuilding in Afghanistan." *International Peacekeeping* 15, no. 3 (2008): 405–23; Carlin, "Putin Is Running a Destruction Cybercrime Syndicate Out of Russia."

14 P. Mauro, "Corruption and Growth." *Quarterly Journal of Economics* 60, no. 3 (1995): 681–712.

that corruption may deepen inequalities.¹⁵ And Nye asserts that many coups originate in corrupt systems.¹⁶

If we look beyond the argument that corruption fuels conflict, however, ample research shows that corruption can stabilize a political order. Instead of exacerbating grievances, corruption can co-opt opposition groups and reduce these grievances by creating extended patronage networks. One ardent supporter of this argument is Huntington, who identifies corruption and violence as two sides of the same coin.¹⁷ Both, he claims, are indicative of weak governance, and corruption, in any case, is preferable to violence. Bardhan agrees with this argument, acknowledging that the benefits of peace obtained from corruption far outweigh the cost of war.¹⁸ Early post-independence states present persuasive examples that this theory holds water. In Cote d'Ivoire, former President Houphouet-Boigny redistributed resources, giving more power to the Muslim north rather than the Christian south. This slowed the rate of extraction, making it sustainable as well as quelling the grievances of the Muslim north.¹⁹ In Senegal, financial rewards were used as a tactic to suppress the opposition and bring them into the larger ruling party.²⁰ In short, corruption can be used to buy stability by using political handouts, public subsidies and similar tactics.²¹

A shift from a political economy of war to one of stability is nonetheless challenging. It offers a prime opportunity for new actors to take control of economic activities, particularly in a weak regulatory environment. This environment is not limited to economic activities; it also includes the political arena. Elections, the demobilization of soldiers and the liberalization of an economy all present prime targets for corruption. Why? Because in a political economy of high uncertainty, corruption is an effective strategy for individuals and groups to find stability.²² So, now corruption has four hats: it is a) a coping strategy for individuals in the wake of conflict, b) a stabilizing factor for a new political order, c) an inadvertent cost of peacebuilding, and d) one factor of many fueling conflict. These differing conceptions of corruption exist because corruption itself has many different causes and effects. Corruption can both lead to conflict as well as sustain peace, despite the opposing natures of conflict and peace.

15 S. Gupta, H. Davoodi, and R. Alonso-Terme. "Does Corruption Affect Income Inequality and Poverty?" International Monetary Fund Working Paper. (Washington, D. C: IMF), 1998.

16 J. S. Nye, "Corruption and Political Development: A Cost-Benefit Analysis," *American Political Science Review* LXI, no. 2 (1967): 417–27.

17 S. Huntington. *Political Order in Changing Societies*. (New Haven, CT: Yale University Press, 1968).

18 Bardhan, *Method*.

19 Y. Faure, and J-C. Medard. *Etat et Bourgeoisie En Cote d'Ivoire*. (Paris: Karthala, 1982).

20 D-C. O'Brien, "Political Opposition in Senegal 1960–1967," *Government and Opposition* 2, no. 4 (1967).

21 Le Billon, *Buying Peace*; K. Darden, "The Integrity of Corrupt States: Graft as an Informal State Institution," *Politics & Society* 36, no. 1 (2008): 35–59.

22 Le Billon, *Buying Peace*.

In fragile states, where often corruption is based within a patronage system that requires constant access to resources in order to sustain that network, any kind of shock to or detachment from those resources can lead to insecurity. According to Zaum, corruption mainly affects two aspects of governance in such fragile contexts: the exercise of political authority and the allocation of public goods and services.²³ The exercise of political authority can refer to elections and the appointment of public officials in which corruption, such as vote-buying and bribery, can interfere. This research considers the de-facto Donetsk "People's Republic" and the Luhansk "People's Republic" to better understand the relationship between corruption and governance. How active a role does corruption play in these regions? What kind of a role does it play? To answer these questions, I will draw from the literature and frameworks discussed above to try to obtain a clearer picture of this relationship in these regions.

Methodology

This research is an exploratory case study to determine the prevalence and nature of corruption in the de-facto Donetsk and Luhansk "People's Republics" (DPR and LPR respectively), both de-facto states in Ukraine. This method was chosen because this case study will explore the contemporary phenomenon of corruption within the real-life context of the DPR and LPR. This research acknowledges the difficulty and unreliability of data from these regions, hence the data comes from a collection of primary and secondary sources, such as reports from local NGOs, as well as information gathered from the OSCE, OCHA and other international organizations that are present in the region. I will use open-source materials during this data collection and will primarily focus on government structure.

In this paper, I will use Jonathan Goodhand's framework of the war economy, the shadow economy and the coping economy to best explain the different economies that exist during conflict and 'post-conflict.'²⁴ The war economy contains the production, mobilization and allocation of economic resources to sustain a conflict or to disempower certain groups. The shadow economy describes the economic activity of those who wish to profit from war and are not necessarily involved in the conflict directly. The coping economy refers to groups who are coping and/or surviving during the conflict. By using this framework, I aim to gather a more comprehensive understanding of the conflict and the relationship that corruption has with governance in these different spheres.

23 Dominik Zaum, "Political Economies of Corruption in Fragile and Conflict-Affected States: Nuancing the Picture." U 4 Anti-Corruption Resource Centre, September 2013.

24 Goodhand, *Afghanistan*.

Brief History of Donbas Situation

The Donbas conflict erupted in 2014 in the wake of Euromaidan Revolution and the flight of former President Viktor Yanukovich. Following the unlawful annexation of Crimea in March 2014, Russian activists and local radicals seized parts of the Luhansk and Donetsk regions, holding two votes on May 11, 2014 to declare independence. In 2013, these regions were home to around 6.6 million people of which about 6.3 million remain, with around three million living outside of the Ukrainian government's control.²⁵ Currently, there are 800,000 internally displaced persons (IDPs) and 12,000 new displacements occurred between January 1 and December 31, 2018.²⁶

While the Donbas was historically considered peripheral, it gained recognition in the late nineteenth and early twentieth century due to industrialization. During the Soviet era, mining and similar industries rapidly developed in the region, causing it to become the most heavily urbanized region of Ukraine. The Donbas has a high percentage of Russian speakers. Before the conflict broke out, the Donbas had 16 percent of the total population of Ukraine but only produced 8.4 percent of the country's GDP. This was mostly due to a lack of investment and outdated machinery.²⁷

In the month before the region's elections, the Kyiv International Institute of Sociology released a study that claimed that 18.1 percent of residents in the Donetsk oblast and 24.4 percent of residents in the Luhansk oblast supported the actions of those who had captured administrative buildings in the region.²⁸ Around 27.5 percent of residents in the Donetsk oblast and 30.2 percent of residents in the Luhansk oblast also agreed that their respective regions should secede from Ukraine and join Russia. In that same poll, 47 percent of residents in the Donetsk oblast and 44.2 percent of residents in the Luhansk oblast agreed that Russia has the right to protect the interests of Russian-speaking citizens in Southeast Ukraine.²⁹

In the initial stages of the conflict, the Ukrainian state did not effectively marshal its forces to overtake the two de-facto states. This caused the DPR and LPR to develop not only a military advantage, but also it allowed time for Russian mercenaries and heavy weaponry to enter the region. While the Ukrainian government's anti-terrorism operation was initially recovering territory, the shooting down of Malaysian passenger jet MH17 began a new phase in the warfare. After the anti-aircraft missile was identified by the international community as a Russian-built missile, sanctions were stepped up by the United States, the European Union and NATO. Following an increase in fighting and clashes, international mediation resulted in the first Minsk Protocol, which was signed on September 5, 2014. This agreement, however, did not hold, and renewed escalation resulted in the Minsk II Protocol, which was signed on February 11, 2015. Both

25 "Nobody Wants Us' The Alienated Civilians of Eastern Ukraine."

26 "Ukraine."

27 Sabine Fischer. "The Donbas Conflict: Opposing Interests and Narratives, Difficult Peace Process." SWP Research Paper. (Berlin: Stiftung Wissenschaft und Politik, April 2019): 7.

28 "The Views and Opinions of South-Eastern Region Residents of Ukraine: April 2014."

29 "The Views and Opinions of South-Eastern Region Residents of Ukraine: April 2014."

Minsk Protocols are widely seen to have been ineffective. By November 2015, the United Nations reported at least 9,100 deaths and 20,700 injured. That number has continued to rise as the conflict has persisted. Despite regular attempts to find common ground, the Line of Contact and the conflict itself has remained unstable. For example, Russia seized a Ukrainian vessel in the Kerch Strait in November 2018, and the Ukrainian sailors operating the vessel are still being detained in Russia.³⁰

Due to violence on both sides of the conflict, the Line of Contact has become much more than a dividing line. This has been particularly true since the Ukrainian blockage in 2017. In January 2017, a group of far-right nationalist volunteers blocked railways and roads in order to prevent the movement of goods across the Line of Contact. Though former President Petro Poroshenko initially opposed this blockade, he quickly folded under pressure despite this hurting the Ukrainian economy. Everything apart from humanitarian shipments was blockaded. After this blockade, DPR members seized Ukrainian-registered businesses and demanded that their owners re-register them under the DPR's jurisdiction.³¹

The blockade does not apply to individuals; therefore, individuals can travel across the Line of Contact with limited goods on their person. Though the blockade was established to limit smuggling, it has not limited smuggling. It also has badly hit the living standards of many people in the area. In 2018, more than one million people on both sides of the Line of Contact were reported to be food insecure.³²

The DPR and the LPR still exist under conditions of ongoing armed conflict under the direct economic and political control of Russia. Within both regions, violent power struggles have been reported within the leadership.

Contemporary Dimensions of the Political Economy in Donbas

War Economy

Donetsk "People's Republic"

The political economy of the ongoing conflict in the de-facto Donetsk "People's Republic" (DPR) can broadly be characterized as consisting of massive inflows of financial and military aid from Russia and continued power struggles among different individuals vying for power as represented in Table 1. In Table 1, each section of the economy (i. e., the War, Shadow and Coping Economy) is divided into its key actors and their respective motivations, activities and impact.

In the early days of the conflict, the war effort was led by two Russians, Igor Strelkov and Alexander Borodai and three locals, Pavel Gubarev, Aleksandr Khodakovsky and Oleksandr Zakharchenko. Notably, Gubarev, Khodakovsky and Zakharchenko had no political experience. Rather, they seized upon the opportunity to gain power and to

30 Fischer, *Donbas Conflict*.

31 "Nobody Wants Us' The Alienated Civilians of Eastern Ukraine." 17.

32 "Nobody Wants Us' The Alienated Civilians of Eastern Ukraine."

Table 1

THE DONETSK AND LUHANSK “PEOPLE’S REPUBLICS” ANALYTICAL FRAMEWORK

	THE WAR ECONOMY	THE SHADOW ECONOMY	THE COPING ECONOMY
Who? <i>Key Actors</i>	<i>Names:</i> I. Strelkov, P. Gubarev, D. Pushilin, A. Borodai, O. Zakharchenko, V. Surkov <i>States:</i> Russia <i>General:</i> Commanders, conflict entrepreneurs, arms suppliers	Profiteers, smugglers, businessmen, traffickers	Poor families and communities— the Ukrainian majority Internally Displaced Persons (IDPs) Large Industrial Exporters and Small & Medium Enterprises (SMEs)
Why? <i>Motivations and incentives for war or peace</i>	Peace may not be in their interest as it would lead to decreased power and influence in the region Continued war allows the leadership to maintain power	To make profit on the margins of the conflict Peace is in their interest for better exports and business opportunities but continue war allows certain industries to prosper	To cope and survive through avoiding government interaction Peace would enable families to be more mobile and financially stable
How? <i>Key activities and commodities</i>	Holding Elections for perceived legitimacy Aid manipulation Property expropriation Illegal coal and metals trade Russian financial aid	Cross border smuggling Aid manipulation Illegal coal and metals trade Bribes at check-points ID documents	Employ diverse strategies of survival Small businesses & Petty trade Pension Tourism Labor migration Humanitarian aid Redistribution of family finance
What effects? <i>Impact</i>	Impoverishment of IDPs and other vulnerable groups Violent gathering of resources by ruling class Political instability and turmoil	Concentration of power and wealth Patron-client relationship	Coping may strengthen social networks but lead to negative coping strategies Long term effects on living standards and human capital Lack of FDI and investment

Source: Adapted from Jonathan Goodhand's Analytical Framework in *From War Economy to Peace Economy* (2003)

take charge of the administration.³³ During the later phases of the conflict, the most radical advocates of military aggressiveness were forced back to Russia, including Igor Strelkov and Pavel Gubarev in 2014.³⁴

This left Zakharchenko in charge. Once these radicals had been displaced, it was much easier for Zakharchenko to sign the Minsk Agreements in September 2014. Throughout 2014 and 2015, more purges took place, each ousting more radical supporters of the DPR. With more control, Zakharchenko further took control of the Pyatnashka, Chechen, Patriot and Legion brigades.³⁵

Zakharchenko's time in power was characterized by mass expropriations of businesses and property, including the nationalization of private companies and the requisitioning of property. Gradually, Zakharchenko and his partner Aleksandr Timofeyev took control of the contraband industries and the illegal coal and metals trade within the DPR, as well as taking cuts from illegal smuggling operations. These actions made him unpopular both within the DPR and in Russia. As the November 2018 elections approached, however, the DPR ruling party, acting as a mouthpiece for Russian political control, published a statement asking Zakharchenko to retain his position.³⁶

But on August 31, 2018, Zakharchenko was killed in an explosion in a café. His death prompted massive speculation on who ordered it. While Ukraine blamed Russia, Russia blamed Ukraine. Others suggest that his death was the result of local rivalries and a war among curators in Moscow.³⁷ Regardless, after Zakharchenko's death, the elections went forward, with Dmitry Trapeznikov named as an interim president. Many different DPR military leaders indicated their willingness to run, including Aleksandr Khodakovskiy and Pavel Gubarev. However, they both found administrative hurdles in their pathways. First, Khodakovskiy could not enter the Republic on the day he had to submit his name for candidacy. Later, Gubarev was not able to collect the signatures needed to put his name on the ballot. That left Denis Pushilin, the creator of an infamous Soviet financial pyramid scheme, and the chosen representative of Moscow.³⁸

The story of how Pushilin came to power is one that reveals the extent to which Moscow controls the DPR. Political instructions were publicized by Aleksei Chesnakov, the public spokesperson for Vladimir Surkov, a powerful aide to the Russian president. They instructed Pushilin to form a new council and rejected Trapeznikov's bid for the presidency. Chesnakov claimed that the deceased Zakharchenko had "left economic

33 "Eastern Ukraine: Different Dynamics."

34 Fischer, *Donbas*.

35 "Chaos in Luhansk, Explained."

36 Skorkin, Konstantin. "The Demise of the Counter-Elite: How Zakharchenko's Killing Will Change Donbas." *Carnegie Moscow Center*, September 9, 2018, accessed December 12, 2019. <https://carnegie.ru/commentary/77158>.

37 Fischer, *Donbas*.

38 Krivosheev, Kirill. "The Lessons of the Donbas Election Campaigns." *Carnegie Moscow Center*, October 29, 2018, accessed December 12, 2019. <https://carnegie.ru/commentary/77591>.

affairs in the hands of individuals whom he trusted, but who misused his trust. In short, they stole. Order must be imposed there. Budget money must benefit people, not go into the pockets of ministers... Worming their way into Zakharchenko's confidence they were busy embezzling money and grabbing other people's property."³⁹ When asked about Timofeyev, Zakharchenko's right hand, Chesnakov claimed, "many people in the DPR have many grievances about him, and such people might rise up in a situation of political instability."⁴⁰ Now in power, Denis Pushilin has recently spoken publicly that it is time for the entire Donbas to return to their homeland, Russia.⁴¹ For many of these leaders, however, peace is not in their interest. Following through on the Minsk Accords would mean reintegration into Ukraine and would take away much of the power that they hold over the population. In other words, continued war allows them to maintain power.

Throughout 2014–2015, much of the economic resources that could have been used to sustain warfare became unavailable. Much of the equipment and infrastructure necessary to continue fighting was looted or destroyed. Moreover, the banking system was cut off from the international financial system. Experts estimate that the combined LPR and DPR economy shrank by two-thirds. The only inflow of money now comes from Russia, which amounts to around one billion USD annually.⁴² This inflow of money is extremely significant because it is the only source of income that allows the de-facto state to operate. This inflow of money also leads to further corruption, as different parties fight for control of these funds as it is siphoned off by those in power for their own purposes. Other inflows come from aid, which is often siphoned off, and the illegal coal and metals trade. These inflows of economic resources, however, are denied to the broad population and only benefit the people at the top. The importance of Russian financial aid cannot be understated because it is the most important inflow that the de-facto state receives.

Although the DPR has a democratic constitution, it is a democracy in name only. The reality is very different from the constitution's words. For example, the People's Council of the DPR has an official website that posts information about the DPR's leadership, committees, legislation, regulation, and representative activity. This information ignores the realities that there is no judiciary, the media cannot operate freely, and all critical voices of the government are silenced and repressed. Due to this environment, there is no dependable survey data.⁴³ However, eyewitnesses report that there are many former fighters living in the region as well as normal individuals seeking to survive. There are many reports of torture, political violence and prisoners

39 Vladimir Socor, "Change at the Top Exposes the Politics of Donetsk-Luhansk 'People's Republics' (Part Two)," *Eurasia Daily Monitor* 15, no. 127, (September 12, 2018), accessed December 12, 2019. <https://jamestown.org/program/change-at-the-top-exposes-the-politics-of-donetsk-luhansk-peoples-republics-part-two/>.

40 Socor, *Change*.

41 "Rebel Leader Says East Ukraine Wants To Join Russia."

42 Fischer, *Donbas*.

43 Fischer, *Donbas*.

being held without due process.⁴⁴ In the wake of Zakharchenko's assassination, purges reportedly are taking place against people who are linked with Zakharchenko, including the prominent businessman Dmitry Avtonomov. Moreover, Pushilin has been sacking and replacing most officials in the DPR administration.⁴⁵

Luhansk "People's Republic"

Much less information is publicly available about the de-facto Luhansk "People's Republic" (LPR) than is available for the DPR. However, it also can be characterized by continued struggles among its elite for power and inflows of financial and military aid from Russia.

In the LPR, as in the DPR, a significant amount of infighting amongst the elite occurred during the early days of the conflict. As in the DPR, more aggressive and radical fighters, such as Cossack leader Nikolayi Kosyzin, were forced into exile.⁴⁶ Former Luhansk leader Igor Plotnitsky survived several assassinations attempts but ultimately was deposed in 2017.⁴⁷ His fall from power occurred after relations started to become strained between LPR Interior Minister Igor Kornet and Plotnitsky. Following Plotnitsky's resignation, Minister of State Security Leonid Pasechnik was appointed as the acting head of the LPR. There are conflicting reports about Pasechnik: some report he took an anti-corruption stance and others claim that he has a history of purchasing food at artificially high prices, smuggling coal and fuel and participating in the illegal arms trade.⁴⁸

As in the DPR, the reality of governance in the LPR is dictatorial in nature. According to Matveeva, Russian curators "promoted pliant figures into politics and took out non-conformists. Commanders had to integrate into the system not on their own terms and the rules of the game were determined elsewhere. Those who were prepared to accept, survived and gained appointments."⁴⁹ In 2014 and 2015, the economy collapsed, caused in part by persistent fighting. This led to damage and looting to equipment that otherwise would be used in battle. Moreover, the region was officially cut off from the international financial system. Russia, however, stepped in and paid pensions, benefits and wages in the LPR and the DPR. This restructured the economy towards further

44 Oleksandr Odehov, and Nataliia Hrytsenko. "Crimes Without Punishment: Human Rights Violations in the Context of Armed Conflict in Eastern Ukraine." Kyiv: NGO Eastern-Ukrainian Centre for Civic Initiatives (EUCCI), 2018.

45 Nikolaus von Twickel, "Current Events in the 'People's Republics' of Eastern Ukraine." Interim Report 2018. Civic Monitoring of Certain Areas of the Donetsk and Luhansk Region. DRA 2018, 2018.

46 Fischer, *Donbas*."

47 "Eastern Ukraine: Different Dynamics."

48 "Chaos in Luhansk, Explained."

49 Anna Matveeva. *Through Times of Trouble: Conflict in Southeastern Ukraine Explained from Within*. (Lanham MD: Lexington Books, 2018): 180.

dependency on Russia.⁵⁰ Moreover, as in the DPR, Russian financial aid lends itself to further corruption in the LPR. With funding coming from Russia, those in power choose to distribute the money in an unequal fashion, benefiting their clients and leaving many other parts of the economy without aid.

Shadow Economy—Luhansk and Donetsk’s Peoples Republics

The shadow economy within the de-facto Donetsk and Luhansk’s “People’s Republics” can be characterized by certain profiteers and businesses such as smugglers who aim to profit on the margins of the conflict. This has resulted in a concentration of power amongst these few businesses and an increased patron-client relationship between Russia and the DPR and the LPR, respectively. For these individuals who are a part of the conflict, peace is in their interests in certain cases. For businesses who wish to gain a wider range of clients as well as profiteers who would doubly benefit from peace, it is preferable. However, the continued conflict has given space for a range of businesses and profiteers who would not benefit from peace, such as smugglers and those who manipulate aid.

Money that comes in from Russia is often embezzled, which means that less of the finance actually goes to the government and people themselves.⁵¹ Former head of the DNR Revenue Ministry Timofeyev, for example, was accused of expropriating 11 million euros of farming equipment and seizing more than 100 buses and 10 bus stations. However, this shadow economy of embezzlement was decreased significantly in the wake of Zakharchenko’s death, after which, some suggest, Russia decided to take steps to end this. For example, members of the DNR Revenue Ministry such as Mikhail Khalin have been prosecuted and accused of abuse of office. Moreover, Aleksandr Anachenko was unanimously endorsed to become Prime Minister, although he has not held any office in the past. He is linked closely to Vneshtorgservis, a holding company that has control of key industrial assets in Donbas region, which in turn is linked to Serhiy Kurchenko, a former Donetsk-based businessman. Kurchenko has now opened offices in Donetsk in the wake of Zakharchenko’s assassination.⁵²

Vneshtorgservis is believed to be registered in South Ossetia, the only territory that has recognized both the DNR and the LNR. The CEO is Vladimir Pashkov, a Russian citizen who is a former deputy governor of the Russian Irkutsk region. While Russia cannot operate openly through trade and finance, Vneshtorgservis can. After the seizure of plants in 2017 by separatists, Vneshtorgservis was given nine of 43 plants. However, investigations have shown that the remaining 34 will be transferred to Vneshtorgservis.⁵³

50 Fischer, *Donbas*.

51 Vadym Kolodiychuk. “Expensive Donbas as Burden for Russian Budget.” *112. Ua*, January 17, 2017, accessed December 12, 2019. <https://112.international/article/expensive-donbas-as-burden-for-russian-budget-13172.html>.

52 von Twickel, *Developments*.

53 von Twickel, *Developments*.

The shadow economy in the de-facto DPR and LPR also includes aid manipulation. In some cases, it is impossible to deliver aid to cities that underwent heavy shelling or damage. International aid workers have particularly pointed to Horlivka as an example of this: the DPR captured all aid meant to reach Horlivka. Consequently, Horlivka continued to be poorly maintained, and the aid meant for it has instead been taken by the government or other actors who aim to profit from it. Moreover, government restrictions in both the LPR and DPR contributed to the enhancement of grey economy networks that operated through smuggling. Not only did government officials benefit from this smuggling, but rebel commanders, businesspeople, territorial battalions and even Ukrainian officials all gained something in the process.⁵⁴

Perhaps the broadest source of income within the Shadow Economy is the illegal export of metals and coals, bribing at border checkpoints, and ID document forging. According to Independent Defense Anti-Corruption Committee, there are five ways in which this trade is conducted: 1) using bribery at checkpoints, 2) using Humanitarian Logistics Centers (HLCs) to sell wholesale products, 3) using bribery at checkpoints on railways, 4) avoiding official transit corridors, and 5) transporting goods through Russia and back through the DPR and LPR.⁵⁵ These strategies are used primarily for the extraction of coal and metal. Both products are sold to various countries, including Russia, Turkey, Spain, Italy, Poland, Bulgaria and Romania, despite their illegal origins. Even other Ukrainian energy companies have bought illegal coal from the de-facto DPR and LPR. While information is difficult to obtain based on the lack of documentation, Ostrov reported in 2017 that 340 thousand tons of coal was sent to Turkey, 2000 thousand tons to Spain, 75 thousand tons to Ukraine, 61 thousand tons to Italy, 32 thousand tons to Poland and 30 thousand tons to Romania. In short, the DPR at least produces 7.8–8.0 million tons of coal per year and the LPR produces around 8 million tons a year. Given that the price of coal was 42 to 100 U. S. dollars/ton over the past two years, the Shadow Economy is operating efficiently and has been giving the government and other profiteers in the LPR and DPR a combined annual revenue of \$ 220 million.⁵⁶ Outside of smuggling coal, the Shadow Economy benefits hugely from illegal steel exports, which brings in 3 times more income than coal. From January to November 2018, the supply of rolled steel and pipes from Ukraine (including the de-facto states of the LPR and the DPR) to Russia increased by 20.7 percent because of the resumption of operations of Vneshtorgservis, a company operated by Kharkiv oligarch Serhiy Kurchenko. At the same time, an estimated 610–630 thousand tons of steel was exported. Given that the average selling price of this steel is lower than the market price due to its illegal origins, steel from the DPR and LPR was sold for \$ 409/ton, meaning that from just one factory “Makiivka and Yenakiieve Iron & Steel Works,”

54 Matveeva, *Trouble*, 247–248

55 “Crossing the Line: How the Illegal Trade with Occupied Donbas Undermines Defence Integrity.”

56 Kryshantovskaya, *Anatomiya Rossiyskoy Elity*.

the profit was \$ 230–240 million. In short, all exports including that of this plant have brought the DPR and LPR as well as their profiteers around \$ 600 billion in profits.⁵⁷

Interestingly, while Russia is an overt financial supporter of the de-facto DPR and LPR, it is not profiting from the conflict itself. The de-facto head of the DPR, Denis Pushilin was quoted as saying that he had received “guarantees of support from Russia in everything concerning security and raising the standard of living of citizens” from Kremlin aide Vladislav Surkov.⁵⁸ Moreover, Pavlo Zhebrivskiy, the chairman of the Donetsk military and civil administration, estimated that in 2017 alone, Russia spent 3 million a year on the DPR/LPR. While most of the money was embezzled by local officials, the amount is still notable.⁵⁹

Unfortunately, there is not a vast amount of data regarding the shadow economy within the de-facto DPR and LPR. While there is information concerning the ongoing occurrence of smuggling and aid manipulation, there is neither little knowledge about the extent of it nor concerning who the precise benefactors and actors are. What we know is that these individuals within the shadow economy, namely profiteers, smugglers, traffickers, and businessmen, are benefiting from a continuation of the conflict. They aim to make a profit, and, while in some cases peace is in their interests, continued conflict allows certain industries to prosper. This has resulted in a concentration of power and wealth amongst the hands of a certain few and a deeper entrenchment of the patron-client relationship between the DPR/LPR and Russia.

Coping Economy—Luhansk and Donetsk’s Peoples Republics

As the conflict has continued, more than one-sixth of the six million residents living near to the Line of Contact are food insecure. The majority of the six million have become impoverished and unemployed and face abuse at the hands of the officials from the DPR/LPR regimes. More than 600,000 people are exposed to daily shelling, landmines and restrictions on freedom of movement.⁶⁰ Moreover, due to constant fighting, access to the Donetsk Filtration Station is often cut off, limiting civilians’ access to clean water for days at a time.⁶¹ The OSCE’s SMM organization has also noted humanitarian problems related to access to running water.⁶² The coping economy must also account for high food prices because food is allegedly sold at marked-up rates. This food originates from Russia, and its high prices unfortunately mean that much of the population that is attempting to cope is unable to afford it.⁶³

57 Vitaliy Krymov, “Adventures of Coal from the DNR or a Price of the Russian World,” *Ostrov*, January 31, 2019, accessed December 12, 2019, <https://www.ostrov.info/articles/272/>.

58 “Surkov Poobeschal Pushylinu Povysheniie Zarplat v DNR [Surkov Promised Pushilin a Salary Hike in DPR].”

59 Kolodiychuk, *Expensive Donbas*.

60 “Nobody Wants Us’ The Alienated Civilians of Eastern Ukraine.” ii.

61 “Nobody Wants Us’ The Alienated Civilians of Eastern Ukraine.” 3.

62 “As of June 3, 2019 Status Report.”

63 “Nobody Wants Us’ The Alienated Civilians of Eastern Ukraine.” 17.

Residents within the DPR and LPR must resort to diverse strategies of survival, including by engaging in petty trade, labor migration, making the most of humanitarian aid and redistributing their family finances in order to support themselves. This can be problematic, particularly in those instances when LPR authorities have distributed sandwiches instead of wages due to a lack of cash.⁶⁴ Many residents who live in the Donetsk and Luhansk Peoples Republic are eligible to receive pensions from the Ukrainian government. However, only about half of those eligible (around 650,000) receive them. Those who remain in the DPR/LPR are stripped of their rights to apply. Some within the Ukrainian government claim that this saves money and that applying for two pensions, one from the Ukrainian and another from the Russian government, is pension fraud.⁶⁵ The main goal of residents, whether they be pensioners or not, however, is to survive and avoid interacting with the government. While these coping strategies may strengthen social networks temporarily, it may lead to long-term effects on living standards and human capital.

Research has shown that there is a growing dependency on Russia for survival in the war and coping economies. Large industrial exporters as well as small and medium-sized enterprises (SMEs) report that many that have remained within the DPR/LPR have been forced to cease operations or are on the verge of being unprofitable. SMEs have also reported reductions in the purchasing power of customers, destruction of physical assets and disrupted supply chains. While SMEs in the DPR have been more hesitant in fully separating business ties for political reasons, SMEs in the LPR are more willing to actively boycott all Ukrainian products and replace them with Russian alternatives. Interestingly, Luhansk SMEs have expressed support for either full independence from Ukraine or integration with Russia, which is reflected by their willingness to abandon ties with Ukraine.⁶⁶ On the other hand, Donetsk SMEs have been more economically pragmatic.⁶⁷ While these two different regions may be surviving, with a lack of FDI and long-term investment, both SMEs and large industrial exporters will suffer.

The Role of Corruption in the War, Economy and Coping Economies

The war, shadow and coping economies take corruption into account within their respective functions. The war economy is characterized by massive inflows of financial and military aid from Russia and continued power struggles amongst different individuals vying for power. This necessarily involves ongoing corruption within the ruling elite and the expropriation of resources. The shadow economy is characterized by profiteers and smugglers profiting from the ongoing conflict. The coping economy

64 "Life in Occupied Luhansk Region: Sandwiches Instead of Wages."

65 "Eastern Ukraine: Different Dynamics."

66 Natalia Mirimanova. "Economic Connectivity across the Line of Contact in Donbas, Ukraine." Centre for Humanitarian Dialogue, (September 2017): 4.

67 Mirimanova, *Connectivity*, 4–6.

involves ordinary citizens and IDPs who must engage in certain forms of corruption, such as obtaining both Ukrainian and DPR/LPR pensions in order to survive.

Perhaps one of the more interesting aspects of corruption within the different economies is that of businesses. Many large industrial exporters see the process of obtaining an exemption from the commercial ban to be “non-transparent and corrupt.” In short, they see the criteria for these exemptions as being neither clear nor transparent. Many of these exporters claim that the corruption procedure is not rare, but rather normal.⁶⁸ Moreover, ten percent of IDP entrepreneurs report that there is corruption involved when entering the DPR/LPR regions.⁶⁹

While the coping and shadow economies are mostly discussed together for the purposes of this research, the corrupt style of the Luhansk and Donetsk SMEs differ in nature. According to the Eastern-Ukrainian Centre for Civic Initiatives, there were 167 cases of fraud, 330 cases of theft, 32 cases of robbery, 529 cases of unlawful appropriation of vehicles, and 256 cases of the seizure of state or public buildings and structures in the occupied territory of the Luhansk oblast from April 2014 to the first half of 2018.⁷⁰ In contrast, in the occupied territory of the Donetsk oblast, there have been 52 cases of fraud, 348 cases of theft, 41 cases of robbery, 1,143 cases of unlawful appropriation of vehicles, and 708 cases of the seizure of state or public buildings and structures.⁷¹ Moreover, it has been reported that Luhansk SMEs are almost universally dedicated to the political project of independence. Not only do these SMEs believe in a future outside of Ukraine, but they also support integration with Russia. Interestingly, these SMEs consider the leadership to be an obstacle towards this goal.⁷² Donetsk SMEs, on the other hand, are more motivated towards being more economically practical and working both with Ukrainian and DPR officials. The difference in these attitudes is widely reflected in their willingness to work with the authorities in those regions and their likelihood to resort to corruption as a tactic.

Considering this information about the business capacities in both regions, it is reasonable to assert that corruption both impacts the exercise of political authority as well as the allocation of public goods and services. Given the region upheaval in the de-facto Donetsk “People’s Republic,” it could be suggested that the overreaching embezzlement and high-level corruption by officials in the Zakharchenko regime led to instability. However, the low levels of corruption that businesses and individuals in the coping economy must endure have not swayed stability one way or the other. Interestingly, the hypothesis that high-level corruption by officials led to instability in the DPR can also be related to the patron-client relationship that Russia shares with the DPR. It was due to Russia’s displeasure about the embezzlement that many steps were taken to ensure that, at least temporarily, actors who wished to embezzle would

68 Mirimanova, *Connectivity*, 18.

69 Mirimanova, *Connectivity*, 19.

70 Odehov, *Crimes*.

71 Odehov, *Crimes*, 18–19.

72 Mirimanova, *Connectivity*, 25.

be dissuaded. While there is less information regarding corruption within the Luhansk "People's Republic," it can also be suggested that as long as corruption within the region stays relatively low-level, such as stable patron-client relationships and other petty forms of corruption, it is acting as a contributing factor towards stable governance.

Conclusions

Looking at these two regions over their three separate economies, several observations can be made about the relationship between corruption, governance and stability. It appears that both in the de-facto LPR and the DPR, corruption plays an integral role in how decisions are made and how different people come to power. Furthermore, in both cases, we can observe a tendency towards economic and political dependence on Russia. Particularly after the DPR and LPR were excluded from the international financial system, this shift has given Russia a stronger hand in deciding who remains in power and who is exiled from the two territories. Hence, with this increase in influence from Russia there is an attempt to maintain stability. Despite Russia's attempt at choosing the right people to lead both the LPR and the DPR, however, it appears that corruption is endemic. This, in of itself, has led to violent power struggles and discord amongst the governance strategies of the two regions. Interestingly, while there has been discord and violent political upheaval in the Donetsk "People's Republic" due to high-level elite corruption, there has not been the same kind of upheaval and violence in the Luhansk "People's Republic." This suggests that while the endemic petty corruption that takes place in both the Luhansk and Donetsk "People's Republic" is not inherently destabilizing, the presence of high-level grand corruption was in the DPR. This can be linked also to the patron-client relationship that the DPR and Russia share. Because the DPR and LPR are so financially dependent upon Russia for aid and support, embezzlement that negatively impacted Russia as the patron in that relationship caused much larger repercussions for the DPR elite. In other words, this upset the stability within the region because it threatened the stability of the patron-client relationship of Russia and the DPR.

On the other hand, as more of the population must resort to corruption in order to survive, it further decreases the stability of the entire region. Even as Johnston argues that patronage systems are inherently stable forms of corruption, in the de-facto DPR and the LPR those networks are not established enough to maintain that stability. Rather, the lack of certainty forces both the government, businesses and individuals to do whatever they must to survive. That said, building an already fragile system on shaky foundations that continue to erode as more citizens leave the regions and as economic decline continues to dangerously affect the stability of the LPR and the DPR.

Bibliography

Alatas, Syed Hussein. *Corruption: Its Nature, Causes and Functions*. (Aldershot, UK: Avebury, 1990).

- “As of 3 June 2019 Status Report.” OSCE Special Monitoring Mission to Ukraine (SMM), June 3, 2019.
- Bardhan, P. “Method in the Madness? A Political-Economy Analysis of the Ethnic Conflicts in Less Developed Countries.” *World Development* 25, no. 9 (1997): 1381–98.
- Bardhan, Pranab. “The Economist’s Approach to the Problem of Corruption.” *World Development* 34, no. 2 (2006): 341–48.
- Basu, Kaushik. “Why, for a Class of Bribes, the Act of Giving a Bribe Should Be Treated as Legal.” Government of India Working Paper. Ministry of Finance, 2011.
- Bussell, Jennifer. “Typologies of Corruption: A Pragmatic Approach.” In *Greed, Corruption, and the Modern State: Essays in Political Economy*, 21–45. Cheltenham, UK: Edward Elgar Publishing, 2015.
- Chabal, P, and J-P Daloz. *Africa Works: Disorder as Political Instrument*. Oxford: James Currey, 1999.
- “Chaos in Luhansk, Explained.” *Digital Forensic Research Lab*, November 29, 2017. Accessed December 12, 2019. <https://medium.com/dfrlab/chaos-in-luhansk-explained-aaba800f4a01>.
- Cohen, Y, B. R. Brown, and A. F. K Organski. “The Paradoxical Nature of State Making: The Violent Creation of Order.” *American Political Science Review* 75, no. 4 (2000): 901–10.
- “Crossing the Line: How the Illegal Trade with Occupied Donbas Undermines Defence Integrity.” The Independent Defence Anti-Corruption Committee, 2017.
- Darden, K. “The Integrity of Corrupt States: Graft as an Informal State Institution.” *Politics & Society* 36, no. 1 (2008): 35–59.
- “Eastern Ukraine: Different Dynamics.” Carnegie Europe, December 3, 2018. Accessed December 12, 2019. <https://carnegieeurope.eu/2018/12/03/eastern-ukraine-different-dynamics-pub-77845>.
- Faure, Y, and J-C. Medard. *Etat et Bourgeoisie En Cote d’Ivoire*. Paris: Karthala, 1982.
- Fischer, Sabine. “The Donbas Conflict: Opposing Interests and Narratives, Difficult Peace Process.” SWP Research Paper. Berlin: Stiftung Wissenschaft und Politik, April 2019.
- Friedrich, Carl. “Corruption Concepts in Historical Perspective.” In *Political Corruption: Concepts & Contexts*, 3rd ed., 15–24. New Brunswick, NJ: Transaction Publishers, 2002.
- Gallant, Thomas. “Brigandage, Piracy, Capitalism and State Formation: Transnational Crime from a Historical World Systems Perspective.” In *States and Illegal Practices*, 25–62. (Oxford and New York: Berg, 1999).
- Gardiner, John. “Defining Corruption.” In *Political Corruption: Concepts & Contexts*, 3rd ed., 25–40. New Brunswick, NJ: Transaction Publishers, 2002.
- Goodhand, Jonathan. “Corruption or Consolidating the Peace? The Drugs Economy and Post-Conflict Peacebuilding in Afghanistan.” *International Peacekeeping* 15, no. 3 (2008): 405–23.

- Gupta, S, H. Davoodi, and R. Alonso-Terme. "Does Corruption Affect Income Inequality and Poverty?" International Monetary Fund Working Paper. Washington, D. C: IMF, 1998.
- Heywood, Paul. "Political Corruption: Problems and Perspectives." *Political Studies* XLV (1997): 417–35.
- Huntington, S. *Political Order in Changing Societies*. New Haven, CT: Yale University Press, 1968.
- Jain, Arvind. "Corruption: A Review." *Journal of Economic Surveys* 15, no. 1 (2001): 71–119.
- Johnston, M. "The Political Consequences of Corruption: A Reassessment." *Comparative Politics* 18, no. 4 (1986): 459–77.
- Kolodiychuk, Vadym. "Expensive Donbas as Burden for Russian Budget." *112. Ua*, January 17, 2017. Accessed December 12, 2019. <https://112.international/article/expensive-donbas-as-burden-for-russian-budget-13172.html>.
- Krivosheev, Kirill. "The Lessons of the Donbas Election Campaigns." *Carnegie Moscow Center*, October 29, 2018. Accessed December 12, 2019. <https://carnegie.ru/commentary/77591>.
- Krymov, Vitaliy. "Adventures of Coal from the DNR or a Price of the Russian World." *Ostrov*, January 31, 2019. Accessed December 12, 2019. <https://www.ostro.info/articles/272/>.
- . "Metals from 'DNR': Trade on the Black Market." *Ostrov*, February 25, 2019. Accessed December 12, 2019. <https://www.ostro.info/articles/276/>.
- Le Billon, Philippe. "Buying Peace or Fuelling War: The Role of Corruption in Armed Conflicts." *Journal of International Development* 15 (2003): 413–26.
- "Life in Occupied Luhansk Region: Sandwiches Instead of Wages." *UNIAN*, February 12, 2018. Accessed December 12, 2019. <https://www.unian.info/war/2391726-life-in-occupied-luhansk-region-sandwiches-instead-of-wages-photo.html>.
- Matveeva, Anna. *Through Times of Trouble: Conflict in Southeastern Ukraine Explained from Within*. Lanham MD: Lexington Books, 2018.
- Mauro, P. "Corruption and Growth." *Quarterly Journal of Economics* 60, no. 3 (1995): 681–712.
- Mirimanova, Natalia. "Economic Connectivity across the Line of Contact in Donbas, Ukraine." Centre for Humanitarian Dialogue, September 2017.
- "'Nobody Wants Us' The Alienated Civilians of Eastern Ukraine." International Crisis Group, October 1, 2018.
- Nye, J. S. "Corruption and Political Development: A Cost-Benefit Analysis." *American Political Science Review* LXI, no. 2 (1967): 417–27.
- O'Brien, D-C. "Political Opposition in Senegal 1960–1967." *Government and Opposition* 2, no. 4 (1967).
- Odehov, Oleksandr, and Nataliia Hrytsenko. "Crimes Without Punishment: Human Rights Violations in the Context of Armed Conflict in Eastern Ukraine." (Kyiv: NGO Eastern-Ukrainian Centre for Civic Initiatives (EUCCI), 2018).

- Olken, Benjamin. "Monitoring Corruption: Evidence from a Field Experiment in Indonesia." *Journal of Political Economy* 115, no. 2 (2007): 200–49.
- Philip, Mark. "Conceptualizing Political Corruption." In *Political Corruption: Concepts & Contexts*, 3rd ed., 41–58. (New Brunswick, NJ: Transaction Publishers, 2002).
- "Rebel Leader Says East Ukraine Wants to Join Russia." *The Moscow Times*, April 9, 2019. Accessed December 12, 2019. <https://www.themoscowtimes.com/2019/04/09/rebel-leader-says-east-ukraine-wants-to-join-russia-a65162>.
- Rose-Ackerman, Susan. "The Economics of Corruption." *Journal of Public Economics* 4, no. 2 (1975): 187–203.
- Skorkin, Konstantin. "The Demise of the Counter-Elite: How Zakharchenko's Killing Will Change Donbas." *Carnegie Moscow Center*, September 9, 2018. Accessed December 12, 2019. <https://carnegie.ru/commentary/77158>.
- Snyder, Richard. "Does Lootable Wealth Breed Disorder." *Comparative Political Studies* 39, no. 8 (2006): 943–68.
- Socor, Vladimir. "Change at the Top Exposes the Politics of Donetsk-Luhansk 'People's Republics' (Part Two)." *Eurasia Daily Monitor* 15, no. 127, September 12, 2018. Accessed December 12, 2019. <https://jamestown.org/program/change-at-the-top-exposes-the-politics-of-donetsk-luhansk-peoples-republics-part-two/>.
- Szeftel, M. "Between Governance and Underdevelopment: Accumulation and Africa's Catastrophic Corruption." *Review of African Political Economy* 84 (2000): 287–306.
- "The Views and Opinions of South-Eastern Region Residents of Ukraine: April 2014." Kiev International Institute of Sociology, April 2014. Accessed December 12, 2019. <http://kiis.com.ua/?lang=eng&cat=news&id=258>.
- Twickel, Nikolaus von. "Current Events in the 'People's Republics' of Eastern Ukraine." Interim Report 2018. Civic Monitoring of Certain Areas of the Donetsk and Luhansk Region. DRA 2018, 2018.
- . "Developments in 'DNR' and 'LNR': 15 November — 14 December, 2018 (Newsletter 49)." *Civic Monitoring*, December 14, 2018. Accessed December 12, 2019. <https://www.civicmonitoring.org/de/developments-in-dnr-and-lnr-15-november-14-december-2018-newsletter-49/>.
- "Ukraine." Internal Displacement Monitoring Centre, n. d. Accessed December 12, 2019. <http://www.internal-displacement.org/countries/ukraine>.
- Zaum, Dominik. "Political Economies of Corruption in Fragile and Conflict-Affected States: Nuancing the Picture." U 4 Anti-Corruption Resource Centre, September 2013.
- "Aleksandr Zakharchenko: 'Spros Na Pasporta DNR Uvelichilsya v Razy [Alexander Zakharchenko: 'Demand for DNR Passports Has Increased Significantly']." *Izestia*, April 24, 2017. Accessed December 12, 2019. <https://iz.ru/news/689846>.
- "Surkov Poobeschal Pushilinu Povysheniie Zarplat v DNR [Surkov Promised Pushilin a Salary Hike in DNR]." *TASS*, October 10, 2018. Accessed December 12, 2019. <https://tass.ru/politika/5657257>.



Gabriella Gricius is a Senior Research Associate for the Public International Law and Policy Group in Amsterdam, the Netherlands and independent researcher at Vrije Universiteit (VU) Amsterdam. She recently received her Master's degree in International Security from the University of Groningen and is currently pursuing doctoral research as well as acting as a Teacher at the International Law Clinic at VU Amsterdam. Her interests are focused on the intersection of conflict studies, corruption and security studies in Russia and Eastern Europe. She is also a freelance journalist and has published in *Foreign Policy*, *Bear Market Brief*, *Global Security Review* and *Riddle Russia* as well as the academic journals 'The Asian Journal of Peacebuilding' and 'Sicherheit und Frieden.'